

DENTONS



FSC Australia

Mosaic and Dentons

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Our Speakers



DENTONS



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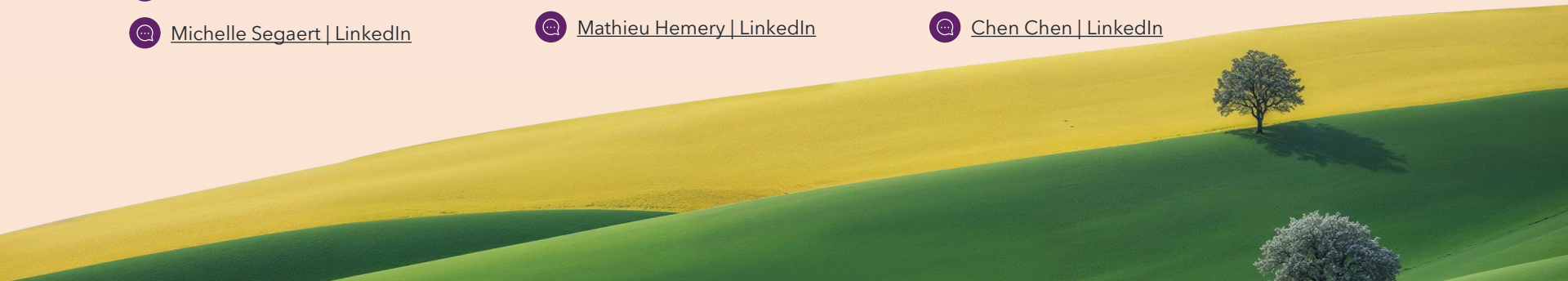


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Scope of CRD regime



Financial Markets Conduct Act defines in Part 7A the climate reporting entities concept

Initial scope of CRE	After FMC Amendment Bill (under Second Reading)
Large listed issuer with quoted equity or debt securities exceeding \$60m	Threshold will be raised to \$1bn for quoted equity or debt securities
Large bank, credit union, building society (i.e. NZ assets greater than \$1bn)	Will be unchanged.
Large licensed insurer (i.e. NZ assets greater than \$1bn, or annual gross premium revenue greater than \$250m)	Will be limited to general insurers (i.e. will not apply to life & health insurers).
Large manager of registered scheme (i.e. total assets under management for non excluded schemes greater than \$1bn)	Scheme managers will no longer be in scope.

NZ CS mandatory disclosure



General requirements

Principles of presentation

Principles of information

Governance

Strategy

Risk Management

Metrics & Targets

Current financial impacts
(1st year)

Anticipated financial
impacts **(first 4 years)**

Transition Planning (1st year)

Scope 3 GHG emissions
(first 4 years)

Comparative Scope 3 GHG
(first 6 years)

Comparative metrics
(first 2 years)

Analysis of trends
(first 6 years)

Scope 3 GHG assurance
(until Dec 2027)

NZ CS 1

NZ CS 2

NZ CS 3

Harmonization of climate reporting regimes



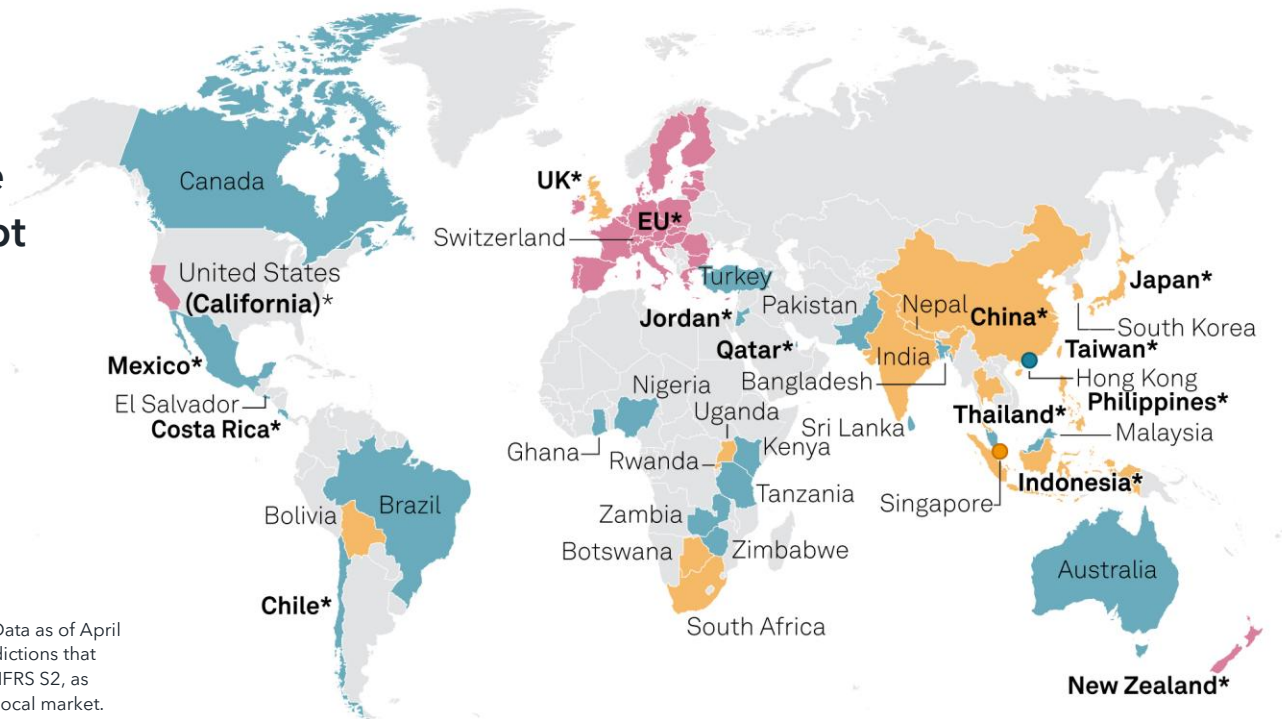
*Updated this quarter

■ Adopted

■ Plans to adopt

■ Other jurisdictions with related disclosure standards

Which jurisdictions have adopted or plan to adopt ISSB-based standards?



Source: S&P Global Energy, S&P Global Sustainable1 • Data as of April 22, 2026. "Adopted" and "Plans to adopt" includes jurisdictions that have applied or have a timeline to apply IFRS S1 and/or IFRS S2, as well as those that have modified the standards to fit the local market.

The NZ Experience: Key Takeouts



- **Get the right resources and support at the beginning.**
It's a marathon, not a sprint: these changes are transformative in nature, which means it will take time to integrate properly in your organisation.
- **Climate risk has a different risk profile from other business risks:**
long-term horizon; complex, non-linear – it will require a different set of tools to manage well
- **Assurance and validation considered and built in from the beginning.** Retrofitting in a traceability matrix is complex and time-consuming.
- Leverage New Zealand's learnings



The Governance pillar

The Governance pillar covers:

The governance body(ies) responsible for oversight of climate-related risks and opportunities:

- Responsibilities around climate risk management
- Skills and competencies
- Information flows
- Integration in strategy
- Performance and risk monitoring

Management role:

- Management positions and/or committees are responsible.
- Responsibilities assignment
- Risks and opportunities controls and monitoring
- Reporting mechanisms to governance body

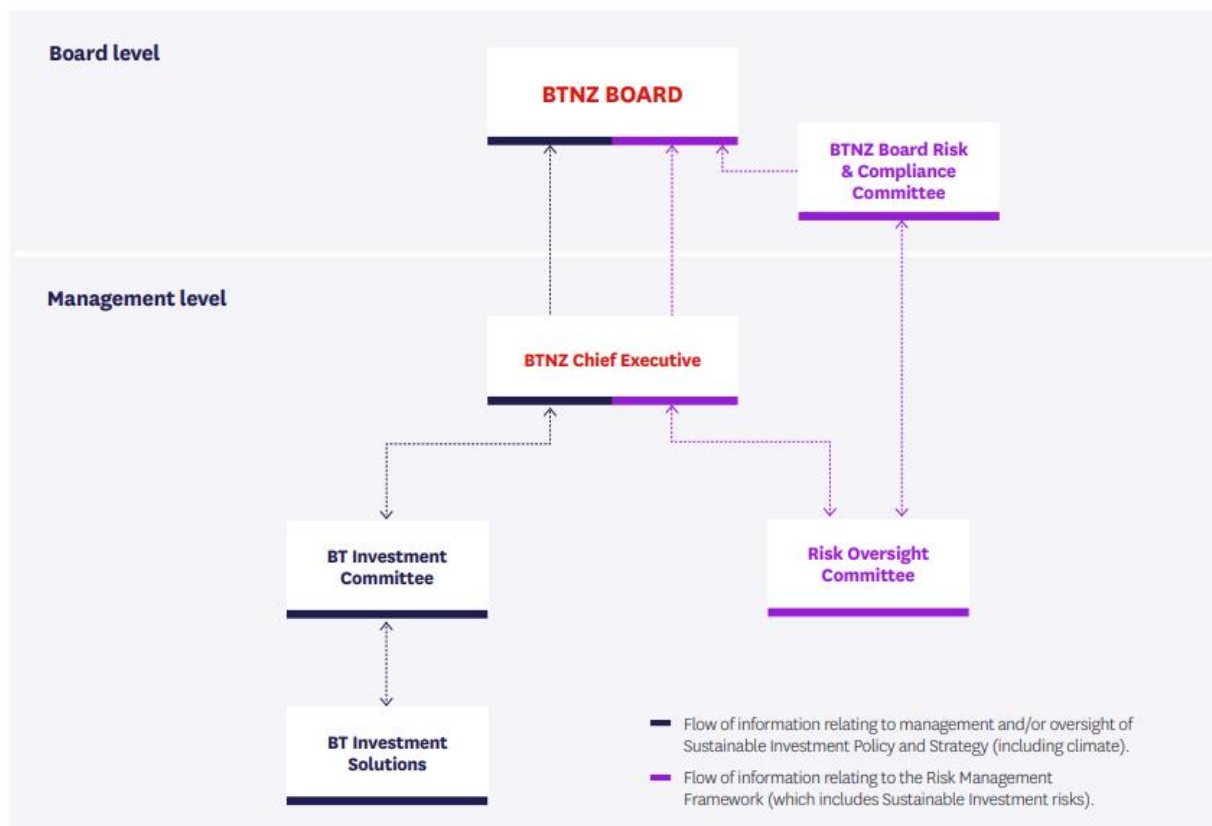
Governance – your current state



- What are the current existing committees and key roles?
- What are the existing mechanisms for the Board and management to interact?
- **New functions to govern:**
 - Climate risk management
 - Climate strategy (opportunities)
 - Production of sustainability report
- What is the current skill composition of the Board (or equivalent) ?
 - Skill matrix
 - Onboarding curriculum
- **New skills to develop and maintain:**
 - Climate science and associated risks and impacts on society
 - (very) Long term planning: targets, transition planning, stewardship...

Governance - interesting examples

Figure H: The related organisational structures showing where these management-level positions and committees lie, and how they engage with each other.



Governance – interesting examples



	Nikko AM Board	Compliance Risk and Disclosure Committee (CRD)	"Heads" of portfolio management teams	Portfolio Managers
Who does this group consist of?	Two independent directors (one is the Chair of Nikko AM NZ) Two directors from the Global Executive Committee of Nikko AM NZ's global parent The Managing Director of Nikko AM NZ	The Managing Director of Nikko AM NZ "Heads of" Portfolio management Teams Chief Operating Officer General Counsel & Company Secretary Head of Compliance and Risk Head of Distribution	These are the most experienced portfolio managers within Nikko AM NZ and lead each of the following portfolio teams: Equities Fixed Interest Diversified Funds and External Managers	These are the individuals responsible for making the day-to-day investment decisions for a specific fund. They either report to, or are, "Heads of" investment teams. Please see the website for the bio of the portfolio manager for your specific fund: https://www.goalsgetter.co.nz/about/our-people
What are their relevant skills?	All directors have received basic training in the climate disclosure regime by EY. The independent Chair of Nikko AM NZ is also a director of other NZ climate reporting entities and therefore can bring insights from other companies. She is also a Chartered Accountant. The Directors from within the Nikko AM Group have several years' experience monitoring and approving Global TCFD reporting (which NZ climate reporting is based upon). The Managing Director is a chartered accountant and has completed PRI Academy ESG Foundation Training and was former Head of Equities at Nikko AM NZ.	The "Heads of" and Managing Director are experts in factoring risk into investment decisions. The Head of Equities has also completed the PRI Academy Applied Responsible Investment course. The other "Heads of" will have completed PRI Academy, "Applied Responsible Investment" within the next two years. The General Counsel and the Head of Risk and Compliance, have the expertise to oversee the compliance and legal aspects of climate reporting and have expertise in drafting policies and processes. Chief Operating Officer has expertise in operational risk management and process design.	"Heads of" are all experts in assessing the risks of investment and making investment decisions. Within a two year period all current staff within Nikko AM investment teams will have completed PRI Academy's "Applied Responsible Investment" course.	They are all experts in assessing the risks of investment and making investment decisions. Over a two-year period the expectation is that all staff in the Nikko AM NZ investment teams will have completed the PRI Academy Applied Responsible Investment course.

How frequently do they meet?	Quarterly	Quarterly	Investment teams meet quarterly to consider climate data.	Day to day
What information do they receive?	Quarterly reporting from each of the "Heads of" about the performance of the funds they are responsible for. This now includes reporting on how each fund has performed relative to carbon measures of the index (where there is an appropriate index). Minutes from CRD. Any issues of note on an ad hoc basis about how the climate framework is operating. Quarterly reporting from legal and risk and compliance functions that would raise concerns if there was evidence of climate processes and procedures not being followed.	Quarterly reporting from each of the "Heads of" about the climate performance of the funds they are responsible for. This includes reporting on how each fund has performed against its carbon measures (including measures of the index, where applicable), and also feedback on what investment teams are seeing. Information from "Heads of" necessary to carry out an annual fund review. Reporting from legal and risk and compliance functions to confirm that processes are being followed.	Feedback from the Board and Compliance Risk and Disclosure Committee. Policies and processes determines by the Compliance Risk and Disclosure Committee. Quarterly climate data for team discussions. Outputs of annual fund review processes. Direction from "Heads of" in terms of team strategy and process.	Policies and processes determined by the Compliance Risk and Disclosure Committee. Quarterly climate data for team discussions. Outputs of annual fund review processes. Direction from "Heads of" in terms of team strategy and process.
What information do they provide?	Ad hoc feedback. Approve Climate Framework and Transition targets.	Outputs of annual fund reviews. Policies and procedures. Changes to mandates and SIPOs. Ad hoc feedback.	Information to the Board and CRD on: How funds are tracking against climate metrics for the index (where relevant); Ad hoc commentary on how quarterly team consideration of risks and opportunities is going; Input into annual fund reviews; Lead team discussion of climate data.	Input into team consideration of risks and opportunities.

Governance – interesting examples



The Board has delegated the implementation of the climate change strategy to the Manager's Investment Committee, which is a management committee consisting of an independent member and representatives from management and the Board. The Board has drawn on its own expertise, the expertise of management, and external advisers as required, and has identified the need to expand their collective understanding of climate change risks and opportunities and how these apply to the investment strategy. Therefore the Board has added climate change risk to its **skills matrix and implemented an educative programme** to ensure the necessary skills and competences are available to provide oversight of climate-related risks and opportunities.



The Risk Management pillar

The Risk Management pillar covers:

Climate risk
identification
and assessment

Opportunity
identification and
assessment

Integration with
enterprise risk
management

Risk Management – current state



- **Does your organisation:**

- Have a risk appetite defined and approved by your governance body?
- Have any security or asset class ESG exclusions or similar?
- Have any engagement with investment managers (if investing in externally managed funds)?
- Have an enterprise risk management framework?

- **New concepts to consider:**

- Thresholds on climate risk (both physical and transition) associated to assets in portfolio.
 - Could be through analytics (such as CVaR), or mapping securities.
 - Through scenario analysis.
 - Expand (or develop) exclusions related to fossil fuels, companies with assets likely to be impacted by extreme weather events
- Integration – climate risk is an investment risk



Risk management - examples



Key climate-related risk and opportunity processes and tools	Identify	Assess	Manage	Frequency**
Responsible Investment Framework				
Exclusions	●	●	●	Quarterly
ESG integration	●	●	●	Ongoing
Stewardship	●	●	●	Ongoing
Climate strategy				
Prioritisation and assessment using various inputs (including PAII-NZIF, CVaR, SASB, research)	●	●		Annual
Stewardship monitoring, engagements, and reporting		●	●	Ongoing with reporting bi-annual
Interim WACI target		●	●	Annual review
Annual scenario analysis*		●	●	Annual
CVaR analysis*	●	●		Annual
Climate metrics reporting	●	●		Bi-annual
Asset allocation				
Strategic Asset Allocation	●	●	●	At least every three years
External fund managers				
Selection and monitoring	●	●		Ongoing
Stewardship		●	●	Ongoing
Third parties				
Memberships and signatories	●	●	●	As required
Data providers	●	●		As required
Investment governance				
Forums	●	●	●	See Governance for frequency of forums.

* Developed or enhanced during the year.

** Some of these processes may be conducted on a more frequent basis where there is a change to our investment strategy.

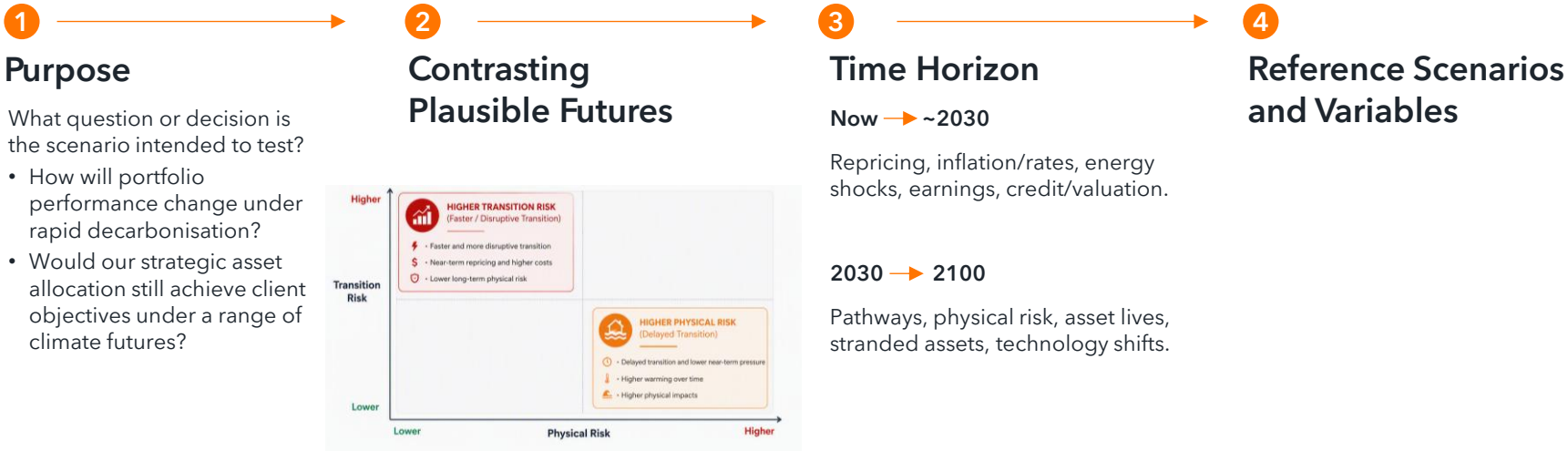
Risk management - examples



Risk	What is the risk?	Transition or physical risk	Timeframe the risk applies to the most	How we manage and consider the risk in our capital deployment and decision-making processes
Market	The risk that companies and other issuers (within the fund(s)) experience negative investment performance from the impacts of climate change which consequently affects the investment performance of the fund(s).	Transition and physical	Short, medium and long-term	Our investment strategy integrates sustainable investment (which includes climate-related investment risks) into portfolio construction and underlying Investment Manager selection, appointment, monitoring, and review. We use a variety of metrics to monitor climate-related risks to underlying issuers within the funds (please see the Targets and Metrics section for more information).
Third party – use of underlying Investment Managers	The risk that the underlying Investment Managers fail to manage the assets within the scheme (and the funds within it) in-line with BTNZ's Sustainable Investment Policy.	Transition	Short to medium-term	We manage this through: - Underlying Investment Manager selection processes. Our policies include requirements for BTNZ to consider the manager's ability to deliver on the Sustainable Investment Policy commitments as well as integrate climate-related risks and opportunities into their processes. - Underlying Investment Manager appointment processes. This includes having Investment Management Agreements with each of the managers. These agreements include requirements for our underlying Investment Managers to manage portfolios, capital allocation and report in accordance with our Sustainable Investment Policy. In addition, we have established specific Climate Action Plans for our equity and listed property managers. - Underlying Investment Manager monitoring processes. This includes receipt and review of sustainable investment performance reporting from our underlying Investment Managers as well as quarterly meetings. - Underlying Investment Manager review processes. This includes conducting annual sustainable investment due diligence on our underlying Investment Managers.
Strategic	The risk that the scheme does not have an integrated strategy to address the transition towards a low-emissions, climate resilient economy.	Transition	Short-term	We have a Sustainable Investment Strategy supported by a Sustainable Investment Policy, both of which address climate change. For information on how these are governed and managed refer to the Governance Section.
Reputation	The risk that the scheme/fund does not provide transparent communications to primary users on its climate ambitions.	Transition	Short-term	To ensure communications are transparent, we rely on our internal disclosure verification and review processes, including our formal Due Diligence processes for the Climate Statements.

Starting Scenario Analysis: What decision are we trying to inform?

Scenario analysis is proportionate to the decision at hand. AASB S2 does not mandate exactly two scenarios or specified temperature thresholds.



Reference Scenarios and Variables

Use authoritative sources for different parts of the scenario, then localise the assumptions that matter

Dimension	IPCC	NGFS (Long-term & short-term)	IEA	Australian Evidence
Warming / physical climate / hazards	Primary	Support	–	Primary (ACS/CSIRO/BoM)
Transition Timing & Policy	Support	Primary	Support	Primary (DCCEEW)
Carbon Price / Emissions	Support	Primary	Support	Primary (DCCEEW)
Energy / generation mix / technology	–	Support	Primary	Primary (AEMO ISP)
Macro-Financial Conditions	–	Primary	Support	Support
Sector Pathways	Support	Support	Primary	Primary (DCCEEW / AEMO)



Cross-map, don't equate. NGFS Net Zero $\neq$ IEA NZE $\neq$ IPCC SSPs $\neq$ AEMO scenarios. Each source plays a defined role; they do not need to agree.

Cross-mapping constructs a transparent, internally coherent scenario. It does not make every model produce identical outputs.

What scenario analysis produces

Scenario Outputs

- Climate pathway narratives (orderly, disorderly transition)
- Modelled variable sets: carbon prices, temperature pathways, energy mixes
- Portfolio-level sensitivity ranges
- Risk exposure maps by sector and geography

	Scenario 1	Scenario 2	Scenario 3
Scenario summary	Global warming limited to 1.5°C through stringent climate policies and innovation, reaching net zero CO2 emissions around 2050. ⁵	Emissions decline but lead nonetheless to global warming where temperatures increase beyond 2°C to 2.6°C by 2100. ⁶	Minimal global action towards reducing emissions leading to a temperature increase past 3°C by 2100. ⁷
Pathways	FSC Orderly NGFS Net Zero 2050	FSC Too Little Too Late NGFS Nationally Determined Contributions (NDCs) ⁸	FSC Hot House NGFS Current Policies
Temperature outcome	1.5°C	>2°C	3°C+ ⁹
Physical risk severity	Low-moderate	Moderate	High
Transition risk severity:	Moderate-high	Low-moderate	Low
Policy reaction	Immediate and smooth	NDC's	None (current policies)
Technology change	Fast	Slow	Slow
Policy variation	Medium	Medium	Low
Carbon dioxide removal ¹⁰	Medium-high use	Low-medium use	Low use
Reason for selection	Aligned with the Paris Agreement and our Net Zero 2050 goal.	Viewed by the FSC as a more realistic New Zealand scenario.	A challenging physical risk scenario.
All the underlying variables (carbon prices, GDP) are publicly available, allowing us to better understand the assumptions and limitations used and how each of the variables change over the time horizons. The NGFS models are applicable globally across the asset classes, geographies, and sectors our Funds invest in and broadly align with the FSC. NGFS has been widely adopted by fund managers with similar investment exposures and strategies.			

Source: Adapted from NGFS, 2023 (Phase IV) and FSC Climate Scenario Narratives

Scenario narratives - impact over short, medium, and long term relative to 2024

Scenario 1 Limit temperature rise to 1.5°C (with overshoot)
Short term (1-3 years)
Significant investment in solar and wind energy. Carbon prices increase to reflect government policies to reduce emissions. Conversely, investment in new fossil fuel projects continues to decrease through to 2025.
Medium term (5-10 years)
Global GHG emissions reduce as society reduces its emissions footprint. This is combined with increasing investment in carbon capture, storage, and transport as a way of removing emissions from the atmosphere and a reduction in investment in new fossil fuel production.
Long term (>30 years)
Global emissions approach net zero, with an ambition of reaching less than 1.5°C of warming by 2050. The energy mix and electricity capacity are primarily made up of renewable energy, as reliance on oil and coal reduces significantly.

Scenario 2 Temperature rise >2°C
Carbon prices increase for countries that have committed to reducing their emissions. Annual emissions reduce year on year compared to a 2020 baseline. Investment in new wind and solar as sources of renewable energy increases over time in countries that have set emissions reduction targets.
Carbon prices increase for countries that have implemented climate commitments (like New Zealand, the United States, and Japan), but remain low for countries that do not implement emissions reduction policies (like China and India). Further investment in renewables increases, while new investment in fossil fuels continues to decline.
Global annual emissions reduce, but do not reach net zero, leading to an increase in global temperatures that exceed 2°C. Investment in fossil fuels as a source of energy is almost phased out by 2050, and renewable energy sources make up more than half of the global energy mix.

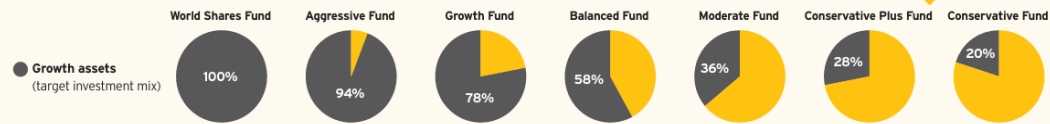
Scenario 3 Temperature rise >3°C
Global energy demand continues to increase. Unlike Scenarios 1 and 2, global emissions do not trend downwards, but rise and stay elevated compared to 2020 levels. Investment in wind and solar as a form of energy increases over time, but comparatively less than the other two scenarios.
There is little to no investment in new technologies to store and remove emissions from the atmosphere, and investment in new fossil fuel projects as a source of energy increases through to the year 2030.
Global emissions continue to increase, leading to global temperature rise exceeding 3°C by 2050. Carbon prices remain relatively flat as emissions are not priced to incentivise emissions reductions through government policy. Fossil fuels are still heavily relied upon for energy, making up over 50% of the energy mix.

How to identify Climate-Related Risks and Opportunities (CRRO)



Climate-related risks and opportunities	Time horizon	Description	Impact on investee companies	Most impacted sectors/industries	Anticipated impacts	
					Degree of anticipated impact under different climate scenarios	Potential impact on value of Funds
Transition risk: Market	Short to medium-term	High emissions industries may be prone to underperformance and incur stranded assets.	- Increased operating costs - Decreased revenues - Decreased asset values	Energy, Materials, Industrials, Utilities	The anticipated impacts of transition risks were found to be higher in certain industries such as energy, industrials, utilities and materials. Our scenario analysis also found that transition risk varies more between the different scenarios in the near-term than physical risk. Overall, transition risks can be expected to have a greater impact for the Funds under the 1.5°C Orderly and >2°C Too Little Too Late scenarios, where governments and others take earlier and greater actions to reduce emissions.	Funds with a higher allocation to growth assets (for example the Aggressive and World Shares Funds) have a higher risk of seeing more significant reductions in value from the impacts of climate change due to the longer investment time horizon of equities.
Transition risk: Policy	Short to medium-term	Geopolitical changes may impact supply chains and slow down investments abroad as regions focus on themselves.	- Decreased revenues - Increased cost of capital	Energy, Materials, Industrials, Utilities		
Transition risk: Policy	Short to medium-term	Current climate policies are subject to governments in place and are prone to election cycles.	- Increased cost of capital - Increased operating costs	Energy, Materials, Industrials, Utilities		
Transition risk: Technology	Short to medium-term	The success of climate mitigation strategies may depend on technologies being deployed at scale, such as carbon capture and sequestration.	- Increased capital expenditure - Increased cost of capital	Energy, Materials, Industrials, Utilities		
Transition risk: Market	Short to medium-term	Consumer preferences may shift to low-carbon alternatives (food, travel, transport, property).	Decreased revenues	Energy, Materials, Industrials, Utilities		
Physical risk: Acute	Medium to long-term	Extreme weather events become more frequent and severe, impacting communities and physical assets.	- Increased operating costs - Decreased revenues - Decreased asset values	Materials, Industrials, Financials, Utilities	Our scenario analysis found that physical risks are likely to worsen over the long-term for the Funds, but to differing extents. Under the three different scenarios, the impact from physical risks becomes heightened in the longer term (2050-2100) because they are anticipated to worsen over the latter half of the century and attempts to change the physical impacts from climate change will happen slowly and over time. Physical risks are expected to have a bigger impact in the two scenarios with higher warming outcomes (>2°C and >3°C) as chronic and acute physical impacts become more frequent and severe.	
Physical risk: Chronic	Medium to long-term	Changing climate patterns may slow down economic growth and impact human quality of life (access to food, shelter and essential services).	- Increased operating costs - Decreased revenues	Materials, Industrials, Financials, Utilities		
Transition opportunity: Market	Short to medium-term	Investing in climate solutions has the potential to attract customers whose preferences are shifting.	- Increased revenues - Decreased cost of capital	Materials, Industrials, Utilities	Overall, transition opportunities can be expected to have a greater impact for the Funds under the 1.5°C and >2°C scenarios, where governments and others take earlier and greater actions to reduce emissions. For climate-related adaptation opportunities a greater impact can be expected under the > 2°C scenario.	The transition to a low-emissions economy can present opportunities for some companies in certain industries to benefit by developing solutions to climate change (such as renewable power generation). Opportunities are higher in Funds with a greater proportion of growth assets.
Transition opportunity: Market	Medium to long-term	Investing in climate-related adaptation may outperform in futures with low efforts towards transition.	- Increased revenues - Decreased cost of capital	Materials, Industrials, Utilities		
Transition opportunity: Policy	Short to medium-term	Companies and governments of jurisdictions actively progressing on their climate transition may be attracting more capital.	- Increased revenues - Decreased cost of capital	Not applicable		

Short-term = 1-3 years
 Medium-term = 5-10 years
 Long-term = >30 years



Example: geographic and policy exposure mapping

Global risks:

All geographies are likely to experience wildfires, water stress and droughts, sea level rise, increase in mean temperature, physical risk impacting government, slow transition, international markets shifting away from emissions intensive sectors, and transition risk impacting government.

UK & European Union

Large amount of policy intervention.

Europe ex-EU

Poor climate policies and commitments.

China

Unclear climate policy direction.

Rest of World ex-China

Poor climate policies and commitments.
Migration and political unrest driven by physical climate perils.

USA & Canada

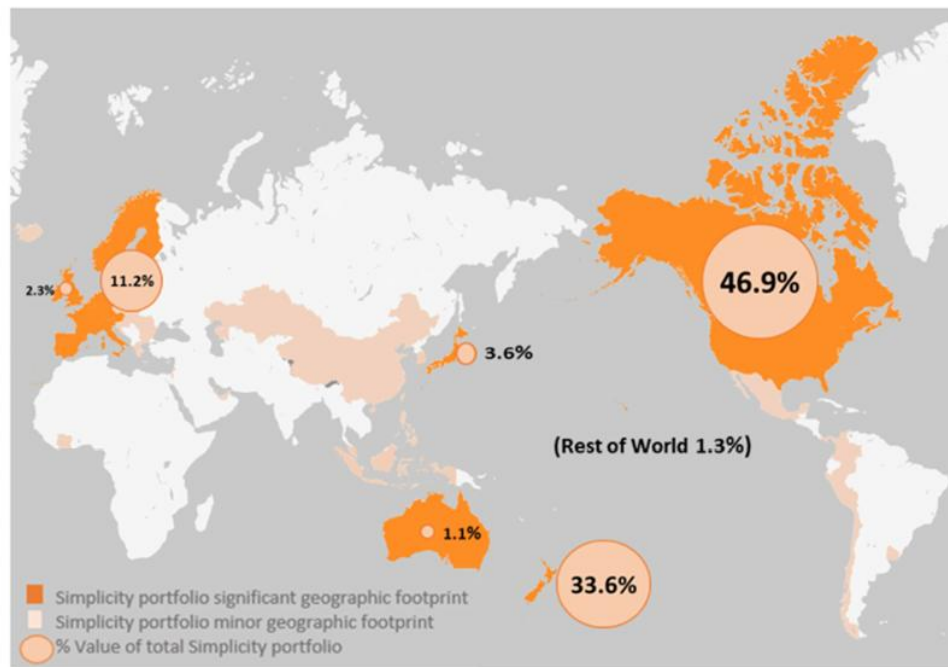
Less vulnerable to floods.
Large amount of policy intervention.

Japan

Less vulnerable to floods
Unclear climate policy direction.

New Zealand

Large amount of policy intervention.



Translate the Scenario – and Identify What Matters to Your Portfolio

Climate assumptions become decision-useful only when connected to financial outcomes



The scenario is not the decision.

Its value is in revealing which assumptions and exposures could materially change the investment case.



Indicators: is the external pathway changing?

Retirement dates • renewable penetration • electricity prices



Portfolio metrics: what is the investment consequence?

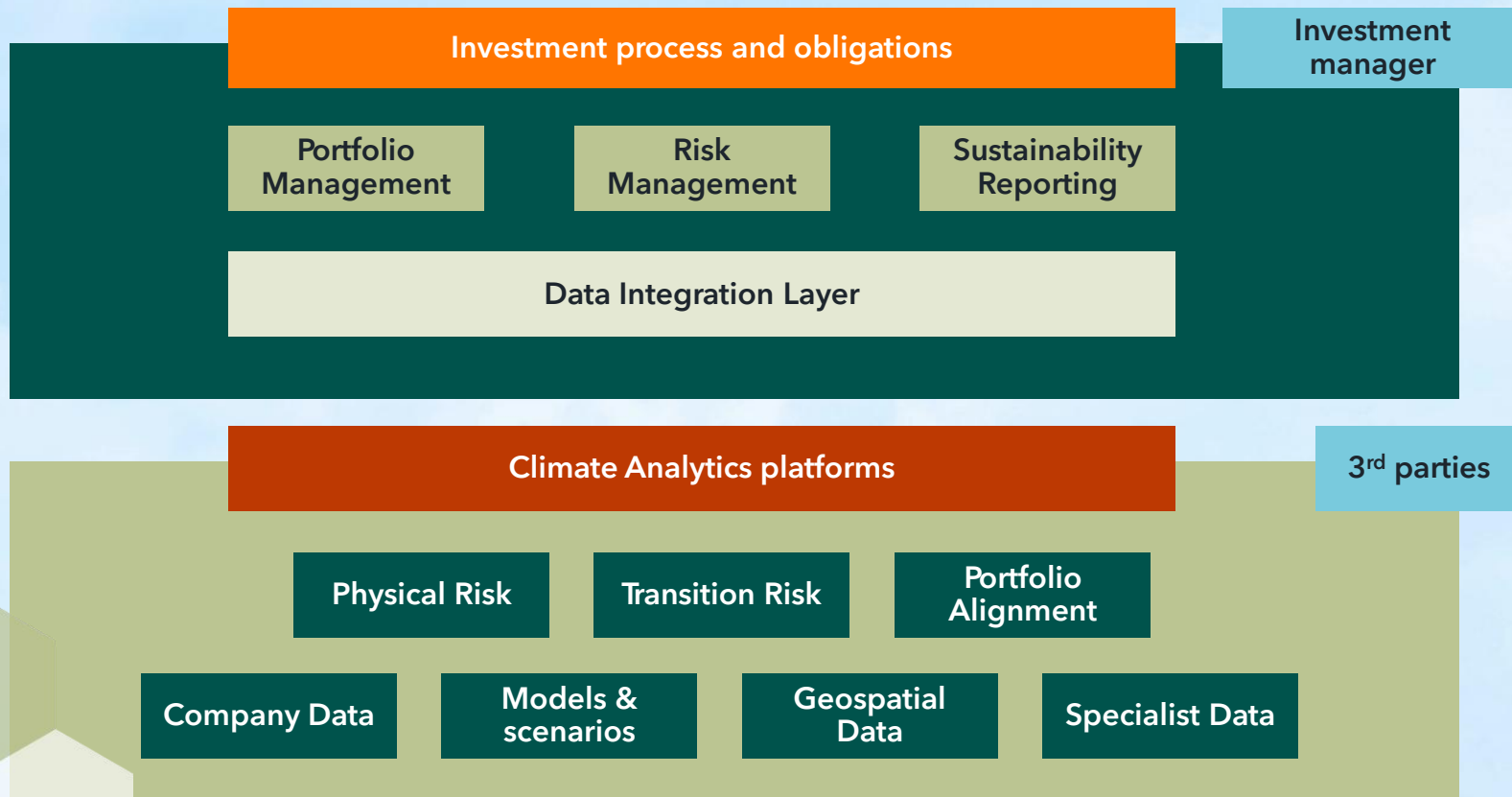
Financed emissions • transition-plan coverage • valuation sensitivity

Financial impact example

Current impacts process outputs

Climate-related risks/ opportunities or investment strategy decision	Events/trends or investment strategy decision with a climate-related impact	Most impacted geography and sector	Current impact for the Funds
 Investment strategy decision to manage climate-related risks and opportunities	In September 2023 we changed the investment management of our global equities to track the MSCI World ex. Australia Climate Paris Aligned Index (PAI)¹. This decision was implemented to help manage climate-related risks and opportunities.	Global equities asset class	For the change in investment management of our global equities to track the PAI we can consider the impact this year relative to having not made this decision. To do this we quantified the performance difference between the MSCI World ex Australia Index (the parent index²) and the PAI over the period. For the first half of FY25 the PAI outperformed the parent index, however, underperformance followed in the latter half, resulting in an overall underperformance of -1.7%³ for the reporting period. The PAI has different country, sector and individual stock weights relative to the parent index. The difference in performance caused by these different weights can be driven by multiple factors, not just climate related factors. This simple calculation does not consider the additional climate-related investment risk in the parent index compared to the PAI. The Funds' investment strategies consider expected risk and returns (including expected climate-related investment risks and returns) over a medium to long term timeframe.
 Transition risk: Market and policy	In January 2025, US President Donald Trump signed 26 executive orders, three of which were climate related (e.g. withdrawing the US from the Paris Agreement). Large US banks and investment managers have withdrawn from industry commitments that reflect the Paris Agreement.	US Energy, Utilities and Industrials Global (ex US) Materials and Industrials	For each event or trend, the Funds invest (at varying levels) in companies in the geographies or sectors that, based on our internal expertise and judgement, may have been impacted. For example; - Market and policy related changes in the US could slow down support for reducing global emissions, which may impact the value of companies that are working on low emissions technology or infrastructure, such as renewable energy, - Growing global energy demand may increase demand for low-emissions energy sources, such as renewables. However, it may also drive sustained or increased demand for traditional energy companies and fossil fuel producers due to the expectation that fossil fuels will be needed to fill the energy demand gap for longer, and - Previous policy support from governments (such as in NZ and in the US) for consumers to acquire an EV through subsidies have been removed or cut back. This could impact the value of EV companies.
 Transition risk and opportunity: Market and policy	There is an increasing expectation that growing global demand for electricity (led by the growth of cloud and AI technology) cannot be fully met by renewable sources and the gap will need to be met by fossil fuels for longer.	Global Energy and Utilities	
 Transition risk and opportunity: Market and policy	Removal of subsidies for Electric Vehicles (EVs).	US Consumer Discretionary	To attempt to quantify the impacts for the Funds is challenging because there will be a wide range of views on the extent of any impact and of perceptions as to how that may impact the value of the company through the share price. In addition, there are many other factors that will impact a company's share price and/or the sector at the same time, which could be positive for some companies and negative for others. The high level of uncertainty as to how the effects of the events or trends identified may have impacted a company's share price (amongst the many other things that may impact a company's share price) meant we were unable to financially quantify the impact of these events or trends for the Funds.

Climate Data Ecosystem



Data Sources and Providers



Where (in ecosystem)	Examples
Climate Analytics	Market data providers: MSCI, Bloomberg, Sustainalytics, Blackrock Aladdin
Company Data	Sustainability, climate and financial reports; CDP
Models and scenarios	IPCC (and downscaled), NGFS, IEA
Geospatial Data	Asset level information (satellite data, council)
Specialist Data	Asset class data (such as private markets, government bonds): EDHEC (infrastructure assets)
Physical risk	Fathom, Moody's, CCC, NIWA, ClimSystems
Transition risk	Market data providers: MSCI, Bloomberg, Sustainalytics, Blackrock Aladdin
Data Integration	Curium; APIs; ETL; data governance; other internal data

From Scenario Outputs to Decision-Useful Metrics



Scenario analysis generates numbers – metrics & targets turn those numbers into investment decisions.

What metrics & targets add



Decision-Useful Metrics

- ✓ Exposure to climate-related risks
- ✓ Progress against climate commitments
- ✓ Effectiveness of climate strategy
- ✓ Whether climate considerations are influencing management decisions

☰ AASB S2 – Metrics Requirements

- Disclose metrics used to measure and monitor climate-related risks and opportunities
- **Cross-industry:** Absolute GHG emissions (Scope 1, 2, 3), transition risk exposure, physical risk exposure, capital deployment, internal carbon pricing, remuneration linked to climate matters
- Removed industry-based metric but retained **specific financed emissions disclosure requirements** for financial institutions

Financed emissions specific requirements

Requirement	Asset Management	Commercial Banking	Insurance
Absolute gross financed emissions	Scope 1, Scope 2 and Scope 3 financed emissions.	Scope 1, Scope 2 and Scope 3 financed emissions for each industry and asset class.	Scope 1, Scope 2 and Scope 3 financed emissions for each industry and asset class.
Exposure covered by calculation	Total AUM included in financed emissions disclosure.	Gross exposure to each industry by asset class. Includes funded amounts and undrawn commitments.	Disclose insurance-associated exposure included in financed emissions calculations.
Coverage percentage	% of total AUM covered.	% of total gross exposure covered.	% of total gross exposure covered.
Explanation of exclusions	Explain excluded asset types and excluded AUM when coverage <100%.	Explain excluded exposures when coverage <100%.	Explain excluded exposures when coverage <100%.
Methodology disclosure	Must disclose methodology and allocation approach used to attribute emissions relative to gross exposure.	Method used to allocate emissions to lending and investment exposures.	Method used to calculate insurance-associated emissions.

What Metrics Are Funds Managers Interested In

GHG Emission metrics

01

Financed Emissions

Absolute GHG emissions (tCO₂e) attributed to the portfolio using PCAF methodology; Scope 1 + Scope 2 of investee companies, weighted by ownership share.

02

Carbon Footprint

Portfolio financed emissions normalized by portfolio value (tCO₂e per \$M invested); allows comparison across funds of different sizes.

03

WACI

Weighted Average Carbon Intensity – each holding's emissions intensity (tCO₂e per \$M revenue) weighted by its share of portfolio value.

04

Portfolio Coverage %

Percentage of portfolio AUM for which climate-related data is available and the metric is calculated.

05

PCAF Data Quality Score

Score 1-5 indicating quality of underlying emissions data. Score 1 = audited company-reported data; Score 5 = estimated from sector averages.

Other cross-industry metric

Risk-Linked

Climate VaR

Estimated financial loss (% of portfolio value) under a defined climate scenario; connects physical and transition risk to valuation impact.

Used by: Pie, Aurora, Russell

Physical Risk Exposure

Share of portfolio (by AUM or holdings count) with material exposure to acute or chronic physical climate hazards — flooding, heat stress, water stress, cyclone.

Providers: MSCI, Sustainalytics

Transition Risk Exposure

Share of portfolio with material transition risk exposure; often mapped to high-carbon sectors or assets with regulatory carbon price sensitivity.

Forward-Looking

Implied Temperature Rise (ITR)

Forward-looking metric expressing portfolio alignment with a temperature pathway (e.g., 2.3°C) based on investee emissions trajectories.

Increasingly used — methodology varies significantly

SBT Coverage

Percentage of portfolio (by AUM or holdings) invested in companies with approved Science-Based Targets.

Opportunity & Alignment

Green Revenue Exposure

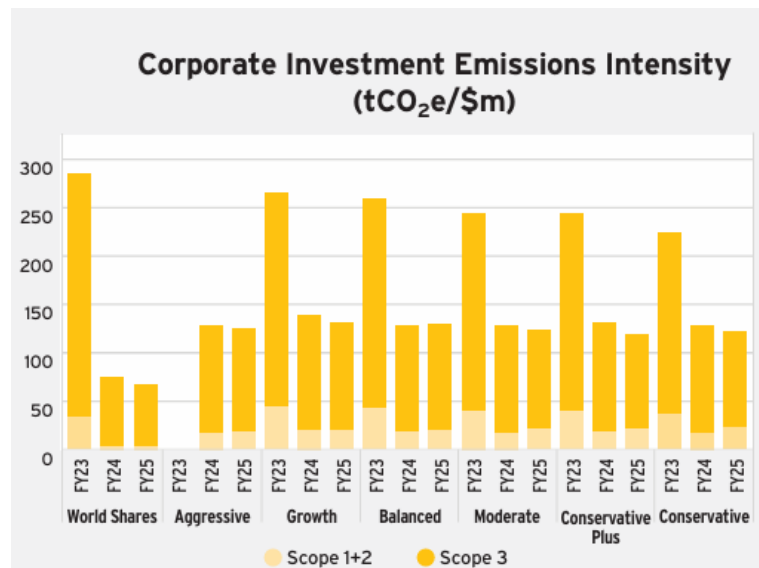
Percentage of portfolio revenue derived from green or climate-solution activities — renewable energy, clean transport, energy efficiency. Reflects opportunity-side positioning.

Fossil Fuel Revenue Exposure

Percentage of portfolio revenue or AUM with material exposure to fossil fuel extraction or generation. Used as a transition risk screening metric.

 *Methodology comparability across providers is limited for Climate VaR and ITR – disclosure should include provider name and methodology version.*

MSCI Methodology mapping with PCAF standard



Investment emissions methodology

The below table provides a description of each emissions metric and how it is calculated. ASBGI's functional and presentation currency is New Zealand dollars (NZD).

Metrics	Description	Methodology
Corporate investment emissions (tCO ₂ e/yr)	Total corporate investment emissions from investments in listed equities and corporate bonds.	$\frac{\text{Outstanding amount}}{EVIC} * \text{Company emissions} \left[\frac{tCO_2e}{yr} \right]$
Sovereign investment emissions (tCO ₂ e/yr)	Total sovereign bond investment emissions.	$\frac{\text{Notional bond amount(sov} \text{eign)}[NZD]}{PPP\text{-adjusted GDP}[NZD]} * \text{sovereign emission} \left(\frac{tCO_2e}{yr} \right)$
Investment emissions Intensity (tCO ₂ e/NZD M)	Investment emissions per NZ\$1 million invested.	$\frac{\text{Investment emission}_{portfolio} [tCO_2e]}{\text{Market value}_{portfolio} [NZD M] * \text{Investment emission coverage ratio} [\%]}$
Investment emissions data quality score (1-5)	Weighted average data quality score calculated in accordance with the PCAF Standard.	$\frac{\sum_{covered\ asset} (\text{Investment Emission Quality Score}_i \times \text{Current Market Value}_i [NZD])}{\sum_{covered\ asset} \text{Current Market Value}_i [NZD]}$
Coverage ratio (%)	Percentage of AUM with emissions data available.	$\frac{\sum_{covered\ asset} \text{Current Market Value}_i [NZD]}{\text{Asset under Management(AUM)}[NZD]}$

A summary of the changes in the GHG emissions of the Milford Funds from the 2024 data is as follows:

- Both the **Cash** and **Conservative Funds** have higher GHG emissions than in 2024, driven by a lower proportion of cash instruments in the Fund at 31 March 2025. This has a much lesser impact on weighted average emissions intensity, which has remained broadly stable for the two Funds.
- The **Moderate Fund** saw some increase in its total GHG emissions in 2025, driven by an increase in investments in companies with higher scope 2 emissions, including Air Liquide SA and National Grid Plc. Despite this, the weighted average emissions intensity was slightly lower due to a lower proportion of investments in the companies with higher scope 3 emissions intensity, such as the energy and materials sectors.

	Cash	Conservative	Moderate
GHG scope 1 weighted average emissions intensity of underlying companies			
31 March 2025	84.6	64.1	86.3
31 March 2024	78.7	56.2	60.2
% change	7.6%	14.1%	43.4%
GHG scope 2 weighted average emissions intensity of underlying companies			
31 March 2025	1.1	9.5	11.0
31 March 2024	0.5	11.8	12.9
% change	116.5%	-19.7%	-14.3%
GHG scope 3 weighted average emissions intensity of underlying companies			
31 March 2025	237.5	170.0	208.1
31 March 2024	200.4	163.5	237.4
% change	18.5%	4.0%	-12.3%
Total GHG weighted average financed emissions intensity of underlying companies			
31 March 2025	323.2	243.7	305.5
31 March 2024	279.5	231.5	310.4
% change	15.6%	5.2%	-1.6%

Setting a target

- Part of metrics and targets pillar
- AASB S2 requires to:
 - Disclose climate-related targets which are set to achieve strategic goals
 - Specific details apply for targets on GHG emissions.
 - The approach to setting and reviewing each target
 - Performance against each target



What is in a target



- **Defining the baseline**
 - Year
 - Scope (e.g. part of portfolio)
 - Metric to measure
 - GHG emissions (which scope)
 - Absolute v intensity
 - Other metrics, such as stewardship, exposure to fossil fuels, climate solutions...
- **Benchmarking is useful to compare against peers, allows to not fall behind or take the lead:**
 - Is the target compatible with relevant industry bodies (e.g. IGCC) views?
 - With the country's commitment?
- **Defining the target**
 - Long term, short term
 - Feasibility pathway
 - IEA (per sector or subsector)
 - Real economy v impact on portfolio
 - Investee decarbonisation (engagement)
 - Investments in climate solutions and climate finance



Examples of targets

Table T.1 – Scheme progress towards targets

2030 target	Progress as at 31 March 2025	Tracking
Net zero alignment – absolute target At least 70% of our financed emissions in material sectors are either assessed as ‘net zero aligned’ or ‘aligning with a net zero pathway’.	44.3%	On track
Stewardship – absolute target At least 60% of our financed emissions in material sectors are: a) the subject of stewardship actions b) invested with external investment managers that have credible net zero plans for their portfolios.	a) 30.2% b) 72.3%	On track
Climate solutions – absolute target Identify and allocate capital to climate solutions, targeting 10% of our actively managed FUM.	3.8%	More to do
Emissions reduction – intensity target Meet or exceed a 50% reduction in our WACI of financed emissions across our entire portfolio from our 2019 baseline.	54.7%	Exceeding

Examples of targets

The two engagement targets that are focused on climate change are as follows:

- 1. Fossil fuels: we commit to engaging with every Australasian energy company in our equity holdings.**
- 2. High emitters: we commit to engaging with the five highest financed GHG emitters in our Australasian equity holdings**

We undertake the following types of stewardship activities:

1

Proactive engagements

We undertake strategic engagements to affect change with the companies we invest in that have the most ability to cause harm and where we have the most influence.

We undertake informal engagements by asking sustainability focused questions and promoting improvement in our regular dialogue with company management teams and boards. This should help drive change by demonstrating that active investors value and prioritise sustainable practices.

2

Reactive engagements

We respond to unexpected controversies such as significant breaches of environmental or social requirements in accordance with our Controversy Matrix.

3

Active proxy voting

We use the power of voting to communicate our expectations and agitate for change. We engage with Boards to share our concerns when required.

4

Collaborative engagements

Collaboration between investors can increase influence and ability to achieve outcomes. We collaborate wherever there is the opportunity, including as a member of Climate Action 100+.

5

Policy engagements

We engage with policy makers where possible, such as collaborating with industry bodies and responding to regulatory proposals.

Impacts of climate risks on decision-making

- Part of the Strategy pillar
- **Covers current and planned response to climate-related risks and opportunities, as well as details on resourcing and progress for:**
 - Current and anticipated changes to the business model
 - Current and anticipated direct mitigation and adaptation efforts
 - Current and anticipated indirect mitigation and adaptation efforts
 - Climate-related transition plan (if it exists)
 - Plans for achieving the climate-related targets



Climate transition plan – frameworks



Transition Plan Taskforce (TPT) (now part of IFRS Foundation)

Ambition

Strategic ambition

- Business model and value chain
- Assumptions and external factors

Action

Implementation strategy

- Operations
- Products and services
- Policies and conditions
- Financial planning

Engagement strategy

- Value chain
- Industry
- Government, public sector, communities, civil society

Accountability

Measuring

- Governance, engagement, business and operational
- Financial
- GHG
- Carbon credits

Governance

- Board oversight
- Management roles
- Culture
- Incentives and remuneration
- Skills, competencies, training

Climate transition plan - frameworks



GFANZ (Glasgow Financial Alliance for Net Zero) - overlaid on TPT principles

1

Climate solutions

Technologies, services, and tools that mitigate, eliminate or remove GHG emissions



To expand economywide emissions reductions through the deployment of climate solutions

2

Aligned

Entities that are already aligned to a 1.5 degrees C pathway



To support climate leaders and signal that the finance sector is seeking transition alignment behavior

3

Aligning

Entities committed to aligning to a 1.5 degrees C pathway



To encourage and support the implementation of net-zero transition plans

4

Managed phaseout

High-emitting physical assets that can be phased out before end-of-life



To accelerate emissions reductions in support of an orderly and just transition

Climate transition plan – examples

Table 5 – Our Climate Transition Plan

	ESG Integration			Stewardship	Sustainable Themes	Exclusions
Ambition	Understand and manage climate risks and opportunities	Reach net zero portfolio emissions by 2050	Increase the proportion invested in entities achieving net zero, or aligned or aligning to a net zero pathway	Support the transition through company engagement, voting and industry involvement	Accelerate capital allocation in support of climate mitigation and adaption	Maintain our fossil fuel exclusions
How our ambition above links to managing climate-related market risks and opportunities⁵	Manage risks to meet investment objectives and build capability to fulfil ambitions of the Climate Transition Plan.	Reduce climate transition risks associated with entities with high emissions.	Reduce climate transition risks from entities misaligned with net zero pathway.	Protect and create long-term value through stewardship activities.	Pursue climate-related investment opportunities.	Reduce climate transition risks associated with exposure to fossil fuels.
Analysis or metrics to monitor risk and opportunities⁶	- Scenario analysis. - Assets in high-transition risk sectors. - Total Loss ratio. - ND-Gain Index (sovereign bonds). - ASCOR (sovereign bonds). - Number of underlying Investment Managers with signed IMAs that include sustainable investment requirements (including ESG integration).	- Equities, listed property and corporate bonds GHG emissions and emissions intensity metrics.⁷ - Sovereign bond GHG emissions and emissions intensity metrics. - Number of underlying Investment Managers with agreed Climate Action Plans.	Capital allocated to a Paris Aligned Benchmark strategy (or similar).	Number of underlying Investment Managers with signed IMAs that include sustainable investment requirements (including voting and engagement requirements).	- Investments with EU taxonomy aligned revenue (Articles 10 and 11). - Investment in green bonds (domestic corporate and sovereign bonds).	Number of underlying Investment Managers with signed IMAs that include sustainable investment requirements (including requirements to comply with our exclusions).
Interim targets	Not applicable.	Short (2030) and medium-term (2035) GHG emissions reduction targets (equities, listed property and corporate bonds).⁸	Continuing to consider appropriateness of setting interim targets. This is currently limited by data availability and quality.			The BTNZ Sustainable Investment Policy sets out fossil fuel exclusions criteria.
Key actions to date⁹	- Established process to conduct scenario analysis. - Established metrics to assess climate-related risks and opportunities. - Introduced requirements for all underlying Investment Managers to integrate ESG factors in their investment process.	- Measurement of GHG emissions and emissions intensity across equities, listed property, corporate bonds and sovereign bonds with baselines established. - Development of internal climate data dashboard. - Development of individual equities and listed property manager Climate Action Plans setting out short and medium-term GHG emission reduction objectives.	- The allocation to an underlying Investment Manager (Legal & General) utilising a Paris Aligned Benchmark strategy. - Inclusion of portfolio alignment objectives in one underlying Investment Manager Climate Action Plan.	- Introduced requirements for all underlying Investment Managers to undertake engagement activities with companies and issuers. - The inclusion of climate factors in our engagement priorities and voting principles. - Use of climate specific voting policies with some underlying Investment Managers.¹⁰ - Involvement in industry climate stewardship initiatives - Founding signatory of the Aotearoa New Zealand Stewardship Code.	- Measurement and monitoring of investment in issuers providing climate solutions. - Inclusion of sustainable themes objectives in some underlying Investment Manager Climate Action Plans. - The allocation to an underlying Investment Manager (Mirova) who seeks positive environmental impact alongside financial outperformance.	Applied a range of fossil fuel exclusions (equities, listed property and corporate bonds).¹¹
Next steps for FY26 and beyond	Continue to investigate the integration of scenario analysis findings into the Strategic Asset Allocation process.	- Incorporate underlying investees' scope 3 GHG emissions into reporting and targets. - Consider expansion of GHG emission reduction targets to additional asset classes, as appropriate. - Develop and implement Climate Action Plans for fixed income underlying Investment Managers.	- Work to develop additional portfolio alignment metrics. - Consider inclusion of alignment objectives in additional underlying Investment Manager Climate Action Plans. - Explore additional investment strategies that support the transition to a low emissions economy.	Continue to work with underlying investment Managers to advance climate stewardship.	- Work to further understand the data and methodologies to support investment in climate solutions. - Consider inclusion of sustainable themes objectives in additional underlying Investment Manager Climate Action Plans.	Continue to implement existing exclusions and review exclusions criteria as part of Sustainable Investment Policy reviews.

Climate-related disclosures under AASB S2

01 Climate-related risks and opportunities

Disclose information 'that could reasonably be expected to affect the entity's prospects'

- business model and value chain concentration
- current and anticipated financial effects
- assessing resilience of strategy and business model

02 Response to climate-related risks and opportunities

Disclose information about the entity's response to its climate-related risks and opportunities:

- Governance
- Strategy
- Risk management.

03 Performance

Disclose information about the entity's performance in managing its climate-related risks and opportunities

- Metrics and targets

Climate-related risks and opportunities

Reporting entity (and its value chain)

Governance	Strategy	Risk management
Governance structure, policies, processes, controls and procedures to monitor and manage the risks & opportunities	Strategy for managing the risks & opportunities, including whether the entity has a transition plan (having regards to climate resilience)	Policies, processes, controls and procedures used to identify, assess, prioritise and monitor the risks & opportunities, and mitigate risks

Metrics	Targets
• Scope 1,2,3 GHG emissions • Assets/ activities vulnerable to risks • Assets/ activities capitalising on opportunities • Capital deployment	• Targets set by entity to monitor progress towards achieving its strategic goals and any regulated targets • How progress is monitored • Performance against each target

ASIC's review

On 18 May 2026, ASIC published observations on the first sustainability reports prepared under Chapter 2M of the *Corporations Act 2001* (Cth)



259 sustainability reports were lodged for the financial year ending 31 December 2025.

34 were from listed entities, and

225 were from unlisted entities

ASIC's review cont.

Most sustainability reports lodged for the financial year ending 31 December 2025 were from the following top 5 sectors:

- 1 Mining-related
- 2 Construction, materials and manufacturing
- 3 Financial services and insurance
- 4 Oil and gas
- 5 Electricity and energy distribution/supply/retailing.

It is important to note that:

ASIC's observations are based on a desktop review of a sample of sustainability reports lodged by listed entities.

ASIC's key points have been provided to assist entities and advisers as they prepare sustainability reports for the financial year ending 30 June 2026.

Final observations will be published in the second half of 2026.

ASIC's review cont.

- **Average page length of sustainability report - 27.6 pages**
- **Shortest sustainability report - 7 pages**
- **Longest sustainability report - 71 pages**
- **Where appearing:**
 - **Part of annual report - discrete section - 81%**
 - **Standalone document - 15%**
 - **Across multiple annual report sections and documents - 4%**

Key insights

- Quality varied
- 100% identified climate-related risks
- Mixed level of quantification
- Majority of reporters utilised relief for:
 - Scope 3 (85%)
 - Comparatives (85%)
- Average of 4.6 climate risks per report (min 1, max 15)
- Average of 1.1 opportunities per report. Zero is the most common
- 89% used scenario testing to identify CRROs
- Qualitative information only for anticipated financial effects - 48%; Qualitative and Quantitative on all CRROs - 11%.

Sustainability Reports: What does good look like?

Key takeaways

-  Broad 'no reliance' and 'no responsibility' disclaimers that conflict with the statutory framework and objectives of Chapter 2M sustainability reporting may confuse or mislead and are not permitted.
-  The 'reasonable and supportable' information available to entities to identify climate-related risks includes information about '*past events, current conditions and forecast future conditions.*' Organisations should apply appropriate consideration to past events.
-  Reports should provide clear, effective and proximate disclosure of relevant judgements, assumptions and sources of measurement uncertainty, where applicable, to the relevant reported information.
-  The disclosure of additional voluntary climate-related information must not obscure AASB S2 mandated material climate-related financial information.
-  When cross-referencing information outside the sustainability report to another report or disclosure, such other disclosure should be in a report published on the same terms and at the same time, and entities are encouraged to lodge ancillary reports with the sustainability report.
-  Entities are reminded that the definition of 'climate-related targets' in AASB S2 includes targets that the entity is required to meet by law or regulation. This includes greenhouse gas emissions targets such as the Safeguard Mechanism.

A facilitative posture on reporting mechanics, not on false or misleading claims

01

Facilitative in the early years

ASIC has flagged a proportionate, pragmatic approach to supervision and enforcement while the mandatory climate reporting regime is phased in, recognising entities are still building capability.

02

Engage first, direct if needed

Where a statement looks incorrect, incomplete or misleading, ASIC will engage directly to understand the basis for disclosure before using its s296E directions power to require correction.

03

Enforcement reserved for serious conduct

ASIC is more likely to open an investigation for serious or reckless misconduct, or a failure to prepare a report at all – not for good-faith, evolving disclosure practice.

04

Greenwashing risk sits outside the facilitative window

Deliberately false or unsubstantiated ESG claims remain a live enforcement priority for both regulators, pursued via warning letters, infringement notices and Federal Court penalties.

REGULATORY INTERSECTION

ASIC's facilitative approach covers the mechanics of mandatory climate reporting under the Corporations Act; the ACCC separately polices misleading environmental and sustainability claims under the Australian Consumer Law – together they bracket the same disclosures from both a reporting-accuracy and a consumer-protection angle.

Practical tips: Describing financial effects

How to translate a climate risk

Transition risk

financial and strategic risks that arise from societal and economical shifts.

Physical risk: direct impacts of climate change on physical assets, premises and supply chains.

Review the financial statements (Statement of Financial Position, Statement of financial performance and cash flow statement) to identify which line items move (e.g. inventory, PPE) and gather input data and assumptions

Sum the effects across all risks, test whether the combined impact is material, and determine the required response

Identify the risk



Unpack the risks and their effects

Start from the risk and trace how it impacts and affects the entity's operations



Identify metrics, source data and assumptions



Assess the financial effects and second-order impacts

Quantify the direct effects (e.g. cash inflow, cash outflow, write-off value) and check for flow-on effects across the financial statements

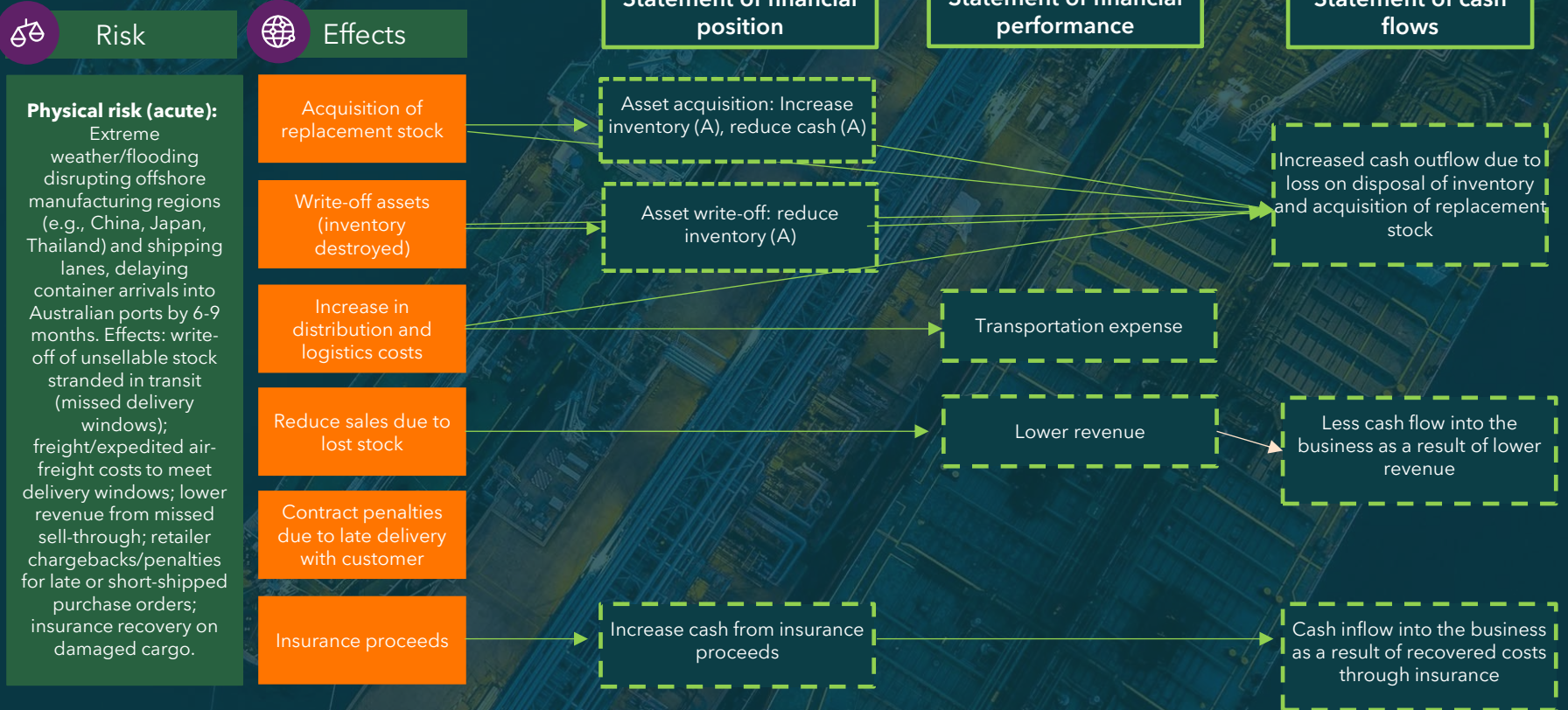


Aggregate and assess materiality



Practical view

DENTONS



Practical view

DENTONS



Risk

Transition risk (policy):

The decarbonisation of the energy sector (specifically electricity) and transport sector creates risks associated with energy security and affordability, as well as transport affordability.

As an automotive parts and re-seller in the Australian market, the company sources renewable energy at higher costs for its warehouses and puts in place an accelerated program for converting its transportation vehicles to electrified vehicles, as well as starting a program of assessing its contracts with freight and logistics suppliers to transition its contracts to providers who are also on a trajectory to electrify their fleets.



Effects

Increasing costs of electricity and operational costs of electrified fleet

Operating costs to source renewables (e.g. PPA's)

Capital Expenditure on back-up power generation

Capital expenditure on on-site renewables and electrified vehicles

Pricing uplift from customers appreciating 'net zero' energy

Statement of financial position

Statement of financial performance

Statement of cash flows

Energy expense

Electrification vehicle operating expense

Increased cash outflow due to acquisition of assets and rising energy prices

Asset acquisition: Increase PPE (A) reduce cash (A)

Asset acquisition expense / depreciation

Increase cash from revenue / pricing uplift

Lower revenue

Less cash flow into the business as a result of lower revenue

Practical tips: Describing financial effects

When an entity can provide qualitative rather than quantitative data

Entities must disclose the financial effects of climate-related risks and opportunities (CRROs). Quantitative data is preferred. However, there are circumstances when an entity can provide qualitative rather than quantitative data.

Circumstance		Description
1	Not separately identifiable	Financial effects of a climate-related risk or opportunity may stem from multiple sources and affect several line items in the financial statements. Therefore, it may not be possible to isolate and attribute their impact to any single risk or opportunity.
2	Too uncertain to be useful	Because sustainability reporting is inherently forward-looking, quantifying anticipated financial effects can be difficult. Where the degree of measurement uncertainty is sufficiently high, a quantitative figure may add little or no value.
3	Commercial sensitivity exemption	This applies only where the information is not publicly available, disclosure would materially undermine the economic benefits of pursuing the opportunity, and there is no practicable way to disclose the information without compromising those benefits.

Key sustainability reporting developments in 2026

Institutional Reform – External Reporting Australia (ERA):

On 12 February 2026, the Government introduced the Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026, which would combine the AASB, AUASB, and the Financial Reporting Council into a single new body, the ERA.

Updated FAQs and Regulatory Guide:

On 24 April 2026, ASIC reissued Regulatory Guide 43 on financial reporting and audit relief, streamlining guidance and reflecting legislative changes since the guide was last updated.

Relief decisions register and class relief:

ASIC issued class relief (ASIC Corporations (Amendment) Instrument 2026/313, 15 May 2026), allowing registered schemes to prepare a consolidated sustainability report for related schemes, subject to conditions, including that the schemes' financial reports are also consolidated. Additionally, it has also begun publishing a register of sustainability reporting relief applications and decisions.

-  Relief is more likely where a foreign parent reports to AASB S2 equivalent standards with equivalent audit requirements, and
-  Relief is unlikely to be granted merely on grounds of inconvenience and costs.

Key sustainability reporting developments in 2026 cont.

AASB S2 Amendments (effective 1 January 2027, early adoption available)

The AASB approved amendments to AASB S2 (AASB S2025-1) on 15 December 2025, aligning with equivalent ISSB amendments to IFRS S2 to become effective 1 January 2027. Key changes are:

-  Entities may use a mix of GHG Protocol and jurisdiction-mandated methods.
-  Entities may use jurisdiction or exchange-mandated global warming potential values instead of the latest IPCC values where required, resolving a duplicative reporting problem for NGER reporters.
-  Scope 3 Category 15 (financed) emissions measurement is clarified for entities in asset management, banking and insurance, allowing exclusion of facilitated and insurance-associated emissions, and of derivative-related emissions and removal of the mandatory use of the Global Industry Classification Standard (GICS) for disaggregating financed emissions disclosures by industry, instead requiring entities to select an appropriate classification system.

Treasury's Efficiency Consultation Paper

On 24 August 2026, Treasury released a consultation paper on improving the efficiency of the mandatory climate disclosure framework, with submissions closing on 2 October 2026. There are three proposed reforms:

-  Assurance standard: There are three options; retain limited assurance permanently, delay the move to reasonable assurance from 2030 to 2035, or apply a two-tier model requiring reasonable assurance for mature metrics like Scope 1/2, with limited assurance for Scope 3.
-  Clarifying reporting requirements: potential options to improve consistency by providing additional guidance resources in applying the principles-based framework (favoured over amendments to legislation or the AASB S2 Standard).
-  Supply chain: potential options surrounding setting clearer boundaries on the information that can be requested of value-chain participants for Scope 3 emissions purposes, noting that Scope 3 disclosures have not yet commenced and are limited to information available without undue cost or effort.

The consultation changes will not affect entities reporting for FY2026-27.

Key comparators between Australia, New Zealand and global jurisdictions

- **Australia:** Mandatory climate-related financial disclosure under Chapter 2M of the *Corporations Act 2001* (Cth) is being phased in by entity size, with Group 1 reporters already subject to the regime and Groups 2 and 3 to follow in 2026-2027 and 2027-2028 respectively. The Federal Government proposes (subject to consultation and legislative change) to remove approx. 1,500 smaller Group 3 proprietary companies from the 2027-2028 reporting year by increasing the Group 3 thresholds from \$25 million to \$50 million (for consolidated gross assets) and \$50 million to \$100 million (for consolidated gross revenues) (with the 100 employees threshold remaining unchanged). This does not affect listed or unlisted public companies.
- **European Union:** Companies within scope of the Corporate Sustainability Reporting Directive must report on both the financial and societal/environmental dimensions of sustainability, but the EU's Omnibus reforms have materially narrowed that scope. Mandatory reporting now applies only to EU undertakings with more than €450 million in global revenue and more than 1,000 employees on average, with separate higher thresholds for non-EU groups.
- **New Zealand:** Large listed issuers, banks and insurers have been required to publish annual climate statements against the Aotearoa New Zealand Climate Standards since the 2023 financial year, making New Zealand an early adopter of mandatory climate reporting. The Government has agreed to raise the listed-issuer threshold from NZ\$60 million to NZ\$1 billion and has removed all managers of registered managed investment schemes from the requirements, which significantly reduces the number of reporting entities. The Financial Markets Conduct Amendment Bill to effect these changes is currently before the Finance and Expenditure Committee and so while these changes are agreed by the Government, they are yet to be legislated.
- **United Kingdom:** The UK Government has published its Sustainability Reporting Standards (UK SRS S1 and S2) in February 2026, closely based on international norms, but these remain available for voluntary use only. The Financial Conduct Authority (FCA) is consulting (CP26/5, closed 20 March 2026) on making UK SRS S2 climate disclosures mandatory for listed companies from accounting periods beginning on or after 1 January 2027, with a final policy statement expected in Autumn 2026.

Key comparators between Australia, New Zealand and global jurisdictions cont.

- **United States:** There is no binding federal requirement for climate-related disclosure; in May 2026, the Securities and Exchange Commission (SEC) voted to propose to rescind its 2024 climate disclosure rules in their entirety, having already ceased defending them in litigation before the Eighth Circuit in March 2025. A final rescission – due to the relevant rulemaking protocols – is unlikely before late 2026 or early 2027. Some large companies remain subject to obligations at State level, for example, California's *Climate Corporate Data Accountability Act* (SB 253) requires Scope 1 and Scope 2 greenhouse gas emissions disclosure from companies with revenues exceeding US\$1 billion, with the first reporting deadline of 10 August 2026 (Scope 3 begins in 2027).
- **Singapore:** Singapore has taken a 'climate-first' ISSB-informed approach embedded in SGX Listing Rules rather than direct legislative adoption of IFRS S1/S2. The timeline, following an August 2025 extension, is now tiered by company category: (i) all SGX-listed companies must report Scope 1 and Scope 2 GHG emissions for financial years beginning on or after 1 January 2025; (ii) Scope 3 reporting is mandatory from FY2026 only for Straits Times Index (STI) constituents (the top 30 companies by market capitalisation), it remains voluntary for remaining companies for now; (iii) Broader ISSB-based climate-related disclosures (beyond Scope 1/2) apply from FY2028 for non-STI listed companies with market capitalisation of at least \$1 billion; (iv) large non-listed companies (annual revenues >\$1 billion and total assets >\$500 million for two consecutive years) will need to provide climate-related disclosures from FY2030, filed with ACRA. An Interim Sustainability Standards Committee published a consultation paper in July 2026 on exposure drafts of the Singapore Sustainability Disclosure Standards (Singapore SDS) closely aligned to ISSB's IFRS S1/S2 "to the extent practicable" expected to apply to listed companies from FY2028 and large non-listed companies from FY2030, subject to the standards being finalised and legislation being passed.

Key comparators between Australia, New Zealand and global jurisdictions cont.

- **Hong Kong:** Hong Kong governs a two-layer regime: a listing rule layer already in force and a broader accounting-standard layer being phased in by 2028:
 - HKEX finalised new climate disclosure requirements (Part D of the ESG Reporting Code, Appendix C2 to the Listing Rules) on 19 April 2024, aligned with IFRS S2, effective for financial years commencing on or after 1 January 2025. Main Board issuers report against these New Climate requirements on a 'comply or explain' basis from 1 January 2025; issuers that are Hang Seng Composite Large Cap Index constituents (Large Cap Issuers) must report on a mandatory basis from 1 January 2026
 - Separately, the Hong Kong Institute of Certified Public Accountants published HKFRS S1 and HKFRS S2 (fully aligned with the ISSB standards) on 12 December 2024, effective 1 August 2025 for voluntary use.
 - The Hong Kong Government's Roadmap on Sustainability Disclosures (published in December 2024) targets full mandatory adoption of HKFRS Sustainability Disclosures for large 'publicly accountable entities' (PAEs) - including listed and significant non-listed financial institutions no later than 2028, with HKEX to consult the market in 2027 on the specific mandating mechanism for listed PAEs.
- **Japan:** Japan's regime is centred on the Sustainability Standards Board of Japan (SSBJ) and applies via the FSA's statutory securities report regime (not stock exchange listing rules), giving it direct legal force. The FSA published a definitive report and roadmap for mandatory sustainability reporting of its 3 sustainability standards (including the Climate-related disclosure standards) in April 2026 for large-cap issuers (i.e. more than 3 trillion yen) on the Tokyo Stock Exchange Prime Market commencing for the fiscal year March 2027. The next tier (market capitalisation above 1 trillion yen) follows from the fiscal year ending March 2028, and companies above 500 million yen will join from March 2029.

Thank you

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