The Treasury Laws Amendment Act 2024 is another milestone in obligatory greenhouse gas emissions reporting mandate in Australia. This brings with it an innovative shift in the way businesses prepare their annual reporting suite.

With this Act in roll, Australia leads the charge in the global mandatory climate reporting landscape. This comprehensive legislation facilitates a turning point for Australian companies by setting up a climate-related financial disclosure mechanism that aligns with the aspirations of the Australian Accounting Standards Board (AASB S2).

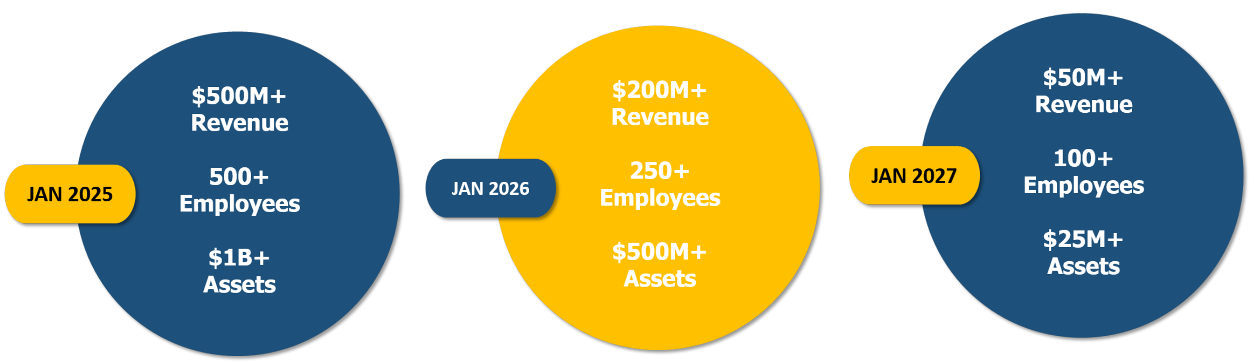
Companies will be required to perform scenario analyses evaluating both a low (1.5-degree) and high (2.5+ degrees) global warming scenario. This dual analysis is crucial for understanding potential climate-related physical risks and transition risks that businesses may face in the future.

Who must Report?

The entities that need to prepare and submit their annual reports, under Chapter 2M of the Corporations Act 2001, are required to comply with the reporting requirements. This encompasses financial institutions, listed and unlisted companies, and entities that fall under two of the three criteria mentioned below:

- Having consolidated revenue of $200 million+
- Having consolidated gross assets of $200 million+
- Having 200+ employees

The Reporting will be in a phased approach over a four-year period.



What are the key aspects for disclosures?

- Scope 1, 2, & 3 Emissions: This is disclosing all direct and indirect greenhouse gas emissions.

- Climate-related transition plans: Businesses are required to explain how they intend to shift into a low carbon economy.

- Climate resilience assessments: Reports ought to consider resilience within the context of limiting global warming to 1.5°C.

- Climate-related risks and opportunities: Businesses should identify and report any climate change related risks and opportunities

The introduction of mandatory climate reporting is not merely a compliance obligation; it brings with it the vital components of strategic planning and is expected to yield numerous benefits:

- Increased Investor Confidence: Enhanced disclosures will provide investors with clearer insights into companies' exposure to climate risks, influencing investment decisions.
- Operational Efficiency: By assessing climate-related risks and opportunities, businesses can improve their operational strategies.
- Better Risk Management: Understanding climate impacts will enable companies to better prepare for future challenges.
- Sustainability Performance: The emphasis on sustainability is likely to boost overall corporate performance in environmental conservation.

As Australia sets this benchmark for climate accountability, other nations are likely to follow suit. The comprehensive nature of this legislation serves as a model for effective climate governance, encouraging businesses worldwide to adopt similar frameworks that prioritize sustainability.