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Climate Disclosure Requirements Are Expanding. Is Your Business in Scope?

If your business turns over more than $50 million per annum, mandatory climate disclosure may apply. Preparation needs to start now.

Access to finance, investment and business saleability is at risk

Recent changes to Australia’s climate reporting framework mean this isn’t just for the ‘big end of town’. While Group 1 entities have already commenced reporting, the requirements continue to be phased in, with many more Australian businesses coming into scope over the coming years.

If your company meets at least **two** of the following criteria at financial year end, you may be required to prepare a sustainability report with climate-related disclosures:

- 100+ employees
- $25 million+ in consolidated gross assets
- $50 million+ in consolidated revenue

The reporting requirements are being phased in over several years. The table below outlines which businesses are in scope and when they are required to commence reporting.

<table>
<tr><th colspan="2">Who and When</th><th colspan="5">Entities captured by Corps Act Ch 2M financial reporting obligations, and who are either:</th></tr>
<tr><td rowspan="2">Reporting period on or after:</td><td rowspan="2">First report due:</td><td colspan="3">a) Large listed and unlisted entities and their controlled entities meeting

2 of 3 criteria:</td><td rowspan="2">b) NGERS Reporters</td><td rowspan="2">c) Super funds and Investment Schemes</td></tr>
<tr><td>Cons. Revenue</td><td>Gross Assets</td><td>Employees FTE</td></tr>
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Group 1: 1 Jan 25	4 months after FY-end	$500m	$1b	500	NGER publication threshold	
Group 2: 1 Jul 26		$200m	$500m	250	All NGER reporters	$5b AUM
Group 3: 1 Jul 27		$50m	$25m	100	N/A	

Depending on your size, your company will fall into **Group 1, Group 2 or Group 3.** Businesses registered under the National Greenhouse and Energy Reporting (**NGER**) Scheme are in scope regardless of size, irrespective of whether they meet the employee, asset or revenue thresholds.

The requirements are already in effect for some organisations, with many more businesses becoming subject to reporting over the next two years.

Why does this apply to smaller businesses too?

Climate change affects the whole economy. Not only direct emitters contribute to climate change. Governments, investors and markets increasingly need visibility into how businesses are exposed to climate-related risks and how they contribute to climate change, including through their supply chains.

Even if your business is **not legally required** to prepare a sustainability report, there is a strong chance you'll still be affected. If you supply a larger organisation, they may require your emissions data to meet their own reporting obligations. Many businesses will find that climate reporting requirements begin flowing through their supply chains well before they become mandatory for them.

What do you have to report?

Your sustainability reporting must include information across four key areas:

- **Governance** | Your oversight structure and how climate-related risks and opportunities are considered.
- **Strategy** | How your business identifies, assesses and responds to climate-related risks and opportunities.

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- **Risk Management** | Your processes for identifying, assessing and managing climate-related risks.
- **Metrics & Targets** | Your emissions data, carbon footprint, climate-related metrics and any targets you've established.

Preparing this information often required input from multiple areas of the business and may involve collecting data that has never previously been measured.

When do you need to start?

Some companies are **already reporting.** Other have one or two years before their first reporting period begins.

However, one of the biggest misconceptions is that preparation can wait until reporting is due. It can't.

The systems, processes and governance arrangements needed to produce a compliant sustainability report take time to establish. Importantly, you'll need to begin collection data from the **start of the financial year** you're reporting on. If those processes aren't in place from day one, you may not have the information needed to meet your reporting obligations. And that will affect your access to finance, investment and the ability to sell your business.

The timeline below illustrates a typical implementation timeline when partnering with Hikari Solutions to prepare for mandatory climate disclosure.

Reporting commences:

- **Group 1**: Financial years commencing on or after **1 January 2025** *(already reporting)*
- **Group 2**: Financial years commencing on or after **1 July 2026**
- **Group 3**: Financial years commencing on or after **1 July 2027**

Don’t wait until reporting begins.

Many organisations underestimate the time required to understand the requirements, identify data gaps, establish governance processes and begin collection of reliable emissions data.

If you think your business may meet the reporting criteria, or if you’re unsure, now is the time to assess your obligations and begin preparing.

At Hikari Solutions, we help businesses understand where they fit within the reporting framework and build practical systems that enable your team to manage climate disclosures both now and into the future. If you think your business may be affected, contact Hikari Solutions today to understand your obligations and start preparing before your reporting period begins