

3 OCTOBER 2023

# FACT SHEET 1: Relevance of climate reporting

Directors should not assume that if an organisation they serve is not captured by mandatory climate reporting, they have no climate obligations. Directors are duty-bound to diligently consider relevant foreseeable risks, and to integrate consideration of material climate impacts into strategy, risk oversight and disclosure.

The obligation to consider climate-related risks and opportunities may also form part of directors' duties more broadly. The ISSB Climate Standard, IFRS S2 (IFRS S2) was introduced to provide a framework to report on these risks and opportunities.

The global shift in sustainability and climate reporting is not only being driven by rapidly-evolving policy and regulatory baselines, but by investors, customers, suppliers, financiers, employees and other stakeholders. All these stakeholders are demanding greater transparency from companies on climate impact.

Consideration of the key drivers of each of the main stakeholders is important. We briefly set these out in this Fact Sheet.

- **Investors:** Investors are seeking proof that companies have joined the dots between risk and financial impact. There is a growing expectation that companies communicate how climate-related risks and opportunities affect financial position and performance, business prospects, access to finance and cost of capital over the short, medium and long term. For those companies which do not fall within the mandatory reporting framework (i.e. within Cohorts 1, 2 or 3), IFRS can be voluntarily adopted as a means of responding to investor concerns/to attract investor capital.
- **Regulators:** As companies respond to investor-led calls for climate action, regulators are also increasingly scrutinising what companies publicly disclose, including ensuring that claims made, and data used, have reasonable grounds. In Australia, this has been demonstrated by ASIC taking 35 greenwashing interventions in the period 1 July 2022 to 31 March 2023, and having commenced three civil penalty proceedings to date.<sup>1</sup>

1. ASIC (May 2023) Report 763: ASIC's recent greenwashing interventions.

- **Other climate stakeholders:** Customers, suppliers, financiers, employees, insurers, community groups, government and others are demanding to see information from business as to current and anticipated climate impacts, and actions to address these impacts. Inaction will likely impact an organisation's reputation in the market, community standing, and ability to attract capital. If companies fail to clearly and consistently demonstrate a recognition of climate-related risks and opportunities and their impact on the business, employees, customers, suppliers, financiers and other stakeholders could shift to those that are taking action.



### ABOUT US

The Australian Institute of Company Directors is committed to strengthening society through world-class governance. We aim to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. Our membership includes directors and senior leaders from business, government and the not-for-profit sectors.

### DISCLAIMER

The material in this publication does not constitute legal, accounting or other professional advice. While reasonable care has been taken in its preparation, the AICD, Deloitte, and MinterEllison do not make any express or implied representations or warranties as to the completeness, reliability or accuracy of the material in this publication. This publication should not be used or relied upon as a substitute for professional advice or as a basis for formulating business decisions. To the extent permitted by law, the AICD, Deloitte, and MinterEllison exclude all liability for any loss or damage arising out of the use of the material in the publication. Any links to third party websites are provided for convenience only and do not represent endorsement, sponsorship or approval of those third parties, any products and services offered by third parties, or as to the accuracy or currency of the information included in third party websites. The opinions of those quoted do not necessarily represent the view of the AICD. All details were accurate at the time of printing. The AICD, Deloitte, and MinterEllison reserve the right to make changes without notice where necessary.

### COPYRIGHT

Copyright strictly reserved. The text, graphics and layout of this guide are protected by Australian copyright law and the comparable law of other countries. The copyright of this material is vested in the AICD. No part of this material can be reproduced or transmitted in any form, or by any means electronic or mechanical, including photocopying, recording or by any information storage and retrieval systems without the written permission of the AICD.