MALLESONS

Mandatory Sustainability Reporting in Practice

Early insights for boards and management

April 2026

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Introduction

The first wave of mandatory sustainability reports shows compliance under the new reporting regime is achievable. However, the harder task, and the real differentiator, is producing disclosures that will remain defensible as stakeholder expectations, assurance and regulatory scrutiny increase.

Our review of sustainability reports prepared under the new mandatory sustainability reporting regime and published on the ASX[1] reveals emerging consistency in governance structures and risk identification. However, reporting entities are diverging in areas which require judgment, particularly materiality assessments, quantification of financial impacts, scenario design, treatment of climate-related opportunities and reliance on transition relief. While these judgments are often permissible in first year reporting, they will shape expectations and reference points for future periods.

Looking more broadly, while some overseas jurisdictions, including the EU and the US, have moved to scale back aspects of mandatory sustainability reporting, this does not change the position for Australian subsidiaries of global groups that are captured by the Australian mandatory regime. Compliance must be achieved at the Australian entity level unless relief is granted by ASIC. In this context, ASIC has so far exercised its discretionary relief powers sparingly, with relief being granted in only a handful of cases (a number of which we've acted on). The recent *Santos* decision has also set the bar for how statements about net zero commitments, plans and roadmaps may be characterised and understood by their target audience.

Against that backdrop, our publication explores key areas of legal and governance risk, the practical implications of early reporting choices and key takeaways for directors and sustainability, finance, risk and legal teams. Drawing on market disclosures and our experience advising reporting entities in relation to sustainability reporting, we highlight where judgment, documentation and cross-functional alignment will matter most as mandatory sustainability reporting matures. While companies with prior experience in voluntary sustainability reporting may have a head start, first year mandatory reporting raises new issues for all companies, including the areas this publication seeks to unpack.

We hope you find this publication interesting and would love to discuss our findings with you further.

Emma Newnham
Special Counsel
Melbourne

Tel +61 3 9643 4191
Mob +61 419 912 392
Email emma.newnham@mallesons.com

1 Our analysis draws on a review of mandatory sustainability reports published on the ASX on or before 3 March 2026 by 23 Group 1 reporting entities with a 31 December 2025 year end. The insights in this publication represent a point-in-time analysis of market practice which is continuing to evolve. We refer to 'companies', 'reporting entities' and 'entities' interchangeably throughout this publication and references to 'sustainability reports' are to mandatory reports under the new regime unless otherwise stated. All quantitative insights provided have been rounded to the nearest whole number and are based on the dataset outlined above.

1. For Directors

While there are temporary modified liability settings, directors are still required to exercise due care and diligence in approving sustainability reports and take all reasonable steps to secure compliance with the requirements.

In this section, we set out our key observations relating to director climate competencies, board oversight and delegation, and the systems reporting entities are putting in place to support the directors in meeting their obligations under the mandatory sustainability reporting regime.

KEY TAKEAWAYS FOR DIRECTORS

01	Confirm you are sufficiently 'climate literate' to understand and critically review the sustainability report, or seek training to fill any knowledge gaps.
02	Ensure you are comfortable with the timing and quality of information flowing from management to the board.
03	Understand your directors' declaration requirements and potential liability and take steps to ensure you are comfortable providing that declaration, including requiring that processes, systems and controls are established to support your declaration and overall approval of the report.

1.1 Board oversight and climate capability

Boards are now expected to understand their company's sustainability reporting obligations and the climate-related risks and opportunities that could reasonably be expected to affect their company's prospects as part of their duty to exercise due care and diligence. Other directors' duties, including the duty to "take all reasonable steps to comply with, or to secure compliance with", the record keeping requirements in Part 2M.2 and the reporting requirements in Part 2M.3 of the Corporations Act, also extend to mandatory sustainability reports. ASIC has made clear that while directors may rely on management, advisers and other experts, directors themselves must make an independent assessment using their own skills and judgment in meeting their directors' duties.[2] This reinforces the continued relevance of the learnings from the *Centro* decision in the context of sustainability reporting, including the need for directors to have a level of 'climate literacy' that enables them to understand and apply proper diligence in reviewing and approving the sustainability report. Relevantly, the mandatory reporting standard, AASB S2, also requires companies to disclose how the board determines whether appropriate skills and competencies are available (or will be developed) to oversee responses to climate-related risks and opportunities.

2 Regulatory Guide 280: Sustainability Reporting, paragraph 280.56.

AMONGST THE COMPANIES IN OUR DATASET:

83%

included a dedicated climate, ESG or sustainability metric in their board skills matrices.

These companies operate across a range of industries, including energy, materials, insurance and technology and telecommunications. Where companies had not formally incorporated a climate specific metric, they often addressed this through references to adjacent competencies (such as risk management expertise) or commitments to build climate capability over time.

65%

provided directors with dedicated climate-specific education or training, typically through targeted briefings, workshops or external short courses.

52%

reported that boards or board committees received ESG-related updates on a quarterly basis, most commonly through board committee reporting.

17%

reported that boards or board committees received updates on a biannual basis.

While the cadence of climate education and reporting has increased, the key issue for boards is not frequency alone. The more important question is whether the information provided to directors is sufficiently targeted, informative and capable of supporting oversight and sign-off obligations as reporting matures. This is particularly relevant given the recent *Star* decision, which we have covered in more detail here.

1.2 Delegations and information flows

The new mandatory sustainability reporting regime requires companies to disclose information about governance, including the governance body (or individual) responsible for oversight of climate-related risks and opportunities. Typically, this is the board of the company, with the boards of all companies in our dataset supported by one or more board-level committees in overseeing climate-related matters.

However, there was mixed practice amongst companies in terms of how many and which board committees they identified in their sustainability report. Chart 1 shows that most companies referred to more than **1** board committee supporting the board, with some identifying up to **4**. Chart 2 illustrates the range of committees mentioned and highlights that **61%** of companies had a dedicated sustainability or environment committee.

CHART 1: NUMBER OF BOARD COMMITTEES IDENTIFIED AS SUPPORTING BOARD OVERSIGHT

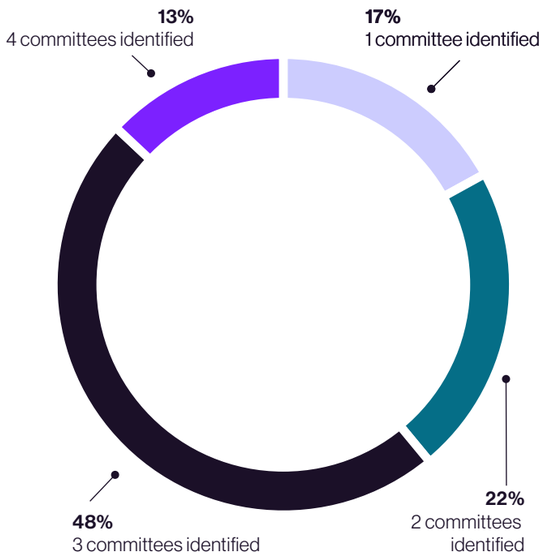
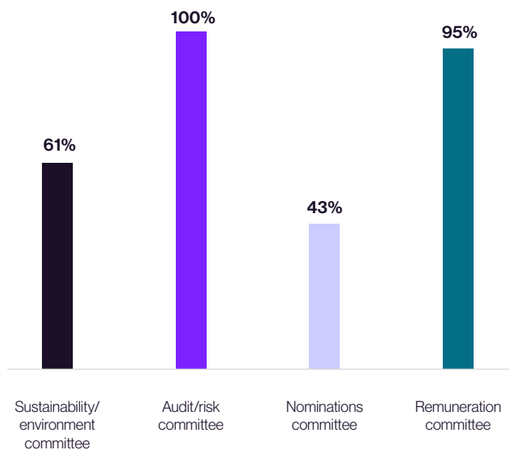


CHART 2: BOARD COMMITTEES IDENTIFIED AS SUPPORTING BOARD OVERSIGHT[3]



3 We have categorised committees based on the names of the committees, where the percentage represents the percentage of the total companies which identified an equivalent committee as supporting board oversight. For example, where a committee was named the "Compliance, Risk and Sustainability Committee", we have classified this as both a dedicated sustainability committee on the basis that it had the phrase "sustainability" in its name, as well as an "audit/risk committee". Due to this categorisation approach, the percentages provided do not add up to 100%.

In addition to information about the governance body responsible for oversight of climate-related risks and opportunities, AASB S2 also requires certain disclosures regarding management's role in climate governance, including whether the role is delegated to a specific management-level position or management-level committee. **52%** of the companies in our dataset referred to a management-level committee, council or working group responsible for climate-related matters.

These management groups were chaired by a range of senior executives, including Chief Financial Officers, Chief Risk Officers, Heads of Sustainability and, in some cases, General Counsel or Company Secretaries.

From a governance perspective, the critical issue is not the number, type or membership of committees, but clarity around:

- where responsibility for climate-related risk and opportunity oversight sits;
- how climate considerations are integrated into broader risk management and strategic decision-making; and
- how information flows from management to board committees and the full board.

Where multiple board and management-level committees are involved, boards must ensure responsibilities are clearly articulated and climate-related matters are not fragmented across governance structures without appropriate coordination or escalation. Companies subject to the Financial Accountability Regime should also consider where responsibilities of their accountable persons cover climate-related risks and opportunities management and disclosure.

Beyond clarity in delegations and reporting lines, accountability is also increasingly reinforced through remuneration. In our dataset, **61%** of companies expressly link executive remuneration to climate or sustainability outcomes. Across the dataset:

- **35%** did not disclose how this linkage was split between short-term and long-term variable remuneration;
- **22%** linked climate or sustainability outcomes only to short-term variable remuneration; and
- **4%** tied both short-term and long-term variable remuneration to climate or sustainability outcomes.

1.3 Directors' declarations and sign-off

Mandatory sustainability reporting introduces a new directors' declaration requirement under the Corporations Act. For the initial reporting years, directors must declare whether the entity has taken reasonable steps to ensure that the sustainability report complies with the Corporations Act.

As this is mandatory, all companies in our dataset included the required directors' declaration in their report. However, **1** company did initially omit the declaration and subsequently reissued its report with the declaration included.

Common market practice so far has been to locate this directors' declaration within the sustainability report itself. Only **1** company in our dataset took a different approach, instead providing a combined directors' declaration for both its sustainability report and financial report as a standalone section in its annual report, after its consolidated entity disclosure statement.

While all reports in our dataset were prepared on a consolidated basis, practice differed on the scope of the sustainability report declaration. **Over 56%** of directors' declarations opined on whether the consolidated entity had taken reasonable steps. The remaining declarations either opined on whether the parent entity (**35%**) had taken reasonable steps or it was not clear on the face of the declaration which entity the declaration related to (**9%**). Where it was not immediately clear on the face of the declaration, this was generally because the declaration referred to all reasonable steps having been taken without specifying whether those steps had been taken by the parent entity, the consolidated entity or other individuals.

These differences demonstrate the difficulties ambiguities in legislative drafting can cause, particularly in the initial years of a new regime when market practice is still developing.

1.4 Systems, controls and assurance to support directors' declaration

Although the Corporations Act only requires a 'reasonable steps' directors' declaration for mandatory sustainability reports prepared in relation to financial years commencing during the first 3 years of the new regime, AASB S2 requires a compliant sustainability report to include an unqualified statement of compliance and the Corporations Act requires compliance with the sustainability reporting requirements.

In practical terms, companies and boards therefore still need to be comfortable from year one that the sustainability report meets the requirements of both AASB S2 and the Corporations Act. Consistent with the approach outlined in our day 1 readiness alert, we have seen a range of steps adopted by companies to support directors with their declaration and approval of the report. In some cases, these steps include some or all of the following:

- a prospectus-style process to verify the sustainability report;
- replicating the internal management sign-off processes used for the financial report for the sustainability report, together with additional record keeping guardrails given that climate-related data may be more dispersed than financial data;
- obtaining external legal review (including a legal opinion) on compliance; and/or
- obtaining external assurance above the minimum requirements.

On assurance, the minimum requirements for the first mandatory reporting year are limited assurance for governance disclosures, certain strategy disclosures and Scope 1 and 2 emissions. Additional assurance requirements are phased in over time, up to reasonable assurance (or a full audit) of the entire sustainability report.

Notwithstanding the legal requirements for assurance are initially quite limited, some entities have opted to obtain additional assurance to support the directors' declaration on the report.

In our dataset:

Over 30%

of companies exceeded the minimum requirements for the first mandatory reporting year by obtaining limited assurance on aspects of their climate reporting that did not legally require assurance, including disclosures relating to energy consumption, Scope 3 emissions, and renewable electricity usage. Some of these companies obtained similar assurance over these aspects in prior periods, reflecting a continuation of existing practice rather than an effort to obtain additional assurance specifically for their first mandatory sustainability report.

2 companies

obtained reasonable assurance (or full audits) of part of their sustainability reports - specifically over their Scope 1 and 2 emissions.

1 company

obtained limited assurance over its entire mandatory sustainability report and about whether the report is free from material misstatement and is presented fairly in accordance with AASB S2.

The level of assurance sought by companies in the first mandatory reporting year is likely informed by a range of factors, including the extent of assurance previously obtained for voluntary reporting, the organisation's readiness for assurance across relevant disclosures, and the degree of comfort required by the board.

While internal controls and external assurance can provide support, they are not a substitute for board oversight. As mentioned at the beginning of this section, directors are still required to make an independent assessment of the sustainability report and exercise their own judgment and diligence when approving it.

2. For Sustainability, Finance and Risk Teams

Sustainability, finance and risk teams play a central role in producing AASB S2-compliant and decision-useful[4] disclosures and supporting boards in approving sustainability reports and making associated directors' declarations.

In this section, we set out our key observations on the areas of technical judgment and process design that typically sit with sustainability, finance and risk teams, and that are critical to both board oversight and the preparation of robust, meaningful sustainability reports under the mandatory reporting regime.

Although certain topics are discussed in more detail in Section 3 (For Legal Teams), they will also be relevant to sustainability, finance and risk teams. In particular, matters such as report structuring, where information is located, how cross-references are used, and the approach taken to transition plans and voluntary disclosures are equally important for sustainability, finance and risk teams which are typically responsible for much of the underlying analysis, coordination and disclosure design.

KEY TAKEAWAYS FOR SUSTAINABILITY, FINANCE AND RISK TEAMS

01	Ensure materiality assessments are clear, documented and capable of being applied consistently over time.
02	Revisit the appropriateness of datasets, internal controls and scenario analysis practices in light of the detailed mandatory sustainability reporting requirements.
03	Be clear about the use of transition relief and the limits of current quantifications, and document judgments appropriately.
04	Plan early for reporting maturity beyond year one, including (as relevant) uplift of data, systems, controls and methodologies for Scope 3 emissions and comparative information to support expanded disclosures and increasing assurance.

4 A reference to 'decision-useful disclosure' or 'decision-usefulness' of information in this publication is a reference to information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the relevant reporting entity (as contemplated in AASB S2).

2.1 Identifying and assessing material climate-related risks and opportunities

Under AASB S2, reporting entities must disclose climate-related risks and opportunities that could reasonably be expected to affect their cash flows, access to finance or cost of capital over the short, medium or long term. Implementing this requirement in practice depends heavily on the methodologies and sustainability materiality thresholds applied by reporting entities.

Across our dataset, companies disclosed on average **3** material climate-related risks, with physical and transition risks often identified through established enterprise risk management processes. By contrast, material climate-related opportunities were disclosed less frequently, with an average of **1** opportunity and several companies reporting **none** at this stage.

Companies disclosed on average:

- 3 material climate-related risks
- 1 material climate-related opportunity

Material physical risks disclosed included both acute and chronic risks, such as more frequent and severe storms, floods, heatwaves and bushfires, biodiversity loss and sea level rise. Material transition risks frequently cited included rising compliance costs from climate policy and regulation, volatility in electricity prices, constraints on access to capital and on the availability and cost of insurance, and closer scrutiny of data and disclosures as well as exposure to alleged greenwashing. Material opportunities mentioned included increased demand for lower-carbon products and services, diversifying asset or investment portfolios toward transition aligned or climate resilient assets, and supporting customers' decarbonisation and adaptation.

From a technical perspective, we observed variability in how risks were screened for materiality and whether assessments were performed on an inherent or residual basis where information relating to these aspects is provided. In particular, **nearly half** of the reports reviewed did not disclose the basis on which material risks had been identified (on an inherent or residual basis). Among those that did disclose a methodology, practice was mixed, with some preference for inherent risk assessments.

This variability is unsurprising, given that AASB S2 does not prescribe a particular methodology for identifying climate-related risks and opportunities that could reasonably be expected to affect prospects, and nor does it expressly require disclosure of that methodology. Notwithstanding this, it does have significant implications for the disclosures as many disclosures depend on the risks and opportunities identified.

2.2 Connecting risk identification, strategy and opportunity assessment

Our experience suggests that climate-related risks and opportunities are often managed by different internal teams. Risks are typically identified and assessed through the entity's risk management framework, while opportunities may be considered as part of business development or strategy functions. While this distinction is understandable, in practice, risks and opportunities may reflect different impacts of the same underlying drivers.

Several companies in our dataset acknowledged this linkage, at times cross-referencing the anticipated financial impacts disclosed for a risk with the anticipated financial impacts of a related opportunity. This highlights the value of deliberate collaboration between risk and opportunity functions (where these are distinct) to ensure that identified risks and opportunities are assessed coherently and that related disclosures are appropriately aligned.

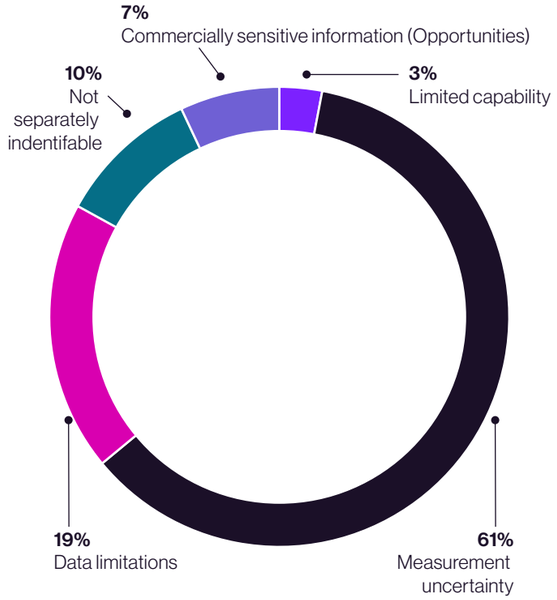
2.3 Quantifying financial impacts of material climate-related risks and opportunities

(a) Quantitative and qualitative disclosures

AASB S2 requires entities to disclose quantitative and qualitative information about the current and anticipated financial effects of material climate-related risks and opportunities on their financial position, financial performance and cash flows. Entities may provide qualitative (rather than quantitative) disclosures in certain circumstances, including where the relevant financial effects cannot be separately identified, or where measurement uncertainty is so high that quantitative information would not be useful to primary users.

Most companies in our dataset (**83%**) provide a mixture of qualitative and quantitative disclosures. The remainder provided qualitative disclosures only. When this was the case, the predominant reason given for not providing quantitative disclosure was the perception that the financial impacts of various climate-related risks are unable to be accurately or reliably predicted, presumably correlating to the measurement uncertainty exception in paragraph 19 of AASB S2. In many cases, when relying on this exception, companies went beyond a generic statement of 'uncertainty' by identifying the key variables driving that uncertainty, and explaining what would need to change (such as data, systems or modelling maturity) to support quantification in future reporting periods.

CHART 3: FREQUENCY OF REASONS REPORTED FOR NOT PROVIDING QUANTITATIVE DISCLOSURES



Emerging better practice in quantitative disclosure includes the use of tabular formats, consistent categories of disclosure for each identified risk and opportunity (such as descriptions, relevant time horizons, current and anticipated financial impacts, quantification methodology and affected financial statement line items), and the use of impact bands to illustrate the relative significance of those risks and opportunities. The use of impact bands is currently more prevalent among energy and resources companies.

(b) Individual or cumulative effects

We also saw most companies in our dataset (**87%**) disclose financial effects of identified material risks and opportunities on an individual basis (risk-by-risk and opportunity-by-opportunity), with the remaining **13%** disclosing a cumulative quantum across the risks and opportunities they identified as material.

Individual disclosure can improve comparability, but may also create a false sense of precision if interactions between risks (or double counting) are not addressed. On the other hand, a single aggregate number can be useful, but may be difficult to interpret without an explanation of the aggregation method and key assumptions. Ultimately, the decision-usefulness of either approach depends on the quality of the disclosure and accompanying explanation, amongst other factors.

2.4 Scenario analysis

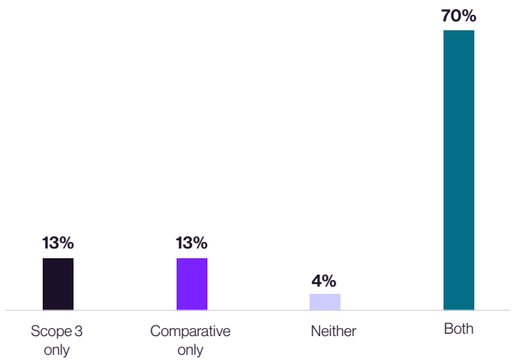
We observed that **57%** of the companies in our dataset ran more than the required **2** scenarios to give a greater breadth of potential outcomes and impacts. **Half** of the companies that ran more than **2** scenarios opted to run **3** scenarios, whilst **7** scenarios were the most that a company elected to run.

In terms of referenced international frameworks, **83%** of companies in our dataset referred to the Intergovernmental Panel on Climate Change's (**IPCC**) work, in particular, the Shared Socio-economic Pathways and Representative Concentration Pathways, while **57%** cited the Network for Greening the Financial System as the framework informing their selected scenarios. Many companies used these in conjunction with their own modelling or guidelines from other groups (such as the International Energy Agency (**IEA**) and S&P Global) to inform their physical and transitional risk analysis, rather than just relying on one source. **39%** of companies referred to the IEA, and **39%** referred to the S&P Global.

2.5 Transition relief

83% of the companies in our dataset relied on the relief from disclosing Scope 3 emissions, and the same proportion relied on relief from providing comparative information. The chart below shows the percentage of companies in our dataset that relied on the transition relief under AASB S2 in this reporting season:

CHART 4: PERCENTAGE OF COMPANIES THAT RELIED ON TRANSITION RELIEF



Reliance on the transitional relief is expressly contemplated by AASB S2 and is an expected feature of the first reporting year, particularly given challenges around data availability, systems and methodologies, especially for Scope 3 emissions. As the relief is only available for the first reporting year, sustainability, finance and risk teams should use this period to plan ahead. This includes, where relevant, identifying data gaps, uplifting systems and controls, and developing methodologies that will support expanded disclosures in future reporting periods.

2.6 Early adoption of amendments to AASB S2

We have seen some companies use the Australian Sustainability Reporting Standard AASB S2025-1 Amendments to Greenhouse Gas Emissions Disclosures (**Amendments**), which applies to annual reporting periods beginning on or after 1 January 2027 but permits early adoption subject to disclosure. To date, early adopters have been concentrated in the energy, mining and resources sectors, with reliance on the Amendments primarily relating to the use of:

- the National Greenhouse and Energy Reporting (**NGER**) methodology (or aspects of it) rather than the methodology under the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (**GHG Protocol**) for the measurement of Scope 1 and Scope 2 emissions; and
- the AR5 global warming potential (**GWP**) values under the Australian National Greenhouse Accounts Factors 2025 rather than the GWP values under the latest IPCC assessment.

AASB S2 already permits entities to depart from the GHG Protocol or latest IPCC GWP values where an Australian authority (such as Australian legislation) requires the use of a different method or GWP values. The Amendments clarify that this flexibility is available even where the Australian requirement applies only to part of the reporting entity.

Other than these aspects, the Amendments also cover the disclosure of Scope 3 Category 15 emissions, including financed emissions, and the use of ANZSIC classifications to classify investees and counterparties and calculate related emissions. Based on disclosure practices in previous reporting periods, we expect other reporting entities, including banks, to also be early adopters of the Amendments in the current reporting season.

3. For Legal Teams

Legal teams support companies and boards by helping to test key judgments, and frame and finalise disclosures. Legal teams may be uniquely positioned to connect issues across different teams and test consistency and connectedness of judgments and disclosures.

In this section, we set out our key observations on where we've seen legal queries raised and legal judgment applied most in connection with the mandatory sustainability reporting regime, including in relation to significant judgments, the availability of proportionality mechanisms, forward-looking language, report structure and the interaction between mandatory and voluntary disclosures, having regard to potential regulatory scrutiny in these areas.

KEY TAKEAWAYS FOR LEGAL TEAMS

01	Test the robustness and consistency of materiality and other key judgments and ensure the basis for those judgments is clearly articulated and supportable.
02	Scrutinise forward-looking statements (including targets, ambitions, plans and pathways) to confirm they are supported by reasonable grounds, appropriately framed and disclosed in a manner that facilitates them evolving as circumstances change.
03	Advise on report structure, location and cross-referencing, including decisions about what sits within the sustainability report versus external documents, to manage compliance risk and the application of modified liability settings.
04	Support the framing and disclosure of climate transition plans, including their interaction with mandatory disclosures and other published materials, to avoid inconsistency or unintended expansion of disclosure boundaries.

3.1 Materiality and other judgments and omissions

AASB S2 requires reporting entities to disclose climate-related risks and opportunities that could reasonably be expected to affect the entities' prospects and material information about those risks and opportunities. It does not prescribe how materiality is to be assessed. Instead, materiality requires entity-specific judgment, having regard to the boundaries of the value chain and the common information needs of primary users (amongst other quantitative and qualitative factors).

In practice, we saw materiality assessments being a key area of judgment in first year reporting, influencing decisions about which climate-related risks and opportunities to disclose, how they are to be described in the mandatory report, and whether disclosures are to be qualitative or quantitative. From a legal perspective, risk may arise not just because a particular conclusion is reached, but also where the basis for that conclusion is unclear, inconsistently applied or inadequately explained.

Similar legal risk may arise in relation to other key judgments, including:

- the interpretation of certain requirements in AASB S2, including regarding consolidated reporting, vulnerability of risks and alignment of opportunities, and other significant judgments where guidance remains limited and market practice is still developing; and
- decisions about the availability and application of exceptions or proportionality mechanisms, noting ASIC has indicated that it may scrutinise approaches in this area given the level of subjectivity involved.[5]

Vulnerability provides a useful illustration. While AASB S2 requires the amount and percentage of assets or business activities vulnerable to climate-related risks to be disclosed, the term itself is not defined. In practice, we saw nearly two-thirds (**65%**) of the companies reviewed including a definition or explanatory description in their report to provide context for their disclosures and quantification approach.

Legal teams play an important role in checking the reasonableness of approaches, alignment with the reporting standard, the appropriateness of resulting disclosures, and in confirming that the rationale for key inclusions, exclusions and qualitative treatment is documented and capable of being explained over time, including as reporting practices and expectations evolve. Legal teams are also instrumental in supporting boards and sustainability, finance and risk teams in stress testing materiality assessments and other significant judgments and by promoting their consistent application across the mandatory report.

3.2 Forward-looking statements and greenwashing risk: Learnings from *ACCR v Santos*

The recent *Santos* decision confirms that net zero and other emissions reduction goals, plans, or roadmaps may still be characterised as forward-looking representations and must be supported by reasonable grounds at the time they are made. The decision confirms that the way these commitments are framed matters, highlighting the importance of conditional and uncertain language in signalling the underlying uncertainty associated with such statements.[6]

In practice, we've seen an emerging trend of companies softening the language used to describe emissions goals, for example, by shifting from 'targets' to 'ambitions', particularly in the context of net zero by 2050. Regardless of the terminology adopted, companies should take a measured and deliberate approach and be clear in their disclosures about what is meant by the terms used. It also remains critical to document the process and evidence base underpinning any climate-related targets, ambitions or plans.

Consistent with *Santos*, the appropriate use of conditional and uncertain language may also assist in indicating that the relevant targets, ambitions, plans, pathways or roadmaps may evolve and be updated in later reports as circumstances change. While not a cure-all, the inclusion of appropriately framed forward-looking statements disclaimers can further assist in mitigating misleading or deceptive conduct risk.

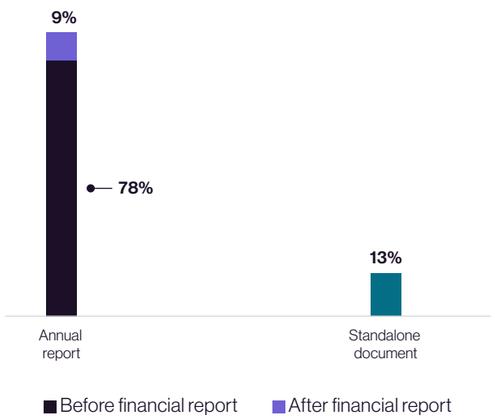
That said, changes in terminology may themselves attract stakeholder scrutiny. Some investors may interpret less definitive language as a signal of reduced accountability and action to address climate-related matters, contrary to general market expectations. Woodside, for example, noted that "*[s]ome investors have asked Woodside to consider whether its 'aspiration' to net zero Scope 1 and 2 equity GHG emissions by 2050 or sooner could be expressed more strongly as a 'target', 'aim' or 'goal'.*"[7]

5 Regulatory Guide 280: Sustainability Reporting, paragraphs 280.108–280.111.
6 As at the date of this publication, the ACCR had appealed this decision but until the appeal is decided, Justice Markovic's decision in February stands as current authority.
7 Woodside Annual Report 2025, p 84. Woodside included on the same page of the report the following response to this question: *"Woodside's use of the phrase "aspiration" should not be taken as an equivocation as to the desirability of achieving net zero GHG emissions. Rather, it is intended to communicate that the company recognises that both it, and the world as a whole, face significant challenges in achieving net zero by 2050. Woodside's view is that this should be reflected, particularly in forward looking statements, to avoid misleading investors and other stakeholders as to the nature of the challenge and the current definition of plans to address it over the period to 2050."*

3.3 Sustainability report structure, location and cross-references

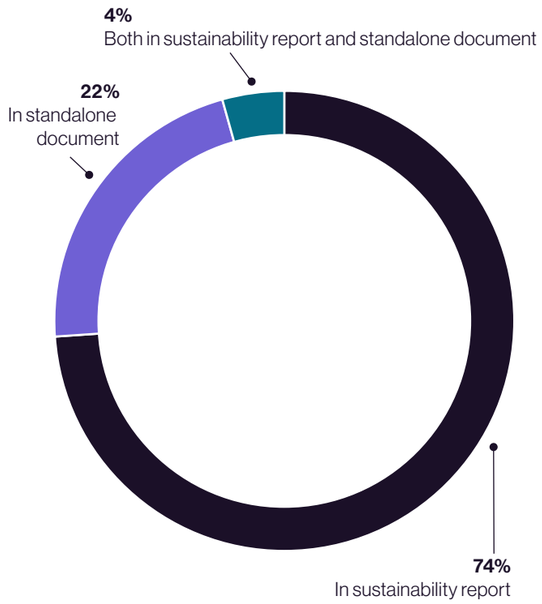
87% of companies in our dataset included the sustainability report within their annual report – this was usually included in the front half of the annual report. As illustrated in the chart below, the remaining **13%** prepared standalone sustainability reports that were lodged with the annual report.

CHART 5: LOCATION OF SUSTAINABILITY REPORT IN ANNUAL REPORT OR STANDALONE DOCUMENT



While **78%** of companies included their basis of preparation and methodology within the sustainability report, others relied on cross referencing to external documents.

CHART 6: LOCATION OF BASIS OF PREPARATION AND METHODOLOGY DISCLOSURES



From a legal perspective, structure and cross-referencing are not merely presentational choices. They can affect whether disclosures are treated as part of the sustainability report from a content compliance perspective, as well as whether the modified liability settings apply. A decision whether to include the basis of preparation and methodology within the sustainability report is also often influenced by the overall length and accessibility of the sustainability report, and the annual report overall. Legal teams therefore play an important role in helping the company navigate this balance between ensuring content includes all required disclosures, maximising usability and usefulness of the final report, and limiting liability exposure.

3.4 Climate Transition Plans

A climate-related transition plan (**CTP**) reflects "*an aspect of [the reporting] entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions.*"[8] AASB S2 does not require a reporting entity to have such a plan but does require disclosure of certain aspects of it where the entity has established one.

35% of companies in our dataset had CTPs which were published separately from the relevant company's sustainability report. Most of these companies cross-referred to the CTP in the company's sustainability report.

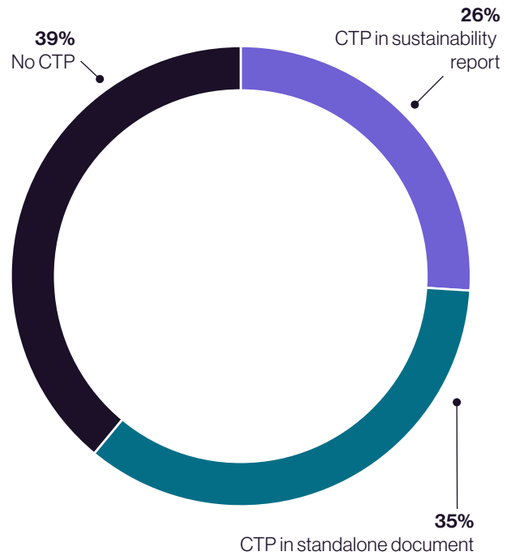
From our analysis, companies which prepared separate CTPs generally operated in sectors which traditionally have been considered to have a higher exposure to climate transition risk, including mining, oil and gas, and coal export infrastructure, who are also under additional pressure from their lenders to have one as part of onboarding or ongoing financing arrangements. The decision to prepare standalone CTPs may therefore reflect heightened scrutiny in these sectors on demonstrating a decarbonisation plan.

However, the nature and extent of these cross-references varied between companies, with some describing how the CTP had been integrated into strategy and day-to-day operations.

Common reasons cited for not having a CTP included the nature of a company's operations and expectations of limited impact from climate change, as well as not having specific emissions reductions targets.

Some companies also signalled that they were either in the process of developing a CTP or were open to considering whether one was necessary in future as their company expanded.

CHART 7: LOCATION OF CTP



8 AASB S2 (09/24), definition of "climate-related transition plan".

3.5 Voluntary disclosures

Companies made voluntary disclosures as part of their sustainability reporting this year but practice varied in how those disclosures were identified (where they were identified). Some companies included voluntary disclosures within the mandatory sustainability report, with headings or labels indicating that the relevant sections contained voluntary information. Others presented voluntary disclosures in a separately identified section, while at least 1 company prepared two standalone sustainability reports, one containing voluntary disclosures and another limited to mandatory disclosures.

In its review of voluntary climate-related disclosures last year,[9] ASIC observed that disclosures were often repetitive, that key information about the management of climate-related risks and opportunities was sometimes obscured, that scenario analysis disclosures often lacked detail about underlying assumptions and dependencies, and that transition plan disclosures could have been more clearly linked to targets, actions and strategy. At the same time, ASIC acknowledged that voluntary disclosures may be necessary to meet the information needs of users, and that entities may include such disclosures within their mandatory sustainability reports, provided the climate-related financial information required under the Corporations Act and AASB S2 is clearly identified and not obscured.[10]

Where a company's mandate (which may reflect director preference) is to take a 'mandatory only' approach to the sustainability report, it may be important to distinguish voluntary from mandatory information and understand the implications that flow from that classification and distinction, and from the inclusion of voluntary disclosures in the mandatory report. That's because describing disclosures as voluntary may have implications for the application of the modified liability settings. Legal teams play a key role in helping boards, sustainability, finance and risk teams in navigating these issues.

Regulatory watch — financial reporting system reform

Legislation introduced in February 2026 proposes to consolidate Australia's financial reporting standard setters into a new body, External Reporting Australia, with separate boards for sustainability, accounting and assurance standards.[11] The draft bill has passed the House of Representatives and remains before the Senate, with further consideration adjourned until 24 April 2026. Legal teams should coordinate with other teams to monitor the bill's progress and any flow through changes to reporting and assurance standards or implementation guidance.

9 Reporting and audit update - Issue 1 | ASIC.
10 Regulatory Guide 280: Sustainability Reporting, paragraphs 280.91–280.92.
11 Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026 – Parliament of Australia.

Key Contacts

Emma Newnham
Special Counsel
Melbourne

Tel +61 3 9643 4191
Mob +61 419 912 392
Email emma.newnham@mallesons.com

Jack Hill
Partner
Melbourne

Tel +61 3 9643 4254
Mob +61 439 403 034
Email jack.hill@mallesons.com

Tamara Hunter
Partner
Sydney

Tel +61 2 9296 2897
Mob +61 488 902 762
Email tamara.hunter@mallesons.com

Linda Le
Solicitor
Melbourne

Tel +61 3 9643 4232
Mob +61 459 738 431
Email linda.le@mallesons.com

Authors

Emma Newnham
Special Counsel
Melbourne

Ha Dinh
Senior Associate
Melbourne

Linda Le
Solicitor
Melbourne

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In preparing this publication, we have used an AI-tool, Harvey, to assist with classifying and processing the large volume of underlying information. Our experience highlighted the significant variability in sustainability reporting at this stage, which limits the effectiveness and efficiency of automated analysis. In these circumstances, human judgment remains critical, particularly in validating outputs, assessing context and drawing meaningful insights from the data available.

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