Materiality Guidance

Commonwealth Climate Disclosure

Overview

This Guidance will assist Commonwealth entities and Commonwealth companies (entities) in applying the definition of **materiality** below when reporting against the Commonwealth Climate Disclosure Requirements (CCD Requirements).

> ***Materiality:*** *an entity shall disclose meaningful information about its climate-related risks and opportunities. Information is considered meaningful where it concerns climate-related risks or opportunities that have, or may have, a significant impact on the entity, its ability to deliver public policy and/or its financial prospects.*

Materiality is a key concept for determining which climate-related risks and opportunities to include in a climate disclosure. In applying this Guidance, you should consider the outcomes of your entity's climate risk and opportunity assessment.

Note: Public policy refers broadly to any type of public policy intervention. This includes (but is not limited to) the development, implementation and enforcement of public policy through: the delivery of goods and services; the provision of policy advice; legislation; regulations and standards; voluntary agreements; guidelines; programs; grants; procurements and expenditures; taxes, subsidies and other fiscal measures; financing and investment; research and development; and/or public asset and infrastructure projects. For the purposes of Commonwealth Climate Disclosure, public policy does not include policies internal to the organisation that have little or no outward effect on the broader Australian public.

Usage and limitations

This Guidance presents a minimum baseline for disclosure of climate-related risks and opportunities in accordance with Strategy criterion S2, set out in the CCD Requirements. It does not limit your entity from making a more comprehensive climate disclosure against the CCD Requirements.

Not all climate-related risks and opportunities identified in your entity's climate risk and opportunity assessment will be significant enough to disclose. Your disclosure should focus on climate-related risks and opportunities that are both relevant and consequential to annual report users. Annual report users generally include parliamentarians, taxpayers, donors[1] and/or investors, and users of public goods and services.

[1] Excludes political donors. Includes (but is not limited to) donors to national institutions (for example, museums, libraries, galleries and memorials) and not-for-profit charities. Investors includes holders of Australian Government bonds and/or participants in government administered investment products/schemes.

The threshold for disclsoure may vary based on your entity's size, purpose and functions. Therefore, you should apply judgement based on your entity's specific circumstances and the climate-related risks and opportunities identified. It is up to an entity to prioritise its climate-related risks and opportunities.

Complex risks and opportunities

Aggregated

While information about a climate-related risk or opportunity may not be significant when considered on its own, similar climate-related risks or opportunities may be material when considered in aggregate. For example, an entity may identify several climate-related risks, each with the same type of impact. Information about one of these risks may not be material if it is considered unlikely to occur, or if its impact is not significant. However, information about these risk sources in aggregate may be material where the combined impact is likely to be significant.

Cascading

Where a climate-related risk or opportunity at the entity level triggers or contributes to other risks or opportunities at the Australian Government level and the data exists to allow you to do so, you can choose to disclose the broader impacts on the whole-of-Australian-Government.

Assessment of significance

Aligning with the Climate Risk and Opportunity Management Program

It is expected that entities implementing this Guidance will have undertaken a climate risk and opportunity assessment. You are encouraged to conduct the assessment as outlined in the Climate Risk and Opportunity Management Program (CROMP)[2]. If it is impractical for your entity to adopt the CROMP methodology in full, you should ensure your entity's alternate methodology is robust and defensible.

As a preliminary step in identifying climate-related risks and opportunities for disclosure, it is suggested that you consider the ratings applied to the risks and opportunities identified in your entity's climate risk and opportunity assessment, taking into account your entity's risk appetite and tolerance. This will provide you with an initial set of climate-related risks and opportunities which you can assess against the thresholds for disclosure below. The CROMP guides provide advice on rating risks and assessing opportunities that will assist in this process.

Thresholds for disclosure

The following questions aim to assist you with determining which of your entity's climate-related risks and opportunities meet the threshold of material information for disclosure. Where you answer 'yes' to 'relevancy' and 'yes' to **any one** of the prompting questions in Table 1 under 'consequence', the climate-related risks and opportunities in question could be material and should be considered for disclosure.

1. **Relevancy:** Whether the climate-related risks and opportunities are relevant to annual report users:

[2] The Department of Climate Change, Energy, the Environment and Water is responsible for administering CROMP.

- If the climate-related risk or opportunity were to be realised (either partially or in full), would annual reports users be interested in its impacts?

2. **Consequence:** Whether information about those climate-related risks and opportunities could reasonably be expected to impact annual report users or influence the perceptions and/or decisions that annual report users make on the basis of those reports.

Table 1 below provides sample questions that are designed to help you assess the consequence of a climate-related risk or opportunity. These questions are examples for guidance and may not cover every possible scenario relevant to your entity. Not every question in the table may be applicable to your entity.

Table 1: Questions to assist entities in assessing the level of significance of a climate-related risk or opportunity

Impact category	Prompting question
Health and safety	Is there reasonable potential for personal harm or injury to occur as a result of the climate-related risk or opportunity?
Entity infrastructure, assets and/or operations	Is there reasonable potential for the entity's critical infrastructure, assets or operations to be adversely or positively impacted by the climate-related risk or opportunity?
Spatial and/or sectoral	Are the impacts of the climate-related risk or opportunity likely to be widespread?
Entity public policy delivery	Is there reasonable potential for the timeframes and delivery of a public policy to be disrupted by the climate-related risk? This may include acute and/or chronic impacts. Is there reasonable potential for the climate-related opportunity to substantially enhance the entity's public policy delivery?
Entity purpose and/or outcomes	Is there reasonable potential for the climate-related risk or opportunity to impact the achievement of the entity's key purpose and/or outcomes? This includes information set out in the entity's corporate plan.
Reputational	Is there reasonable potential for the climate-related risk or opportunity to adversely or positively impact the entity's overall public standing or reputation?
Legal	Is there reasonable potential for legal action to be taken against the entity for failing to adequately manage the climate-related risk or opportunity?
Equity	Are minority or disadvantaged groups likely to be impacted adversely or positively by the climate-related risk or opportunity?
Entity projects	Is there reasonable potential for the timeframes and delivery of a major project to be disrupted by the climate-related risk? This may include acute and/or chronic impacts.

	Is there reasonable potential for the climate-related opportunity to substantially enhance the entity's major project?
Public policy delivery chain[3]	Does the climate-related risk or opportunity relate to parts of the public policy delivery chain that are concentrated in geographic areas with a high exposure to climate hazards?
Financial	Are there reasonable potential financial costs or losses associated with the climate-related risk or opportunity? Cost assessments should be made on the basis of the entity's size and financial prospects (including long term sustainability) and should consider both the cost of inaction and the cost of action.

Examples of material risks and opportunities

Risk 1: Risk of increasing climate change impacts jeopardising staff health and safety

This risk is considered material as staff may be exposed to the physical impacts of climate change as part of performing their work, and this would have a significant impact on the entity and its ability to deliver public policy. Staff working outdoors will be exposed to increased heat, with potential for increased heat-related illnesses, and increased bushfires may expose staff to reduced air quality. The protection of staff health, safety and wellbeing is a legal requirement and a key priority for the entity.

Risk 2: Risk of the changing climate affecting infrastructure, assets and the delivery of public policy

This risk is considered material as the increase in frequency and severity of extreme weather events may cause significant damage to the entity's buildings and assets. Damage to buildings and assets may disrupt the entity's operations, resulting in delays to expected public policy delivery timeframes and impacting end users. Some mitigations include business continuity planning, including working from home arrangements.

Opportunity 1: Opportunity to improve energy efficiency of buildings and assets, reducing costs and contributing to net zero

This opportunity is considered material as the entity has operations and infrastructure located across Australia, with a significant energy cost and emissions footprint. Increasing energy efficiency of buildings, and switching electricity supplies to renewable energy, will significantly reduce operating costs and emissions for the entity. This will result in substantial cost savings, enabling those resources to be redirected towards policy advice and program delivery. It will also ensure that the entity achieves the commitments in the Net Zero in Government Operations Strategy.

[3] From the policy owner to the end-user, the public policy delivery chain encompasses the key functions, activities and interactions associated with public policy delivery. It includes (but is not limited to) activities associated with program delivery, the supply and distribution of goods, financial disbursements and interactions with policy delivery providers, partners and end-users.

Document control

Version number	Date of issue	Brief description of change
1	January 2025	Initial release

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