ERM

AUSTRALIAN SUSTAINABILITY REPORTING STANDARDS (ASRS)

Guide to mandatory climate disclosure

Resources, tools and insights

Contents

ERM acknowledges Traditional Owners of Country throughout Australia and recognises their continuing connection to lands, waters and communities. We pay our respect to Aboriginal and Torres Strait Islander cultures; and to Elders past and present.

Welcome to ERM's Australian Sustainability Reporting Standards guide

Are you ready to meet your obligations under the ASRS?

With 2025 in full swing, planning is well underway for the year – including the breadth of preparations needed to asses risks associated with climate change and reporting on these under ASRS.

Australia's mandatory climate disclosure regime took effect on 1 January 2025. We know from our colleagues in ERM, that there is great interest across the world as to how Australia responds to the new reporting requirements – particularly the investment community which was the original driver of climate risk disclosures.

The task ahead is significant and we know that many businesses are not ready.

With this in mind, we have organised our ASRS resources, tools, articles and podcasts into a guide to support you in your planning. We have also incorporated content from ERM's global Sustainability Institute which includes valuable information and recommendations for transition planning, financial quantification and overcoming barriers to sustainability in global supply chains.

We hope you find the guide valuable. Our team is currently working with clients from across all sectors of Australia's economy and we will share more insights and advice over 2025. Please reach out if you have any questions or need any assistance.

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ERM provides end to end support

Our approach to ASRS goes beyond compliance. We not only identify and manage your climate risks, we find opportunities to create value for your business.

EXPERIENCE ACROSS ALL SECTORS

40+ years

Advising on decarbonisation, climate risk, data management and reporting

UNRIVALLED TECHNICAL EXPERTISE

150+ local climate experts

TRUSTED PARTNER

250+ clients

Guided through their mandatory reporting journeys

GLOBAL KNOWLEDGE

160+ offices

In more than forty countries

ASRS 101: Know the features of the reporting regime

For some companies, listed or unlisted, developing a strategic and comprehensive response to climate change is a new undertaking. However, from January 2025, businesses across Australia must start to disclose their climate-related financial risks within company financial reports. Not only is it an Australian government requirement, the ASRS is just the latest in a series of climate disclosure requirements to be established in jurisdictions across the world under the umbrella of the International Financial Reporting Standards (IFRS) and specifically its International Sustainability Standards Board (ISSB).

Time is tight, and the scope is broad and complex.

On this page are snapshots of key topics and links to more information to get started.

WHO has to report?

Implementation will be phased. Both listed and unlisted entities that meet revenue, asset and headcount criteria fall within the scope of mandatory climate disclosures.

- Group 1 – 1 January 2025
- Group 2 – 1 July 2026
- Group 3 – 1 July 2027

WHAT needs to be reported?

Companies need to disclose against requirements relating to climate governance throughout the company, climate risks and opportunities (physical and transition), emissions (scope 1 and 2 initially and scope 3 in future years) and their transition plans including emissions reduction targets, metrics and how the business's strategy is informed by climate-related matters. Disclosure details increases over time..

WHEN are disclosures due?

Disclosures are due at the same time as financial reports and are contained within a sustainability or integrated report. In Australia, for the majority of Group 1 reporting companies, this will be within 3 months of the end of their financial year.

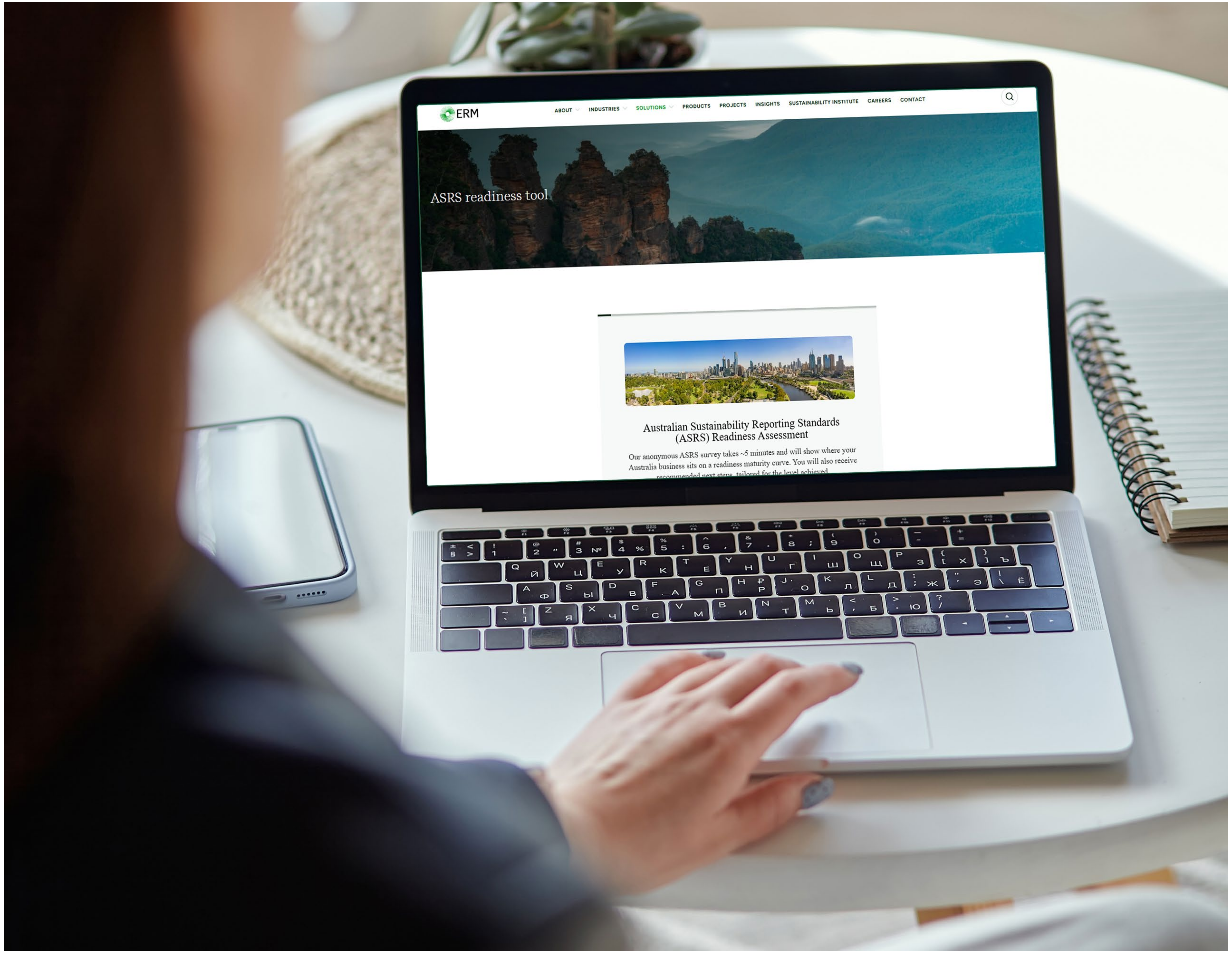
WHY are climate-related financial disclosures required?

While it's mandated, climate-related financial disclosure provides the insights that your investors want. Prepare the information well and you will understand where your company needs to be in a carbon free, climate-impacted world. There's also huge opportunity. This is about ensuring the long term investability and sustainability of your business.

Understand your gaps to readiness. Take our self assessment

Our anonymous ASRS survey takes ~5 minutes and will show where your business sits on a readiness maturity curve. You will also receive recommended next steps, tailored to your readiness level. Note, if your company reports in a different jurisdiction, an ISSB Readiness Assessment is also available via the link.

TAKE THE QUESTIONNAIRE →



LOCAL EXPERTISE BACKED BY GLOBAL KNOWLEDGE

Insights and advice

Summaries and links to tools, articles and podcasts

Are you ready for the step change from net zero strategies to transition planning?

Podcast | Climate disclosure

Key takeaways

- Simplify and integrate existing decarbonisation activities into a clear, actionable plan that focuses on material risks and opportunities while enabling continuous improvement.
- Move beyond compliance. Transition plans must be integrated into core business operations, aligning with business strategy, sustainability goals and financial plans to drive action and build long-term resilience.
- Transition planning is a chance to innovate, transform business models, and lead in a decarbonising economy.

This article examines the preparations Australian business need to make for disclosures under the new mandatory climate-related financial reporting scheme. The focus of the podcast is transition plans – the work businesses need to do to turn their climate and net zero strategy into a detailed plan that demonstrates how the business will respond to a changing climate and decarbonising economy.

As we learn through the discussion, the disclosure is just the tip of the iceberg. 90% of the effort is in the planning, its execution and continuous improvement.

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LISTEN TO THE FULL PODCAST →

Moving transition from plans to action: A transition planning primer

Report | Co-authored with World Business Council for Sustainable Development

Key takeaways

- Wherever a company falls on the spectrum of transition planning maturity determines its priorities for the transition planning process.
- Early stage: Main priorities – (1) Set up external and internal stakeholder engagement. (2) Address data quality, availability and management
- Evolving maturity: Main priorities – (1) Frame business model transformation. (2) Enhance disclosure infrastructure.

Corporate transition planning is the missing link between setting and achieving net zero, nature-positive, and just transition commitments through their integration into business operations. While some companies have started drafting and disclosing transition plans, their credibility, and integrity need to be urgently improved. Many other companies haven't started the process at all.

Insufficiently engaging with transition planning carries rapidly expanding risks, from conflict with regulators and reputational damage to higher capital costs and shrinking access to credit.

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How climate transition planning can unlock capital

Article | Climate disclosure

Key takeaways

- Climate transition planning is not a silver bullet that will solve all complexities of transitioning to a low-carbon economy.
- However transition planning can lay the foundation for capturing the commercial value of decarbonisation and improving communication and mutual understanding between companies and investors.

A persistent disconnect between companies and investors limits capital flows into decarbonisation projects. Effective climate transition planning can help close the divide.

Corporate climate action is at a critical juncture. While companies increasingly understand their climate-related risks and impacts, and many are setting ambitious targets to address them, businesses still find it difficult to convert targets into operational actions that create commercial value. One major roadblock is securing financing for decarbonisation projects, such as installing new energy technologies and developing new low-carbon products and services.

In their **inaugural whitepaper**, the Council on Sustainability Transformation (convened by ERM) argues that putting business-investor relationships on a new footing could accelerate the private sector's response to climate change. A robust investor-company vision to reduce risk and seize opportunity over short to long-term time horizons is urgently needed. Transition planning can help get us there.

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The new disclosure landscape: Comparing sustainability standards and regulations

Report | Climate disclosure

Key takeaways

- Companies will likely need to comply with more than one regulatory framework.
- Understanding the similarities and differences between each regulation's requirements can improve disclosure accuracy and efficiency.
- There is considerable overlap between major sustainability–related disclosure regulations. Alignment with one means at least partial alignment with others. Whether mandatory or voluntary, these frameworks compel companies to communicate ESG-related risks, outline their ESG strategy, disclose their ESG targets and related progress, and strengthen their ESG governance.
- Sustainability disclosure should be more than a compliance exercise; each of the regulations and standards outlined in this report can and should be leveraged to generate additional business value for the reporting entity.

As governments, investors, and other private market players and stakeholders increasingly prioritize sustainability, companies face challenges in navigating evolving disclosure regulations and standards. The proliferation of sustainability-related disclosure requirements underscores the urgency for companies to enhance transparency, accountability, and consistency in their sustainability reporting.

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Breaking chains, building sustainably: Overcoming supply chain barriers

Report | Supply chain sustainability

Key takeaways

- This report steps through five barriers and explores recent developments, expert insights, and recommendations from and for supply chain leaders.
- The barriers are: keeping pace with changing regulation, navigating stakeholder demands, skills shortages of supply chain professionals, supplier maturity and capability, waste and reducing water consumption.

As global supply chains grow in complexity, companies worldwide increasingly recognize the importance of managing risk and proactively identifying and addressing the issues that are critical for ensuring resilient and effective business operations.

This report provides a first-hand view of how supply chain leaders in the technology industry, including Dell, Intel, Microsoft, and Sage, have worked to incorporate sustainability into their supply chains. Through our interviews with these organizations and two additional technology companies, we identified the main barriers they face and the solutions that they and other companies have implemented to drive change and achieve success.

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Climate scenario analysis: a guide for finance professionals

Report | Climate disclosure

Key takeaways

- In collaboration with the Chartered Accountants Australia and New Zealand, ERM Energetics produced a guide.
- Designed to support finance professionals unfamiliar with the new mandatory reporting requirements with a specific focus on scenarios
- Scenario narratives must be plausible, distinctive, consistent, relevant and challenging.

Mandatory climate-related financial reporting in line with Australian regulations requires the assessment of risks and opportunities under two scenarios for temperature increases. For many finance professionals, such work is unfamiliar. Recently, Chartered Accountants Australia and New Zealand and ERM Energetics collaborated to develop an information guide to climate scenario analysis.

While introductory, the guide is designed to help finance professionals learn about climate scenarios in preparation for the ASRS in which disclosures must be made against two scenarios of temperature increases above pre-industrial levels namely 1.5°C of warming by 2050 as a low global warming scenario and 2.5°C or higher by 2050, to provide a high warming scenario. The scenarios are selected to enable reporting entities to assess their climate resilience.

The guide addresses what scenario analysis is, the value of a scenario analysis and how to get started.

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Do you know your business' exposure to bushfire risk? Or flooding, or extreme heat?

Article | Physical risk analysis

Key takeaways

- ERM's version of Fireline provides an Australia-wide view of bushfire risk for a range of future climate scenarios and time horizons.
- Fireline allows you to assess the potential severity of bushfire risk to your assets, operations and access routes
- The insights provide an understanding of the required levels of adaptation.
- We have a number of risk assessment tools – for bushfire, extreme heat, flooding, as well as multi-hazard screening models.

ERM has our own, version of Fireline, developed with CSIRO and, to this day, underpinned by publicly available data. A proprietary tool, Fireline also provides an Australia-wide view of bushfire risk, however it has the ability to assess risk for a range of future climate scenarios and time horizons, particularly 2030 and 2050 – time horizons commonly cited across Australian business as markers for the assessment and disclosure of physical risks.

Building resilience starts with a clear understanding of risks. In the face of uncertain climate futures and mounting pressure to act, ERM's insights provide climate intelligence to inform your decisions and create strategic value.

READ MORE →

Scope 3 emissions reporting: is it about finding the right numbers or reducing emissions?

Podcast | Value chain decarbonisation

Key takeaways

- Many businesses are investing significant resources and time in establishing scope 3 inventories but remain dissatisfied with the quality of available data and unsure of what to do next.
- Next steps should balance reducing scope 3 emissions with improving data quality. Often money is better spent on reduction activities than on chasing numbers.
- Decarbonisation actions for many sources of material scope 3 emissions are commercially available and ready to go.

To prepare for ASRS disclosure, many Australian businesses have been investing significant capital and time into establishing their scope 3 inventories. However, even with a complete inventory, many remain dissatisfied with the quality of the available data, and unsure of their next steps.

In this podcast we review where scope 3 emissions arise and start to work through whether companies should be focusing on data quality or driving down emissions.

LISTEN TO THE FULL PODCAST →

From Mandate to Mastery: Delivering on financial quantification requirements

Article | Physical risk analysis

Key takeaways

- Job functions needed for quantification include sustainability team members, risk team members, finance, site and operations managers, supply chain managers/ representatives.
- Statement preparers should clearly define risks and opportunities to easily match to the relevant financial statement line items; develop a standardized approach to determine financial materiality; align information disclosed in financial statements (front half) with narrative reporting (back half) of climate-related disclosures; and collaborate throughout the business for a deeper understanding of climate-related matters.

To respond to the emerging requirements, companies must undertake new risk quantification methodologies, adapt business processes, and collaborate across key business areas. Delivering on these new undertakings will take time. However, with the right actions, companies can master these new mandates and come out ahead of competitors.

In our **first blog on this topic**, we explained the emerging requirements driving quantification assessments, and how companies can best prepare to respond to them. This second blog details the processes required to deliver the financial quantification outputs needed to comply with these requirements.

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Climate-related financial disclosures need assurance: ‘limited’ then ‘reasonable’. What does this mean?

Podcast | Climate disclosure

Key takeaways

- Mandatory reporting in Australia requires limited assurance in the first year, migrating to reasonable assurance across all aspects of disclosure over time.
- Assurance of climate related financial disclosures is more complex than assurance of pure financial information.
- Companies should start their reporting journey with the end in mind, and prepare for assurance now.

Mandatory statutory financial auditing has been established in some global jurisdictions for decades and is a routine activity in annual business operations. The processes, systems, internal controls, skills and structures that we see across mature businesses today support their ability to comply with mandatory auditing requirements.

However, a new era is upon us. Countries around the world are mandating climate-related financial disclosure with a requirement for those reports to be subject to limited and then ultimately, reasonable assurance over time. The structures that exist in companies today to support financial disclosure do not automatically nor easily support climate-related financial disclosure. From the outset, agreement must be reached across sustainability, strategy, risk, legal and finance functions to determine what is financially material information as relates to climate risks and opportunities.

ERM READ MORE

Explore our interactive tool to help build your business' roadmap to climate disclosure

Preparing for mandatory climate reporting under AASB S2 requires rapid mobilisation, and a step change in your understanding of climate risks and opportunities.

Done well, AASB S2 disclosure requirements can also drive business value.

ERM's general roadmap is based on our experience helping companies define and execute their disclosure plans. As every organisation is different, your roadmap will need to be tailored to your organisational readiness, internal accountabilities and ambition..

EXPLORE OUR ROADMAP →

Seek advice from our experts

ERM has deep expertise developed over years of climate risk and net zero advisory experience – from capturing and managing relevant data, to building an inventory of greenhouse gas emissions, setting a strategy and targets for decarbonisation, identifying and managing your climate risks (and opportunities), and putting together a report on the outcomes that has been assured to the level required under ASRS for your company size.

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