

# Australia's new mandatory climate-related financial disclosures

Satisfying investor and customer demands for climate and sustainability data in a rapidly changing disclosure landscape

VICTORIA CROSS, 2025 AEBN NATIONAL CONFERENCE ON ENVIRONMENT, CLIMATE CHANGE AND ENERGY

7 MARCH 2025

Sustainability is our business

# Acknowledgement of Country



# We work across the business life cycle to shape sustainable futures



**Corporate Sustainability and Climate Change**



**Mergers and Acquisitions**



**Capital Project Delivery**



**Low Carbon Economy Transition**



**Sustainable Operations and Compliance**



**Liability Portfolio Management and Remediation**



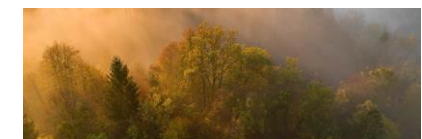
**Safety Services**



**Digital Services**



**Product Circularity and Supply Chain**



**Carbon Markets**



**ERM Sustainability Institute**

## ERM OVERVIEW

**8000+**  
Professionals

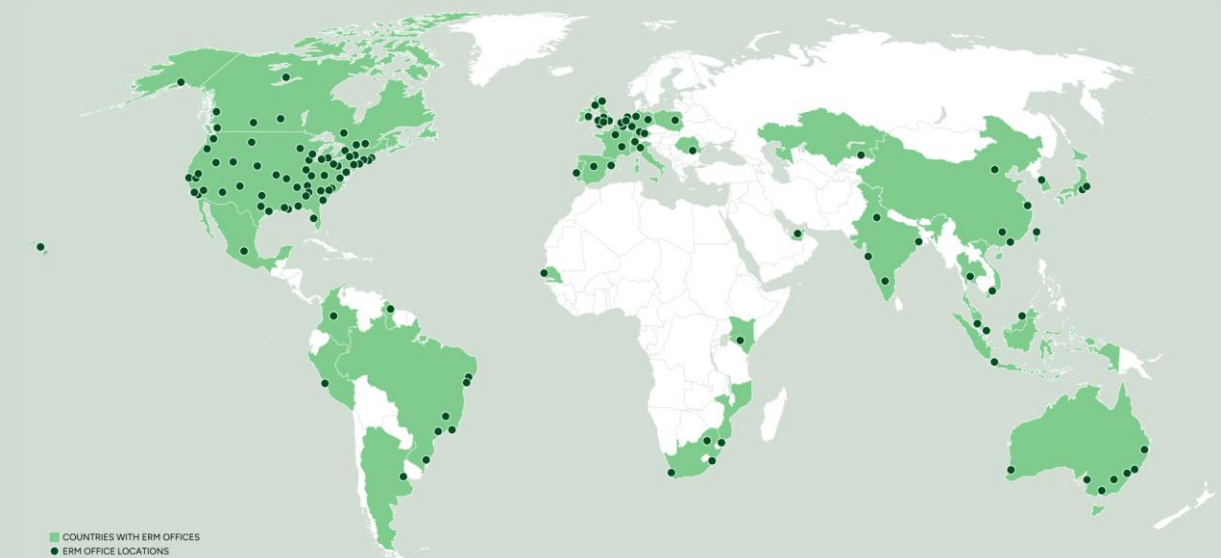
**40**  
Countries and territories

**ESG and Sustainability Consulting Leader**  
Verdantix Green Quadrant 2024

**7**  
Offices in Australia

**150+**  
Australia-based climate experts

**We are Australia's largest corporate sustainability, climate change and energy transition consulting team**



■ COUNTRIES WITH ERM OFFICES  
● ERM OFFICE LOCATIONS

# Agenda

- 1 Australian Sustainability Reporting Standards (ASRS)
- 2 How should businesses approach this challenge?
- 3 What do we know about business readiness? Where does my business sit?
- 4 Key areas to tackle:
  - Climate risk
  - Transition planning
  - Assurance
- 6. Recommendations**

# Australian Sustainability Reporting Standards (ASRS): what is required?

# ASRS and global mandatory reporting requires a step change in organisational capability

To drive action towards its net zero by 2050 goal, the Australian government wants to improve the “*quality and comparability of climate-related financial disclosures...to help investors make more informed decisions*”

You need an ASRS approach that:

1

Is right-sized to your business and stage of climate maturity



2

Meets the needs and engages *all* stakeholders



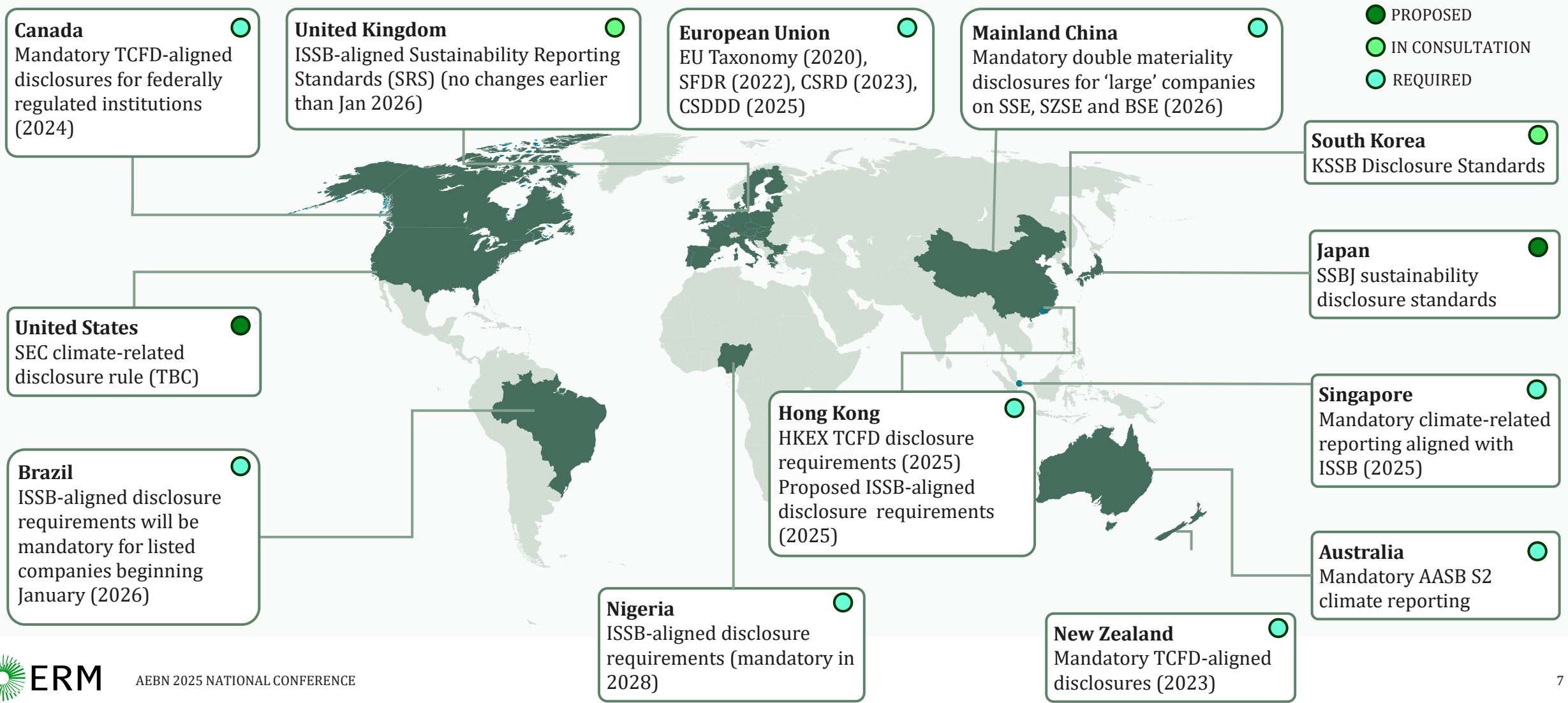
3

Helps your business chart its net zero course, mitigate climate risk, maximise opportunities



# Australia: one of the first to move towards mandatory climate reporting

At ERM our work frequently combines the EU ESRS (CSRD) and ISSB frameworks to deliver a global climate reporting approach with jurisdiction-specific disclosure



# At the heart of this evolving disclosure landscape are 2 key frameworks



## IFRS Sustainability Disclosure Standards

- Developed by the ISSB
- Global standard for sustainability-related financial disclosures
- Aimed to meet investor needs

### Companies need to disclose:

- Financial materiality
- Sustainability-related risks and opportunities – and impact on company enterprise value
- Climate-related disclosures immediately
- Nature and human rights in 2026



## Corporate Sustainability Reporting Directive (CSRD)

- Delivery of the Sustainable Finance Action Plan (EU Green Deal)
- Implemented through the European Sustainability Reporting Standards (ESRS)
- Impacts not only EU based but also value chains

### Companies need to disclose:

- Double materiality
- Governance, strategy and business model, risk and opportunities, metrics and targets for cross-cutting, environmental, social and governance standards
- Limited assurance
- EU Taxonomy

Depending on where your investors, customers AND value chain partners are located, it's likely at least one will impact your business



# Disclosure regime is built on 4 focus areas, derived from the Taskforce on Climate-related Financial Disclosures, 2017

**Metrics and targets**

Emissions measurement  
How they are reduced through targets

**Risk management**

Integration of climate risk into company risk management structures and processes

**Strategy**

How climate risks are understood and addressed through business strategy

Use of scenario analysis to explore climate risks/opportunities and to influence strategy

**Governance**

How climate risks/opportunities are addressed in governance structures and processes

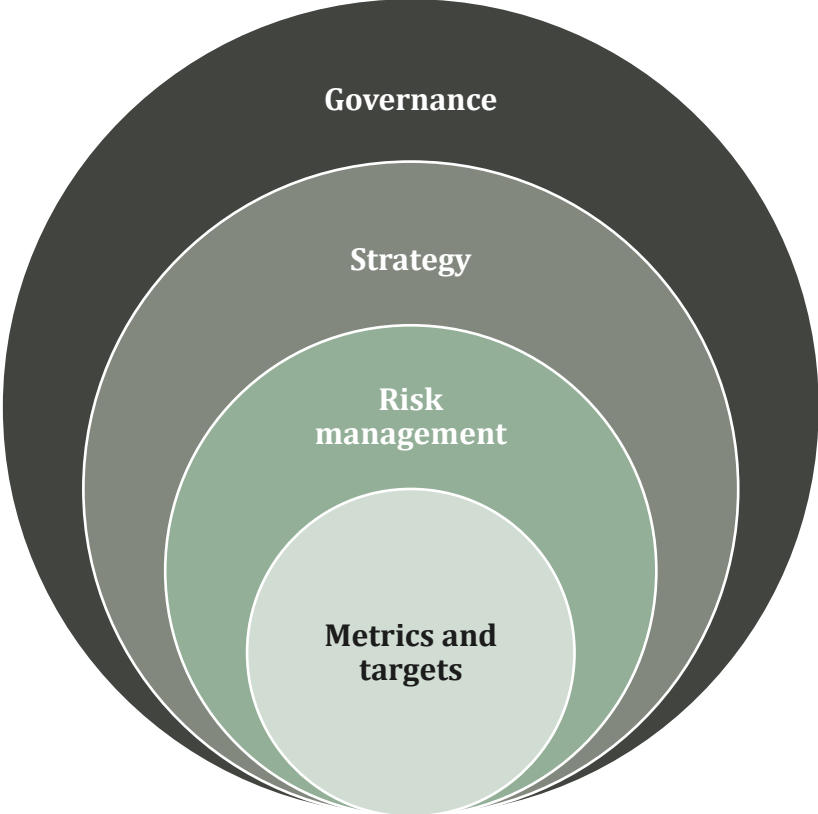


Figure 2: Core elements of recommended climate-related financial disclosures, TCFD, 2017

# Regulation is more prescriptive than TCFD about “what” must be disclosed...

Some examples (full list of mandatory requirements - [AASB S2 \(09/24\)](#))

## Governance

Information about the governance body or individuals(s) responsible for oversight of climate-related risks and opportunities (CRROs) , including:

- how this is documented
- how CRROs are considered when overseeing strategy, major transactions and risk management processes
- climate-related target setting
- whether performance metrics are included in remuneration policies

## Strategy

- CRROs that could be expected to affect the entity’s prospects (current and anticipated)
- Effects of CRROs on financial position, performance, and cash flows and business model and value chain (current and anticipated)
- Climate resilience assessment and scenario analysis under at least two climate futures (1.5°C and 2.5°C+)
- Transition plan

## Risk management

- Outline process and policies used to identify, assess, prioritise and monitor CRROs and how this integrates into and informs overall risk management processes
- Describe how the nature, likelihood and magnitude of the effects of those risks are assessed

## Metrics and targets

- Scope 1 and 2 emissions for first reporting year (NGER or GHG protocol); material Scope 3 emissions from second year (GHG protocol)
- Climate-related targets including what they are informed by and how they are monitored
- Metrics such as the amount and percentage of assets or business activities vulnerable to climate risks, amount of capital deployment towards CRRROs, internal carbon prices

# ...as well as “how” and “when”

Group 1 calendar year reporters will need to submit their reports by March 2026!

## Phased-in approach – years beginning on or after

Criteria		Group 1	Group 2	Group 3
Any 2 of 3	Employees (FTE)	500+	250+	100+
	Consolidated gross assets	\$1b+	\$500m+	\$25m+
	Consolidated revenue	\$500m+	\$200m+	\$50m+
OR				
NGER-registered entities		Above NGER publication threshold	All other NGER reporters	
OR				
Asset owners			\$5b of assets under management or more	
<b>Reporting for financial years starting on or after</b>		<b>1 January 2025</b>	<b>1 July 2026</b>	<b>1 July 2027</b>

## Assurance pathway

Disclosures	Year 1 <sup>1</sup>	Year 2	Year 3	Year 4
Governance	■	■	■	■
Scope 1 and 2 emissions	■	■	■	■
Scope 3 emissions	■	■	■	■
Strategy – Risks and Opportunities <sup>2</sup>	■ <sup>3</sup>	■	■	■
Climate scenario analysis / Climate resilience assessment	■	■	■	■
Climate transition plan	■	■	■	■
Climate related metrics and targets	■	■	■	■
Risk management	■	■	■	■

Disclose reasonable assurance    
  Disclose limited assurance    
  Disclose no assurance    
  Optional

1. Group 1 – Years commencing 1 January 2025. Group 2 – Years commencing 1 July 2026. Group 3 – Years commencing 1 July 2027  
 2. The phasing for assurance on statements where there are no material climate-related risks and opportunities would be the same as for ‘Strategy – Risks and Opportunities’  
 3. Only subparagraphs 9(a), 10(a) and 10(b) of AASB S2 Climate-related Disclosures

# A strategic approach to climate disclosures will achieve much more than mere compliance



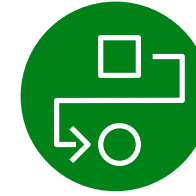
## Alignment on strategic priorities

- Clarity on the climate-related risks and opportunities, and how strategy needs to evolve in response
- Elevation of climate into appropriate governance forums to ensure the critical decisions get made and resources are allocated



## Oversight and effective mgt of climate risk

- Quantifying climate risks and the impacts on business performance, including the value chain
- Clarifying the business case to invest in resilience and avoid the downside
- Ensuring climate risk management is owned across the organisation



## Clarity on climate-related opportunities

- Driving development and adoption of a Climate Transition Plan that integrates emissions reductions alongside decarbonisation of operations
- Acting as a catalyst for innovation in products and services



## Investor and customer confidence

- Investors need to know their portfolio is climate resilient to inform their own climate disclosures
- Customers want to know their upstream value chain has a pathway to decarbonise so they can manage their scope 3 emissions

How should business approach this challenge?

# Wading through without a clear strategy and plan can feel like you are trying to boil the ocean

- **Cost of non-compliance:** fines, revenue at risk + reputational
- **Cost of compliance is also high:** internal resources, auditor, consultants, process and system transformation required
- An inefficient approach will increase the cost
- Companies without established climate strategies have double the work



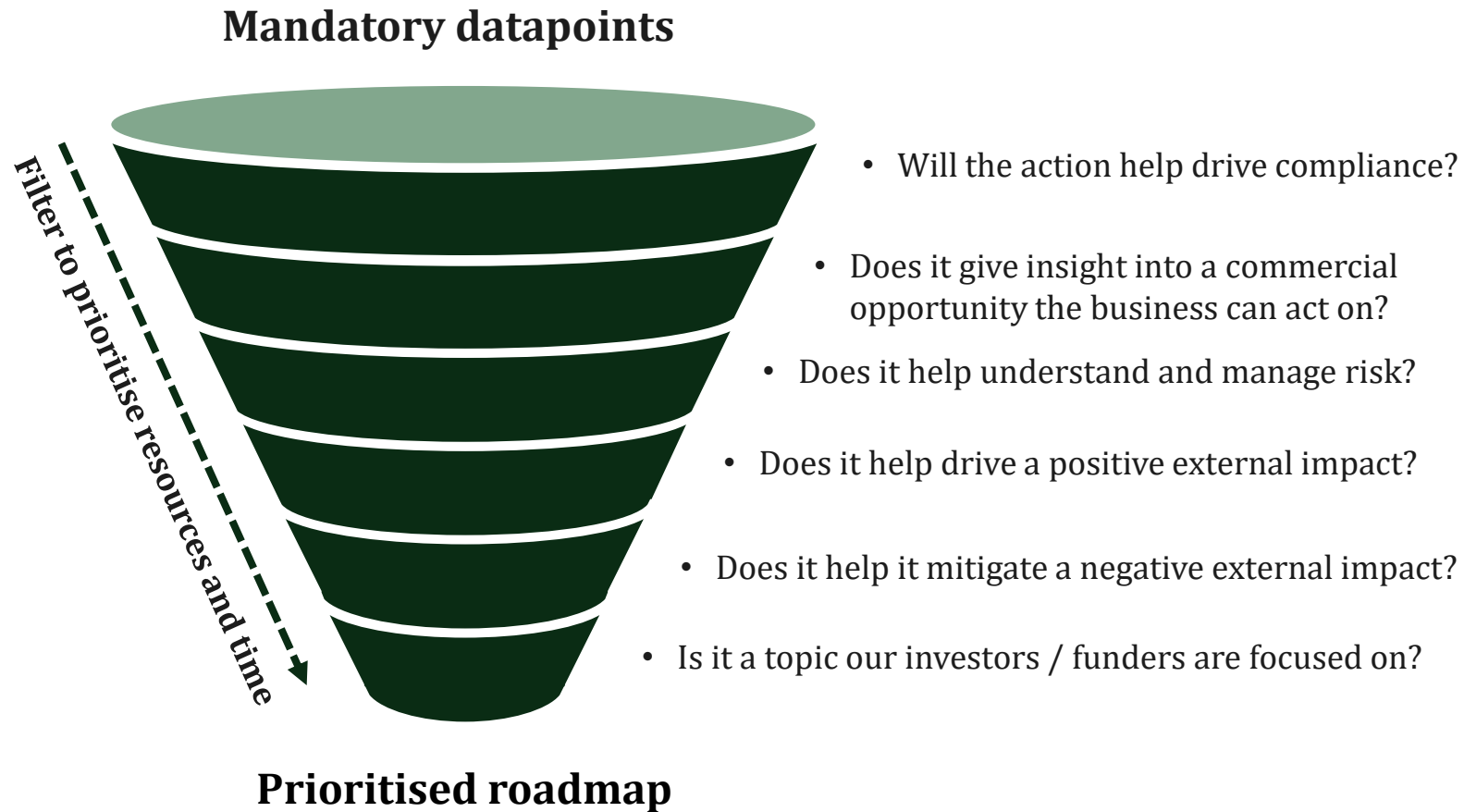
# Companies are having to decide: compliance only or value creation?

There's merit in either approach, or a combination, but the key is having everyone aligned with the same appetite and understanding



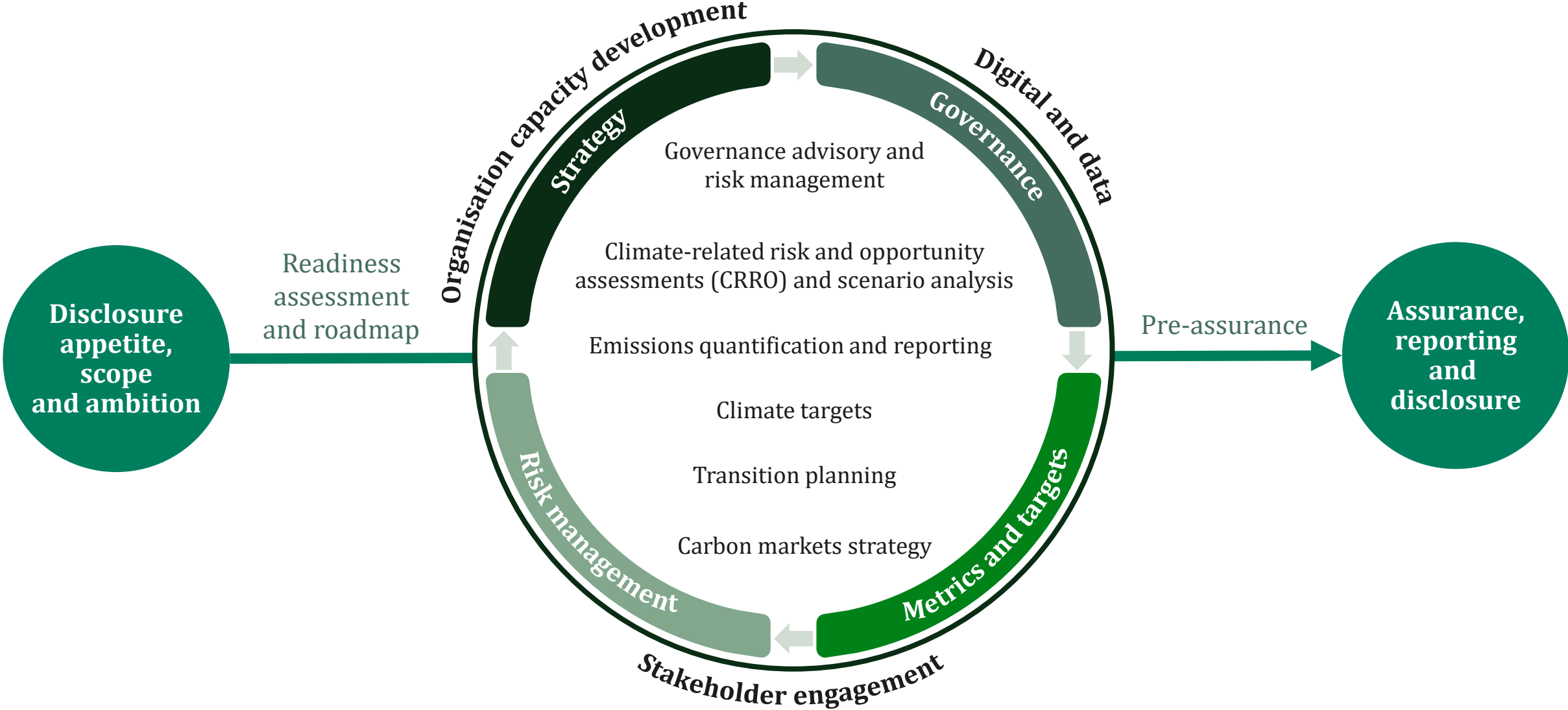
# There are value creation opportunities to be seized from regulation

To capitalise you need a strategic approach to prioritising both your implementation and disclosure roadmap





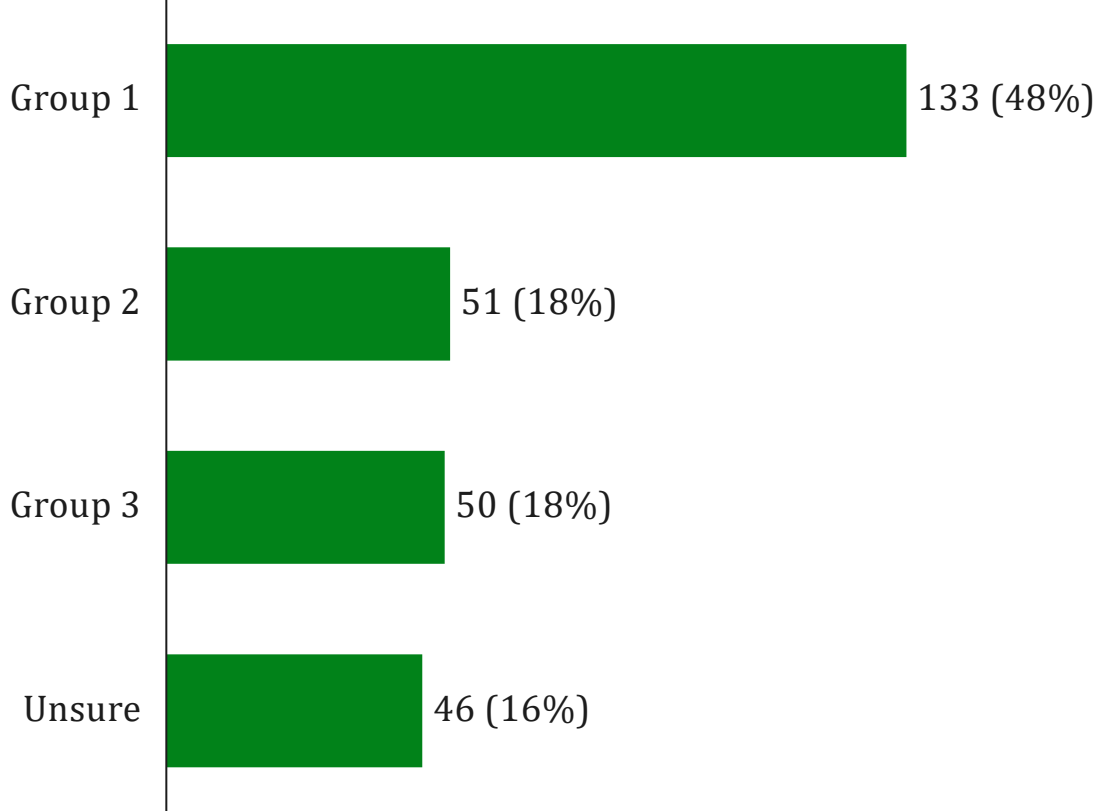
# Navigating your end-to-end ASRS program



# Questions?

What do we know about business readiness? Where does my business sit?

# More than 350 ASRS readiness surveys have been completed across all sectors



# Most understand scope 1 and 2 emissions, and many have taken a first stab at climate risks, but it's a long way to a fully assured disclosure...

## Great

- Scope 1 and 2 emissions footprint
- Responsible person in management

## Good

- Climate risk processes
- Board committee
- Emissions reductions opportunities

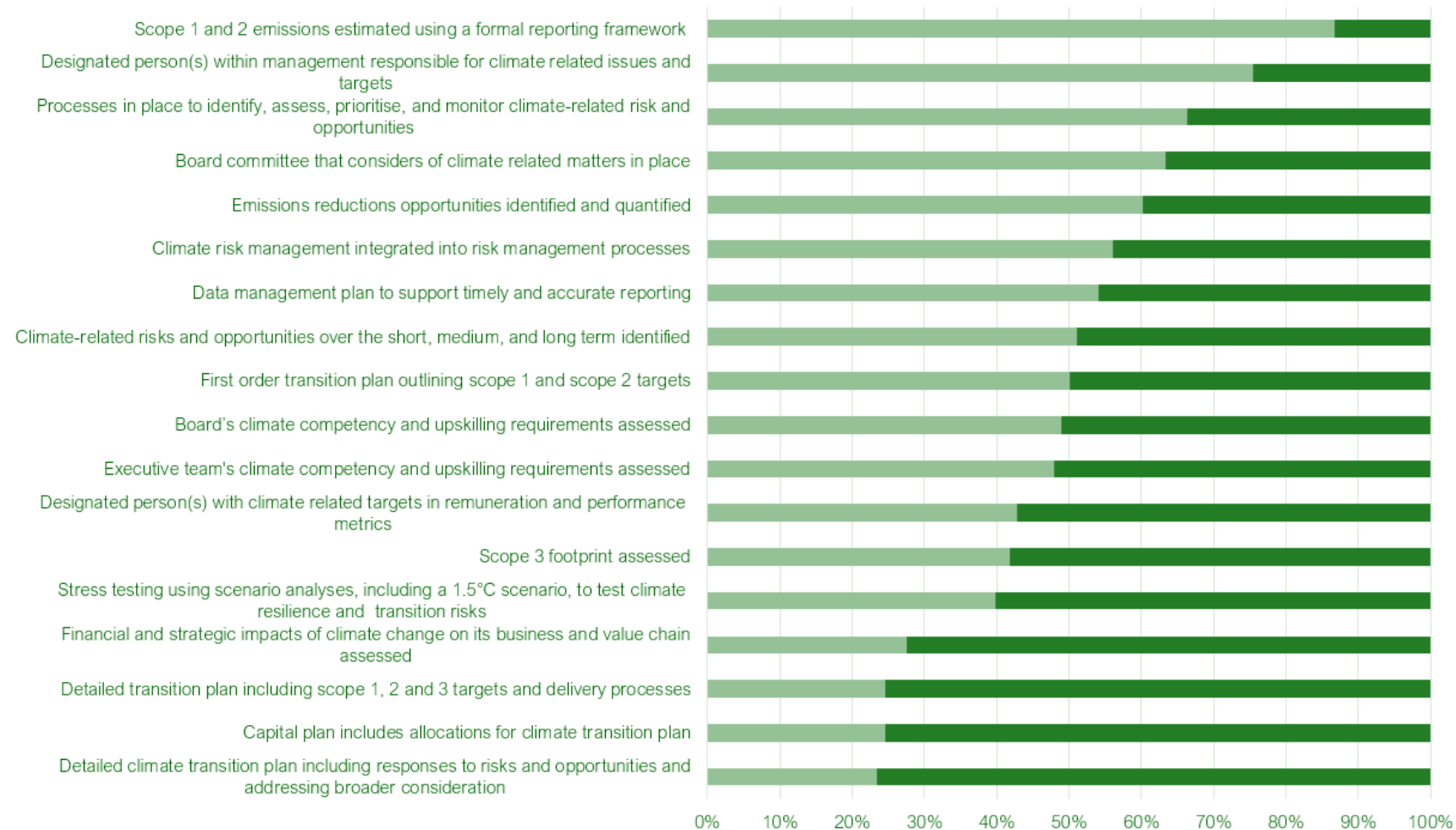
## Not good

- Scope 3 emissions assessment
- Linking climate performance to KPIs

## Poor

- Stress-testing strategy to climate risks
- Impact of climate on business model
- Detailed transition plan
- Capital plan includes climate actions

Total responses



# FAQs

“Our footprint spans various countries in APAC, will we have to do this there too? How can we find some efficiencies?”

“We have lots of different financial entities in Australia does each one really need its own disclosure?”

“What does it mean if we have gaps in some of the qualitative requirements, is it OK to just disclose this?”

“We have a global climate risk assessment and scenario analysis at Group level, can't we just disclose that?”

“If we don't need to get assurance on Scope 3 in Year One, do we still need to collect and disclose the data?”

“Could a change in Government in Australia take ASRS off my to-do list?”

# For those that just want their "chin above the bar" ....

There are some requirements that are worded in a way that allows for some flexibility in responses.

Broadly, entities *must* assess their climate-related risks and opportunities, calculate their emissions and define and measure certain other metrics. **We call these mandatory requirements.**

In some areas, a client could simply state what it has done/is doing, and what it is not doing (e.g. “Company does not link any executive remuneration to climate considerations”, or “Company has no management procedures to support oversight of climate risks”). **We call these discretionary requirements.**

## Examples:

**Mandatory:** “the entity **shall**... describe climate-related risks and opportunities that could reasonably be expected to affect the entity’s prospects” (Strategy, 10 (a))

**Discretionary:** “an entity **shall** disclose information about...**whether** management uses controls and procedures to support the oversight of climate-related risks and opportunities...” (Governance, 6 (b) (ii))

# Key areas to tackle



# Climate-related targets

Assess and articulate your climate ambition

Set and disclose climate-related targets aligned to regulatory and voluntary frameworks, such as ASRS, IFRS, the Science-based Targets initiative (SBTi), and sector-specific guidance (e.g. Net Zero Banking Alliance).

- **Setting climate ambition**
- **Planning and organisational alignment**
- **Ongoing tracking**



# Climate risk

KEY AREAS TO TACKLE

# Climate risk and opportunity assessments and scenario analysis

Enhancing business resilience to climate risks and capitalising on opportunities.

- **CRRO assessments**
- **Quantitative and qualitative scenario analysis**



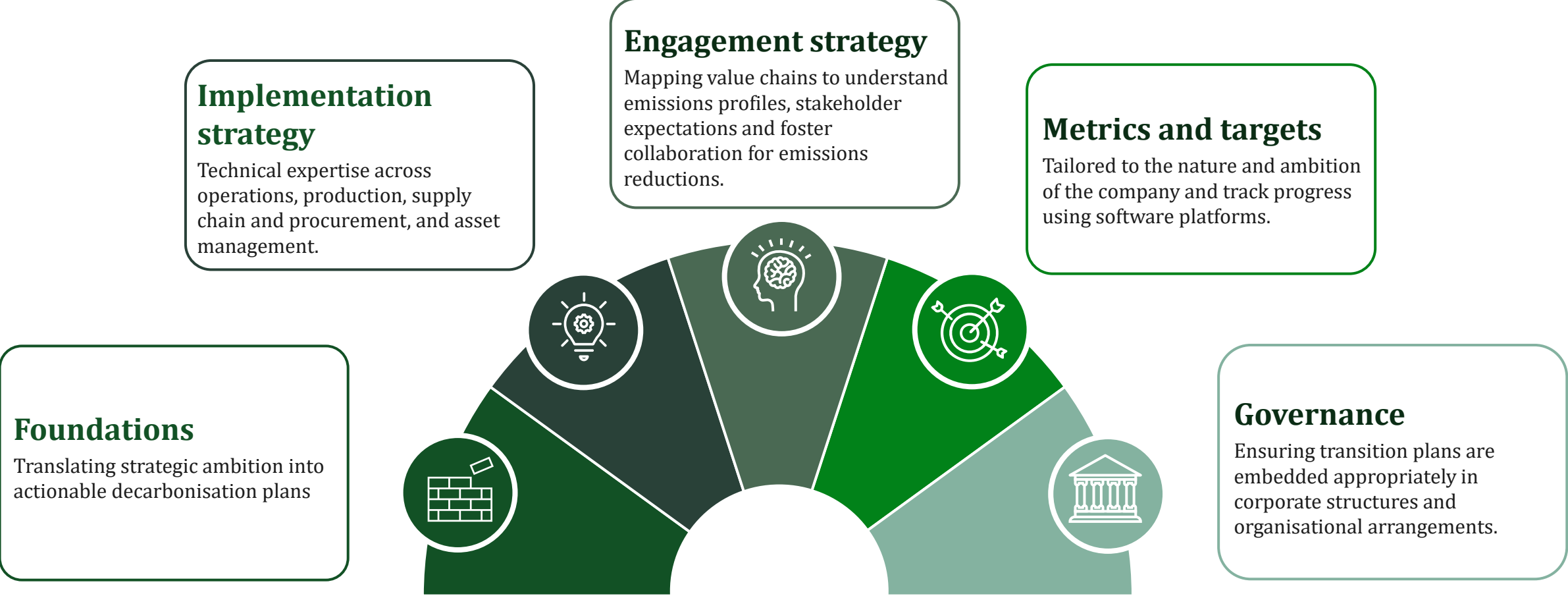
# Transition planning

KEY AREAS TO TACKLE

# Transition planning approach - going beyond disclosure requirements

Credible transition plans bridge the gap between what is feasible and what is necessary to achieve business model and strategy resilience in a net zero world.

Best practice aligns to the Transition Plan Taskforce's (TPT) framework, which is structured around 5 key elements:



TPT Summary Recommendations (2023)

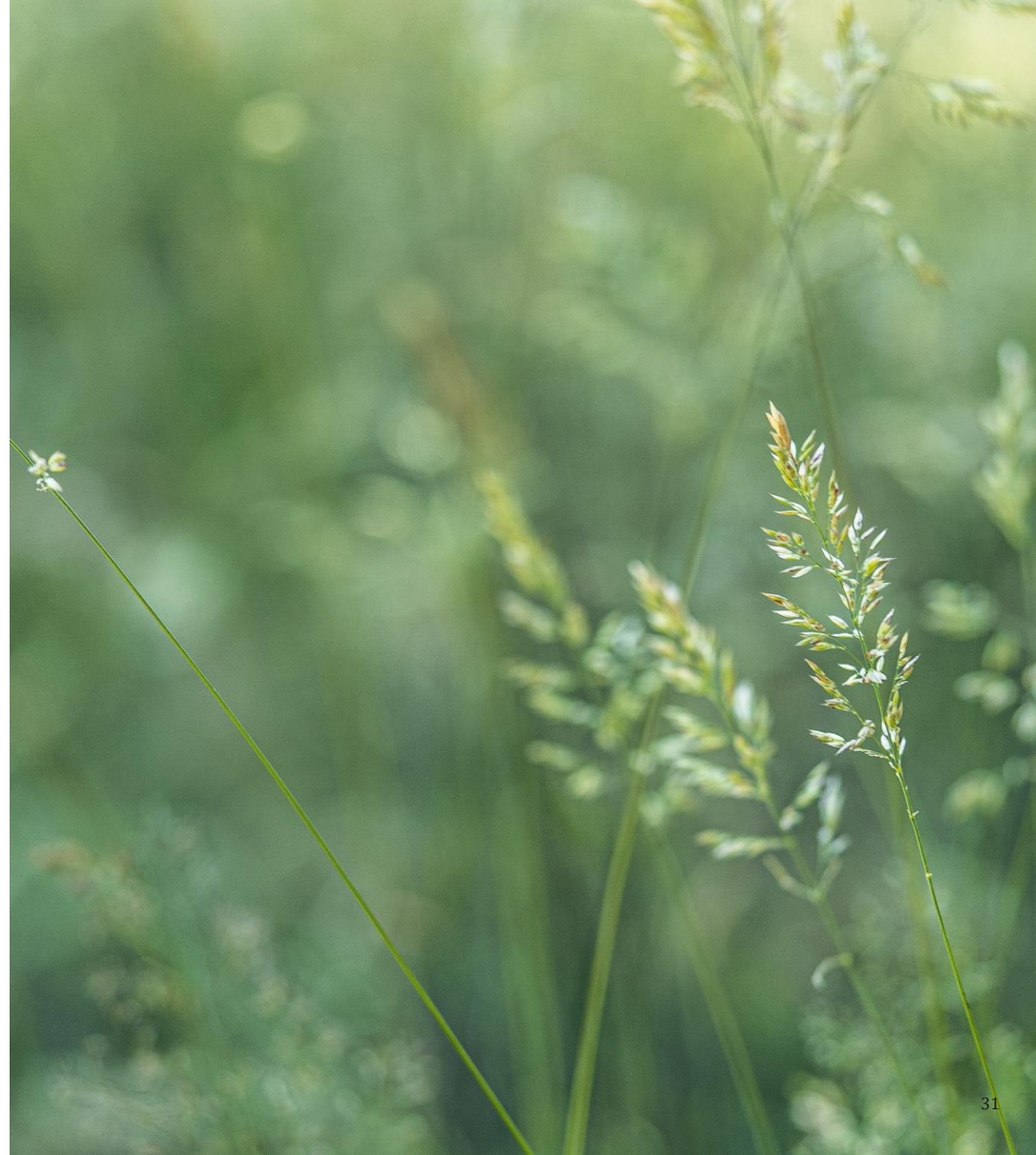
# Assurance

KEY AREAS TO TACKLE

# Pre-assurance and assurance over your reporting and disclosure

The Corporations Act requires either limited or reasonable assurance over ASRS disclosures in accordance with a timeline set by the Auditing and Assurance Standards Board.

- **Pre-assurance: assessing readiness**
- **Assurance**



# Recommendations



# What is required for the first year of reporting?

## Governance

- ✓ Update governance processes
- ✓ Integrate climate risks/opportunities governance into major business decisions and risk management processes

## Strategy

- ✓ Conduct CRR0 assessments
- ✓ Conduct scenario analysis and determine climate resilience
- ✓ Develop AASB S2 aligned high level transition plan
- ✓ Define the financial impacts of climate risks

## Metrics and targets

- ✓ Define metrics for climate risk/opportunities as per ASRS 2 29b-g
- ✓ Measure and document measurement approach for GHG emissions (scope 1 and 2)
- ✓ Develop and update information regarding climate targets
- ✓ Develop carbon credit approach

## Risk Management

- ✓ Integrate climate risks/opportunities into broader risk management processes
- ✓ Disclose how the entity conducts climate risk and opportunity assessments

# Key takeaway: “don’t let the tail wag the dog”

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## KNOW YOUR APPETITE and ENSURE ALIGNMENT



- Understand requirements and timeline for your organisation
- Assess current sustainability reporting practices to identify gaps and areas for improvement

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## GET YOUR ASSURANCE READY



- Data quality and lineage
- Basis of preparation
- Qualitative messaging and content

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## OWN YOUR OWN AGENDA



Build on the data you have, make plans to improve data collection and management processes, but prioritise action based on **identified commercial outcomes**



# Resources

## **ASRS Readiness Assessment:**

Over 200 companies have taken our assessment, a quick but effective 'litmus test' to determine how ready our clients are to disclose under ASRS.

## **ASRS Roadmap Tool:**

Our interactive roadmap tool provides our clients with an example of the steps they can take to prepare for mandatory disclosure.

## **Podcasts and articles:**

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

What must you disclose in mandatory climate reporting? What is 'material'?



# Thank you

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