

HR'S GUIDE

TO THE NEW

climate reporting  
obligations

Certain organisations will need to make climate disclosure an essential factor in their annual reports as of 1 January 2025, or face non-compliance penalties. Here's what HR leaders need to know.



# WHAT WILL BUSINESSES NEED TO REPORT?

Businesses that meet certain thresholds will need to prepare a Sustainability Report, in line with the Australian Sustainability Reporting Standards created by the [Australian Accounting Standards Board \(AASB\)](#).

These Sustainability Reporting Standards include:



## Mandatory Standard

### AASB S2 Climate-related Disclosures

Requires businesses to disclose information about climate-related risks and opportunities.



## Voluntary Standard

### AASB S1 General Requirements for Disclosure of Sustainability-related Financial Information

Businesses may elect to apply this standard. It requires businesses to disclose information about all sustainability-related risks and opportunities.

**At the minimum, this sustainability report will need to contain information on the business's climate-related financial risks and opportunities. Under mandatory AASB S2 standards, this includes information on:**

# AASB S2: CORE CONTENT



## GOVERNANCE

- The governing body in your organisation responsible for monitoring, managing and overseeing climate-related risks and opportunities
- The skills and competencies needed to respond to these risks
- How often the governing body is informed about these risks and opportunities
- The governing body's remit for setting climate-related targets



## STRATEGY

- The climate-related risks or opportunities that could impact your organisation
- The impact they have on your business model, value chain, cash flows, financial position and performance
- The impact they have on your organisational strategy, including any details about your transition plan
- The climate resilience of your organisational strategy
- The progress of your climate-related plans



## RISK MANAGEMENT

- Your processes for identifying, prioritising and monitoring climate-related risks and opportunities
- How you are assessing the likelihood and impacts of these risks
- How this process is integrated into your overall risk management process



## METRICS & TARGETS

Organisations need to track information for these cross-industry metrics:

1. Greenhouse gas emissions – including Scope 1, 2 and 3 emissions (see below)
2. Transition risks – risks related to the transition to a lower-carbon economy
3. Physical risks – risks related to the physical impacts of climate change
4. Climate-related opportunities
5. Capital deployment towards climate-related risks and opportunities
6. Internal carbon price
7. Remuneration – percentage of executive management remuneration (e.g. bonuses) linked to climate-related considerations

Plus,

1. The climate-related targets your business has set and how you've achieved them.

Source: [AASB S2](#); [KPMG](#)

## TYPES OF GREENHOUSE GAS (GHG) EMISSIONS

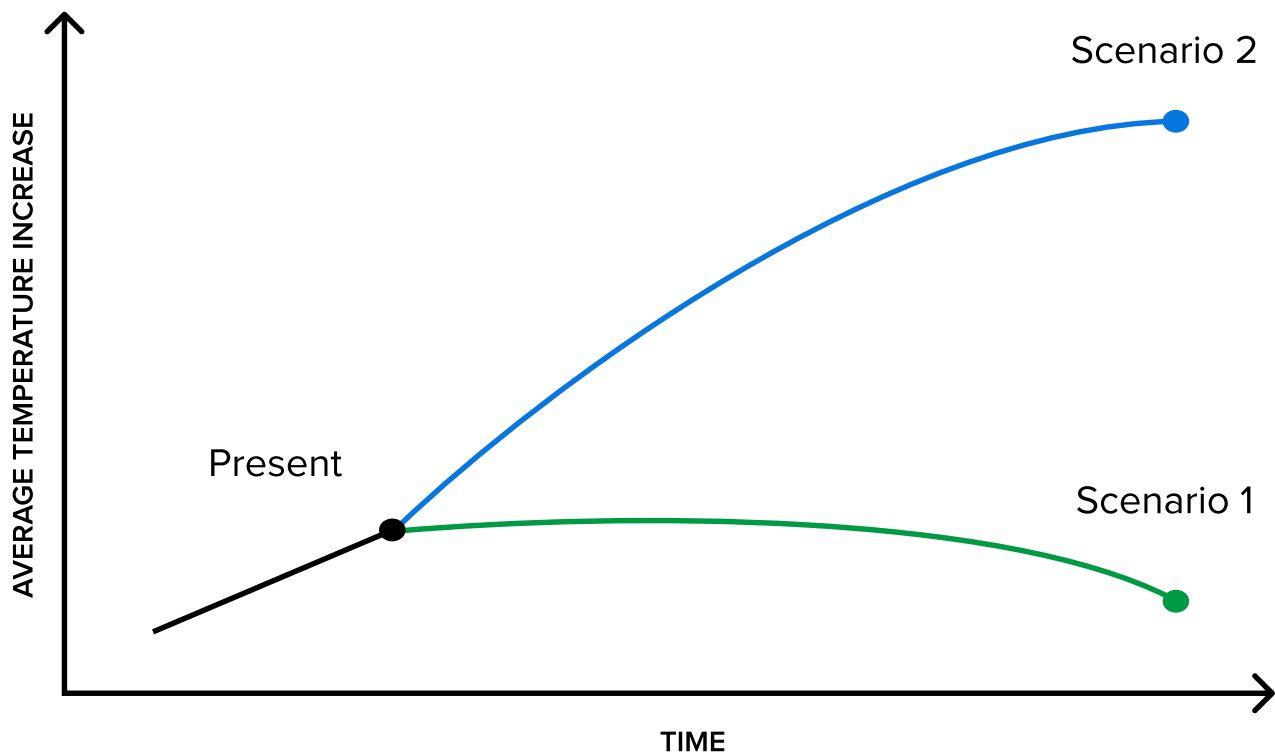
**SCOPE 1:** Direct GHG emissions

**SCOPE 2:** Indirect GHG emissions associated with purchased electricity, steam, heating or cooling consumed by a business

**SCOPE 3:** Indirect GHG emissions that occur in a business's value chain

# SCENARIO ANALYSIS

Businesses must also measure their potential exposure to climate change risks and opportunities by conducting a climate scenario analysis for these 2 circumstances:



## SCENARIO 1: LOW GLOBAL WARMING

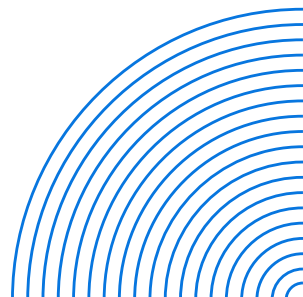
Global average temperatures are limited to 1.5°C above pre-industrial levels.



## SCENARIO 2: HIGH GLOBAL WARMING

Global average temperatures well exceeds 2°C above pre-industrial levels.

\*At least 2.5°C to account for climate-related physical risks



# HOW WILL THE ROLL-OUT WORK?

Public organisations and companies required to provide audited annual financial reports to the Australian Securities and Investments Commission (ASIC) will be required to report.

To give organisations time to adjust, the reporting requirements will gradually be phased in, from larger organisations to medium-sized enterprises.

First annual reporting period begins	Consolidated revenue for fiscal year	Consolidated gross assets at end of fiscal year	Full-time equivalent (FTE) employees at end of fiscal year	National Greenhouse and Energy Reporting (NGER) Reporters	Asset Owners
<b>Group 1:</b> 1 January 2025	AU \$500 million or more	AU \$1 billion or more	500 or more	Above the NGER publication threshold	
<b>Group 2:</b> 1 January 2026	AU \$200 million or more	AU \$500 million or more	250 or more	All NGER reporters	AU \$5 billion or more of AuM
<b>Group 3:</b> 1 January 2027	AU \$50 million or more	AU \$25 million or more	100 or more		

Reporting entities which meet **two out of three** of the following reporting criteria

Source: ASIC; SocialSuite

Scope 3 emissions (i.e. indirect value chain emissions) reporting will be phased in a year after the initial climate requirements roll out.

## GRACE PERIODS

Certain disclosures will be 'protected' for a three-year period until the financial year ending **31 December 2028**. During this time, only the regulator ASIC can take legal action on protected disclosures.

These protected statements include:

**SCOPE 3 GREENHOUSE GAS EMISSIONS**

**SCENARIO ANALYSIS**

**A TRANSITION PLAN**

Businesses will also have a one-year grace period for forward-looking statements (predictions about future climate-related actions, such as emissions reduction targets).

Only disclosures made in the sustainability report are protected, and any statements made in external communications such as marketing materials, are not protected from third-party legal action.



# HOW CAN BUSINESSES PREPARE?

Checklist: Preparing to meet your climate reporting requirements



## **Assess your current risk profile**

Determine how your business is (or is not) considering climate in your operations and overall strategy.



## **Determine clear accountabilities**

Who will be responsible for looking after this process and making final decisions?



## **Build a compliance roadmap**

How will the whole organisation work together to support your climate strategy? Create clear implementation plans across different business units.



## **Analyse your current capabilities**

Identify any knowledge and resource gaps, and engage subject-matter experts where required.



## **Plan how to track your targets**

How will you collect and manage data for your Scope 3 emissions? Consider any additional costs or tools required for reporting systems.



## **Benchmark against your peers and industry**

Review how organisations that are already engaging in voluntary disclosures have approached sustainability reporting within their strategy.





## SOURCES

### **Australian Accounting Standards Board (AASB) standards:**

[AASB S2 Climate-related Disclosures](#)

[AASB S1 General Requirements for Disclosure of Sustainability-related Financial Information](#)

### **Sustainability reporting guides**

[ASIC, Sustainability reporting](#)

[KPMG, Australian sustainability reporting legislation and standards finalised](#)

[BDO, Mandatory sustainability reporting in Australia: Your questions answered](#)

[Chartered Accountants, Scenario Analysis Information Guide](#)

[SocialSuite, Australian Sustainability Reporting Standards \(ASRS\)](#)

[Australian Institute of Company Directors, A director's guide to mandatory climate reporting](#)