WHITEPAPER

Preparing for Mandatory Climate-Related Financial Disclosures



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Introduction

Australian businesses are stepping into a new era of sustainability reporting with the Australian Sustainability Reporting Standards (ASRS), released in September 2024. Starting 1 January 2025, reporting on climate-related financial disclosures under AASB 2 becomes mandatory, while AASB 1, covering general sustainability-related financial information, remains voluntary

Over the next three years, more than 6,000 companies will be directly required to comply, while many more will experience indirect pressures through supply chains, investor expectations and client demands.1 For Chief Financial Officers, Managing Directors, and Sustainability Managers, preparing for ASRS compliance isn't just a regulatory requirement — it's a strategic opportunity to integrate sustainability into financial planning, enhance governance, and strengthen stakeholder trust

This whitepaper provides a practical guide for businesses navigating these changes, exploring the regulatory landscape, potential impacts, common challenges and actionable steps to prepare.

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The Regulatory Landscape:

Understanding AASB S2 and the New Mandates

The ASRS consists of two complementary frameworks:

AASB S1, which addresses general sustainability-related financial information, and AASB S2, which focuses specifically on climate-related disclosures. While AASB S2 is the primary standard for reporting climate-related risks and opportunities, both standards are built around the same four-pillar structure, providing a consistent approach to governance, strategy, risk management, and performance metrics.

Under AASB S2, companies are required to measure, monitor, and manage climate-related risks and opportunities, providing stakeholders — including investors, regulators, and the broader community — with clear, auditable, and comparable information. The four pillars of AASB S2 are:

Governance

Companies must explain how boards and executive management oversee climate-related risks, integrate sustainability into decision-making, and ensure accountability.

Strategy

Disclosures should detail how climate-related issues may impact the organisation's business model, competitive positioning, and long-term financial planning.

Risk management

Organisations must describe processes for identifying, assessing, and managing climate-related risks and opportunities, including both physical risks (e.g., extreme weather events) and transition risks (e.g., policy, market, or technology changes).

Metrics and targets

Companies should quantify climate-related performance metrics, including Scope 1, 2, and relevant Scope 3 greenhouse gas emissions, and may include other indicators such as capital deployment, internal carbon pricing, or progress toward emissions reduction targets.

The AASB S2 framework will be phased in over three years. Implementation begins with Group 1, covering entities already preparing annual reports under Chapter 2M of the Corporations Act 2001 and meeting the definition of a "large entity" (i.e., consolidated revenue ≥ AUD 500 million, gross assets ≥ AUD 1 billion, or ≥ 500 employees). This first set also includes entities with annual National Greenhouse and Energy Reporting Act 2007 (NGER) obligations or super-funds with assets under management > AUD 5 billion.>2

The next phase (Group 2) brings in additional large entities and asset-owners that don't meet Group 1 thresholds, and the final phase (Group 3) covers remaining large entities captured under the large-entity definition but with lower emissions or fewer reporting complexities. While this phased approach allows time to build internal capability, companies of all sizes are encouraged to start preparing early, as investor scrutiny and supply-chain expectations often make disclosure a practical necessity even before formal obligations apply.

First annual reporting periods starting on or after	**Large entities and their controlled entities meeting at least <u>two of three</u> criteria:**			**National Greenhouse and Energy Reporting (NGER) Reporters**	**Asset Owners** (registered schemes, registrable superannuation entities, CCIVs)
	Consolidated revenue	EOFY consolidated gross assets	EOFY employees		
1 January 2025 Group 1	$500 million or more	$1 billion or more	500 or more	Above NGER publication threshold	Excluded
1 July 2026 Group 2	$200 million or more	$500 million or more	250 or more	All other NGER reporters	$5 billion assets under management or more
1 July 2027 Group 3	$50 million or more	$25 million or more	100 or more		

Business Impacts:

Who Must Report and Who Is Affected Downstream

Mandatory climate-related financial disclosures under ASRS aren't limited to a handful of high-profile corporations. Instead, they represent a system-wide shift that will directly affect thousands of organisations and indirectly influence many more through supply chains, investment flows and customer expectations. Understanding who is required to report, who will feel the downstream effects and how different industries may be impacted is critical for developing a proactive compliance strategy.



Direct Reporting Obligations

Entities required to disclose under the ASRS include large listed companies, major private entities meeting revenue or asset thresholds and significant financial institutions. According to Allens, these thresholds are based on measures such as consolidated revenue, consolidated assets and employee headcount — meaning the reporting requirements capture not only ASX-listed firms but also a wide range of private businesses of scale.3

Importantly, as EY highlights, inbound subsidiaries of international groups may also be in scope if they meet the reporting thresholds under Chapter 2M of the Corporations Act, even if the parent organisation is headquartered overseas.4 This underscores that the ASRS is designed to ensure comprehensive, comparable disclosures across the Australian economy.

Beyond listed and private entities, certain Commonwealth Government-related organisations will also fall under the regime, while most not-for-profit entities remain exempt. Regardless of category, the disclosures must be integrated into financial statements and meet standards of auditability and assurance, as guided by ASIC's Regulatory Guide 280.5. This brings climate reporting into the same level of accountability as traditional financial reporting.

Cross-Industry Implications

The ASRS framework is intentionally broad, meaning industry-specific challenges are both significant and varied. For technology firms, the focus falls on energy-intensive data centres and the sustainability of global hardware supply chains. Logistics companies face pressure to optimise fleets, adopt low-emission technologies and implement robust tracking systems to quantify emissions across transportation networks. Manufacturing organisations must account not only for direct production emissions but also for Scope 3 emissions across inputs and distribution. Retailers, meanwhile, must consider packaging, transport and full product lifecycle impacts.

PwC highlights that AASB S2 — the climate-focused standard underpinning ASRS — is aligned with global IFRS Sustainability Disclosure Standards, but differs in that it does not yet mandate all industry-specific disclosures.6 This means companies must balance the broad requirements with sector-specific best practices to provide meaningful, credible information to stakeholders.

Indirect Impacts Through Supply Chains

Even organisations not immediately required to report will experience pressure through their supply chains. Clients and partners subject to ASRS may request emissions data, energy consumption figures and other sustainability metrics from suppliers. Failure to provide this information could impact contract eligibility, pricing and ongoing commercial relationships. For example, a mid-sized logistics provider may need to report fleet emissions to a major retailer to maintain a contract, highlighting that the influence of ASRS extends well beyond the companies formally required to disclose.

Common Challenges in Climate-Related Financial Disclosures

Implementing ASRS-compliant reporting presents several common challenges that businesses must navigate:

Data Collection and Measurement

Climate-relevant data often resides across multiple departments, including finance, operations, procurement and sustainability teams. Consolidating this information into a single, auditable reporting framework requires significant coordination, as well as robust systems for data capture, verification and storage.

Lack of Internal Expertise

Many organisations don't have dedicated sustainability teams, and finance or operations staff may not be familiar with climate reporting requirements. Building internal capability or engaging external experts is often necessary to ensure reliable reporting and defensible data.

Risk Assessment and Scenario Modelling

Companies must consider both physical risks (such as natural disasters or resource scarcity) and transition risks (including policy changes, carbon pricing and shifts in market demand). Translating these risks into measurable financial impacts requires collaboration across sustainability, finance and IT teams.

Internal Alignment and Governance

Misalignment between finance, sustainability and IT functions can result in inconsistent reporting, gaps in governance and duplicated effort. Establishing clear roles, responsibilities and governance structures is essential to producing accurate and auditable disclosures.

Practical Steps to Get Started

Despite these challenges, organisations can take actionable steps to prepare for ASRS compliance:

Conduct a Gap Analysis

Evaluate current sustainability data, reporting processes and systems against ASRS requirements. This diagnostic exercise helps identify deficiencies and prioritise investments in people, processes and technology.

Assess Material Risks and Opportunities

Use scenario analysis aligned with the Task Force on Climate-related Financial Disclosures (TCFD) principles. Understanding which risks could materially affect financial performance — and which opportunities could improve efficiency or reduce emissions — provides a strong foundation for strategic planning.

Build Cross-Functional Teams

Collaboration across finance, sustainability, operations and IT ensures data accuracy, integrity and audit readiness. These teams should also establish governance protocols for oversight, continuous improvement and assurance.





Partnering for Sustainability and ASRS Compliance

Preparing for ASRS compliance is an opportunity to improve efficiency, reduce emissions and future-proof operations.

National initiatives such as CitySwitch, Australia's flagship decarbonisation program for office-based businesses, offer a strong framework and community support for organisations ready to take the next step. For more information, you can also find resources at the **AASB S2 Knowledge Hub.**

Epson complements this journey with practical solutions, expertise and collaborative partnerships that help turn sustainability commitments into measurable action:

Energy-efficient printing

Epson Heat-Free technology uses up to 90% less energy than comparable laser printers,* helping reduce both costs and emissions.

Data-driven insights

Built-in monitoring tools track energy consumption across device fleets, providing reliable data to support energy management and emissions accounting.

Fleet optimisation

Epson's free Optimisation Report analyses your print environment to identify opportunities for energy and cost savings, mapping a clear path toward more sustainable print setups.

Epson leads by example with a global commitment to become carbon-negative and eliminate non-renewable underground resource use by 2050. Its approach demonstrates how organisations can integrate sustainability into everyday operations while building strong foundations for transparent and effective climate-related reporting.

Ready to get started? *See how much energy and carbon your organisation could save* with an Epson print solution.

**Disclaimer:* *Comparing Epson WorkForce Enterprise AM-C4000 maximum energy usage while printing of 115 watts with the average maximum energy usage of 1,235 watts of 18 competitive laser devices (35 to 45 ppm A3 colour MFD segment in Australia) as at October 2025 according to data from Keypoint Intelligence.*

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