



PREPARING FOR MANDATORY CLIMATE REPORTING

***Briefing your CEO on key actions
and getting started with your
AASB S2 compliance.***

To: CEO

From: [Project Lead], eg Sustainability Manager

Date: [Month] 2025

Subject: Preparing for Mandatory Climate Reporting Requirements

1. Purpose

To seek approval to establish a project team and appropriate resources to ensure timely and satisfactory delivery of a new climate-related annual Sustainability Report, which is now legislated for our organisation.

This memo outlines the key streams of work required to achieve compliance, immediate organisational constraints, timelines, risks of non-compliance, and practical approaches for a lean first-year implementation.

2. When The New Laws Apply

Australia's new climate-related financial disclosure laws came into effect on 1 January 2025. This legislation introduces mandatory climate-related financial disclosure requirements by amending the Corporations Act 2001, integrating these disclosures into a new annual Sustainability Report. The Sustainability Report becomes the fourth element of our annual reporting requirements, alongside the Financial Report, Directors' Report and Audit Report.

Our business is classified as a [Group 1 entity] under the new laws, which means our new Sustainability Report is required to be prepared and submitted with respect to the first financial year commencing after 1 January 2025 – being [FY25/26].

Table 1: When New Laws Apply

When laws apply	Group 1 Entities	Group 2 Entities	Group 3 Entities
Financial year commencing from or after	1 January 2025	1 July 2026	1 July 2027
Qualifying Criteria (two or more to qualify)			
Revenue	\$500m+	\$200m+	\$50m+
Assets	\$1b+	\$0.5b+	\$25m+
Employees (full-time equivalent)	500+	250+	100+

3. What We Need To Comply

To meet the new requirements, we need to complete three critical streams of work:

Stream 1: Establish an emissions inventory

This requires defining our organisational and emissions boundaries and calculating three scopes of emissions, on an annual basis:

- **Scope 1 Emissions:** Direct emissions from owned or controlled sources.
- **Scope 2 Emissions:** Indirect emissions from the generation of purchased electricity, steam, heating, and cooling consumed by the company.
- **Scope 3 Emissions (from year 2 onwards):** All other indirect emissions that occur in the value chain, including both upstream and downstream activities.

Stream 2: Conduct a climate-related disclosures gap assessment and complete gaps

There are almost 100 disclosures required by the new legislation, under four categories, listed below. To meet the disclosure requirements will require a gap assessment, followed by a systematic process to fulfil the gaps.

- **Governance Disclosures:** Disclose the organisation's governance around climate-related risks and opportunities.
- **Strategy Disclosures:** Identify and disclose actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.
- **Risk Management Disclosures:** Describe how the organisation identifies, assesses, and manages climate-related risks.
- **Metrics and Targets Disclosures:** Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Stream 3: Complete a compliant Sustainability Report

The new Sustainability Report takes the outcomes from Stream 1 and 2 and combines them into a format that complies with the new legislation.

Our Directors will be required to declare that (Directors' Declaration), in their opinion, the substantive provisions of the Sustainability Report are in accordance with the Corporations Act 2001 (Cth), including the Australian Sustainability Reporting Standard AASB S2.

4. Challenges to Overcome for Compliance

There are several challenges you may face on the path to achieving compliance. These are the common challenges that we've seen for businesses new to the legislation.

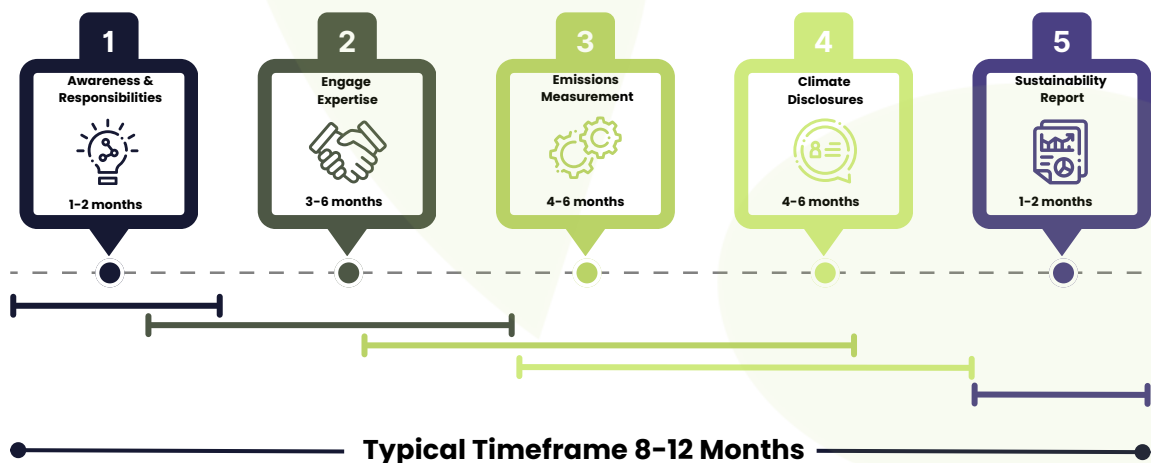
Time	We lack internal resources to complete requirements by the due dates.
Knowledge	We don't have the knowledge to understand what to do.
Reporting	We don't have the experience to produce compliant reports.
Data	Our data for emissions reporting is fragmented and difficult to organise.
Help	We don't have a trusted independent expert advisor for this topic.
Risk	We are at risk of non-compliance because of the above.

The key to resolving the above challenges is starting the project early and seeking the appropriate external support. This is further explored below.

5. Timeline To Comply

Below is a guide to the time it will take our organisation to achieve compliance. Essentially, we need to start this project approximately 12 months before the first report is due.

A Practical Timeline for Climate Compliance



6. The Risk of Non-Compliance

The new legislation places the following penalties for non-compliance:

- **Civil Penalties:** Entities failing to comply with the mandatory reporting requirements may face civil penalties. For the first three years of the legislation, only the Australian Securities and Investments Commission (ASIC) is authorised to initiate civil proceedings for non-compliance.
- **Director Liability:** Company directors have a statutory duty to ensure compliance with annual reporting obligations, now extended to include sustainability reports.

There are also risks of business reputation and market competition if we fail to comply.

7. How We Can Comply With A Lean Approach

Noting that budget and resources are tight, to keep this project lean, there are a few key approaches we can take:

1. Keep the Project Simple: Treat year 1 as a chance to learn, understand the process better and determine options for further improvements in out years. We should avoid establishing “related” projects that create complexity and require significantly more first year cost and resources, such as complex system integrations.

2. Utilise Internal Resources Where Possible: Whilst we lack the internal knowledge and skills to achieve compliance, there are several tasks that can be completed without new resources or external help and therefore keep costs down. These include:

- **Nominating** internal leads for emissions data collection.
- **Establishing** a project team to support climate-related disclosure gap assessment and fulfilment.
- **Establishing** an internal executive lead to oversee the assignment.

3. Seek Quotes For Services To Fulfil Skill Gaps: Obtain at least two quotes to engage specialised emissions measurement and reporting services to ensure value for money and avoid high-cost and complex solutions. The key services we require support for are:

- **Calculating** and reporting emissions.
- **Facilitating** an assessment of our gaps against climate-related disclosures, including risks and scenarios.
- **Drafting** our Sustainability Report.

There are several “hybrid” solutions in the marketplace which use systems to support emission calculations and provide access to experts to complete disclosure gaps and Sustainability Reports.

The later we leave the process of securing expert help, the less likely we will receive a competitive offer or an offer that can be delivered in the required timeframes.

4. Use Our Existing Financial Auditor: Engage our current external auditor for the assurance required for year 1.

8. Recommendations

It is recommended that you:

Note:

- A new Sustainability Report is required to be prepared and submitted with our annual report, with respect to [FY25/26] onwards.
- Three streams of work are required to achieve compliance, which will take upwards of 12 months to complete.
- There are regulatory and market-based risks of non-compliance.

Approve:

- An executive lead to oversee this assignment.
- The establishment of an internal project team to oversee delivery of emissions reporting, climate-related disclosures and the sustainability Report.
- A tender for expert services to support calculating emissions, climate-related disclosure preparation and drafting of the Sustainability Report.
- Approaching our Auditor to request a quote for assurance services with respect to the Sustainability Report.

Sincerely,

Your Name
Role

With the deadline fast approaching, your business must start preparing now.

This Briefing Document helps you start the conversation, but you'll need expert support to navigate the complexities of climate disclosure.

Carbonhalo offers a done-for-you sustainability reporting service, handling every aspect of your emissions compliance from data gathering to ensuring full regulatory compliance.

Get in touch today to schedule a call with our experts and ensure your business meets its climate reporting obligations on time.

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