The Australian government's recent move to introduce mandatory climate reporting marks a transformative moment for businesses. Set to commence at the start of next year, this legislation initially targets 6,000 large organisations, requiring them to disclose detailed climate-related information. If your business meets the criteria, it's time to get prepared.

Here's what Australian companies need to know about the new Australian Sustainability Reporting Standards (ASRS) and how they can navigate these changes:

A Quick Overview of the ASRS

The ASRS introduces phased compliance for companies based on size:

- **Group 1** (over 500 employees, $1 billion in assets, or $500 million in revenue): Compliance **begins 1 January 2025**.
- **Group 2** (over 250 employees, $500 million in assets, or $200 million in revenue): **Starts 1 July 2026**.
- **Group 3** (over 100 employees, $25 million in assets, or $50 million in revenue): **Deadline 1 July 2027**.

For many, this may mean significant changes to internal systems and processes, but the key is to start early. Let's explore some practical ways to prepare.

From compliance to opportunity

Initially, these standards might seem like a compliance headache. But think of it like preparing for a marathon. You wouldn't wait until the last minute to start training. Similarly, aligning with these regulations requires a steady build-up, and the benefits extend far beyond simply meeting deadlines.

Enterprise Performance Management (EPM)

EPM is no longer just about financial metrics. It now encompasses sustainability, diversity, and stakeholder engagement. For CFOs, this evolution means embedding climate and ESG goals into your strategic planning. Think of it as the new way to measure your organisation's overall health and long-term viability.

Rethinking Risk Management

Risk management traditionally focuses on immediate threats like market volatility or cyber risks. Climate risk adds a new dimension.

ERM must now incorporate climate risks and ESG factors, from carbon emissions to resource scarcity. Social and governance considerations, like diversity and ethical practices, also play a pivotal role.

Climate risks are not future problems—they're already here. Embedding them into your risk assessments is crucial for resilience.

The Carbon Accounting Shift

Reporting on Scope 1, 2, and 3 emissions is central to the ASRS. Manual spreadsheets can no longer handle the complexity. Automated systems ensure precise, financialgrade reporting, improving transparency and supporting better decision-making.

This isn't about tech for tech's sake and automation is more than a buzzword here. It's about making carbon accounting manageable and actionable.

Data Foundations

Reliable climate reporting starts with solid data. But let's face it, data is often messy.

Robust climate reporting hinges on data that is FAIR—Findable, Accessible, Interoperable, and Reusable. Imagine knowing not only your total emissions but being able to pinpoint the biggest contributors. This framework ensures data integrity and enhances transparency, enabling reliable financial and non-financial reporting.

Supply Chain Management

Managing the extended supply chain is now more critical than ever. Reducing Scope 3 emissions involves considering both upstream and downstream impacts. A holistic view of your supply chain will drive comprehensive carbon reduction and support broader sustainability objectives.

Five Steps to Get Started

Preparing for the ASRS doesn't have to be daunting. Here are five actionable steps to ensure your business is ready:

1. **Assess Gaps** - identify where your business falls short of the new climate regulations. This will clarify the scope of necessary changes and help prioritise efforts.

2. **Evaluate Materiality** - conduct a materiality assessment to pinpoint the most significant climate-related risks and opportunities for your business and stakeholders.

3. **Review Data and Technology** - examine your current systems. Leveraging existing technology while addressing gaps will streamline the transition and minimise disruptions.

4. **Set a Carbon Baseline** - establishing your carbon footprint is a vital first step in planning your decarbonisation strategy. It provides a benchmark for tracking progress and setting future goals.

5. **Model Climate Scenarios** - analyse potential risks and opportunities under different warming scenarios, such as 1.5°C and 2.5°C, to guide strategic decision-making.

Preparing for the Future

The ASRS is more than a regulatory requirement—it's a chance to future-proof your business. By embedding sustainability into your operations now, you'll not only meet compliance deadlines but also position your organisation for long-term success.

In the coming weeks, we'll delve deeper into each of these steps, offering practical insights and strategies to help your business navigate this new landscape. Remember, this isn't just about compliance. It's about leading in a world where sustainability is nonnegotiable.

About the author:

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