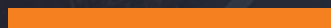




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# AASB S2 Guide



EMMI



This guide serves as an educational resource for Australian entities preparing to meet the mandatory climate-related financial disclosure requirements under the Australian Sustainability Reporting Standards' (ASRS) "AASB S2" standard.

To clarify the nomenclature here:

- The Australian Accounting Standards Board (AASB) are responsible for creating Australia's sustainability standards.
- The family of sustainability standards is called the Australian Sustainability Reporting Standards (ASRS) and is composed of the voluntary sustainability standard ("AASB S1") and the mandatory climate standard ("AASB S2").
- Henceforth, we will use "ASRS" and "AASB S2" interchangeably.

## Table of Contents

1. Introduction	6. ASRS Climate Data Challenges
1.1 Purpose of this Guide	6.1 Data Gaps and Quality Issue
1.2 Overview of AASB S2	6.2 Scope 3 Emissions Calculation
	6.3 Scenario Analysis Complexity
2. Core Reporting Requirements	6.4 Aligning with Financial Reporting
2.1 Scope and Timelines	6.5 Climate Risk Assessment
2.2 Key Disclosure Elements	6.6 Assurance Readiness
	6.7 Resource and Expertise Constraints
3. Quantitative Data Requirements	7. Emmi's Solution: Carbon Diagnostics
3.1 Climate-related Metrics	7.1 Key Features
3.2 Greenhouse Gas Emissions	7.2 Addressing Compliance Challenges
3.3 Financial Impacts	
3.4 Scenario Analysis	8. Next Steps
4. Assurance Requirements	
4.1 Phased Approach	
4.2 Key Considerations for Entities	
5. Steps to Prepare for Compliance	

# Introduction

Australia is ushering in a new era of corporate climate accountability with the Australian Sustainability Reporting Standards (ASRS). Commencing 1 January 2025, these standards mandate comprehensive climate-related financial disclosures for large entities, positioning Australia at the forefront of global reporting practices. Start dates will depend on entity grouping:

- Group 1: First FY starting on or after 1 Jan 2025
- Group 2: First FY starting on or after 1 Jul 2026
- Group 3: First FY starting on or after 1 Jul 2027

Adapted from IFRS S2 for the Australian context, the ASRS' AASB S2 standard requires companies to assess and report on material climate risks and opportunities. This necessitates:

1. Evaluating climate impacts across various timeframes
2. Enhancing governance for climate-related issues
3. Integrating climate considerations into risk management
4. Establishing and monitoring climate-related targets
5. Providing detailed quantitative disclosures

For many organisations, meeting these requirements presents significant challenges in data collection, scenario analysis and strategic integration of climate considerations.

Emmi's role is to streamline this complex process. Our Carbon Diagnostics solution delivers comprehensive climate risk analysis across all major asset classes, enabling ASRS compliance while offering actionable insights.

This guide outlines core ASRS requirements, highlights key quantitative elements, discusses assurance needs and provides preparation steps. We also address common reporting challenges and how Emmi's solutions address them.

# Core Reporting Requirements

The ASRS establish a comprehensive framework for climate-related financial disclosures. Here's a high-level summary of the key requirements:

**Scope and Timelines:** ASRS applies to entities required to prepare financial reports under Chapter 2M of the Corporations Act 2001, with a phased implementation:

	Current NGER reporters	Group 1	Group 2	Asset Owners	Group 3	
Reporting from FY's starting	1 Jan 2025	1 Jan 2025	1 Jul 2026	1 Jul 2026	1 Jul 2027	
Employees	-	>500	>250	-	>100	2 out of 3 criteria must be met
Consolidated gross assets	-	>\$1B	>\$500m	-	>\$25m	
Consolidated revenue	-	>\$500m	>\$200m	-	>\$50m	
Assets under manager	-	-	-	>\$5b	-	

\$5bn FUM trigger for RSEs

Core Disclosure Elements: ASRS maintains four key areas aligned with TCFD/IFRS:

- 1. Governance:** Disclose board and management oversight of climate-related risks and opportunities.
- 2. Strategy:** Assess potential impacts of climate change on business model, strategy and financial planning across various time horizons.
- 3. Risk Management:** Outline processes for identifying, assessing and managing climate-related risks.
- 4. Metrics and Targets:** Report on specific measurements and goals related to climate performance, including greenhouse gas emissions.

These core elements form the foundation of ASRS reporting, requiring organisations to provide a holistic view of their climate-related risks, opportunities and strategies.



# Quantitative Data Requirements

The ASRS framework places significant emphasis on quantitative disclosures, requiring organisations to provide detailed, measurable data on their climate-related risks and opportunities. Here we spotlight the main quantitative elements.

## Greenhouse Gas (GHG) Emissions [Scope 1, 2, 3]

- Scope 1: Direct emissions from owned or controlled sources
- Scope 2: Indirect emissions from purchased energy
- Scope 3: All other indirect emissions in the value chain, including financed emissions for financial institutions

Organisations must report absolute gross emissions in metric tonnes of CO2 equivalent, aligned with the GHG Protocol methodology.

## Climate-related Metrics

- Proportion of assets or business activities vulnerable to physical risks
- Proportion of assets or business activities vulnerable to transition risks
- Proportion of assets or business activities aligned with climate-related opportunities

## Climate-related Targets

- Specific, measurable goals for emissions reduction or climate adaptation
- Timeframes for achievement (short, medium, and long-term)
- Base year for measurement

## Financial Impacts

- Quantification of climate-related risks and opportunities on financial performance and position
- Potential material adjustments to asset values

## Scenario Analysis

- Outcomes of resilience testing against at least two climate scenarios: a) Limiting global temperature increase to 1.5°C above pre-industrial levels b) Temperature increase of 2.5°C or higher above pre-industrial levels

These elements form the backbone of ASRS reporting, providing stakeholders with comparable, decision-useful information. Organisations need robust data collection and analysis processes to meet these requirements effectively.



For a more in-depth, clause by clause break down of the quantitative elements of the standards, see below.

AASB S2 Clause	Disclosure Requirement	Unit	Notes
8-23 (Strategy)	Scenario Analysis	\$	Assess effects on financial position, performance, and cash flows. Include risks with potential for material adjustment, expected changes over short, medium, and long term, and climate resilience assessment. Qualitative analysis may be acceptable in early reporting years for certain disclosures, but entities are expected to transition to fully quantitative analysis over time in line with ASIC RG 280 and ASRS guidance.
24-Aus26.1 (Risk Management)	Use of climate-related scenario analysis in risk identification	N/A	Assess nature, likelihood, and magnitude of effects. Prioritise climate-related risks relative to other risks.
29a (Metrics and Targets)	Scope 1, 2 and 3 Emissions	CO2e	Report in line with GHG Protocol. Include financed emissions for financial institutions.
29b (Metrics and Targets)	Climate-related transition risks	\$ / %	Report amount and percentage of assets/activities vulnerable to transition risks.
29c (Metrics and Targets)	Climate-related physical risks	\$ / %	Report amount and percentage of assets/activities vulnerable to physical risks.
29d (Metrics and Targets)	Climate-related opportunities	\$ / %	Report amount and percentage of assets/activities aligned with climate-related opportunities.
29e (Metrics and Targets)	Capital deployment	\$	Report amount deployed towards climate-related risks and opportunities.
29f (Metrics and Targets)	Internal carbon prices	\$	Explain use of internal carbon pricing and price per tonne of emissions.
33-36 (Metrics and Targets)	Climate-related targets	Many	Disclose climate-related targets and progress against them.

# Assurance Requirements

In line with the phased Group 1–3 reporting timetable, the ASRS also implement a staged approach to climate disclosure assurance, with the Auditing and Assurance Standards Board (AUASB) final standards now in effect as at August 2025.

**The assurance timetable is legislated as follows:**

- 1.

## **Additional ASRS Assurance Considerations**

1. **Modified Liability:** Applies to Scope 3, scenario analysis, and transition plans for initial years
2. **"No Material Risks" Statements:** AUASB considering assurance requirements

## **Preparing for ASRS Assurance: Climate Disclosure Auditing Steps**

1. Engage with assurance providers early
2. Establish robust internal controls
3. Develop effective data collection processes
4. Stay informed about evolving AUASB standards

By understanding these ASRS assurance guidelines and climate disclosure auditing requirements, organisations can effectively prepare for the upcoming changes in climate-related financial reporting. Stay informed about AUASB standards updates to ensure ongoing compliance with ASRS assurance requirements.



# Steps to Prepare for Compliance

Preparing for ASRS compliance requires a strategic, systematic approach. Here's a comprehensive roadmap.

1

## Review Existing Data Practices and Gaps

Identify your entity's reporting obligations and compare current practices with AASB S2 requirements.

2

## Enhance Governance

Establish clear oversight of climate-related issues.

3

## Conduct Emissions & Scenario Analysis

Upgrade data systems to capture required metrics and perform 1.5°C and 2.5°C or higher scenario analyses.

4

## Integrate Climate Risks

Identify and evaluate the impacts of climate transition and physical risks on your business.

5

## Develop Transition Plans

Set decarbonisation targets and outline concrete steps to achieve them, including potential changes to business operations and investments.

6

## Engage Auditors

Discuss assurance requirements and expectations.

7

## Report Disclosures

Draft climate statements in line with AASB S2 and implement a process for ongoing reporting and refinement.



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# Climate Data Challenges

As organisations prepare for ASRS compliance, they face significant challenges in climate data management and analysis. These hurdles are particularly pronounced in meeting the requirements of AASB S2. Here are the key challenges:

## Data Gaps and Quality Issues

- Inconsistent data availability across different asset classes
- Varying data quality from different sources and jurisdictions
- Challenges in establishing reliable historical baselines for emissions and climate metrics

## Scope 3 Emissions Calculation

- Difficulty in gathering data across complex value chains
- Challenges in assessing and reporting financed emissions for financial institutions

## Robust Scenario Analysis

- Complexity in developing forward-looking climate scenarios aligned with ASRS requirements
- Uncertainty in long-term projections of climate impacts on business models
- Limited internal expertise in climate science and modelling techniques

## Aligning with Financial Reporting

- Aligning climate data with traditional financial metrics and timeframes
- Challenges in quantifying long-term climate risks within short-term financial reporting cycles
- Ensuring consistency between climate disclosures and financial statements

## Climate Risk Assessment Across Diverse Portfolios

- Difficulty in quantifying physical and transition risks for varied asset classes, sectors and geographies
- Challenges in translating climate risks into financial impacts

## Assurance Readiness

- Ensuring data accuracy and reliability for external verification
- Establishing robust audit trails for climate-related data and assumptions
- Preparing for increasing scrutiny as assurance requirements evolve

## Resource and Expertise Constraints

- Limited internal capabilities in climate data analysis and reporting
- Balancing the cost of comprehensive climate reporting with other business priorities
- Keeping pace with rapidly evolving ASRS requirements and best practices

# Emmi's Solution

Emmi's Carbon Diagnostics product addresses the challenges of AASB S2 compliance, providing emissions data and climate risk analysis across all major public and private asset classes.



Key features that address the compliance challenges include:

## Market-leading Coverage

- Market-leading portfolio coverage across all major asset classes: private debt & equities, private debt & equities, infrastructure and real estate
- Seamless integration with existing systems via Excel or FactSet Workstation

## Advanced Emissions Calculation

- Machine learning-based engine for accurate emissions data
- Reported numbers are used where available; when data is scarce, or unavailable, metrics are calculated using the company's financial data.

## Robust Scenario Analysis

- Modelling capabilities aligned with ASRS guidelines (10+ transition risk and 2 physical risk scenarios).
- Visualisation of potential value erosion across different scenarios

## Climate Risk Quantification

- Detailed assessment of physical and transition risks across diverse portfolios
- Translation of climate risks into financial impacts

## Assurance-Ready Outputs

- Transparent, auditable methodology for all calculations
- Audit trails to meet evolving ASRS assurance requirements

## Suitable for organisations of any size, sector, or asset class

## Timely Emissions Data

- Up-to-date emissions data aligned with reported financials

## Expert Support

- Backed by our team of climate and finance experts

Carbon Diagnostics enables organisations to meet the AASB S2 requirements while gaining actionable insights for investment management. Our solution translates emissions data into financial implications, supporting efficient capital allocation towards a low-carbon economy.



# Get in touch

Experience firsthand how Emmi's Carbon Diagnostics can transform your AASB S2 compliance process.

[Book Your Demo Now](#)



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