

AASB S2 Year 1
Prepare for ASRS

Practical Insights and Case Studies
for Group 2 Entities

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Acknowledgement of Country



Our organisation recognises the First Peoples of this nation and their ongoing connection to culture and country.

We acknowledge First Nations Peoples as the Traditional Owners, Custodians and Lore Keepers of the world's oldest living culture and pay respects to their Elders past and present.

Today's presenters



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About Pangolin Associates



15 years of experience in Environment and Sustainability Consulting

- Specialisation in GHG emissions inventory
- Expertise in climate-related risk and opportunity analysis
- Climate and statutory reporting

Assisting clients in reducing their impact on the environment

- Decarbonisation and Net Zero advisory
- GHG assessments
- Life Cycle Analysis (LCA) and Environmental Product Declaration (EPD)

Guiding clients through complex sustainability challenges

- Executive briefings
- AASB-S2 compliance
- Climate scenario analysis
- Financial modelling
- NGER reporting
- ESG strategy and reporting

Pangolin Associates is a founding member of B Corp in Australia, a business member of 1% For The Planet, and a signatory of the UN Global Compact.



United Nations
Global Compact

Introduction to our Group 2 webinar series



01



RECAP: October 2025

Legislative context & planning your journey

- The ASRS rollout timeline; An introduction to the four pillars
- Government sectoral guidance
- The 'trickle-down' effects on Group 2 from Group 1
- Primer on Scope 1, 2, and 3 emissions
- Planning your ASRS implementation

02



TODAY's webinar

Practical learnings, insights, & challenges

- ASRS refresh
- Part 1: Case studies
- Part 2: CRO Analysis quantification
- Part 3: Resources, tools and mobilisation

An aerial photograph of a river with vibrant turquoise water, meandering through a lush, dense green forest. The river's path is clearly visible, curving through the thick canopy of trees. The lighting is bright, highlighting the various shades of green in the forest and the clarity of the water.

ASRS refresh

Context

Critical considerations

ASRS: Refresh for Group 2

ASRS = Australian Sustainability Reporting Standards - AASB = Australian Accounting Standards Board



ASRS

- **AASB S2 is Australia's new mandatory climate reporting standard.** It requires companies to disclose their **climate-related risks and opportunities** and how they are integrated into governance, risk, strategy, and metrics and targets.

Requirements

- It is being rolled out over **four years**, across each entity group with **Group 2** reporting for the first time for financial years starting 1 July 2026.
- Entities are required to address the **full set of 103 disclosures** under the **ASRS-S2** standard from their **Year 1**.
- Only selected components are subject to **limited assurance** initially — including **Governance, CRO analysis, and Scope 1 and 2 emissions**.

ASRS: Key learnings on starting your journey

Critical considerations to shape your first reporting cycle



> Engage your Board early

- Concerned with (1) Director's duty of care and (2) 'Greenwashing' risk
- Most prefer a conservative approach on compliance matters
- Late board involvement led to rework and delays



> Engage your auditor early

- New territory, extra cautious
- High expectations around evidencing
- Focusing on climate governance



> Follow ASIC and AASB

- ASIC is very active - infringement notices; corrective disclosure requests
- ASIC will go after entities that claim that "*climate isn't a risk for us*" with limited/no evidence
- AASB issuing regular guidance – eg. check RG280

An aerial photograph of a large, turquoise lake surrounded by a dense, lush green forest. The water is clear and vibrant, reflecting the surrounding greenery. The forest is thick and covers the entire land area visible around the lake. The sky is not visible, focusing the viewer's attention on the natural landscape.

Part 1:
Case Studies

How we answered the question: ‘Minimum requirements for Year 1?’



No single and standard answer. Everyone applied minimum differently.

For our clients, we set their minimum requirements using the following approach:



1. Confirmed Board & CFO stance and appetite on ASRS

- ASIC stance and implications of compliance breach understood
- Precedents on climate impacts or benefits
- Current maturity on climate matters (process and skills)
- Appetite on climate-related governance uplifts.
- Level of details expected on climate analysis – in particular, expectations for Quantitative outcomes



2. Leveraged Transition reliefs (approx. 10 of them)

Include:

- Reporting at consolidated level
- Delaying Scope 3
- Proportionality
- Comparative information
- GHG measurements
- Assurance phasing
- Modified Directors’ liability
- ASIC discretions to grant various reliefs
- etc.



3. Leveraged options to time-out some changes required post Y1

For example, we timed out into Year 2+

- Detailed CRO quantifications
- CRO mitigations
- Transition Plans
- Less critical climate Climate Policy, governance and process changes

Manufacturing Entity Case Study



About the sector

The manufacturing sector is asset-intensive and has long, complex supply chains



About the company

Long-established Australian manufacturer of residential and commercial interior products



About the engagement

Focused on CRO Analysis with high-level quantification



Critical insights sit with people on the ground

Challenge

- Data and information on paper don't always reveal the key risk areas.

Learning

- Engage operations teams early. They hold operational knowledge essential for CRO analysis.

CRO Analysis extends beyond the Company's own operations

Challenge

- Risk exposure sits across the value chain; not just direct operations.

Learning

- Early mapping of key suppliers, logistics routes, and customer segments is key.

Be flexible with available data and utilise proportionality.

Challenge

- Not all climate scenarios or CRO inputs have ready-made datasets.

Learning

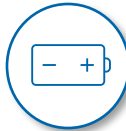
- Start with estimates, refine over time, and document assumptions clearly for audit readiness.

Infrastructure Entity Case Study



About the sector

Key sector for climate action and the energy transition, with high levels of climate exposure



About the company

Australia-New Zealand utility infrastructure provider including behind-the-meter energy technologies



About the engagement

Early ASRS planning (gap assessment and roadmapping); CRO Analysis with quantification



Not always all about risks, opportunities can dominate

Challenge

- Tendency to focus on what could go wrong, but analysis pointed to several opportunities

Learning

- Climate reporting can surface commercial opportunities – especially for transition-enabling businesses

Need clear access to the financials

Challenge

- Strong commercial emphasis from ASRS accountable execs

Learning

- CRO analysis is a new process, and Finance should be involved early to support credible CROs

Materiality is fundamental for shortlisting CROs

Challenge

- Extensive effort into non-material CROs as shortlisting (56 → 36 → 4) was delayed

Learning

- Use materiality and business knowledge to get the balance right on number of CROs

Service Entity Case Study



About the sector

People-driven and geographically diverse, creating value through human capital rather than physical assets



About the company

Professional services through its well-known national brand



About the engagement

End-to-end ASRS engagement, including gap assessment, roadmapping, implementation and disclosures



Your customer's risks are your value chain risks too

Challenge

- Physical risk analysis tends to focus on owned assets, instead of the full value chain.

Learning

- Companies can be exposed to physical risks through their customers and employees too.

Balance accuracy and timeliness in GHG assessments

Challenge

- There is not enough time to prepare the GHG inventory if you use actual full year data.

Learning

- Use estimation approaches, such as 9+3 months (actuals + estimates) to meet deadlines.

CRO analysis accelerated a strategic move

Challenge

- Companies may approach climate reporting purely as a compliance exercise, missing opportunities.

Learning

- Once risks are surfaced, entities can unlock value, such as setting Net Zero targets & enhancing brand trust.

Publicly available resources



AASB S2 Guidance

General ASRS resources:

- [AASB S2 Knowledge hub](#)
- [ASIC Regulatory resources for Sustainability Reporting](#)

Topic-specific resources:

- [Proportionality Mechanism](#)
- [TCFD Resources](#)
- [GHG Protocol](#)
- [CROs and Materiality \(March 2026\)](#)



Physical risk data

Global and regional climate variables:

- [CSIRO](#)
- [NGFS Climate impact explorer](#)
- [IPCC AR6 Interactive Atlas](#)

State downscaled climate variables:

- [New South Wales](#)
- [Victoria](#)
- [Queensland](#)
- [South Australia](#)
- [New Zealand](#)




Transition risk data

Climate transition scenarios:

- [NGFS Scenario Portal](#)
- [IEA World Energy Outlook](#)

Data sets:

- [IPCC AR6](#)
- [IEA Data sets](#)
- [NGFS Scenario data](#)

An aerial photograph of a large, turquoise lake surrounded by a dense, lush green forest. The water is clear and vibrant, reflecting the surrounding greenery. The forest is thick and covers the entire land area visible around the lake. The overall scene is serene and natural.

Part 2: **It's all about CROs**

Example on quantifying CROs

Approaching CRO analysis and quantification



CRO analysis is the process of identifying and assessing climate related risks and opportunities (CROs) that could reasonably affect the entity's prospects



- Level 1 – “Back of the envelope” sizing
- Level 2 – Detailed analysis, not for disclosure
- Level 3 – Financial grade and auditable, appropriate for disclosure

Example: Transition risk

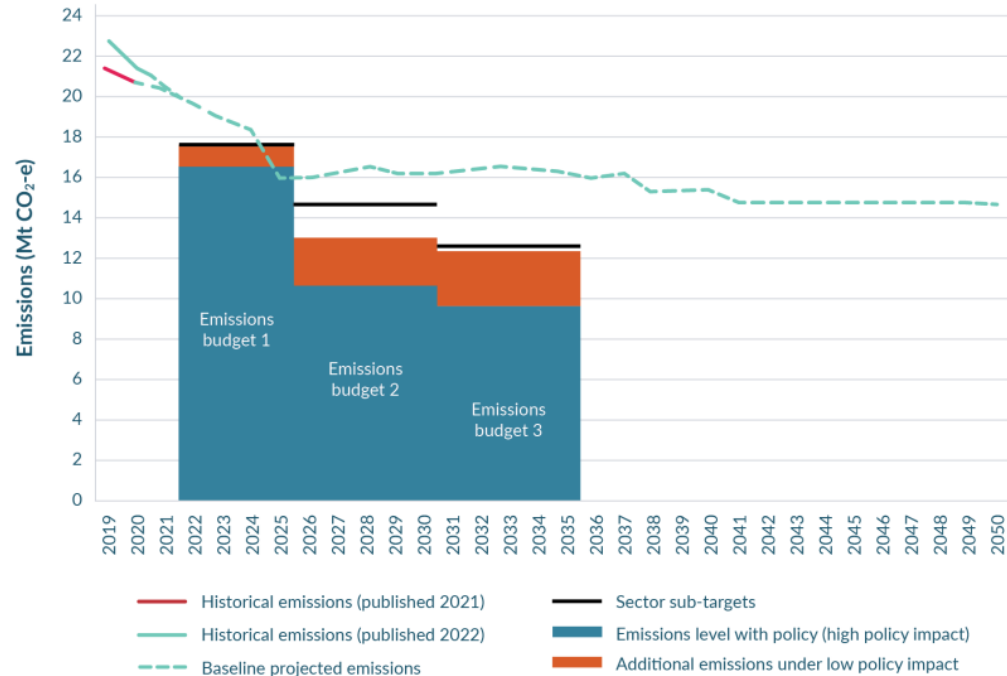
Capex and planning uncertainty to transition to low-emissions sources of energy



1 Identify trends

~27% reduction in energy and industry sector emissions targeted by 2035

Figure: New Zealand energy and industry sectors' annual average emissions budgets



Source: NZ Ministry for the Environment. (2022). *Aotearoa New Zealand's first emissions reduction plan – Chapter 11 Energy and Industry*. <https://environment.govt.nz/publications/aotearoa-new-zealand-s-first-emissions-reduction-plan/energy-and-industry/>

2 Source relevant datasets

Detailed study of energy transition opportunities funded under a NZ Energy Efficiency and Conservation Authority (EECA) program

Table: Low carbon energy transition pathways

All Sites						
Category	Opportunity	Year	Emissions savings (t/yr)	Remaining emissions	Capex (\$)	Opex savings (\$/yr)
Baseline	2021 energy related emissions	2021	-	100%	\$0	\$0
Energy efficiency and demand reduction	Install energy meters	2023	70	99%	\$120,000	\$23,000
	Replace gas/steam heaters with heat pump heating	2024	591	90%	\$2,240,000	\$101,000
	Replace gas radiant and steam heaters with EIRs	2023	160	88%	\$601,000	-\$10,000
	Insulation improvement	2023	126	86%	\$84,000	\$36,000
	Improve steam system operation	2023	30	85%	\$4,000	\$10,000
	Heat recovery system	2023	646	75%	\$420,000	\$187,000
	Install VSDs on Dryer#2 fan motors	2023	34	75%	\$80,000	\$40,000
	Install the spare hydro machine on the dryer line	2023	41	74%	\$20,000	\$7,000
	Install a heat pump to pre heat boiler feed water	2024	87	73%	\$180,000	\$18,000
	Install electric boilers	2024	2,255	40%	\$7,680,000	-\$210,000
Fuel switching	Install electric carpet oven	2025	315	35%	\$2,000,000	-\$144,000
	Install wood pellet boilers and oil oven	2025	3,301	24%	\$2,160,000	-\$357,000

Table: Fuel switching requirements by site

Site	Fuel switching item	Size	Fuel source	Process affected
Factory - Regional A	Steam boilers (3x)	1.2 MW x 3	Natural gas	Product dyeing
	Industrial drier	-	Natural gas	Product drying
Factory - Regional B	Steam boiler	1,135 kW	Natural gas	Product conditioning
Factory - Metro	Steam boiler	500 kW	Natural gas	Product steaming
	Industrial oven	1500 kW	Natural gas	Product refining

Example: Transition risk

Capex and planning uncertainty to transition to low-emissions sources of energy



3 Apply to your business and quantify

Estimate	NZD
Energy efficiency actions	\$3.9m
Electrification – NZ	\$7.9m (i)
Electrification – AU	\$7.9m (ii)
On-site renewables – NZ	\$4.2m
On-site renewables – AU	\$4.2m
Total capex	\$28.1m

(i) Bottom-up build of estimated capex based on report

Option	BAU	Option 1 - Electric Steam Boiler	Option 2 - Biomass Steam Boiler
Capex (\$)	\$200,000	\$3,000,000	\$7,000,000
Opex (\$)	\$184,000	\$373,000	\$303,000
Carbon emissions (tCO ₂ /yr)	396	185	10
Lifetime carbon emissions (tCO ₂)	7,930	2,890	200

(ii) **Assumption:** Australian based transition capex is equivalent to NZ

4 Assess impact and justify inclusion/exclusion


Horizon (<1.5°C)	Likelihood	Consequence	Rating
2030	Unlikely	Catastrophic	Medium
2035	Possible	Catastrophic	High
2050	Almost Certain	Catastrophic	Extreme

Included as a material disclosure

- Reaches materiality threshold based on company’s risk framework
- Relevant and useful information for stakeholders

Quantitative information about CRO not disclosed

- Data gaps and uncertainty – Assumptions for Australia are not sufficiently robust for public reporting
- Support with qualitative narrative in disclosures



Part 3:
**Tools, resources
and mobilisation**

Insights from our project teams

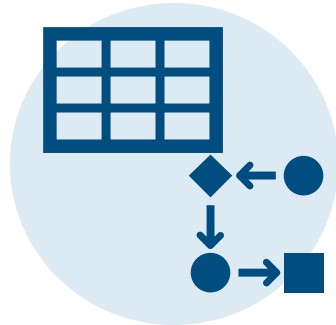
Keep in mind as you start your ASRS journey:



Practical disclosure and documentation tips



Evidencing is key to audit-readiness.
Stay on top of documentation from the start.



CRO analysis workbook

PA's practical tip

- Document all CRO-related decisions and updates in a single workbook.

Why this is important

- Keeps you on track of all changes to CROs, particularly on ratings.



Disclosure strawman

PA's practical tip

- Develop your strawman and outline first. Fill in and iterate as you go.

Why this is important

- Ensures completeness of disclosures and avoids last minute hustle.



Audit trail template

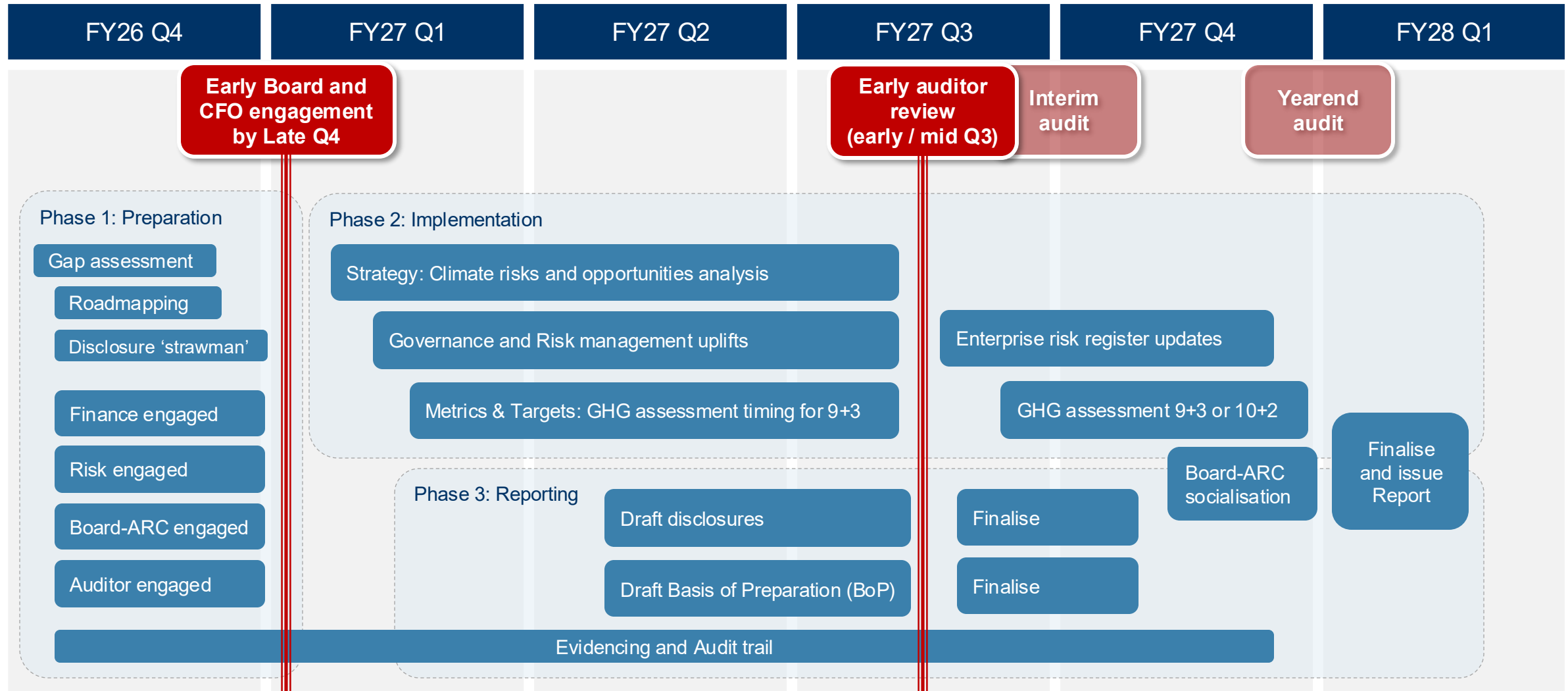
PA's practical tip

- Establish your documentation process early. Save files as you go.

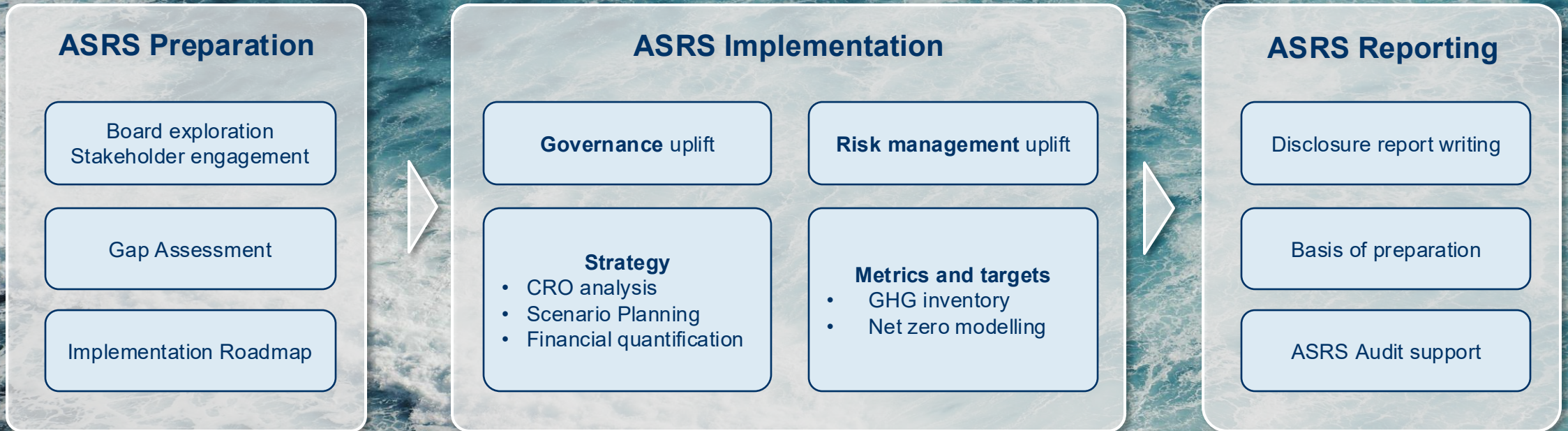
Why this is important

- Houses all key documents, policies, and decisions made in one place.

Roadmapping insights – Two-milestone planning to mitigate risks



Pangolin can help...



Get in touch →




Pangolin resources



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When preparing first-year climate related financial disclosures under ASRS, our experience working with Group 1 entities shows that audit and compliance risk mitigation hinges on clear scoping decisions, disciplined use of transition ...more



Sustainable Futures Newsletter

Mitigating Audit and Compliance Breach Risk Under AASB S2: Insights from Climate Consultants

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As organisations prepare AASB S2 climate disclosures under Australia's Sustainability Reporting Standards (ASRS), emissions boundary alignment is becoming a critical focus area. ...more



Sustainable Futures Newsletter


Are Your Emissions Boundaries Aligned for AASB S2 Compliance?

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Decarbonisation ambition is no longer the differentiator.

Execution is. ...more



Sustainable Futures Newsletter

Decarbonisation is a Capital Allocation Problem (and ignoring that is costly)

Pangolin Associates

Scan here to watch our Oct25
Part 1 webinar for Group 2 →



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Scan the QR code to follow us →



An aerial photograph of a large, turquoise lake surrounded by dense, lush green forest. The water is clear and vibrant, reflecting the surrounding greenery. The forest is thick and covers the entire land area around the lake. In the center of the image, there is a semi-transparent blue rectangular box containing the text "Q&A" in a white, serif font.

Q&A



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