

A wide-angle landscape photograph of Uluru, a large red sandstone monolith in the heart of the Australian outback. The rock formation dominates the middle ground, its surface showing intricate patterns of erosion. The foreground is a flat, arid plain with sparse, low-lying green and yellow shrubs. A single, small, dark tree stands to the left of the rock. In the bottom right corner, a paved road with a white line runs diagonally across the frame. A faint rainbow is visible in the sky above the road. The sky is a deep blue with wispy white clouds. The overall lighting suggests late afternoon or early morning.

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Australian Sustainability Reporting Standards
Road to Compliance
2024

Executive summary

What is the scope of the ASRS?

- The Australian Sustainability Reporting Directive ('ASRS') makes sustainability reporting as important as financial reporting. The legislation has a phased approach, starting from 2026 (FY 2025).
- Individual or consolidated reporting may be required based on whether the businesses within the group meet the ASRS thresholds and the group's decision to report on a consolidated basis.

What are entities required to report?

- The 'Sustainability Statement' must be included in the financial report, covering mandatory AASB S2 climate-related disclosures, while AASB S1, covering general sustainability-related financial information, remains voluntary.
- Assurance for sustainability reporting starts with limited assurance, potentially transitioning to reasonable assurance.

How do entities prepare for the ASRS?

- Preparing for the ASRS involves a step-by-step approach: (1) conducting a materiality assessment to inform the scope of reporting, (2) making disclosures per material topic, (3) performing a gap analysis, and (4) developing a roadmap to ensure compliance for reporting in the relevant year. A simplified approach can be taken if focusing solely on AASB S2.
- This report serves to provide initial insights and guide the ASRS process.

The ASRS makes sustainability reporting as important as financial reporting



What is the ASRS?

The Australian Sustainability Reporting Standards (ASRS) provide a framework for guiding companies in disclosing sustainability information, aligning with international reporting standards.



What does it require?

Under the ASRS, companies are required to report sustainability-related information in a dedicated section of their financial reports, with the phased approach starting as early as 2026 for FY2025 reports.

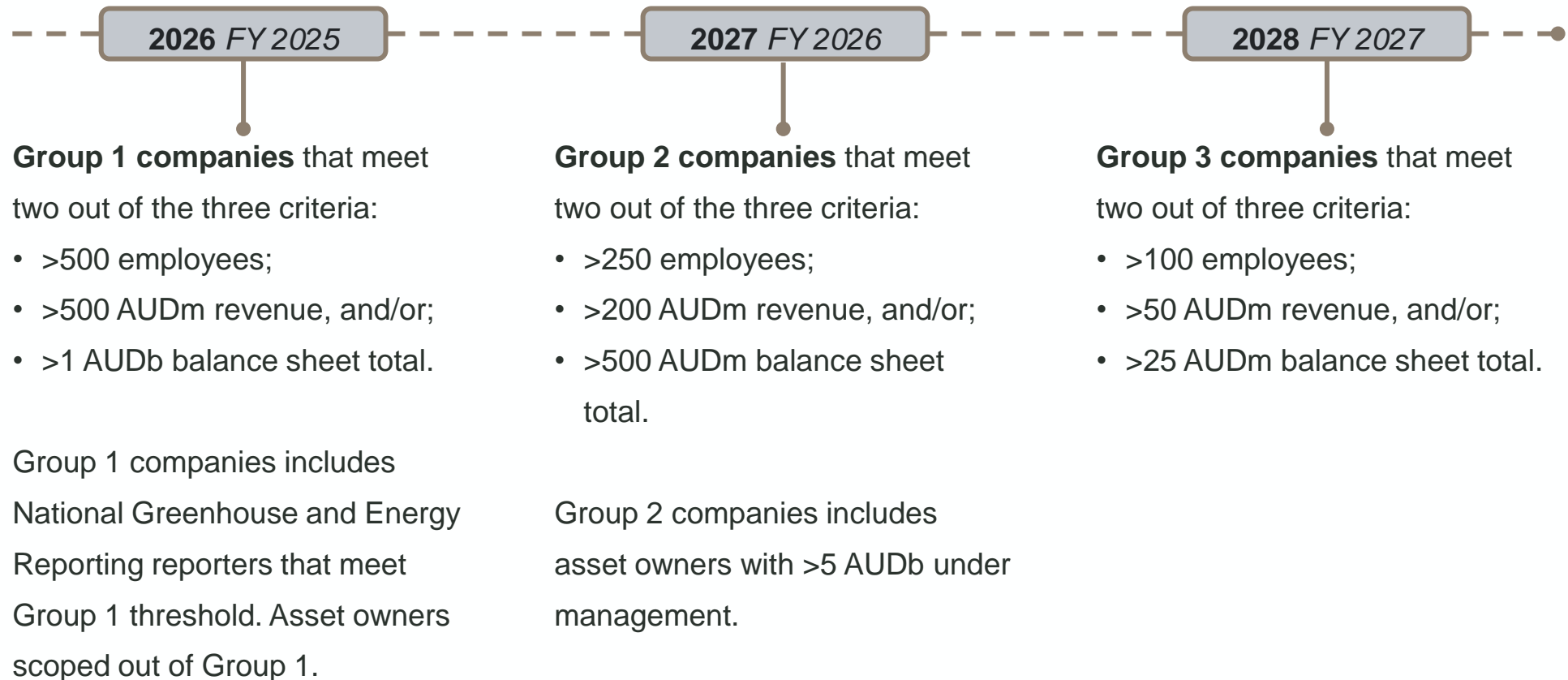


What does ASRS cover?

The ASRS covers two standards: AASB S1, which outlines general requirements for disclosing sustainability-related information and is voluntary, and AASB S2, which covers climate-related disclosures and is mandatory.

The phased approach to report on non-financial aspects begins in 2026

Timelines & scope of the ASRS



Reporting may be required on individual-level or consolidated

Individual vs. consolidated reporting

- An entity required to prepare consolidated financial statements can choose to provide sustainability-related financial disclosures on a consolidated basis (as the parent company).
- In the above scenario, individual entities within the group that would otherwise need to prepare their own sustainability reports are exempt, given that the group's consolidated sustainability report includes those entities.

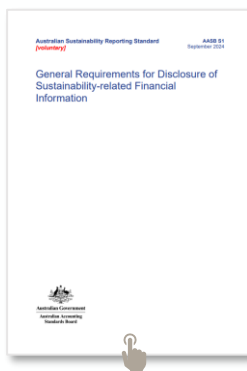


Disclosure requirements are provided in AASB S1 and AASB S2

AASB S1: General Requirements

VOLUNTARY

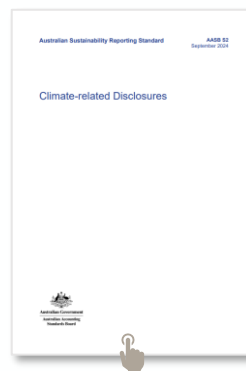
Provide voluntary disclosure of all sustainability-related risks and opportunities that could impact cash flows, access to finance, or cost of capital over the short, medium, or long term.



AASB S2: Climate-related Disclosures

MANDATORY

Provide mandatory disclosure of climate-related risks and opportunities that could impact cash flows, access to finance, or cost of capital over the short, medium, or long term.



Link to global reporting frameworks

The ASRS is Australia's adaptation of the global IFRS Sustainability Disclosure Standards – IFRS S1 and IFRS S2, which many other jurisdictions are also in the process of adopting.

AASB S1 corresponds to IFRS S1, and AASB S2 corresponds to IFRS S2.





AASB S1 – General Requirements

Core disclosures

Governance

The governance processes, controls, and procedures an entity uses to monitor and manage sustainability-related risks and opportunities.

Disclosure of information about:

- Governance body(s) for oversight of sustainability-related risks and opportunities; and
- Management's role in the governance processes, control, and procedures to oversee sustainability-related risks and opportunities.

Strategy

The approach for managing sustainability-related risks and opportunities. Disclosure of information about:

- Material sustainability-related risks and opportunities and impact on business model, value chain, strategy, cash flows and capital, financial position and performance;
- Resilience of strategy and business model to sustainability-related risks; and
- Progress on action plans.

Risk management

The processes to identify, assess, prioritise, and monitor sustainability-related risks and opportunities. Disclose information about:

- Processes and policies for identifying and monitoring sustainability-related risks and opportunities, including how scenario analysis is used to inform these efforts; and
- How these processes are integrated into and enhance the entity's overall risk management framework.

Metrics & targets

The performance in relation to sustainability-related risks and opportunities, including progress towards any targets the entity has set or is required to meet by law or regulation. Disclosure information about:

- Disclosure metrics not specified, though include industry metrics found in the SASB Standards.

Exemptions

- Entities are relieved from disclosing sustainability-related opportunity information if it is commercially sensitive.
 - Comparative information for periods prior to the application date is not required.

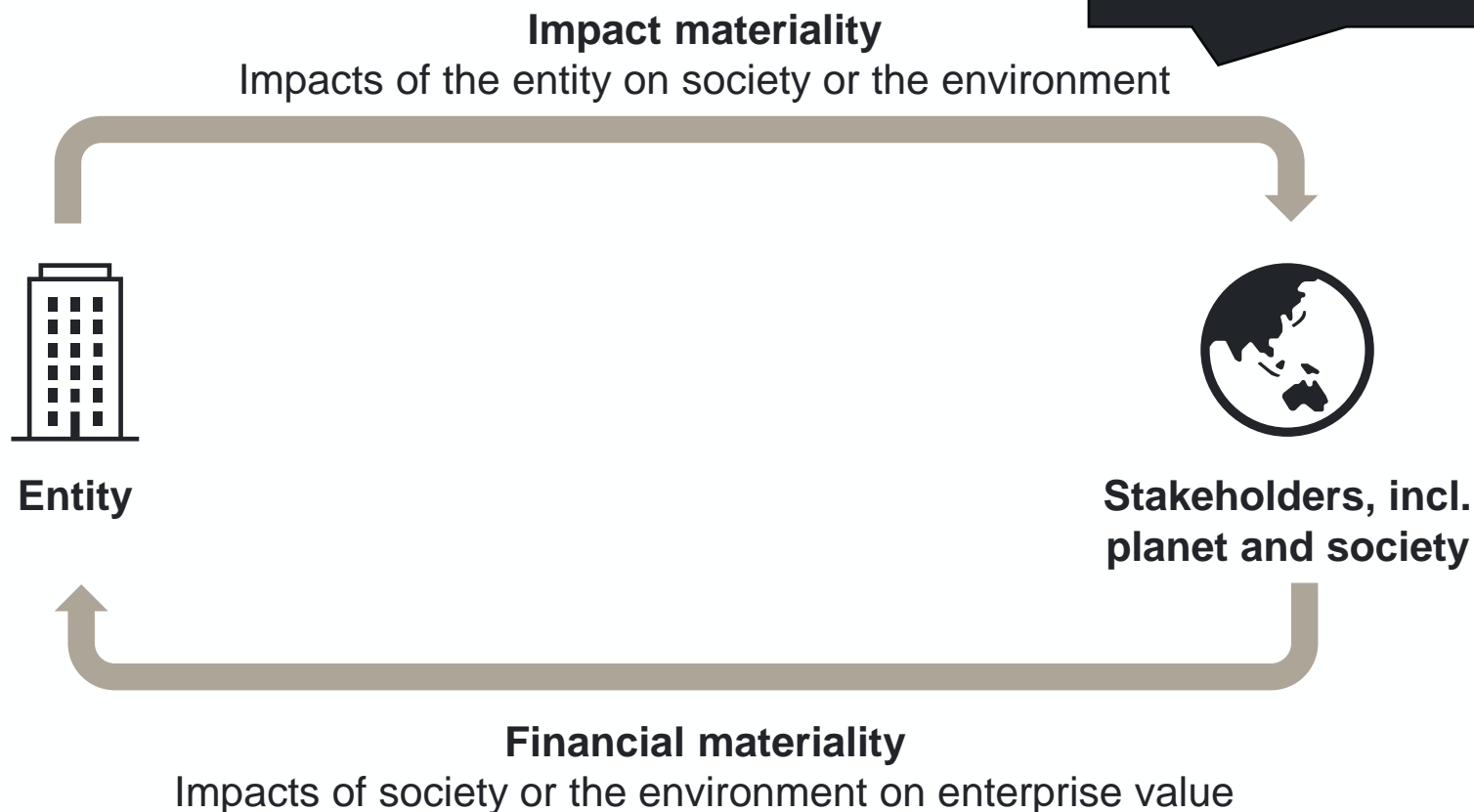


AASB S1 solely covers financial materiality

The concept of double materiality



Under AASB S1, a **financial materiality assessment is conducted** to identify the sustainability topics the entity should report on. While considering impact materiality is not mandatory, it is considered best practice.





MANDATORY

AASB S2 – Climate-related Disclosures

Core disclosures



Governance

The governance processes, controls, and procedures an entity uses to monitor, manage, and oversee climate-related risks and opportunities.

Disclosure of information about:

- Governance body(s) for oversight of climate-related risks and opportunities; and
- Management's role in the governance processes, control, and procedures to oversee climate-related risks and opportunities.



Strategy

The strategy for managing climate-related risks and opportunities.

Disclosure of quantitative and qualitative information about:

- Material climate-related risks and opportunities;
- Climate-related transition plan;
- Adaptation and mitigation efforts;
- Climate scenario analysis to assess resilience; and
- Key inputs, assumptions, uncertainties in scenarios, and their impact on strategy and business model.



Entities required to report under the Corporations Act 2001 must disclose information based on scenario analysis conducted under both a 'low' (1.5°C) and a 'high' (2.5°C or higher) global warming scenario. This is a legislative requirement, not part of AASB S2.



Risk management

The processes to identify, assess, prioritise, and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process.

Disclose information about:

- Processes and policies for identifying and monitoring climate-related risks and opportunities, including how scenario analysis is used to inform these efforts; and
- How these processes are integrated into and enhance the entity's overall risk management framework.



Metrics & targets

The performance in relation to its climate-related risks and opportunities, including any progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulations. Consistent metrics for all industries¹:

- GHG emissions (Scope 1, 2, and 3)
- Transition risks (\$ and % of assets/activities exposed)
- Physical risks (\$ and % of assets/activities exposed)
- Climate-related opportunities (\$ and % of assets/activities aligned)
- Capital deployment (\$ allocated to climate risks and opportunities)
- Internal carbon price (if used, \$ per metric tonne of GHG emissions)
- Remuneration (% of executive pay linked to climate considerations)

Exemptions

- Scope 3 emissions metrics are not required until the second year of reporting.
- Comparative information for periods prior to the application date is not required.

¹The AASB plans to embark on a future project on industry-specific measures to embed these into the metrics & targets disclosure requirements.
Source: Australian Accounting Standards Board, Australian Securities and Investments Commission

Sustainability-related information needs to be presented in certain ways

Steps to present the sustainability report



Labelled in annual report

Climate-related disclosures must be included in the sustainability report, which forms part of the annual report under the Corporations Act 2001, including climate statements per ASRS, notes to the statements, any legislatively prescribed statements, and a directors' declaration of compliance. Cross-referencing requires ASIC clarification.



Lodging with ASIC

The timing for lodging the sustainability report with ASIC and reporting to members will align with current annual financial reporting requirements: within three months for disclosing entities and registered managed investment schemes, and within four months for all other companies, with the report also sent to members and considered at the AGM.



Required content

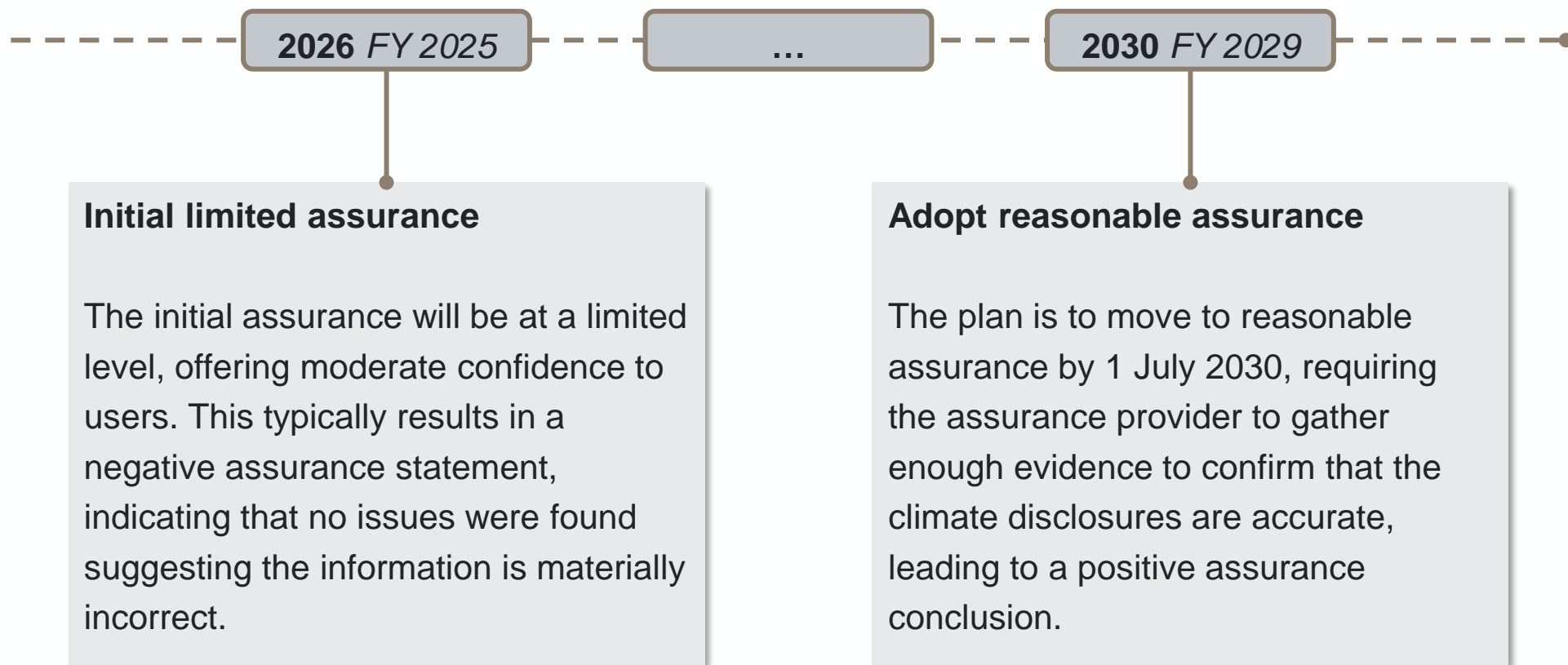
Group 3 entities with no material climate-related financial risks or opportunities identified are required to include a statement in their sustainability report confirming this, along with an explanation of how the conclusion was reached, while still requiring a directors' declaration and auditor report, with materiality assessed according to the sustainability standards.

Entities must undergo assurance for their sustainability reporting

Phased approach to assurance

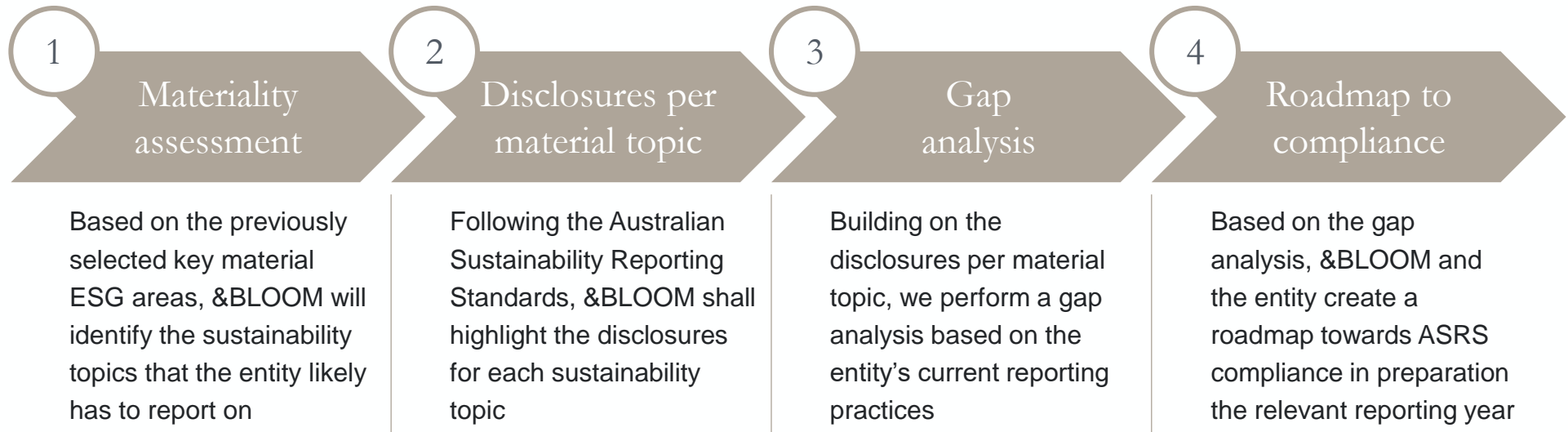


The proposed assurance phasing model is provisional and may be subject to change ([link](#)).



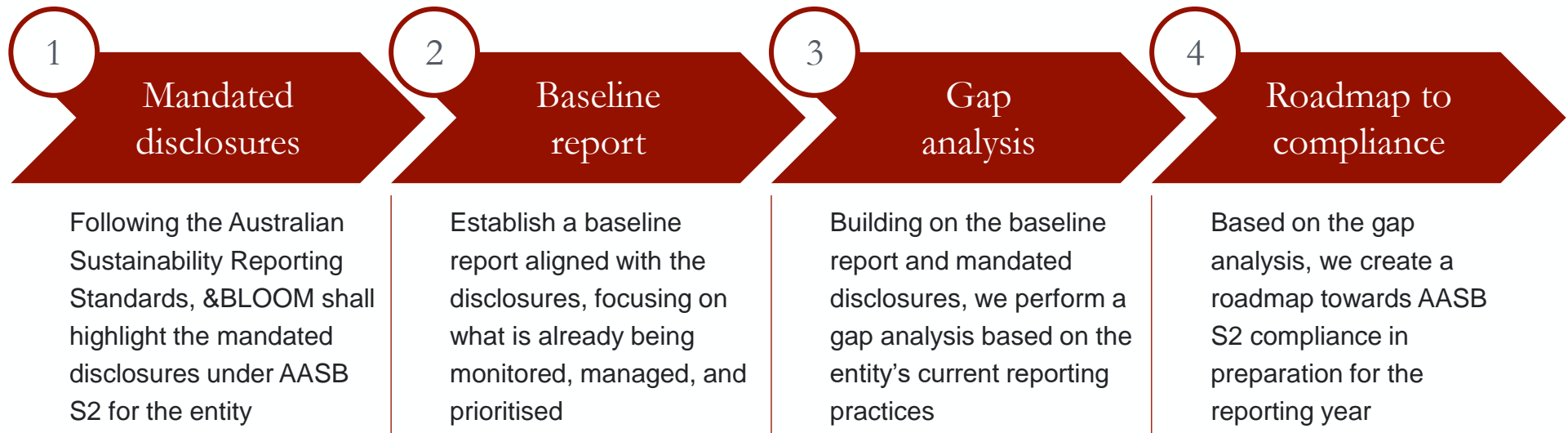
Preparing for ASRS if you choose to report on AASB S1 as well

Step-by-step approach to preparing for the ASRS



Preparing for ASRS focused on solely AASB S2

Step-by-step approach to preparing for the mandatory AASB S2



Contact Us

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An aerial photograph of a rugged mountain landscape. In the upper right, a calm lake reflects the surrounding peaks. A narrow waterfall cascades down a mossy, rocky slope in the center-right. The terrain is covered in green moss and lichen, with dark, jagged rock formations visible throughout.

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