

Ticking Clock: Prepare Now for Australia's Mandatory Climate Reporting by 2025

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About this update

This dated news record has been reorganised for clear reading and connected to current guidance.

Publication date: August 27, 2024.

Status note: Present-tense statements, market figures, deadlines and program details in the archived record belong to its publication date. Check current official sources before making a decision.

What this article reported

Starting in January 2025 the Australian Government's new mandatory climate-related financial disclosures will take effect. This marks a significant step toward mitigating climate risk and opens up new opportunities in decarbonizing markets. Organisations need to understand these new disclosure requirements and start preparing now, they should look beyond reporting and integrate projects, that will reduce emissions and provide a payback through environmental certificates and grants.

Key Updates:

Global Context: At COP28 (Nov-Dec 2023), the International Sustainability Standards Board (ISSB) took over climate-related financial reporting responsibilities from the Task Force on Climate-related Financial Disclosures (TCFD), now disbanded. This shift signifies a major uplift in climate-related practices globally, with Australia introducing its own MCR system, which includes over 100 disclosures-far more than TCFD's 11.

Rollout: Starting with Group 1 in FY 2025/26, Australia's mandatory climate reporting will be phased in, covering companies with over 500 employees, followed by Group 2 in FY 2026/27 for companies with more than 250 employees, and finally, Group 3 in FY 2027/28 for those with over 100 employees. This rollout will apply to organizations based on their gross assets, revenue, and employee count, ensuring comprehensive climate-related financial disclosures.

Applicability: MCR laws will apply to most public companies and may extend to larger NFPs, private entities, and government bodies.

Liability: Treasury will limit Directors' liability during the first three years of implementation for Scope 3 emissions and certain climate-related forward-looking statements.

Why is MCR introduced?

A robust, internationally consistent, and credible climate disclosure framework will enhance Australia's reputation as an appealing destination for global capital, attracting the necessary investments for the transition to net zero. What is to be reported? Climate-related financial disclosures will encompass details on an entity's climate-related risks and opportunities, as mandated by Australian climate

disclosure standards, including:

From the first reporting year, entities must provide information on governance, strategy, risk management, metrics, and targets, including Scope 1 and Scope 2 greenhouse gas emissions.

From the second reporting year, entities will be required to disclose Scope 3 emissions, which include emissions occurring throughout their supply chain and those associated with their financing or investment activities. Scope 3 disclosures will be based on information available at the reporting date without incurring excessive costs or effort.

Where/How should I report Climate-related financial disclosures?

Climate-related financial disclosures will be included within your sustainability report, serving as the fourth required document under annual financial reporting obligations and incorporated into an entity's annual report. To assist users in easily locating climate disclosures, entities should provide an index table within their annual reports. The submission timeline for annual reports, including those filed with the Australian Securities and Investment Commission (ASIC), will remain consistent with the existing requirements specified in section 319 of the Corporations Act. These new laws place increased workload on finance and accounting teams, but critical to ensuring these compliance requirements become a benefit (not a cost) is examining capital projects through the lens of energy efficiency, emissions reduction, and the role environmental attribute certificates play. Assessing and undertaking electrification projects, equipment upgrades, and improving production efficiency requires detailed technical understanding. The right projects have a return on investment and pay you to reduce emissions. Northmore Gordon, do more with less energy, and less carbon.

Steps you can start doing now

Executive workshop and preparedness

Baseline your carbon footprint (Scope 1, 2 and 3)

Energy Audits to understand opportunities

Net Zero Roadmap including the technical solutions for real action

Environmental Certificates for renewable energy or project payback

Prepare now to stay ahead. Explore our Mandatory Climate Reporting Services and ensure your organization is ready for these crucial changes.

For more information, check out the Australian Sustainability Reporting Standards and Treasury's Mandatory Climate-related Financial Disclosures.

How to use this information now

For current use, confirm the applicable scheme rules, regulator notices, market date and reporting period. Keep historical prices or forecasts separate from present quotes and verified outcomes.

Separate source-reported facts from forecasts, targets and commentary. For a current project, retain the official source, version, effective date, assumptions and decision record in the evidence file.

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What is the difference between Australia's mandatory climate reporting (MCR) and the earlier TCFD framework?

Australia's MCR system includes over 100 climate-related disclosures, substantially more than the TCFD's 11 requirements. The International Sustainability Standards Board (ISSB) assumed responsibility for global climate-related financial reporting standards at COP28 in late 2023, replacing the Task Force on Climate-related Financial Disclosures. Australia's MCR framework aligns with ISSB standards and requires reporting on governance, strategy, risk management, metrics and targets—establishing a more comprehensive and internationally consistent disclosure regime than its predecessor.

How should organizations establish their baseline for Scope 1, 2 and 3 emissions under MCR?

Organizations should conduct a carbon-accounting exercise that documents defined boundaries, activity data, emissions factors and calculation methods across all three scopes. We describe emissions inventory services including diagnostic workshops to clarify the current position. The baseline must identify which legal entities, facilities and reporting periods are included, then distinguish physical reductions from contractual electricity attributes or carbon offsets. Start by documenting what data exists, who owns it, and where gaps are, rather than waiting for perfect information before beginning the assessment.

What is required in the first MCR reporting year compared to the second?

In the first reporting year, organizations must report governance, strategy, risk management, metrics and targets including Scope 1 and Scope 2 greenhouse gas emissions. From the second reporting year, organizations must also disclose Scope 3 emissions covering supply-chain emissions and those associated with financing or investment activities. Scope 3 disclosures are based on information available at the reporting date without excessive cost or effort, providing some flexibility during early implementation as organizations develop measurement systems and supply-chain data collection processes.

How does the phased rollout of MCR by employee count affect different sized organizations?

MCR is phased across three groups based on employee count, gross assets and revenue. Group 1 (over 500 employees) reports from FY 2025/26; Group 2 (over 250 employees) from FY 2026/27; and Group 3 (over 100 employees) from FY 2027/28. Organizations should determine their applicable cohort based on these size tests and establish readiness timelines accordingly. Even organizations in later groups should begin baseline work now, as we recommend, to build data systems and understand emissions sources before mandatory reporting deadlines approach.

Where should climate-related financial disclosures appear in annual reporting, and what timeline applies?

Climate-related financial disclosures must be included within the entity's sustainability report, which serves as the fourth required document under annual financial reporting obligations and is incorporated into the entity's annual report. ASIC guidance links these disclosures to Chapter 2M financial-reporting obligations. Entities should provide an index table to help users locate climate disclosures. The submission timeline remains consistent with existing section 319 Corporations Act requirements and ASIC filings, so disclosure deadlines align with current annual reporting schedules.

What director protections apply during early MCR implementation?

Treasury will limit directors' liability during the first three years of implementation for Scope 3 emissions reporting and certain climate-related forward-looking statements. This protection acknowledges that organizations are building new measurement systems and that supply-chain data may be incomplete during early years. However, this limited liability window does not eliminate the reporting obligation; it moderates potential penalties during the transition period while organizations develop robust data collection and verification processes.

What five practical steps does Northmore Gordon recommend organizations take now to prepare for MCR?

We recommend: 1) hold an executive workshop and preparedness session to clarify governance and responsibilities; 2) baseline your carbon footprint across Scope 1, 2 and 3 emissions; 3) conduct energy audits to understand operational efficiency opportunities; 4) develop a Net Zero Roadmap including technical solutions and transition pathways; and 5) pursue environmental certificates for renewable energy procurement or project payback. These steps establish both the measurement foundation for reporting compliance and the operational changes needed to achieve credible emissions reductions.

How should organizations distinguish between Scope 2 accounting methods and renewable electricity claims under MCR?

Scope 2 Guidance from GHG Protocol provides accounting rules for purchased electricity using market-based approaches with specified quality criteria for contractual instruments. A renewable-electricity attribute purchased through certificates is not the same as a physical reduction in fuel consumption or a carbon offset. Organizations must establish which accounting framework applies to their reporting purpose and identify the relevant contractual instruments, ownership rights and retirement evidence. We describe moREnewable100 services for renewable certificate procurement with documented boundary, accounting treatment and claims framework to ensure compliance with applicable standards.

What role does operational energy management play in supporting MCR compliance and emissions reduction?

Energy assessments and audits provide the baseline understanding necessary for both MCR reporting and identifying real reduction opportunities. An opportunity register documents candidate improvements with dependencies, capital requirements and implementation timing. However, an inventory or audit alone does not reduce emissions; operational decisions, investment and procurement are separate actions requiring implementation and monitoring. We describe energy management as turning assessments into ongoing improvement by assigning responsibility, maintaining opportunity registers, reviewing performance measures and closing the loop between planned and verified outcomes.

How does ASIC's sustainability reporting framework align with MCR obligations for different organization sizes?

ASIC links mandatory sustainability reporting to Chapter 2M financial-reporting obligations using entity size, emissions and assets tests. Reporting cohorts phase in for financial years starting on or after 1 January 2025, 1 July 2026 and 1 July 2027. Organizations should first determine their applicability and applicable cohort date rather than inferring obligations from sector or voluntary net-zero commitments. An applicability assessment identifying the entity, reporting period, applicable tests and evidence should precede work package selection, ensuring compliance scope is correctly established before measurement and reporting planning begins.