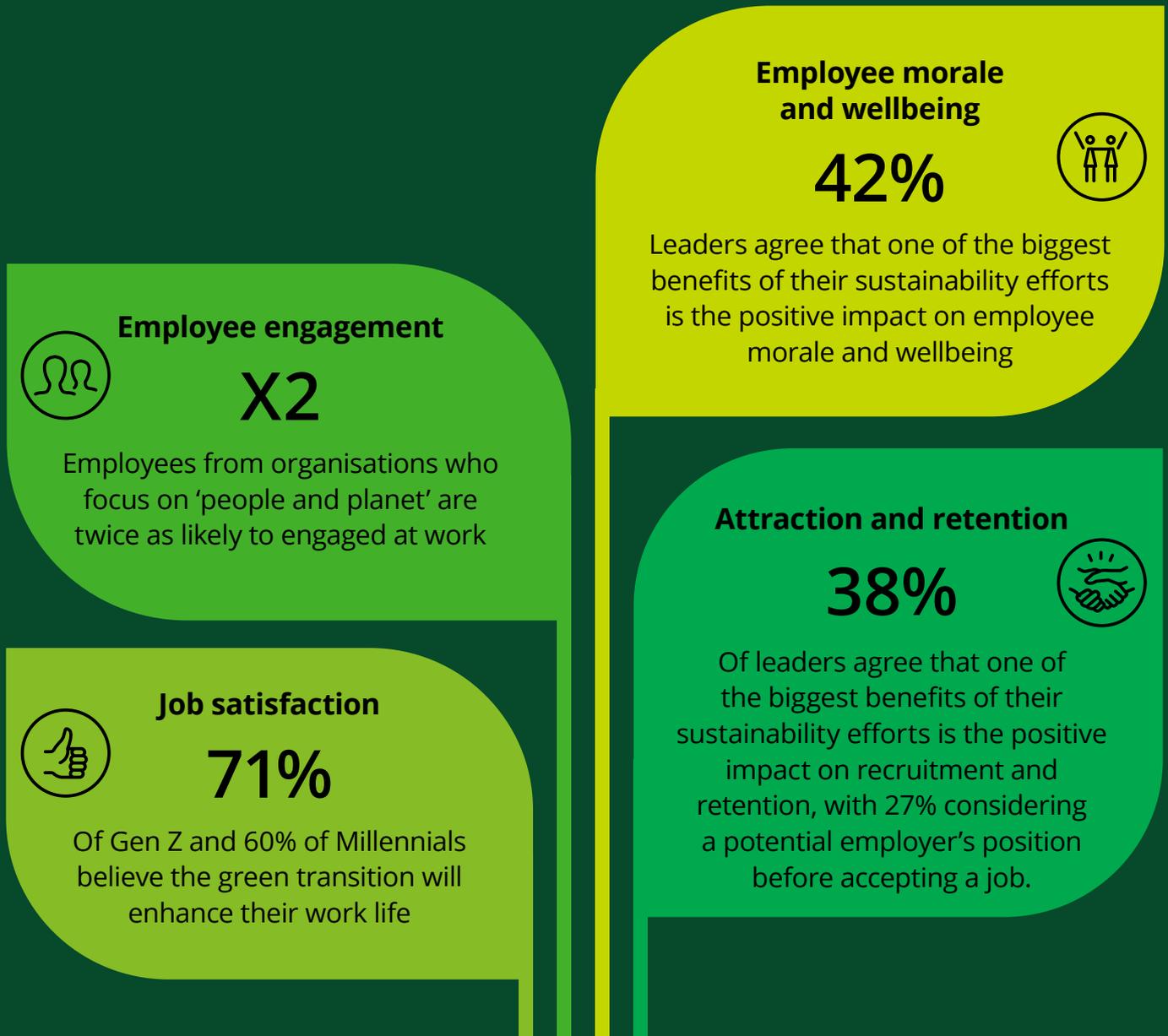# Deloitte.

Reporting for impact:
Preparing the workforce
for mandatory climate
reporting in Australia

March 2025

Workforce benefits from sustainability integration

Climate reporting will be a regulatory requirement for many organisations. Deloitte's research shows that beyond the positive impacts on decision making and accountability for sustainability commitments, there are tangible benefits for the workforce.

Employee morale and wellbeing

42%

Leaders agree that one of the biggest benefits of their sustainability efforts is the positive impact on employee morale and wellbeing

Employee engagement

X2

Employees from organisations who focus on 'people and planet' are twice as likely to engaged at work

Attraction and retention

38%

Of leaders agree that one of the biggest benefits of their sustainability efforts is the positive impact on recruitment and retention, with 27% considering a potential employer's position before accepting a job.

Job satisfaction

71%

Of Gen Z and 60% of Millennials believe the green transition will enhance their work life

Source: The Deloitte Global 2024 Gen Z and Millennial Survey

Endnotes

Sources: Gallup. (2021). ESG Reporting on the Will of the People: Public Reporting Standards Recommended by Gallup; Deloitte. (2023). Deloitte 2023 CxO Sustainability Report; Deloitte. *Engaged employees are asking their leaders to take climate action* citing Deloitte Consumer Signals Survey; World Economic Forum (2024). Green Transition Skilled Workforce.

Mandatory climate reporting is a force driving organisations to net zero

Mandatory climate-related reporting is becoming a systemic force moving businesses toward a net-zero future. This reporting regime is much **more than compliance and disclosure,** rather it's about integrating climate considerations – both risks and opportunities – into the heart of business strategy, decision making and risk management. By reshaping behaviour and investment, **mandatory climate-related reporting empowers people to make smarter, more sustainable choices that build long-term value creation.**

With this major shift underway, Australian and multinational entities must work to **weave climate-related considerations into different business functions, define new accountabilities, and equip teams with the right skills.** The new climate-related reporting standards, which in Australia are called the Australian Sustainability Reporting Standards (ASRS) and are closely aligned to the IFRS Sustainability Disclosure Standards, are shaping how organisations manage and disclose climate-related risks and opportunities over the short, medium and long-term, supported by robust governance oversight from the board of directors and enhanced performance measurement.

With such fundamental, broad-based changes, **organisations will need to develop new workforce and people capability across multiple business functions** and operations to not only comply, but also to **create additional value** for their organisation.

Four key workforce capabilities are needed to help enable reporting

Organisations may need to enhance their operating models, expand responsibilities, and adjust processes across their value chain. Strategy, finance, risk, HR, procurement, and business units should align to source emissions data, assess financial risks and opportunities, and quantify financial impacts of climate change on the business. Achieving this may involve upskilling of senior executives, identifying necessary skills across teams and developing the right capability across the organisation.

We've identified four key areas to build, review and/or change to help enable the new reporting requirements. **Success is contingent on having the right workforce skills and talent in place.**

Leadership

Data and technology

Performance and accountability

Integration and connection

Real world examples:
Applying climate reporting implications to the four capabilities

1

Capability: Leadership

Reporting considerations: Transform the organisation to integrate climate change into the core of its operating model.

Talent and workforce considerations:

- **Leadership at the forefront** – Leaders, including board members, must shape and drive the climate agenda. They should understand the implications and obligations of reporting frameworks, oversee, lead and prioritise climate related risks and opportunities, and possess the skills to guide this change.

- **Culture change is the golden thread** – Influencing and transforming organisational culture and mindsets is essential to lasting change. Fostering a culture that broadens the definition of value beyond profitability and encourages systems thinking, collaboration, knowledge-sharing and stakeholder inclusion, will set-up organisations for long-term success.

2

Capability: **Performance and accountability**

Reporting considerations: Embed climate considerations into strategic and operational decision-making frameworks, with clearly defined roles and responsibilities underpinned by performance measurement.

Talent and workforce considerations:

- Set targets and KPIs to support objectives – Under the ASRS, organisations must disclose how climate-related considerations are factored into executive remuneration, including detailing the percentage of executive pay tied to these considerations. To meet these requirements and drive broader benefits such as enhanced accountability, organisations should reassess the alignment between their strategic goals, sustainability outcomes, and team/individual performance evaluations.

- Equip foundational climate fluency – Successful implementation of ASRS will be supported by foundational climate fluency across many parts of the organisation, as well as function-specific climate capability. To fully integrate climate across the business and leverage the existing organisational skills and experience, it is important all employees have baseline literacy in climate; understand the organisation's climate strategy, products, services and stakeholders; and understand their individual and team risk management processes. Depending on their role and responsibilities, employees should also develop specific skills to enhance their climate competency.

2

Capability: **Performance and accountability (continued)**

• **Prioritise client facing roles** – Client-facing roles are critical for communicating and educating customers and stakeholders about the organisation's climate agenda and evolving community expectations. These roles are crucial for identifying new business opportunities, and with increasing climate-related data needs, client-facing staff will need to engage with customers to gather and assess information on emissions performance, climate-related risk exposures, and transition plans.

Client Spotlight – accelerating client capability development

A client in Asia Pacific was faced with capability challenges for their sustainability reporting effort. Their goal was to build a future-fit team ready for the regulatory landscape and able to deliver a comprehensive sustainability reporting framework across a global operation. To address the skills and capability needs, the client enlisted Deloitte's Sustainability Academy to develop learner-centric pathways for 2,500 employees. A special focus was adopted for legal entity controllers with specific accountabilities and learning needs. This approach helped the client to stay ahead of the curve in sustainability reporting, positively impacted employee retention, and positioned the brand as a leader for finance professionals. With over 200 pieces of content, and a customisable capability framework, Deloitte's Sustainability Academy can be quickly tailored to different organisations' needs.

3

Capability: **Data and technology**

Reporting considerations: Measure and monitor climate-related impacts and value, through enhanced data infrastructure and technology. High quality climate data can inform strategic decision making and create opportunities across the business and supply chain.

Talent and workforce considerations:

- **Enhanced data needs and quality** – Technologists and data managers will need to work with business stakeholders to develop a thorough understanding of the organisation's climate data-related needs and use cases, and assess data quality, governance and controls. Climate-related data, using both internal and external data sources, underpins key components of the mandatory reporting standards e.g. emissions performance, climate-related risk exposures and scenario analysis. The data needs to be sufficiently accurate, complete, consistent and timely to meet ever-increasing business needs and to support assurance. In an environment of dynamic change and new technology solutions, continuous upskilling in climate-related data, calculation methodologies and modelling, and industry practices and trends will be essential.

- **Think differently for quality insights and decisions** – Finance, risk and sustainability specialists should adapt their skills to provide high quality insights and decision making. Key skills include setting, monitoring and managing decarbonisation strategies and/or policies, undertaking climate-related scenario analysis and modelling, and understanding emissions calculation standards and methodologies.

4

Capability: Integration and connection

Reporting considerations: Align financial and non-financial reporting processes with robust controls, ensuring climate information is relevant, compliant, accurate and supports implementation in a way that would provide the necessary foundations for future assurance requirements.

Talent and workforce considerations:

- **Understand the impacts from climate change** – Finance and strategy teams will need to deepen their understanding and document how climate change impacts the firm's strategy, financial position, performance and cash flows. Finance teams have a crucial role to help the business quantify the effects of climate change and apply their expertise to influence organisational strategy, business model, capital allocation and decision-making.

- **Review the operating model** – Embed identified material climate-related risks and opportunity management across the organisation by reviewing and realigning the operating model and relevant frameworks to ensure the right accountabilities in the right parts of the organisation, equipped with the right capability.

- **Integrate climate and financial reporting** – Integrating climate-related considerations into annual reporting, subject to assurance, will involve adapting and aligning financial reporting processes and controls to ensure consistency and accuracy. Finance teams are typically well-placed to apply the rigour of annual reporting processes, controls and oversight to mandatory climate disclosures.

How to prepare and upskill your workforce

Workforce capability will be a key differentiator as organisations seek to meet the new mandatory climate reporting standards. Here are the first steps you can take:

1 Support leaders

Ensure leaders are educated and aligned on the new mandatory climate reporting requirements as well as what this means for workforce capability.

2 Assess skills and capability development

Support individuals in developing new capabilities and skills. Prioritise board members, executives and individuals responsible for managing climate related risks and opportunities. ASRS requires organisations to disclose how the governance bodies or individuals have the appropriate skills or competencies to oversee strategies and respond to climate related risks and opportunities, or how these will be developed.

3 Align governance and connection

Review and update governance forums, including charters, mandates, role descriptions and relevant policies. To implement the requirements of ASRS, entities will inevitably need to embed appropriate decision-making mechanisms, as well as points of connection across management teams and the board, to ensure alignment, integration and the integrity of climate reporting.

4 Build new accountabilities into roles

Redefine roles and accountabilities for climate considerations, especially across finance, strategy and risk teams.
Update responsibilities to address the integration of responsibilities for climate change risks and opportunities.

5 Update performance and rewards

Include setting and monitoring targets and linking climate-related considerations with executive remuneration.

6 Manage change

Deliver a clear change and communications plan to support teams with the transition.

What are the Australian Sustainability Reporting Standards (ASRS) and who will have to report?

On 20 September 2024, the Australian Accounting Standards Board (AASB) passed the first Australian Sustainability Reporting Standards (ASRS) which establish the disclosure requirements for mandatory climate-related reporting and voluntary sustainability-related disclosures in Australia.

The final ASRS closely align with the IFRS Sustainability Disclosure Standards, which were developed and approved by the International Sustainability Standards Board (ISSB), and phased in from 1 January 2025.

The mandatory standards will apply to a wide range of entities. To find out more about the ASRS and who has to report in Australia, see here: A new era of Sustainability Reporting.

Authors

Katherine Wannan
Partner, Human Capital
kawannan@deloitte.com.au

Jacquie Fegent-McGeachie
Partner, Climate & Sustainability
jfegent-mcgeachie@deloitte.com.au

Courtney Crewe-Brown
Director, Human Capital
ccrewe-brown@deloitte.com.au

Nicholas Debney
Director, Audit & Assurance
ndebney@deloitte.com.au

Deloitte.

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