



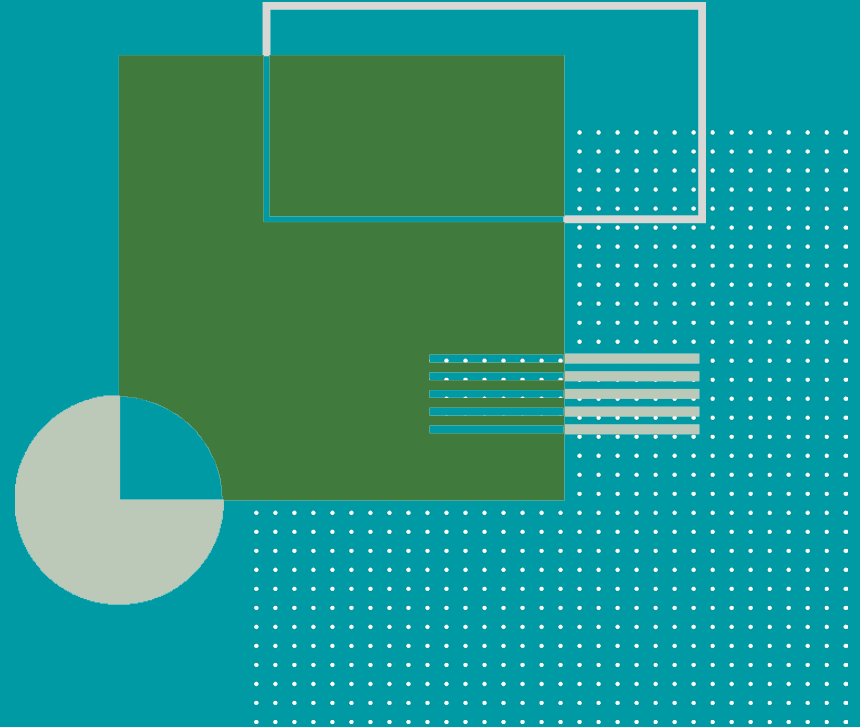
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Climate resilience and climate-related scenario analysis requirements in AASB S2

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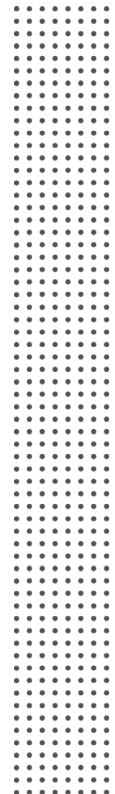


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Agenda

- 01 Introductions and context
- 02 Overview of climate resilience and climate-related scenario analysis in AASB S2
- 03 Practical steps to climate resilience and climate-related scenario analysis
- 04 Reassessment, disclosure and documentation considerations
- 05 Conclusion





Learning objectives and approach

By the end of this session, viewers will be able to:

- ✓ Explain **what** climate scenario analysis is and **why** it is required under AASB S2
- ✓ Recognise the **minimum expectations** for scenario analysis under AASB S2
- ✓ Understand some of the **different ways** organisations could approach scenario analysis under AASB S2
- ✓ Be more confident to explain the **implications** of AASB S2 within your business and next steps towards building a climate-related scenario analysis for your organisation

OUT OF SCOPE

- ✗ Corporations Act requirements
- ✗ ASIC Regulatory Guide
- ✗ All uses of scenario analysis (e.g., for initial climate-related risk and opportunity (CRRO) identification or quantification of anticipated financial effects)
- ✗ Assurance requirements

Assumed
knowledge
of AASB S2



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Overview of climate resilience and climate-related scenario analysis requirements in AASB S2



Overview of scenario analysis

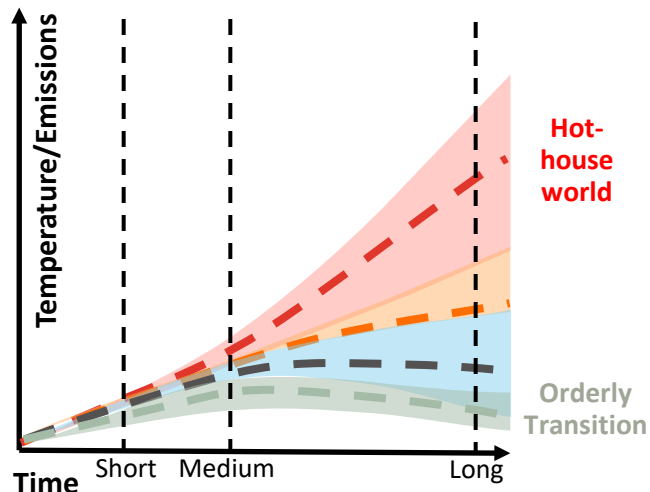
‘A scenario describes a plausible, but hypothetical, path of development leading to a particular future outcome.’

Key components:

- Time horizons
- Scope
- Number and diversity

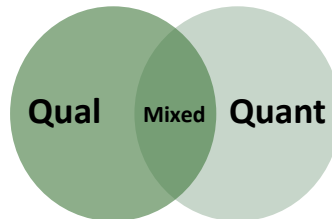
Sources:

- Public
- In-house





Scenario analysis approaches



Qualitative

Narrative-based results that explain how an entity's strategy and business model may be affected under plausible climate-related scenarios, without relying on numerical modelling.

Qualitative scenario analysis may include:

- Narratives describing plausible future climates relevant to the entity
- Description of how scenarios could affect the entity's strategy, business model and value chain
- Identification of key uncertainties, assumptions and judgements used in the analysis
- Explanations of the entity's capacity to respond or adapt over the short-, medium- and long-term time horizons



Quantitative

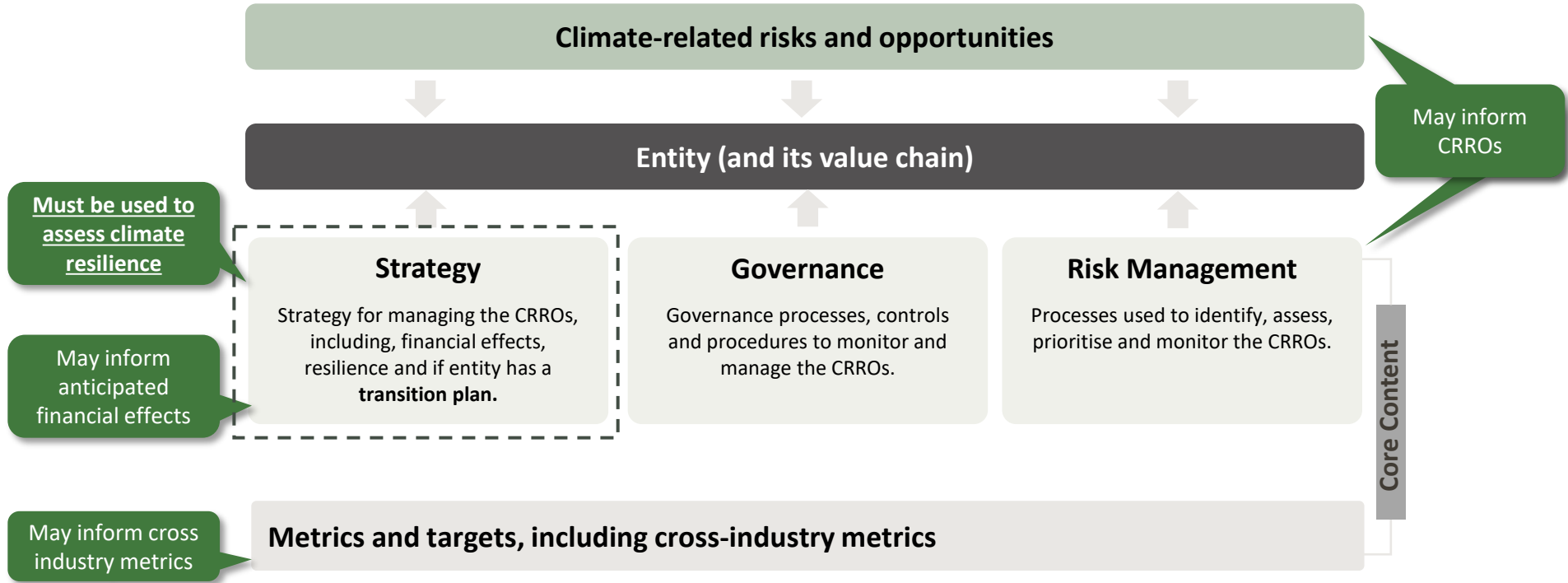
Model-based results using climate-related scenarios to assess the implications of climate-related risks and opportunities on an entity's strategy and business model.

Quantitative scenario analysis may include:

- Modelled effects of physical and transition risks over short, medium and long-term horizons
- Sensitivity or range-based estimates reflecting exposure areas rather than point predictions



Where does scenario analysis fit in AASB S2?





Scenario analysis within AASB S2

1 Use

Scenario analysis is not about forecasting the future. It is an analytical tool used to inform understanding of climate resilience and support strategic thinking and decision-making.

2 Proportionate and evolving

Organisations may conclude it is appropriate to start with simpler approaches and build capabilities over time. The depth and sophistication of scenario analysis is required to be commensurate with the organisation's circumstances, such as skills, capabilities and resources.

3 Based on reasonable and supportable information

Assumptions and inputs should reflect information available without undue cost or effort at the reporting date, with key judgements appropriately documented.

4 Diversification of scenarios

Scenario analysis should consider a range of plausible future climate scenarios, using external scenarios and where relevant, adapting them to the organisation's context.

5 Covers identified risks and opportunities

Scenario analysis (qualitative and/or quantitative) should address both physical risks and transition risks as well as opportunities.



Scenario analysis vs resilience assessment

	Scenario analysis <i>“What could happen to our business under different climate scenarios?”</i>	Resilience assessment <i>“What is our capacity to adjust our strategy and business model to climate-related changes, developments or uncertainties?”</i>
Context	Analytical tool as input	Management’s strategic assessment
Role in AASB S2	Informs resilience	Informs primary users
Focus	Exploring different futures	Understanding implications and response
Nature	Qualitative, quantitative or mixed	Strategic and decision-useful
Frequency	At a minimum, aligned to strategic planning cycle	Required annually
Disclosure	Disclose information about the inputs, assumptions process and its interpretation of the results	Assessment must be disclosed



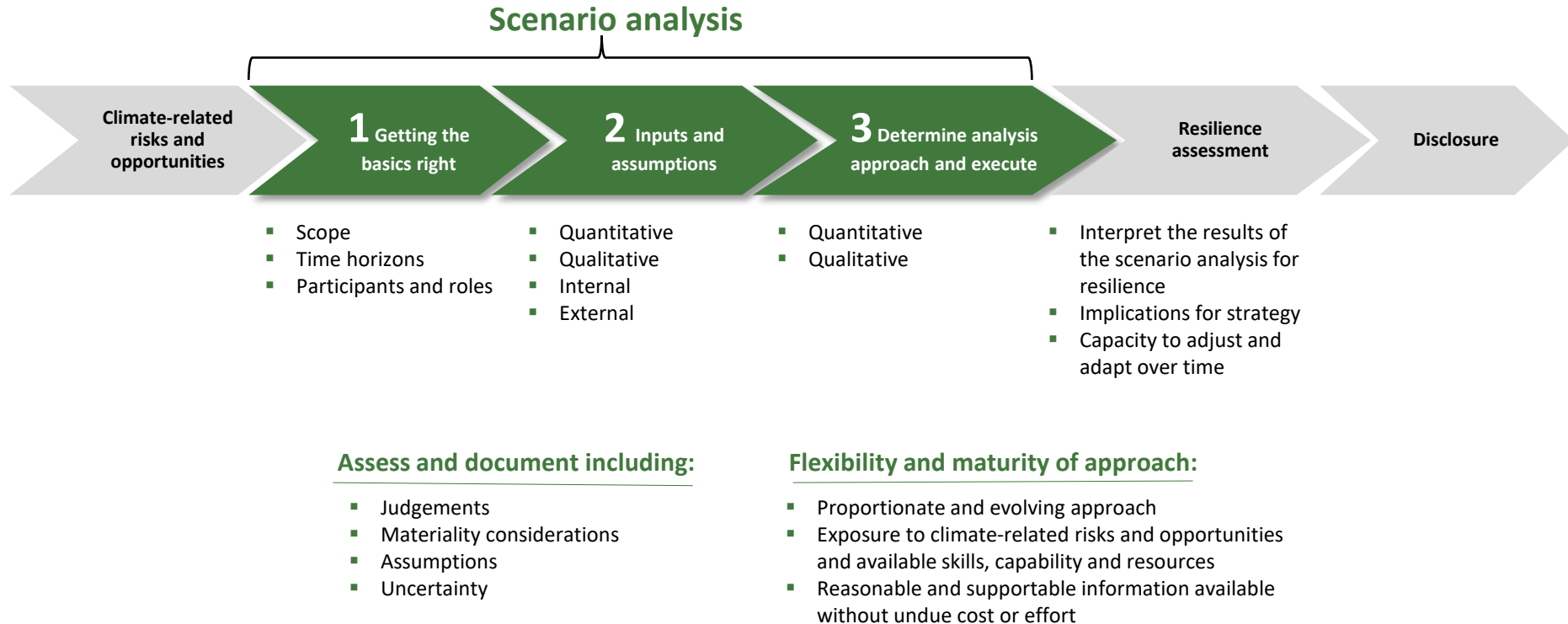
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Practical steps to climate resilience and climate-related scenario analysis

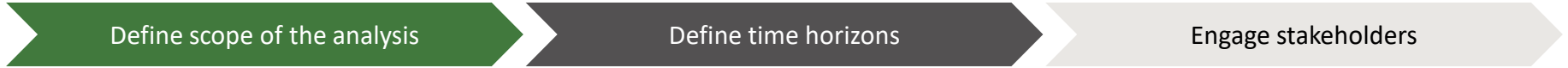


Example steps for scenario analysis

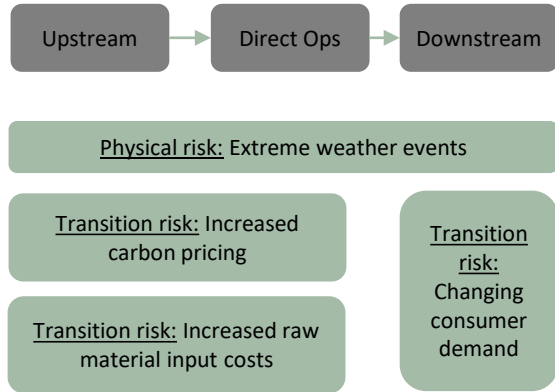




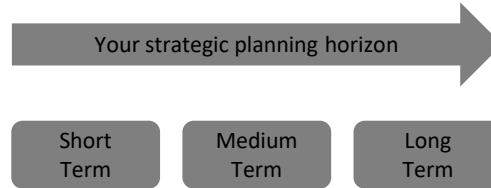
Step 1: Getting the basics right



Roll forward aspects from CRRO identification



Consider strategic planning cycles and horizon

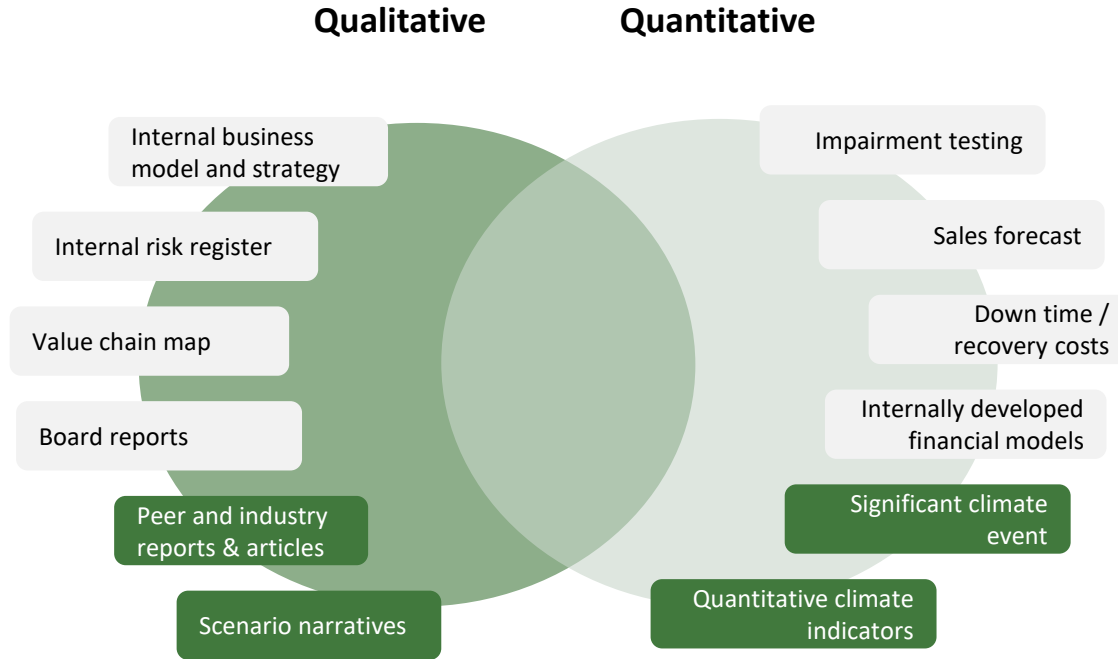


Consider a range of stakeholders' views

Function	Expertise / benefit
Brands / Marketing	Market analysis, including emerging trends
Procurement / Supply chain	Supply chain, including vulnerabilities
Site / Operations	Assets, including vulnerabilities
R&D / Innovation	Technology, including emerging trends
Advocacy / Public affairs	External policy environment
Sustainability / ESG	Climate change, disclosure requirements



Step 2: Selecting inputs



Illustrative examples, non-exhaustive

Internal inputs

External inputs



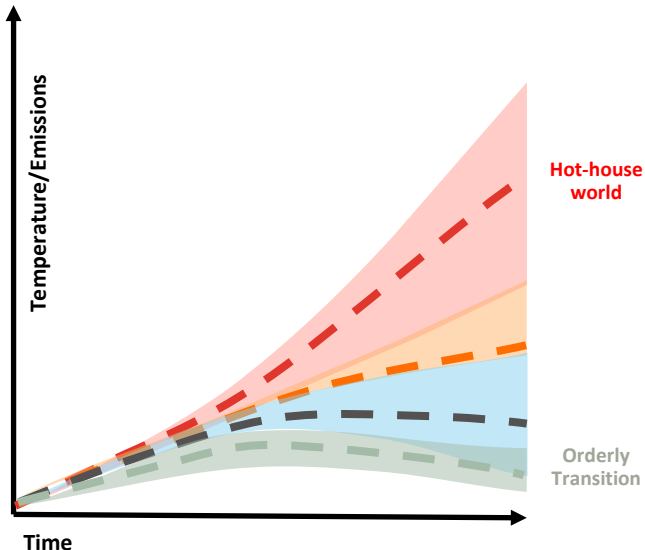
Step 3: Determine analysis approach and execution

How do climate trends interact with your company and value chain?

Global trends and scenarios

National or local level context

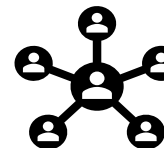
Company and value chain



Hot-house world

Orderly Transition

Global GHG budget	National GHG budget	State GHG pathway
Global consumer preferences	National consumer preferences	State consumer preferences
Global policy environment	National policy environment	State policy environment
Global economy	National economy	Local economic conditions





Step 4: Climate resilience assessment

Scenario analysis outputs

Resilience assessment

	Short	Medium	Long
CRRO 1	Green	Green	Green
CRRO 2	Yellow	Green	Green
CRRO 3	Red	Red	Red
CRRO 4	Red	Red	Red
CRRO 5	Red	Red	Red

High Emissions Scenario

Legend	
Low Risk/Opp	Green
Moderate Risk/Opp	Yellow
High Risk/Opp	Red

Low Emissions Scenario

	Short	Medium	Long
CRRO 1	Yellow	Yellow	Red
CRRO 2	Red	Red	Red
CRRO 3	Green	Green	Green
CRRO 4	Green	Green	Green
CRRO 5	Green	Green	Yellow

Inform primary users to understand:

Implications, including response

Areas of uncertainty

Capacity to adjust and adapt:

- Flexibility in financial resources
- Ability to redeploy, repurpose, upgrade or decommission assets
- Effects on current and planned investments



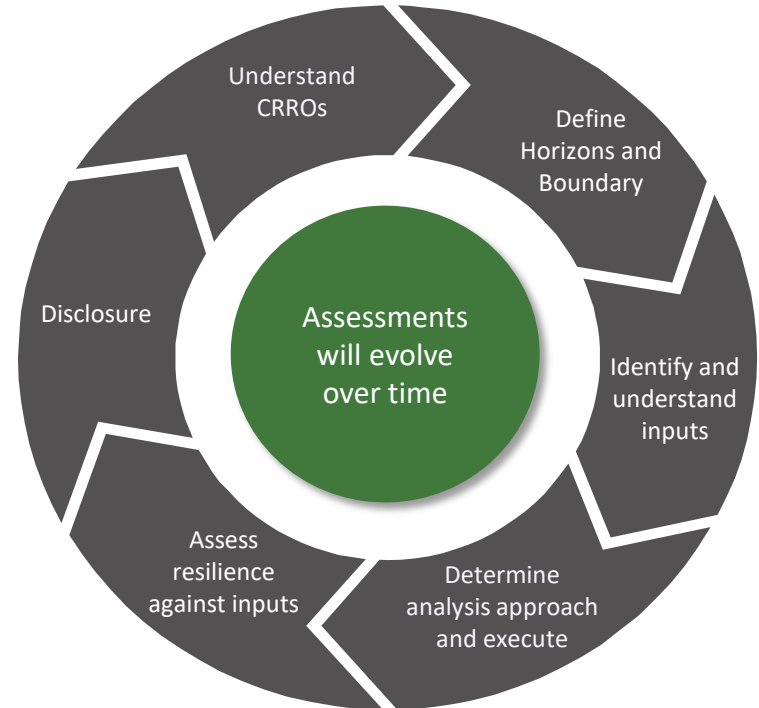
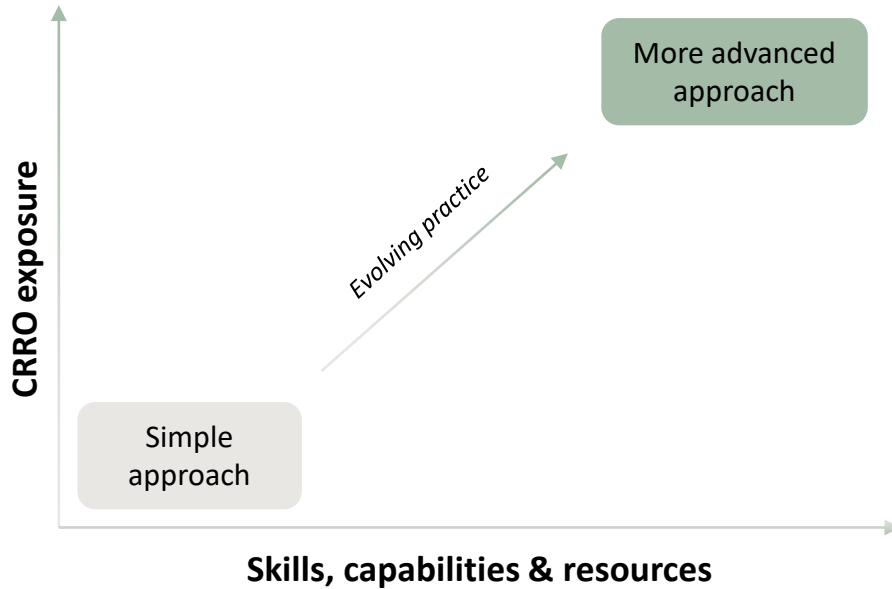
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Reassessment, disclosure and documentation considerations



Reassessment



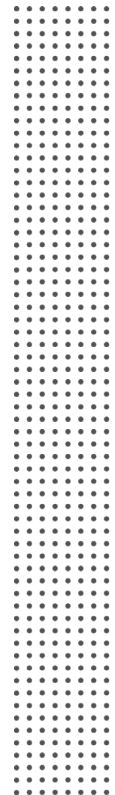
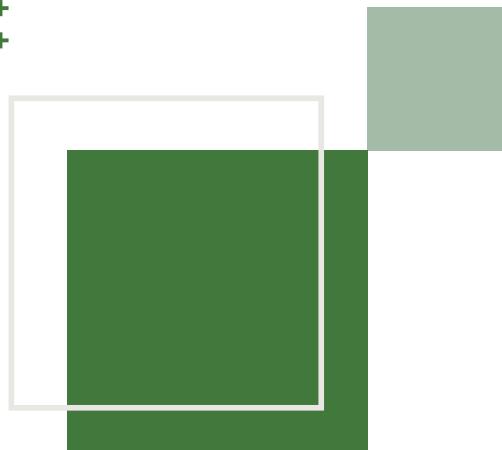


Documentation and disclosure considerations

- Information about inputs and assumptions in scenario analysis
- Information to enable users to understand judgements
- Assurance phasing.

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As the time horizon increases and the availability of detailed information decreases, the degree of judgement required increases. *B10*





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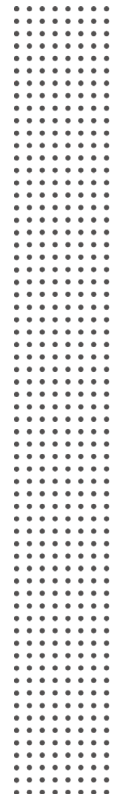
Conclusion and additional resources



Concluding comments and key takeaways

Review of Learning Objectives

- ✓ **Explain what climate scenario analysis is** and why it is required under AASB S2
- ✓ **Recognise the minimum expectations** for climate scenario analysis under AASB S2
- ✓ **Understand some of the different ways** organisations could approach scenario analysis under AASB S2
- ✓ **Be more confident** to explain the implications of AASB S2 within your business and next steps towards building a climate-related scenario analysis for your organisation





AASB S2 – Knowledge Hub

The screenshot shows the AASB S2 Knowledge Hub website. At the top, there is a navigation bar with links for Home, Pronouncements, Current Projects, Research & Resources, News & Events, Board Centre, and About the AASB. A search bar is located in the top right corner. The main content area features a heading "AASB S2 Knowledge Hub" and a welcome message. Below this, there are four featured resource boxes: "AASB S2 Guidance", "Implementation Advisory Panel", "Read our FAQs", and "Additional Resources". Each box contains a brief description and a "Click here" link. At the bottom, there are two lines of text providing information on engagements and archived content.

A repository of curated information to assist in preparing climate-related financial disclosures using AASB S2



<https://aasb.gov.au/research-resources/knowledge-hub/aasb-s2-knowledge-hub/>





AASB S2 – Knowledge Hub materials

- **Overview of Requirements** (*April 2025*)
- **AASB S2 to TCFD** (*July 2025*)
- **GHG Emissions Disclosures** (*August 2025*)
- **Proportionality** (*September 2025*)
- **Anticipated financial effects** (*October 2025*)
- **CRROs and the disclosure of material information** (*March 2026*)
- **More to come...**





AASB S2 – Knowledge Hub

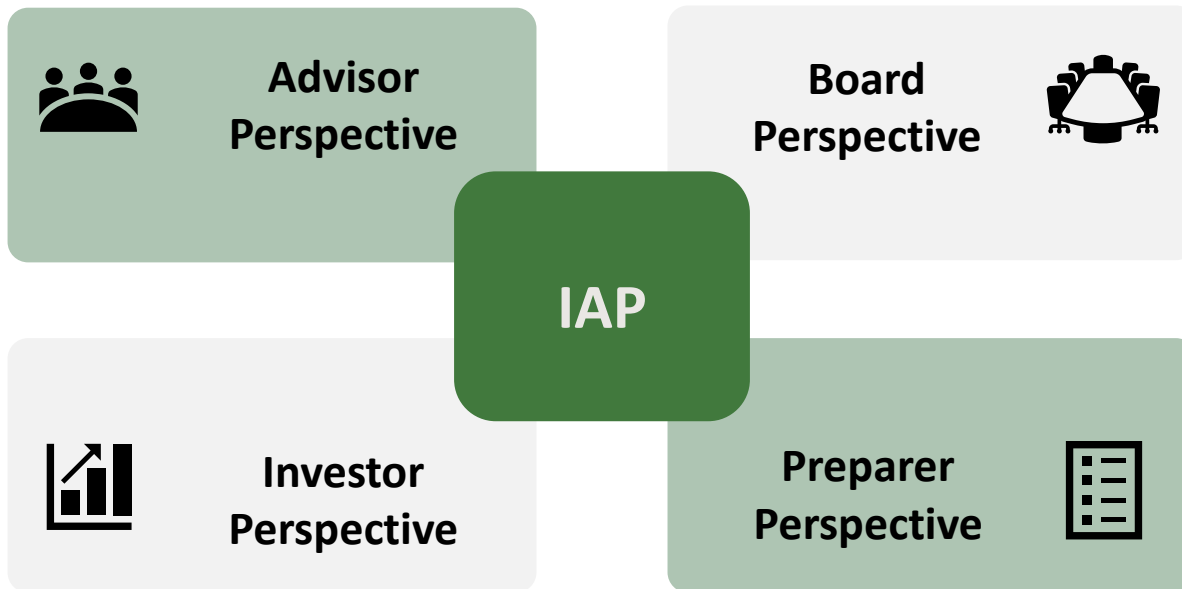
The screenshot shows the top navigation bar with the Australian Government logo, search bar, and menu items like Home, Pronouncements, Current Projects, Research & Resources, News & Events, Board Centre, and About the AASB. The main content area is titled 'AASB S2 Knowledge Hub' and includes a welcome message, a description of the hub's purpose, and a 'Featured Resources' section with four cards: 'AASB S2 Guidance', 'Implementation Advisory Panel', 'Read our FAQs', and 'Additional Resources'. At the bottom, there are links for engagement information and archived content.

A grid of eight external resource cards, each with a title, brief description, and a 'Click here to access' link. A large green arrow points from the 'Implementation Advisory Panel' card in the screenshot above to the 'ASIC - Sustainability reporting website' card in this grid.

- ASIC - Sustainability reporting website**: FAQs and administrative information on the interaction between AASB S2 and the regulatory regime.
- ASIC - Regulatory Guidance**: Key detailed information on the administration of the climate-related financial disclosure regime, interaction with AASB S2 and ASIC's approach to enforcement.
- CSIRO - State of the Climate**: Report published biennially by CSIRO and the Bureau of Meteorology that presents the latest scientific observations and projections on Australia's changing climate.
- CSIRO - Climate Compass**: A risk management tool that helps entities integrate climate risks into their existing decision-making and planning processes.
- Australian Climate Service**: Offers resources on climate hazards, exposure and vulnerability and risk assessment tools to provide advice on climate-related risks and impacts.
- Climate Change in Australia - Regional Climate Change Explorer**: Interactive tool that allows users to explore detailed climate projections across 8 clusters and 15 sub-clusters across Australia.
- DCCEEW - National Climate Risk Assessment**: Report that provides a foundational understanding of how climate change could impact Australia's environment, economy and society, including cascading and compounding risks such as bushfires, floods and disease.
- DCCEEW - National Greenhouse Accounts Factors**: Provides emission factors and methodologies to assist in the estimation of greenhouse gas emissions in Australia.
- Climate Change Authority**: Independent statutory body that provides expert, science-based advice to the Australian Government on climate policy. It conducts reviews, publishes research and engages in consultations to support Australia's transition to a lower-carbon economy.
- DAFF - My Climate View**: Interactive tool aimed at farmers that combines historical and future climate data to explore local climate trends relevant to specific commodities and regions.



AASB S2 – Implementation Advisory Panel





Resources

- International Financial Reporting Standards Foundation (IFRS)
 - [IFRS: Introduction to the ISSB and IFRS Sustainability Disclosure Standards](#) - Module 3 covers scenario analysis and is accessible with login.
 - [IFRS: Basis for Conclusions on IFRS S2 Climate-related Disclosures \(2023\)](#) - BC57–BC69.
 - [IFRS: Staff paper – Using scenario analysis to assess climate resilience](#)



Resources

- Task Force on Climate-Related Financial Disclosures (TCFD)
 - [TCFD: Scenario Analysis Guidance for Non-Financial Companies, 2020](#)
 - [TCFD: The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities, 2017](#)
- United Nations Environment Program Finance Initiative (UNEP FI)
 - [UNEP FI: The Climate Risk Landscape: Mapping Climate-related Financial Risk Assessment Methodologies, 2021](#)
- World Business Council for Sustainable Development (WBCSD)
 - [WBCSD: Climate Scenario Tool](#)



Resources

- Network for Greening the Financial System (NGFS)
 - [NGFS: NGFS Climate Scenarios \(latest Phase V release\)](#)
 - [NGFS: NGFS Scenario Technical Documentation](#)
- Intergovernmental Panel on Climate Change (IPCC)
 - [IPCC: Sixth Assessment Report \(AR6\), Working Group I – The Physical Science Basis](#)
- International Energy Agency (IEA)
 - [IEA: Net Zero by 2050 Scenario](#)
- International Institute for Applied Systems Analysis (IIASA)
 - [IIASA: The Shared Socioeconomic Pathways | Scenario Explorer](#)



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