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Objective

- 1 The objective of this paper is to:
 - (a) **update** the Board on implementation monitoring activities relating to AASB S2 *Climate-related Disclosures*. This paper updates and extends the [implementation monitoring paper presented in June 2026 \(M221\)](#); and
 - (b) **seek** the Board's feedback on the proposed focus of future implementation monitoring and support activities.

Structure

- 2 This paper is structured as follows:
 - (a) [Executive Summary](#)
 - (b) [Section 1](#): Background
 - (c) [Section 2](#): Updated market observations
 - (d) [Section 3](#): Updated AASB staff implementation observations
 - (e) [Section 4](#): Stakeholder engagement and implementation reflections
 - (f) [Section 5](#): Next steps and questions to the Board
 - (g) [Appendix A](#): Methodology for updated evidence collection and assessment

Executive Summary

- 3 Building on the initial review of 33 Group 1 listed entities' first-year climate-related financial disclosure prepared under AASB S2 in June, this paper expands the evidence base to 484 Group 1 listed and unlisted entities, supplemented by interviews with 40 stakeholders and further market and ASIC observations.
- 4 Staff particularly note the findings of [ASIC's September 2026 report](#), which reviewed a subset of 40 sustainability reports lodged by listed and unlisted entities with 31 December 2025 financial year

ends. ASIC observed that statutory sustainability reporting has improved the quality, quantity and consistency of climate-related financial information available to the market and that entities generally appeared to have complied with the core legislative requirements and engaged in good faith with the disclosure requirements. However, reporting practices varied in the application of some aspects of AASB S2, particularly forward-looking disclosures and areas involving significant assumptions and judgement. ASIC noted that reporting quality is expected to improve over time as entities gain experience, practices mature and additional information becomes available across value chains.

- 5 Overall, staff observe that reporting practices remain at an early stage of maturity. Staff consider that the variations in application are predominantly reflective of the inherent challenges associated with first-year implementation, including developing market and organisational capability, judgement-intensive areas of application, data availability and evolving disclosure and assurance practices. Staff consider that continued monitoring of implementation practices will be important to assess whether these transitional challenges persist and to inform consideration of future implementation support activities.
- 6 At this early stage of implementation, staff consider that the most appropriate response is to continue monitoring how disclosure practices develop as entities gain experience with AASB S2, and to continue ongoing implementation support and awareness of existing AASB and ISSB resources. Possible areas for continued monitoring include climate-related vulnerability metrics, current and anticipated financial effects, scenario analysis, proportionality mechanisms, materiality and GHG emissions measurement and disclosure, including Scope 3 emissions.
- 7 As Group 2 and, subsequently, Group 3 entities commence reporting, staff consider there may also be value in exploring opportunities for more targeted implementation support that reflects the needs and circumstances of these entities, including through existing resources and, where appropriate, more targeted educational materials. Staff also recommend continuing to monitor relevant Treasury, ASIC and ISSB developments and exploring opportunities for collaboration across the broader climate-reporting ecosystem to support a shared understanding of key requirements.

Section 1: Background

- 8 The [AASB S2: Implementation Support](#) project plan outlines how the AASB intends to support implementation of AASB S2 as Australian entities commence a phased approach to mandatory reporting from 1 January 2025. One aspect of this project is to monitor implementation progress to identify, assess and, where appropriate, respond to challenges that may arise from the application of AASB S2. Consistent with the project plan, the Board has agreed to undertake a range of implementation monitoring activities through the following mechanisms:
 - (a) convening the AASB S2 Implementation Advisory Panel; and
 - (b) obtaining evidence on the implementation progress of Australian entities.
- 9 Staff provided the Board with initial observations at its June 2026 meeting. This paper provides further observations, with a significantly expanded evidence base, to inform future implementation support activities.
- 10 This paper is presented within the context of a developing broader regulatory environment.
- 11 The Treasury published a consultation paper on [Improving the efficiency of climate-related financial disclosures](#) on 24 August 2026. The comment period closed on 2 October 2026. The consultation sought feedback on reforms that can be implemented in the short to medium-term to increase the efficiency of the sustainability reporting framework, including whether to:
 - (a) clarify how key concepts, including 'undue cost or effort', apply in practice to improve application consistency;
 - (b) adjust assurance settings to ensure they are proportionate and practical; and

- (c) set clearer boundaries on supplier information requests, to reduce costs and complexity, particularly for small businesses.
- 12 Treasury will also conduct a legislated statutory review of the CFRD framework as soon as practicable after 1 July 2028, which will be the primary mechanism for a broader assessment of the effectiveness and operation of the sustainability reporting framework. Treasury expects that by this time, stakeholders across the board will have accumulated practical implementation experience over multiple reporting cycles, enabling a more comprehensive, evidence-based evaluation of the regime.
- 13 The [Productivity Commission](#) is also undertaking an inquiry into opportunities to improve the efficiency and value of non-financial business reporting requirements. The consultation period closed on 30 September 2026.

Section 2: Updated market observations

- 14 Since the previous monitoring update,¹ a number of organisations have published observations on emerging market practice in entities' first-year implementation of AASB S2.²
- 15 Overall, the market commentary indicates that entities are establishing a sound foundation for AASB S2 reporting, particularly in governance and risk management. The market commentary indicates that more recent reporters appear to have benefited from the experience and disclosures of earlier reporting entities. However, practice remains varied, particularly for forward-looking and quantitative disclosures. Key disclosure areas for further development identified in the market commentary include:
 - (a) explaining how climate-related scenario analysis, risk assessments and resilience considerations inform strategic planning, capital allocation and other business decisions;
 - (b) improving disclosures of qualitative and quantitative information about current and anticipated financial effects of climate-related risks and opportunities, including clearly explaining the circumstances when quantitative information cannot be provided;
 - (c) strengthening disclosures of climate-related targets and transition plans, including interim milestones, implementation actions, dependencies, investment requirements, accountabilities and progress;
 - (d) providing clear, entity-specific information on the judgements, assumptions, methodologies, data sources and disclosures about measurement uncertainty;
- 16 The market commentary also suggested entities consider the following to support the reporting process:
 - (a) preparing for mandatory Scope 3 reporting through value-chain mapping, data-quality improvements, methodology development and appropriate controls; and
 - (b) strengthening governance, documentation, data systems and internal controls to support assurance readiness and reliable reporting.

1 This section provides an update on market commentary published after June 2026. Earlier market commentary on the first wave of reporters with financial years ending on 31 December 2025 is included in [AASB Staff Paper 6.1 \(June 2026\) Update on implementation monitoring activities](#).

2 The sources reviewed included:

- (a) KPMG – [AASB S2 First Impressions 30 June 2026 Early findings from the first wave of AASB S2 sustainability reporters in Australia](#) (published 21 September 2026), drawing observations from 30 listed entities publishing disclosures in accordance with AASB S2.
- (b) ERM – [From targets to transition plans: What Australia's AASB S2 reports reveal](#) (published 26 August 2026), which draws observations from 80 reports published by listed entities.

- 17 ASIC has also published its [observations](#) on the first wave of sustainability reporting that examined 40 sustainability reports lodged by both listed and unlisted entities (with financial years ending 31 December 2025).
- 18 ASIC observed that mandatory sustainability reporting has enhanced the quality, quantity and consistency of climate-related financial information disclosed to the market and strengthened entities' engagement with climate-related risks and opportunities. Entities generally appeared to have complied with the basic statutory requirements to prepare and lodge the sustainability report containing the climate statements and the directors' declaration on the climate statements, and to have the sustainability report audited. ASIC further observed that entities appear to have engaged in good faith with the disclosure requirements.
- 19 However, ASIC also observed mixed practices in applying certain aspects of AASB S2. Disclosures were clearer for current matters, such as governance and risk management, while there is opportunity for improvement in forward-looking disclosures and those underpinned by assumption or judgement, including aspects of strategy and metrics and targets. ASIC expects improvements over time as more information becomes available across value chains, reporting practices converge and entities gain more experience.
- 20 ASIC set out eight key action items for reporting entities to improve climate-related disclosures:³

- *Explain how information in the sustainability report connects with relevant disclosures in the financial report. For example, connecting information under cross-industry metrics (such as the amount and percentage of assets or business activities vulnerable to climate-related risks or aligned with climate-related opportunities) and the current and anticipated financial effects of climate-related risks and opportunities with related disclosures in the financial report.*
- *When disclosing material information about current and anticipated financial effects of climate related risks and opportunities, carefully consider whether you are also able to disclose quantitative information, rather than only qualitative information and, if not, ensure that users can understand the reasons you provided qualitative information over quantitative.*
- *When identifying climate-related risks and opportunities, consider past events, current conditions and forecast future conditions, as well as how you may be affected (whether directly or indirectly) by the risks and opportunities across your value chain.*
- *Provide clear, effective and proximate disclosure of relevant judgements, assumptions and areas of measurement uncertainty, including when identifying climate-related risks and opportunities and calculating the amounts and percentages that must be disclosed under cross-industry metrics.*
- *When determining whether you have a 'climate-related target', remember that the definition of 'climate-related targets' in AASB S2 extends to targets that you must meet by law or regulation. This includes greenhouse gas emissions targets such as the Safeguard Mechanism.*
- *Ensure material climate-related financial information is not obscured through the disclosure of additional climate-related information.*
- *Meet the cross-referencing disclosure requirements, including the requirement that the cross-referenced information is available on the same terms and at the same time as the sustainability report.*
- *Do not use disclaimers that conflict with the statutory framework and objectives of Chapter 2M sustainability reporting and may confuse or mislead users.*

3 [ASIC Report 839–ASIC's review of sustainability reports lodged for 31 December 2026 \(21 September 2026\).](#)

Section 3: Updated AASB staff implementation observations

- 21 This section provides updated staff observations from the first year of mandatory climate-related disclosures, as labelled by entities, from 484 entities comprising 187 listed entities with 31 December 2025, 30 June 2026 and other financial-year ends and 297 unlisted entities with 31 December financial-year end (the ‘observed disclosures’). Compared with the June 2026 paper, which drew on disclosures from 33 Group 1 listed entities with 31 December 2025 financial year ends, this update reflects a broader observed population, including both listed and unlisted entities.
- 22 Staff observations were performed by developing, testing and applying a systematic approach to collecting, analysing and synthesising climate-related disclosures. The methodology builds on the approach used for the June 2026 paper, with refinements to support analysis of the expanded population. Further information is provided in [Appendix A](#).
- 23 The observations are not intended to assess compliance with AASB S2 requirements or to compare entities’ reporting quality. They focus on identifying emerging reporting practices within the observed population. Because this update uses a larger population and refined methodology compared with the June 2026 paper, the findings should be read as an expanded evidence base rather than as a direct trend analysis.⁴
- 24 The observations focus on:
- (a) Time horizons
 - (b) Identification of climate-related risks and opportunities
 - (c) Climate resilience
 - (d) Quantification, including:
 - (i) Cross-industry metrics (excluding Greenhouse Gas (GHG) emissions)
 - (ii) Current and anticipated financial effects
 - (e) Greenhouse gas emissions
 - (f) Other areas

Time horizons

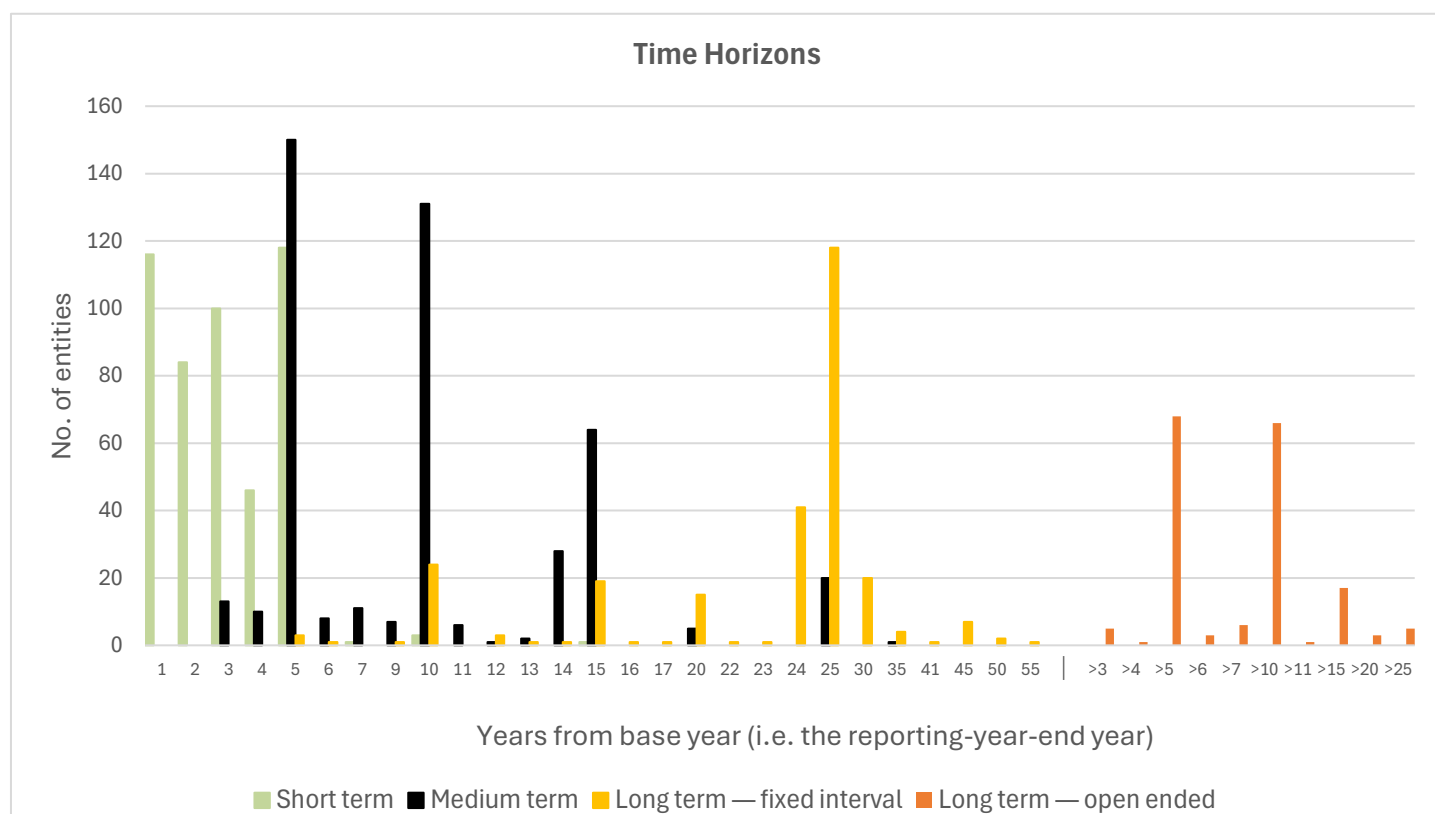
- 25 AASB S2 requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity’s prospects over the short-, medium- or long-term. AASB S2 does not prescribe specific time horizons. Instead, it requires entities to explain how they define short-, medium- and long-term horizons and how those definitions are linked to the planning horizons used for strategic decision-making.⁵
- 26 Staff observed variation in how time horizons are defined. Of the observed entities:
- (a) 156 entities (32.2%) used fixed cut-off years—for example, defining the short term as ending in 2030, the medium term as ending in 2035 and the long term as ending in 2050; and

4 The observations in this section use different units of analysis depending on the matter being discussed. Some observations are based on the number of entities that disclosed particular information, while others are based on the number of identified risks or opportunities, or on individual disclosure rows for particular metrics. Unless otherwise stated, percentages for listed entities are based on the 187 listed entities observed, percentages for unlisted entities are based on the 297 unlisted entities observed and total percentages are based on all 484 entities observed.

5 [AASB S2 paragraph 10\(d\)](#)

- (b) 328 entities (67.8%) used rolling time windows—for example, defining the short term as 1–5 years, the medium term as 5–10 years and the long term as more than 10 years from the reporting year.

27 The figure below shows the distribution of durations or end points used to define short-, medium- and long-term horizons. Where an entity used a fixed calendar year, the figure represents the end point as the number of years from the end of the reporting period (e.g., 2025 for entities with a 31 December 2025 financial year-end). Where an entity used a rolling range, the upper end of the disclosed range is used to present the duration. Open-ended definitions, such as “more than ten years”, are presented separately.⁶



- 28 Entities provided varying explanations of how their defined time horizons relate to the planning horizons used for strategic decision-making. Staff observed that 107 entities (22.1%) used the same explanation of the planning-horizon linkage for all three time horizons. This approach was more common among unlisted entities than listed entities—27.3% compared with 13.6%.
- 29 Staff separately analysed entities that provided differentiated explanations of how one or more time horizons related to their planning processes.⁷ Within this group, the most frequent linkages for:
- (a) short-term horizons were strategic planning and budgeting;
 - (b) medium-term horizons were strategic planning, followed by asset lives and capital allocation; and
 - (c) long-term horizons were asset lives, followed by strategic planning.

⁶ Zero-observation ticks omitted. Spacing between each tick is categorical.

⁷ To provide further insight into horizon-specific explanations, staff separately analysed the linkages after excluding entities that used the same explanation for all three horizons. The filtered analysis therefore focuses on entities that provided differentiated explanations of how one or more time horizons related to their planning processes.

- 30 Strategic planning emerged as the most common medium-term linkage for both listed and unlisted entities. For short-term horizons, listed entities most frequently linked climate-related matters to budgeting and business planning, while unlisted entities most commonly linked them to strategic planning, followed by budgeting and operational planning. Asset lives were the most frequently disclosed long-term linkage across both populations.
- 31 In some observed disclosures, the connection between the time horizons selected for climate-related disclosures and the entity's planning horizons used for strategic decision-making was not clear. For example, long-term time horizons were sometimes associated with extended emissions targets without clearly explaining how these targets align with the entity's strategic planning cycle.

Staff Commentary

The effects on an entity's cash flows, access to finance and cost of capital are assessed over the short, medium and long term to evaluate the potential implications of climate-related risks and opportunities for an entity. Short-, medium- and long-term time horizons can vary among entities and depend on many factors, for example:

- industry-specific characteristics, such as cash flow, investment and business cycles;
- the planning horizons typically used in an entity's industry for strategic decision-making and capital-allocation plans; and
- the time horizons over which primary users assess entities in that industry.⁸

Clarifying how selected time horizons relate to the entity's strategic planning horizons is important in the context of entity-specific assessments of short-, medium- and long-term.

Identification of climate-related risks and opportunities

- 32 AASB S2 requires an entity to disclose information about the climate-related risks and opportunities that could reasonably be expected to affect an entity's cash flows, its access to finance or cost of capital, over the short-, medium-, or long-term.⁹
- 33 Among the observed disclosures, 483 entities (99%) reported at least one climate-related risk, with an average of approximately five risks per entity.

Physical risk classifications

- 34 470 entities (97.1%) identified at least one physical risk. The observed disclosures predominantly focused on asset protection, operational continuity and business resilience. The most frequently observed description categories included:
- (a) exposure to acute extreme weather events, particularly storms, rainfall, flooding, bushfires and multiple acute hazards;
 - (b) chronic climate changes, including drought, water scarcity, rising temperatures, sea-level rise and changing rainfall patterns;
 - (c) direct damage to assets and infrastructure;
 - (d) operational and service interruption;
 - (e) supply-chain disruption; and
 - (f) insurance, agricultural, commodity and ecosystem impacts.

⁸ [AASB S2 Appendix D paragraph 31](#)

⁹ [AASB S2 paragraph 2](#)

- 35 Acute extreme weather events were the most frequently observed high-level physical-risk category for both listed and unlisted entities. Within this category, storms, rainfall and flooding were the most frequently observed underlying classification. Unlisted entities also had a comparatively high incidence of disclosures combining multiple acute hazards.

Transition risk classifications

- 36 Overall, 455 entities (94%) identified at least one transition risk. The most frequently observed description categories included:
- (a) policy and regulatory change, including climate policy, carbon-pricing and emissions schemes and evolving disclosure obligations;
 - (b) market and customer-demand shifts, including reduced demand for emissions-intensive products;
 - (c) energy, fuel and input costs and other costs associated with decarbonisation;
 - (d) legal, liability, stakeholder and reputational pressures; and
 - (e) technological innovation, feasibility, substitution and asset obsolescence.
- 37 Policy, legal and disclosure risks were the most frequently observed high-level transition-risk category for both listed and unlisted entities. Climate policy and regulatory change was the most frequently observed underlying classification, followed by increased carbon-pricing under emissions schemes.

Opportunity classifications

- 38 Overall, 377 entities (77.9%) disclosed at least one climate-related opportunity.¹⁰
- 39 The frequently observed opportunity description categories were:
- (a) products, services and markets, including low-carbon products and fuels, climate-adaptation services and new customer demand;
 - (b) operational efficiency and decarbonisation, including renewable energy, electrification and resource efficiency;
 - (c) strategic positioning and enablement, including brand, stakeholder engagement and digital and technological capability;
 - (d) resilience and adaptation, including asset and supply-chain resilience;
 - (e) access to sustainable finance and climate-aligned investments; and
 - (f) natural resources and circularity.
- 40 Products, services and markets were the most frequently observed high-level opportunity category for both listed and unlisted entities. Low-carbon products and fuels were the most frequently observed underlying classification. Climate and adaptation services were also prominent among unlisted entities.

Aggregation of risks and opportunities

- 41 AASB S2 does not prescribe terminology for labelling climate-related risks and opportunities. The appropriate aggregation or disaggregation of information depends on the entity's facts and

10 [AASB S2 Appendix D paragraph 73](#) relieves an entity from disclosing information about a climate-related opportunity if that information is commercially sensitive in specified circumstances. If an entity elects to use this exemption, it is required to disclose that fact.

circumstances. However, disclosures must not obscure material information, including by aggregating material items of information that are dissimilar to each other.¹¹

42 Staff observed variation in the level of granularity used to describe climate-related risks and opportunities. Some entities identified and disclosed risks and opportunities at a relatively broad level, while others disaggregated them into more specific underlying drivers or hazards. For example, some entities presented a single physical-risk category relating to acute weather events, whereas others separately identified risks associated with hazards such as extreme heat, flooding, storms or bushfires.¹²

43 At least one aggregated:

- (a) physical-risk label was identified for 215 entities (44.1%);
- (b) transition-risk label was identified for 167 entities (34.2%); and
- (c) opportunity label was identified for 79 entities (16.2%)

The incidence rate between listed and unlisted entities was broadly similar.

Staff Commentary

AASB S2 specifies that climate-related risks and opportunities arise out of the interactions between an entity and its stakeholders, society, the economy and the natural environment throughout the entity's value chain.¹³ An entity determines what constitutes a climate-related risk or opportunity based on its facts and circumstances.

Entities often have established processes for identifying, assessing and responding to risks and opportunities as part of the management of their businesses. For the purposes of preparing climate-related financial disclosures, AASB S2 sets out requirements related to the identification of climate-related risks and opportunities that could reasonably be expected to affect an entity's prospects.

AASB S2 requires an entity:

- to use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort;¹⁴ and
- to reassess the scope of climate-related risks and opportunities throughout its value chain if a significant event or significant change in circumstances occurs.¹⁵

An entity is required to consider all facts and circumstances and decide how to aggregate and disaggregate information in its climate-related financial disclosures.¹⁶ This includes a requirement to not reduce the understandability of its climate-related financial disclosures by obscuring material information with immaterial information or by aggregating material items of information that are dissimilar to each other.¹⁷

Staff note [ASIC's report](#) explains that "When identifying climate-related risks and opportunities, reporting entities must use all 'reasonable and supportable' information available to them, including information about past events, current conditions and forecast future conditions. Reporting entities need to consider the climate-related risks and opportunities that may exist throughout their value

11 [AASB S2 Appendix D Paragraph B29 – B30](#)

12 The statistics in this section are simply observations of the approaches used in practices and should not be considered an assessment of compliance.

13 [AASB S2 Appendix D paragraph B2](#)

14 [AASB S2 paragraph 11](#)

15 [AASB S2 paragraph B34](#)

16 AASB S2 [paragraph B29-30, Appendix B](#)

17 IFRS S2 paragraph BC96

chain and disclose the current and anticipated effects of those risks and opportunities and where these are concentrated.”

The AASB has published a FAQ which explains [what is meant by ‘use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort’](#).

AASB S2 and related materials contain requirements, guidance and examples that help an entity to identify its climate-related risks and opportunities. For example, the AASB has published educational material on [climate-related risks and opportunities and the disclosure of material information](#) (March 2026) which contains examples of applying AASB S2 and related materials to identify climate-related risks and opportunities.¹⁸

Climate Resilience

- 44 AASB S2 requires an entity to use climate-related scenario analysis to assess the resilience of its strategy and business model to climate-related changes, developments and uncertainties. Scenario analysis must consider the entity’s identified climate-related risks and opportunities and assess their potential effects over the short-, medium- and long-term. Entities are required to disclose information about the scenarios used, including how and when the climate-related scenario analysis was carried out.¹⁹
- 45 Staff considered the conclusions entities disclosed about the resilience of their strategy and business model as a result of their scenario analysis. A climate-resilience assessment was identifiable for 476 entities (98.3%).
- 46 Entities reached differing conclusions about the resilience of their strategy and business model. Across the observed disclosures:
- (a) 225 entities (46.1%) identified one or more challenges to the resilience of their strategy or business model;
 - (b) 183 entities (37.5%) indicated that they had not identified challenges to resilience; and
 - (c) 76 entities (15.6%) did not clearly state their conclusion on resilience.
- 47 These observations describe the conclusions presented in entities’ disclosures and do not assess the underlying climate-resilience assessments. A conclusion that an entity has not identified challenges to resilience does not necessarily indicate that the entity has assessed that it has no climate-related risks. Rather, it may reflect the entity’s assessment that its strategy and business model can adjust or adapt to the identified climate-related risks, having regard to its particular circumstances, planned responses, assumptions, controls and time horizons.

Climate-related scenarios analysis used for assessing climate resilience

- 48 AASB S2 does not specify a particular number of scenarios to be used or temperature outcomes that should be used as the basis for scenarios, rather it requires an entity to determine the appropriate approach considering all reasonable and supportable information available to the entity without undue cost or effort.²⁰ Entities that are required to prepare a sustainability report under the *Corporations Act 2001* must comply with the requirements in the Act, including those related to scenario analysis.²¹

18 Some educational materials referenced in the paper were published after some sampled disclosures were prepared, particularly for entities with a 31 December 2025 financial year-end. References to these materials are intended to support future reporting cycles.

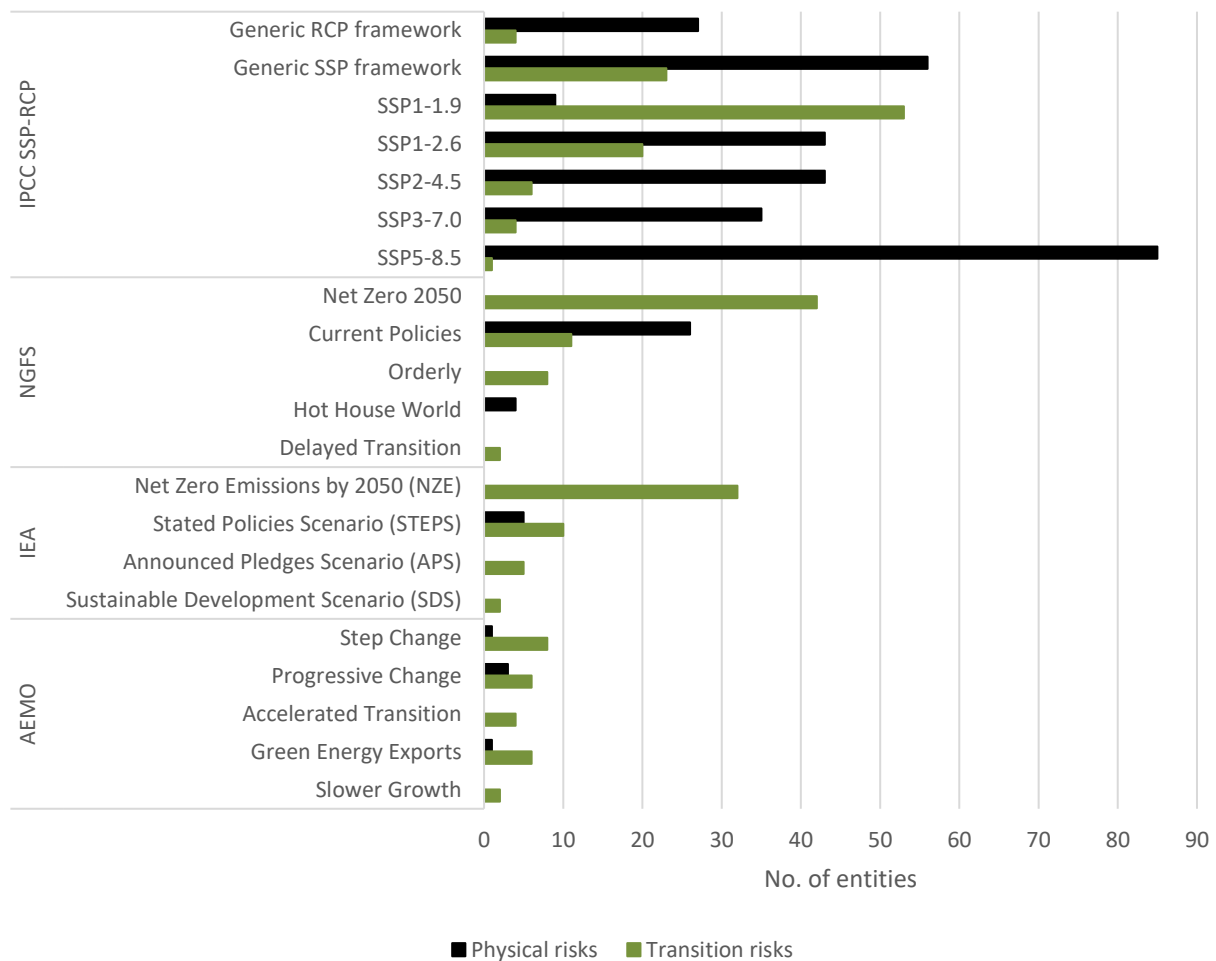
19 [AASB S2 paragraph 22](#)

20 [AASB S2 paragraph B1](#)

21 For example, [Corporations Act subsection 296D\(2B\)](#).

- 49 Two scenarios was the most common approach, used by 260 entities (53.7%). Listed entities were slightly more likely to report three scenarios than unlisted entities—25.1% compared with 19.9%. The use of five or more scenarios was similar—11.8% and 14.1% respectively.
- 50 Entities used different approaches to present the temperature outcomes associated with their scenarios. Of the total number of reported scenarios:
- (a) 28% were presented using a single temperature outcome;
 - (b) 45.2% were presented using a temperature range;
 - (c) 12.2% used a threshold or qualitative outcome; and
 - (d) 14.6% did not state a temperature outcome.
- 51 Listed entities were more likely than unlisted entities to express temperature outcomes as ranges—50.9% compared with 41.8%—and were less likely to leave the temperature outcome unstated—7.8% compared with 18.7%.
- 52 The most frequently referenced scenario sources were:
- (a) Intergovernmental Panel on Climate Change (IPCC): referenced by 422 entities (87.2%), primarily through the Shared Socioeconomic Pathways and Representative Concentration Pathways including scenarios using SSP–RCP pairings.
 - (b) Network for Greening the Financial System (NGFS): referenced by 229 entities (47.3%), most often for transition pathway analysis.
 - (c) International Energy Agency (IEA): referenced by 179 entities (37%), commonly through the Current Policies, Stated Policies and Net Zero Emissions pathways.
 - (d) Australian Energy Market Operator (AEMO): referenced by 62 entities (12.8%), generally in relation to Australian energy-system transition pathways.
 - (e) CSIRO: referenced by 55 entities (11.4%), including in relation to Australian physical climate information.
 - (f) Bureau of Meteorology: referenced by 33 entities (6.8%), generally in relation to Australian climate observations and projections. Bureau of Meteorology information was also referenced more frequently by unlisted entities.
- 53 Of the reported scenarios:
- (a) 27.7% were associated with physical risks;
 - (b) 26.2% were associated with transition risks; and
 - (c) 46% were associated with both physical and transition risks.
- The associations in (a)-(c) above were similarly distributed for both listed and unlisted entities.
- 54 Higher-emissions IPCC pathways were more commonly associated with physical risks or with both physical and transition risks. Lower-emissions IPCC pathways were more frequently associated with transition risks or with both types of risk. NGFS, IEA and AEMO pathways were predominantly associated with transition risks or with both physical and transition risks.
- 55 The figure below presents the most commonly observed scenario inputs associated with physical and/or transition risks. The counts represent pathway references classified by the risk association disclosed by each entity. An entity may contribute multiple references and a pathway may be associated with both risk types.

Scenario inputs used for climate resilience assessment associated with physical risks and/or transition risks



Staff Commentary

Staff observed that most entities disclosed a conclusion about the resilience of their strategy or business model, but the clarity and form of those conclusions varied.

Entities also used a range of scenario sources, pathways and temperature outcomes. Published market commentary and stakeholder feedback indicated that scenario analysis is developing, but disclosures do not always clearly explain how the analysis informed strategic planning, financial planning, capital allocation or other decisions.

The [ASIC Report](#) identifies opportunities to enhance climate resilience disclosures, noting that reporting entities should clearly explain the scenarios used in their resilience assessments, why those scenarios were considered relevant and whether they were associated with climate-related physical and/or transition risks.

The AASB has published educational material on [climate resilience and climate-related scenario analysis requirements in AASB S2](#) (April 2026), to explain the requirements on disclosing information about climate resilience and the use of climate-related scenario analysis, including the proportionality mechanisms that enable entities to select an approach to scenario analysis that is commensurate with their circumstances. This educational material is accompanied by an [ISSB webcast](#) and a [AASB video](#).

Quantification

Cross-industry metrics (excluding Greenhouse Gas emissions)

Cross-industry metrics for assets and business activities vulnerable to climate-related risks and aligned with climate related opportunities.

- 56 AASB S2 requires an entity to disclose the amount and percentage of assets or business activities vulnerable to climate-related physical and transition risks (we refer to these as “vulnerability metrics” in this paper) and the amount and percentage aligned with climate-related opportunities (we refer to these as “alignment metrics” in this paper).²²
- 57 Staff identified various approaches to these disclosures across the observed entities. Some entities reported metrics only at an aggregated entity level, some reported metrics for physical risks and transition risks as separate groups, while others provided metrics for individual risks or opportunities.
- 58 Of the observed entities, 334 entities (69.0%) disclosed at least one vulnerability or alignment metric. Of these, 160 entities (33.1%) disclosed metrics only at an aggregate level, while 174 entities (36.0%) disclosed at least one metric linked to an individual climate-related risk or opportunity. Individual vulnerability metrics were more common than individual alignment metrics: 169 entities (34.9%) disclosed at least one individual vulnerability metric, compared with 95 entities (19.6%) that disclosed at least one individual alignment metric.

Individual vulnerability metrics

- 59 Staff identified 495 individual vulnerability metric disclosures. These predominantly related to assets (57.6%), with a further 30.9% relating to operations or business activities and 8.1% relating to both. The most common forms of disclosure were percentages alone (35.8%), monetary amounts combined with percentages (30.5%) and non-monetary absolute quantities combined with percentages (25.1%). Listed entities were more likely than unlisted entities to express individual vulnerability metrics using both monetary amounts and percentages (33.6%, compared with 27.2%). In contrast, unlisted entities more commonly used percentages alone (41.0%, compared with 30.9% for listed entities).
- 60 Individual vulnerability metrics were most frequently associated with acute extreme weather events (158 disclosures), policy, legal and disclosure risks (78 disclosures), chronic climate changes (44 disclosures), mixed or unspecified physical exposure (43 disclosures) and market and demand shifts (42 disclosures).

Individual alignment metrics

- 61 Staff identified 137 individual alignment metric disclosures. Unlike vulnerability metrics, these more commonly related to operations or business activities (55.5%) than assets (30.7%). A further 13.1% related to both assets and operations or business activities. Alignment metrics were most commonly expressed as percentages alone (32.8%) or as monetary amounts combined with percentages (29.9%).
- 62 Listed entities were more likely than unlisted entities to express individual alignment metrics using both monetary amounts and percentages (35.3%, compared with 21.2%). Unlisted entities more commonly used percentages alone (50.0%, compared with 22.4% for listed entities).
- 63 Individual alignment metrics were most frequently associated with opportunities relating to products, services and markets (68 disclosures) and operational efficiency and decarbonisation (41 disclosures).

22 [AASB S2 paragraph 29\(b\)-\(c\)](#)

Capital deployment in response to climate-related risks and opportunities

- 64 AASB S2 requires an entity to disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.²³
- 65 Entities also applied varied approaches to disclosing capital deployed in response to climate-related risks and opportunities. Across the observed disclosures, 183 entities (37.8%) disclosed that capital had been deployed, while 144 entities (29.8%) disclosed that no capital had been deployed. A further 141 entities (29.1%) did not disclose deployment information, and for 16 entities (3.3%), it was unclear whether capital had been deployed towards climate-related risks and opportunities.²⁴
- 66 Listed entities were more likely to disclose that capital had been deployed than unlisted entities—46% compared with 32.7%.
- 67 Among the 183 entities disclosing that capital had been deployed, capital expenditure was the most frequently identified type of deployment, reported by 135 entities (73.8%), followed by investment, reported by 121 entities (66.1%). Financing and ongoing operating expenditure were less frequently identified, by 19 entities (10.4%) and 20 entities (10.9%), respectively.²⁵
- 68 The purpose of deployed capital was disclosed at varying levels of specificity.²⁶ Of the entities disclosing deployed capital, 147 entities (80.3%) associated deployment with a category or theme and 114 entities (62.3%) associated it with a specific project, initiative or asset. However, 36 entities (19.7%) disclosed capital deployment only in general terms and 36 entities (19.7%) described climate-related deployment as embedded in business-as-usual expenditure.
- 69 Relatively few entities explicitly attributed deployment to individual climate-related risks or opportunities. 14.2% and 12% associated with deployment with climate-related risks and climate-related opportunities, respectively.
- 70 Entities also applied different levels of disaggregation when disclosing deployment amounts. Of the 183 entities disclosing that capital had been deployed, 28.4% disclosed project-, initiative- or asset-specific amounts and 23.5% disclosed category- or theme-specific amounts.
- 71 In contrast, 26.8% disclosed deployment without providing an amount, 13.7% disclosed only a total climate-related deployment amount and 5.5% disclosed amounts attributed to particular climate-related risks or opportunities.
- 72 In addition to disclosing capital that had been deployed, 46 entities (25.1%) disclosed planned or proposed deployment and 24 entities (13.1%) disclosed amounts described as firmly committed or allocated.

Staff commentary

The [ASIC Report](#) similarly identified significant differences in how entities disclosed cross-industry metrics required under [AASB S2 paragraph 29\(b\)–\(e\)](#), noting that while AASB allows flexibility in this area, the relevant factors that underpin the calculation of the disclosed amounts and percentages were not being disclosed at all in some cases. As a result users may find it difficult to understand and compare these metrics between entities.

23 [AASB S2 Paragraph 29\(e\)](#)

24 For example, making a general statement of capital expenditure for the year without identifying the amount that was deployed toward climate-related risks and opportunities or a statement that climate-related capital deployment is not tracked.

25 Entities may disclose more than one type of capital deployment. Accordingly, the categories are not mutually exclusive.

26 The purpose-specificity categories are non-exclusive. An entity may, for example, associate deployment with both a specified category and a particular project or asset.

The [ASIC Report](#) notes that:

- “Reporting entities should explain how information in the sustainability report connects with relevant disclosures in the financial report – for example, information about the amounts and percentages disclosed under cross-industry metrics. When preparing cross-industry metric disclosures under [paragraph 29\(b\)–\(e\)](#), reporting entities should consider the factors set out in paragraph B65 of Appendix B, particularly the requirement in [paragraph B65\(e\)](#) to consider the information disclosed in the financial statements. For example, entities should reconcile the assets and capital expenditure in the sustainability report with related parts of the financial report and (where relevant) consider the information set out in the segment note in the financial report when determining business activities.
- Reporting entities should provide clear, effective and proximate disclosure of relevant judgements, assumptions and areas of measurement uncertainty, including for the amounts and percentages disclosed under cross-industry metrics in [paragraph 29\(b\)–\(e\)](#). Clear and effective disclosure in this respect will play an important role in supporting users while practices mature.”

The [March 2024 ISSB TIG discussion](#) noted that IFRS S2 does not define "vulnerable" or prescribe a specific methodology for vulnerability metrics. Entities are expected to apply judgement, informed by the objectives of IFRS S2, to provide decision-useful information about assets and business activities exposed to climate-related risks. TIG members emphasised the importance of materiality and appropriate aggregation and disaggregation in determining the level of detail disclosed.

Current and anticipated financial effects

- 73 AASB S2 requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short-, medium-, or long-term. This includes disclosure of current and anticipated financial effects of those risks and opportunities.²⁷
- 74 In preparing current and anticipated financial effects disclosures, AASB S2 requires an entity to provide qualitative and quantitative information (subject to circumstances in which an entity does not need to provide quantitative information as described below). When preparing disclosures on anticipated financial effects, an entity does not need to carry out an exhaustive search for information. Instead, it uses:
- (a) all reasonable and supportable information available at the reporting date without undue cost or effort; and
 - (b) an approach commensurate with the skills, capabilities and resources available to the entity.²⁸
- 75 An entity is not required to provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity if the entity determines that those effects are not separately identifiable or the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful. In addition, an entity need not provide quantitative information about the anticipated financial effects of a climate-related risk or opportunity if the entity does not have the skills, capabilities or resources to provide that quantitative information.²⁹

27 [AASB S2 paragraphs 15–21](#)

28 [AASB S2 paragraph 18](#)

29 [AASB S2 paragraphs 19–20](#)

- 76 Across the observed disclosures:
- (a) 473 entities (97.4%) provided qualitative information about current financial effects;
 - (b) 160 entities (33.1%) quantified some current financial effects;
 - (c) 483 entities (99.8%) provided qualitative information about anticipated financial effects; and
 - (d) 193 entities (39.9%) quantified some anticipated financial effects.
- 77 Listed entities were more likely than unlisted entities to quantify both current and anticipated financial effects. Some current financial effects were quantified by 42.2% of listed entities, compared with 27.3% of unlisted entities. Some anticipated financial effects were quantified by 44.4% of listed entities, compared with 37% of unlisted entities.
- 78 Where entities quantified current and anticipated financial effects, observed approaches included:
- (a) absolute monetary amounts, such as discrete amounts for expenditure, revenue, costs or financial statement items;
 - (b) percentage-based measures, such as percentage changes in revenue, operating costs, profit or project value;
 - (c) ranges, expressed as upper and lower estimates;
 - (d) references to financial statement line items;
 - (e) capital expenditure or investment amounts; and
 - (f) sensitivity analysis.
- 79 Quantification was also more frequently observed for climate-related risks than for climate-related opportunities.
- 80 Entities used a range of approaches to qualitatively describe anticipated financial effects where specific quantitative amounts are not disclosed. Common approaches observed include:
- (a) **Identifying the link to financial statement line items** – describing how climate-related risks and opportunities could affect business activities and operations and linking those impacts to specific financial statement line items such as revenue, operating costs, capital expenditure, cash flows, assets, liabilities or financial position.
 - (b) **Describing the expected direction of effects** – explaining whether climate-related risks and opportunities are expected to increase or decrease revenues, costs, demand, asset values, margins or other financial outcomes, without assigning a specific monetary value to those effects.
 - (c) **Combining qualitative and quantitative information** – quantifying certain anticipated financial effects where a reasonable basis for estimation exists, while describing other effects qualitatively where they are subject to greater uncertainty, depend on longer-term developments or cannot be separately identified.
 - (d) **Explaining materiality and uncertainty** – disclosing where information about anticipated financial effects is assessed as not currently material or explaining factors affecting quantification, such as measurement uncertainty, limitations in available information, or challenges in isolating climate-related impacts from other business drivers.

- 81 High measurement uncertainty was the most frequently disclosed explanation for not providing quantitative information about anticipated financial effects. Other explanations included:
- (a) effects not being separately identifiable;
 - (b) information not being available without undue cost or effort;
 - (c) a lack of skills, capabilities or resources; and
 - (d) commercial sensitivity.

Staff Commentary

The type of information an entity provides about anticipated financial effects will vary based on the entity's circumstances and the mechanisms it applies. Both quantitative and qualitative information is useful to enable users' understanding of how climate-related risks and opportunities affect the entity's prospects, complementing information in the entity's financial statements. Over time, the reasonable and supportable information that is available without undue cost or effort and an entity's skills, capabilities and resources are expected to change. As a result, disclosures in these areas will develop over time.

The [ASIC report](#) identified the following aspects where current and anticipated financial effects could be improved:

- "Quantitative information is valuable for users when it can be separately identified, measured reliably and has a reasonable basis. While we expect that the disclosure of quantitative information will increase over time as methodologies evolve and reporting processes mature, we encourage reporting entities to carefully consider whether quantitative information can be measured with sufficient reliability to be disclosed (either as a single amount or a range). An example of where greater measurement certainty may exist in the early years is the anticipated financial effects of board approved actions and plans relating to mitigation or adaptation.
- Reporting entities should carefully apply all of the requirements in [paragraphs 18 to 21](#) when disclosing material information about current and anticipated financial effects of climate-related risks and opportunities. This will ensure that users have the information required to understand why qualitative information is provided over quantitative information.
- If qualitative information is provided in relation to the current and anticipated financial effects of climate change, reporting entities must still disclose line items, totals and subtotals and explain why quantitative information cannot be provided.
- Reporting entities must explain how information in the sustainability report connects with relevant disclosures in the financial report – for example, information about the current and anticipated financial effects of climate-related risks and opportunities."

The AASB has published educational material on [disclosing information about anticipated financial effects](#) (October 2025). This resource, based on ISSB educational material, was developed in response to stakeholder feedback indicating that additional guidance on applying the relevant requirements in IFRS S2 (AASB S2) would support entities in practice. It includes illustrations of disclosure of information about anticipated financial effects applying AASB S2 which show some of the information that an entity might determine is relevant to disclose about the anticipated financial effects of its climate-related risks and opportunities and some aspects of preparing the information.

Greenhouse gas (GHG) emissions

- 82 AASB S2 requires an entity to disclose its absolute gross GHG emissions generated during the reporting period, expressed as metric tonnes of CO₂ equivalent and the approach the entity uses to measure its GHG emissions.³⁰
- 83 In measuring GHG emissions in accordance with the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)* (GHG Protocol), AASB S2 requires an entity to select either the equity share approach or the control approach.³¹ Across the observed disclosures, 455 entities (94%) reported using a control approach in some form. This includes:
- (a) 176 listed entities (94.1%); and
 - (b) 279 unlisted entities (93.9%).
- 84 Among entities reporting a control approach, operational control was referenced by 420 entities (92.3%) and financial control by 50 entities (11%). These classifications are non-exclusive because some entities referenced more than one approach.
- 85 An equity-share approach was reported in some form by 36 entities (7.4%). 14 entities (2.9%) did not clearly identify an organisational-boundary approach.
- 86 AASB S2 requires entities to measure their GHG emissions in accordance with the GHG Protocol, unless required by a jurisdictional authority or an exchange on which the entity is listed to use a different method for measuring its GHG emissions.³² Accordingly, if an entity is required by law to use a specific method for measuring its GHG emissions (e.g. methodologies in NGER Scheme legislation), the entity may elect to use that method for those GHG emissions disclosed in accordance with AASB S2 (hereafter, jurisdictional relief). [AASB S2 paragraph C4\(a\)](#) also permits an entity, in its first reporting year, to continue using a method other than the GHG Protocol to measure its greenhouse gas emissions if the entity used that method in the annual reporting period immediately before initially applying AASB S2.
- 87 Among the 484 entities observed, 163 (33.7%) measured some or all their GHG emissions using the NGER Scheme legislation. This indicates use of either the jurisdictional relief or transition relief available in their first AASB S2 reporting period.³³
- 88 For Scope 3 GHG emissions, AASB S2 permits entities to apply transition relief from disclosure requirements relating to Scope 3 GHG emissions in the first reporting period.³⁴ Across the observed disclosures, stated use of first-year transition relief for Scope 3 GHG emissions was identified for 433 entities (89.5%) comprising:
- (a) 163 listed entities (87.2%); and
 - (b) 270 unlisted entities (90.9%)
- 89 Transition relief status was not stated by 38 entities (7.9%), was unclear for 11 entities (2.3%) and was explicitly identified as not applied by two entities (0.4%)

30 [AASB S2 paragraphs 29\(a\)\(i\)](#) and [29\(a\)\(iii\)](#)

31 [AASB S2 paragraph B27](#)

32 [AASB S2 paragraph 29\(a\)\(ii\)](#)

33 Due to data availability at the time of analysis, staff are unable to determine the extent to which NGER-reporting entities have opted use the GHG Protocol to measure their GHG emissions for AASB S2 reporting purposes. For the 2025–2026 NGER reporting season, verified corporation reports are due by midnight (AEDT) on 2 November 2026, with reported data for entities meeting the publication threshold expected to be published in February 2027. Staff will continue to monitor the available NGER data as it becomes available.

34 [AASB S2 paragraph C4\(b\)](#)

- 90 Among the 433 entities that disclosed application of the transition relief, 30 entities nevertheless provided voluntary Scope 3 information comprised of:
- (a) 24 listed entities – 14.7% of listed transition relief users; and
 - (b) six unlisted entities – 2.2% of unlisted transition relief users.
- 91 Across the full population, 57 entities (11.8%) reported at least some Scope 3 emissions. Scope 3 reporting was more common among listed entities than unlisted entities—24.6% compared with 3.7%.
- 92 In addition to the above, the following GHG emissions-related observations are noted:
- (a) 83 entities (17.1%) early adopted AASB S2 2025-1 *Amendments to Greenhouse Gas Emissions Disclosures*,³⁵ comprising 21.4% of listed entities and 14.5% of unlisted entities;
 - (b) 142 entities (29.3%) disclosed market-based Scope 2 emissions in addition to location-based emissions, comprising 42.8% of listed entities and 20.9% of unlisted entities.³⁶; and
 - (c) 78 entities (16.1%) provided full or partial comparative GHG information, comprising 31.6% of listed entities and 6.4% of unlisted entities.

Staff Commentary

AASB S2 requires climate-related disclosures prepared in accordance with AASB S2 to be clearly identifiable, understandable and not obscured by additional information.³⁷ AASB S2 permits required disclosures to be presented alongside other information.³⁸ Staff note that these requirements are relevant for an entity to consider when it applies transition relief from disclosure requirements relating to Scope 3 GHG emissions in the first reporting period and then elects to provide some information about Scope 3 GHG emissions.

Further, staff note the [ASIC Report](#) that:

- “Reporting entities must ensure that material climate-related financial information is not obscured through the disclosure of additional, voluntary climate-related information.
- Reporting entities that choose to rely on the transitional relief not to disclose scope 3 greenhouse gas emissions under AASB S2 in their first year of reporting must clearly identify their reliance on this relief, label any information about scope 3 greenhouse gas emissions disclosed elsewhere as voluntary information and disclose the basis for the measurement.”

Other areas

- 93 AASB S2 requires an entity to disclose information about how it has responded and plans to respond to climate-related risks and opportunities in its strategy and decision-making. This includes information about any climate-related transition plan the entity has.³⁹
- 94 Across the observed disclosures:
- (a) 122 entities (25.2%) clearly identified a transition plan;

35 [AASB S2025-1](#) amended AASB S2 to provide additional relief and clarify existing relief from specific GHG emissions disclosure requirements and to amend the requirements for classifying some types of GHG emissions.

36 AASB S2 requires information to be disclosed about contractual instruments if it is material information which could include market-based emissions.

37 [AASB S2 Appendix D paragraph 62](#)

38 [AASB S2 Appendix D paragraphs 60](#) and [62](#)

39 [AASB S2 paragraph 14\(a\)\(iv\)](#)

- (b) 196 entities (40.5%) indicated that they did not have a transition plan; and
- (c) 166 entities (34.3%) did not clearly indicate whether they had a transition plan.

Staff Commentary

AASB S2 does not require every entity to have a climate-related transition plan. However, it requires disclosure of how the entity has responded and plans to respond, to climate-related risks and opportunities, including how it plans to achieve targets it has set or is required to meet by law or regulation. Where an entity has a climate-related transition plan, it shall disclose information about that plan, including its key assumptions and dependencies. It must also disclose information about resourcing of relevant activities and progress against plans disclosed in prior periods.⁴⁰

Clearly identifying whether an entity has a transition plan and how the related information connects across the report can help users understand how the entity intends to respond to its climate-related risks and opportunities.

The AASB has published educational material on [Disclosure of climate-related transition, including information about transition plans, in accordance with AASB S2](#) (July 2026). This document provides guidance to enable entities to provide high-quality information about their transition towards a lower-carbon and/or climate-resilient economy when applying AASB S2.

95 The following observations were also noted from the first wave of climate-related disclosures:

- (a) **Climate-related targets:** 293 entities (60%) disclosed climate-related targets and almost all these entities (92.2%) included at least one target associated with reducing GHG emissions. Common were targets related to the amount and mix of energy used from renewable sources (40.3%). Most of these targets were expressed as either a target deadline or milestone by which they should be achieved or as a target value expressed as a percentage. Generally, where targets are disclosed, they vary in scope and specificity, potentially reflecting differences in factors such as business models and emissions profiles.

Staff Commentary

AASB S2 requires entities to disclose both climate-related targets they have set and any targets they are required to meet by law or regulation, including GHG emissions targets.⁴¹

The [ASIC Report](#) identified the following opportunities to improve target-related disclosures:

- “When determining whether an entity has a climate-related target, reporting entities are reminded that the definition of ‘climate-related targets’ in AASB S2 extends to targets that the entity is required to meet by law or regulation. This includes greenhouse gas emissions targets such as the Safeguard Mechanism.
- Reporting entities should ensure that information about carbon credits disclosed in the financial statements is identified in the sustainability report as connected information. Entities should also consider connections to other disclosure requirements, such as how they plan to meet targets ([\[AASB S2\] paragraph 14](#)) and current and anticipated financial effects ([\[AASB S2\] paragraph 16](#)),
- Reporting entities that are a part of a larger corporate group (either within Australia or internationally) should carefully consider the information needs of their users and ensure that they provide sufficient information relating to the application and implementation of group-level and entity-level climate targets.” [Standard reference added]

40 [AASB S2 paragraph 14](#)

41 AASB S2 paragraphs [14\(a\)](#) and [33–36](#)

The [July 2026 ISSB TIG discussion](#) noted particular points related to disclosure requirements on targets in IFRS S2 and TIG members shared feedback that could be useful regarding the application of the requirements in IFRS S2.

The AASB has also published [FAQ What are climate-related targets under AASB S2?](#) which provides an example and explains that climate-related targets refer to any quantitative and qualitative targets that respond to climate-related risks or opportunities. GHG emissions targets are one kind of climate-related target, which may help to provide users with information about the timing and pathway of the entity's plans to reduce its emissions in anticipation of a lower-carbon economy.

- (b) **Cross-referencing:** 342 entities (79.9%) made use of cross-referencing to information outside of the climate-related financial disclosures to some degree. Cross-referencing was primarily related to the financial statements or notes, with 81.6% of the entities which used cross-referencing including at least one reference to the financial statements. Common references were made to remuneration reports, directors' reports and corporate governance statements.

Staff Commentary

AASB S2 permits required information to be included by cross-reference to another report published by the entity, subject to specified conditions. These include that the information is available on the same terms and at the same time as the climate-related financial disclosures, the relevant report is clearly identified, access is explained and the cross-reference is to a precisely specified part of that report.⁴²

The [ASIC Report](#) noted that "When cross-referencing information outside the sustainability report, reporting entities must ensure they meet the cross-referencing disclosure requirements in paragraphs [AASB S2] [B45 to B47 of Appendix D](#), including the requirement that the information is available on the same terms and at the same time as the sustainability report."

Section 4: Stakeholder engagement and implementation reflections

- 96 To complement the expanded review of published disclosures, staff gathered stakeholder reflections through the AASB S2 Implementation Advisory Panel (IAP) and targeted outreach across the sustainability reporting ecosystem.

AASB S2 Implementation Advisory Panel

- 97 The IAP has held one meeting since June 2026. No implementation questions relating to Australian-specific matters have been raised through the IAP during that period. Accordingly, based on matters raised through this forum to date, staff have not identified any Australian-specific implementation issues requiring further consideration in this paper. All IAP submissions are recorded in the publicly available [submissions log](#).
- 98 Staff intend to continue using the IAP as one of several mechanisms for monitoring implementation. Staff also continue to monitor discussions of the ISSB's Transition Implementation Group (TIG) to identify implementation matters arising internationally that may be relevant in the Australian context.

Targeted stakeholder outreach

- 99 In addition to IAP, staff undertook targeted stakeholder outreach across the sustainability reporting ecosystem to gather insights into implementation experiences and emerging practice. The outreach involved 40 participants⁴³ from across the sustainability reporting ecosystem, including preparers,

42 [AASB S2 Appendix D paragraph 63](#)

43 Two participants provided perspectives both as a preparer and user/investor.

advisers, assurance providers and users. These discussions were intended to provide additional context on implementation experiences, challenges and emerging practices that may not be apparent from published reporting alone.

- 100 Participants represented a diverse range of industries and entity types, including listed and unlisted entities, experienced sustainability reporters, organisations undertaking first-year implementation of AASB S2 and institutional investors. A summary of the participants is provided below.

Stakeholder Group	Participants	Profile of Participants	Scope of Representation
Advisers	11 participants	Senior advisory practitioners, including partners, managing directors and directors	Collectively representing experience from more than 300 client engagements across a diverse range of sectors, entity sizes and listed and unlisted entities, with expertise spanning climate science, modelling and reporting.
Assurance providers	9 participants	Senior assurance practitioners, including partners, directors and senior managers	Diverse assurance portfolios and reporting maturity, including mature sustainability reporters and first-time reporters, including listed, unlisted and mid-market entities.
Preparers	16 participants	Specialist reporting and risk and compliance professionals	Group 1 entities, both listed and unlisted. Representing industries including services, insurance, health, real estate and energy sectors. Includes both established sustainability reporters and entities undertaking sustainability reporting for the first time.
Users	6 participants	Senior investment practitioners and investor representation	Institutional investors managing a multi-billion-dollar portfolio, with investment responsibilities across the Asia-Pacific region.

- 101 Overall, stakeholders observed that implementation experiences vary considerably across entities. This variation appears to reflect several factors, including prior climate-reporting experience, ownership and listing status, internal capability and resourcing, implementation preparedness, integration with existing risk and strategy processes, operational complexity, sector and emissions profile and the timing and extent of adviser and assurance involvement. Despite this variation, the following recurring themes emerged.

Theme	Summary of stakeholder reflections
Usefulness and benefits beyond compliance	Users considered AASB S2 to be providing a more structured and comparable basis for climate reporting. They identified current and anticipated financial effects, transition plan implementation and progress, scenario analysis linked to business consequences and cross-industry metrics such as GHG emissions as particularly useful. Users expected connectivity to financial statements and data quality to develop over time.

Theme	Summary of stakeholder reflections
	Preparers and other stakeholders also reported benefits to governance, organisational awareness, cross-functional collaboration, data systems, controls and documentation, although these benefits were achieved alongside significant implementation effort and cost.
Risk and opportunity assessment and connected reporting	Preparers, advisers and assurance providers identified the assessment of climate-related risks and opportunities as the foundation for disclosures about strategy, resilience, financial effects, metrics and targets. Stakeholders reported variation in how risks and opportunities were framed, aggregated and prioritised. They considered disclosures most useful when entity-specific risks and opportunities were clearly connected to strategy, governance, financial effects, metrics and targets. More generic or compliance-focused reporting was seen to limit those connections.
Judgement-based requirements	Stakeholders identified risk and opportunity aggregation, materiality, proportionality, scenario analysis, resilience assessment, anticipated financial effects and GHG emissions as areas requiring significant judgement. Some preparers initially found it difficult to distinguish scenario analysis and resilience assessment from the assessment of anticipated financial effects, including how scenarios are used to test resilience related to management's current expectations.⁴⁴ Stakeholders emphasised the importance of clearly explaining significant judgements, assumptions, methodologies, data sources and measurement uncertainty. They supported practical implementation support, while cautioning that it should be adaptable to different business models and avoid creating implicit benchmarks.
GHG emissions and Scope 3	Stakeholders reported that GHG emissions measurement and disclosure accounted for a significant proportion of the first-year implementation effort. Areas of particular attention included organisational and operational boundaries, reporting-period alignment and the interaction between the GHG Protocol and NGER requirements.
Vulnerability metrics	Advisers and assurance providers indicated that vulnerability metrics remain an area where understanding and application are still developing. A recurring observation was that many entities may have treated vulnerability as equivalent to exposure. Stakeholders noted that, in addition to exposure, assessments of vulnerability may benefit from considering factors such as existing controls, adaptability and capacity to diversify. Stakeholders considered that the usefulness of these metrics also depended on the specificity of the underlying risks and opportunities. They suggested that risk-specific assessments and clear basis-of-preparation disclosures could be more informative than highly aggregated metrics.
Implementation readiness and assurance	Stakeholders observed that early planning, cross-functional ownership and timely engagement with advisers, assurance providers and governance bodies supported higher-quality reporting. Preparers recommended treating

44 Two preparers reported uncertainty where neither of the prescribed temperature pathways represented management's expected outlook. They considered an additional central scenario useful for assessing anticipated financial effects. This was a practical response rather than a requirement in AASB S2, which does not require a separate "most likely" scenario.

Theme	Summary of stakeholder reflections
	implementation as a formal change project with accountable owners, coordinated workstreams and evidence-gathering processes. Assurance expectations were a significant driver of systems, controls, documentation and data quality.
Broader reporting ecosystem	Stakeholders considered that consistent implementation would depend partly on a shared understanding of AASB S2 across preparers, advisers, assurance providers, regulators and data providers. They raised matters relating to regulatory certainty, interpretation of the GHG Protocol, capability among smaller and unlisted entities, differential reporting and opportunities for sector-level data or methodologies. Several of these matters involve government, regulators, assurance standard-setters or other organisations and do not fall solely within the AASB's remit.

- 102 The stakeholder outreach offers detailed cross-industry insights into how entities and other stakeholders are experiencing the first-year implementation of AASB S2. Consistent with the broader implementation monitoring activities outlined in this paper, feedback suggests that many of the challenges encountered reflect the newness of the requirements, differences in organisational capability and maturity and the continuing evolution of reporting and assurance practices. While participants identified areas where further implementation support and market practice development may be beneficial, the outreach did not identify matters that suggest a need for standard-setting activities at this time.

Section 5: Next steps and questions to the Board

- 103 Staff consider that the evidence gathered since the June 2026 paper suggests that first-year implementation challenges continue to reflect a developing understanding of AASB S2 requirements, differential organisational capability and evolving reporting practices. With Group 1 entities entering their second reporting cycle and Groups 2 and 3 commencing implementation in coming periods, staff recommend prioritising targeted education, awareness-raising and continued monitoring over AASB S2 at this stage, including to:
- (a) continue monitoring implementation as Group 1 entities enter their second reporting cycle and Groups 2 and 3 commence reporting. Possible priority areas include vulnerability metrics, current and anticipated financial effects, scenario analysis, proportionality and materiality and GHG emissions measurement and disclosure, including Scope 3 emissions;
 - (b) continue using existing communication and stakeholder-engagement channels to raise awareness of relevant AASB and ISSB educational material and consider how existing resources could be made easier for stakeholders to identify and use; and
 - (c) closely monitor the outcomes of Treasury's consultation and work collaboratively with Treasury, ASIC, and other relevant parties across the reporting ecosystem to consider whether coordinated implementation guidance is needed on key proportionality concepts

QUESTIONS TO THE BOARD:

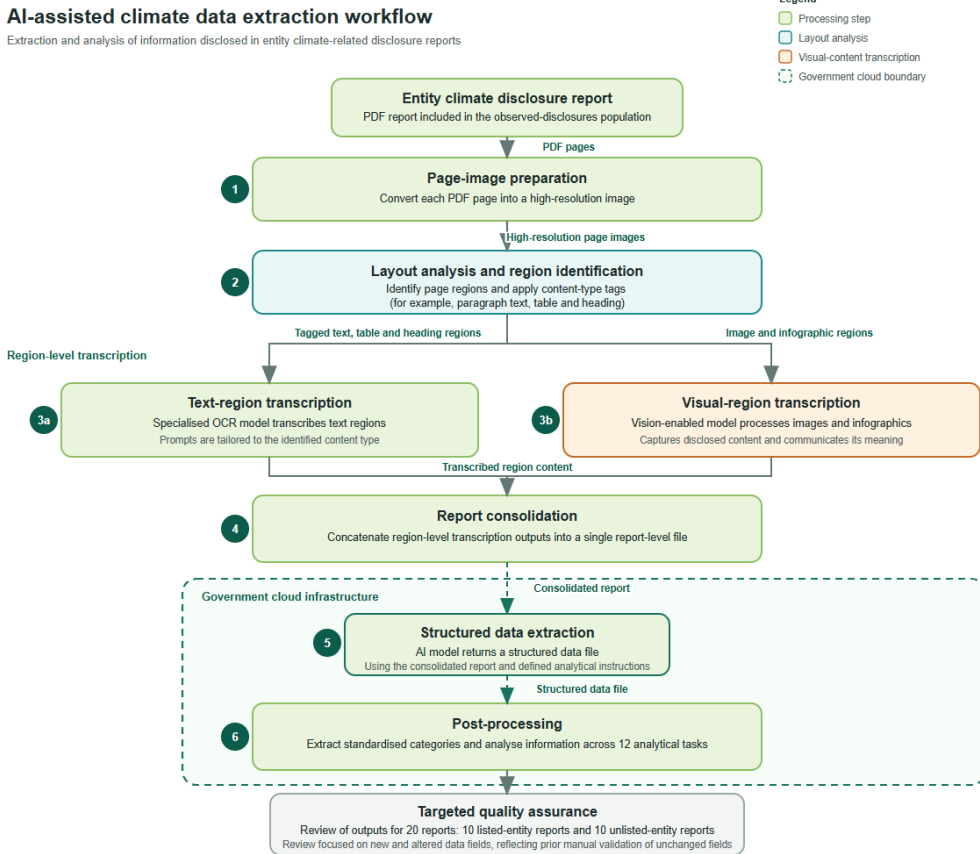
- Q1: Do Board members have feedback on the observations in this paper, specifically whether:
- (a) the observations are consistent with Board members' experiences?
 - (b) there are any additional specific aspects of disclosures staff should consider in future analyses of reporting practice to inform implementation support activities?
 - (c) any other aspects of this paper?

Appendix A: Methodology for updated evidence collection and assessment

- A1. This appendix outlines the methodology used to collect, structure and analyse information from climate-related disclosures prepared in accordance with AASB S2 by the entities included in the observed-disclosures population described in [Section 3](#). The population comprises 484 entities—187 listed entities and 297 unlisted entities—whose reports were available to staff as of 3 September 2026.
- A2. The analysis was designed to identify emerging disclosure practices, areas of diversity in practice and potential areas in which further implementation support may assist entities in the early stages of reporting. It does not assess whether an entity complies with AASB S2 or applicable legislative requirements under the Corporations Act 2001.
- A3. Building on the work performed for the June 2026 implementation monitoring paper, AI models were used in the extraction, classification and aggregation of disclosure data. The analysis relied solely on information explicitly disclosed in the sampled entities' climate-related disclosures, with the AI used to extract, organise and classify content. They were not used to, generate, or infer any additional information.
- A4. The workflow was refined following earlier analysis to improve scalability and to support the extraction of larger, more faithful blocks of disclosed content before applying standardisation rules in post-processing. Staff reviewed and validated a sample of 20 reports focused on the areas where the content being extracted differed from the prior work performed.

Method and Design

- A5. Staff employed a multi-stage AI assisted workflow to extract structured data points from each entity's climate-related disclosures. The workflow comprised a report transcription stage, a data extraction stage and a post-processing stage, represented in the flow chart below.



Limitations

A6. The following limitations apply to this analysis, together with the steps taken to address their effect:

- (a) **Scope of analysis:** The observations are based on reports available to staff as of 3 September 2026. They are not intended to be representative of all Australian entities or to establish broader market practice.
- (b) **Disclosure-based analysis:** The analysis is limited to information that entities disclosed in the reports reviewed, including cross-references where identified by the entity. It does not assess the completeness, accuracy or appropriateness of an entity's underlying processes, judgements, data or compliance with AASB S2.
- (c) **Layout and transcription accuracy:** Report layouts can be complex and may include tables, graphics, layered text or variable-quality source material. Errors in page segmentation or transcription may affect information available for subsequent extraction and analysis.
- (d) **Visual content:** The extraction of information from images and infographics may be affected by visual complexity, resolution, labelling or the extent to which the meaning of a visual presentation can be conveyed in text.
- (e) **Terminology and presentation variation:** Entities may use different terminology, structures and levels of aggregation to describe similar matters. Although prompts and post-processing rules were refined to address known variations, relevant content may not always be identified or consistently classified.
- (f) **Classification and standardisation judgements:** Some post-processing tasks required categorising disclosures presented in entity-specific terms. Standardisation rules support comparison across entities but may not capture all nuances of the underlying disclosure. Results in judgement-sensitive areas should therefore be interpreted as indicative of emerging reporting practices.
- (g) **Targeted quality-assurance review:** The updated-output review covered 20 reports and focused on fields that were new or altered from the previously manually validated approach. Accordingly, the review should not be interpreted as a complete manual validation of every datapoint for every report in the full population.
- (h) **Aggregation and units of analysis:** Different observations use different units of analysis. For example, an entity may disclose multiple risks, scenarios or metrics. Counts relating to those items should not necessarily be interpreted as counts of unique entities unless stated.