



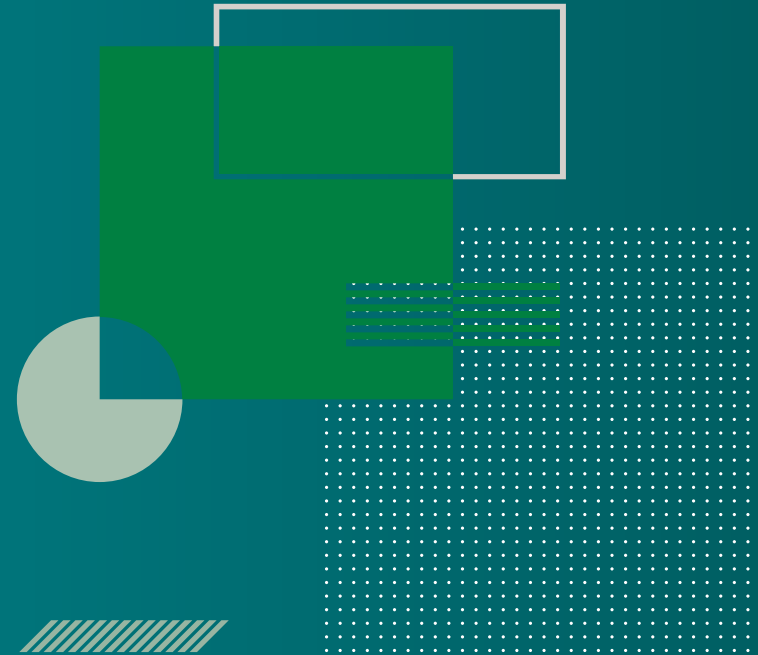
Australian Government

Australian Accounting Standards Board

Comparison Document

AASB S2 Climate-related Disclosures with the TCFD Recommendations

July 2025



Introduction

The requirements in AASB S2 *Climate-related Disclosures* issued by the Australian Accounting Standards Board (AASB) integrate, and are consistent with, the four core recommendations and 11 recommended disclosures published by the Task Force on Climate-related Financial Disclosures (TCFD).¹ Areas where AASB S2 differs from the TCFD recommendations reflect differences between AASB S2 and the TCFD's guidance, not the TCFD's core recommendations or recommended disclosures.

AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* is a voluntary Standard that sets out overarching requirements for an entity to disclose information about sustainability-related risks and opportunities. The core content requirements in AASB S1 also integrate the TCFD recommendations.

AASB S2 is a mandatory Standard that certain entities are required to apply under the *Corporations Act 2001*. It sets out requirements that relate specifically to climate-related risks and opportunities. AASB S1 sets out general requirements for how an entity discloses that information, and specific requirements for providing a complete set of sustainability-related financial disclosures. As AASB S2 is mandatory for subject entities but AASB S1 is a voluntary Standard, Appendix D to AASB S2 contains paragraphs drawn from AASB S1 that must be complied with when providing climate-related disclosures under AASB S2. Appendix D to AASB S2 may require entities to disclose information beyond the TCFD's core recommendations.

The following tables summarise similarities and differences between AASB S2 and the TCFD's core recommendations, recommended disclosures and guidance. For aspects that differ, differences take three forms. Specifically, AASB S2:

- uses **different wording** to capture the same information as the TCFD recommendations. In these instances, the requirements in AASB S2 are broadly consistent with the TCFD recommendations.
- requires the provision of information that is in line with the TCFD recommendations, but that is **more detailed**.
- **differs** from the TCFD *guidance*—but not from the TCFD overall recommendations—mainly by providing some **additional** requirements and guidance.

¹ The TCFD framework consists of four core recommendations (governance, strategy, risk management, metrics and targets), 11 supporting recommended disclosures, and all-sector and sector-specific guidance. The guidance informs implementation of the recommendations but is not part of the formal recommendations.



Governance

TCFD Recommendations, Recommended Disclosures and Guidance	AASB S2 <i>Climate-related Disclosures</i>
<p>Governance</p> <p>Disclose the entity's governance around climate-related risks and opportunities.</p>	<p>Governance</p> <p>Disclose information that enables users of general purpose financial reports to understand the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities.</p>
<p>Recommended Disclosure a)</p> <p>Describe the board's oversight of climate-related risks and opportunities.</p>	<p>AASB S2 is broadly consistent with recommended disclosure a).</p> <p>AASB S2 requires the disclosure of more detailed information—for example, how a governance body's or individual's responsibilities for climate-related risks and opportunities are reflected in terms of reference, mandates, role descriptions and other related policies applicable to that body or individual.</p>
<p>Recommended Disclosure b)</p> <p>Describe management's role in assessing and managing climate-related risks and opportunities.</p>	<p>AASB S2 is broadly consistent with recommended disclosure b).</p>

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Strategy

TCFD Recommendations, Recommended Disclosures and Guidance	AASB S2 <i>Climate-related Disclosures</i>
<p>Strategy</p> <p>Disclose the actual and potential impacts of climate-related risks and opportunities on the entity's businesses, strategy, and financial planning where such information is material.</p>	<p>Strategy</p> <p>Disclose information that enables users of general purpose financial reports to understand an entity's strategy for managing climate-related risks and opportunities.</p>
<p>Recommended Disclosure a)</p> <p>Describe the climate-related risks and opportunities the entity has identified over the short, medium and long term.</p>	<p>AASB S2 is broadly consistent with recommended disclosure a).</p> <p>AASB S2 also requires disclosure of more detailed information around where in the entity's business model and value chain risks and opportunities are concentrated.</p>

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Strategy

TCFD Recommendations, Recommended Disclosures and Guidance	AASB S2 <i>Climate-related Disclosures</i>
<p>Recommended Disclosure b)</p> <p>Describe the impact of climate-related risks and opportunities on the entity's businesses, strategy and financial planning.</p>	<p>AASB S2 is broadly consistent with recommended disclosure b).</p> <p>AASB S2 requires disclosure of more detailed information describing the effects of climate-related risks and opportunities. For example, how an entity has responded to, and plans to respond to, the identified risks and opportunities, any transition plans it has and how it plans to achieve its climate-related targets.</p> <p>In the requirements related to the current and anticipated financial effects of climate-related risks and opportunities on an entity's financial position, financial performance and cash flows, AASB S2 sets out criteria for circumstances in which quantitative and qualitative information is required. Entities are permitted to disclose only qualitative information in some circumstances—for example, if an entity cannot separately identify the effects of the risk or opportunity or if the level of measurement uncertainty involved is too high.</p> <p>AASB S2 requires an entity preparing disclosures on the anticipated financial effects of climate-related risks and opportunities to use all reasonable and supportable information that is available at the reporting date without undue cost or effort. AASB S2 also provides that an entity use an approach that is commensurate with the entity's circumstances in preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity.</p>

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Strategy

TCFD Recommendations, Recommended Disclosures and Guidance	AASB S2 <i>Climate-related Disclosures</i>
<p>Recommended Disclosure c)</p> <p>Describe the resilience of the entity's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>AASB S2 is broadly consistent with recommended disclosure c). However, AASB S2 does not specify particular scenarios for an entity to use in its climate-related scenario analysis.²</p> <p>AASB S2 requires an entity to provide additional information regarding its resilience on:</p> <ul style="list-style-type: none">• significant areas of uncertainty the entity has considered in its assessment;• the entity's capacity to adjust and adapt its strategy and business model over time; and• how and when the entity has carried out its climate-related scenario analysis. <p>AASB S2 provides that an entity carrying out climate-related scenario analysis use an approach that is commensurate with the entity's circumstances and consider all reasonable and supportable information that is available at the reporting date without undue cost or effort.</p>

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² Section 296D of the *Corporations Act 2001* specifies two particular scenarios for entities complying with AASB S2 under the Corporations Act.



Risk Management

TCFD Recommendations, Recommended Disclosures and Guidance	AASB S2 <i>Climate-related Disclosures</i>
<p>Risk Management</p> <p>Disclose how the entity identifies, assesses and manages climate-related risks.</p>	<p>Risk Management</p> <p>Disclose information that enables users of general purpose financial reports to understand the processes an entity has used to identify, assess, prioritise and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process.</p>
<p>Recommended Disclosure a)</p> <p>Describe the entity's processes for identifying and assessing climate-related risks.</p>	<p>AASB S2 is broadly consistent with recommended disclosure a).</p> <p>AASB S2 requires disclosure of more detailed information—for example:</p> <ul style="list-style-type: none"> • what input parameters an entity uses to identify risks (such as data sources, the scope of operations covered and the detail used in assumptions); • whether and how the entity uses climate-related scenario analysis to inform its identification of risks; and • whether the entity has changed the processes used to identify, assess, prioritise and monitor risks compared with the prior reporting period. <p>AASB S2 also requires additional disclosures on the processes an entity uses to identify, assess, prioritise and monitor opportunities.</p>

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Risk Management

TCFD Recommendations, Recommended Disclosures and Guidance	AASB S2 <i>Climate-related Disclosures</i>
Recommended Disclosure b) Describe the entity's processes for managing climate-related risks.	AASB S2 is broadly consistent with recommended disclosure b). The risk management disclosure requirements in AASB S2 focus on an entity providing information about the processes it uses to identify, assess, prioritise and monitor climate-related risks and opportunities . ³
Recommended Disclosure c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the entity's overall risk management.	AASB S2 is broadly consistent with recommended disclosure c). AASB S2 requires additional disclosures on the extent to which, and how, the processes an entity uses to identify, assess, prioritise and monitor opportunities are integrated into and inform the entity's overall risk management process.

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³ Information that enables users of general purpose financial reports to understand an entity's strategy for managing risks and opportunities is required by the strategy disclosure requirements of AASB S2.



Metrics and targets

TCFD Recommendations, Recommended Disclosures and Guidance	AASB S2 <i>Climate-related Disclosures</i>
<p>Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>	<p>Metrics and targets Disclose information that enables users of general purpose financial reports to understand an entity's performance in relation to its climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation.</p>
<p>Recommended Disclosure a) Disclose the metrics used by the entity to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>	<p>AASB S2 requires the same categories of cross-industry metrics as the TCFD guidance.</p>

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Metrics and targets

TCFD Recommendations, Recommended Disclosures and Guidance	AASB S2 <i>Climate-related Disclosures</i>
<p>Recommended Disclosure b)</p> <p>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>	<p>AASB S2 is broadly consistent with recommended disclosure b). However, whereas the TCFD recommendations include the disclosure of Scope 1 and Scope 2 GHG emissions ‘independent of materiality’, and Scope 3 GHG emissions ‘as appropriate’, AASB S2 requires an entity to disclose information only if it is material.⁴</p> <p>AASB S2 requires additional disclosures related to an entity’s GHG emissions, including:</p> <ul style="list-style-type: none"> • separate disclosure of Scope 1 and Scope 2 GHG emissions for (1) the consolidated accounting group, and (2) associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group; • disclosure of Scope 2 GHG emissions using a location-based approach and providing information about any contractual instruments that is necessary to inform users’ understanding; • disclosure of Scope 3 GHG emissions, including additional information about the entity’s financed emissions if the entity has activities in asset management, commercial banking or insurance; and • information about the measurement approach, inputs and assumptions the entity has used in measuring Scope 3 GHG emissions. <p>AASB S2 also sets out a Scope 3 measurement framework to provide guidance for preparing Scope 3 GHG emissions disclosures.</p> <p>AASB S2 does not explicitly require an entity to disaggregate its GHG emissions disclosures by the constituent gases. However, Appendix D to AASB S2 includes requirements on disaggregation that would result in the disclosure of the constituent gases being required if such disaggregation provides material information.</p>

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⁴ The TCFD provided guidance to support entities in developing climate-related financial disclosures consistent with the recommendations and recommended disclosures it published in 2017. In 2021 the TCFD updated its guidance *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures* to encourage entities to disclose information about Scope 1 and Scope 2 GHG emissions independent of an assessment of materiality.



Metrics and targets

TCFD Recommendations, Recommended Disclosures and Guidance	AASB S2 <i>Climate-related Disclosures</i>
<p>Recommended Disclosure c)</p> <p>Describe the targets used by the entity to manage climate-related risks and opportunities and performance against targets.</p>	<p>AASB S2 is broadly consistent with recommended disclosure c).</p> <p>AASB S2 differs from the TCFD guidance in, for example, requiring disclosures about how the latest international agreement on climate change has informed the target and whether the target has been validated by a third party.</p> <p>AASB S2 requires disclosure of more detailed information on GHG emissions targets, including additional information about an entity's planned use of carbon credits to achieve its net GHG emissions targets.</p> <p>AASB S2 also includes additional requirements to disclose information about the approach to setting and reviewing each target, and how the entity monitors progress against each target, including whether the target was derived using a sectoral decarbonisation approach.</p>

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