



Project:	Climate-related Financial Disclosures	Meeting:	June 2026 (M221)
Topic:	Implementation Monitoring	Paper:	6.1
		Date of paper:	4 June 2026
Contacts:	Ao Li ali@asb.gov.au Jamie Cattell jcattell@asb.gov.au Lachlan McDonald-Kerr lmcdonald-kerr@asb.gov.au Charis Halliday challiday@asb.gov.au	Project Priority:	High
		Decision Making:	Medium
		Project Status:	Update on implementation monitoring activities

Objective

- 1 The objective of this paper is to provide the Board with an update on implementation monitoring activities relating to AASB S2 *Climate-related Disclosures* undertaken to inform future implementation support activities.

Structure

- 2 This paper is structured as follows:
 - (a) Executive Summary
 - (b) [Section 1](#): Background
 - (c) [Section 2](#): AASB S2 Implementation Advisory Panel
 - (d) [Section 3](#): Summary of market observations on the first wave of AASB S2 reporting
 - (e) [Section 4](#): Summary of staff observations on the first wave of AASB S2 reporting
 - (f) [Section 5](#): Next steps
 - (g) [Appendix A](#): Methodology for evidence collection and assessment

Executive Summary

- 3 In line with the AASB's commitment to prioritising support for the implementation of AASB S2, staff have undertaken a range of activities to monitor implementation progress to inform future implementation support that may assist entities when applying AASB S2 to provide consistent, comparable and decision-useful information.
- 4 The implementation monitoring activities have involved convening the AASB S2 Implementation Advisory Panel and obtaining evidence on the implementation progress of Australian entities, by considering market commentary published by external parties, facilitating Board engagement with practitioners and gathering data from the climate-related disclosures of entities that have reported in accordance with AASB S2.

- 5 The implementation monitoring activities indicate that reporting practices are expected to continue to develop over time, reflecting the current early stage of implementation.
- 6 Staff particularly note [ASIC's early observations](#) based on a review of a subset of the first wave of reports with the aim of assisting other reporting entities as they approach the 30 June 2026 reporting season. ASIC noted that, in general, there is an increase in the quantity and quality of climate-related financial information in the market compared to previous voluntary climate-related disclosures and that standardised requirements are driving greater consistency and comparability. ASIC has also identified some specific opportunities to strengthen the quality of reporting.
- 7 Staff intend to continue prioritising implementation support and monitoring activities to support entities in providing consistent, comparable and decision-useful information over time and will use the observations in this paper, together with Board feedback, to inform future implementation support activities. These activities may:
- (a) take a range of forms including webinars, in-person training and written materials, such as FAQs.
 - (b) involve updating existing materials, improving their accessibility, providing feedback to the ISSB on the need for internationally applicable materials, or developing Australian-specific materials, as appropriate.

Section 1: Background

- 8 The [AASB S2: Implementation Support](#) project plan outlines how the AASB intends to support implementation as Australian entities commence a phased approach to mandatory reporting from 1 January 2025.
- 9 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 (refer to [Section 2](#)); and
 - (b) obtaining evidence on the implementation progress of Australian entities.
- 10 To facilitate obtaining evidence on the implementation progress of Australian entities, staff have adopted two complementary approaches. Specifically, staff have observed the emerging reporting practices from the first wave of AASB S2 reporting by:
- (a) considering market commentary published by external parties and facilitating Board engagement with practitioners (refer to [Section 3](#)); and
 - (b) gathering data from the climate-related disclosures of 33 Group 1 listed entities with 31 December 2025 financial year ends that have reported in accordance with AASB S2 (refer to [Section 4](#)).
- 11 This paper provides an update on implementation monitoring activities to inform future implementation support activities during this early period of implementation that may assist entities when applying AASB S2 to provide consistent, comparable and decision-useful information.

Section 2: AASB S2 Implementation Advisory Panel

- 12 The AASB S2 Implementation Advisory Panel (IAP) was established to:
- (a) enable the Australian member of the ISSB's Transition Implementation Group on IFRS S1 and IFRS S2 (ISSB TIG) to hear from a range of Australian stakeholders to inform their input to the ISSB TIG; and

- (b) provide a forum for stakeholders to raise implementation questions on Australian-specific issues; and
 - (c) inform the AASB's assessment of whether action is needed to address such issues in implementing AASB S2.
- 13 Since establishment, the IAP has held four meetings, providing a forum for the Australian member of the ISSB TIG to hear from other IAP members and to inform their input to the ISSB TIG. No Australian-specific issues have been raised that meet the criteria for the IAP's consideration to date. Staff have responded to submissions where appropriate through various actions such as developing new FAQs or referring matters to other government agencies where they fall outside the AASB's remit, with all submissions recorded in the publicly available [submissions log](#).
- 14 On the basis that there have not been any implementation questions on Australian-specific issues raised with the IAP, staff conclude that this mechanism for monitoring implementation has not identified any implementation issues for further analysis in this paper.
- 15 Staff intend to continue to use the IAP as a mechanism to monitor for potential Australian-specific issues and Staff continue to monitor discussions of the ISSB TIG for implementation issues raised internationally that may have relevance in the Australian context.

Section 3: Summary of market observations on the first wave of AASB S2 reporting

- 16 This section provides observations drawn from market commentary on the first wave of AASB S2 reporting practices and Board engagement with practitioners, which complement other implementation monitoring activities.
- 17 Staff have facilitated Board engagement with practitioners, providing direct insight into the implementation experiences of Australian stakeholders. Recent engagement has occurred through:
- (a) participation in targeted AASB events focused on implementation experiences, including:
 - (i) the April 2026 International Forum of Accounting Standard Setters meeting;
 - (ii) the November 2025 AASB S2 Sustainability Research Forum; and
 - (iii) a practitioner-focused event in May 2026 involving senior assurance practitioners from professional service firms and international standard setters.
 - (b) dedicated discussions at AASB Board meetings.
- 18 In addition to these structured engagements, Board members receive feedback on AASB S2 implementation through their ongoing interactions with stakeholders.
- 19 Staff reviewed a selection of publicly available reporting insights material issued by professional services firms and one industry body (referred to herein as market commentary), including:
- (a) KPMG – [AASB S2 First Impressions: Early findings from the first wave of AASB S2 sustainability reporters in Australia](#);
 - (b) PwC – [AASB S2 unpacked: how did Australia's Group 1 climate reporting fare?](#)
 - (c) Deloitte – [Early insights into Wave 1 of Australian Climate reporting](#)
 - (d) Grant Thornton – [Early insights from the first sustainability reports](#)
 - (e) AICD – [Board insights from Australia's first mandatory climate disclosures](#)
- 20 Staff also reviewed the [early observations from ASIC](#) on the first sustainability reports prepared by Group 1 entities with financial years ending 31 December 2025.
- 21 These publications are based on different samples and methodologies than those applied by AASB staff and reflected in Section 4 of this paper. Accordingly, the observations are not directly

comparable and should be viewed as additional contextual information about emerging-market views. The findings are largely thematically consistent with discussions during Board engagement with practitioners and AASB staff observations.

- 22 Across the publications reviewed, several recurring themes were identified relevant to the application of AASB S2 requirements.
- (a) **Variability in this first wave of reporting practices** – Market commentary observes significant variation in report length, structure, presentation and depth of disclosure. This includes variation in the number of climate-related risks and opportunities disclosed, the extent of quantification, the design of scenario analysis, the treatment of voluntary information and the use of cross-referencing. Several publications note that this variability is expected in the early years of mandatory reporting and practices will mature over time.
 - (b) **Report structure and readability** – Market commentary notes that entities adopted different approaches to structuring and presenting their reports, including stand-alone reports and sustainability report sections within annual reports. Reports commonly use tables to present climate-related risks and opportunities, time horizons, responses and financial effects. Structured tables, diagrams and indices are generally considered to support navigability. Some market commentary also observes that longer reports did not necessarily provide clearer information where disclosures of material information were not clearly distinguished from broader voluntary sustainability content.
 - (c) **Identification of climate-related risks and opportunities** – Market commentary observes variation between entities that disclosed a broad range of climate-related risks and opportunities and those that disclosed a more targeted set of risks and opportunities. Climate-related opportunities were noted to be disclosed less consistently than risks and some market commentary highlighted a subset of entities that did not identify any climate-related opportunities.
 - (d) **Time horizons** – Market commentary identifies diversity in how entities defined short-, medium- and long-term time horizons and the extent to which disclosures of those time horizons explained the link to strategic planning cycles.
 - (e) **Scenario analysis** – Market commentary highlights that scenario analysis was commonly based on recognised external pathways, including the Intergovernmental Panel on Climate Change (IPCC), Network for Greening the Financial System (NGFS) and International Energy Agency (IEA) scenarios. Market Commentary notes variation in the extent to which scenario analysis was qualitative or quantitative, the number of scenarios used, the temperature outcomes selected and the clarity of explanation of their relevance to assessing resilience.
 - (f) **Anticipated financial effects** – Market commentary notes that disclosure of anticipated financial effects remains an area of developing practice. Market commentary generally observes that disclosures all provided qualitative information, with some entities providing quantitative information for selected risks and opportunities, including quantitative information linking to assumptions, sensitivities, capital expenditure plans or financial statement line items. Some market commentary identifies measurement uncertainty, materiality judgements, difficulty separating climate-related effects from broader business drivers and the application of proportionality mechanisms as common explanations for not providing quantitative disclosure.
 - (g) **GHG emissions and transition relief** – Market commentary observes that many entities applied first-year transition relief for Scope 3 GHG emissions. A subset of entities nevertheless provided voluntary Scope 3 information. Market commentary identifies Scope 3 GHG emissions as an area where reporting will continue to develop in future reporting cycles. Some market commentary also notes the importance of clearly distinguishing voluntary Scope 3 GHG emissions information from information prepared in accordance with AASB S2.

23 ASIC has published [observations](#) based on a review of a subset of the first wave of reports with the aim of assisting other reporting entities as they approach the 30 June 2026 reporting season. ASIC noted that, in general, there is an increase in the quantity and quality of climate-related financial information in the market compared to previous voluntary climate-related disclosures and that standardised requirements are driving greater consistency and comparability. ASIC has identified the following opportunities to strengthen the quality of reporting:¹

- *Disclaimers that conflict with the statutory framework and objectives of Chapter 2M sustainability reporting may confuse or mislead and are not permitted to be used.*
- *The ‘reasonable and supportable’ information available to entities to identify climate-related risks includes information about ‘past events, current conditions and forecast future conditions.’*
- *Reports should provide clear, effective and proximate disclosure of relevant judgements, assumptions and areas of measurement uncertainty.*
- *The disclosure of additional climate-related information must not obscure material climate-related financial information.*
- *When cross-referencing information outside the sustainability report, entities must ensure they meet disclosure requirements.*
- *When determining whether an entity has a ‘climate-related target’, 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.*

Section 4: Summary of staff observations of the first wave of AASB S2 reporting

- 24 This section provides an overview of staff observations from the first wave of mandatory climate-related disclosures, as labelled by entities, by 33 Group 1 listed entities with 31 December 2025 financial year ends (the ‘observed disclosures’).
- 25 Staff observations were performed by developing, testing and applying a systematic approach to collecting, analysing and synthesising climate-related disclosures. Information on the methodology supporting the staff observations is provided in [Appendix A](#).
- 26 The observations are not intended to assess compliance with AASB S2 requirements. Rather, they are focused on identifying emerging reporting practices. Reporting in accordance with AASB S2 will continue to evolve and as such, mature or steady-state reporting outcomes are likely to differ from early reporting practices.
- 27 The observations focus on the following aspects of AASB S2 disclosures:
- (a) Identification of climate-related risks and opportunities
 - (b) Time horizons
 - (c) Climate resilience
 - (d) Anticipated financial effects
 - (e) Greenhouse gas (GHG) emissions
 - (f) Other areas

1 [ASIC issues early observations on sustainability reporting ahead of 30 June 2026 | ASIC](#)

Identification of climate-related risks and opportunities

- 28 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.²
- 29 Among the observed disclosures, all 33 entities reported at least one climate-related risk, with an average of approximately five risks identified per entity. The number of risks disclosed by individual entities ranged from one to 15. Specifically:
- (a) 32 entities (97%) identified at least one physical risk, averaging 1.79 risks per entity, with reported risks ranging from one to six per entity. The disclosures predominantly focus on asset protection, operational continuity and business resilience, with the most observed themes including:
 - (i) exposure to acute extreme weather events, such as floods, storms, cyclones, bushfires and heatwaves;
 - (ii) direct damage to assets and infrastructure, particularly for asset-intensive and location-specific operations;
 - (iii) operational disruption, including downtime and interruptions to service delivery;
 - (iv) supply chain disruption, reflecting indirect exposure through suppliers, logistics and transport networks;
 - (v) chronic climate stressors, including heat stress, water scarcity, drought and sea level rise; and
 - (vi) health, safety and workforce impacts, often linked to extreme heat and severe weather events.
 - (b) 33 entities (100%) reported at least one climate-related transition risk. On average, each entity disclosed 3.44 transition risks, with a range of one to 12 per entity. The predominant transition risk themes observed are:
 - (i) policy and regulatory change, including emissions reduction requirements and evolving climate-related regulation;
 - (ii) cost increases associated with compliance, decarbonisation and transition activities;
 - (iii) market and customer demand shifts, particularly reduced demand for emissions-intensive products;
 - (iv) technology substitution and disruption, including the risk of obsolescence of existing assets or products;
 - (v) asset stranding and capital reallocation, linked to longer-term transition pathways;
 - (vi) access to capital and financing conditions, including cost of capital considerations; and
 - (vii) legal, liability and reputational pressures, often described as amplifying other transition risks.
- 30 26 entities (79%) disclosed at least one climate-related opportunity, with an average of 1.85 opportunities per entity and a range of one to four opportunities each. AASB S2 relieves an entity from disclosing information about a climate-related opportunity if that information is commercially sensitive under specific circumstances. If an entity elects to use this exemption, the entity is required to disclose the fact that it has used the exemption. The most observed opportunity themes relate to:

- (a) market and demand-driven growth, with opportunities arising from increasing demand for low-carbon products, services and transition solutions, especially within the energy materials, financial services and infrastructure sectors;
- (b) energy transition opportunities, focusing on supporting energy transition through infrastructure, transition technologies and new energy products and fuels;
- (c) operational efficiency and cost optimisation, focusing on energy efficiency, a better energy mix and operational changes that reduce emissions—benefiting both cost and resilience;
- (d) portfolio diversification and resilient assets, involving strategic investment in transition-aligned, climate-resistant assets to protect long-term value and limit high-carbon exposure;
- (e) investment and sustainable finance opportunities, such as access to sustainability-linked debt, lower cost of capital and sustainability-focused investors;
- (f) innovation and capability development signalling a strategic focus on future value; and
- (g) mentions of new technologies, services and infrastructure highlight long-term positioning and value creation.

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.³ An entity determines what constitutes a climate-related risk or opportunity based on its facts and circumstances.

Entities often have well-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;⁴ 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.⁵

Staff note [ASIC's early observations](#) that "The 'reasonable and supportable' information available to entities to identify climate-related risks includes information about 'past events, current conditions and forecast future conditions.'" The AASB has also 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 its 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](#) which contains examples of applying AASB S2 and related materials to identify climate-related risks and opportunities in Appendix A.

Time horizons

- 31 AASB S2 requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity over the short-, medium- or long-term. AASB S2

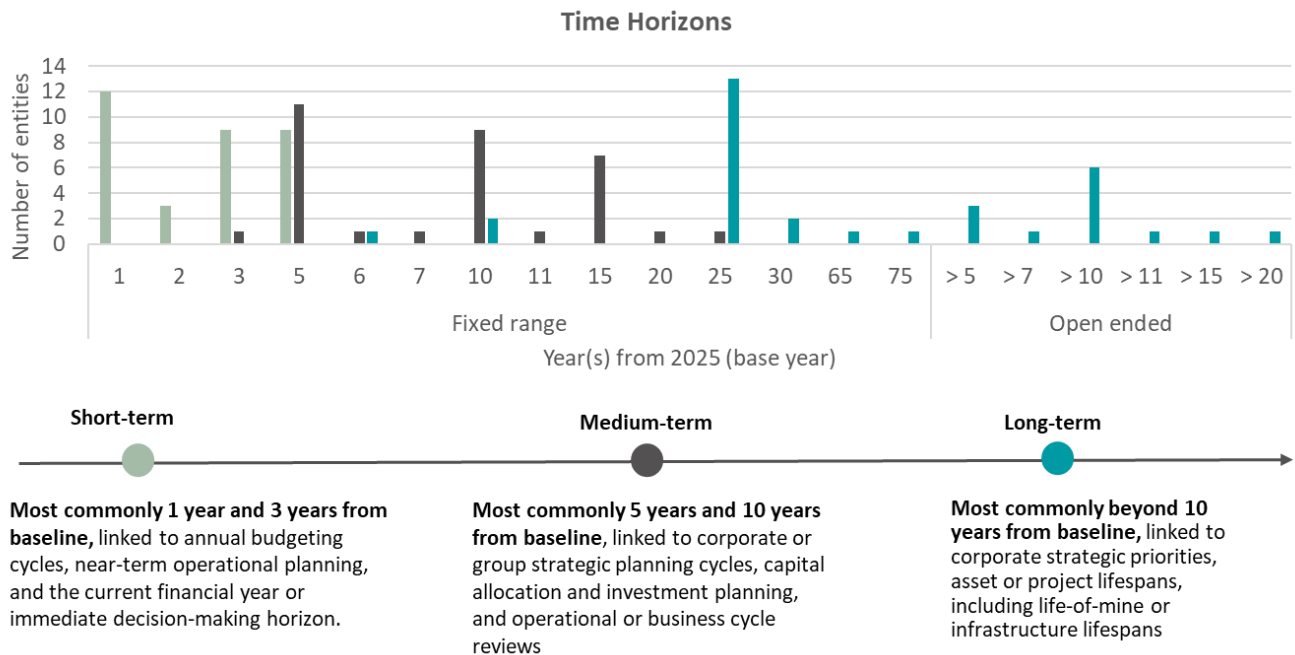
3 [AASB S2 Appendix D paragraph B2](#)

4 [AASB S2 paragraph 11](#)

5 [AASB S2 paragraph B34](#)

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.⁶

32 Staff observed variation in how time horizons are defined. 25 entities (76%) used fixed cut-off years, typically aligned with target dates or planning horizons such as 2030, 2040 or 2050. Eight entities (24%) used rolling time windows, for example, defining short-, medium- and long-term horizons as 1–5 years or 5–10 years.⁷



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

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 always clear. For example, long-term time horizons were sometimes associated with extended climate targets without clearly explaining how these targets align with the entity’s strategic planning cycle.

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.

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

7 To support analysis across entities, disclosed time horizons were standardised using 2025 as the baseline year with the number of years representing the endpoint of the time horizon. For example, a 1-year time horizon has an endpoint of 2026 and a 5-year time horizon has an endpoint of 2030.

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

Climate Resilience

- 33 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.⁹ 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.¹⁰ Entities that are required to prepare a sustainability report under the *Corporations Act 2001* must consider the requirements within the Act, including those related to scenario analysis.¹¹
- 34 32 entities (97%) applied the same time horizons for the period over which the effects of each of climate-related risks and opportunities could reasonably be expected to occur and when performing scenario analysis. One entity explicitly disclosed using different time horizons for its scenario analysis and climate-related risks and opportunities.
- 35 29 entities (88%) conducted the analysis in 2025. Three entities (9%) disclosed that they relied on scenario analysis carried out in 2024 to assess their climate resilience. One entity (3%) disclosed that its scenario analysis was performed immediately after the end of the 2025 reporting period (i.e. in January 2026).
- 36 Across the observed disclosures, the most frequently referenced scenario source areas were as follows:
- (a) The IPCC is referenced by 25 entities (76%), primarily through its scenario frameworks—the Shared Socioeconomic Pathways (SSPs) and Representative Concentration Pathways (RCPs).
 - (b) The NGFS is referenced by 18 entities (55%), most often for transition pathway analysis. The NGFS develops climate scenario pathways designed for financial risk assessment, including Orderly, Disorderly and Hot House World scenarios.
 - (c) IEA scenarios are referenced by 14 entities (42%), most commonly through the Current Policies, Stated Policies and Net Zero Emissions pathways. The IEA develops energy-system scenarios as part of its *World Energy Outlook*, including the Current Policies Scenario (CPS), Stated Policies Scenario (STEPS) and Net Zero Emissions (NZE) pathway.
 - (d) Australian Energy Market Operator (AEMO) scenarios are referenced by four entities (12%) in relation to transition risks, reflecting the use of Australia-specific energy-system pathways. AEMO develops national energy scenarios through its Integrated System Plan (ISP), including Step Change, Slower Change (or Slower Growth), Accelerated Transition and related variants.
- 37 All 33 entities indicated whether the climate-related scenario used is associated with transition risks or physical risks.
- 38 Across the observed disclosures, various approaches were used to refer to the scenarios explored. This includes different ways that the SSP/RCP pairings¹² are presented, the associated temperature outcomes of the scenarios (including whether temperature outcomes are expressed as a single value

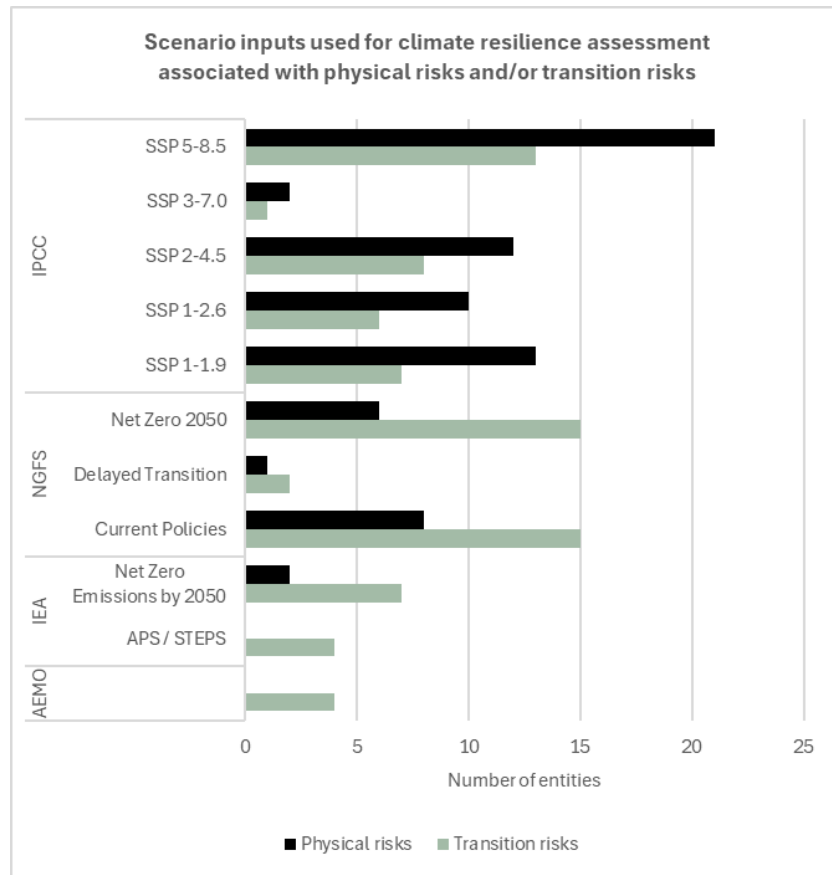
9 [AASB S2 paragraph 22](#)

10 [AASB S2 paragraph B1](#)

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

12 For example, the SSP-RCP scenarios (sometimes referred to as the 'SSPX-Y scenarios') combine the baseline SSPs with RCP scenarios. Further details available here: [Intergovernmental Panel on Climate Change SSP-RCP scenarios | Ministry for the Environment](#)

or a range), any relevant scenario names (e.g. Hot House World), descriptions, as well as the inclusion of other details or considerations. The chart below does not illustrate the full diversity of that presentation. It exhibits the most commonly used scenario inputs for climate resilience assessment associated with climate-related physical risks and transition risks, respectively.



Staff Commentary

An entity discloses its assessment of its climate resilience to enable users to understand:

- implications for its strategy and business model, including how it would need to adjust or adapt to the effects identified through its assessment;
- significant areas of uncertainty considered; and
- its capacity to adjust or adapt its strategy and business model over the short, medium and long term.¹³

An entity also discloses how and when the scenario analysis that was used to inform its assessment was carried out, including information about why the entity decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties.¹⁴

The AASB has published educational material on [climate resilience and climate-related scenario analysis requirements in AASB S2](#), 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](#).

13 [AASB S2 paragraph 22\(a\)](#)

14 [AASB S2 paragraph 22\(b\)](#)

Anticipated financial effects

- 39 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.¹⁵
- 40 In preparing 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.¹⁶
- 41 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.¹⁷
- 42 Across the observed disclosures information about anticipated financial effects was as follows:
- (a) 33 entities (100%) provide qualitative disclosures for climate-related risks and opportunities identified, consisting of narrative descriptions of the nature and, at times, direction of anticipated financial effects without numerical estimates.
 - (b) 21 entities (64%) provide some quantification of selected climate-related risks and opportunities.¹⁸
- 43 Among entities that did provide quantification, approaches varied including:
- (a) absolute monetary amounts – financial effects expressed in discrete dollar values (e.g. \$X for items such as capital expenditure, energy costs, insurance premiums, etc.);
 - (b) percentage-based measures – financial effects expressed in relative values (e.g. X% change in revenue, operating costs, profit, project NPV, etc.); and
 - (c) range-based measures – financial effects expressed in upper–lower bound values (e.g. \$X–\$Y in revenue, operating costs, etc.).

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.

15 [AASB S2 paragraphs 15–21](#)

16 [AASB S2 paragraph 18](#)

17 [AASB S2 paragraphs 19–20](#)

18 This includes entities that completed a quantification process and disclosed that they concluded that there was no anticipated financial effect.

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 AASB has published educational material on [disclosing information about anticipated financial effects](#). 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

- 44 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.¹⁹
- 45 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.²⁰ Across the observed disclosures, 28 entities (85%) selected the control approach—specifically, two entities selected the financial control approach and 26 selected the operational control approach. Five entities (15%) selected the equity share approach.
- 46 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.²¹ Accordingly, if an entity is required by an Australian authority (e.g. Australian legislation) 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 disclosure in accordance with AASB S2 (hereafter, jurisdictional relief). Among the 33 entities observed, 17 (52%) were NGER reporters and 10 entities (59% of the NGER reporters observed) applied the jurisdictional relief.
- 47 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.²² Across the observed disclosures this transition relief was applied by 30 entities (91%) as identified by an explicit statement of application. Nonetheless, eight of these 30 entities voluntarily reported scope 3 GHG emissions information while acknowledging application of the transition relief.
- 48 In addition to the above, the following GHG emissions-related observations are noted:
- (a) seven entities (21%) early adopted AASB S2 2025-1 *Amendments to Greenhouse Gas Emissions Disclosures*;²³ and
 - (b) 13 entities (39%) disclosed market-based Scope 2 emissions in addition to location-based emissions. AASB S2 requires information to be disclosed about contractual instruments if it is material information which could include market-based emissions.

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

20 [AASB S2 paragraph B27](#)

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

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

23 [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.

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.²⁴ AASB S2 permits required disclosures to be presented alongside other information.²⁵ 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 [ASIC's early observations](#) that "The disclosure of additional climate-related information must not obscure material climate-related financial information".

Other areas

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

- (a) **Climate-related targets:** 18 entities (55%) disclosed quantitative climate-related targets and these targets are associated with GHG emissions. Where targets are disclosed, they vary in scope and specificity, reflecting differences in factors such as business models, emissions profiles and reporting maturity.

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.²⁶ The AASB has 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.

Staff note [ASIC's early observations](#) that "When determining whether an entity has a 'climate-related target', 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."

- (b) **Presentation of climate-related disclosures:**

- (i) 28 entities (85%) presented climate-related disclosures within their annual reports;
- (ii) the length of climate-related disclosures averaged about 28 pages, with a range from 7 to 79 pages;²⁷
- (iii) 31 entities (94%) organised their climate-related disclosures following the four-pillar sequence (i.e. Strategy, Governance, Risk management and Metrics and targets) while two entities followed a bespoke structure;
- (iv) 16 entities (48%) provided information required by AASB S2 by cross-referencing to another report published by the entity, for example Corporate Governance Statements, Remuneration Reports and Financial Statements.

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

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

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

27 Total page count inclusive of mandatory climate-related disclosures, index tables, appendices and directors' declaration (excluding auditor's report and auditor independence declaration).

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.²⁸

Staff note [ASIC's early observations](#) that "When cross-referencing information outside the sustainability report, entities must ensure they meet disclosure requirements."

Section 5: Next steps

- 50 The implementation monitoring activities indicate that reporting practices are expected to continue to develop over time, reflecting of the current early stage of implementation.
- 51 Staff intend to continue prioritising implementation support and monitoring activities to support entities in providing consistent, comparable and decision-useful information over time and will use the observations in this paper, together with Board feedback, to inform future implementation support activities. These activities may:
- (a) take a range of forms including webinars, in-person training and written materials, such as FAQs.
 - (b) involve updating existing materials, improving the accessibility of existing materials, providing feedback to the ISSB on the need for internationally applicable materials, or developing Australian-specific materials, as appropriate.
- 52 Staff are seeking Board feedback on this implementation monitoring update, including to better understand whether:
- (a) the observations in this paper on emerging reporting practices are consistent with Board members' experiences; and
 - (b) there are any additional specific aspects of disclosures staff should include in future implementation monitoring to inform implementation support activities that may assist entities when applying AASB S2 to provide consistent, comparable and decision-useful information.

QUESTIONS TO THE BOARD:

Q1: Do Board members have feedback on:

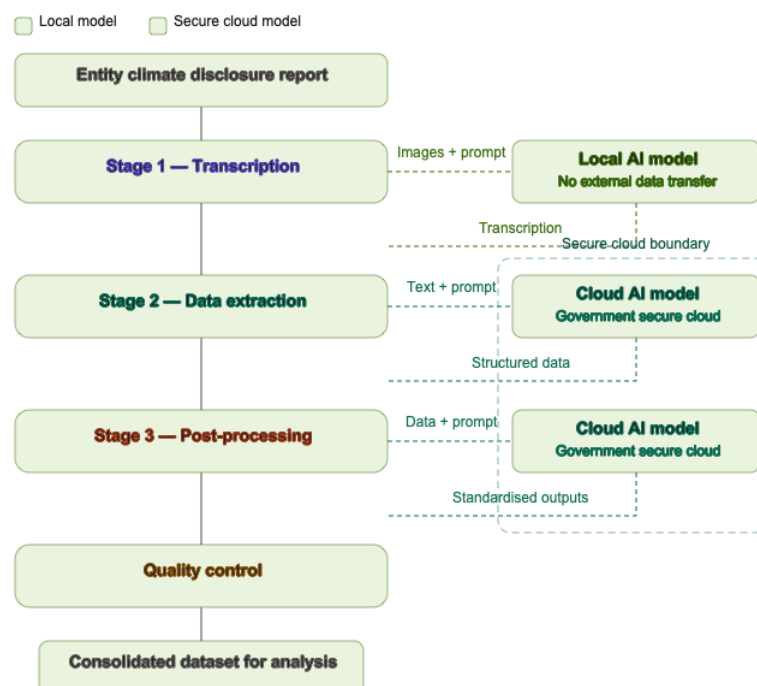
- (a) whether the observations are consistent with Board members' experiences?
- (b) whether there are any additional specific aspects of disclosures staff should consider in future analyses of reporting practice to inform implementation support activities?
- (c) any other aspects of this paper?

Appendix A: Methodology for evidence collection and assessment

- A1. This section outlines the methodology used to extract and analyse structured disclosure datapoints from climate-related disclosures prepared in accordance with AASB S2 by 33 Group 1 publicly listed entities with a financial year ending 31 December 2025.
- A2. Evidence collection and analysis followed a structured approach aligned to specific AASB S2 requirements. Disclosures within each report were identified and mapped to relevant requirements. Staff reviews and AI data extraction ran in parallel and were cross-checked to ensure reliability, consistency, efficiency and analytical depth and robustness:
- (a) Staff observed the mandatory climate-related disclosures (as labelled by entities), mapping them to the requirements of AASB S2. Judgement was exercised to determine the disclosure type for specific topics, such as identifying whether anticipated financial effects were presented qualitatively or quantitatively, evaluating the basis for quantifying financial effects and identifying references to any limitations, uncertainties and proportionality considerations. Staff assessments served to inform prompts for AI-assisted extraction and analysis.
 - (b) 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 and organise content, not to interpret, generate, or infer any additional information. Staff reviewed and validated outputs, particularly where disclosures were complex or dispersed.
- A3. Running staff-led and AI-assisted workflows in parallel during the analysis enabled testing at a small scale and provided insight into how the approach could be expanded to broader reporting populations over time.

Method and Design

- A4. Staff employed a three-stage artificial intelligence (AI) 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

- A5. The following limitations apply to this analysis, together with the steps taken to address their effect:
- (a) **Differential accuracy by datapoint type:** accuracy was higher for datapoints requiring reproduction of explicit content than for those requiring interpretive judgement. Datapoints in the latter category — particularly those relating to the quantification of anticipated financial effects of climate-related risks and opportunities — were considered indicative and have not been included in this paper but are noted as areas for future work.
 - (b) **Terminology variation:** entities might use varied or non-standard terminology to describe disclosures that address the same requirement under AASB S2. Where an entity's language differed significantly from that anticipated by the extraction prompt, the model might not have identified the relevant content. This risk is partially mitigated by the iterative prompt refinement process, which was designed in part to address known instances of terminology variation identified during test runs.
 - (c) **Transcription accuracy:** the image-based transcription process might not perfectly reproduce page content where document layouts are highly complex, text is overlaid on images, or document quality is variable. Any transcription error might affect the accuracy of subsequent data extraction. This risk is considered low for the formal, professionally published reports included in the sample; and
 - (d) **Scope of analysis:** the analysis is intended to support Board discussions relating to AASB S2 implementation support and monitoring by providing observations about entities' disclosure practices based solely on observing the content of their climate-related disclosures. The analysis does not assess an entity's compliance with the requirements of AASB S2 or applicable legislative requirements under the Corporations Act 2001. Rather, the analysis was designed to identify emerging reporting trends, areas of diversity in practice and potential areas where further implementation support may assist entities in the early stages of reporting.