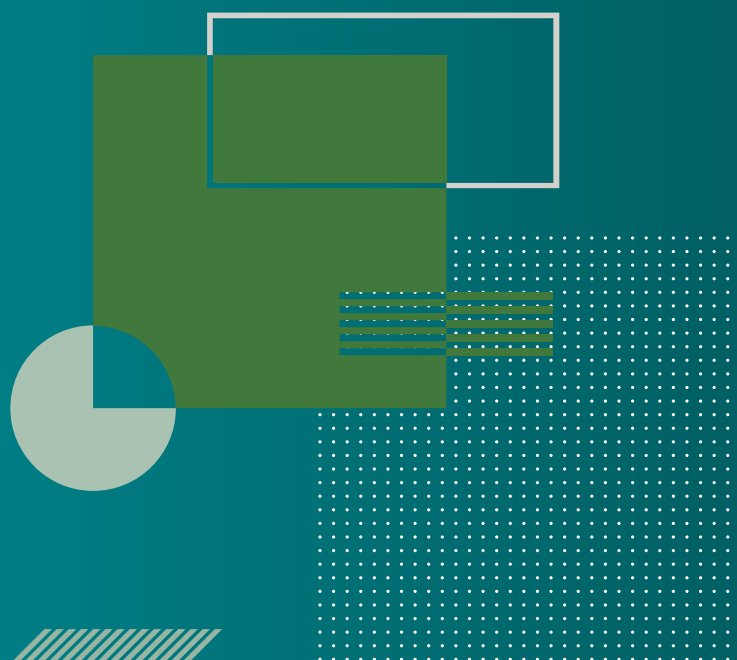




Australian Government

Australian Accounting Standards Board

Proportionality Mechanisms in AASB S2



September 2025 

What are proportionality mechanisms?

Proportionality mechanisms help entities with different levels of capabilities and preparedness to apply AASB S2.

Proportionality mechanisms address key challenges for specific disclosure requirements in [AASB S2 Climate-related Disclosures](#) that entities might face related to:

- resource constraints;
- data availability;
- specialist availability.



Proportionality mechanisms do not exempt entities from providing disclosures, nor introduce additional disclosure requirements

Proportionality mechanisms support entities in:

- providing disclosures for specific requirements where there might be a high level of judgement or uncertainty;
- applying the specific requirements in a way that is proportionate to an entity's circumstances.

Proportionality mechanism # 1

*Use all **reasonable** and **supportable** information that is available to the entity at the reporting date without **undue cost** or **effort***

Proportionality mechanism # 2

*Commensurate with the **skills**, **capabilities** and **resources** that are available to the entity*

Application of proportionality mechanisms in AASB S2

AASB S2 requirements	Reasonable and supportable information available without undue cost or effort	Commensurate with the skills, capabilities and resources that are available to the entity
Identification of climate-related risks and opportunities	✓	
Scope of the value chain	✓	
Anticipated financial effects	✓	✓
Approach to climate-related scenario analysis	✓	✓
Measurement of Scope 3 greenhouse gas emissions	✓	
Metrics in cross-industry metric categories	✓	

Proportionality mechanism # 1

Use all **reasonable** and **supportable information** that is available to the entity at the reporting date without **undue cost or effort**

The proportionality mechanism:

- clarifies the information that an entity is required to use in preparation of its climate-related financial disclosures in circumstances when this mechanism applies, it establishes parameters for:
 - the type of information to consider ('reasonable and supportable information that is available at the reporting date'), emphasising that an entity is required to use relevant and appropriate information;
 - the effort required to obtain such information ('without undue cost or effort'), highlighting that an entity is not required to undertake exhaustive searches for information.



An entity will need to assess what constitutes undue cost or effort in obtaining information. The assessment depends on an entity's specific circumstances and requires a balanced consideration of the costs and efforts for the entity and the benefits of the resulting information for users.

Proportionality mechanism # 2

Commensurate with the **skills, capabilities** and **resources** that are available to the entity

The proportionality mechanism:

- helps an entity to apply specific requirements in a way that is proportionate to its circumstances;
- is applied in two ways to specific requirements such that an entity is:
 - required to use an approach that is commensurate with its circumstances, including the skills, capabilities and resources available to it in meeting a requirement; and/or
 - permitted to adjust the information to be provided when meeting a specific disclosure requirement if the entity does not have the skills, capabilities or resources to provide particular information.

Application

Climate-related scenario analysis

An entity can undertake a simpler approach such as qualitative scenario analysis, if such an approach is appropriate to the entity's circumstances, which includes consideration of an entity's exposure to climate-related risks and opportunities and the skills, capabilities and resources available to the entity for such scenario analysis.

Anticipated financial effects

An entity does not need to provide quantitative information about the anticipated financial effects of a climate-related risk or opportunity if it does not have the skills, capabilities or resources to provide that quantitative information.



An entity's circumstances are likely to change over time, and so will its assessment of them

Disclaimer: This document is not part AASB S2 *Climate-related Disclosures* and does not add to or change the requirements in the Standard. It was developed to aid stakeholders' understanding of the Standard. This document has been developed in accordance with the current requirements set out in AASB S2.

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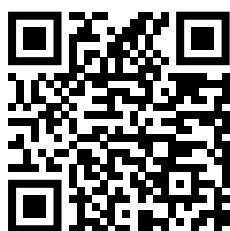
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