ASIC
Australian Securities & Investments Commission

ASIC's review of sustainability reports lodged for 31 December 2025

Report 839 | September 2026

About this report

This report sets out ASIC's observations from our review of sustainability reports lodged for the financial year ending 31 December 2025 and highlights key action items for reporting entities. It is for people who prepare, audit and use climate-related financial information.

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Executive summary

Australia's compulsory sustainability reporting requirements commenced in 2025 and aim to improve the quality, consistency and comparability of climate-related financial disclosures to enable people who use that information to make informed decisions. The requirements apply to large businesses and financial institutions required to prepare and lodge financial reports under the *Corporations Act 2001* (Corporations Act).

These new reporting requirements are being phased in over three years across three groups. The first group of reporting entities with financial years ending 31 December 2025 have now lodged their sustainability reports with ASIC. Since our early observations published in May 2026, an additional 53 sustainability reports have been lodged by entities with financial years ending 31 December 2025, bringing the total number of sustainability reports lodged by this cohort to 312.

We reviewed a sample of 40 sustainability reports lodged by both listed and unlisted entities. This report sets out eight key action items for reporting entities to improve climate-related disclosures. It also sets out our detailed observations and examples of better and less effective disclosure. We encourage reporting entities and their advisers to take these into account when preparing future sustainability reports.

On 24 August 2026, Treasury released a consultation paper on improving the efficiency of climate-related financial disclosures. ASIC supports measures that reduce regulatory burden while maintaining core sustainability reporting requirements. We will continue to engage with Treasury on the proposed reforms. The observations in this report provide reporting entities with timely and practical feedback to reduce regulatory uncertainty and to support improvement in the quality of climate-related information for users.

What we observed

Based on our review, we observed that **the quality, quantity and consistency of climate-related financial information in the market has increased** with the introduction of statutory sustainability reporting requirements (compared with disclosures previously made voluntarily). We observed entities identifying and disclosing more information about climate-related risks and opportunities. This includes unlisted companies, many of which have not disclosed climate-related financial information before. Generally, entities appear to have:

- complied with the basic requirements in the Corporations Act 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, and
- engaged in good faith with the disclosure requirements that apply under Australian Sustainability Reporting Standard AASB S2 *Climate-related disclosures* (AASB S2) and section 296D of the Corporations Act.

It appears that **statutory reporting has not only resulted in heightened transparency, but also more meaningful engagement by entities with climate-related risks and opportunities**. We saw examples of entities adapting or updating existing governance and risk management processes.

We observed **mixed practices relating to the application of certain aspects of AASB S2**. We observed clearer disclosures when the relevant disclosure requirement, and information provided in response, related to current matters (such as governance and risk management disclosure). There is opportunity for improvement in forward-looking disclosures and those underpinned by assumption or judgement – for example, aspects of strategy and metrics and targets disclosures.

We expect improvements over time, as more information becomes available across value chains, and as reporting practices converge and entities gain more experience.

We have outlined eight key action items for entities to consider when preparing sustainability reports. The action items include, and where relevant expand upon, the early observations that were published in our news item from May 2026.

Key action items for reporting entities

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.

ASIC’s ongoing approach to sustainability reporting

In the 2026–27 financial year, we will review a sample of sustainability reports lodged by Group 1 entities with financial years ending 30 June 2026. We will also continue engaging with large audit firms to understand the assurance methodologies adopted for sustainability reports.

We will continue to support the implementation of the sustainability reporting requirements through guidance, education and, where appropriate, regulatory relief and will provide updates to industry through our sustainability reporting webpage.

Our surveillance approach

We understand it will take time for sustainability reporting practices to evolve and mature.

The approach we have taken in our surveillance program is to balance this with the need for users to receive climate-related financial disclosures that help them make informed decisions.

Review sample

A total of 312 sustainability reports were lodged by reporting entities with a 31 December 2025 year end. We reviewed 40 of these reports, representing 13% of the reports lodged.

We selected sustainability reports of 20 listed entities and 20 unlisted entities and prioritised sectors with higher greenhouse gas emissions or higher exposure to climate-related risks and opportunities – for example, mining, utilities, manufacturing, banking and insurance: see Figure 1.

Of the 40 sustainability reports we reviewed, there were no associated audit reports containing modified opinions and two with emphasis of matter paragraphs. In both cases, the emphasis of matter paragraphs drew attention to the judgment made by directors of the relevant entities that no climate-related risks and opportunities could reasonably be expected to affect the entity's prospects. This is discussed further in the body of the report.

Figure 1: Overview of our review sample

Our methodology

For each entity selected, we completed a desktop analysis of its business model, assets and operations and historical disclosures (for example, annual reports and ASX announcements from previous years). We used analytical tools to understand each target entity's sector and organisational context, including its potential climate-related risks and opportunities over the short, medium and long term. We then conducted a desktop review of the sustainability report lodged with ASIC (including information cross-referenced in the report) and related information in the financial report.

We reviewed disclosures across the core content areas of AASB S2 – namely, governance, strategy, risk management, and metrics and targets. We also considered key overarching principles such as materiality and the general requirements for disclosure set out in Appendix D.

Through our review we considered whether the sustainability reports complied with the Corporations Act as well as:

- how entities approached their disclosures, and
- whether they provided sufficient information to help users make informed decisions.

We did not review the sustainability records of the entities or the audit files, or otherwise seek evidence to substantiate disclosures or the risks and opportunities identified.

Engagement with industry

We are engaging directly with certain entities to better understand the basis for their disclosures, particularly where our review identified specific disclosures that were unclear. We will provide feedback to those entities as required.

While we have powers to direct reporting entities to amend or explain the disclosures in a sustainability report, we did not identify any instances that warranted the use of these powers at this time, particularly while these requirements are being phased in.

We encourage entities, particularly those that are new to sustainability reporting, to continue to build their capability and to engage with the educational modules that have been developed by ASIC, in partnership with the Australian Accounting Standards Board (AASB), the University of Technology Sydney and educational design agency Studio 3 Learning. These are available on ASIC's sustainability reporting webpage. Industry should also consider the materials released by the AASB on the AASB S2 knowledge hub.

Governance and risk management

Objectives under AASB S2

Climate-related governance disclosure enables users of general purpose financial reports to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee climate-related risks and opportunities: paragraph 5.

Climate-related risk management disclosure provides information about an entity's processes 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: paragraph 24.

What we observed

Overall improvement in governance and risk management processes

We observed reporting entities within our sample disclosing that the introduction of the new statutory reporting requirements had prompted them to revisit, and in some cases update, their governance structures and internal climate risk identification and management processes. For example, across the sample, we saw that some entities had undertaken some or all of the following activities:

- appointed external consultants to assist with climate-related risk assessment
- reviewed and updated risk registers in light of identified climate-related risks, and/or
- revisited or updated systems and processes for overseeing climate-related risks and opportunities.

Generally, risk management disclosures clearly described the process the entity used to consider climate-related risks and opportunities, including the extent to which this was integrated with broader organisational risk management processes.

The majority of entities (67.5%) identified the board as the governance body responsible for overseeing climate-related risks and opportunities. This shows that climate-related risks and opportunities are being considered by directors as part of their core oversight function.

We also observed that **42.5% of entities** in our sample incorporated climate-related factors into executive remuneration in some way, suggesting the delivery of certain climate-related action is being incentivised.

Better disclosure practices: Use of diagrams and visual aids

Several reporting entities used diagrams and visual aids to describe processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities. This resulted in clear and effective disclosure for users of the report.

Disclosure of information about processes and policies to assess risk

Some entities did not provide sufficient information on how they assessed the nature, likelihood and magnitude of the effects of climate-related risks, which is required under paragraph 25(a)(iii). For example, they did not explain whether they had considered qualitative factors, quantitative thresholds or other criteria.

Less effective disclosure practices: Lack of supporting information about risks

A reporting entity disclosed its risk matrix (including ratings based on likelihood and consequence) and included a rating for climate-related physical and transition risks. But it did not provide a definition for likelihood and consequence. This reduced users' ability to understand the significance of the risks to the entity and how they had been assessed.

Wholly owned subsidiaries

Wholly owned subsidiaries that were a part of a larger, multi-national group did not always provide sufficient information for users to understand how the broader group's governance and risk management practices applied to the reporting entity. For example, they did not include information on whether any strategy, targets, risk assessment or climate governance processes set by a global parent entity were applicable at the domestic reporting entity level, or if they were, how.

Where disclosures can be improved

- Reporting entities should explain how they assess the nature, likelihood and magnitude of the effects of climate-related risks, consistent with the requirement in paragraph 25(a)(iii).
- Reporting entities that are a part of a larger corporate group should ensure that sufficient information is provided for users to understand how the broader group's governance and risk management practices apply to the reporting entity.

Strategy: Climate-related risks and opportunities

Objectives under AASB S2

Climate-related risk and opportunity disclosure helps users of general purpose financial reports understand the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects and its strategy for managing these: paragraph 8.

What we observed

Disclosure of climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects

Overall, the introduction of sustainability reporting appears to have increased the quantity and improved the quality of information about climate-related risks and opportunities available to users. In many cases, information about risks and opportunities that had not previously been disclosed (e.g. in a listed company's operating and financial review from a previous year) was included in the sustainability report, which indicated that the statutory reporting requirements have prompted entities to reconsider their risk profiles and provide more detailed information.

Of the entities in our sample, 95% identified at least one climate-related risk or opportunity that could reasonably be expected to affect the entity's prospects over the short, medium or long term. Two entities did not identify any climate related risks or opportunities. For these reports, the auditor included an emphasis of matter paragraph highlighting this judgement. While we did not ask for sustainability records to substantiate disclosures or the risks and opportunities identified in this surveillance, we intend to review this area in more detail in future surveillance programs. We encourage reporting entities to carefully consider their potential risks and opportunities over the short, medium and long term and keep adequate records of the process undertaken to identify them.

While each reporting entity is required to identify climate-related risks and opportunities based on its own situation, the following circumstances were most commonly identified as sources of risk and/or opportunity across the sample we reviewed.

Physical risks

- Flooding, cyclone, bushfire or drought damaging assets and infrastructure or disrupting supply chains (acute)
- Heatwaves affecting productivity (chronic)

Transition risks

- Regulatory and policy changes, including potential future carbon pricing or emissions regulation
- Market risks, including changes in technology, shifts in demand for certain products and changing consumer preferences
- Reputational risk

Opportunities

- Low carbon and renewable energy-related products (including critical minerals)
- Electrification and electric vehicle-related investments
- Infrastructure resilience and adaptation services
- New product and customer segments associated with decarbonisation

Identification of material information about climate-related risks

We observed some differences in the approaches adopted by reporting entities in the identification and disclosure of material information about climate-related risks. In some cases, this resulted in difficulty identifying whether a disclosed risk was inherent (i.e. before mitigation factors were applied) or residual (i.e. after mitigation factors were applied). This disclosure could have been improved by explaining the relevant assumptions and judgements applied.

Past events

We identified instances where, although assets and/or operations of reporting entities were previously disclosed as being financially affected by extreme weather events in previous financial years (based on earlier financial reports and/or information announced to ASX), entities had not identified, or had not disclosed information about, similar risks impacting prospects over the short, medium or long term or any related risk mitigation activities.

Less effective disclosure practices: Lack of disclosure of judgements applied

A reporting entity with multiple assets in Australia and overseas disclosed just one material physical risk related to a single asset. In previous voluntary climate-related disclosures, it had identified multiple physical risks to multiple assets. Historical ASX announcements also showed that climate-related events had been experienced at several locations, which had operational and financial effects. There was no supporting disclosure on the judgement that had been applied in identifying its material climate-related physical risks.

Information about concentration of climate-related risks across the value chain

AASB S2 requires that entities disclose the current and anticipated effects of climate-related risks and opportunities on their business model and value chain and include a description of where in the business model and value chain the risks and opportunities are concentrated (for example, geographical areas, facilities or types of assets).

We identified instances where entities provided high-level or limited information about the concentration of climate-related risks and opportunities, particularly in relation to the geographical areas where risks might be concentrated.

We also observed disclosures in which entities could have better explained the indirect effects of climate-related risks arising from their value chain – for example, risks to international suppliers or roads, railways and other infrastructure that the entity's business model relied on.

Where disclosures can be improved

- Reporting entities must provide clear, effective and proximate disclosure of relevant judgements made in identifying climate-related risks and opportunities to support user understanding. Users also require sufficient information about the basis of the entities' assessments about the significance of climate-related risks and opportunities.
- The AASB has issued educational material to support reporting entities when identifying material information about climate-related risks and opportunities and determining what to disclose about inherent risks, residual risks and related risk mitigation strategies given their particular circumstances: see 'Climate-related risks and opportunities and the disclosure of material information' under AASB S2 guidance on the AASB website. We encourage reporting entities to review this guidance. 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 chain and disclose the current and anticipated effects of those risks and opportunities and where these are concentrated.

Better disclosure practices: Clear mapping of risks and opportunities

A reporting entity used a diagram to illustrate the component parts of its upstream and downstream value chain. It clearly showed where in the value chain climate-related risk and opportunity effects may occur.

Another reporting entity assessed a range of physical climate risks, including flooding, extreme heat and severe weather events, but concluded that none were material to its prospects. Instead of simply stating this conclusion, the entity explained the adaptation measures already in place and how those measures reduced the residual risk exposure. This gave users a clear understanding of the judgement applied in identifying climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects.

Strategy: Decision making and financial position, performance and prospects

Objectives under AASB S2

Strategy and decision-making disclosure provides users of general purpose financial reports with information to understand the effects of climate-related risks and opportunities on an entity's strategy and decision making. This includes information about how the entity has responded to, and plans to respond to, climate-related risks and opportunities and the resourcing for those plans and progress towards them: paragraph 14.

Financial position, performance and prospects disclosure provides users of the general purpose financial report with information about the current and anticipated effects of the identified climate-related risks and opportunities on an entity's financial position, financial performance and cash flows for the reporting period and over the short, medium and long term, taking into consideration how those climate-related risks and opportunities have been factored into the entity's financial planning: paragraphs 15 to 21.

Certain proportionality mechanisms apply to these disclosures to account for challenges in translating effects into financial outputs:

- For anticipated financial effects – An entity must use 'all reasonable and supportable information available to the entity without undue cost or effort' and use an approach that is 'commensurate with the skills, capabilities and resources that are available to the entity'.
- For both current and anticipated financial effects – An entity does not need to provide quantitative information if the financial effects are not separately identifiable or the level of measurement uncertainty is so high that the resultant quantitative information would not be beneficial to users.

What we observed

Quantitative and qualitative information

Of the entities in our sample, 37.5% provided only qualitative, narrative form information rather than a specific number or range when disclosing the current and anticipated financial effects of climate-related risks and opportunities. Where quantitative information was not provided, the most common reason cited was measurement uncertainty. From our sample, **57.5% of the entities** relied on measurement uncertainty to some extent when disclosing qualitative information about certain current and anticipated financial effects.

Some of the reports in our sample did not:

- explain the approach the reporting entity had taken to prepare current and anticipated financial effects disclosures, including why quantitative information was not provided, in line with paragraph 21

- where qualitative information was provided, include the required information under paragraph 21 and identify the line items, totals and subtotals within the related financial statements that were likely to be affected, or had been affected, by climate-related risk or opportunity, or
- present the information in a way that explained connections between the sustainability report and the financial report in a clear and concise manner.

Connection between sustainability report and financial report

We identified several instances where there were line items in or notes to the financial statements that appeared to relate to the current financial effects of climate-related risks or opportunities, but there was no corresponding information about these disclosures provided in the sustainability report. Examples include capital or operational expenditure on mitigation or adaptation activities.

Less effective disclosure practices: Current financial effects

A reporting entity disclosed an impairment in its financial statements relating to an investment project. The investment project was relevant to a disclosed climate-related opportunity, but the sustainability report did not contain information on the current financial effects of the opportunity on its financial position – that is, the entity did not describe the impairment or draw out the necessary connections through explanation or cross reference.

Information about climate-related transition plans

Under paragraph 14(a)(iv) entities are required to disclose information about any climate-related transition plan that they have. **Of the entities in our sample, 47.5%** disclosed information about their climate-related transition plans in their sustainability reports. For more information about transition planning, see Treasury's Climate-related transition planning voluntary guidance.

Where disclosures can 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.

For more information to support current and anticipated financial effects disclosure, see 'Proportionality mechanisms in AASB S2' and 'Disclosing information about anticipated financial effects' in AASB S2 guidance on the AASB website.

Better disclosure practices: Clear disclosure of assumptions and uncertainties

A reporting entity did not provide quantitative information about the anticipated financial effects of its material climate-related risks and opportunities, due to the level of measurement uncertainty associated with estimating those effects. However, the entity conducted a sensitivity analysis and disclosed information about a range of potential financial effects based on various disclosed assumptions expressed as percentage changes to its future cashflows.

Another reporting entity provided detailed explanations of the uncertainties associated with key climate-related assumptions. The entity explained why these uncertainties limited its ability to provide reliable quantitative estimates of anticipated financial effects. This helped users understand the basis for management's judgement.

Strategy: Climate resilience

Objectives under AASB S2 and the Corporations Act

Climate resilience disclosure provides information about the resilience of the entity's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities: paragraph 22.

Entities must use climate-related scenario analysis to assess resilience. Under section 296D(2B) of the Corporations Act, reporting entities must use a minimum of at least two scenarios based on the global average temperature increases set out in the *Climate Change Act 2022*, being:

- a scenario in which global warming well exceeds 2°C above pre-industrial levels, and
- a scenario in which global warming is limited to 1.5°C above pre-industrial levels.

Our surveillance involved a high-level review of climate resilience disclosures. We considered disclosures setting out the scenarios being used, whether qualitative or quantitative analysis was undertaken and the time frames applied.

What we observed

General approach

Approximately 20% of the entities in our sample stated that they limited their analysis to qualitative, narrative form scenarios. This is allowed under AASB S2, provided the approach is commensurate with the entity's circumstances. **The majority of entities in our sample (65%)** aligned the time horizon for climate resilience disclosure with the time horizons applied for identifying climate-related risks and opportunities.

Sources of scenarios

The majority of entities in our sample used publicly available scenarios to conduct their climate resilience assessment. These typically drew from scenarios developed by:

- the World Climate Research Programme (Shared Socioeconomic Pathway (SSPs) and Representative Concentration Pathway (RCPs) combined scenarios)
- the Network for Greening the Financial System
- the International Energy Agency, and
- the Australian Energy Market Operator.

We recognise that publicly available scenarios will continue to evolve and may affect the availability of data aligned to 1.5°C (post-industrial) warming outcomes. Notwithstanding this, entities should make their best efforts to use scenarios aligned with, or as close as possible to, the requirements in the Corporations Act (i.e. an increase in global average temperature of 1.5°C above pre-industrial levels).

Regulatory Guide 280 *Sustainability reporting* (RG 280) provides that a key objective of these requirements is to ensure that users have the benefit of information about the reporting entity's climate resilience and material financial risks and opportunities relating to climate that are informed by a scenario that contemplates:

- rapid global decarbonisation in the near term (lower global warming scenario), and
- more pronounced climate impacts over the medium to long term (higher global warming scenario).

When making climate resilience disclosures, entities must explain which scenarios were used and why they were deemed relevant to assessing their resilience to climate-related changes, developments or uncertainties, as well as whether the scenarios were associated with climate-related transition or physical risks: paragraph 22.

The Department of Climate Change, Energy, the Environment and Water has published National Climate Scenario Guidance, which may help reporting entities when preparing climate resilience disclosures.

Information about climate resilience and anticipated financial effects

The sustainability report must include material information about anticipated financial effects over the short, medium and long term. It must also contain information about the entity's climate resilience over the short, medium and long term, based on scenario analysis. While the subject matter is related, these requirements are different:

- Disclosures of anticipated financial effects relate to how an entity expects its financial position, performance and cash flows to change given its strategy to manage climate-related risks and opportunities (paragraphs 16(c) and (d)).
- Disclosures about climate resilience relate to the capacity of the entity's strategy and business model to manage and respond to climate-related risks and opportunities under different scenarios (paragraph 22).

We observed some instances of reporting where these two requirements under the AASB S2 were not separately considered. For example, climate resilience disclosures included information on anticipated financial effects based on the scenario analysis, but the sustainability report omitted what appeared to be material information about anticipated financial effects as required in paragraph 16.

Where disclosures can be improved

- Reporting entities must explain which scenarios were used and why they were deemed relevant to assessing resilience, as well as whether the scenarios were associated with climate-related transition or physical risks.
- Reporting entities should be mindful of the separate disclosure requirements. **Anticipated financial effects** reflect the entity's current plan and expectations for the future. **Climate resilience** reflects how the current plan would be impacted by the conditions described by the scenarios.

Better disclosure practices: Use of appendices to set out underlying assumptions

A reporting entity used an appendix that clearly set out the assumptions that underpinned the scenario analysis undertaken as part of its climate resilience disclosures. This included factors such as carbon prices, emissions targets, safeguard mechanism assumptions, expected heat, flooding, and other related physical impacts. The appendix effectively set out the key assumptions the entity made in the analysis (required under paragraph 22(b)(ii)) without obscuring material information related to the resilience assessment itself.

Cross-industry metrics

> **Objectives under AASB S2**
>
> **Climate-related financial disclosures on metrics** enable users of general purpose financial reports to understand an entity's performance in relation to its climate-related risks and opportunities: paragraph 27.

This objective aligns with that of the corresponding disclosure requirement in IFRS S2 *Climate-related disclosures*. As set out in paragraphs BC75 and BC76 of IFRS S2 *Basis for conclusions,* the purpose of these disclosures is to:

- help users compare an entity's performance in relation to its climate-related risks and opportunities with that of other entities, and
- provide common information to allow users to assess an entity's exposure to and management of climate-related risks and opportunities.

We consider the cross-industry metrics to be critical in supporting the legislative policy of Chapter 2M sustainability reporting to improve the comparability of climate-related financial disclosures.

What we observed

Greenhouse gas emissions reporting and internal carbon prices

In areas where AASB S2 defines a specific measurement methodology (such as scope 1 and 2 greenhouse gas emissions) or variable (such as an internal carbon price), we observed disclosures that were generally consistent across entities. This allows users to readily identify common and comparable information between entities. These disclosures, in particular the scope 1 and 2 greenhouse gas emissions, were also more reliable (relative to some historical, voluntary information provided in this area) given they were subject to limited assurance.

Voluntary disclosure of scope 3 greenhouse gas emissions

We observed that **82.5% of entities** in our sample relied on the one-year transitional relief for scope 3 greenhouse gas emissions disclosure provided under AASB S2. However, some entities voluntarily disclosed certain scope 3 emissions information elsewhere in the report or in other corporate documents. If these disclosures are not clearly explained or labelled as voluntary, users may be confused about the basis upon which the scope 3 emissions have been measured.

Reporting entities will lose the benefit of transitional relief for scope 3 greenhouse gas emission disclosure in the second year of applying AASB S2. Information about scope 3 greenhouse gas emissions helps users of sustainability reports to understand and measure an entity's transition risk. It is likely to include estimations rather than solely rely on direct measurements. Reporting entities should consider the proportionality mechanisms that apply to this disclosure, its core purpose, and the need for faithful representation (as opposed to absolute precision): see paragraphs B38 to B63 of Appendix B.

Limited comparability of other cross-industry metric disclosures

We observed significant differences in how entities disclosed the cross-industry metrics required under paragraph 29(b)–(e). These included:

- the amounts or percentages of assets or business activities vulnerable to climate-related transition risks or physical risks, or aligned with climate-related opportunities, and
- the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.

While AASB S2 allows flexibility in this area, our review indicated that reporting entities took various approaches to determine the relevant factors that underpin the calculation of these amounts and percentages and that, in some cases, this information was not being disclosed at all.

Users may find it difficult to compare these metrics between entities as a result of this inconsistent approach.

Where disclosure can be improved

- 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.
- 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.

Better disclosure practices: Use of data tables for disclosing metrics

We observed better disclosure practices when reporting entities provided data tables with clearly labelled line-by-line metrics disclosed against each of the relevant requirements in paragraph 29. This approach will support clear and effective disclosure of comparative information from the second year of reporting and makes the information more accessible for users of the report.

Targets

Objectives under AASB S2

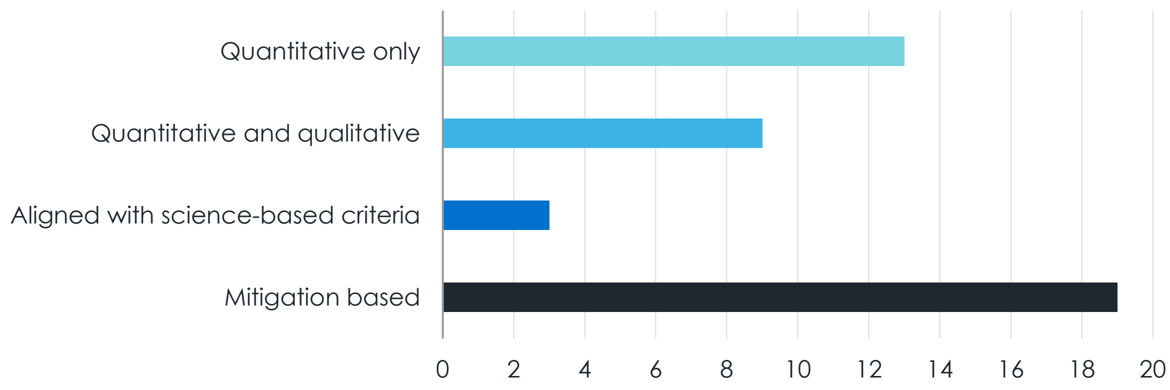
Climate-related financial disclosures on targets enable users to understand an entity's progress toward any climate-related targets it has set and any targets it is required to meet by law or regulation: paragraph 27.

What we observed

Disclosure of at least one climate-related target

Of our sample, 55% of entities provided information about a climate-related target of some kind. The majority of these targets were carried forward from the previous years. The characteristics of the targets that were disclosed by reporting entities are set out in Figure 2. This data suggests that reporting entities that provided information about climate-related targets were primarily setting targets in connection with their climate mitigation activities and that relatively few targets that were disclosed were aligned with science-based criteria.

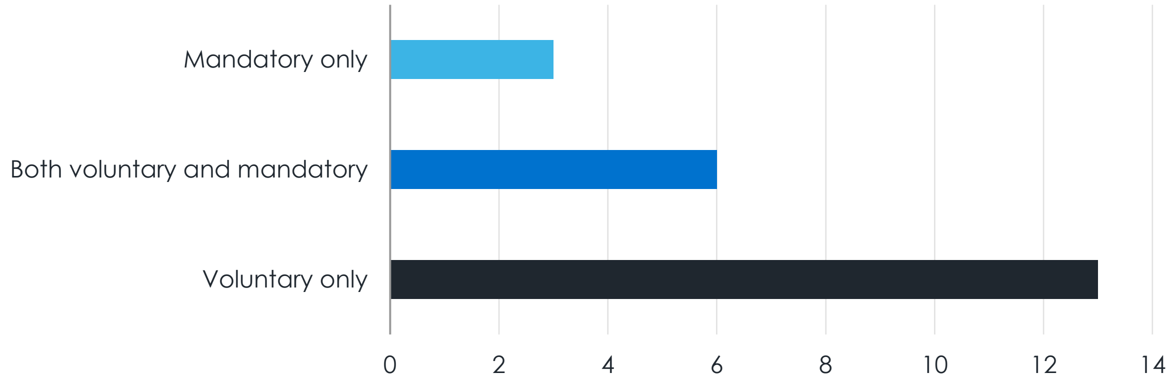
Figure 2: Characteristics of targets disclosed



Note: See Table 1 for the data shown in this figure (accessible version).

The number of entities that disclosed voluntary only, mandatory only or both types of targets is set out in Figure 3. This data demonstrates that reporting entities that provided information about climate-related targets generally provided voluntary targets. For reporting entities in our sample that were captured by the Safeguard Mechanism, we observed different approaches to the treatment of their obligations when disclosing material information about climate-related targets.

Figure 3: Types of targets disclosed



Note: See Table 2 for the data shown in this figure (accessible version).

Better disclosure practices: Disclosure of Safeguard Mechanism as a climate-related target
A reporting entity clearly disclosed the Safeguard Mechanism as a target that it was required to meet by law or regulation. It set out responses to all disclosure requirements under paragraphs 33 to 36 in table format, making it very clear what the target entailed. This included disclosing performance against the target (paragraph 35) in terms of the number of Australian Carbon Credit Units it had surrendered for the Safeguard Mechanism reporting period.

Climate-related targets set by large corporate groups

When a reporting entity was part of a corporate group, we saw inconsistent (or a lack of) disclosure by reporting entities of targets set by parent entities at the group level. It was often unclear how a group-level target applied to a reporting entity or whether the reporting entity was responsible for contributing to any group level target, and to what extent.

Where disclosures can be improved

- 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 (paragraph 14) and current and anticipated financial effects (paragraph 16), which may include financing efforts to meet climate targets.
- 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.

Material information

Objectives under AASB S2

Identifying and disclosing material information about climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects is a critical component of preparing a sustainability report under AASB S2 and the Corporations Act.

In the context of climate-related financial disclosures, information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make based on those reports, which include financial statements and climate-related financial disclosures and which provide information about a specific reporting entity: paragraph 18 of Appendix D.

Materiality judgements are specific to an entity. The standard does not specify any thresholds for materiality or predetermine what would be material in a particular situation.

In our review, we examined, to the extent they were disclosed, the assumptions and judgements applied by reporting entities when identifying and disclosing material information.

What we observed

We observed that some entities did not clearly explain how materiality was applied and what judgments they relied on when determining the information to disclose in their sustainability report, as required in paragraphs 74 to 75 of Appendix D. We observed entities exclude information on the stated basis that it was 'not material' or of 'low financial materiality', without providing an explanation about the thresholds, judgments or assumptions that underpinned those conclusions.

Where disclosures can be improved

- Reporting entities should provide clear, effective and proximate disclosure of the relevant judgements made to identify material information for inclusion in the sustainability report.
- Entities should be aware that information that does not meet a specific financial materiality threshold may still be considered material to users when assessing the entity's prospects.
- Reporting entities should refer to the AASB's educational material on identifying material information about climate-related risks and opportunities: see 'Climate-related risks and opportunities and the disclosure of material information' under AASB S2 guidance on the AASB website.

Better disclosure practices: Identification of material information

A reporting entity clearly disclosed how climate-related risks and opportunities were considered material, specifically the benchmark and threshold it applied. This enabled users to understand the basis on which the entity assessed the quantitative significance of its climate-related risks and opportunities and to evaluate the potential effect on the entity's prospects. The entity also provided relevant qualitative information about its climate-related risks and opportunities, even when financial materiality thresholds were not met.

General requirements in Appendix D

Objectives under AASB S2

Appendix D sets out **general requirements for the presentation of climate-related disclosures**, guidelines for their structure and requirements for their content. It covers:

- the qualitative characteristics of useful climate-related information
- the enhancing characteristics of useful climate-related information
- judgements
- measurement uncertainty, and
- aggregation and disaggregation of information.

What we observed

Voluntary disclosures

We observed some climate statements that appeared to contain more information than required under AASB S2, raising some concerns that it could obscure the material climate-related information.

Cross-referencing

We also observed problematic practices such as cross-referencing information that was not available on the same terms and at the same time – for example, cross-referencing to information on a third-party website behind a paywall or on the reporting entity's website. This raised the risk that information – and therefore the sustainability report – would not be static.

Disclaimers

We identified some disclaimers – either in, or proximate to, the sustainability report – that indicated users should not rely on the information contained in the sustainability report to make investment decisions or that stated the entity took no responsibility for the accuracy or completeness of certain information. We consider the use of such disclaimers to be problematic and contrary to the legislative policy of Chapter 2M sustainability reporting.

Better disclosure practices: Effective structure and navigation in reports

A reporting entity integrated discussion of judgements and assumptions throughout its sustainability report and consistently cross-referenced to detailed appendices containing supporting information. The appendices provided additional detail about scenario design, modelling inputs, measurement uncertainty, data sources and key dependencies relevant to the entity's climate-related disclosures.

This approach improved transparency by enabling users to understand the basis for significant judgements while maintaining readability in the main body of the report. The entity provided detailed explanations of the uncertainties associated with key climate-related assumptions. The entity explained why these uncertainties limited its ability to provide reliable quantitative estimates of future financial effects, helping users understand the basis for management's judgement.

Another reporting entity's sustainability report used section headings, structure and language closely aligned to those used in AASB S2. This made it easier to navigate and understand where its disclosures were located.

Where disclosures can be improved

- Reporting entities must ensure that material climate-related financial information is not obscured through the disclosure of additional, voluntary climate-related information.
- When cross-referencing information outside the sustainability report, reporting entities must ensure they meet the cross-referencing disclosure requirements in paragraphs 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.
- Reporting entities are reminded that disclaimers that conflict with the statutory framework and objectives of Chapter 2M sustainability reporting may confuse or mislead and must not be used.
- To enhance usability, we encourage reporting entities to consider using an index table to map disclosures in the sustainability report to relevant AASB S2 requirements.
- We have identified opportunities for improvements relating to the disclosure of relevant judgements, assumptions and uncertainties around measurements required under Appendix D earlier in this report.

Appendix: Accessible versions of figures

Table 1: Characteristics of targets disclosed

Characteristics of targets	Number of entities that disclosed targets
Quantitative only	13
Quantitative and qualitative	9
Aligned with science-based criteria	3
Mitigation based	19

Note: This is the data shown in Figure 2.

Table 2: Types of targets disclosed

Types of targets	Number of entities that disclosed targets
Mandatory only	3
Both voluntary and mandatory	6
Voluntary only	13

Note: This is the data shown in Figure 3.

Key terms and related information

Key terms

AASB S2	Australian Sustainability Reporting Standard AASB S2 *Climate-related disclosures*. AASB S2 is the sustainability standard made by the AASB under section 336A of the Corporations Act
ASIC	Australian Securities and Investments Commission
climate-related opportunities	The potential positive effects arising from climate change for an entity. Efforts to mitigate and adapt to climate change can produce climate-related opportunities for an entity
climate-related physical risks	Risks resulting from climate change that can be event-driven (acute physical risk) or from longer term shifts in climatic patterns (chronic physical risk)
climate-related risks	The potential negative effects of climate change on an entity. These risks are categorised as climate-related physical risks and climate-related transition risks
climate-related transition risks	Risks that arise from efforts to transition to a lower-carbon economy. Transition risks include policy, legal, technological, market and reputational risks
climate resilience	The capacity of an entity to adjust to climate-related changes, developments or uncertainties. Climate resilience involves the capacity to manage climate-related risks and benefit from climate-related opportunities, including the ability to respond and adapt to climate-related transition risks and climate-related physical risks. An entity's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, developments and uncertainties.
Corporations Act	*Corporations Act 2001*, including regulations made for the purposes of that Act
operating and financial review	The part of the directors' report that must contain the information required under section 299A(1)(a)–(c) of the Corporations Act
paragraph 5 (for example)	A paragraph of AASB S2 (in this example numbered 5)
scope 1 greenhouse gas emissions	Direct greenhouse gas emissions that occur from sources that are owned or controlled by an entity
scope 2 greenhouse gas emissions	Indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by an entity

scope 3 greenhouse gas emissions	Indirect greenhouse gas emissions (not included in scope 2 greenhouse gas emissions) that occur in the value chain of an entity, including both upstream and downstream emissions
sustainability report	An annual sustainability report required under section 292A of the Corporations Act

Related information

Headnotes

climate-related financial disclosures, climate-related financial information, climate-related opportunities, climate-related risks, operating and financial review, scope 1 greenhouse gas emissions, scope 2 greenhouse gas emissions, scope 3 greenhouse gas emissions, sustainability-related financial disclosures, sustainability, sustainability reporting

Legislation

Corporations Act 2001, sections 292A, 296D, 299A

ASIC documents

RG 280 *Sustainability reporting*

News item (18 May 2026) *ASIC issues early observations on sustainability reporting ahead of 30 June 2026*