Preparing for AASB S2

JBS&G
A Geosyntec Company

What is AASB S2?

AASB S2 Climate-related Disclosures is Australia's mandatory climate disclosure standard.

It is based on the international IFRS S2 framework and requires organisations to disclose the climate-related risks and opportunities that could reasonably be expected to affect their prospects. AASB S2 is built around four core pillars:

Governance

Governance processes, controls and procedures to monitor, manage and oversee sustainability-related R&O

Strategy

Strategy for managing sustainability-related R&O

Risk Management

Processes to identify, assess, prioritise and monitor sustainability-related R&O

Metrics and Targets

Metrics used to measure and monitor performance in relation to sustainability-related R&O and progress towards targets

Source: Australian Accounting Standards Board (2025)

Who needs to report and when

Australia's mandatory climate reporting requirements are being phased in over several years. The requirements generally apply to entities that already prepare financial reports under Chapter 2M of the *Corporations Act 2001* and meet specified size thresholds.

First annual reporting periods starting on or after	Reporting thresholds (requires meeting two of three criteria)			National Greenhouse and Energy Reporting (NGER) Reporters	Asset Owners
	Consolidated revenue	EOFY consolidated gross assets	EOFY employees*		
1 January 2025 (Group 1)	$500 million or more	$1 billion or more	500 or more	Above NGER publication threshold OR meets Group 1 reporting thresholds	Not included in Group 1
1 January 2026 (Group 2)	$200 million or more	$500 million or more	250 or more	All other NGER reporters	> $5 billion assets under management OR meets Group 2 reporting thresholds
1 January 2027 (Group 3*)	$50 million or more	$25 million or more	100 or more	N/A	Meets Group 3 reporting thresholds

*Note: The Australian Government has proposed changes to the Group 3 reporting thresholds. Organisations should continue to monitor developments to understand how any changes may affect future reporting obligations.

Auditing and Assurance

AASB S2 disclosures form part of an organisation's statutory reporting obligations and will be subject to external assurance. Auditors are expected to assess whether disclosures are complete, well-supported and consistent with the underlying evidence and requirements of the standard. As with financial reporting, directors and management are responsible for ensuring that material information is appropriately disclosed.

Establishing robust governance, documentation, controls and data processes early can help businesses meet reporting expectations and support a more efficient assurance process.

Lessons from the first round of mandatory climate reporting in Australia

1. Start with the business, not the disclosure

One of the most common challenges faced by first-wave reporters was treating climate reporting as a compliance exercise. The strongest outcomes occurred where organisations used the process to understand how climate-related risks and opportunities could affect operations, assets, supply chains, customers and future strategy. This helped inform business decisions and build resilience.

2. Climate risks are broader than many organisations expect

Many organisations initially focused on physical climate impacts such as flooding, bushfire, extreme heat and severe weather. In practice, first-wave reporters often found that transition risks, including changes in regulation, technology, market dynamics, customer expectations and investor scrutiny, were equally important. The reporting process also requires organisations to consider climate-related opportunities, including operational efficiencies, new products and services, access to sustainable finance, and emerging markets. The most effective assessments considered physical risks, transition risks and opportunities together, recognising that they are often interconnected.

3. Climate reporting is a whole-of-business exercise

Climate-related risks and opportunities rarely sit within a single business function. Successful reporting required input from operations, asset management, procurement, finance, risk, sustainability and executive leadership. Finance teams were particularly important in supporting disclosures, understanding financial implications, establishing controls and preparing for assurance. Organisations that established cross-functional working groups early were generally better positioned to navigate reporting and audit requirements.

4. Finance should be involved from day one

Climate reporting is increasingly becoming part of mainstream corporate reporting and governance processes. Finance teams play a critical role in understanding financial implications, supporting disclosures, establishing reporting controls and preparing for assurance. Organisations that engaged finance teams early were generally better positioned to navigate reporting and audit requirements.

5. Use the first reporting cycle to build foundations

Many first-wave reporters used their inaugural reporting period to establish governance arrangements, improve data quality and build the foundations of their climate reporting framework. This provided a foundation for identifying the climate-related risks and opportunities most likely to affect the business, understanding potential financial implications, and developing the systems and processes needed to support future reporting and decision-making.

Creating value through climate reporting

While climate reporting is often triggered by regulatory requirements, many organisations are finding that the greatest value comes from a better understanding of business risks, opportunities and resilience. The reporting journey can strengthen risk management, improve strategic decision-making, support capital allocation, enhance organisational resilience and provide greater confidence for Boards and stakeholders. For many organisations, climate reporting has become a catalyst for broader conversations about business resilience, future growth and long-term value creation.

How JBS&G can help

Climate reporting requires organisations to bring together information from across governance, risk, finance, operations and sustainability functions. Our team works with organisations to navigate these requirements and establish practical approaches to climate reporting, assurance, and ongoing compliance.

References

Australian Accounting Standards Board (2025). An Overview of Australian Reporting Standards. [Click here]

JBS&G technical guidance papers. [Click here]

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