

BRIEFING PAPER | AUGUST 2026

AASB S2: What Group 2 entities need to learn from Australia's first reports

A practical readiness and implementation briefing for boards, executives, finance, risk and sustainability leaders

The first wave established a baseline—not a benchmark. Group 2 now needs to build a controlled, assurance-ready reporting process while its first reporting period is underway.

Executive briefing

BOTTOM LINE AASB S2 is not principally a sustainability report-writing exercise. It is a statutory, assurance-facing financial reporting process requiring board and CFO ownership, controlled data, defensible judgement and clear connectivity with strategy, risk and the financial statements.

Australia's first mandatory climate reports provide Group 2 entities with a valuable head start. By 6 May 2026, ASIC had received 259 sustainability reports for years ending 31 December 2025, including 34 from listed entities and 225 from unlisted entities. ASIC found that standardised reporting had improved the quantity, quality and comparability of climate-related information. It also identified material shortcomings that Group 2 should address at the design stage, rather than discover during assurance or directors' approval.

The Big Four reviews point in the same direction. First-wave reports varied significantly in length, quantification, treatment of climate opportunities, Scope 3 disclosure and assurance ambition. The strongest reports were entity-specific, concise, transparent about uncertainty and visibly connected to financial decision-making. The weaker approaches relied on generic risk descriptions, vague scenario narratives, unsupported assertions, poorly controlled cross-references or overly defensive disclaimers.

Five messages for Group 2

- The reporting period has started. For a 30 June year-end Group 2 entity, the first reporting period ordinarily began on 1 July 2026.
- Year-one assurance is phased, but the AASB S2 disclosure obligation is not limited to the assured subset.
- Scope 3 relief is temporary. Value-chain mapping and methodology development should proceed during year one.
- The board declaration changes the risk profile. Directors need evidence of the process, not just a polished draft.
- Copying a first-wave report is unsafe. Presentation can be benchmarked; materiality, assumptions, scenarios, data and financial effects must be entity-specific.

Recommended immediate decision

Group 2 entities should commission a focused readiness and mobilisation phase now. Its purpose is to confirm reporting scope, establish governance, agree the assurance pathway, identify the material climate-related risks and opportunities, design the data and evidence model, and integrate the reporting timetable with financial close and board approval.

1. Purpose and scope

This briefing paper is designed for organisations that are, or may be, Group 2 reporting entities under Australia's mandatory climate-related financial disclosure regime. It is intended to support early board and executive discussion before scoping internal work or engaging ESG&I for readiness, implementation or reporting support.

Audience

The primary audience is boards, audit and risk committees, chief financial officers, company secretaries, sustainability and ESG leaders, enterprise risk teams, finance and accounting functions, internal audit, legal teams, operational data owners and procurement or supply-chain leaders responsible for value-chain information.

What this paper covers

- Who enters Group 2 and when reporting commences.
- What ASIC observed in the first completed reporting wave.
- What KPMG, Deloitte, PwC and EY found in their reviews of first reports.
- Practical lessons from selected published reports.
- The principal delivery, assurance and governance risks for Group 2.
- A 90-day mobilisation plan and an indicative ESG&I support pathway.

IMPORTANT This paper concerns AASB S2 climate-related financial disclosures. Broader ESG, impact and nature-related information is not automatically part of the statutory report. Water, biodiversity, land and ecosystem dependencies should nevertheless be considered where they create or amplify a climate-related risk or opportunity.

2. Regulatory position for Group 2

An entity must first have annual financial reporting obligations under Chapter 2M of the Corporations Act 2001. The sustainability reporting threshold is then applied for the relevant financial year, generally using consolidated information for the entity and its controlled entities. The threshold is tested at financial year-end, so an organisation near a threshold should monitor acquisitions, disposals, workforce changes and balance-sheet movements.

Cohort	First applicable financial years	Principal size test—meet two of three	Other entry routes
Group 1	Commencing 1 Jan 2025–30 Jun 2026	Revenue ≥\$500m; gross assets ≥\$1bn; ≥500 employees	Certain NGER reporters meeting the relevant publication threshold
Group 2	Commencing 1 Jul 2026–30 Jun 2027	Revenue ≥\$200m; gross assets ≥\$500m; ≥250 employees	Other NGER reporters; registered schemes, RSEs and retail CCIVs with ≥\$5bn assets

Source: ASIC Regulatory Guide 280 and ASIC guidance on who must prepare a sustainability report.

Timing and lodgement

For most Group 2 entities with a 30 June year-end, the first mandatory period is 1 July 2026 to 30 June 2027. ASIC states that disclosing entities, registered schemes and registrable superannuation entities generally lodge within three months of year-end; other reporting entities generally lodge within four months. The sustainability report and auditor's report must accompany the relevant annual reporting suite and be provided to members in accordance with the Corporations Act requirements.

What AASB S2 asks the report to explain

AASB S2 requires decision-useful information about climate-related risks and opportunities that could reasonably be expected to affect cash flows, access to finance or cost of capital over the short, medium or long term. Disclosures are organised around governance, strategy, risk management, and metrics and targets. This demands a connected account of how climate affects the organisation—not four disconnected compliance sections.

Assurance pathway

ASSA 5010 phases assurance for Group 2. Specified year-one disclosures receive limited assurance. The full disclosure set moves to limited assurance in years two and three and reasonable assurance from year four. The precise assured items and any future amendments should be confirmed with the entity's financial statement auditor.

DO NOT MISREAD THE PHASE-IN A narrower year-one assurance scope does not make the remaining AASB S2 requirements optional. It simply changes the initial level and coverage of independent assurance.

3. What Australia's first reporting wave revealed

ASIC's early review provides the clearest regulatory signal. It found better standardisation and comparability, but six recurring deficiencies. Each one is preventable if Group 2 builds its reporting architecture early.

#	ASIC issue	Why it matters for Group 2
1	Impermissible disclaimers	Statements telling users not to rely on mandatory information, or denying responsibility for accuracy or completeness, may conflict with the statutory framework.
2	Weak evidence base	Some reports did not appear to use all reasonable and supportable information, including known historical events, current conditions and relevant forecasts.
3	Unclear judgements and uncertainty	Assumptions, estimation uncertainty and proportionality judgements were sometimes vague, ineffective or separated from the affected disclosure.
4	Mandatory information obscured	Additional voluntary content sometimes made the statutory disclosure harder to identify or understand.
5	Defective cross-referencing	Some references were imprecise, directed users to websites or other entities' reports, or referred to information unavailable on the same terms and at the same time.
6	Targets not completely identified	Legal and regulatory obligations—including relevant Safeguard Mechanism requirements—were not always identified as climate-related targets.

The significance of ASIC's message

ASIC has explicitly cautioned that the first reporting wave is a baseline rather than the benchmark. Group 2 should therefore use early reports to understand possible formats and levels of detail, but should design its own materiality, evidence, control and governance processes against the legislation, AASB S2, ASIC guidance and the assurance standard.

4. Big Four findings: areas of convergence

KPMG—30 Group 1 entities

KPMG's early review found a median report length of 31 pages; 83% embedded the statutory sustainability report in the annual report; all entities involved the board; and 97% used an audit or risk committee oversight model. Almost one-third disclosed no climate opportunity, 33% voluntarily reported Scope 3 emissions and 27% obtained assurance beyond the minimum scope. KPMG also reported that time, resources and stakeholder review commonly exceeded preparer expectations.

Deloitte—25 ASX 200 entities

Deloitte found that all entities identified transition risk, 90% identified physical risk and 26% disclosed no climate opportunity. Fifty-six per cent included some quantified financial effects, 52% used more than two climate scenarios and 40% voluntarily disclosed Scope 3 emissions. Common weaknesses included generic risks, unclear scenario pathways, vague descriptors and insufficiently explained differences between climate and financial statement assumptions.

PwC—22 first-wave ASX entities

PwC found considerable variation, with reports ranging from 7 to 82 pages. Around two-thirds quantified at least some climate-related financial impacts, approximately 65% disclosed climate targets and roughly half linked climate metrics to executive remuneration. All reviewed entities received unmodified limited-assurance conclusions within the mandatory scope, but additional assurance over voluntary information varied.

EY—12 insurers

EY's sector review found governance to be the most consistent area: 75% discussed board training. Financial effects remained mainly qualitative, while climate resilience conclusions were difficult to compare. EY also highlighted an emerging "climate cost gap" between changes in underlying risk and the cost or availability of insurance.

INTERPRET WITH CARE The Big Four studies used different samples, sectors and publication cut-off dates. Their percentages should not be averaged or treated as population statistics. Their conclusions nevertheless converge strongly on governance, evidence, financial connectivity, uncertainty and assurance readiness.

What the evidence says collectively

Theme	First-wave lesson
Governance	Board involvement was widespread, but mature skills, decision rights and reporting cadence were less consistent.
Risks vs opportunities	Transition and physical risks were commonly identified; opportunity analysis was often thinner or absent.
Financial effects	Quantification is emerging but remains uneven. Qualitative disclosure still requires defensible analysis and clear explanations.
Scenario analysis	More scenarios do not automatically create a better report. Pathways, time horizons, assumptions and business implications must be explicit.
Scope 3	Voluntary first-year disclosure often signalled stronger data maturity, but boundaries, methods and limitations varied.
Assurance	Early auditor involvement improved readiness. Additional assurance was selective and should be driven by risk and user need.

5. Lessons from selected completed reports

The following examples are illustrative rather than endorsements or compliance rankings. They show how different organisations handled the new statutory requirement and where useful lessons can be drawn.

Entity	Illustrative feature	Group 2 lesson
QBE	Entity-specific physical-risk and investment metrics; voluntary selected Scope 3 information; clear methodology and boundaries.	Quantification is most useful when connected to business drivers and accompanied by methods, boundaries and limitations.
29Metals	A relatively concise statutory section with links between climate matters, provisions and financial statement notes.	Connectivity can be achieved without an excessively long report. Explain why information cannot be quantified where this is the conclusion.

Entity	Illustrative feature	Group 2 lesson
Resolute Mining	A standalone report addressing Australian and UK reporting requirements.	Multi-jurisdictional groups need a formal requirements map, reporting boundary and reconciliation of overlapping terminology.
Nickel Industries	The annual report was reissued after omission of the directors' declaration.	Statutory completeness, sign-off and publication controls are material reporting risks, not administrative details.
Woodside	Extensive integrated climate and transition disclosure accompanied by substantial cautionary language.	Legal review must distinguish transparent uncertainty disclosure from wording that could operate as an impermissible non-reliance disclaimer. ASIC did not identify Woodside in its observations.

6. Principal risks for Group 2

Risk	Consequence	Mitigation
Late mobilisation	The project becomes a compressed drafting exercise, leaving insufficient time for data remediation, assurance and board challenge.	Integrate AASB S2 with the annual reporting calendar now; work backwards from audit and board dates.
Fragmented ownership	Finance, sustainability, risk, legal and operations produce disconnected workstreams and inconsistent assumptions.	Set executive accountability, a cross-functional steering group and clear RACI responsibilities.
Generic materiality	Industry templates substitute for entity-specific analysis, creating unsupported or immaterial disclosure.	Use historic events, asset and value-chain exposure, strategy, regulatory drivers and financial thresholds.
Weak data lineage	Metrics cannot be traced to systems, calculations, controls and accountable owners.	Build a data dictionary, calculation methodology, evidence register and control documentation.
Financial disconnect	Climate disclosures conflict with budgets, forecasts, valuations, useful lives, provisions or impairment analysis.	Require formal finance reconciliation and document justified differences in assumptions or time horizons.
Poor legal drafting	Overly defensive disclaimers, promotional language or imprecise statements undermine statutory reporting.	Apply disciplined legal review while retaining useful disclosure of uncertainty and estimation limitations.
Scope 3 deferral	Year-one relief becomes an excuse to delay value-chain work, creating a major year-two gap.	Screen all categories, prioritise material sources, engage suppliers and test calculation methods during year one.
Publication failure	Missing declarations, reports, dates or attachments trigger correction or reissue.	Use a statutory-completeness checklist and rehearse final publication and lodgement.

7. What to do—and what not to do

Do	Do not
Treat the sustainability report as part of the statutory reporting suite, with financial-report-level controls.	Leave responsibility solely with sustainability, ESG, communications or an external writer.
Engage the financial statement auditor early and agree the evidence expected for year-one assured disclosures.	Wait until a near-final draft exists before discussing assurance.

Do	Do not
Document materiality, scenarios, time horizons, assumptions, uncertainty and use of proportionality.	Use generic industry risk lists or unexplained “not material” conclusions.
Reconcile climate assumptions with budgets, strategy and financial statement judgements.	Allow climate and accounting teams to use conflicting assumptions without documented rationale.
Make voluntary disclosure clearly distinguishable and subordinate to mandatory information.	Use a long sustainability narrative that obscures the statutory content.
Use precise, stable and simultaneously available cross-references.	Refer generally to websites, future reports or “elsewhere” in the annual report.
Build Scope 3 readiness during year one, even if using the disclosure relief.	Treat the relief as permission to defer value-chain mapping for twelve months.

8. A practical 90-day mobilisation plan

The following plan assumes a 30 June Group 2 entity whose first reporting period commenced on 1 July 2026. It should be adjusted for the entity’s reporting date, existing maturity, structure and assurance provider requirements.

Days 1–30: Mobilise

Confirm legal scope and reporting boundary; appoint the accountable executive; establish board committee oversight; agree the auditor engagement pathway; align the program to financial close; nominate workstream and data owners; establish the decision, issue and evidence registers.

Days 31–60: Assess and design

Complete the initial entity-specific climate risk and opportunity assessment; review historical incidents and current exposure; define time horizons and scenario approach; map Scope 1 and 2 data; screen all Scope 3 categories; map climate matters to strategy, enterprise risk and financial statement line items.

Days 61–90: Dry run and test

Prepare a dry-run disclosure and basis-of-preparation pack; document key judgements and limitations; conduct financial connectivity and legal reviews; perform control testing and pre-assurance; present major judgements and unresolved gaps to the board or committee; rehearse the reporting and approval timetable.

Suggested readiness indicators

Area	Indicative readiness measure
Governance	100% of material workstreams have accountable executive and operational owners; board review cadence agreed.
CRRO coverage	Every material risk and opportunity has an owner, time horizon, evidence base, strategic response and financial-effects assessment.
Data	100% of reported Scope 1 and 2 sources have documented lineage, methodology, control owner and retained evidence.
Scope 3	All 15 GHG Protocol categories screened; priority categories have data plans and identified supplier dependencies.
Connectivity	All material climate judgements are reconciled to relevant budgets, forecasts and financial statement judgements.

Area	Indicative readiness measure
Disclosure	Every material statement and metric has a source, owner, review status and evidence reference.
Assurance	No unresolved high-risk findings remain before final board approval; remediation dates exist for medium findings.

9. How ESG&I can support Group 2 entities

ESG&I can provide an independent, practical delivery layer between sustainability ambition, statutory reporting requirements and operational implementation. Engagements can be scoped as a focused diagnostic or as an end-to-end support program, depending on internal capability and maturity.

Service pathway	Potential scope	Indicative output
1. Readiness diagnostic	Scope confirmation; current-state assessment; AASB S2 gap analysis; governance and assurance-readiness review; prioritised remediation roadmap.	Board and executive readiness brief; gap register; delivery scope; 90-day action plan.
2. Program design and mobilisation	Program governance; reporting calendar; RACI; materiality methodology; workstream design; data and evidence architecture; auditor engagement preparation.	Mobilised program with defined owners, controls, milestones and decision gates.
3. Technical and implementation support	Climate risk and opportunity assessment; scenario-analysis facilitation; metrics and targets design; GHG data support; Scope 3 screening; financial connectivity workshops.	Documented analyses, methodologies, control requirements and evidence packs.
4. Reporting and assurance preparation	Dry-run disclosure; basis of preparation; disclosure drafting; cross-reference and statutory-completeness checks; pre-assurance remediation coordination.	Board-ready draft and assurance-ready evidence package. Statutory assurance remains the responsibility of the appointed independent auditor.

A sensible first engagement

For most Group 2 entities, the lowest-risk starting point is a short readiness and scoping engagement. This establishes the regulatory position, material gaps, internal ownership, assurance dependencies and realistic delivery effort before committing to a larger implementation program.

DISCUSSION PROMPT Can your directors presently see who owns each material climate judgement, what evidence supports it, how it connects to the financial statements and what the auditor will test? If not, mobilisation should begin immediately.

10. Regulatory and market watchlist

Watch item	Position at August 2026	Management response
ASIC final observations	ASIC has indicated that final findings from its first review will be published in the second half of 2026.	Reassess the Group 2 gap register and drafting guidance when released.
Government proposals	The 2026–27 Budget flagged possible consultation on undue cost or effort, assurance phasing and value-chain information requests. These proposals were not treated as enacted changes in this paper.	Do not pause delivery. Monitor primary legislation, standards and regulator guidance.

Watch item	Position at August 2026	Management response
AASB S2 amendments	December 2025 amendments affect certain greenhouse gas measurement and financed-emissions requirements and are effective for periods beginning on or after 1 January 2027, with early application permitted.	Assess relevance and early adoption with accounting advisers and the auditor.
Liability settings	Modified liability applies only to defined statements and periods; it does not remove ASIC or criminal enforcement exposure and may not protect voluntary information.	Subject forward-looking and voluntary content to disciplined evidence and legal review.
Nature-related dependencies	Climate is currently the statutory sustainability-reporting component, but water, land, biodiversity and ecosystem dependencies may create climate-related financial effects.	Integrate material nature dependencies into climate analysis where relevant and maintain broader future readiness.

Appendix A—Group 2 mobilisation checklist

☐	Entity and consolidated reporting boundary confirmed against the legislation and ASIC guidance.
☐	Board and committee oversight responsibilities documented and embedded in charters or work plans.
☐	Accountable executive, program lead and cross-functional steering group appointed.
☐	Reporting calendar integrated with financial close, audit, board approval, AGM and lodgement dates.
☐	Financial statement auditor engaged on scope, timing, evidence expectations and independence considerations.
☐	Material climate-related risks and opportunities assessed using reasonable and supportable information.
☐	Time horizons, scenarios, pathways, assumptions and uncertainty documented and approved.
☐	Current and anticipated financial effects mapped to strategy, forecasts and financial statement judgements.
☐	Scope 1 and 2 calculation boundaries, methods, controls and evidence documented.
☐	All Scope 3 categories screened and priority data or supplier gaps assigned to owners.
☐	Metrics and targets inventory includes legal, regulatory and voluntary commitments.
☐	Voluntary disclosures are clearly identified and do not obscure mandatory information.
☐	Cross-references are precise, stable and available on the same terms and at the same time.
☐	Draft directors' declaration, statutory-completeness checklist and publication controls prepared.
☐	Dry run, pre-assurance, remediation and board challenge sessions scheduled.

Appendix B—Evidence base and key sources

Research position: August 2026. Primary regulatory and standard-setting sources have been prioritised. Big Four publications and selected reports provide comparative practice evidence but do not constitute regulatory findings or compliance determinations.

1. Australian Securities and Investments Commission, [Regulatory Guide 280: Sustainability reporting](#), 31 March 2025.
2. Australian Securities and Investments Commission, [Sustainability reporting](#), current guidance.
3. Australian Securities and Investments Commission, [ASIC issues early observations on sustainability reporting ahead of 30 June 2026](#), 6 May 2026.
4. Australian Securities and Investments Commission, [Early observations from mandatory climate reporting](#), 28 May 2026.
5. Australian Securities and Investments Commission, [How and when to lodge your sustainability report](#), current guidance.
6. Australian Securities and Investments Commission, [Modified liability settings](#), current guidance.
7. Australian Accounting Standards Board, [AASB S2 Climate-related Disclosures](#), September 2024, as amended.
8. Auditing and Assurance Standards Board, [ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001](#), January 2025.
9. KPMG Australia, [AASB S2 First Impressions: Early Findings Report](#), 2026. Review of 30 Group 1 entities.
10. Deloitte Australia, [Wave 1 Australian climate reporting: early insights](#), 2026. Review of 25 ASX 200 entities.
11. PwC Australia, [AASB S2 unpacked](#), 2026. Review of 22 first-wave ASX entities.
12. EY Australia, [AASB S2 insurance signals: early insights](#), 2026. Review of 12 insurers.

Selected entity reports reviewed

13. QBE Insurance Group, [QBE 2025 Annual Report](#), 2026.
14. 29Metals Limited, [2025 Annual Report](#), 2026.
15. Resolute Mining Limited, [2025 Climate Report](#), 2026.
16. Nickel Industries Limited, [Reissued Annual Report](#), 10 March 2026.
17. Woodside Energy Group, [Annual Report 2025](#), 2026.

Disclaimer

This briefing paper is general information only and is not legal, accounting, audit, assurance, investment or financial advice. Requirements and regulator expectations may change. Each entity should obtain advice appropriate to its circumstances and confirm assurance requirements with its appointed independent auditor. References to published reports are illustrative and do not represent an ESG&I compliance conclusion, endorsement or ranking.

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