



# AASB S2 RSE Reporting Guidance

March 2026

## **Disclaimer**

This document does not constitute authoritative guidance, nor legal advice, on the application of AASB S2 and should not be relied upon as such. Each entity should seek advice on its obligations from appropriately qualified professionals. Nothing in this guidance is intended to override, substitute for, or alter existing legal or regulatory requirements.

Except where expressly stated otherwise, the issues, opinions, guidance and recommendations expressed in this report are those of ACSI, and do not necessarily represent the views of any member. Each reporting entity remains solely responsible for determining their approach to climate-related risk and opportunity in investment strategy and practice, and for the interpretation of AASB S2 in application to their fund.

## **Acknowledgements**

This guidance was developed by ACSI. We sought views at multiple stages of the development process from members of its Climate Disclosures Working Group, and in roundtables attended by ACSI members, government bodies and auditing firms. The views expressed in this report remain those of ACSI, and do not necessarily reflect those of any individual member or third party.

## About this Guidance

This document is not designed to be an introductory or comprehensive guide to the application of AASB S2 or the broader ASRS regime. Reporters must follow the Application Guidance (Appendix B) and all appendices of AASB S2. They may also refer to additional reporting guidance issued by AASB and IFRS in seeking to understand their disclosure obligations under AASB S2.

This paper is designed for sophisticated report preparers. It highlights some areas in which the typical structure and functions of Registrable Superannuation Entities (RSEs) may raise specific questions that differ to those encountered by listed companies.

This guidance is not designed to define how RSEs should disclose information or how each RSE can meet compliance obligations. The reporting examples provided in this document are not exhaustive and do not imply the prioritisation of one type of information (qualitative or quantitative) over another. An RSE should consider the specific disclosure point to determine whether quantitative information and/or qualitative is required to meet reporting requirements. This judgement may then be influenced by the application of proportionality mechanisms.

RSEs must consider their own context and users and determine whether the concepts and approaches are relevant and appropriate to their individual situation. As part of this consideration, RSEs should retain documented evidence of the processes and data used to support judgements in the application of AASB S2 and disclose methodology and judgements where appropriate. RSEs should obtain their own professional advice and engage with their auditors early.

This document should be considered in conjunction with the range of existing and planned regulator and standard setting general guidance for all reporters, such as ASIC's [RG 280 Sustainability Reporting](#), with legal requirements and regulatory guidance paramount.

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# Overview

ACSI welcomes the introduction of mandatory climate reporting. Climate change risks are financially material and embedded across the economy. RSEs will use corporate climate-related disclosures to support investment analysis, risk assessment, stewardship activities and due diligence. Disclosure is an opportunity for reporters, including RSEs, to demonstrate an entity's value and resilience.<sup>1</sup> RSE disclosures can provide valuable information to users, including beneficiaries, on the organisation's approach to risk management, resilience and relationship to investment value. The analysis underpinning disclosures can also generate strategic insights that can be integrated into an RSE's processes and bolster resilience.

The Australian Sustainability Reporting Standard S2 Climate-related Disclosures ([AASB S2](#)) sets out required climate disclosures. Entities reporting under AASB S2 are required to disclose information about climate-related risks and opportunities that could "reasonably be expected to affect the entity's cash flows, its access to finance or costs of capital..." collectively referred to as the entity's prospects.<sup>2</sup> Core reporting is in the following areas:

- governance
- strategy
- risk management, and
- metrics and targets.

AASB S2 aligns with, and is based on, the [International Sustainability Standards Board \(ISSB\) Standards](#), which were originally focused on disclosure of financially material information by issuers of capital for the users of general purpose financial reporting. These users include existing and potential investors, lenders and other creditors. As large, globally diversified investors, RSEs differ from issuers of capital in several ways (refer Table 1), which can raise issues in interpreting reporting requirements.

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<sup>1</sup> AICD, 2024, [A Director's Guide to Mandatory Climate Reporting](#).

<sup>2</sup> Paragraph 2 of AASB S2. Further discussion of the term, "entity's prospects," is provided in [Entity's prospects and business model](#).

Table 1 Key RSE characteristics and differences from issuers of capital

|                              | RSE   | Issuer of capital   |
|------------------------------|---|---|
| Users of financial reporting | AASB 1056 identifies the most prominent users of RSE financial reporting to be the RSE's beneficiaries and potential beneficiaries, and parties that act on their behalf, such as financial analysts, advisors and unions, and employer-sponsors. <sup>3</sup>  | Paragraph 1 of AASB S2 requires the disclosure of information that is useful to "primary users of generally purpose financial reports."<br><br>Appendix A, Defined Terms, in AASB S2 <sup>4</sup> defines the primary users of general purpose financial reports to be existing and potential investors, lenders and other creditors. |
| Financial structures         | Unlisted.<br><br>RSEs are not permitted to carry debt on their balance sheet.   | Capital raising and debt financing.   |
| Corporate structure          | RSE (fund) and RSE Licensee structure. Investments reside in the RSE, while other functions may sit within either the RSE, the RSE Licensee, or a separate corporate entity.<br><br>This does not fit neatly within the parent/subsidiary or stapled entity relationships anticipated by the legislation, and most funds do not consolidate financial statements across the RSE and RSE Licensee. | Varied.<br><br>Parent companies and their subsidiaries, or an entity that is part of a stapled group, typically can prepare consolidated financial reports. <sup>5</sup>  |
| Exposure to climate risk     | Most material climate risk generally resides in the investments of an RSE. Australian RSEs invest across the global economy. Climate risk profiles for RSEs may therefore reflect the broader economy.  | This will depend on the entity. Primarily sector(s) and jurisdictions within which they operate for entities that do not have investing as a main business activity.<br><br>Entities other than RSEs that have investing as a main business activity may invest in a narrower range of assets than RSEs.                              |
| Data Sources                 | Third-party data providers and investees.   | Generally, the internal operations for entities that do not have investing as a main business activity. Reporters may also source data from their value chain and third parties.  |

## Guidance focuses on disclosures related to investments

This guidance focuses on disclosures regarding an RSE's investments. As noted in the Taskforce on Climate-related Financial Disclosures (TCFD) *Supplemental Guidance to the Financial Sector*, "asset owners bear the potential transition and physical risks to which their investments are exposed."<sup>6</sup> For example, an RSE's financed emissions (Scope 3, Category 15) are likely to be the most significant portion of an RSE's total emissions, estimated to be around 700 times larger than its direct emissions.<sup>7</sup>

<sup>3</sup> Refer to [Users](#) section in this guidance for commentary on the application of the definition of users in RSE reporting under AASB S2.

<sup>4</sup> AASB S2 uses the terms 'primary users' and 'users' interchangeably (refer footnote to Paragraph 1 of AASB S2). While AASB 1056 frames its definition of user slightly differently ('most prominent users'), the intent of both AASB S2 and AASB 1056 can be inferred to be to identify users of the reporting. This guidance uses the term 'users' to mean users as defined by AASB 1056.

<sup>5</sup> Refer ASIC, [Regulatory Guide 280 Sustainability Reporting](#).

<sup>6</sup> TCFD, 2017, [Supplemental Guidance for the Financial Sector](#).

<sup>7</sup> CDP, 2021, "[Finance sector's funded emissions over 700 times greater than its own](#)". CDP.

AASB S2 focuses on the disclosure of financially material information. While this may often be in relation to RSE's investments, RSEs should undertake an analysis to determine whether, depending on individual corporate structures or context, there are elements of their operations that they will also disclose. This is discussed in more detail in [Entity's Prospects and Business Model](#). While general ISSB<sup>8</sup> (e.g., Knowledge Hub) and AASB<sup>9</sup> (e.g., AASB S2 Knowledge Hub) reporting guidance will assist RSEs' operational reporting, additional guidance on investment fund-related disclosures may be useful. This document seeks to assist with that gap, but it does not provide detailed reporting guidance on the entirety of the disclosure requirements in AASB S2, nor does it constitute legal or compliance advice.

Elements of AASB S2 disclosure requirements can be challenging to apply in RSE reporting given the differences identified in Table 1. RSEs will be most familiar with their own individual circumstances (such as beneficiary information needs).<sup>10</sup> It may be that an RSE's reporting to meet disclosure requirements or concepts are shaped by user information needs, such as beneficiaries, and may be influenced by an RSE's operations and structures.

In any event, Appendix D of AASB S2 sets out the qualitative characteristics of useful climate-related financial information. The requirements set out in Appendix D must be followed. This includes, for example, disclosures on judgements, assumptions and methodologies or processes that were applied in preparing the report. This will support users of RSE reporting to understand the disclosures and the basis on which they have been prepared.

### Note on judgements

There are several references within this document about judgements RSE reporters may make in developing their disclosures, such as the adoption of AASB 1056's definition of users of reporting. Entities are required to disclose sufficient information to allow the users of reporting to understand the judgements that have been made. Paragraph 74, Appendix D of AASB S2 states that, "an entity shall disclose information to enable users of general purpose financial reports to understand the judgements, apart from those involving estimation of amounts (see paragraph 77)<sup>11</sup>, that the entity has made in the process of preparing its climate-related financial disclosures and that have the most significant effect on the information included in those disclosures." Paragraph 75, Appendix D of AASB S2 provides examples of judgements an entity may make, including, "identifying climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects...determining which sources of guidance to apply...identifying material information to include in the climate-related financial disclosures; and... assessing whether an event or change in circumstances is significant and requires reassessment of the scope of all affected climate-related risks and opportunities throughout the entity's value chain."

## Reporting thresholds

The *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024* outlines the legal framework for climate reporting, identifying the types and size of entities for which reporting obligations phase in over a four-year period (refer Table 2).

Section 1707B(2)(b) of the legislation specifically exempts RSEs from Group 1 reporting even if they are caught by those reporting thresholds. As shown in Table 2, RSEs are in Group 2 if they meet the threshold of the \$5 billion or more value of assets of the entity and the entities it controls or otherwise meet at least two of the three corporate size criteria pertaining to consolidated revenue, consolidated gross assets and employee count for Group 2 entities. RSEs will be considered Group 3 entities if they meet at least two of the three corporate size criteria for Group 3 entities (to the extent not already captured under the Group 2 thresholds).

<sup>8</sup> See IFRS Sustainability Disclosure Standards [Knowledge Hub](#).

<sup>9</sup> See [AASB S2 Knowledge Hub](#).

<sup>10</sup> For example, via ad hoc questions received from members directly or at annual member meetings.

<sup>11</sup> Paragraph 77, Appendix D of AASB S2 states that, "an entity shall disclose information to enable users of general purpose financial reports to understand the most significant uncertainties affecting the amounts reported in its climate-related financial disclosures."

Table 2 Reporting thresholds<sup>12</sup>

| First annual reporting periods starting on or after | Large entities and their controlled entities meeting at least two of three criteria: |                                |                | National Greenhouse and Energy Reporting (NGER) Reporters | Asset Owners (registered schemes, registrable superannuation entities, retail CCIVs) <sup>13</sup> |
|---|--|--------------------------------|----------------|---|--|
|   | Consolidated revenue   | EOFY consolidated gross assets | EOFY employees |   |  |
| <b>1 January 2025</b><br><b>Group 1</b>             | \$500 million or more  | \$1 billion or more            | 500 or more    | Above NGER publication threshold                          | N/A  |
| <b>1 July 2026</b><br><b>Group 2</b>                | \$200 million or more  | \$500 million or more          | 250 or more    | All other NGER reporters                                  | EOFY value of assets of the entity and entities it controls are \$5 billion or more                |
| <b>1 July 2027</b><br><b>Group 3</b>                | \$50 million or more   | \$25 million or more           | 100 or more    | N/A   | N/A  |

## RSEs and RSE Licensees

It is important to acknowledge that the RSE differs from the RSE Licensee (Licensee being the constitutional corporation, body corporate or group of individual trustees that hold the RSE License<sup>14</sup>). The policy intent appears to be for the RSE to be the focus of reporting. The legislation places the obligation to prepare annual sustainability reports (s292A of the *Corporations Act 2001*) on the RSE, if captured by the Group 2 value of assets threshold, or otherwise meet two out of the three corporate size thresholds for Group 2 or Group 3 reporting. Section 345AAA of the *Corporations Act 2001* confirms that the RSE Licensee is the responsible entity for discharging those obligations on behalf of the RSE.

**Note: RSE Licensees have the obligation to prepare the AASB S2 disclosures on behalf of the RSE. This document refers to RSEs developing reporting for ease of comprehension, but we note that many of these actions or decisions will be performed by the RSE Licensee.**

Notwithstanding this, the RSE Licensee may be separately caught under the reporting threshold tests. ASIC Regulatory Guide 280 states (refer 280.39) that RSE Licensees that are caught by reporting thresholds are required to provide a Sustainability Report whether or not their RSE also has a reporting obligation under the AUM threshold.<sup>15</sup> RSEs should obtain professional advice on whether their RSE Licensee is captured by reporting requirements. This document provides disclosure guidance for RSE reporting only.

## Broader regulatory environment

This guidance is limited to the AASB S2 reporting requirements. There are a range of other RSE-specific regulatory requirements, such as the Best Financial Interests Duty (BFID), that more broadly affect the response to and management of climate-related risks and opportunities. An RSE should consider the intersection of other regulatory obligations with AASB S2 reporting requirements. This will include, but is not limited to the following:

<sup>12</sup> Reporting thresholds apply only to entities that are also required to prepare an annual report under Chapter 2M of the *Corporations Act*.

<sup>13</sup> While Asset Owners (registered scheme, registrable superannuation entity or retail CCIV) are excluded from Group 1 reporting, they may be captured under either the assets under management test, or corporate size threshold (i.e. if they meet two of the three corporate size threshold criteria for Group 2 or Group 3 reporting).

<sup>14</sup> Section 10, *Superannuation Industry (Supervision) Act 1993*.

<sup>15</sup> ASIC, March 2025, [Regulatory Guide 280 Sustainability Reporting](#).

- Section 52(2)(c) of the *Superannuation Industry (Supervision) Act 1993* requires RSE Licensees, “to perform the trustee’s duties and exercise the trustee’s powers in the best financial interests of the beneficiaries.” BFID<sup>16</sup> requires RSE Licensees to “ensure, and demonstrate, that all decisions are consistent with the best financial interests of their members.”<sup>17</sup> The BFID obligation is likely to be a part of considerations when developing an RSE’s approach to AASB S2 disclosures.
- The Financial Accountability Regime (FAR), administered by ASIC and APRA, applies to RSE licensees. FAR sets out accountability, key personnel, deferred remuneration and notification obligations that may intersect with AASB S2 disclosures.<sup>18</sup>
- APRA’s Prudential Practice Guide, CPG 229 *Climate Change Financial Risks*, and an updated CPG 220 *Risk Management*, will be relevant guidance to consider when RSEs report under AASB S2.
- Product Disclosure Statement (PDS) requirements may interact with AASB S2 requirements.<sup>19</sup> For example, ASIC guidance suggests that both disclosures share common definitions and principles for relevant information disclosures.<sup>20</sup>

## Guidance structure

This document first considers the aspects of RSEs that create challenges in applying AASB S2 reporting requirements. Using this information as a base, the document then considers key concepts that are present across multiple provisions in the context of RSE activities. Building on this analysis of more general concepts, the guidance then considers specific individual provisions. Appendix 1 uses the discussion of key AASB S2 concepts to outline potential steps an RSE may want to consider in developing disclosures.

The structure of this guidance is as follows:

- **RSEs.** This section provides a general outline of RSE business models and corporate structures.
- **General Provisions.** This section considers the application of concepts within AASB S2, such as the users of reporting.
- **Selected AASB S2 disclosure requirements.** This section provides additional clarity for the application of specific disclosure requirements to an RSE.
- **Appendix 1: Example steps in developing disclosures.** This appendix outlines the steps an RSE may wish to consider in developing disclosures.
- **Appendix 2: Useful Resources.** This appendix provides links to sources used to develop this guidance. This document refers to a range of sources of guidance that may be useful for AASB S2 reporting, including resources from the AASB, IFRS Sustainability, TCFD, the UK Department for Work and Pensions, and ASIC.
- **Appendix 3: Glossary.** This appendix outlines the definitions of selected terms used in this document.

<sup>16</sup> Section 52(2)(c) of the *Superannuation Industry (Supervision) Act 1993* requires RSE Licensees, “to perform the trustee’s duties and exercise the trustee’s powers in the best financial interests of the beneficiaries.”

<sup>17</sup> APRA, 2021, [Implementation of Your Future, Your Super Reforms](#).

<sup>18</sup> APRA, 2024, [Financial Accountability Regime: Information for accountable entities](#).

<sup>19</sup> Refer Section 1013D in the *Corporations Act 2001*.

<sup>20</sup> ASIC, March 2025, [Regulatory Guide 280 Sustainability Reporting](#).

# RSEs

RSE business models utilise different mixes of investment approaches within a range of corporate structures to support value creation, including time horizons that extend over the long term. The differences in investment approaches will inform how they manage climate risks and opportunities and the content of disclosures.

## Investment approaches

RSEs invest with the goal of generating returns for the financial benefit of their beneficiaries, including time horizons that extend over the long term. The RSE Licensee will develop and oversee investment governance, which includes setting the policies and processes that guide how investment decisions are made. Refer to the [Governance](#) section for further discussion of RSE and RSE Licensee corporate structures.

Investment strategies that support this activity can be comprised of a number of elements, including but not limited to:

- **Active or passive:** In active investment strategies, RSEs choose the specific assets held in the fund based on their own analysis. Alternatively, a passive approach pegs investments to a relevant market index.<sup>21</sup> Both approaches can be present in one fund.
- **Direct or indirect:** RSEs may invest directly, they may employ asset managers to invest on their behalf via an investment mandate, or they may do both.<sup>22</sup>

Investment options within a fund will employ different investment strategies. For example, the investment strategy for a conservative option will differ from a high growth option. Each RSE will have its own individual mix of investment strategies or approaches that make up the total [fund](#).

## Scope of climate risk

RSEs invest across the global economy. These investment approaches result in diversified funds, with thousands of underlying company and government exposures across sectors, geographies and asset classes.<sup>23</sup>

RSEs can be considered universal owners, where their highly diversified investment funds are representative of the economy as a whole (although they may not invest in all sectors, such as tobacco) and consequently may not be able to diversify away from systemic risks.

RSE climate disclosures may therefore reflect the RSE's exposure to the broader economy or particular sectors (where material). Climate risks and opportunities disclosed may reflect systemic risks, as the total fund reflects risks present in the broader economy.

An RSE must identify and disclose any material financial risks and opportunities relating to climate. In some cases, to the extent the risks mirror the general economy, useful disclosure may include additional information provided on the processes used to respond to, and manage, these climate risks and opportunities.

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<sup>21</sup> Reinganum, M and Blay, K, 2024, [Beyond Active and Passive Investing. The Customisation of Finance](#). CFA Institute Research Foundation.

<sup>22</sup> J.P. Morgan, 2022, [How Australian asset owners became asset managers](#).

<sup>23</sup> Supplemental Guidance for the Financial Sector in TCFD, 2017, [Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures](#).

## Managing climate risks and opportunities

As RSEs employ different investment approaches and structures, there are a range of tools RSEs may use to respond to, and manage, physical and transition climate-related risks and opportunities at the asset and system levels. These tools include, but are not limited to:

- **Climate component of ESG integration:** RSEs take ESG issues, such as climate change, into consideration in the investment analysis and decision-making stages. ESG issues, including climate change, may also be taken into consideration in the assessment and appointment of asset managers.
- **Screening:** RSEs apply a set of criteria to decide whether to make a specific investment. There are various types of screening, including exclusionary screening, negative screening, positive screening, and norms-based screening,<sup>24</sup> any of which may be applied in a climate context. Investment options within the fund may also apply screens.
- **Stewardship:** This concept covers a range of activities, including voting, engagement and advocacy, designed to protect and enhance investment value as part of an investor's fiduciary obligations. RSEs may undertake these activities directly, collaboratively or through external asset managers.

RSEs will not necessarily employ all the tools listed above and may undertake activities not listed here. These are examples of how RSEs may respond to and manage climate risks and opportunities, and each will choose a mix of activities that reflect their individual context.

## Corporate structures

There are a range of RSE corporate structures. Typically, the RSE Licensee (also known as the trustee) will make and oversee the policies and procedures that guide the investment decisions. Investments usually reside in the RSE or wholly owned subsidiaries of the RSE. Associated operational activities and costs may reside in the RSE itself, the RSE licensee, or a separate entity. Differences in corporate structures may affect the areas covered by reporting obligations.<sup>25</sup> This is discussed further in [Metrics and Targets](#).

## Data challenges

RSEs will generally depend on information collated from their investees and third-party data providers to meet many of their reporting requirements, such as financed emissions disclosures. Reporters may wish to consider the systems that can be leveraged to source this data. For example, RSEs may wish to engage with their Administrator or Custodian, their Investment Provider, Pricing Providers and other entities with whom they have a relationship. These relationships will develop over time. RSEs should carefully consider the quality, controls and reliability of third-party data providers they are using to meet disclosure requirements.

In some instances, the reasonable and supportable information available without undue cost or effort proportionality mechanism helps to address key challenges that RSEs may face in relation to data availability. This proportionality mechanism is relevant to the identification of climate-related risks and opportunities, the assessment of anticipated financial effects, climate resilience and Scope 3 reporting (including identification of the value chain). Further information is provided in [Proportionality Mechanisms](#). While this does not exempt entities from providing disclosures, it does establish parameters for the type of information to consider, and the efforts required to obtain such information.

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<sup>24</sup> These types of screening can be defined as: exclusionary screening applies criteria to determine whether an investment is permitted; negative screening applies rules based on undesirable criteria which determine whether an investment is permitted; positive screening applies rules based on desirable criteria which determines whether an investment is permitted, and norms-based screening applies criteria based on widely accepted norms or standards to determine whether an investment is or is not permitted. See PRI, 2023, [Definitions for responsible investment approaches](#).

<sup>25</sup> Some RSE Licensees may be captured by the reporting thresholds, refer [AASB S2 reporting requirements](#).

AASB S2 also contemplates the use of estimates, recognising that an entity's measurement of Scope 3 greenhouse gas emissions is likely to include the use of estimation rather than solely comprising direct measurement. Importantly, paragraph B57 in Appendix B, states that the standard "includes the presumption that Scope 3 greenhouse gas emissions can be estimated reliably using secondary data and industry averages" and recognises that there may be "rare cases" when an entity determines it is impracticable to estimate its Scope 3 greenhouse gas emissions. Impracticable is defined to mean "applying a requirement is impracticable when an entity cannot apply it after making every reasonable effort to do so."

AASB S2 recognises that there can be high levels of measurement uncertainty and includes disclosures around this. Notably, paragraph 79 in Appendix D states that the "use of reasonable estimates is an essential part of preparing climate-related financial disclosures and does not undermine the usefulness of the information if the estimates are accurately described and explained. Even a high level of measurement uncertainty would not necessarily prevent such an estimate from providing useful information."

An RSE should provide robust disclosures as to the nature of the data it is using, the approach and processes used, and the reasons for doing so. Adequate records should be kept substantiating the judgements made about the types of data used to meet reporting requirements. In some circumstances, it may be appropriate to only report a portion of the fund, for example when the entity has exhausted all data options applying the proportionality mechanisms (above) and it is *impractical* to use estimates. Data availability and quality is expected to improve over time. This will support progressive improvements in disclosures.

Importantly, in the Basis for Conclusion the AASB acknowledged the concerns raised around challenges to reporting on financed emissions due to potentially limited availability of value chain data and the potential to create an unnecessary administrative burden for reporting entities. Nevertheless, the AASB decided that no modification was required given the transition relief provision in paragraph C4(a), Appendix C for Scope 3 reporting applies to financed emissions reporting. This provision relieves reporters from disclosing Scope 3 emissions in the first annual reporting period.

Data challenges are discussed in more detail in [Financed Emissions](#).

# General provisions

This section outlines how two disclosure elements (users of reporting and organisational reporting level) and four concepts outlined in AASB S2 (entity's business model and prospects, value chain, materiality, reasonable and supportable information available without undue cost or effort) may be applied in RSE reporting. These disclosure elements and concepts will influence the information included across multiple reporting requirements.

## Disclosure elements

### 1) Users of RSE reporting

**RSE consideration:** The users of RSE climate-related financial reporting are the same as those identified in AASB 1056 *Superannuation Entities*.

Paragraph 1 of AASB S2 states that the objective of AASB S2 is to disclose information that is useful to primary users of general purpose financial reports (who are defined in Appendix A of AASB S2).

Users of financial and sustainability reporting are assumed to be the same

The *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024* applies sustainability reporting obligations to entities that file financial reports under Chapter 2M in the *Corporations Act 2001* and meet the minimum size reporting thresholds. The AASB 1056 project summary confirms this arrangement, noting that, "...no specific detail about the nature of the users of RSEs' climate-related financial disclosures was required since the types of users of RSE general purpose financial reports are already well understood in the context of AASB 1056."<sup>26</sup> Consequently, it is reasonable to apply the same definition of users as for its financial reports.

The AASB Standard 1056 *Superannuation Entities* (AASB 1056) defines the users of RSE financial reporting as: "current and potential members and beneficiaries...parties that act on behalf of members and beneficiaries, such as financial analysts, advisors and unions; and...employer-sponsors."<sup>27</sup>

#### **Guidance for RSEs reporting to the users of reporting under AASB S2**

RSE reporters may consider including an explanatory note that states that the definition of 'primary users' in Appendix A of AASB S2 as 'investors, lenders and creditors' has been purposively interpreted in the context of AASB 1056, which provides that the most prominent users of RSE general purpose financial reports are "current and potential members and beneficiaries, parties that act on their behalf of members and beneficiaries such as financial analysts, advisors and unions, and employer-sponsors" (AASB 1056, BC 12).

<sup>26</sup> AASB, 2025, [Superannuation Entities](#) [Project Summary].

<sup>27</sup> Paragraph BC12 of AASB 1056, 2023, [Users of the General Purpose Financial Statements of Superannuation Entities](#), page 30.

The application of the AASB 1056 definition of users will influence the interpretation of concepts and disclosure requirements in the AASB S2 Standard. For example, the information needs of the users of the reporting, including beneficiaries, can shape materiality assessments, as outlined in the [Materiality](#) section. More generally, as superannuation is a compulsory system, RSE beneficiaries will have a broad range of financial literacy reflecting the population as whole. Given that beneficiaries, and potential beneficiaries, are included as users of RSE reporting, this range of financial literacy should be reflected in the required disclosures. RSE reporters will need to consider the audience in both presentation and content, carefully balancing:

- **Language:** Plain language can improve the clarity of the content for the general population. Summaries, and other methods of simplifying disclosures, should be considered for use where possible.
- **Content:** The information provided should be tailored towards users, including beneficiaries. This may mean providing qualitative narratives that can be understood by a general audience; a substantial explanation; and contextual commentary around quantitative disclosures. This is not to suggest that RSE reporters are expected to provide large amounts of additional information. Rather, that the disclosures should be tailored to what is material for users.
- **Purpose:** Disclosures will be shaped by the purpose of reporting to users (that include beneficiaries), who will be seeking to understand the RSE's approach to managing climate-related risks and opportunities.
- **Context:** Disclosure of quantitative data may benefit from careful explanation of the context and the meaning of the information. For example, quantitative data may reflect a potential or point-in-time scenario but does not reflect the dynamic nature of an investment fund that may pivot over time in response to potential scenarios or identified climate risks.

An RSE may wish to describe its approach to tailoring disclosures to reflect its intended audience, particularly how it may shape materiality assessments.

## 2) Organisational reporting level

**RSE consideration:** RSEs are captured at entity level but have flexibility on the level of detail to which they report.

The *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024* states that entities required to prepare a financial report under Chapter 2M of the *Corporations Act* are also required to prepare a sustainability report. This applies reporting obligations at entity level.

An RSE may choose to disaggregate information to sub-entity level in addition to entity level reporting. This approach aligns with the TCFD *Supplemental Guidance for the Financial Sector* that notes, when discussing disclosures around the impact of climate risks and opportunities on investment strategy, that this may be disclosed at the levels of the total fund, investment strategy or individual investment strategies for various asset classes.<sup>28</sup>

RSE reporters should refer to Appendix D of AASB S2 application guidance on disaggregation (Paragraphs B29 and B30) and materiality, as well as IFRS guidance on materiality,<sup>29</sup> when determining whether it is appropriate to also report at an additional level of detail beyond fund level. Depending on the context, disclosing at a sub-entity level may obscure material information by providing too much detail, while in other circumstances reporting at fund level may obscure material information. RSE risk management frameworks may provide a guide in highlighting areas where sub-entity level information may be material.

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<sup>28</sup> TCFD, 2017, [Supplemental Guidance for the Financial Sector](#).

<sup>29</sup> See IFRS Sustainability, [Sustainability-related risks and opportunities and the disclosure of material information](#), Educational material.

# Reporting concepts

## 1) Entity's prospects and business model

RSE consideration: When meeting disclosure requirements relating to the business model or an 'entity's prospects,' RSEs may have regard to the investment strategy and philosophy used to pursue their statutory objective set out in s.5(1) *Superannuation (Objective) Act 2024*.

Many of AASB S2's disclosure requirements relate to the entity's prospects (as defined in Paragraph 2 of AASB S2) and its business model (defined in Appendix A of AASB S2).

Examples include:

- identifying the climate risks and opportunities that could reasonably be expected to affect an entity's prospects (paragraph 10 of AASB S2).
- the current and anticipated effects of climate risks and opportunities on the entity's business model (paragraph 13(a) of AASB S2),
- the climate resilience of an entity's business model (paragraph 22 of AASB S2), and
- where climate risks are located in the business model (paragraph 13(b) of AASB S2).

### Business model

Appendix A in AASB S2 defines business model as "(a)n entity's system of transforming inputs through its activities into outputs and outcomes that aims to fulfil the entity's strategic purposes and create value for the entity and hence generate cash flows over the short, medium and long term." An RSE business model generally requires management of investment funds for the financial benefit of its beneficiaries. The objective of superannuation, as set out in s. 5(1) *Superannuation (Objective) Act 2024*, is to "preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way."<sup>30</sup> This involves the creation of value, via the generation of financial benefits that includes time horizons that extend over the longer term.

When managing climate risks and opportunities related to the operation of its business model, an RSE may undertake a range of actions including those outlined in [Managing Climate Risks and Opportunities](#). The mix of actions taken will be influenced by an RSE's individual investment approaches that are designed to create value including time horizons that extend over the long term.

### Entity's prospects

Paragraph 2 of AASB S2 states that 'entity's prospects' refers to "its cashflows, its access to finance or cost of capital over the short, medium or long term." Access to finance or cost of capital are terms readily understood by entities seeking equity or debt funding. It may be reasonable for an RSE to determine that some of these terms are less relevant in the context of its climate-related disclosure, given that access to finance and cost of capital are terms generally understood as related to issuers of capital. Consequently, cashflows may be the most relevant element of the entity's prospects for RSEs.

It is likely that the most material determinant of cashflows for RSEs could be member returns, which in turn will likely be dependent on investment returns. An RSE's investment returns are likely to influence its ability to attract and retain members, which can in turn affect the level of inflows from member superannuation guarantee payments. Investment returns could therefore influence its prospects. As such, an RSE reporter may consider disclosing information about the potential effect of climate-related risks and opportunities on its investment returns, as well as new investment opportunities, in response to disclosure requirements that reference an 'entity's prospects.'

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<sup>30</sup> s. 5(1) *Superannuation (Objective) Act 2024*.

## 2) Value chain

RSE consideration: Disclosures relating to an entity's value chain may include commentary on its investments.

AASB S2 disclosure requirements related to an entity's value chain include, among others, current and anticipated effects of climate-related risks and opportunities on the entity's value chain and where in the value chain climate-related risks and opportunities are located.

Appendix A of AASB S2 defines a value chain as, "(t)he full range of interactions, resources and relationships related to a reporting entity's business model and the external environment in which it operates." It further explains that a "value chain encompasses the interactions, resources and relationships an entity uses and depends on to create its products or services from conception to delivery, consumption and end-of-life, including interactions, resources and relationships in the entity's operations, such as human resources; those along its supply, marketing and distribution channels, such as materials and service sourcing, and product and service sale and delivery; and the financing, geographical, geopolitical and regulatory environments in which the entity operates."

An RSE's value chain may include direct investment, asset management, distribution, advice and beneficiaries. Paragraph 13(a) of AASB S2 asks reporters to disclose, "a description of the current and anticipated effects of climate-related risks and opportunities on an entity's business model and value chain." Taking into account the principle of materiality, and an RSE's value chain generally, the most material climate-related risks and opportunities may be in its investments.

### Guidance for RSE reporting under AASB S2

An RSE could carefully consider the following when making disclosures related to its value chain:

- **Materiality:** In determining the scope of its value chain, the RSE may carefully consider where climate-related risks are concentrated. This can be partially assessed via the available emissions data, as well as the type (e.g. listed equities versus project finance) and size of investments, within the fund. In many sectors or investments, such as a material exposure to business models that generate significant Scope 3 emissions (e.g., oil and gas), the investee's value chain may be material information. The RSE may make a judgement that in some cases the value chain of investees in specific sectors or asset classes may not emit material Scope 3 emissions. For example, emissions from concrete and aluminium production are concentrated in Scopes 1 and 2. In this circumstance, it may be appropriate for value chain assessments in this sector to end at the investee, rather than also encompass the investee's own value chain. RSEs should provide a clear explanation, with supporting documentation on the data and processes employed, on how and where it has made this judgement.
- **Reasonable and supportable information available without undue cost or effort:** The application of this proportionality mechanism in identifying the required information and the effort required to obtain this information. This is discussed in [Proportionality Mechanisms](#). It is likely that BFID considerations will form part of this assessment.

### 3) Materiality

RSE consideration: The users identified in AASB 1056 will shape materiality assessments for RSEs reporting under AASB S2.

Paragraph 1 of the AASB S2 states that its objective is to, “require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general purposes financial reports in making decisions relating to providing resources to the entity.”

The AASB S2 Application Guidance in Appendix D sets out key requirements to refer to when identifying and disclosing material information.

Paragraph D18 of AASB S2 defines information as material if:

*omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general-purpose financial reports make on the basis of those reports, which include financial statements and climate-related financial disclosures, and which provide information about a specific reporting entity.*

As materiality judgements are specific to an entity, AASB S2 does not specify any thresholds for materiality or predetermine what would be material in a particular situation. In any event, entities should apply the Application Guidance (B13–B19 and B21–B37) when identifying and disclosing material information.

Paragraph B21, Appendix D, Application Guidance, provides that an “entity shall assess whether information, either individually or in combination with other information, is material in the context of the entity’s climate-related financial disclosures taken as a whole. In assessing whether information is material, an entity shall consider both quantitative and qualitative factors. For example, an entity might consider the magnitude and the nature of the effect of a climate-related risk or opportunity on the entity.”

In addition to the requirements in AASB S2, RSEs may find it useful to refer to existing materiality processes used to meet AASB 1056 reporting requirements. RSEs may also refer to IFRS’ *Sustainability-related risks and opportunities and the disclosure of material information* for further guidance on the application of materiality.<sup>31</sup> This section outlines a selection of possible issues for consideration about the application of materiality to RSE reporting, rather than a specific recommended approach.

#### Guidance for RSE reporters

As outlined in the section titled ‘[Users](#)’ above, it is reasonable for the users of RSE reporting to be defined by AASB 1056, and as such, would include current and potential members and beneficiaries, parties that act on their behalf and employer-sponsors.

***Therefore, an RSE might consider if “omitting, misstating or obscuring that information could reasonably be expected to influence decisions” (paragraph D17 of AASB S2) of the users of its reporting, as defined by AASB 1056. This can (among other factors) relate to decisions members or their representatives may make about whether to join, stay or leave an RSE, as well as its assessment of the fund in which they are invested.***

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<sup>31</sup> IFRS Sustainability, 2024, [Sustainability-related risks and opportunities and the disclosure of material information](#).

## 4) Proportionality mechanisms

RSE consideration: Given investors' value chains, disclosures will likely have data gaps and estimates. The reasonable and supportable information available without undue cost or effort proportionality mechanism may be useful in identifying the types of information needed, and the efforts required to obtain that information. BFID is likely to be relevant to the interpretation of undue cost or effort for RSE disclosures.

### Proportionality mechanisms in AASB S2<sup>32</sup>

There are two proportionality mechanisms in AASB S2 that apply to selected provisions:

- 1) reasonable and supportable information that is available at the reporting date without undue cost or effort, and
- 3) commensurate with the skills, capabilities and resources that are available to the entity. The first proportionality mechanism (reasonable and supportable information available without undue cost and effort) is described below. The second proportionality mechanism applies to the reporting of climate-related scenario analysis and anticipated financial effects. This proportionality mechanism requires an entity to use an approach that reflects its circumstances, including available skills, capabilities and resources. The entity is permitted to adjust the information to be provided when meeting a disclosure requirement because they do not have the skills, capabilities or resources to provide particular information.

Discussion of proportionality mechanisms in this guidance is limited to the first mechanism, that is the provision of reasonable and supportable information without undue cost or effort. Should an RSE consider that it is appropriate to apply the second proportionality mechanism, that relates to the skills, capabilities and resources available to the entity, they should provide robust disclosures that explain and support this judgement.

A proportionality mechanism, requiring an entity to "use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort," applies in some instances. This proportionality mechanism does not exempt entities from providing disclosures.<sup>33</sup> AAASB guidance notes that this proportionality mechanism is designed to apply parameters to the type of information to consider, and the efforts required to obtain such information for disclosures where there may be a high level of judgement or uncertainty.<sup>34</sup>

This proportionality mechanism applies to:

- the identification of climate-related risks and opportunities (paragraph 11 of AASB S2),
- the scope of the value chain (paragraph B36, Appendix B of AASB S2)
- anticipated financial effects (paragraph 18 of AASB S2),
- the approach to climate-related scenario analysis (paragraph B1, B8-B15, Appendix B of AASB S2),
- the measurement of Scope 3 greenhouse gas emissions (paragraph 30 of AASB S2 and B39 of Appendix B of AASB S2), and
- metrics in cross-industry metric categories (paragraph 30 of AASB S2 relates to the climate related metrics outlined in paragraph 29 (b)- (d) of AASB S2).<sup>35</sup>

<sup>32</sup> This section draws on AASB guidance, [Proportionality Mechanisms in AASB S2](#).

<sup>33</sup> AASB S2, 2025, [Proportionality Mechanisms in AASB S2](#)

<sup>34</sup> AASB S2, 2025, [Proportionality Mechanisms in AASB S2](#)

<sup>35</sup> AASB, 2025, [Proportionality Mechanisms in AASB S2](#)

Paragraph B10 of Appendix D of AASB S2 states that reporters should consider the following when making an assessment of undue cost or effort:

- the reporters' specific circumstance, and
- balancing a consideration of the costs and efforts in applying the requirements and the benefits of the resulting information for the users of the disclosures.

IFRS Sustainability guidance notes that the complexity of a reporter's operations, the breadth and composition of its value chain, and/or the timeliness of available information may challenge its identification of climate risks and opportunities.<sup>36</sup> These challenges are pertinent to the RSE business model, where the investment fund value chain is large and complex and RSEs will need to aggregate data from investees and third parties to meet reporting requirements.

#### Types of reasonable and supportable information considered to be available without undue cost or effort

This proportionality mechanism is adopted from financial reporting, and is present in other AASB Standards, such as AASB 9 *Financial Instruments* and AASB 17 *Insurance Contracts*.<sup>37</sup> These standards include examples of information available with undue cost or effort, including: information available from an entity's own information systems and information that is available for financial reporting purposes.<sup>38</sup> Other examples include public or otherwise freely available information.

Paragraph B9 in the Application Guidance in Appendix D of AASB S2 lists examples of data sources that may be available without undue cost or effort. These data sources include the entity's risk management processes, industry and peer group experience, external ratings, reports and statistics. Data generally considered to be available to a company without undue cost or effort<sup>39</sup> includes information generated:

- by a company when it prepares its financial statements
- by a company operating its business model
- when a company sets its strategy, and
- through a company's management of its risks and opportunities.

For an RSE, this may include existing information generated through operating its business model, initial and ongoing due diligence over its investments for the purposes of making 'buy/hold/sell' decisions, and information used for the purpose of understanding the climate risks and opportunities associated with those investments.

#### UK Guidance for pension funds

Additional opinions on how undue cost or effort can be applied to RSE reporting can be obtained via reference to the UK Department for Work & Pensions guidance, *Governance and reporting of climate change risk: guidance for trustees of occupational schemes*. This guidance addresses a similar concept in the UK TCFD reporting requirements, "as far as they are able," and makes the following comment:

*Requirements to undertake the relevant activities "as far as they are able" recognise that there may be gaps in the data trustees are able to obtain about their scheme assets for the purposes of carrying out scenario analysis or calculating metrics. In addition, it recognises that particular challenges may arise in relation to the quantification of climate risks including some sovereign bonds, relevant contracts of insurance, asset backed contribution structures and derivatives...*

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<sup>36</sup> IFRS Sustainability, [IFRS S1 and IFRS S2 Proportionality Mechanisms](#)

<sup>37</sup> AASB 9, 2022, [Financial Instruments](#); AASB 17, 2022, [Insurance Contracts](#)

<sup>38</sup> Paragraph B37 of AASB 17 [Insurance Contracts](#) and paragraph B5.5.48 of AASB 9 [Financial Instruments](#)

<sup>39</sup> See discussion of paragraph B9 in IFRS S2 in IFRS Sustainability, 2025, [Disclosing information about anticipated financial effects applying ISSB Standards](#), p.11.

*Certain data may be expensive to collect or associated analysis complex to carry out. Trustees or those acting on their behalf are not expected to spend disproportionate amounts of time attempting to fill data gaps in relation to firms which are unlikely – due to their business activities or size – to contribute to climate-related risks posed to the scheme.*

*If trustees are able to obtain data or analysis in a format which is usable but only at a cost – whether directly or indirectly via liaison with advisers - which they believe to be disproportionate, they may make the decision to treat this data or analysis as unobtainable. A robust justification for doing so should be set out... [in the Sustainability Report].<sup>40</sup>*

#### Guidance for RSE reporting under AASB S2

As RSEs are generally data aggregators, using information sourced directly from investees or third-party data providers, this proportionality mechanism is likely to be relevant in considering the types of data (e.g. verified versus estimates) an RSE uses to meet disclosure requirements. We note that this guidance does not suggest that this proportionality mechanism exempts reporters from disclosing against a requirement. Rather, the guidance discusses how this concept will influence the type of information an entity will use in preparing its reporting. In practice, some types of data or methodology may not be available in the short term.

Important issues that will interact with considerations of what constitutes undue cost or effort part of the proportionality mechanism include, but are not limited to:

- **BFID responsibilities:** In some circumstances, an RSE may consider that the associated cost of obtaining more granular data, or the staff resources required to analyse the additional data, when balanced with the usefulness of the corresponding disclosure for members, means that the information is not available without undue cost or effort, and also may not therefore be in the best financial interests of beneficiaries. For example, in some circumstances, the resources required for an exhaustive search for information on individual investments may not be justified when estimates are available from third party data providers. Equally, an increase in data collection costs may be justified where the materiality of the risk or opportunity warrants additional effort in beneficiaries' best interests.
- **Intended user of the information:** An RSE may consider that given the information needs of the users of the reporting, including its beneficiaries, the cost or effort incurred would not be justified by the utility of the data for the intended audience.
- **Use of the information:** An RSE may consider that obtaining further data will require undue cost or effort when considering the intended use of the information. For example, users may be seeking to understand an RSE's approach to managing climate risks and opportunities and the information currently used is sufficient to meet disclosure requirements. More detailed information will not necessarily deliver additional insight on that issue.<sup>41</sup> Conversely, a decision to not provide more detailed information may not be justified for areas that have larger associated climate-related risks, such as the oil and gas sector.
- **Materiality:** The scale of the materiality of the information required may influence the threshold at which data may be considered to constitute 'undue cost or effort'.

An RSE should disclose a robust explanation to support its stated approach, including the documented processes and data used to make this judgement. For example, it may justify why it considers the approach taken to be appropriate and disclose future conditions (such as the availability of more verified data over time) that may expand the information it is able to report. An RSE reporter should retain adequate records to substantiate its application of this proportionality mechanism.<sup>42</sup>

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<sup>40</sup> Department for Work & Pensions, 2022, [Governance and reporting of climate change risk: guidance for trustees of occupational schemes](#)

<sup>41</sup> IGCC, 2024, [Uses and Limitations of Investee Scope 3 Disclosures for Investors](#).

<sup>42</sup> Refer paragraph 110 of ASIC, RG 280 [Sustainability Reporting](#).

# Selected AASB S2 disclosure requirements

This section identifies individual disclosure requirements in the Governance, Strategy, Risk Management and Metrics and Targets sections of AASB S2 where an RSE reporter may benefit from additional guidance. For each disclosure requirement, its location in AASB S2 is noted, along with a summary of its contents, and guidance on matters that may be useful for RSE consideration. While examples of reporting disclosures are provided, RSE disclosures will need to reflect individual circumstances. These are examples only, are not exhaustive, and do not constitute compliance advice. It is recognised that there may be other ways for an RSE to disclose against the AASB S2 Standards.

In some cases, the same information may be relevant to multiple disclosure requirements. For example, some elements of scenario analysis disclosures, such as information about the RSE's investment approach, may refer to information disclosed in response to other AASB S2 disclosure requirements.

Table 3 Disclosure requirements discussed in Part Four

| Governance                          | Strategy   | Risk Management                     | Metrics and Targets   |
|-------------------------------------|--|-------------------------------------|---|
| <a href="#">General discussion.</a> | <a href="#">Paragraph 13(b) of AASB S2 Climate-related risks and opportunities in business model and value chain</a> | <a href="#">General discussion.</a> | <a href="#">Paragraph 29(a) of AASB S2 Emissions reporting</a>                              |
|                                     | <a href="#">Paragraph 14(a)(i) of AASB S2 Resource allocation</a>  |                                     | <a href="#">Paragraphs 29-31 of AASB S2 Climate-related risks and opportunities metrics</a> |
|                                     | <a href="#">Paragraph 14(a)(ii) and (iii) of AASB S2 Mitigation and adaptation efforts</a>                           |                                     | <a href="#">Paragraph 29(e) of AASB S2 Capital deployment</a>                               |
|                                     | <a href="#">Paragraph 14(a)(iv) of AASB S2 Transition plans</a>  |                                     | <a href="#">Paragraph 33 of AASB S2 Climate-related targets</a>                             |
|                                     | <a href="#">Paragraph 14(b) of AASB S2 Resourcing</a>  |                                     |   |
|                                     | <a href="#">Paragraphs 15-21 of AASB S2 Financial position, financial performance and cash flows</a>                 |                                     |   |
|                                     | <a href="#">Paragraph 16(c)(i) and (ii) of AASB S2 Investment and funding</a>  |                                     |   |
|                                     | <a href="#">Paragraph 22 of AASB S2 Scenario analysis</a>  |                                     |   |

## Governance

Paragraph 5 of AASB S2 states that the objective of governance disclosures is for users of the reporting, *“to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee climate-related risks and opportunities.”*

For RSEs, governance will be the responsibility of the RSE Licensee, an entity which may, or may not, be captured by reporting obligations. The application of reporting obligations (refer [Table 2](#)) generally means that:

- The RSE, not the RSE Licensee, is captured via the value of assets test.
- RSE Licensees will have reporting obligations if they are caught by the revenue/employee/assets threshold test in Groups 1, 2 or 3. For many RSEs, its RSE Licensees may not necessarily be caught by these thresholds.

To help meet the requirements of the governance disclosures, RSEs will generally need to disclose the governance arrangements and processes put in place by the RSE Licensee. The Board of the RSE Licensee provides the Directors' Declaration for RSE financial and AASB S2 reporting.

If an RSE Licensee is captured by the revenue/employee/assets threshold test, there is no current mechanism to provide a consolidated RSE and RSE Licensee report.<sup>43</sup> The different users of reporting for each entity (RSE will be reporting to their beneficiaries and others as defined by AASB 1056, while an RSE Licensee will report to the users of general purpose financial reports as defined by AASB S2) would complicate the production of a consolidated report.

## Strategy

### Paragraph 13(b) of AASB S2 Climate-related risks and opportunities in business model and value chain

Reporters should disclose, *“a description of where in the entity's business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets.)”*

As RSEs with investments across the economy, climate-related risks and opportunities for an RSE could, in many cases, mirror the broader economy. Consequently, to meet this requirement, and provide sufficient information at the level of disaggregation that allows the users of reporting to understand the climate-related risks and opportunities in the investments, an RSE may consider how to disclose at a scale that is appropriate for its context. This could include disclosure at:

- **Systemic level:** Information on economy-wide risks and how they impact investment.
- **Fund level:** Information on risks at fund level and how the Licensee manages those risks across the fund.
- **Sub-fund level:** This includes information on risks categorise by asset class, sector level or investment option.

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<sup>43</sup> Reporting entities are able to apply to ASIC for reporting relief if specific circumstances apply. Refer to Section E, Paragraphs 156 - 183 in ASIC [RG280 Sustainability Reporting](#) for general information on the ability to apply for reporting relief.

## Paragraphs 14(a)(i) of AASB S2 Resource allocation

Paragraph 14(a)(i) of AASB S2 requires reporters to disclose, “*current and anticipated changes to the entity’s business model, including its resource allocation, to address climate-related risks and opportunities...*”

This will depend on the specific circumstances and strategies of each RSE. For example, an RSE reporter may discuss how its investment strategy responds to climate-related risks and opportunities.

## Paragraph 14(a)(ii) and (iii) of AASB S2 Mitigation and adaptation efforts

Entities are expected to disclose information about “*(ii) current and anticipated direct mitigation and adaptation efforts... (iii) current and anticipated indirect mitigation and adaptation efforts...*”

An RSE’s disclosures will generally relate to its investments and it may be appropriate to focus on indirect mitigation and adaptation efforts. The indirect mitigation and adaptation tools employed will differ depending on asset class. For example, mitigation and adaptation may be highly relevant for unlisted infrastructure assets that are directly- or majority-owned, where it is material for the investment and investors have a high level of control. For equity exposures, investors may be able to influence mitigation and adaptation indirectly via engagement and stewardship, in particular in the context of integration of climate-related factors in investment decisions.

Some ways in which an RSE may disclose mitigation and adaptation efforts, include, (but are not limited to):

- Describing stewardship activities, including direct engagement with investees, and the asset classes involved.
- Qualitative discussion concerning the incorporation of climate mitigation and adaptation concerns in investment analysis/due diligence/external manager selection/integration and stewardship activities.
- Disclosing exclusionary or negative screening employed.
- Reporting the percentage of the total fund that is invested in companies or assets that contribute to climate change mitigation and adaptation. For example, an RSE may disclose the levels of green revenues and green capex for portions of its fund.<sup>44</sup>
- Highlighting fund manager activities and the RSE’s monitoring of those activities.

The aim should be to provide fulsome disclosure that provides accurate information, taking into account the needs of users.

## Paragraph 14 (a)(iv) of AASB S2 Transition plans

Entities are expected to disclose information about, “*any climate-related transition plan the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity’s transition plan relies.*”

AASB S2 does not require reporters to have a transition plan, but they are required to disclose material information about such a plan if one exists (including information about key assumptions and dependencies). More broadly (beyond AASB S2 requirements), if an RSE has set operational or fund decarbonisation targets, there is an expectation that they will have a robust plan to achieve those targets or disclose if they do not yet have a plan.<sup>45</sup> While many organisations are yet to develop transition plans, they are becoming increasingly valued. Transition plans are seen as a useful strategic planning tool and support clarity on an organisation’s response to climate change.

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<sup>44</sup> IIGCC, 2023, [Investing in climate solutions: listed equity and corporate fixed income](#)

<sup>45</sup> For example, [ASIC Report 763](#) (ASIC’s recent greenwashing interventions) identified net zero statements and targets that did not appear to have a reasonable basis.

In developing transition plans, RSE reporters may refer to the IFRS and Transition Plan Taskforce (TPT) Asset Owners Sector Guidance<sup>46</sup>, as well as the range of guidance provided by the TPT,<sup>47</sup> the forthcoming Transition Plan Guidance from Treasury,<sup>48</sup> the AICD and ACSI research report *Governing for Net Zero: The Board's Role in Organisational Transition Planning*,<sup>49</sup> the Investor Agenda's *Investor Climate Action Plans (ICAPs)*<sup>50</sup>, and the Paris Aligned Investment Initiative *Net Zero Investment Framework*<sup>51</sup>, may also be useful.

The nature of RSE structures means that the transition will be influenced by the investees' transition plans. Consequently, information relevant to an RSE transition may be disclosed in other sections of the Sustainability Report, for example the investment strategy and risk management reporting.

Key assumptions and dependencies related to RSE transition may include (but not limited to):

- **Assumptions.** An RSE's transition will be informed by its regulatory obligations and business plans. Firstly, existing regulation that applies to RSEs, such as BFID, will influence the range of actions in an RSE transition plan. Secondly, RSEs invest across the national and global economy, utilising different strategies that may be active or passive. The type of investment approach employed will in turn affect the types of actions an RSE could take as part of its transition.
- **Dependencies.** Investors predominantly influence, rather than control, reductions in emissions associated with investments. Dependencies for an RSE may consequently include data availability from its investees, available technology and public policy settings that support and encourage decarbonisation.

### Paragraph 14(b) of AASB S2 Resourcing

Paragraph 14(b) of AASB S2 requires reporters to disclose, *"information about how the entity is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 14(a),"* which relates to information about the entity's response to climate-related risks and opportunities.

An RSE may report on how it resources its investment related activities designed to manage and respond to climate risks and opportunities in the portfolio. For example, it may provide some qualitative or quantitative information on the relevant teams and its areas of responsibility, external manager or other advisers. In some circumstances, it may be difficult to separately attribute cost to responding to climate risk. The BFID regulatory obligation is likely to be fundamental to RSE resourcing decisions. Consequently, disclosures may seek to explain how BFID considerations are relevant to resource allocation.

### Paragraphs 15-21 of AASB S2 Financial position, financial performance and cash flows

*"15 An entity shall disclose information that enables users of general purpose financial reports to understand: (a) the effects of climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period (current financial effects); and (b) the anticipated effects of climate-related risks and opportunities on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how climate-related risks and opportunities are included in the entity's financial planning (anticipated financial effects)."* Paragraph 16 outlines the qualitative and quantitative information that will be required to meet disclosure requirements.

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<sup>46</sup> Transition Plan Taskforce, 2024, [Asset Owners Sector Guidance](#).

<sup>47</sup> IFRS, 2025, [Transition Plan Taskforce Resources](#).

<sup>48</sup> Treasury, 2025, [Climate-related transition planning guidance](#).

<sup>49</sup> AICD and ACSI, 2025, [Governing for Net Zero: The Board's Role in Organisational Transition Planning](#).

<sup>50</sup> Investor Agenda, 2023, [Investor Climate Action Plans Expectations Ladder](#), and, 2024, [Guidance on Using the Expectation Ladder](#).

<sup>51</sup> Paris Aligned Investment Initiative, 2024|IGCC, 2023, [Net Zero Investment Framework](#)

As discussed in [Business Model and Entity's Prospects](#), RSEs may report on investment returns to assist meeting these disclosure requirements.

Given investment diversification, the ability of the RSE to respond to climate risks or opportunities by pivoting investments based on the information available, and the nature of climate as a systemic risk, it may be that the effect on returns on an annual basis is minimal for the current financial period.<sup>52</sup> In this context, it may be appropriate that:

- the effects of climate risks and opportunities are disclosed at a systemic, asset class or sector level, and
- there is no material effect on financial performance in the current financial period, even when considering potential market risk (because the RSE has responded to or managed the risk, or otherwise), notwithstanding the financial nature of the risk over the medium and longer term.

The feasibility of different types of indicators will differ according to asset class and the availability of data.<sup>53</sup> RSEs could carefully consider:

- The users of its reporting when disclosing quantitative indicators. This is discussed in [Users](#).
- Whether paragraph 19(b) of AASB S2 on measurement uncertainty could apply to these disclosures. Paragraph 19(b) states that an entity is not required to provide quantitative information if there is a high enough level of measurement uncertainty that means the quantitative information is not useful. Paragraph 21(c) of AASB S2 states that if quantitative information is not provided about current or anticipated financial effects of a climate-related risk or opportunity, the entity shall "provide quantitative information about the combined financial effects of that climate risk or opportunity and other factors unless the entity determines that quantitative information about the combined financial effects would not be useful." If paragraphs 19(b) and 21(c) are considered applicable to these disclosures, robust justification should be provided, including the processes undertaken and the data used.

There are a range of ways RSE could disclose, including but not limited to:

- Disclosure of impacts to capital market assumptions and expected returns outlined in quantitative scenario analysis.
- Qualitative description of the material climate risks and opportunities present within the fund, and a narrative explanation of why these risks and opportunities may not result in a financial impact in the current financial year.

### **Paragraph 16(c)(i) and (ii) of AASB S2 Investment and funding**

Entity disclosures should take into consideration, "(i) its investment and disposal plan (for example, plans for capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas, and asset retirements), including plans the entity is not contractually committed to, and (ii) its planned sources of funding to implement its strategy."

Information relating to climate opportunities relevant to paragraph 16(c)(i) of AASB S2 may be commercially sensitive. Paragraph D73 of AASB S2 relieves reporters from disclosing information about climate-related opportunities if that information is commercially sensitive. This relief only applies to the disclosure of climate-related opportunities.

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<sup>52</sup> RSEs may consider the potential short term market impact where institutional investors price in the long-term climate risks.

<sup>53</sup> Climate Financial Risk Forum, 2023, [Climate Disclosures Dashboard 2.0](#).

Paragraph 16(c)(ii) of AASB S2, which requires disclosures on planned sources of funding, is designed for issuers of capital to report on loans or equity injections. In the context of an RSE business model, an RSE may interpret 'funding' as analogous to inflows from members or from the sale and reinvestment of investments. In this circumstance, an RSE's disclosures would consider if there may be material effects of climate change on fund inflows. This may be an assessment, for example, of the effect of a disorderly transition or physical risk on its member industries and the subsequent potential effect on member superannuation guarantee inflows. Alternatively, it may be an assessment of the reputational risk of poor climate-risk management and its impact on membership numbers and member guarantee inflows.

## Paragraph 22 of AASB S2 Scenario analysis

Paragraph 22 of AASB S2 outlines reporting requirements that will allow users to “understand 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. The entity shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with the entity's circumstances...”

Under section 296D(2B) of the Corporations Act, a scenario analysis must use at least the following two scenarios: a low-warming scenario (aligned with 1.5°C) and a high-warming scenario (that 'well exceeds' 2°C).

As noted in guidance for UK pension funds' TCFD reporting, *Governance and reporting of climate change risk: guidance for trustees of occupational schemes*:

*“Scenarios are not intended to represent a full description of the future but rather to highlight central elements of a possible future and to draw attention to the key factors that will drive future developments. They are hypothetical constructs, not forecasts, predictions or sensitivity analyses.”<sup>54</sup>*

An RSEs may wish to cross-refer to risk management and strategy-related disclosures to highlight any deviation between RSE investment strategies and economy-wide climate risks, providing further context on how its actions seek to address systemic risk and avoid the scenario outcomes outlined in the Scenario Analysis.

Scenario analyses are not necessarily expected to be carried out every reporting period. Paragraph B18 of AASB S2 notes that climate-related scenario analysis may, for example, be carried out in line with an entity's strategic planning cycle such as every three to five years. Consequently, information provided against paragraph 22(b) of AASB S2 may not change year on year. However, paragraph B18 of AASB S2 also notes that information disclosing an entity's assessment of its climate resilience (paragraph 22(a) of AASB S2) is expected to be updated every year.

Two key aspects are likely to influence how RSEs report against these disclosure requirements:

- RSEs hold diversified investments across the global economy, and
- The users of reporting, as defined by AASB 1056, include the beneficiaries of the RSE.

There are several considerations in developing scenario analysis that are relevant to RSE reporters.

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<sup>54</sup> Department for Work & Pensions, 2022, [Governance and reporting of climate change risk: guidance for trustees of occupational schemes](#)

## Diversified investments

As RSEs are institutional investors with assets across the global economy, scenarios are likely to be whole of economy scenarios, with complex and interactive climate risks across the global economy, rather than being limited to one or two sectors or jurisdictions.<sup>55</sup>

Work is being done in scenario analysis to respond to these challenges, such as the joint Universities Superannuation Scheme UK (USS)) and University of Exeter research developing of qualitative scenarios that may be used by institutional investors<sup>56</sup> and Ortec Finance's climate scenario modelling.<sup>57</sup>

AASB S2 Appendix B provides application guidance for the disclosure of scenario analysis.

Paragraph 22 requires an entity to use climate-related scenario analysis to assess its climate resilience, using an approach that is commensurate with its circumstances. Paragraphs B2-B7 set out the factors that an entity should consider when assessing its circumstances: its exposure to climate-related risks and opportunities and the skills, capabilities and resources available to the entity for the climate-related scenario analysis. In some instances, a qualitative scenario may be appropriate in an entity's circumstances, in others, a more advanced quantitative approach may be required. For example, paragraph B4 of AASB S2 states that, "if an entity has a high degree of exposure to climate-related risk then a more quantitative or technically sophisticated approach to climate-related scenario analysis would be of greater benefit to the entity and users...". If an RSE reporter considers that a qualitative approach fulfils reporting requirements, it should include a robust justification and retain records of the processes and data used to support this judgement.

Paragraph B7 notes that scenario analysis may, as part of an iterative learning process, be developed and refined over multiple planning cycles.

## Reasonable and supportable information without undue cost or effort

This proportionality mechanism applies to entities developing climate-related scenario analysis disclosures. Paragraph B9 of AASB S2 states that "reasonable and supportable information includes information about past events, current conditions and forecasts of future conditions. It also includes quantitative or qualitative information, and information that is obtained from an external source or owned or developed internally." Paragraph B10 of AASB S2 notes that the reporting entity will need to apply judgement when determining the mix of inputs and analytical choices that will enable the consideration of all reasonable and supportable information that is available at the reporting date without undue cost or effort.

## Beneficiaries are included as users of reporting

A key consideration for scenario analysis disclosures will be the users of RSE reporting. Beneficiaries, as one of the users of the scenario analysis reporting, will shape materiality assessments and guide how the disclosures are communicated. As RSE beneficiaries represent the general population, it will be important to clearly communicate scenario analysis outputs. These should clearly explain that scenarios represent a range of possible futures (rather than predictions), and investment funds can respond dynamically to the external environment.

RSE reporters can also refer to [Users](#), which discusses considerations, such as plain language, for RSEs reporting sustainability information.

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<sup>55</sup> Refer to USS, 2023, [Improving climate analysis with the University of Exeter](#), for a detailed list of challenges in scenario modelling for institutional investors.

<sup>56</sup> University of Exeter and USS, 2023, [No Time to Lose. New Scenario Narratives for Action on Climate Change](#).

<sup>57</sup> Ortec Finance, 2025, [Climate Risk Assessment – Top 30 Australian Superannuation Funds \(Pension Funds\). A top-down analysis with Ortec Finance Climate Scenarios](#).

Some of the disclosure requirements in Paragraph 22 of AASB S2 are designed for insight into an entity's operations and an RSE's disclosures are likely to focus on its investments. In applying these disclosure requirements, the RSE may cross-refer to the information in other disclosures in AASB S2. These disclosure requirements are:

- Paragraph 22(a)(iii) of AASB S2 22 asks for information on the entity's capacity to adapt its strategy and business model to climate change over the short, medium and long term, including:
  - (1) information around the availability and flexibility of the entity's financial resources to respond to the effects of scenario analysis. An RSE may wish to comment on the capacity of its investment strategy to respond to the range of possible futures. This may include assessing and managing risk at the fund level and having mechanisms to review and adjust its investment/allocation strategy in light of new information.
  - (2) information around redeploying, repurposing, upgrading and decommissioning of existing assets. This disclosure requirement requests operational information, which is arguably not relevant or material for an RSE reporting on its investments. An RSE reporter may consider it appropriate to point to information disclosed about its investment approach.
  - (3) information outlining the entity's current and planned investments in climate-related mitigation, adaptation and opportunities for climate resilience. An RSE may consider it appropriate to focus on any investments in mitigation, adaptation and other climate-related opportunities and its investment strategy in these areas. It may also wish to comment on how its stewardship activities, such as engagement, voting and public policy advocacy, contribute to mitigation, adaptation and other climate-related opportunities.

## Risk management

Paragraphs 24-26 of AASB S2 requires disclosures that enable users to “understand an entity's processes to identify, assess, prioritise and monitor climate-related risks and opportunities, including whether and how these processes are integrated into and inform the entity's overall risk management process.”

Relevant disclosures relating to risk management processes to identify, manage and respond to material climate risks and opportunities, will generally relate to an RSE's investments.

RSEs may include details of risk management processes, and how they are applied in the context of climate risk. RSEs have access to a range of risk management responses, including the climate components of ESG integration activities, screening and stewardship, as outlined in [Part One, Managing Climate Risks and Opportunities](#). For example, RSEs may engage directly or indirectly with companies in which they invest with an aim to improve the governance and management of risks, including environmental, social and governance risks. The TCFD *Supplemental Guidance for Asset Owners* notes this dual focus when it recommends that assets owners report on:

- “engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks to improve data availability and asset owners' ability to assess climate-related risks,”<sup>58</sup> and
- “how they consider the positioning of their total portfolio with respect to the transition to a lower-carbon energy supply, production and use. This could include explaining how asset owners actively manage their portfolio's positioning in relation to this transition.”<sup>59</sup>

<sup>58</sup> TCFD, 2017, [Supplemental Guidance for Asset Owners for TCFD reporting](#)

<sup>59</sup> TCFD, 2017, [Supplemental Guidance for Asset Owners for TCFD reporting](#)

The UK Department for Work & Pensions' guidance for UK pension fund climate reporting, *Governance and reporting of climate change risk: guidance for trustees of occupational schemes*, concurs, commenting that:

*"Climate-related risks are systemic and could have consequences for the whole financial system...and cannot necessarily be diversified away through asset allocation decisions alone, including blanket divestment. Trustees should therefore consider – in their approach to risk management – activities such as stewardship which could help reduce the impact on their scheme of a disorderly transition, or of a shock to the financial system from catastrophic climate change."*<sup>60</sup>

RSEs may also disclose efforts to advocate for change in public policy settings aimed at mitigating market or sector-wide risks.

In light of this, examples of disclosures that an RSE may make against the risk management disclosure requirements could include, but are not limited to:

- Discussion of how its investment strategy development influences overall fund exposure to climate risks and opportunities.
- A description of how material climate-related risks are integrated into investment processes and enterprise risk management processes.
- An overview of integration, stewardship and policy advocacy activities designed to address and manage climate-related risks in investments.

RSEs may cross-refer to existing disclosures in the Sustainability Report around risk management.

## Metrics and targets

### Paragraph 29(a) of AASB S2 Emissions reporting

Paragraph 29(a) of AASB S2 requires the reporter to disclose its greenhouse gas emissions.<sup>61</sup>

#### Operational emissions

An RSE should obtain professional advice on how its individual corporate structure will affect reporting requirements. In some cases, Scope 1 or 2 greenhouse gas (GHG) emissions may be generated by an entity separate from the RSE. In many cases, operational activities, such as leasing office space, purchasing IT equipment and engaging suppliers, are undertaken by the RSE Licensee. Staff may be hired by the RSE Licensee or by the RSE itself. In many cases, operational costs, for example travel costs, are born by the RSE Licensee. Consequently, in some cases an RSE may have no Scope 1 and 2 GHG emissions to disclose.

An RSE may assess that the Scope 1, 2 and 3 emissions associated with the operations of the fund are immaterial to the RSE's response to climate change, when assessed against Scope 3 financed emissions and other climate-related impacts on the investment portfolio. It has been estimated that financed emissions are typically over 700 times the size of an RSE's corporate emissions.<sup>62</sup>

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<sup>60</sup> Department for Work & Pensions, 2022, [Governance and reporting of climate change risk: guidance for trustees of occupational schemes](#)

<sup>61</sup> Appendix C of AASB S2 provides transitional relief provisions, including relief from disclosing Scope 3 emissions in an entity's first year of reporting (which includes financed emissions). Reporters may consider whether it is prudent to report Scope 3 emissions in the first year of reporting, when considering their risk appetite, member demands and the general requirement to provide decision useful information, particularly given that the majority of RSE reporter emissions will be financed emissions that reflect the related investment strategy. Given the centrality of financed emissions to RSE AASB S2 reporting, it may be more efficient to set up a reporting framework that covers Scope 1, 2 and 3 emissions from the outset.

<sup>62</sup> CDP, 2021, "[Finance sector's funded emissions over 700 times greater than its own](#)". CDP.

Given the relative significance of financed emissions for RSEs, it may be reasonable for an RSE to conclude that the entirety of its material Scope 3 emissions are the financed emissions. Appendix C of AASB S2 provides transitional relief provisions, including relief from disclosing Scope 3 emissions in an entity's first year of reporting (which includes financed emissions). Nonetheless, when establishing their reporting systems and frameworks, RSEs may wish to consider whether there are efficiencies in including Scope 3 emissions from the outset.

**Note: RSE reporters disclosing Scope 1, 2 and 3 operational emissions should refer to general reporting guidance, including AASB, Greenhouse Gas Emissions Disclosure requirements applying AASB S2 Climate-related Disclosures.<sup>63</sup> This guidance only focuses on the disclosure of financed emissions (Scope 3, Category 15).**

### **Paragraph 29(a)(i)3 of AASB S2 Financed emissions reporting**

It is reasonable for an RSE to consider that most climate risks lie within its investments (Scope 3, Category 15). AASB S2 requires reporters to disclose financed emissions as absolute gross financed emissions. Optimal ways to measure financed emissions for different asset classes are in development, with a range of methodologies currently in use.

AASB S2 defines financed emissions as, "(t)he portion of greenhouse gas emissions of an investee or counterparty attributed to the loans and investments made by an entity to the investee or counterparty. These are part of Scope 3 Category 15 (investments) as defined in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)."<sup>64</sup> **This indicates that the AASB S2 Standard requires Scopes 1, 2 and 3 of investees to be disclosed in financed emissions reporting.**

Paragraph B61 of AASB S2 requires reporting entities that participate in asset management activities to disclose:

- Absolute gross financed emissions, disaggregated by Scope 1, Scope 2 and Scope 3 GHG emissions.
- The total AUM that is included in the financed emissions disclosure for Scope 1, Scope 2 and Scope 3.
- The percentage of the entity's total AUM included in the financed emissions calculation, with the exclusions (e.g. types of assets or associated amount of AUM) explained.
- The methodology used to calculate the financed emissions, including the method of allocation.

It appears that there is not a resolved position on whether B61 applies to asset owners. This issue is proposed for presentation IFRS Transition Implementation Group (TIG) for clarification in 2026. RSEs reporting information under paragraph B61 of AASB S2 can refer to IFRS S2 *Accompanying Guidance on Climate-related Disclosures*.<sup>65</sup> Should an RSE propose to not report information against B61, they should seek legal advice on that issue.

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<sup>63</sup> AASB, 2025, [Greenhouse Gas Emissions Disclosure requirements applying AASB S2 Climate-related Disclosures](#), Educational Material.

<sup>64</sup> The amendments to the AASB S2 Standard in [Amendments to Greenhouse Gas Emissions Disclosures \[AASB S2\]](#) clarified that, "an entity is permitted to limit its measurement and disclosure of Scope 3 Category 15 greenhouse gas emissions to financed emissions. Consequently, the entity is permitted to exclude from its measurement and disclosure of Category 15 greenhouse gas emissions the emissions associated with financial activities, such as facilitated emissions associated with investment banking activities and emissions associated with insurance and reinsurance underwriting activities." This amendment applies to reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

<sup>65</sup> IFRS, 2023, [IFRS S2 Accompanying Guidance on Climate-related Disclosures](#).

## Materiality assessments

The principle of materiality will apply to the disclosure of financed emissions. An RSE should carefully consider, and document, its process for determining the materiality of financed emissions within its portfolio. There are several considerations when assessing the materiality of the fund's financed emissions including, but not limited to:

- **Assessing material climate-related risks of asset classes:** Some asset classes may not have material climate-related risks or opportunities. In the process of examining investee's emissions, there may be some asset classes, such as cash, that are assessed by the RSE as having no material climate risks and so are not included in the financed emissions calculation.
- **Assessing the materiality of investee Scope 3 emissions:** In many sectors investee Scope 3 emissions may be material, such as an airport or the oil and gas sector, where the majority of material investee emissions will be Scope 3. In some sectors or asset classes, an RSE may make a judgement after careful consideration that Scope 3 emissions are not material. This may occur, for example, when a sector produces minimal Scope 3 emissions in comparison to its Scope 1 and 2 emissions. Consequently, in some circumstances where investee Scope 3 emissions are not material, disclosed financed emissions may not include those Scope 3 emissions. Robust explanation to support this judgement, including the process undertaken and the data used, should be provided.

## Available guidance

An RSE reporter could choose to align (as far as is practicable) on a voluntary basis with Part A Financed Emissions of the Partnership for Carbon Accounting Financials' (PCAF's) measurement methodology. AASB S2 contains no requirements to align with PCAF. Global GHG Accounting and Reporting Standard for the Financial Industry (the [PCAF Standard](#)).<sup>66</sup> The PCAF Standard is a set of guidelines designed to help financial institutions measure and report greenhouse gas emissions associated with their financial activities. It includes methods for calculations for emissions in different asset classes, such as corporate bonds and listed equities, and data quality scores based on the sources of data used in the assessment.

Judgement should be used in identifying the areas in which the PCAF Standard may or may not be appropriate. The PCAF Standard is emerging as an international standard for financed emissions reporting and is aligned with the requirements outlined in the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard for Category 15 investment activities.<sup>67</sup>

The PCAF Standard states that financial institutions should report absolute financed emissions and should also report economic emission intensity (metric tonnes of carbon dioxide equivalents per million dollars invested) if this is relevant to a reporting entity's business goals. Beyond Paragraph B61's additional disaggregation requirements discussed below, RSEs may also choose to disclose other financed emissions breakdown (such as by investment option or asset class) but this is not required.

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<sup>66</sup> RSE reporters may refer to the PCAF guidance, 2022, [Financed Emissions The Global GHG Accounting & Reporting Standard Part A](#).

<sup>67</sup> See PCAF, 2025, [About PCAF](#) and Greenhouse Gas Protocol, [The Global GHG Accounting and Reporting Standard for the Financial Industry](#).

When considering disclosures of Scope 3 emissions of investees, RSE reporters may wish to refer to Investor Group on Climate Change's (IGCC's) recommendations outlined in *Uses and Limitations of Investee Scope 3 Disclosures for Investors*. The report outlines practical considerations for investors disclosing financed emissions, including:

- Encouraging investors to be transparent about the completeness and reliability of data, noting that it will not always be practical or possible to obtain financed emissions for the entirety of the fund. The report highlights several considerations in reporting financed emissions, particularly Scope 3 emissions of investments, including that estimated and proxy data is widely used, data quality is variable, there are different measurement approaches, and that data providers utilise different methodologies and reporting timelines.
- If disclosing investee Scope 3 emissions (where available and material), to do so separately from investee Scope 1 and 2 emissions. This aims to mitigate the risk of double counting for RSEs who may be invested in the upstream and/or downstream entities that represent an investee's Scope 3 emissions.
- Suggesting that, depending on the needs of the users of the reporting, RSEs may wish to disclose financed emissions on an asset class or sector basis.<sup>68</sup>

#### Data challenges in disclosing financed emissions

There will likely be data gaps and estimates disclosed. For example, the quality of investee disclosure of Scope 1, 2 and Scope 3 emissions data will vary considerably, due to limitations that include:

- the widespread use of estimated or proxy data
- the variability in the quality of the data, and
- the varied reporting timelines for different sectors and industries.

Consequently, financed emissions disclosures are likely, particularly in the earlier years of reporting, to include estimates, and/or use data from previous financial periods.

In some instances, financed emissions disclosures may cover only a portion of fund in the earlier years of reporting due to a lack of available data or methodology for a particular asset class.<sup>69</sup> For example, public data and third-party data providers may not provide any information on some investee's Scope 3 emissions. Equally, for some types of asset classes, a methodology to calculate financed emissions may not yet be available. RSEs should consider their own circumstances, including the scope of value chain and materiality threshold, apply the proportionality mechanism, and consider whether estimates are useful. A robust explanation of the exclusions, including the processes taken and the data used, should accompany financed emissions disclosures.

These data limitations are explicitly acknowledged in AASB S2. The application guidance in paragraph B40 of AASB S2 outlines a data hierarchy which requires entities to prioritise these characteristics (listed in no particular order):

- a) data based on direct measurement (paragraphs B43-B45);
- b) data from specific activities within the entity's value chain (paragraphs B46-B49);
- c) timely data that faithfully represents the jurisdiction of, and the technology used for, the value chain activity and its greenhouse gas emissions (paragraphs B50-B52); and
- d) data that has been verified (paragraphs B53-B54).<sup>70</sup>

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<sup>68</sup> IGCC, 2024, [Uses and Limitations of Investee Scope 3 Disclosures for Investors](#).

<sup>69</sup> This is explicitly contemplated in AASB S2. For example, paragraph B61 of AASB S2 discusses disaggregation of financed emissions reporting requirements for reporters undertaking asset management activities, contemplates that the whole of AUM may not be reported against. Paragraph B61 (c) of AASB S2 states that an entity shall disclose, "the percentage of the entity's total AUM included in the financed emissions calculation. If the percentage is less than 100%, the entity shall disclose information that explains the exclusions, including types of assets and associated amount of AUM."

<sup>70</sup> Paragraph B40 of AASB S2 [Climate-related Disclosures](#).

In addition, paragraph B19 of AASB S2 states that, “(a)n entity might have a different reporting period from some or all of the entities in its value chain. Such a difference would mean that greenhouse gas emissions information from these entities in its value chain for the entity’s reporting period might not be readily available for the entity to use for its own disclosure. In such circumstances, the entity is permitted to measure its greenhouse gas emissions in accordance with paragraph 29(a)(i) using information for reporting periods that are different to its own reporting period if that information is obtained from entities in its value chain with reporting periods that are different from the entity’s reporting period...”

The use of estimates or proxies are expected to be used in climate reporting until the data quality matures. This is recognised in paragraph 79 in Appendix D of AASB S2, that states that the “use of reasonable estimates is an essential part of preparing climate-related financial disclosures and does not undermine the usefulness of the information if the estimates are accurately described and explained. Even a high level of measurement uncertainty would not necessarily prevent such an estimate from providing useful information.”

Where estimates are used, or there is measurement uncertainty, RSEs should clearly disclose this, with an explanation of the limitations of the data.

#### Guidance for RSE financed emissions disclosures

An RSE’s report could consider including commentary outlining:

- the portion of the fund that is covered by the disclosure, with a description of, and robust explanation for the exclusions
- the nature of the data and an accompanying explanation of why this type of data was used, with references to proportionality mechanisms and the data hierarchy if relevant,
- that, as a data aggregator, with underlying investments having varying reporting periods, information from previous reporting dates may have been used,
- the methodology (e.g. the [PCAF Standard](#)<sup>71</sup>) used to calculate the financed emissions and any relevant limitations of the methodology or data.

An RSE reporter may wish to consider the proportionality mechanisms when considering the types of data used to disclose financed emissions. For example, paragraph B54 of AASB S2 states, “an entity might be unable to verify its Scope 3 greenhouse gas emissions without undue cost or effort.” Consequently, an RSE reporter may consider that verified data would constitute undue cost or effort in reporting some of its financed emissions and so use estimates for those portions of its financed emissions reporting.

Considerations may include the cost of the data in terms of procurement and staff resourcing, its robustness (e.g., accuracy), and whether the additional data would materially change the overall emissions measurement. For example, paragraph B19 of AASB S2 requires reporters to use the most recent data available for Scope 3 emissions reporting, which may be for prior financial periods. RSEs often use third-party data providers, who update information according to a set timetable. This means that the data provided by a third-party can have a broad time range depending on a company’s reporting schedule and its interaction with third-party provider data updates. In these cases, it may be reasonable to conclude that undue cost or effort would be incurred if RSE reporters check each individual investee within a fund (totalling thousands of investments). An RSE may check an individual investee if it is considered to represent a material investment within the total fund. RSEs should provide a clear explanation of their approach to the sourcing, management and disclosure of third-party data.

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<sup>71</sup> PCAF guidance, 2022, [Financed Emissions The Global GHG Accounting & Reporting Standard Part A](#).

## Paragraphs 29-31 of AASB S2 Climate-related risks and opportunities metrics

Paragraph 29 of AASB S2 – Reporters should disclose, “... (b) climate-related transition risks – the amount and percentage of assets or business activities vulnerable to climate-related transition risks; (c) climate-related physical risks – the amount and percentage of assets or business activities vulnerable to climate-related physical risks; (d) climate-related opportunities – the amount and percentage of assets or business activities aligned with climate-related opportunities.”

As RSEs invest across the economy, disclosures concerning climate-related transition and physical risks, as well as opportunities, within the fund are likely to reflect economy-wide climate risks or opportunities. This means that:

- Disclosures are likely to express risks at a systemic, asset class or sector level rather than identify specific transition and physical risks of an individual investment.
- Due to the size of investment funds, disclosures may mature over time as more information becomes available. For example, in the short-term, disclosures:
  - may cover a portion of the fund, e.g. listed equities only
  - may not be available for certain sectors or asset classes, and
  - may include estimates.

Paragraph 30 of AASB S2 applies the proportionality mechanism to paragraphs 29(b)-(d), meaning an entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort.

RSEs should describe their approach to meeting this disclosure, including the processes taken and the data used, and a robust explanation of any portion of the fund excluded.

There are many ways an RSE may approach these disclosures. Examples include, but are not limited to:

- Sectoral analysis of exposure to carbon-related assets, expressed as a percentage of the fund (or portion of the fund).<sup>72</sup>
- Percentage of the fund invested in climate opportunities.<sup>73</sup> An RSE may wish to explain how it defines ‘climate opportunities.’

## Paragraph 29(e) of AASB S2 Capital deployment

*The reporter should disclose, “capital deployment – the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.”*

RSEs may disclose material investments that are intentionally deployed “towards climate-related risks and opportunities.” The capital an RSE deploys through investment will greatly outweigh any expenditure to support the investment process (notwithstanding the importance of that expenditure meeting BFID tests). Consequently, in this context, RSEs may choose to focus on how investment funds are deployed.

There are a range of ways to report quantitatively and qualitatively against this disclosure requirement. Examples include, but are not limited to:

- Percentage or portion of the fund invested in climate-related opportunities.
- Qualitative description of how the investment strategy takes into account climate-related risks and/or opportunities.
- Target/s for investment in climate-related opportunities.

<sup>72</sup> Climate Financial Risk Forum, 2021, [Climate Financial Risk Forum Guide 2021 Climate Data and Metrics](#), p.13.

<sup>73</sup> UK Department for Work & Pensions guidance, [Governance and reporting of climate change risk: guidance for trustees of occupational schemes](#)

### Paragraph 33 of AASB S2 Climate-related targets

Reporters are required to, “...disclose the quantitative and qualitative climate-related targets it has set to monitor progress towards achieving its strategic goals, and any targets it is required to meet by law or regulation, including any greenhouse gas emissions targets.”

RSEs are required to report climate targets if they have them, and certain information about each target. An RSE's targets will likely reflect its business model and individual context. Examples of targets may include but are not limited to:

- Percentage of the fund, or the portion of the fund for which data is available, invested in climate solutions (if material and to be clearly defined by the RSE).
- Stewardship activities with investee companies.
- Percentage of assets aligned to a net zero pathway.
- Fund decarbonisation target or other reference objectives.

RSEs may wish to have regard to credible target setting methodologies, which include but are not limited to the Net Zero Investment Framework<sup>74</sup> and Target Setting Protocol<sup>75</sup> both of which are used in international investor climate initiatives such as Paris Aligned Asset Owners and the UN's Net-Zero Asset Owner Alliance.

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<sup>74</sup> Paris Aligned Investors Initiative, 2024, [Net Zero Investment Framework 2.0](#).

<sup>75</sup> Net-Zero Asset Owner Alliance, 2023, [Target-Setting Protocol](#).

# Appendix 1:

## Example Steps in Developing Disclosures

This framework outlines an example of useful steps an RSE may work through when considering how to respond to AASB S2 reporting requirements covered in this document. RSEs may use a variety of processes to develop a reporting approach; this framework does not prescribe specific steps or pathways. An RSE may consider which aspects of this framework are relevant for its own context and should consider whether there are additional steps or considerations that also apply to its situation. RSEs should consider early consultation with advisers and auditors to support useful and compliant disclosures.

Steps included in this framework intersect with many of the concepts discussed in the guidance, and links are provided for readers wishing to access more information on those topics.

### 1) Entity-specific circumstances

Paragraph BC 35 of ISSB S2 notes that climate risks and opportunities may vary according to:

- business model
- sector
- location of operations
- nature of the value chain, and
- other entity-specific circumstances.

Consequently, as part of considering its own entity-specific circumstances, an RSE may wish to firstly define its business model and the nature and scope of its value chain. Refer to the sections providing guidance on defining an entity's [business model](#) and its [value chain](#).

Key characteristics that may be considered when defining the RSE business model include (but are not limited to):

- overarching investment strategy
- investment approach – e.g. direct or via asset manager, and
- asset allocation strategies.

Considerations for RSEs when mapping their value chain include the interactions, resources and relationships, including (but not limited to):

- within the entity, e.g. investment strategy and management
- upstream, e.g. the collection of member contributions
- downstream, e.g. its beneficiaries, disbursements, and
- in the external environment, e.g. regulatory environment.<sup>76</sup>

Types of entities that may be considered in the mapping of the value chain include, but are not limited to, asset managers, administrators, custodians, and IT service providers.

There are various ways these different interactions, resources and relationships may be exposed to climate opportunities and risks. For example:

- Member inflows. Reputational risk due to poor climate risk management may result in reduced member inflows if members leave to join another fund.
- Within the entity. Poor climate risk management in the investment fund may reduce investment returns over time.

A further consideration for RSE reporters will be the extent to which their value chain incorporates the investee value chain. RSEs should undertake their own assessment to

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<sup>76</sup> KPMG, 2023, [First Impressions – General and climate-related requirements](#)

determine the extent to which they should look through to the value chains of its investees within its portfolio, noting that this may be influenced by the application of materiality. The guidance analyses this issue further in its [discussion](#) of the scope of the value chain.

Value chains are likely to reflect the RSE's own corporate structures, business models and specific context. It is reasonable that RSEs will arrive at different conclusions on the scope of the value chain.

▶ **AIM OF STEP 1: The specific context for an individual RSE, the details of its business model, the environment in which it is operating, and the scope of its value chain are established and documented.**

**Note: Paragraph 10 of AASB S2 states that, “An entity shall disclose information that enables users of general purpose financial reports to understand the climate-related risks and opportunities that could reasonably be expected to affect the entity’s prospects.” The identification of climate-related risks and opportunities will be partly informed by the RSE’s business model, scope of its value chain and other entity-specific characteristics.**

## 2) Determining what is material information for the users of reporting

An entity is required to disclose material information about the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects. This is discussed in [Materiality](#).

For RSEs, there may be multiple aspects to considering materiality, including:

- The process used to determine a threshold for materiality in terms of the investment portfolio. This may also include an assessment of the asset classes where climate-related risks are likely to be concentrated. For example, RSEs may conclude that there are limited climate-related risk concentration associated with cash.
- The process used to determine what information, beyond the investment portfolio materiality threshold described in the bullet point above, is material to users of the reporting in terms of investment disclosures. Users will likely include beneficiaries, their representatives and employer sponsors.

Depending on the RSE business model and the defined scope of the value chain, additional qualitative lenses to approach materiality may be appropriate, such as for:

- **The reporting context:** For example, information about exposure to high emissions sectors that are not material when assessed as a percentage of the total investment portfolio but may be useful to the users of the report. This may be equally true of investments in climate opportunities.
- **The operations of the business:** For example, information about risks to the business, such as reputational risks from poor climate risk management, that does not directly relate to the investments but is material to the business.
- **Member inflows:** For example, this could be an assessment of the effect of a disorderly transition on member industries and the subsequent potential effect on member superannuation guarantee inflows.

▶ **AIM OF STEP 2: A documented process and approach for materiality assessments has been established that reflects an RSE’s individual circumstances.**

### 3) Identifying reasonable and supportable information that is available without undue cost or effort

Material information required to be disclosed is identified in Step 2. For some disclosures, including Scope 3 emissions and other selected reporting requirements, the proportionality mechanism of reasonable and supportable information that is available without undue cost or effort may apply. Refer to the [Proportionality Mechanisms](#) section for a detailed discussion.

AASB S2 lists the reporting requirements against which a proportionality mechanism may be applied. This includes disclosures related to the identification of climate-related risks and opportunities, determining the scope of the value chain, anticipated financial effects, climate-related scenario analysis, and the measurement of Scope 3 greenhouse gas emissions. For these specific reporting requirements, Step 3 will involve identification of the material information required, along with the reasonable and supportable information available without undue cost or effort.

RSEs may consider:

- the information that is already available from internal business processes and external relationships. For example, this may include:
  - initial and ongoing investment due diligence for the purposes of making 'buy/hold/sell' decisions, and
  - information used for the purpose of understanding the climate risks and opportunities associated with those investments.
- if verified, timely information is not available, whether estimated data is available without undue cost or effort.

When considering sourcing or purchasing additional data, RSEs may wish to consider:

- **Cost and accuracy:** Relevant considerations can be the cost of sourcing different types of data and whether the data is robust enough to provide value.
- **Coverage:** Additional data may be available at a cost, but due to the size of investments covered by the additional data it would not materially change the disclosures.
- **Resourcing costs:** The resources required, including the necessary expertise needed, to process the additional data to make it suitable for disclosure.

▶ **AIM OF STEP 3: For relevant disclosure requirements, reasonable and supportable information available without undue cost or effort has been identified. The process to identify reasonable and supportable information has been documented.**

### 4) Documenting what data is not available

At the end of this process, due to the nature of RSE business models (investments across the economy), it is possible that in some instances data may not be available in the short term. The RSE should document these gaps and provide an accompanying explanation and, if relevant, a plan for filling these gaps in disclosure over time.

▶ **AIM OF STEP 4: Analysis and documentation outlining the identified data gaps.**

## Appendix 2:

# Useful Resources for RSE Reporters

AASB, 2024, AASB S2 [Climate-related Disclosures](#).

AASB, 2025, [Greenhouse Gas Emissions Disclosure requirements applying AASB S2 Climate-related Disclosures](#), Educational material.

AASB, 2023, AASB 1056 Users of the General Purpose Financial Statements of Superannuation Entities.

Climate Financial Risk Forum, 2021, [Climate Financial Risk Forum Guide 2021 Climate Data and Metrics](#).

Climate Financial Risk Forum, 2024, [Resilience Working Group: Short-term Scenarios Chapter](#).

Department for Work and Pensions UK [Governance and reporting of climate change risk: guidance for trustees of occupational schemes](#).

Department for Work and Pensions UK [Aligning your pension scheme with the Taskforce on Climate-Related Financial Disclosures recommendations](#).

Greenhouse Gas Protocol, 2011, [Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#).

IFRS Foundation, 2024, [Voluntarily applying ISSB Standards – A guide for preparers](#).

IFRS Sustainability, 2025, [Disclosing information about anticipated financial effects applying ISSB Standards](#). Educational material.

IFRS Sustainability, 2024, [Sustainability-related risks and opportunities and the disclosure of material information](#), Educational material.

IGCC, 2024, [Uses and limitations of Investee Scope 3 Disclosures for Investors](#).

Investor Agenda, 2023, [Investor Climate Action Plans Expectation Ladder](#) and, [2024, Guidance](#).

Net-Zero Asset Owner Alliance, 2023, [Target-Setting Protocol](#).

Paris Aligned Investors Initiative, 2024, [Net Zero Investment Framework 2.0](#).

The Pensions Regulator, [Governance and reporting of climate-related risks and opportunities](#).

PCAF, 2022, [The Global GHG Accounting & Reporting Standard for the Financial Industry](#).

TCFD, 2017, [Supplemental Guidance for Asset Owners for TCFD reporting](#).

Transition Plan Taskforce, 2024, [Asset Owners Sector Guidance](#).

Treasury, 2024, Policy Position Statement, [Mandatory climate-related financial disclosures](#).

[Treasury Laws Amendment \(Financial Market Infrastructure and Other Measures\) Act 2024](#).

UN PRI, 2018, [Implementing the Task Force on Climate-Related Financial Disclosures \(TCFD\) Recommendations](#).

USS, 2023, [Improving climate analysis with the University of Exeter](#).

USS, and the University of Exeter, 2023, [No Time to Lose – New Scenario Narratives for Action on Climate Change](#).

## Appendix 3: Glossary

| Term  | Meaning   |
|---|---|
| <a href="#"><u>Best Financial Interests Duty (BFID)</u></a>             | The trustee is required “to perform the trustee's duties and exercise the trustee's powers in the best financial interests of the beneficiaries.”   |
| Fund  | The total investment portfolio of the RSE. An RSE will have individual investment options that, when combined, makes up the total investment portfolio.   |
| <a href="#"><u>Registrable Superannuation Entity (RSE)</u></a>          | <p>A regulated superannuation fund, an approved deposit fund or a pooled superannuation trust.</p> <p><a href="#"><u>Regulated superannuation fund</u></a> is defined by s.19 of the <i>Superannuation Industry (Supervision) Act 1993</i> as a superannuation fund to which the following has been complied with: the fund has a trustee; the trustee must be a constitutional corporation or the fund must be a pension fund; the trustee/s must have given written notice electing that the Act applies in relation to the fund.</p> |
| <a href="#"><u>Registrable Superannuation Entity (RSE) Licensee</u></a> | A “constitutional corporation, body corporate or group of individual trustees, that hold an RSE licence granted by APRA under section 29D of the <i>Superannuation Industry (Supervision) Act 1993</i> .”   |