Australian Sustainability Reporting legislation and standards Guide

23 September 2024 [Updated February 2026]

Snapshot – Australian sustainability reporting framework

What has been issued?

- Australia's sustainability reporting framework is now in place after **Climate-related financial disclosures reporting legislation** *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024* (Act) received Royal Assent in early September 2024
- The Act requires **relevant entities to disclose their climate-related** plans, financial risks and opportunities, in accordance with **Australian Sustainability Reporting Standards** (ASRS) made by the Australian Accounting Standards Board (AASB)
- The first two ASRS were also issued in September 2024 by the AASB:
  - ✓ **AASB S1** *General Requirements for Disclosure of Sustainability-related Financial Information* – a voluntary Standard
  - ✓ **AASB S2** *Climate-related Disclosures* – a mandatory Standard
- **AASB S2025-1** *Amendments to Greenhouse Gas Emissions Disclosures* issued in December 2025
- AASB S1 and AASB S2 are based on IFRS® Sustainability Disclosure Standards[1] with minimal variations
- In 2025, the AUASB approved:
  - ✓ Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* [updated]
  - ✓ ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports Under the Corporations Act 2001* outlining the **assurance phasing model** [updated]
- In March 2025, ASIC released Regulatory Guide 280 *Sustainability Reporting*

What is the impact?

- **Reporting entities**: those with Chapter 2M of the *Corporations Act 2001* reporting obligations meeting prescribed thresholds
- **Phasing**: The first sustainability report will be issued for **annual reporting periods starting 1 January 2025** (or 31 December 2025 year-end). First mandatory reporting date for 30 June year ends will be **30 June 2026**. The timing of first reporting by in-scope entities is **based on size or level of emissions**
- **Reporting content**: as required by the Australian Sustainability Reporting Standards, including information derived from climate scenario analysis carried out using at least two specified scenarios[2]
- **Reporting framework**: within a sustainability report in the annual report and lodged in accordance with current annual financial reporting requirements
- **Assurance requirements**: phased approach ending with reasonable assurance of all climate-related financial disclosures for years beginning 1 July 2030
- **Liability framework**: modified liability approach to disclosures of Scope 3 emissions, scenario analysis, transition plans and climate-related forward-looking statements for initial transition periods. Modified liability settings extend to certain voluntary sustainability reports.

Next steps

- **Get familiar** with the Australian sustainability reporting framework now in place
- **Understand** when the reporting requirements apply to you
- **Start planning** – perform a gap analysis and create a roadmap to identify capacity constraints
- **Reach out** to your KPMG contact during your planning process
- **Be alert** for further guidance and relief issued by ASIC[3], the regulator responsible for overseeing sustainability reporting practices
- **Access** further KPMG **resources**

First Impressions – IFRS S1 and IFRS S2

Insights and illustrative examples

[1] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*

[2] Climate scenario analysis should be carried out using at least both of the following scenarios:
- 1.5C – the increase in the global average temperature mentioned in the *Climate Change Act 2022* (a **low** global warming scenario); and
- 2.5C or higher – the increase in the global average temperature that well exceeds the increase mentioned in the *Climate Change Act 2022* (a **high** global warming scenario)

[3] ASIC launched a *Sustainability Reporting* resource webpage for preparers and users of sustainability reports

Reporting entities in scope and phasing

A three-phased implementation approach will require reporting of climate-related financial disclosures.

	Required to lodge financial reports under Chapter 2M of the *Corporations Act 2001* and falls within one (or more) of the following three categories (sustainability reporting thresholds)				
	Meet two of three corporate reporting thresholds:			**National Greenhouse and Energy Reporting (NGER) Reporters**	**Asset Owners (Registered schemes, Registrable superannuation entities and retail CCIVs)**
	Consolidated gross revenue (For the financial year)	**Consolidated assets** (At the end of the financial year)	**Employees**		
Group 1 First annual reporting periods beginning on or after **1 January 2025**	$500 million or more	$1 billion or more	> 500	Above NGER GHG publication Threshold [2]	**Scoped out of Group 1**
Group 2 First annual reporting periods beginning on or after **1 July 2026**	$200 million or more	$500 million or more	> 250	All other NGER reporters	$5 billion or more value of assets OR meet other Group 2 categories (see left)
Group 3[1] First annual reporting periods beginning on or after **1 July 2027**	$50 million or more	$25 million or more	> 100	N/A	Refer to Group 3 corporate reporting thresholds (see left)

[1] Limited disclosure for Group 3 entities if they have no material financial risks or opportunities relating to climate – see next page

[2] Applicable where an NGER reporter has emitted 50 kilotonnes or more of carbon dioxide equivalence and therefore meets the threshold mentioned in section 13(1)(a) of the *National Greenhouse and Energy Reporting Act 2007*. NGER reporters meeting Group 1 corporate reporting thresholds will be in Group 1 even if emission is below NGER publication threshold.

i. **How are employees counted?**
Part-time employees are considered as an appropriate fraction of a full-time equivalent.

ii. **How are consolidated revenue and consolidated assets calculated?**
Calculations must be done in accordance with the accounting standards in force at the relevant time.

iii. **How is value of assets defined and calculated for Asset Owners?**
The value of assets is equal to that reported in the standalone statement of financial position or consolidated statement of financial position (as appropriate) determined in accordance with Australian accounting standards. Previously language used was "assets under management". ASIC has clarified that the threshold is based on the value of assets.

iv. **Are all entities within a consolidated group required to provide climate-related financial disclosures?**
An entity required to prepare consolidated financial statements may choose to provide climate-related financial disclosures ("sustainability report" – as defined on next page) on a consolidated basis (as the parent). In this case, each individual entity within the group that is otherwise required to prepare a sustainability report under the *Corporations Act 2001* **does not need to**, if the group consolidated sustainability report covers those individual entities.

v. **Does an Australian subsidiary of a foreign parent need to prepare a sustainability report, if the foreign parent prepares one in its local jurisdiction?**
An Australian subsidiary lodging a financial report under Chapter 2M of the *Corporations Act 2001* that meets any of the sustainability reporting categories **must prepare** a sustainability report.

vi. **Is an entity required to prepare a sustainability report if it is exempt from lodging a financial report under Chapter 2M?**
If exempt, e.g. is registered with the ACNC or exempt by ASIC class order relief, it is **not** required to prepare a sustainability report.

vii. **Are companies limited by guarantee in scope of the disclosures?**
A company limited by guarantee with annual (consolidated) revenue of $1 million or more, meeting any of the three sustainability reporting categories, is required to prepare a sustainability report.

Reporting content, location and timing

Reporting content

Group 3 entities with no material climate- related financial risks or opportunities

Where Group 3 entities (entities that are in-scope for reporting but that do not meet the thresholds for Group 2) assess that they **do not have material climate-related risks or opportunities**, the entity's climate statement will only include a statement to that effect, as well as an explanation of how it reached this conclusion. A directors' declaration and auditor report on the sustainability report is still required.

Materiality is assessed in accordance with the sustainability standards.

Scope 3 emissions

Scope 3 emissions **will be required to be disclosed** (with a first-year transition exemption in ASRS).

An entity required to prepare a sustainability report is also required to keep records that correctly explain and record its preparation of the statements in the report for 7 years.

Reporting location

Climate-related disclosures are required within a *sustainability report* forming part of the annual report

The **sustainability report** is required by the *Corporations Act 2001* and consists of:

- The climate statements as required by ASRS (see AASB S2 page), incorporating the Group 3 materiality exemption (see 'Reporting content' section) where applicable
- Notes to the climate statements (if any)
- Any statements prescribed by legislative instrument
- The directors' declaration[1] about the compliance of the statements with the relevant sustainability standards

This sustainability report forms the fourth report[2] of an entity's annual report.

Cross referencing

ASIC's Regulatory Guide 280[3] on sustainability reporting confirms that the incorporation of disclosure by cross referencing is permitted, consistent with AASB S2, provided specified conditions are met.

[1] For financial years beginning within 3 years from 1 January 2025, the Act allows the directors' declaration stating the sustainability report is in accordance with the Act to be taken to mean that in the opinion of the directors, reasonable steps have been taken to ensure the report is in accordance with the Act. Beyond this period the transition relief does not apply.

[2] The other three being the directors' report, financial report and auditor's report.

[3] Refer to 25RU-03 ASIC Regulatory Guide 280 Sustainability reporting for details.

Timing of reporting

The timing of lodgement of the sustainability report with ASIC and reporting to members will follow the current annual financial reporting timing requirements

ASIC

Timing of lodgement of financial report under section 319 of the *Corporations Act 2001:*

- Disclosing entities and registered managed investment schemes: within **three months** after the end of the financial year.
- All other companies: within **four months** after the end of the financial year.

Members and AGM

The sustainability report must be sent to members and, where relevant, considered at an entity's AGM, in accordance with the relevant timing requirements for the annual financial report.

The prospectus for continuously quoted securities or a product disclosure statement relating to a managed investment scheme that is an enhanced disclosure security must inform of their right to obtain a copy of the most recently lodged sustainability report, where relevant. The contents of an offer information statement for the issue of a body's securities must include a copy of the most recent sustainability report prepared.

Liability framework

Modified liability for climate-related financial disclosures

Climate-related financial disclosures will be subject to the current legal framework in various areas including directors' duties, misleading representation provisions and reporting requirements. These requirements are embedded in the *Corporations Act 2001*, *Australian Securities and Investment Commission Act 2001* and the *Competition and Consumer Act 2010*.

The application of misleading and deceptive conduct provisions to Scope 3 emissions, scenario analysis and transition plans disclosures will be **limited to regulator-only actions for a fixed period of three years**.

The modified liability is also extended to cover **all forward-looking statements for the first financial year for Group 1 entities**.

This modified liability extends to statements made in an auditors' report of an audit or review of a sustainability report for the same periods.

Beyond this period, the pre-existing liability arrangements will apply.

Extension of modified liability settings to certain **voluntary** sustainability reports

In December 2025, the *Corporations Act 2001* was amended to give effect to the modified liability legislation as it was always attended by **extending the transitional modified liability settings for** both directors and auditors to:

- certain **voluntary** sustainability reports, and
- sustainability reports required as a condition of an ASIC relief order.

Voluntary or alternative sustainability reports must meet specific conditions to be able to benefit from the transitional modified liability relief. In addition, these reports will be subject to audit and ASIC oversight.

Assurance

The sustainability report will be subject to assurance requirements similar to those currently in the *Corporations Act 2001* for financial reports, including the same obligations of the auditor. The Act requires an 'end state' for all entities to obtain reasonable assurance over the sustainability report for financial years beginning on or before 1 July 2030.

In 2025, the Australian Auditing and Assurance Standards Board (AUASB) released Australian Standard on Sustainability Assurance (ASSA) 5000 *General Requirements for Sustainability Assurance Engagements* [updated][6] effective for sustainability information reported for periods beginning on or after 1 January 2025 with earlier adoption permitted, along with consequential changes to independence rules for assurance providers. This presents an opportunity to revisit the appropriateness of services being provided.

The AUASB also released ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports Under the Corporations Act 2001* [updated] outlining the **assurance phasing model** below. The final phasing model requires only limited or reasonable assurance in any one year.

Year commencing	Year 1[1]	Year 2	Year 3	Year 4[2]	Year 5	Year 6
Group 1	1/1/25 to 30/6/26	1/7/26 to 30/6/27	1/7/27 to 30/6/28	1/7/28 to 30/6/29	1/7/29 to 30/6/30	1/7/30 to 30/6/31
Group 2	1/7/26 to 30/6/27	1/7/27 to 30/6/28	1/7/28 to 30/6/29	1/7/29 to 30/6/30	1/7/30 to 30/6/31	1/7/31 to 30/6/32
Group 3	1/7/27 to 30/6/28	1/7/28 to 30/6/29	1/7/29 to 30/6/30	1/7/30 to 30/6/31	1/7/31 to 30/6/32	1/7/32 to 30/6/33
Governance	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Strategy – Risks and opportunities[3]	Limited[4]	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate resilience assessments/scenario analysis	None[5]	Limited	Limited	Reasonable	Reasonable	Reasonable
Transition plans	None[5]	Limited	Limited	Reasonable	Reasonable	Reasonable
Risk management	None[5]	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 1 and 2 emissions	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 3 emissions	N/A[5]	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate-relate Metrics and Targets	None[5]	Limited	Limited	Reasonable	Reasonable	Reasonable

ASSA 5000 has 212 requirements (more than double those of the equivalent existing standard ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*), providing more specific requirements to assure sustainability information which are likely to result in increased assurance provider work effort.

We strongly encourage companies to engage with their assurance service providers to enable a comprehensive understanding of the additional effort, time, and associated costs involved, facilitating better planning and budgeting for the increased workload.

[1] Group 1 entities with years commencing 1 January to 30 June will be subject to the Year 1 provisions twice (e.g. years commencing 1/1/25 and 1/1/26). Reporting of Scope 3 emissions is required for years commencing 1/1/26 to 30/6/26 for these Group 1 entities.
[2] Group 3 is to be subject to reasonable assurance across all disclosures by years commencing 1 July 2030.
[3] The phasing for assurance on statements that there are no material climate-related risks and opportunities would be the same as for 'Strategy – Risks and Opportunities'.
[4] Only subparagraphs 9(a), 10(a) and 10(b) of AASB S2 *Climate-related Disclosures*.
[5] 'N/A' means disclosure is not required while 'None' means disclosure is required but not subject to assurance.
[6] Refer to *Are you ready for ISSA 5000?* - a KPMG guide for understanding and preparing for the new sustainability assurance standard.

AASB S2 *Climate-related Disclosures* (mandatory standard)

AASB S2 sets out disclosure requirements for climate-related risks and opportunities that could reasonably be expected to affect an entity's cash flows, access to finance or cost of capital over the short, medium or long term. The climate-related financial disclosures are divided into four key pillars, being governance, strategy, risk management, and metrics and targets, and include required disclosures on scenario analyses and greenhouse gas emissions (Scope 1, 2 and 3).

AASB S2 is a **mandatory** standard, modelled on IFRS S2 with minimal variations to fit the Australian context (see Appendix 1).

AASB S2 incorporates selected content from AASB S1 necessary to make AASB S2 function as the standalone standard for all climate-related financial disclosures (including location of disclosures, timing of reporting and disclosures related to judgements, uncertainties and errors). That content is included in Appendix D of AASB S2. Entities required by the *Corporations Act 2001* to comply with AASB S2 are not required to comply with AASB S1 but, may refer to it for guidance. Entities may voluntarily elect to apply AASB S1 in preparing their sustainability report.

General requirements

Aligns with AASB S1 – see *Key Features* on AASB S1 page except for:

- **Reporting entity –** same as the related financial statements, **unless otherwise permitted by law**. Under the Act, a parent entity has the choice of preparing a sustainability report for either the consolidated entity or the parent entity. AASB S2 has been aligned to this requirement.

Transitional relief

- Not required to disclose Scope 3 emissions metrics until the second period of reporting.
- Not required to provide comparative information for any period before the date of application.

Core Content

Governance and Risk Management

Aligns with AASB S1 – see *Core content: Governance* and *Risk Management* on AASB S1 page.

Scenario analysis

- Undertake climate resilience assessments using an approach commensurate to the entity's circumstances.

For entities that are **required to report under the *Corporations Act 2001***, the Act** mandates the disclosure of information derived from scenario analysis carried out using both a 'low' (1.5C) and a 'high' (2.5C or higher) global warming scenario.

**Not a requirement of AASB S2 but by legislation

Strategy

Aligns with AASB S1 – see *Core content: Strategy* on AASB S1 page, **plus:**

- How climate-related targets will be resourced and achieved.
- Any climate-related transition plan, including key assumptions and dependencies.
- Planned adoption of new technologies.
- Adaptation and mitigation efforts, including use of offsets.
- Use of climate-related scenarios (which used, why and time horizon).
- Key inputs, assumptions and uncertainties in scenarios and corresponding impact on strategy and business model.

AASB S2 *Climate-related Disclosures* (continued)

Core Content

Metrics and Targets

7 metrics consistent for all industries:

- Greenhouse gas (GHG) emissions – Scope 1, 2 and 3
- Transition risks – $ and % of assets or business activities vulnerable to transition risks
- Physical risks – $ and % of assets or business activities vulnerable to physical risks
- Climate-related opportunities – $ and % of assets or business activities aligned with climate-related opportunities
- Capital deployment – $ of capital expenditure, financing or investment deployed towards climate-related risks and opportunities
- Internal carbon price, where used - $ per metric tonne of GHG emissions
- Remuneration – proportion of executive management remuneration linked to climate-related considerations in the current period.

Industry-specific metrics:

- Not **required** to disclose

The AASB plans to embark on a future project on industry-specific measures for climate-related disclosures.

Scope 3 – First year transition relief

- Not required to disclose Scope 3 emissions metrics until the second period of reporting

Greenhouse gas (GHG) emissions

- **Measurement** – GHG Protocol, unless required by a jurisdictional authority to use a different method. This means that if an entity is required by an Australian authority (e.g. Australian legislation) to use a specific method for measuring its GHG emissions (e.g. methodologies in NGER Scheme legislation) it may use that methodology to report their GHG emissions. Otherwise, the GHG Protocol must be prioritised.
- **Scope 3 emissions** – consider and disclose which of the 15 categories of Scope 3 emissions in GHG Protocol Corporate Value Chain are included in the entity's disclosures.
- **Scope 3 financed emissions** – required for those involved in asset management, commercial banking, or insurance.

AASB S2 amendments available for early adoption:

In December 2025, the AASB issued AASB S2025-1, introducing amendments to the requirements outlined above. Key changes include:

Measurement: Entities can use greenhouse gas measurement methods required by local regulators or stock exchanges for relevant **parts** of the business, and parent entities may consolidate data prepared using different methods across the group.

Entities may use global warming potential (GWP) values required by local regulators/stock exchanges (e.g. NGER Scheme), instead of Intergovernmental Panel on Climate Change (IPCC) values for relevant operations.

Scope 3 financed emissions: Measurement and disclosure of Scope 3 Category 15 emissions can be limited to financed emissions (as defined in AASB S2) only. Entities engaged in both commercial banking and insurance activities no longer need to use Global Industry Classification System (GICS) for disaggregation.

More details on the amendments can be found here: Amendments to clarify IFRS S2

AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (voluntary standard)

AASB S1 prescribes how an entity prepares and reports its **sustainability-related financial disclosures** that form part of its general-purpose financial reporting. It sets out general requirements for the presentation of those disclosures, guidelines for their structure and minimum requirements for their content to provide users of general-purpose financial reports with a complete set of sustainability-related financial disclosures.

AASB S1 is a **voluntary** standard modelled on IFRS S1 with minimal variations (see Appendix 1).

Key Features

- **Framework** – based on 4 pillars of IFRS S1. Broadly, the *Task Force on Climate-related Financial Disclosure* (TCFD) have been adopted as the base disclosure framework.
- Disclose **material information** about sustainability-related risks and opportunities*:
  - **Materiality concept –** aligned with Australian Accounting Standards.
- **Reporting entity** – same as the related financial statements, covering the entity's full value chain.

Upstream value chain ⟷ **Reporting entity** ⟷ **Downstream value chain**

- **Connected reporting** – between sustainability-related disclosures and the financial statements, and across the annual report more generally. This includes requiring consistency of data and assumptions, where relevant, between sustainability and financial information.
- **Timing of reporting** – same time and same period as financial statements.
- **Location of disclosures** – within general purpose financial reports. Can cross-reference out to another report as long as meet certain conditions.

Transitional relief

- Not required to provide comparative information for any period before the date of application.

Core Content

Governance

- Who is tasked with governance?
- Skills and competencies
- How often they are informed
- Remit of oversight (targets, risks, opportunities)
- Delegation of responsibilities

Strategy*

- Sustainability risks / opportunities, impact on business model, value chain, strategy, cash flows and capital, financial position and performance
- Resilience of strategy
- Quantitative and qualitative progress of plans

Risk Management*

- Process for identification and prioritisation
- Assessment of likelihood and impacts
- Assumptions
- Monitoring, management and integration

Metrics and Targets*

- Specific metrics not identified
- Include industry metrics and refer to SASB Standards
- Guidance provided on how to report on metrics
- Any targets or revisions to targets

* Relief from disclosing information about a sustainability-related **opportunity** if that information is commercially sensitive.

Appendix 1: ISSB™ Standards vs Australian Sustainability Reporting Standards

Topic	Both IFRS S1 and IFRS S2	AASB S1 and AASB S2
Application	For-profit entities	Both for-profit and not-for-profit entities

Topic	IFRS S1	AASB S1
Scope		**Voluntary** standard
Transition relief	• Comparative information not required for any period before the date of application • Timing of reporting relief for first year	Comparative information not required for any period before the date of application

Topic	IFRS S2	AASB S2
Scope		**Mandatory** standard for climate (as required in the Act)
Industry-based metrics	1. Required to disclose common industry- based metrics 2. When identifying these metrics, required to consider SASB Standards and consider industry-based metrics adapted from SASB Standards	1. No requirement to disclose common industry-based metrics 2. No requirement to refer to and consider SASB Standards
Reporting entity	Same as the related financial statements	Same as the related financial statements, unless otherwise permitted by law
General requirements for disclosure (e.g. location of disclosures, timing of reporting and disclosures relating to judgements, uncertainties and errors)	Reference IFRS S1	Content of AASB S1 necessary to make AASB S2 function as the standalone standard for all climate-related financial disclosures incorporated in Appendix D of AASB S2

Scenario analysis – For entities that are **required to report under the *Corporations Act 2001***, the Act** mandates the disclosure of information derived from scenario analysis carried out using both a 'low' (1.5C) and a 'high' (2.5C or higher) warming scenario. ****Not a requirement of AASB S2 (or IFRS S2).**

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