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The next phase of Australian sustainability reporting

Insights and maturity trends from June 2026 sustainability reports under AASB S2

The June 2026 reporting period marks the next phase of Australian climate reporting. Now drawing on a larger group of first-time reporters with June 2026 year ends, this publication considers what has changed since the first reports were released in December 2025 and where reporting practice could be further improved.

Key observations on areas for development are:

- Sustainability and financial reporting should tell a connected story. Climate-related assumptions and anticipated financial effects should be consistent with strategic and financial planning and the related financial statement disclosures.
- Quantification is a key area requiring progression. Entities should continue developing supportable estimates and ranges for anticipated financial effects, together with the quantitative vulnerability metrics as required under AASB S2.
- Decisions about measurement uncertainty, key judgements, use of proportionality mechanisms and relief and approach to scenario selection should be documented and disclosed.
- Disclosures should become more entity specific. Generic descriptions of climate-related risks and opportunities should give way to clearer explanations of the affected assets, activities, geographies and value chains, concentrations and intended management responses.
- Year two reporting will require an assurance ready and integrated approach across the entire report, with particular focus on uplifting data governance and controls in the areas that were not subject to assurance in year one - but will require assurance in year two.
- Year two reporting priorities also include scope 3 GHG emission reporting, which will require uplift in controls and data collection required for meeting disclosure requirements and assurance.

The June 2026 reporting cohort provides more extensive insights into how entities are applying AASB S2 in practice. Reporting quality is improving but quantification, connectivity with financial reporting and developing credible transition plans still present challenges.

Paul Dobson
Asia Pacific audit and assurance - Climate and sustainability leader

Background

The June 2026 reporting cycle represents the next phase in Australia's transition to mandatory climate reporting under AASB S2 *Climate-related Disclosures* (AASB S2). Building on insights from the first wave of December 2025 reports[1], this publication analyses the disclosures of Group 1 entities reporting under AASB S2 for the first time for the June 2026 reporting period. Our analysis identifies emerging reporting practices, common challenges and anonymised examples of how entities have approached particular disclosure requirements.

Population snapshot

We have analysed the climate-related disclosures prepared under AASB S2 by **ASX 200 entities**[2] with June 2026 reporting dates that had publicly released their reports by 30 September 2026. Our analysis[3] covers 102 entities, providing a significantly broader population than the initial December 2025 reporting cohort of 25 entities.

The selected population should not be viewed as representative of all first-time reporters at June 2026. By design, our analysis focuses on ASX 200 entities and therefore reflects the experiences of larger public entities only. The findings may not reflect the challenges and progress of private entities and other reporters outside the ASX 200.

While the observations in this publication are informed by an analysis[3] of publicly available climate-related disclosures, the insights we share also reflect broader lessons emerging from our experience with June 2026 sustainability reports prepared under AASB S2.

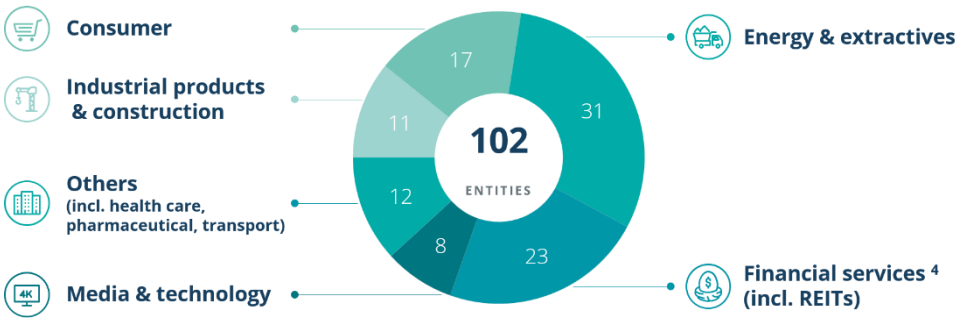
29 average **page count**

54 pages **longest** observed report

15 pages **shortest** observed report

Industry breakdown

Distribution of the 102 entities included in the analysis



[1] Early insights into Wave 1 of Australian climate reporting
[2] Top 200 ASX listed by market capitalisation as of 30 September 2026.
[3] We have applied judgement in our analysis of the sustainability reports of the reporting cohort, including developing taxonomies for the purposes of aggregating the data into meaningful categories and in classifying and categorising entities for the purposes of presenting aggregated information. Further, judgement was required in determining whether certain disclosures have been provided or not, particularly in cases where the nature, extent and quality of information disclosed by entities varies significantly across the population.
[4] Financial services industry classification includes Real Estate Investment Trusts (REITs).

A. From implementation to refinement

In this section, we discuss three areas in particular where we have observed progression in practice from the first reporting wave (December 2025) to the June 2026 cohort. Specifically, we explore insights in relation to (1) the identification of climate-related risks and opportunities (CRROs); (2) climate resilience assessments; and (3) climate-related targets.

1. Climate-related risks and opportunities

a) Market insights

Climate-related risks and opportunities distribution



5.2 average **CRROs** per entity

Across the reviewed population, entities disclosed an average of 5.2 CRROs (December 2025: 5.4). The primary driver of the reduction in average CRROs relative to the December cohort was a reduction of the number of transition risks disclosed to 2.1 on average from 2.5 at December.

Differences in the average CRROs compared with December 2025 is likely primarily due to differences in population and industry mix between the two cohorts rather than reflecting a general reduction in the number of CRROs identified across the market.

Most common CRROs

Physical risk
acute weather events

Transition risk
policy and regulatory change

Opportunity
green products and services

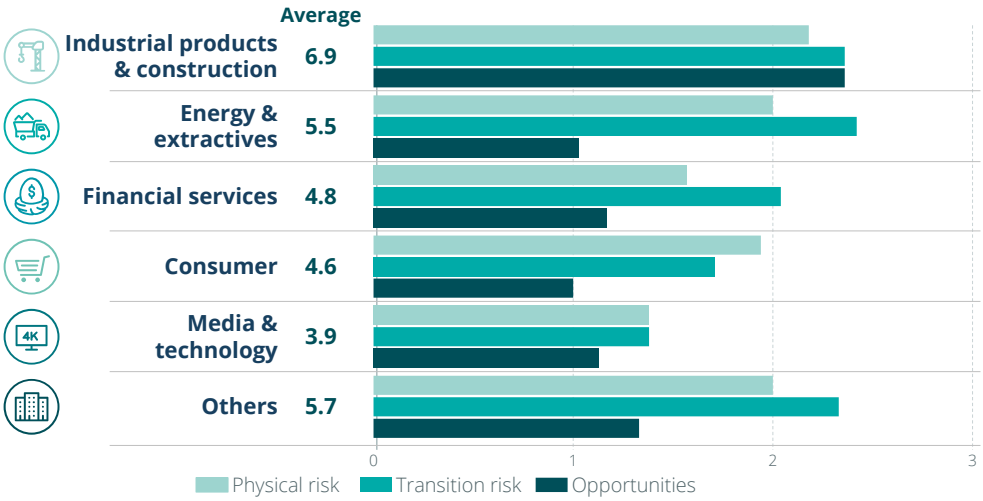
b) Our observations

Several common themes emerged across the June 2026 cohort:

- **Opportunities lagging:** Risk-focussed reporting continues to be more prevalent. Disclosure of opportunities is a developing area with nearly a quarter of entities providing no, or limited, discussion of how climate-change may create climate-related opportunities.
- **Entity specific risk descriptions:** June 2026 entities generally provided clear and structured descriptions of CRROs, including more detailed explanations of climate-related impacts of CRROs on their business models and value chain. However, we observed varying levels of specificity in CRRO descriptions, with some descriptions continuing to rely on broadly defined generic categories that could apply across a wide range of industries. To be decision-useful, CRROs should be described in entity-specific terms and connected to other parts of the report.
- **Pre- or post- mitigation:** Some entities did not clearly explain whether climate-related risks were identified before or after mitigation activities. In many cases, this resulted from limited disclosure of the assumptions used. Transparency in how mitigation measures were considered, the extent and nature of any ongoing mitigation effort required, and uncertainties relating to the effectiveness of these actions once in place would help users better understand the nature of the underlying risk exposure.

Industry spotlight

Average CRROs distribution by industry



The coverage and extent of CRROs varied significantly across industries, reflecting differences in business models, asset intensity, geographical location and exposure to climate-related transition pressures. Industrial products and construction reported the highest average number of CRROs while media and technology reported the lowest average.

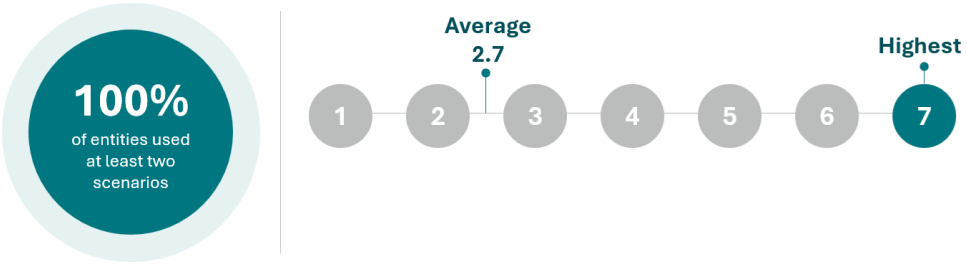
Unsurprisingly, **transition risks** were most prominent in energy and extractives entities, averaging 2.4 transition risks per entity, highlighting the sector's exposure to regulatory and decarbonisation-related challenges for hard to abate activities. By contrast, industrial products and construction reported the highest average number of **opportunities** with 2.4 per entity, with a strong focus on growth opportunities arising from electrification and the transition to a lower-emissions business models and product offerings being a commonly observed theme.

Deloitte insights
Interestingly, the highest emitting industries (such as energy and extractives) are not necessarily those reporting the highest number of CRROs. The risks and opportunities focus of AASB S2 is driving climate reporting to extend beyond greenhouse gas emissions with entities considering a wide range of impacts from climate change on their financial position, performance and cash flow.

Regulator perspective
The Australian Securities and Investments Corporation (ASIC) in their recent report Review of sustainability reports lodged for 31 December 2025 noted that *"when identifying climate-related risks and opportunities, consider past events, current conditions and forecast future conditions, as well as how you may be affected (whether directly or indirectly) by the risks and opportunities across your value chain."*

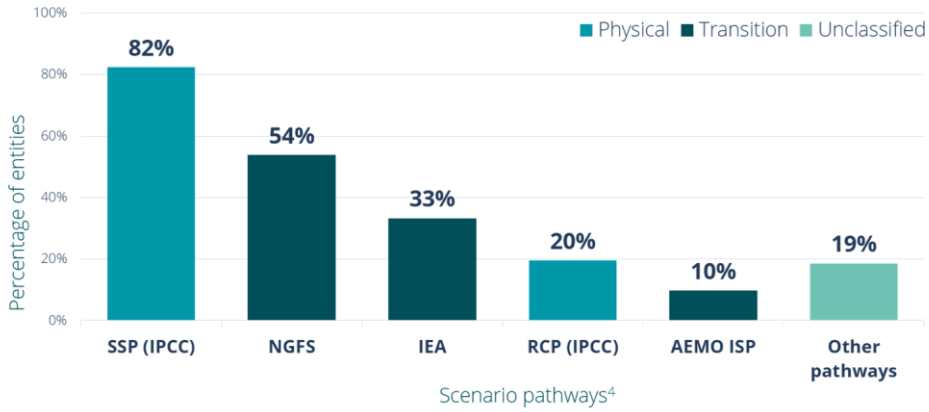
2. Climate resilience

a) Market insights



All entities reviewed disclosed at least the minimum two scenarios required under the *Corporations Act 2001* (Corporations Act). The average number of scenarios disclosed was 2.7 scenarios per entity, with 42% of entities disclosing more than the minimum two scenarios (December 2025: 52%). Entities that performed a third scenario often used this to assist in assessing the anticipated financial effects using assumptions that more closely aligned to the entity's view of the world for financial planning and analysis.

Scenario pathway family[4]



Reporting entities continued to rely heavily on recognised external climate pathways. 82% of entities referenced Shared Socioeconomic Pathways (SSP) for physical pathways and 54% referenced Network for Greening the Financial System (NGFS) for transition pathways, with NGFS Net Zero 2050 (**Paris aligned low emissions scenario**) being the most frequently referenced transition pathway and SSP5-8.5[5] (**high emissions scenario**) the most commonly used physical risk pathway. Compared to the December reporters, the findings indicate consistency across the market in the selection of reference scenarios, while still allowing for industry-specific flexibility and adaptation.

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[4] Intergovernmental Panel on Climate Change (IPCC), Shared Socioeconomic Pathways (SSPs), Network for Greening the Financial System (NGFS), International Energy Agency (IEA), Representative Concentration Pathways (RCP), The Australian Energy Market Operator Integrated System Plan (AEMO ISP)

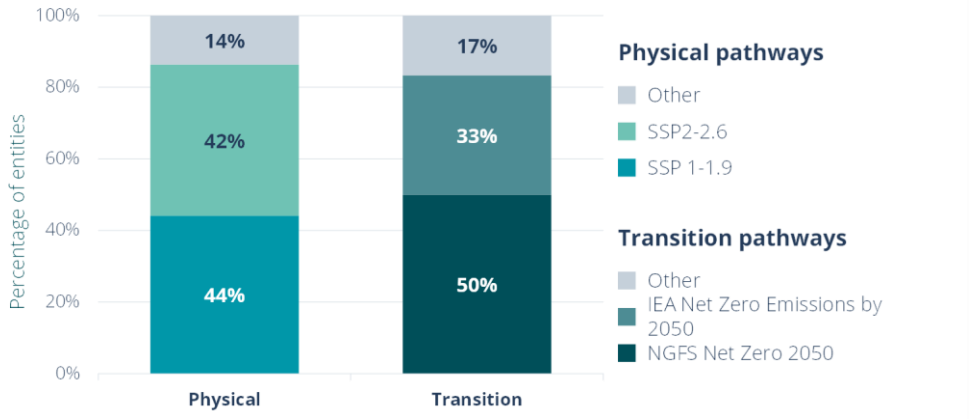
[5] In May 2026, various news media indicated a growing recognition within the scientific community that new climate-modelling suggests that SSP5-8.5 is an implausible future pathway. The IPCC issued a media release that clarified that SSP5-8.5 remains as one of five illustrative scenarios assessed in its Sixth Assessment Report, representing the highest emissions pathway to 2100, and that more recent scenario research, including the CMIP7 scenarios, will be assessed in its Seventh Assessment Report.

b) Our observations

- **Distinguish between quantitative scenario analysis outputs and anticipated financial effects:** Some entities appeared to treat the disclosure of scenario analysis outcomes as satisfying the anticipated financial effects disclosure requirements. Performing a quantitative scenario analysis does not, by itself, satisfy the separate requirement to quantify anticipated financial effects. The two requirements have different objectives. Scenario analysis considers 'what could happen' under a range of plausible climate futures – with the objective of providing information about climate resilience and the entity's capacity to adapt under different scenarios. Anticipated financial effects, on the other hand, explain what the entity 'expects' to happen to its financial position, performance and cash flows. Accordingly, outputs of scenario analysis could inform the assessment of anticipated financial effects, but they are not a substitute for that assessment.
- **Scenario assumptions and linkage to resilience conclusions:** Scenario selection is consistent across the market, but the supporting disclosures were often less developed. In particular, some entities disclosed limited information about the key inputs and assumptions and how scenario outcomes inform transition plans, strategies and resilience assessments.
- **Approaches commensurate with circumstances:** Where an entity does not undertake a quantitative analysis for climate resilience, it should maintain clear evidence of why that approach was appropriate, including its consideration of exposure to CRROs and its available skills, capabilities and resources. The disclosure scenario analysis and resilience will also form part of the scope of assurance in the second year of reporting.

Regulator perspective
ASIC in in their Report 839 noted that "*reporting entities must explain which scenarios were used and why they were deemed relevant to assessing resilience, as well as whether the scenarios were associated with climate-related transition or physical risks.*". Further, ASIC noted *that "Reporting entities should be mindful of the separate disclosure requirements. Anticipated financial effects reflect the entity's current plan and expectations for the future. Climate resilience reflects how the current plan would be impacted by the conditions described by the scenarios."*

Most common 'low' warming scenario under the Corporations Act



For compliance with the Corporations Act, entities are required, inter alia, to report one scenario that represents a temperature change that **is limited to 1.5°C.** Across all industries, **physical risk** analysis was most commonly anchored in the **Intergovernmental Panel on Climate Change (IPCC)** SSP pathways SSP1-1.9 and SSP 2-2.6. The most common **transition risk** pathways varied by sector – for example with energy and extractives most commonly used **IEA pathway Net Zero Emissions 2050**.

Other than energy and extractives, the **NGFS Net Zero 2050** transition pathway was the most common across all other industries, with financial services; media and technology; and consumer most frequently using this pathway.

Deloitte insights
Selecting a recognised reference pathway is not enough on its own. Entities should be able to explain why the scenarios are relevant to their business and how the results affect their assessment of climate resilience.

A connected story
Investors expect climate disclosures and financial statements to be consistent and to tell a coherent connected story. Preparers of sustainability reports should ensure that disclosures are internally consistent across their general-purpose financial reports and should be able to explain how climate-related assumptions used in the sustainability report (e.g. scenario analysis and anticipated financial effect quantification) relate to those used in financial reporting.

3. Climate-related targets

a) Market insights



**This entity reported its targets across eight themes but had additional sub– and interim targets under each theme.*

Net-zero commitments and emissions reduction targets remained the most common forms of target disclosure. Renewable energy, supplier engagement and financed emissions targets were also seen, but less frequently.

While the extent of target setting observed across the cohort was higher than what we observed during the December wave of reporters, many targets appeared to have been carried forward from prior voluntary reporting, with limited evidence of significant refinement or implementation following the introduction of mandatory climate reporting.

Industry spotlight
Target-setting was evident across all industries, with the average number of disclosed targets ranging from 1.7 (**financial services**) to 2.3 (**consumer**) per entity. The differentiator across industries related to the nature and focus of those targets. For example:

- **Energy and extractives** mainly focused on scope 1 and 2 emissions reduction, net-zero and energy transition-related commitments, reflecting the sector's direct exposure to decarbonisation and regulatory pressures.
- In contrast, some **financial services** entities incorporated scope 3 financed emissions targets. We will likely see the prevalence of targets relating to scope 3, particularly in the financial services sector, expand significantly in year two when scope 3 reporting becomes mandatory.
- **Consumer** entities frequently supplemented emissions targets with supply chain targets such as renewable energy sourcing and value chain commitments.

Deloitte insights
Although targets were a common feature across every industry reviewed, having more targets did not necessarily result in better disclosure. Disclosure quality was determined less by the number of targets reported and more by how well those targets were integrated with the entity's identified CRROs.

For example, some less connected examples were observed where entities set emission reduction or net zero targets despite concluding that transition risks relating to emissions reductions or decarbonisation of their operations were not material to their business.

b) Our observations

- **Distinguish between targets and ambitions:** Some entities continue to rely primarily on long-term net zero ambition statements without clearly disclosing interim milestones or credible delivery pathways.
- **Target bias towards scope 1 and 2 emission reductions:** Scope 3 targets remain uncommon, which may reflect the practical challenges associated with measurement methodologies and data availability.
- **Connectivity:** Greater connectivity between targets, the entity's strategic objectives and transition plans remain an area for improvement. We also observed that targets were often presented as standalone disclosures, with weaker connectivity to the entity's identified CRROs, strategic priorities and transition plans.

Regulator perspective
ASIC, in their Report 839, also emphasised *" entities should also consider connections to other disclosure requirements, such as how they plan to meet targets and current and anticipated financial effects which may include financing efforts to meet climate targets."* ASIC also noted that "*the definition of climate-related targets in AASB S2 extends to targets that you must meet by law or regulation. This includes greenhouse gas emissions targets such as the safeguard mechanism.*"

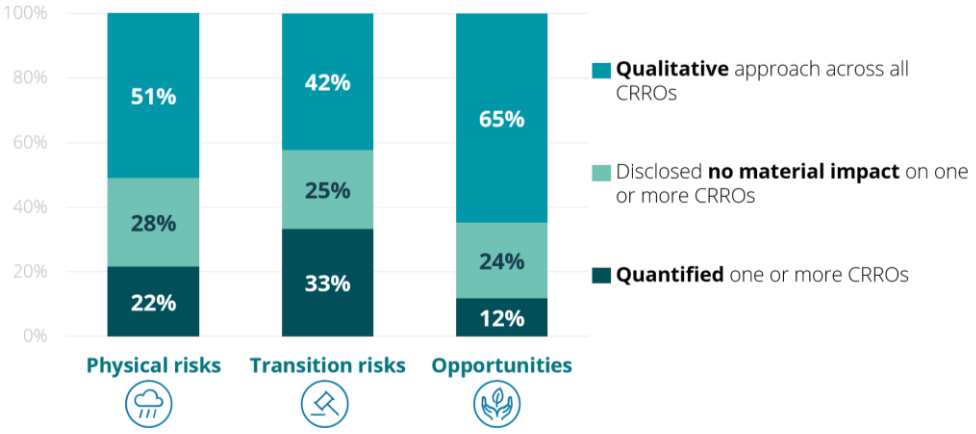
Consistent with our observations in our earlier Clarity publication for December reporters, where targets are set by multinational corporate groups with Australian subsidiaries, ASIC also observed that it was often unclear how group level targets applied to the Australian reporting entity and whether or not the entity was responsible for contributing to group targets or not.

B. The elephant in the room: Quantification of anticipated financial effects

The area of the report that continues to be most frequently discussed, and that many entities find most challenging to address is the anticipated financial effects disclosures. Subject to certain proportionality mechanisms in the standard, AASB S2 requires disclosure of **quantitative and qualitative** information about the anticipated financial effects of CRROs on an entity's financial position, financial performance and cash flows over the short, medium and long term. These requirements are designed to produce information that complements information disclosed in the related financial statements, by explaining the connections between CRROs and the information reported in the financial statements.

a) Market insights

Approaches to disclosing information on anticipated financial effects



How to read the chart above:

- The bottom segment layer shows the percentage of entities that **quantified** at least one CRRO in each category.
- The middle segment shows entities that disclosed no quantitative information of any CRRO, but explicitly concluded the anticipated financial effects were **not material**. For these entities, it was not always clear whether this conclusion was informed by a qualitative assessment or quantitative evidence of the conclusion.
- The top segment shows entities that took a **qualitative-only approach** for all CRROs, using the proportionality mechanisms or relief in AASB S2.

For transition risks, quantification most commonly focused on expected energy or fuel cost impacts, regulatory or carbon cost estimates based on Australian Carbon Credit Unit (ACCU) scheme and Safeguard Mechanism obligations.
Where quantification was undertaken, it was generally applied to only a limited number of the entity's CRROs, rather than being pervasive across all CRROs. Therefore, the above chart shows whether an entity quantified at least one CRRO rather than how extensively quantification was applied across all CRROs. As such, the prevalence of quantification of anticipated financial effects across all CRROs in aggregate across the cohort was far lower (circa. 10 - 15% of all CRROs) when compared to the per-entity assessment above.

Qualitative information was most commonly disclosed for the anticipated effects of opportunities, with 65% of entities taking a qualitative only approach across all opportunities. This reflects that many entities may have not yet commenced the activities necessary to capture the quantitative effects of identified opportunities.

Quantification of anticipated financial effects

22% quantified at least **one physical risk**

33% quantified at least **one transition risk**

12% quantified at least **one** climate-related **opportunity**

b) Our observations

- **Estimation is an essential part of preparing corporate reports:** Although measurement uncertainty is one of the proportionality mechanisms in AASB S2, the need to perform estimates itself is generally insufficient justification for not disclosing quantitative information.

  Financial reporting routinely incorporates uncertain estimates, probability weighted inputs or assumptions or ranges. For example, impairment models, deferred tax recoverability assessments and fair value-based measurement models all incorporate estimation of uncertain assumptions about the future information.

  While uncertainty is undeniably a feature of climate-related financial effects analysis, the inherent uncertainty related to forward-looking climate information as a general characteristic of climate information, does not automatically eliminate the need to provide quantitative information.

The need to perform estimates itself is generally insufficient justification for not disclosing quantitative information

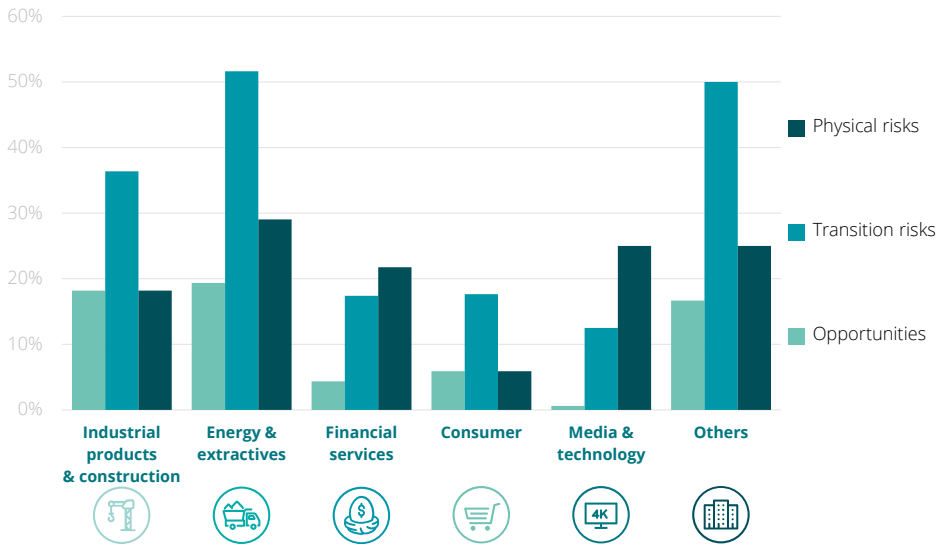
- **Proportionality mechanisms, relief and assurance:** The use of proportionality mechanisms or relief in the standard requires documented evidence, judgement and governance support. It should not be a default approach to reporting anticipated financial effects. We expect estimates and ranges to become more common as entities improve data quality and the controls to support them.

  Entities relying on proportionality mechanisms or relief should be able to evidence, document and disclose why any quantitative estimate, range or sensitivity analysis would fail to provide useful information to users. This requires a fact-specific assessment for each CRRO, rather than a generic statement about uncertainty across all CRROs. Looking ahead to year two - the assurance phasing requirements will cover the disclosure of anticipated financial effects for June 2027 year ends.

Regulator perspective
ASIC in their Report 839 noted a key action item for reporting entities that *"when disclosing material information about current and anticipated financial effects of climate-related risks and opportunities, carefully consider whether you are also able to disclose quantitative information, rather than only qualitative information and, if not, ensure that users can understand the reasons you provided qualitative information over quantitative."*

Industry spotlight

Quantified anticipated financial effects by industry



Quantification rates varied across industries. Higher levels of quantification were generally observed in energy and Extractives as well as industrial products and construction - with significant physical asset or operational exposure, or capital investment requirements. Qualitative only reporting was more common in consumer, financial services and media and technology sectors.

Deloitte insights
The results show that many entities remain in the early stages of translating climate-related risks and opportunities into measurable financial effects. Where quantification was provided for selected CRROs, it tended to focus more on the areas where the entity had access to existing information – for example in board approved budgets for climate-related expenditure, rather than those areas based on forward looking climate hazard data.

Some entities who were unable to provide dollar based quantitative anticipated financial effect information, did nevertheless disclose other useful numerical information such as sensitivity analysis of a range of potential financial effects, or possible percentage changes in inputs or assumptions, to demonstrate the impact of what reasonably possible changes in various assumptions would mean for future performance, financial position or cash flows.

C. Transition plans and time horizons

Reporting of transition plans and time horizons are two areas which typically are susceptible to significant variation across entities and industries. We observed that these are often influenced by the entity's historical voluntary reporting practices and maturity, as well as entity specific facts and circumstance relating to assets useful lives, target setting practices and strategic plans and planning cycles.

1. Transition plans

Transition plans explain an entity's strategy that lays out the targets, actions or resources for its transition to a lower-carbon economy, including actions to reduce GHG emissions.

a) Market insights



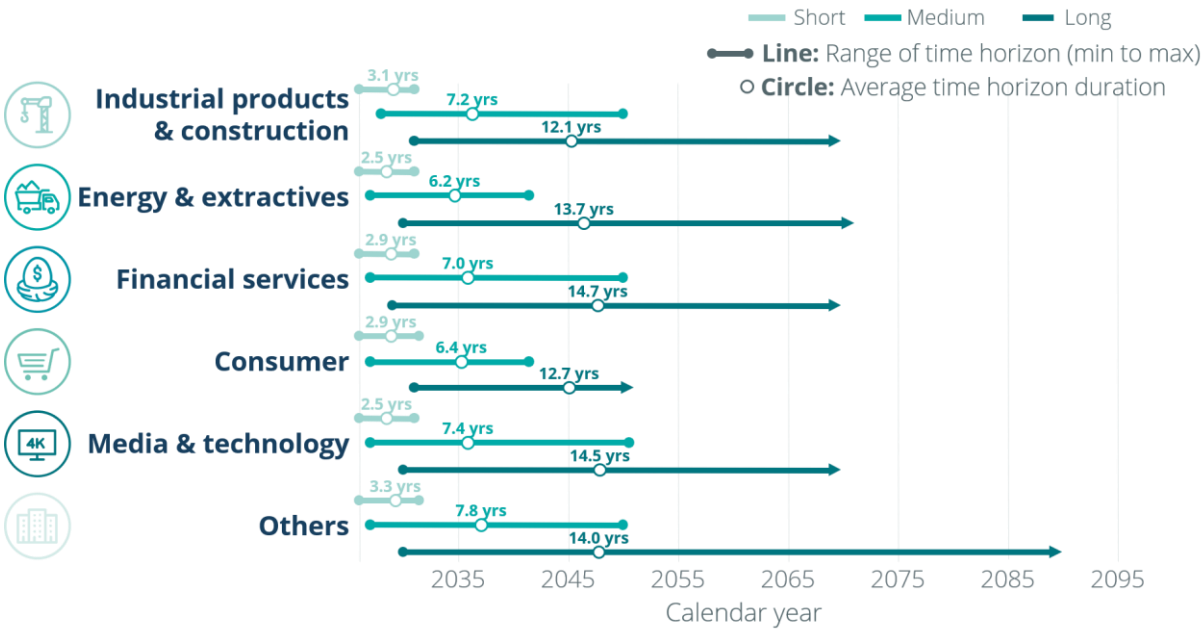
We observed that transition planning in the Australian market is uneven. Compared to the December cohort, transition planning is becoming increasingly common, but still relatively few entities (31 entities) have documented that they have adopted a formal transition plan.

b) Our observations

- **Ambitions supported by credible transition plans:** The underlying components of transition planning, such as target setting, emission reduction strategies, mitigation and adaptation actions and capital and resource allocation were more prevalent than formal plans themselves. 44% of entities disclosed a long term ambition but without an integrated formal transition plan. This shows that many entities have set objectives, but have not necessarily documented how they plan to achieve them.
- **Turning building blocks into connected information:** For many entities, the required components of transition planning already appear in different parts of their sustainability report. Although entities are not required by AASB S2 to have a transition plan, as organisations mature and develop their strategy - emissions reduction initiatives, target setting and governance elements will increasingly be brought together into a coherent and credible plan, so that investors understand how individual commitments and component parts operate collectively.

2. Time horizons

Time horizons by industry



a) Market insights

Most entities adopted relatively consistent short-term horizons of generally less than one year to five years. The average length of short term horizons ranged from approximately 2.5 to 3.3 years across industries, indicating a relatively common view of what constitutes a short term time horizon.

Considerably greater variation was evident in medium- and long-term planning horizons, with industry differences becoming more evident. Financial services reported the longest average long term horizon 14.7 years (range: 3 - 44 years). By contrast, industrial products and construction reported the shortest average long term horizon 12.1 years (range: 5 -44 years), despite often operating assets with long economic lives. However, it should be noted that many entities reported open-ended long-term time horizons (example, '2050 onwards', or '30 years plus'), making strict comparison difficult).

64 years

Longest observed time horizon (short, medium and long term) was disclosed by an entity in the healthcare sector

b) Our observations

Our experience also shows that time horizons are defined through an industry and business-model lens, rather than a common reporting convention. Better practice disclosures explained how time horizons considered asset lives, capital investment cycles and strategic planning horizons. Further, disclosing not just what the time horizon is, but the reasoning for selected time horizons and how they relate to strategic planning horizons is important for users understanding and to enhance connected reporting.

D. Metrics

1. Vulnerability and alignment metrics

Vulnerability and alignment metrics help investors understand the extent to which an entity's assets and revenue streams may be vulnerable to climate-related risks or aligned to opportunities from the transition to a lower-carbon economy.

a) Market insights

Quantified vulnerability metrics

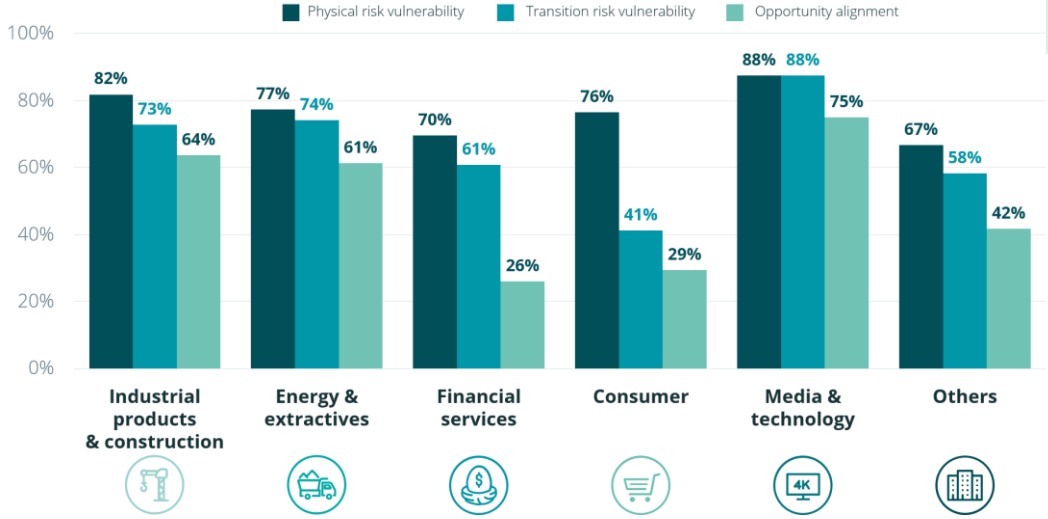
Percentage of all entities

Physical 76%

Transition 65%

Opportunity 47%

Quantified vulnerability and alignment metrics by industry



Although the above analysis shows some improved numbers in some areas relative to the vulnerability metrics data we showed in our December publication (December: 62% across any CRROs), the majority of entities who did report these metrics appeared to use high level approaches. For example, broad statements that either 'all' assets or 'no' assets were vulnerable to physical and transition risks were frequently disclosed.

The majority of entities which did not explicitly disclose a percentage and/or dollar value for business activities or assets vulnerable to physical or transition risks or aligned with climate-related opportunities, used various alternative approaches for disclosures such as narrative information. The diversity in approaches and methodologies used to define the basis for determining vulnerability and calculating methodologies reduces comparability and usefulness of information.

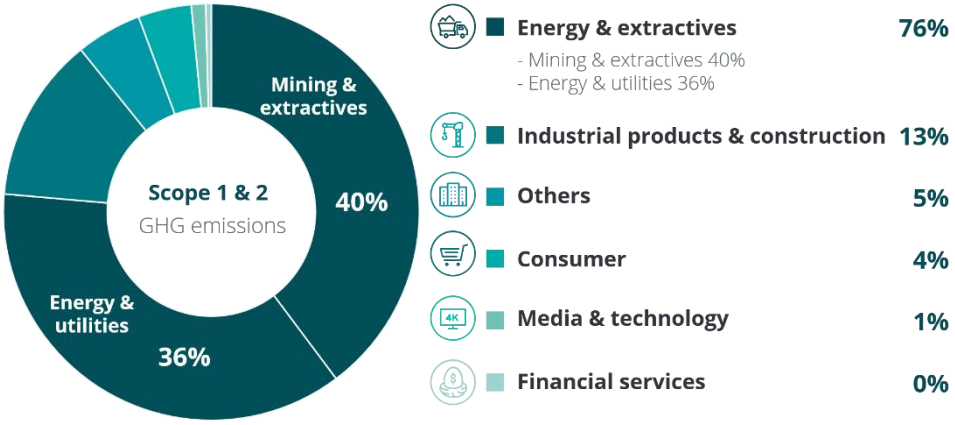
b) Our observations

- **A quantitative cross-industry metric disclosure:** Although AASB S2 allows flexibility in how an entity defines its climate-related vulnerability and alignment, entities should be reminded that these cross-industry metrics are specifically required by AASB S2 and there is no proportionality mechanism for these disclosures based on factors such as lack of skills, resources, capabilities or measurement uncertainty, unlike some other areas of the standard. The principal exception may be where directors conclude that the information is not material. However, even in such circumstances, entities should carefully consider whether disclosure of a quantitatively small exposure or vulnerability may nevertheless provide useful information to users of the report for decision-making.
- **Assurance-ready methodologies and disclosures:** Vulnerability and alignment metrics disclosures will become subject to assurance from year two for Group 1 June reporters. Entities should prioritise strengthening the controls and processes supporting the exposure and vulnerability metric calculation methodology in preparation for assurance over these metrics.

2. Greenhouse gas emissions

a) Market insights

Greenhouse gas emissions by industry



Total reported emissions in aggregate across the cohort remained highly concentrated within energy and extractives, which accounted for approximately 76% of total reported scope 1 and scope 2 emissions, despite representing only approximately 30% of the analysed population. This reflects the sector's significant operational emissions profile and the concentration of emissions intensive activities within mining and extractive activities, and energy and utilities.

Scope 3 emissions

50%

of entities in the **media and technology** industry disclosed scope 3

b) Our observations

- **Emissions and material information:** A relatively small number of emissions intensive entities account for the majority of Australia's reported emissions. Currently, reported emissions remain highly concentrated within energy and extractives. Many lower emitting sectors, in addition to pursuing energy efficiency measures and sourcing renewable energy for their own operations, are focused on abatement opportunities in their value chain, where more significant emission reduction opportunities may exist.
- **Journey towards scope 3 reporting:** Given the first year of reporting and availability of transitional relief to report scope 3 emissions, scope 3 reporting remained relatively limited, with only 27% of entities disclosing scope 3 emissions. The majority of these entities reported that they had applied the first year transition relief and that scope 3 information was therefore disclosed on a voluntary basis. Many of these voluntary scope 3 disclosures only reported certain parts of the value chain (e.g. only upstream, or only downstream) or selected categories (e.g. business travel and waste generated by operations).

Year two focus: Scope 3 GHG emissions

Consider, assess and document **all 15 categories** of Scope 3 under the GHG protocol. Clearly document the key judgements, methodologies and data used

E. Conclusion: What comes next?

With the first year of mandatory climate reporting complete, year two brings an incremental set of challenges. In the first year many entities focused on minimum compliance. For year two, entities should focus on improving climate reporting quality and integrating climate-related considerations into financial reporting processes.

Lessons from year one reporters

Don't let perfection stand in the way of progress. For entities preparing their first sustainability report, the experience of the initial reporting cohort shows that good progress is being made. Leading reporters focused first on establishing governance arrangements and identifying relevant CRROs. A clear and entity specific narrative is more valuable than extensive disclosure that lack relevance.

Preparing for expanded reporting and assurance requirements

Many entities utilised the year one relief from disclosing scope 3 emissions, while some entities chose to report voluntarily. Although scope 3 disclosures were not subject to assurance in the first reporting year, this will change as assurance requirements take effect in year two. As the transition relief period ends and assurance requirements phase in, entities should focus on strengthening data quality and audit trails to support assurance ready reporting.

Strategic priorities for boards and management

Compliance remains as important in year two but sustainability reporting should also show how climate-related considerations influence strategic and financial decision-making. Boards will be expected to challenge management on the resilience of business models and the execution of transition plans. Management should focus on strengthening the connectivity between climate and financial reporting assumptions and disclosures, and prioritise improving data quality to move from compliance-focussed reporting to decision useful information for investors.

Explain

Show how climate-related considerations **influence strategic decision-making**

Strengthen

Focus on strengthening **data quality** and audit trail for Year two assurance readiness

Connect

Integrate climate-related considerations into financial reporting

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Acknowledgements

Frank Betkowski
Salman Javed Imam

Contacts

Jonathan Streng
Managing Director
jstreng@deloitte.com.au

Paul Dobson
Partner
padobson@deloitte.com.au

Moana Overton
Partner
moverton@deloitte.com.au

Carol Warden
Partner
cwarden@deloitte.com.au

Holly Hunt
Partner
holhunt@deloitte.com.au