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6 Lessons From the First Wave of Climate Reporting - $50M+ Turnover? It's Time to Prepare.

As we've mentioned elsewhere, climate reporting isn't just for the 'big end of town'. If you don't yet know whether climate reporting applies to your business, that's the first thing to clear up. But if you do, and you're gearing up for your first integrated sustainability and financial report (known as climate disclosure) as part of Group 2 or Group 3, this rundown is for you. It highlights some of the pitfalls worth avoiding before reporting gets underway.

The Timeline to Compliance

Group 1 companies have already been through the first cycle of mandatory climate reporting under AASB S2, and ASIC has been monitoring compliance closely. ASIC's review of that first wave identified six recurring issues, ranging from sloppy disclosures to messy cross-referencing. The regulator publishes its observations from the review so that smaller reporting businesses can learn from them, ahead of upcoming reporting seasons.

Here's what stood out from ASIC's observations, and what it means for you.

1. Careful with disclaimers: don't accidentally undercut your own report

Some early reporters included disclaimer language telling readers not to rely on the sustainability report for investment decisions, or disclaiming responsibility for the accuracy of the numbers. The problem is obvious: the whole point of the report is that people can rely on it.

That doesn't mean disclaimers are off-limits altogether. A well-targeted disclaimer can genuinely help readers interpret the information correctly. The line to watch is between a disclaimer that adds useful context and one that quietly contradicts the legal purpose of the report itself.

Takeaway: Have your teams review disclaimer wording together, not in isolation. Standard boilerplates can be a red flag to the regulator, so make sure any disclaimer is appropriate to the sustainability report and the information it contains. **You can't disclaim the very purpose of the report.**

2. "Reasonable and supportable information" isn't just about the future, it includes your own history

ASIC flagged cases where a company had previously disclosed, in an earlier annual report, that extreme weather had financially impacted its assets or operations, but then failed to mention any related risk or mitigation plan in its climate disclosure.

Although the Standard doesn't demand an exhaustive search for information to identify climate-related risks and opportunities, it does expect companies to draw on what's reasonably available. This includes both internal and external data that has been gathered or disclosed elsewhere in the past.

Takeaway: Your sustainability report can't be developed in a silo. If your previous public announcements and financial statements already tell a story about climate impact, your climate disclosure needs to tell the same one. **Review what your business has already disclosed and experienced as part of the process – ensure everything is consistent.**

3. Show your working: judgement calls need to be visible, not just made

Climate reports demand a fair amount of discretion. Deciding what scenario assumptions to run, or where the materiality line sits, are just some examples of it. None of it is settled by a checklist.

And that's exactly where ASIC identified the gaps: several reports left readers guessing at the reasoning behind that discretion, even though AASB S2 requires entities to describe the assumptions and methods used to produce the climate disclosure so that primary users can decide whether to take this into account in their decision making.

Takeaway: Document every judgement call as you make it: the thought process, the 'reasonable grounds' behind key decisions, and how the company interpreted the information. The goal isn't just to reach a conclusion, but to create a clear and traceable record of how you got to your climate disclosure. **Narrate the journey and your assumptions to bring the reader along with you. Ensure you're ready for the shift in year 4 onwards.**

Audit/Assurance Requirements

Limited assurance = Review | Reasonable assurance = Audit

Reporting Year	1st	2nd	3rd	4th	5th	6th
Governance	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Strategy – Risks and opportunities	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate resilience assessment/scenario analysis	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Transition plans	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Risk management	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate-related metrics and targets	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 1 and 2 emissions	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 3 emissions	N/A	Limited	Limited	Reasonable	Reasonable	Reasonable

4. Don't let extra detail bury the information that's actually required

Some reports blended mandatory AASB S2 disclosures with additional, voluntary climate content in a way that can be confusing to readers, detracting from the core requirements of the standard.

Voluntary extras aren't a problem in themselves, but piling on too much information poses the risk of obscuring what's actually required by the Standard. ASIC flagged index tables as a simple, effective way to help readers navigate information in the climate disclosure.

Takeaway: Structure matters just as much as content. Decide early whether mandatory and voluntary disclosures will live in separate documents or in clearly labelled sections. **Make it easy for readers to identify what is required, where to find it and how the information fits together.**

5. Cross-referencing also has rules.

Pointing to another document instead of repeating information seems efficient, but ASIC found plenty of reports where doing so undermined the purpose of the climate disclosure. The report needs to survive the test of time and stand alone, rather than being vulnerable to changes made by others. That means referencing websites or third-party reports, or failing to specify exactly which part of another document is being incorporated, isn't appropriate.

The rules are fairly rigid: you can only cross-reference another report that you own entity has published, and only if it's available on the same terms and at the same time as the sustainability report. The cross-reference also has to point to a specific, identifiable section.

Takeaway: Consider using annexures so the source is integrated into the report. **If you do cross-reference, make sure the information is eligible to be incorporated and that readers can easily identify exactly where to find it.**

6. "Climate-related target" is a broader category than most people assume

This one caught a lot of companies out. Under AASB S2, a "climate-related target" isn't just your net-zero pledge – it also covers targets you're legally required to meet. ASIC saw a real mix of approaches to how entities determine what counts as a climate-related target for these purposes.

Takeaway: Don't assume your business is free from emissions or climate-related obligations simply because it hasn't voluntarily set a target. **Map out the legally mandated climate obligations your business is subject to and consider each one as a candidate for disclosure.** "Target" doesn't only mean the ones you chose yourself.

Metrics & Targets | Your Numbers

- Scope 1 & 2 emissions from Year 1 (carbon footprint required)
- Scope 3 emissions from Year 2
- % of activities vulnerable to climate risks
- Capital deployment needed for transition
- Progress tracking toward your targets

What this means if you're up next

Group 2 and Group 3 reporters have a genuine advantage here that Group 1 didn't: a regulator-published list of exactly where the first movers stumbled.

The common thread across all six observations is the same: precision, traceability and clear documentation of every judgement made along the way. The lesson isn't simply to avoid these six individual mistakes – it's to make sure the systems and processes behind your climate reporting are strong enough to support the disclosure itself.

And that's something worth getting right before your first report is underway.

If you're not sure whether climate reporting applies to your business, or you'd like help getting your systems, documentation and disclosure structure in shape ahead of your first report, Hikari can help.

We work with businesses to understand where they fit within the reporting framework and build practical systems that enable their teams to manage climate disclosure both not and into the future.

A smarter way to prepare for climate disclosure

Hikari's **Climate Disclosure Solution** turns the complexity of AASB S2 into a practical, step-by-step system your business can implement internally. It includes five guided modules mapped to AASB S2, editable templates and action logs, an integrated Scope 1 & 2 Emissions Calculator, and tools designed to create a clear, auditable trail throughout the reporting process.