

AASB S2 – Climate governance practical board actions *guide*

What are the AASB S2 governance requirements and practical board actions

This practical actions guide is designed to set out the key governance pillar requirements of AASB S2, and support boards in overseeing climate-related governance under AASB S2. The guide is intended to be applied proportionately, using existing governance frameworks.

AASB S2 requirement	What must be disclosed	Practical actions for boards
Identify oversight body or individual(s)	<ul style="list-style-type: none"> The governance body or individual(s) responsible for oversight of climate-related risks and opportunities 	<ul style="list-style-type: none"> Assign oversight to the board or a committee and update board or committee charters accordingly
Clearly outline responsibilities in governance documents	<ul style="list-style-type: none"> How climate-related responsibilities are reflected in terms of reference, mandates, role descriptions and policies 	<ul style="list-style-type: none"> Update governance documents (such as charters, terms of reference and mandates) to explicitly reflect climate responsibilities and escalation pathways
Board skills and competencies	<ul style="list-style-type: none"> How the board determines whether appropriate skills are available or will be developed 	<ul style="list-style-type: none"> Consider climate capability as part of the board skills matrix and address gaps through training or external expertise
Board reporting and frequency	<ul style="list-style-type: none"> Processes and frequency for informing the board about climate-related risks and opportunities 	<ul style="list-style-type: none"> Integrate climate reporting into regular board packs (e.g. quarterly) with clearly defined reporting owners (CFO, CRO, Sustainability Lead)
How climate factors influence board decisions	<ul style="list-style-type: none"> How climate risks and opportunities are considered in overseeing the entity's strategy, decisions on major transactions, risk management policies and consideration of trade-offs 	<ul style="list-style-type: none"> Ensure climate considerations are incorporated into board-level strategy, Enterprise Risk Management discussions and major decision papers Require climate impact assessments for major decisions
Oversight of targets and remuneration	<ul style="list-style-type: none"> How the board oversees climate-related targets, progress towards those targets, whether related performance metrics are included in remuneration policies and how those metrics are included 	<ul style="list-style-type: none"> Approve climate targets (if established) Establish the process for tracking progress against climate-related targets (frequency and how disclosed) Review remuneration frameworks for climate-linked metrics. Where climate metrics are used in remuneration, document oversight and review processes



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Management's role	<ul style="list-style-type: none">• Management's role in governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities	<ul style="list-style-type: none">• Clarify management accountability for climate matters and escalation pathways to the board
Delegation to management committees or roles	<ul style="list-style-type: none">• Whether responsibilities are delegated to specific management roles or committees and how oversight is exercised	<ul style="list-style-type: none">• Establish a management-level sustainability / climate committee (if required)• Document delegated responsibilities, committee terms of reference and reporting lines to the board
Controls and procedures used by management	<ul style="list-style-type: none">• Whether management uses controls and procedures to support oversight and how these integrate with other internal functions	<ul style="list-style-type: none">• Ensure reporting protocols, review processes and escalation thresholds relied upon by the board are clearly documented• Consider update of relevant policies and risk frameworks for climate risk



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