Practice Guideline 8 AASB S2 Climate-Related Disclosures Explanatory Memorandum July 2026

Contents

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1. About this Explanatory Memorandum

This Explanatory Memorandum has been prepared by the PG 8 AASB S2 Climate-Related Disclosures Working Group on behalf of the Climate and Sustainability Practice Committee (CSPC) to assist Members in understanding the proposed new Practice Guideline 8: AASB S2 Climate-Related Disclosures (PG 8).[1]

2. Background

PG 8 is the Australian adaptation of International Standard of Actuarial Practice 8: IFRS S2 Climate-Related Disclosures (ISA8) issued by the International Actuarial Association (IAA) on 23 November 2025. The intentions of ISAP 8 are to:

- Facilitate consistent and appropriate standards of actuarial practice in connection with IFRS S2;
- Increase public confidence in actuarial services provided in connection with IFRS S2;
- Facilitate collaboration with other disciplines and relevant authorities; and
- Demonstrate the IAA's commitment to support the work of the International Sustainability Standards Board in achieving high-quality, sustainability-related standards.

3. Rationale to adopt ISAP 8 (Appropriately Modified)

It is proposed that ISAP 8 (appropriately modified) should be adopted as a new professional practice document of the Actuaries Institute. The reasons for this are outlined below.

- Mandatory climate-related disclosures under AASB S2 now apply to certain Australian entities under the under section 336A of the Corporations Act 2001, with the first set of mandatory disclosures for reporting periods commencing from 1 January 2025.
- There is growing demand for actuarial input in relation to scenario analysis, financial impact assessments, and climate-related risks and opportunity assessment.
- The Australian Accounting Standards Board (AASB) has adopted IFRS S2 with minor modifications. We consider it appropriate to adopt the corresponding international actuarial guidance, ISAP 8, as the basis for Australian practice guidance. This supports consistency between Australian and international practice.
- It is believed that ISAP 8 will contribute to good quality practice among Members.

[1] This Explanatory Memorandum does not form part of the PG 8 and will be archived after 6 months.

4. Rationale to adopt as a Practice Guideline

The Actuaries Institute has an established hierarchy of professional practice documents. Among other such documents, there are Professional Standards (PSs), which set out what must be done by Members, and Practice Guidelines (PGs), which are intended to assist Members in providing professional services. PSs cover Members' obligations while PGs describe generally accepted actuarial practice.

It is proposed that the Australian adaptation of ISAP 8 be adopted as a PG. The reasons for this are outlined below.

- Climate-related disclosure work under AASB S2 is an emerging area of actuarial practice in Australia. Actuarial practice continues to evolve as methodologies develop and experience is gained.
- AASB S2 establishes a framework and specifies disclosure requirements, but it deliberately allows flexibility in how entities assess, model and communicate climate-related risks and opportunities.
- PG 8 is intended to provide guidance on generally accepted actuarial practices that may assist Members when performing Applicable Services related to climate-related disclosures, while preserving the flexibility needed for Members to exercise professional judgement considering the specific circumstances of an engagement.

5. Subsidiarity

It is proposed that if any requirement of PG 8 conflicts with local legislation, policies, regulatory frameworks, the Code or a PS, then that legislation, the Code or PS takes precedence with respect to the conflict. In such cases, the remaining requirements of PG 8 that are not in conflict continue to apply.

6. Differences between PG 8 and ISAP 8

A compilation of differences between PG 8 and ISAP 8 is set out in the Appendix of PG 8. The key changes are outlined below:

- Addition of Paragraphs 2 and 3 in the Introduction to clarify that AASB S2 disclosures are only required for certain entities under the Corporations Act, and that PG 8 was written with that audience in mind. Members performing Applicable Services for other entities, such as public sector entities, should apply the laws, policies, or regulatory frameworks relevant to their circumstances. Where specific guidance is lacking, Members may apply the broad principles in PG 8 and PG 1.
- Edits to Section 2.6 to replace 'pension funds' with 'superannuation entities'. Added context explaining that superannuation entities were considered by AASB, which decided that no modification or addition to IFRS S2 was needed.

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- Addition of "(including relevant legislation or regulatory guidance on the interpretation of an aligned scenario)" in Section 3.1.2e to direct Members to local legislation or regulatory guidance.

7. Degree of Convergence between PG 8 and ISAP 8

In adapting ISAP 8 to create PG 8 for application by Members, the aim has been to follow the ISAP as far as possible given local circumstances. Based on the nature and extent of the differences between PG 8 and ISAP 8, the PG 8 AASB S2 Climate-Related Disclosure working group has assessed that there is "strong convergence" between PG 8 and ISAP 8 i.e. PG 8 materially conforms to international standards of the IAA, with allowance for local modification to fit local conditions.

8. Future Developments

The climate disclosure landscape continues to evolve rapidly. The CSPC will continue to monitor legislative, regulatory and other relevant developments, and coordinate updates to PG 8 and other Professional Practice Documents as needed.

9. Feedback on New PG 8

This is the first exposure of PG 8 to Members; no prior feedback has been received.

The CSPC would appreciate Members' views on the proposed introduction of PG 8 and the content of the accompanying Exposure Draft of PG 8. Consultation is open until 7 September 2026. Feedback should be sent to the Actuaries Institute at ppd@actuaries.asn.au.

10. Commencement Date

It is proposed that the new PG 8 will take effect for Applicable Services commenced on or after 1 January 2027.