

Subject:	ASIC RG280 and AASBS2 Climate-related disclosures		
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What I need to know:

ASIC (Australian Securities and Investments Commission) Regulatory Guide 280 *Sustainability reporting* ([RG 280](#)) provides guidance for entities that are required to prepare a sustainability report containing climate-related financial information under Chapter 2M of the *Corporations Act 2001*. (including registered corporations under the *National Greenhouse and Energy Reporting Act 2007*) ASIC is responsible for administering the **mandatory** sustainability reporting requirements for large businesses and financial institutions. If you are in one of these 3 groups:

Choose 2	Revenue	Assets	Employees	Effective
Group 1	>\$500M	>\$1B	>500	Jan '25
Group 2	>\$100M	>\$500M	>250	Jan 26
Group 3	>\$50M	>25M	>100	Jan 27

A sustainability report must be submitted (ref s292A) 3 months after financial year end; tabled at the AGM (public company); must be audited (see Australian Auditing and Assurance Standards Board –AASB- timetable)

The sustainability report provides users with high-quality, **decision-useful**, climate-related financial disclosures that comply with the Corporations Act and AASB S2 *Climate-related disclosures* (AASB S2).

AASB S2 is based on IFRS S2 Climate related disclosures and relevant parts of IFRS S1

AASB: Australian Accounting Standards Board <https://aasb.gov.au/>

IFRS: International Sustainability Standards Board : www.ifrs.org

- An explanation must be given if there is **no material** financial **risks or opportunities** relating to climate.
- It must be relevant, reliable, facilitates comparability, readily understandable and allows users to make and evaluate decisions about allocating scarce resources.
- Keep sustainability records for 7 years (minutes of meetings, reports, Greenhouse gas emissions inventories, source documents, working papers, assumptions used in the reporting, reasonable availability of information)
- Directors establish responsibilities, apply a critical lens to the disclosures proposed (appropriateness, completeness of methodologies), inputs and assumptions may rely on experts but must still make an independent assessment using own skills and judgement.

Climate related (forward-looking must be based on reasonable grounds)

Acute physical risk	storms, floods, droughts or heatwaves	increasing in severity of frequency
Chronic physical risks	Longer term shifts in climatic patterns Could lead to sea-level rise, reduced water availability, biodiversity loss and changes in soil productivity	Changing precipitation and temperature
Cost Implications:	Direct damage of assets, indirect effects of supply chain disruption, health/safety	
Transition risks	Policy, legal technological, market demand, reputational	effort to transition to a lower-carbon economy
Cost Implications:	Operating costs, asset impairment due to regulations, shifting customer demand, development/deployment of new technology.	
Opportunities	Positives effects from mitigating and adapting to climate change	

Specific Content

Sustainability-related financial disclosures outside the sustainability report

Scope 3 greenhouse gas emissions (including financed emissions) -ref Appendix A of AASB S2:

Greenhouse Gas Emissions from Appendix A of AASB S2	
Scope 1:	Direct emissions that occur from sources that are owned or controlled by an entity.
Scope 2:	Indirect emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by an entity. Purchased and acquired electricity is electricity that is purchased or otherwise brought into an entity's boundary. Scope 2 greenhouse gas emissions physically occur at the facility where electricity is generated
Scope 3:	Indirect emissions (not included in Scope 2 that occur in the value chain of an entity. Upstream and downstream emissions.
The 15 Categories of Scope 3:	Purchased goods and services, capital goods, fuel & energy (not in 1 or 2), upstream & downstream Transportation & distribution, waste generated in operations, business travel, employee commuting, upstream leased assets, processing sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets, franchises, investments.

Forward-looking climate information, scenario analysis and transition plans comply with Appendix D of AASB S2:

Appendix D of AASB S2 : General requirements for disclosure of climate-related financial information	
78a	Identify the amounts that it has disclosed that are subject to a high level of measurement uncertainty
78 b (i)	The sources of measurement uncertainty (eg: dependence of the amount on the outcome of a future event, on a measurement technique or on the availability and quality of data from the entity's value chain &
(ii)	the assumptions, approximations and judgements the entity has made in measuring the amount.
79	Even a high level of measurement uncertainty would not necessarily prevent such an estimate from providing useful information.
83	Correct material prior-period errors by restating the comparative amounts for the prior period(s) unless it is impracticable to do so.

Climate-related risks and opportunities

AASB S2 :Application guidance from AASB S1, Appendix B	
	Reasonable and supportable information
B9	Possible data sources include the entity's risk management processes; industry and peer group experience; external ratings; reports and statistics.
B22	Effect (consequence) vs Likelihood (Ed: ie. Risk/Opportunity Matrix)
B23	Aggregated risk – the risk of supply chain disruption from all sources – might be material
B35-36	Exception for Commercially Sensitive Information then aggregate & disclose that have used the exemption.

Examples of Climate-Related Risks and Opportunities:

Shifting policies, escalating impacts: disrupted supply chains and unstable global energy markets.

Weather: Trends in changes or shifts in: Heat, Cold, precipitation, Floods, Storms, Volcanoes, Earthquakes etc

Benefits: Resource Efficiency, Energy Source, Supply Chain Resilience, Markets,

Other resources:

<https://www.aicd.com.au/tools-and-resources/climate-change.html>

<https://climate.copernicus.eu/>

Climate scenarios:

<https://www.ortecfinance.com/en/solutions/climate-scenarios-sustainability>

<https://www.ipcc.ch>

What I need to do

1. If your company falls into one of the above groups, then you must prepare an annual Sustainability report in accordance with AASB S2
The report will include regulatory and personal targets and strategies related to sustainability (Environmental, Social and Economic targets and impacts).
2. Report the Specific Content, which is content against the 15 categories of Scope 3 emissions.
3. Report Sustainability-related financial disclosures outside the sustainability report.
4. Establish the base line measurements to make against the various assets (for example: energy consumption, operational sensitivity, etc) and keep records
5. Use companies Risk Management processes (usually one uses ISO31000 Risk Management Standard) to rate the risks and opportunities of climate related impacts from the climate scenarios.
 - 5.1. Risks may include availability or lead time on supply chain up-stream or sensitivity of plant operational dependencies that could vary (people or planet related).
 - 5.2. Opportunities may relate to the market, sales, production improvements and savings opportunities because of the measurements made.

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