# Five steps to a confident start on climate reporting

A self-service guide for finance and reporting teams in Group 3, and for Group 2 teams already in their first year. It starts with what you have and know: an audited ledger, a reporting rhythm, and a business as you describe it to the world.

Climate reporting under AASB S2 is a **financial reporting obligation**. The sustainability report is part of your annual reporting, alongside the financial statements, and parts of it are assured from the first year. That is good news for a finance team: the disciplines you already run — policies, materiality, ledgers, reconciliations and an audit file — are the ones this needs.

What is new is the subject matter, and how much of it sits **outside** the finance function.

This guide covers **getting started**, not the full report. Each step ends with self-service starters you can do this month, and shows where we can take the load if you'd rather not do it alone.

## The five steps at a glance

1. **Understand what's being asked**
   It's mostly about how climate affects your business, not just your emissions.
2. **Take stock of what you have**
   Your annual report, website and plans are already a first draft.
3. **Run it like a reporting project**
   Position papers, materiality, ledgers and an audit trail.
4. **Start emissions at the ledger**
   Complete, audited and already yours: a baseline to refine.
5. **Look for the opportunity**
   What matters, where the value is, and what follows.

## Where do you sit? CORPORATIONS ACT S292A · ASIC RG 280

| MEET 2 OF 3 | REVENUE | GROSS ASSETS | EMPLOYEES | YEARS FROM |
|---|---|---|---|---|
| **Group 1** | ≥ $500m | ≥ $1b | ≥ 500 | 1 Jan 2025 |
| **Group 2** | ≥ $200m | ≥ $500m | ≥ 250 | 1 Jul 2026 |
| **Group 3** | **≥ $50m** | **≥ $25m** | **≥ 100** | **1 Jul 2027** |

Tested on a consolidated basis. NGER registered corporations are in Group 1 or 2 whatever their size, and super funds, registered schemes and retail CCIVs with $5b or more of assets are in Group 2. Exemptions exist, for example for subsidiaries covered by a parent's consolidated sustainability report (s292A(2)) and ACNC-registered charities (s111L).

**Watch this space: thresholds may rise**

The 2026–27 Budget proposes lifting the thresholds to **$100m revenue and $50m assets**, which would take smaller Group 3 entities out of mandatory reporting. Timing is still to be confirmed, so it is **not yet law**.

Plan on today's rules and recheck before committing significant spend. If you sit near the line, Steps 1 and 2 are low-cost and useful either way.

REPORTING YEARS AND ASSURANCE (30 JUNE YEAR END)

**Today:** Group 2 is in Year 1; Group 3 has FY27 to get ready.

| | FY27 · now<br>Jul 26 – Jun 27 | FY28<br>Jul 27 – Jun 28 | FY29<br>Jul 28 – Jun 29 | FY30<br>Jul 29 – Jun 30 | FY31<br>Jul 30 – Jun 31 |
|---|---|---|---|---|---|
| **Group 2** | **Year 1**<br>First report | **Year 2**<br>Scope 3 in | **Year 3** | **Year 4**<br>Reasonable | **Year 5 on**<br>Reasonable |
| **Group 3** | **Get ready**<br>Steps 1–4, dry run | **Year 1**<br>First report | **Year 2**<br>Scope 3 in | **Year 3** | **Year 4**<br>Reasonable |

**Year 1.** No comparatives and no Scope 3 (AASB S2 C3, C4(b)). Limited assurance over governance, climate risks and opportunities, and Scope 1 and 2 emissions.

**Years 2–3.** Scope 3 is required, and limited assurance extends to every disclosure, including scenario analysis and transition plans.

**Year 4 on.** Reasonable assurance over all disclosures: an audit, as for your financial statements. ASSA 5010

STEP ONE · EDUCATION

# 01 Understand what is actually being asked

Most people hear "climate reporting" and think emissions. They matter, but they are one part of one of four pillars. Most of AASB S2 asks the opposite question: **how could changing climate conditions affect your business**, its cash flows, access to finance and cost of capital? AASB S2 para 2 Knowing this early tells you who needs to be involved.

### TWO DIRECTIONS, FOUR PILLARS




| Governance | Strategy | Risk management | Metrics & targets |
|---|---|---|---|
| Board oversight<br>Management's role | Risks & opportunities<br>Financial effects<br>Resilience & scenario analysis | Identify<br>Assess & prioritise<br>Monitor | **Scope 1 · 2 · 3**<br>Assets at risk<br>Targets |

Emissions appear in one outlined box. The rest is about climate's effect on you.

### WHO YOU'LL NEED AROUND THE TABLE

- **Board & audit committee** — Oversight; directors' declaration
- **CFO, finance & treasury** — Reporting owner, ledgers, financial effects, lenders
- **Operations & property** — Sites, leases, energy; heat, flood, fire
- **Procurement & logistics** — Suppliers, freight, Scope 3 data
- **Strategy & sales** — Markets, customers, tenders
- **Risk & insurance** — Risk register, renewals, claims
- **Sustainability** — Environment and climate expertise
- **People & safety** — Workforce, heat, travel

**Directors will sign for this**

For years starting before 1 January 2028, directors declare that the entity has taken **reasonable steps** to comply, so evidence of those steps matters. ASIC RG 280 Governance is itself assured in Year 1: board and management arrangements need to be operating during the year, not written up at the end.

**Group 3: "nothing material" still needs evidence**

If you conclude you have no material climate-related financial risks or opportunities, you can say so, but you must explain how you reached that conclusion. The statement is assured from Year 1. You still do the thinking; the answer is just shorter. Corporations Act s296B(1) · ASSA 5010

**Same standard, sized to you**

There are no reduced disclosures for smaller entities, and the work is real: part of this step is sizing it. But AASB S2 lets you use reasonable and supportable information available without undue cost or effort, and approaches that match your skills, capabilities and resources. Scenario analysis, for example, can start qualitative. AASB S2 para 18, App. B

SELF-SERVICE STARTERS

- ☐ Brief the board and leadership on all four pillars, not just emissions.
- ☐ Map out the phases of work and when to engage internal stakeholders.
- ☐ Identify the internal capability to take responsibility for each area above.

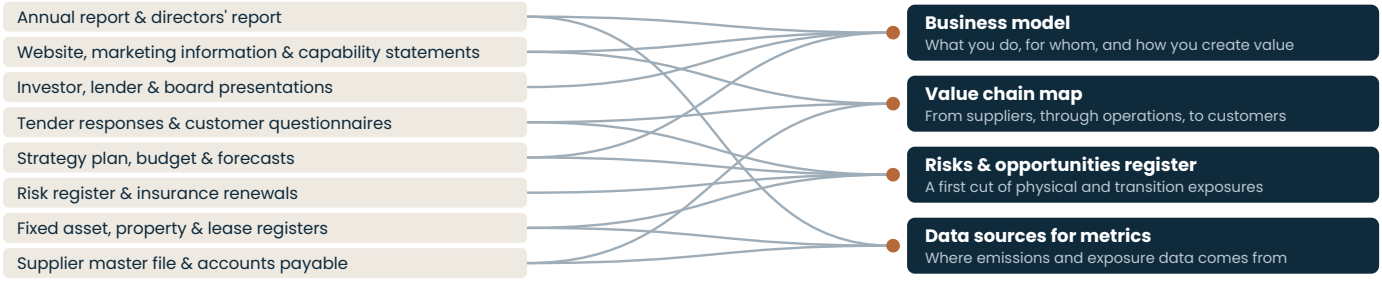
RATHER NOT DO IT ALONE?

We run board and leadership briefings in your business's language, not the standard's.

STEP TWO · TAKE INVENTORY

# 02 Take stock of what you already have

You don't need a blank page. Your business already explains itself to customers, lenders and staff, and that material is usually fit to build the first blocks: your **business model**, **value chain** and a first cut of **climate-related risks and opportunities**. AASB S2 treats information you already use as available without undue cost or effort. AASB S2 Appendix D




SELF-SERVICE STARTERS

- ☐ Collect the documents above in one folder, noting each owner and date.
- ☐ Draft a one-page business model and value chain in your own words.
- ☐ Ask management to **confirm or correct** the draft, not write it. It's far quicker.

RATHER NOT DO IT ALONE?

Our **AASB S2 Fast Track** starts from your public information, so management confirms what's there and focuses on the gaps.

STEP THREE · STRUCTURE

# 03 Run it like a financial reporting project

The sustainability report is part of your annual reporting, and it is assured. Treat it like a new accounting standard: decide your positions, write them down, build the ledgers and keep the evidence. You already know how. Most of it is translation.

| FINANCIAL REPORTING | CLIMATE REPORTING EQUIVALENT |
|---|---|
| **Accounting policy papers** → | **Position papers on judgements:** reporting boundary, time horizons, scenario choices, emission factors and estimation methods. |
| **Materiality** → | **A documented materiality approach.** The standard sets no numerical thresholds, so you need your own, applied consistently and reassessed each year. |
| **General ledger** → | **Data registers** for emissions activity, risks and opportunities, and metrics. Every entry has a source, an owner and a date, and reconciles back to the ledger it came from. |
| **Source documents** → | **Evidence** drawn from your subledgers (purchases, fixed assets, leases, payroll), plus meter reads, workshop notes and sign-offs. Tying back to the subledgers supports completeness. |
| **Close calendar** → | **A data calendar** that runs to your financial year-end, because the reporting period is the same. |
| **Audit file** → | **A traceability chain** linking each disclosure to its evidence, the position papers behind it and the key judgements made. This is what makes a report assurance-ready. |

**Assurance arrives in Year 1**

In your first year the assurer reviews governance, climate risks and opportunities, and Scope 1 and 2 emissions, or the Group 3 "no material risks" statement. ASSA 5010 Build the audit trail as you go, because retrofitting evidence after year-end is the most expensive way to do this. And talk to your auditor **before** the year starts about who will provide assurance and what they will expect to see.

SELF-SERVICE STARTERS

- ☐ Write a one-page materiality approach for the audit committee.
- ☐ Open a judgements log now: every choice, with the reason.
- ☐ Set up data registers. A controlled spreadsheet is fine to start.

RATHER NOT DO IT ALONE?

Our method is **assurance-ready** by design, with **no new software**.

STEP FOUR · EMISSIONS

# 04 Start your emissions at the ledger

Emissions can feel like a specialist science, but the best starting point is one you already own: your **ledgers**. The general ledger is complete, reconciled and audited, so it maps every activity likely to create emissions. The **purchases ledger** behind it holds the invoices that carry the quantities: kWh, litres, kilometres. Sourcing your data from the ledgers keeps the audit trail and the completeness assertion intact, and cost data can support estimates where quantities aren't available.

**General & purchases ledgers**
Complete
Reconciled
Audited

| WHERE IT SITS IN THE LEDGERS | WHAT TO MEASURE |
|---|---|
| → **Scope 1 · direct** Fuel for vehicles and plant, natural gas, refrigerant top-ups | **Quantities, not dollars** Litres, GJ and kg from the supplier invoices in the purchases ledger |
| → **Scope 2 · purchased energy** Electricity for sites inside your boundary, including leased premises | **kWh from electricity invoices** Taken from the purchases ledger, then apply Australian factors, e.g. the National Greenhouse Accounts Factors |
| → **Scope 3 · value chain** Purchased goods and services, freight, travel, waste, capital goods | **Spend-based estimate first** Dollars × factor by category, then improve the biggest categories |

REFINE OVER TIME

- **3 · Supplier data** Most accurate
- **2 · Activity data** kWh, litres, km
- **1 · Spend-based** Fast, approximate

**Set your boundary**
Decide which entities and sites are in (e.g. operational control) and stay consistent. AASB S2 29(a)

**Not everything is spend**
Refrigerant leaks, on-site generation and fuel on staff cards can sit outside clean ledger codes.

**Check the balance sheet**
Capitalised spend isn't in operating expenses, but it still carries capital goods emissions.

**Coding matters**
A "sundry" account hides emissions. Tidying the chart of accounts now pays off every year after.

**Use your relief year as a dry run**

Scope 3 isn't required in Year 1, but it is in Year 2. AASB S2 C4(b) Build the spend-based baseline in Year 1 and improve the biggest categories before it counts. Scope 1 and 2 quantities need capturing from day one.

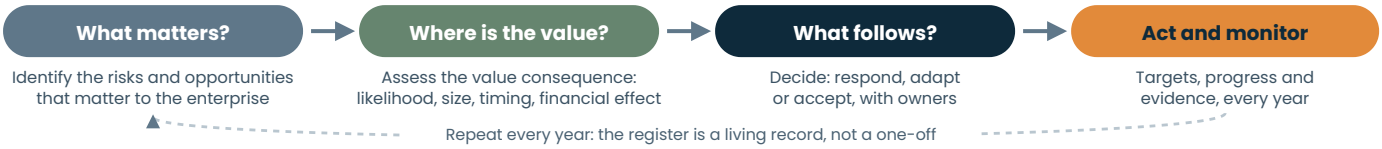
**Your customers may ask first**

Larger customers reporting their own Scope 3 are asking suppliers for emissions data. A ledger-based baseline lets you answer from the same numbers you will report.

STEP FIVE · OPPORTUNITY & VALUE

# 05 Look for the opportunity and the value

The real benefit of AASB S2 is that it asks your business to identify the climate-related risks and opportunities that matter to its enterprise value, and decide what to do about them. Done well, this is a strategy conversation with good evidence to inform it. Not every risk becomes an opportunity, but the choices become clearer.




WHERE VALUE CAN SHOW UP

**COST**
**Energy & fuel**
Efficiency savings show up in the same Scope 1 and 2 data you now collect.

**REVENUE**
**Customers & tenders**
Buyers increasingly ask about climate performance. Evidenced answers help.

**CAPITAL**
**Lenders & insurers**
Conversations backed by evidence rather than assertion.

**RESILIENCE**
**Assets & people**
Protect your key assets, physical and human: sites, supply routes and your workforce.

**PERFORMANCE**
**Your financials**
Align climate assumptions, as far as possible, with impairment, useful lives and provisions.

READINESS SELF-CHECK

## Do it yourself, or get support? A two-minute check

- ☐ Our board and finance team understand all four pillars, not just emissions.
- ☐ We've named who must contribute, and they have the time.
- ☐ We have a documented materiality approach and a judgements log.
- ☐ We know what our assurer will expect to see in Year 1.
- ☐ We know our group, first reporting year and key dates.
- ☐ We have a first-cut business model, value chain map and risk register.
- ☐ We can map our ledger to emission sources and get Scope 1 and 2 quantities.
- ☐ We have capacity for this alongside year-end and the audit.

**6–8 ✓** You're well placed to self-serve. Use us for a second opinion on key judgements.

**3–5 ✓** Keep the work in-house and bring us in on the gaps.

**0–2 ✓** Start with the **AASB S2 Fast Track**. It closes the first gaps quickly, with little management time.

HOW SIGHTLINES ADVISORY CAN HELP

## Choose the level of support that suits you

PATH 1
**Do it yourself**
Use this guide and the starters in each step. Your team owns the work and builds the capability in-house.

PATH 2 · ENTRY POINT
**AASB S2 Fast Track**
**See what you have. Know what you need.**
We make your existing evidence, data, governance and controls visible, starting from public information. Management confirms what's there and focuses on the gaps, rather than creating from scratch. We then give you a roadmap of the judgements and actions needed for robust disclosure.

PATH 3 · DELIVERY
**Disclosure support with climate value analysis**
We prepare robust, auditable disclosures with you. Where the business need warrants it, we go further: shaping your priority responses and building climate into the governance, risk management and targets you already run.

AI-assisted, expert-reviewed · Assurance-ready · No new software · Commercial, climate and technology expertise

SIGHTLINES ADVISORY

From risk to opportunity.
Seize your advantage.

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**REFERENCES**

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**General information only**, current at November 2026, and not advice for your circumstances. Thresholds and assurance settings are under Government review; check the current position before relying on dates.


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