
AIGN Submission:

ED SR2 Amendments to Greenhouse
Gas Emissions Disclosures –
proposed amendments to AASB S2
(June 2025)



AUSTRALIAN
INDUSTRY
GREENHOUSE
NETWORK

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1 BACKGROUND

The Australian Industry Greenhouse Network Limited (AIGN) appreciates the opportunity to engage with the Australian Accounting Standards Board (AASB) on the proposed amendments to the AASB Standard 2 (S2) Greenhouse Gas Emissions Disclosures standard.

AIGN is a network of industry associations and corporations. AIGN provides a forum for discussion on key climate change issues, delivering information and analysis to inform consideration of national and international climate change policy and the role industry can play in the transition to net zero emissions by 2050.

2 INTRODUCTION

AIGN members represent a substantial portion of entities with obligations under current climate change policies and have a strong record of compliance and voluntary reporting in Australia. Many are multi-national corporations involved in the parallel development of international reporting obligations. As such, they are well placed to provide feedback on the proposed requirements for the disclosure of climate-related financial risks and opportunities.

Australia's financial reporting bodies should, as far as practicable, align with international standard-setting priorities on climate and sustainability reporting. AIGN therefore supports the Government's headline intent for Australia's framework to be aligned with the current work of the International Sustainability Standards Board (ISSB), and to keep in step with similar developments in other jurisdictions. This is best achieved by aligning development timeframes with the pace of international developments.

2.1 International context

AIGN supports the Government's commitment to the Paris Agreement and to meeting its goals, recognising the need for increasing ambition to keep the 1.5°C warming goal within reach and to achieve net-zero by 2050 or sooner.

AIGN members are committed to playing their part in this transition, as attested by the climate statements, goals, and actions of our association and corporate members. These send a clear signal that Australia's private sector supports the implementation of the Paris Agreement.

The Government must establish a suitable policy architecture to support all sectors to transition at least cost, in line with the Paris goals.

3 GENERAL FEEDBACK

AIGN's feedback is divided into two parts – strategic comments on the implementation of AASB S2 and specific feedback to the proposed amendments (see section 4).

3.1 Align Australia's implementation timeframe with international practice

Harmonising Australia's sustainability disclosure framework with similar frameworks in other jurisdictions, as well as with applicable international standards developed by the ISSB, is a sensible approach and ultimately will underpin consistency in international reporting.

We note that the European Parliament has voted to delay and streamline the EU's sustainability reporting obligations to allow more time for orderly implementation. This decision was made in response to a growing awareness of the complexity of proposed disclosures and the need to ensure relevant and consistent information is reported.

These considerations are also germane to the Australian context. Climate-related financial disclosures must be consistently applied and consistently assured to be of value to investors and the public. They must also provide relevant information so that the intent of the policy is fulfilled by enabling investors to direct their investments in line with their priorities. Sufficient time must be taken to enable reporters to meet these needs in good faith.

While our members continue their preparations to ensure their disclosures meet the requirements of the AASB S2, AIGN strongly recommends that the Australian Government reconsider its current timeline for the implementation of mandatory climate-related disclosures. An extension with a clear timeline for implementation could ensure Australia's approach remains proportionate, internationally aligned, and capable of meeting legislated objectives.

Time must be allowed for detailed guidance to be developed to promote consistent disclosures, for reporting entities to familiarise themselves with their obligations, and for assurance providers to upskill and develop resources to independently verify disclosures.

3.2 Finalised guidance is needed to support consistent implementation

Under current obligations, some Group 1 entities are required to disclose climate-related financial information from the 2025 calendar year (including some AIGN members). We are halfway through the reporting period, and guidance on reporting elements is being developed (this consultation, for example).

Depending on the timing of the provision of guidance, it will be challenging for Group 1 reporting entities and the Government to validate a consistent interpretation of the standard, which is essential to deliver the objectives of this legislation: consistent and detailed disclosures.

3.2.1 Assurance requirements must be well understood to promote consistency and alignment

This absence of clarity increases the risk of inconsistent application of the standard, particularly in relation to assurance requirements. This may undermine the reliability and comparability of disclosures and therefore interfere with the stated objective of the disclosure framework.

This could present a reputational risk; without consistent application and assurance of the standard, external stakeholders may perceive differences in reports as an attempt to obscure emissions or risk exposure, contrary to the intent of the framework.

Additionally, where liable entities can rely on another corporate report (e.g., ISSB) or an NGER report (completed at the level and with the information required by the framework), they should be able to use them.

It should be explicitly acknowledged that the independent assurance of these reports will be accepted by the framework. Accepted assurance should establish the validity of any claims made and have legal standing to be used to disprove any greenwashing claims brought against liable entities in interlinked guidelines.

Members are frequently hearing that interpretation '*will be up to your auditors*'. This is alarming – the interpretation of the policy intent should be provided in guidance by Treasury or the AASB, not by individual auditors, who should disclose their inherent conflict of interest, whereby the more complex and time consuming the audit the greater the opportunity to charge fees (AIGN is not alleging that this is the case, but noting the inherent conflict).

Clear, detailed guidance must be developed for assurance providers to apply consistently across reporting entities.

3.3 Provide clarity in language and intent

AIGN urges caution in the language used to describe amendments to the standard. Referring to them as 'relief' provisions may unintentionally suggest that companies are being permitted to soften their disclosures. In fact, these amendments seek to clarify the scope and intent of the original standard and to ensure reporting entities are empowered to meet requirements consistently and effectively (i.e., compliance with other legislated reporting obligations, e.g., the National Greenhouse and Energy Reporting Scheme – NGERs).

We recommend the AASB consider alternative language that better reflects the purpose of the amendments – namely, to facilitate high-quality, comparable reporting through clearer, more actionable requirements. Referring to the amendments as simply 'amendments' would be an improvement.

4 FEEDBACK TO ED SR2 – PROPOSED AMENDMENTS TO AASB S2

4.1 Establish NGERS as the default reporting framework

AIGN members are established reporters under NGERS, under which they provide information about their emissions, energy production, and energy consumption. NGERS informs national policy and program development and delivers an essential component of Australia's international emissions reporting. It is a foundational, integrated policy in Australia's climate policy suite.

AIGN's position is that NGERS should be the default reporting framework across Australian climate reporting obligations, including for relevant aspects of the climate-related financial disclosure framework. If companies are required to adhere to the Greenhouse Gas (GHG) Protocol for the disclosure framework, only allowing isolated business units or facilities to use NGERS, they will be forced to deal with significant consistency and reconciliation challenges within their organisations. It is more practical, credible, and consistent with national reporting obligations to apply NGERS consistently across an organisation. Disclosure variations arising because of fragmented reporting bases could undermine stakeholder trust in reported emissions data, as it may be perceived as lacking integrity.

Some AIGN members have been using NGERS to report in jurisdictions with no regulatory emissions and energy reporting framework. This provides consistency and comparability across their operations, as well as delivering a higher level of reporting than legally required. These members wish to continue this practice and would incur significant additional costs to switch to reporting under the GHG Protocol for these jurisdictions without a material change (and no improvement) in the quality of reported data.

Recognising NGERS as a default option for Australian reporters would be consistent with other national legislation and enhance reporting integrity, support consistent disclosures, reduce compliance costs, and ensure Australia's reporting standards continue to build on existing, credible national systems.

4.1.1 Promote trust in the integrity of reported information through the framework

A key consideration for AIGN members with reporting obligations under the climate disclosure framework is the public perception of their disclosure activities. The Government must promote the integrity of its own highly regarded programs, including NGERS and the climate disclosure framework. Reporting entities across several industrial sectors are having challenges dealing with the lack of public trust in institutions and reporting frameworks, such that their disclosures are treated with suspicion of not having been reported in good faith.

Reasonable steps should be taken by governments to support the integrity of their policies and programs. AIGN has concerns that, if companies are required to report under two frameworks (e.g., NGERS and GHG Protocol), there will be a perception that one is inferior to the other –

specifically, that disclosures under NGERS are not to be trusted because they are different from disclosures under the GHG Protocol. Establishing NGERS as the default reporting framework would support consistency across an entity's information disclosures and across its reporting obligations.

4.2 Consistent application of global warming potential values

Many AIGN members operate and report in multiple jurisdictions. For consistency, clarity, and comparability, Global Warming Potential (GWP) values should be able to be consistent across these reports. In the vast majority of cases, the changes in GWP values between IPCC assessment reports (e.g., AR5 to AR6) are minimal and do not result in material changes to reported emissions.

Australia's reporting framework is linked (to be consistent) with the reporting requirements under the Paris Agreement. When these are updated, Australia's NGER system will be updated to reflect this change. Currently, the Paris Agreement references AR5.

If entities report under a mixture of NGERS and GHG Protocol, this would currently result in them reporting under AR5 GWP values for their Australian operations (and consistent with the Paris Agreement requirements), and AR6 for other operations, which would increase the administrative burden and cost of disclosures without a material difference in the reported information. (It should be noted that, once the Clean Energy Regulator amends NGERS to require the use of AR6 GWP values, Australian entities will update their reporting to reflect this.)

AIGN requests that the NGERS methodology be applied across an entity's full Australian operations to maintain consistency.

4.3 Scope 3 reporting must be relevant

Some confusion exists on the treatment of scope 3 emissions reporting in the climate-risk disclosure framework.

Scope 3 emissions are the indirect emissions that occur in an organisation's value chain but are not directly controlled by the organisation, e.g., transport of goods. As such, the policy approach to scope 3 emissions needs to acknowledge the extent to which reporting entities can access data for reporting and auditing purposes. These emission sources are often complex and disparate. Furthermore, it must be understood by report users that scope 3 emissions are reported as scope 1 emissions by another entity in Australia or ultimately by the relevant jurisdictional signatory under the Paris Agreement – so they are by definition a form of double counting.

AIGN supports the inclusion of relevant scope 3 emissions in an entity's consideration of its climate-related financial risks and opportunities.

However, AIGN members have received inconsistent and somewhat challenging advice on the assurance of this information, including direction that a full inventory of all 15 scope 3 emissions source categories will need to be generated to justify that some sources are not relevant or material and may not be reported on. Other advice has indicated a risk-based approach to assurance consistent with the GHG Protocol.

Clear and detailed guidance on the application of the GHG Protocol for scope 3 emissions reporting must be available across the breadth of reporting required by the new climate disclosure framework. This guidance should promote a consistent and sensible approach to assurance, ideally before the commencement of the reporting period, or at least in a timeframe that allows reporting entities to prepare and familiarise themselves with their obligations.

4.4 Improve the quality of information, not just add to the reporting burden

Many AIGN members have been reporting sustainability information for many years on a voluntary basis, which has included climate-related financial disclosures. They have developed systems for monitoring, reporting, and verification (MRV) that are tailored to their business operations and aligned with international frameworks.

The mandatory climate-related financial disclosure framework should enable entities to use existing data and MRV systems to meet disclosure requirements, without the need to develop new, duplicative processes.

The framework should focus on empowering consistent and credible disclosure outcomes, not on mandating processes that could increase administrative burden without improving data quality or investor confidence.

5 CONCLUSION

Thank you for the opportunity to provide input to the AASB on the climate-related financial disclosure framework, including the proposed amendments.

AIGN's position on climate change and energy policy is underpinned by our principles, which have been the basis of AIGN's contributions to the climate change policy discussion for many years (available on our website: www.aign.net.au).

AIGN welcomes future opportunities to engage with the AASB and the Government on these matters.