

Submission – AASB – Comments on ISSB proposed relief for specific Greenhouse Gas Emissions Disclosures (Amendments to IFRS S2)

4 June 2025

Overview

RIAA thanks the Australian Accounting Standards Board (AASB) for the opportunity to respond to [Proposed relief for specific GHG emissions disclosures \(Proposed amendments to AASB S2\)](#).

RIAA commends the AASB on the work undertaken to bring the first Australian sustainability standards and appreciates the commitment to consulting on AASB S2 which have brought the Australian standards into global alignment.

We stress the importance of globally aligned robust disclosure standards to positioning Australia's economy in the current global climate. Existing and potential investors, lenders and other creditors need high-quality, comprehensive, comparable information about companies to make decisions about where to direct capital to align with both financial and sustainability objectives. Internationally, company sustainability reporting is developing rapidly. Climate disclosures, provided they are harmonised with leading global developments and cover an appropriate range of entities, will play a key part in supporting Australian markets in the transition to a net zero economy. They will send a strong signal that Australia is one of a growing number of countries that acknowledge the significance of accurate and useable sustainability information in markets through the climate transition. This will in turn attract capital to Australia. This disclosure regime is critical for the competitiveness of key Australian industries into the future.

Recognising the related consultation of the International Sustainability Standards Board (ISSB) [Amendments to Greenhouse Gas Emissions Disclosures \(Amendments to IFRS S2\)](#), RIAA's submission to the AASB provides general comments on the approach to aligning AASB S2 to proposed changes to IFRS S2. RIAA plans to make a more fulsome submission to the ISSB on its proposed amendments and will ensure to provide a copy to AASB.

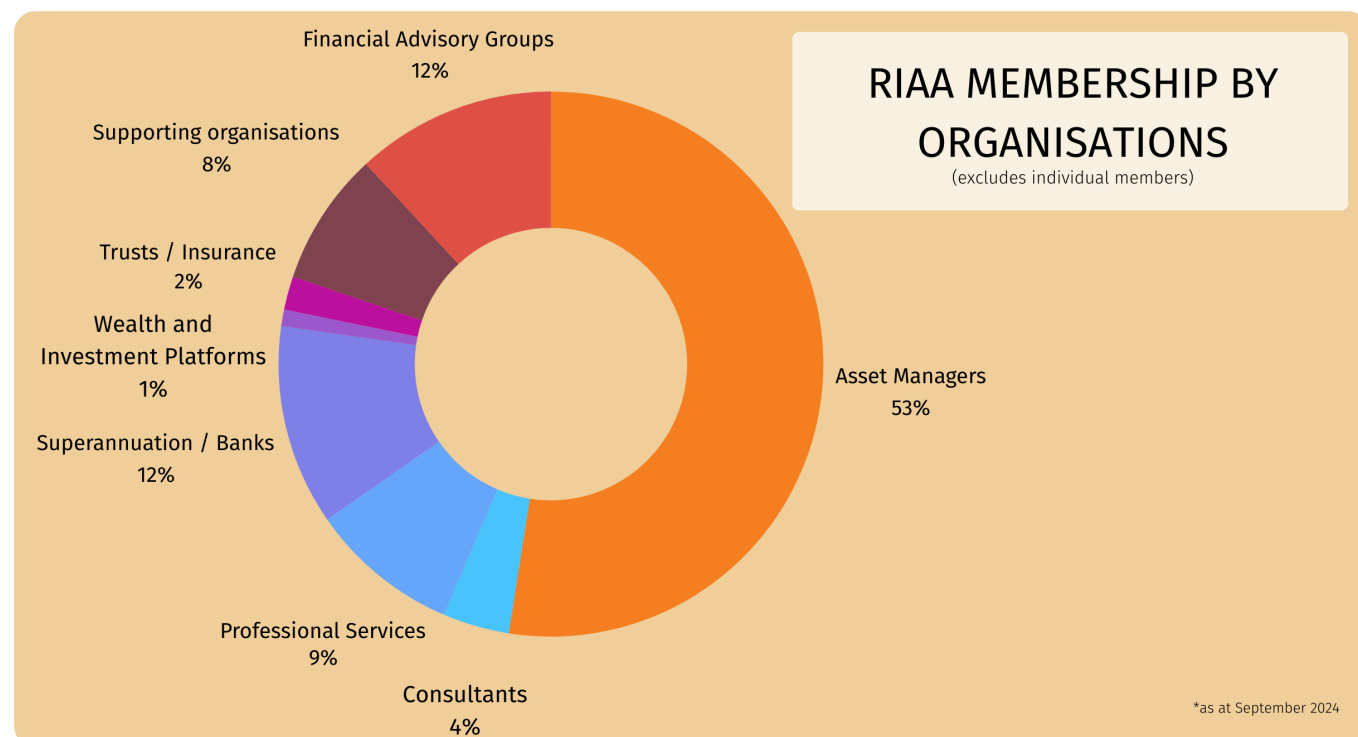
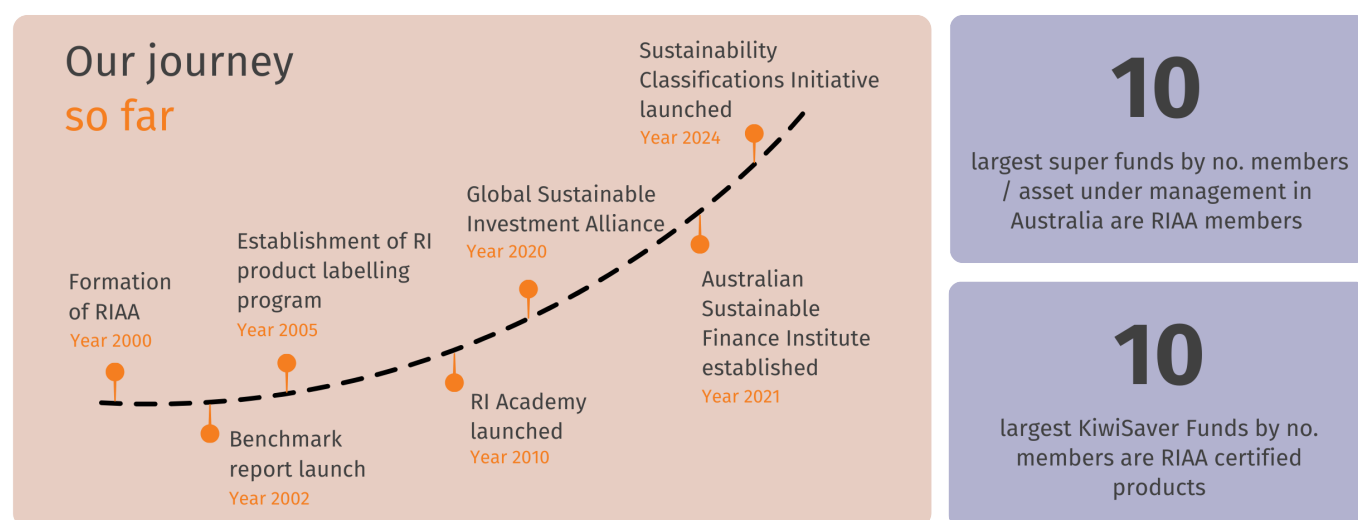
RIAA would welcome the opportunity to meet with the AASB and discuss the approach to aligning international sustainability standards, including with a group of interested RIAA members from asset manager and asset owner organisations.

RIAA has relied on previous policy submissions which have informed our considerations:

- [AASB - Sustainability Reporting Standards Exposure Draft - Submission](#)
- Submission – Climate-related financial disclosure: exposure draft legislation (February 2024)
- 20230719-RIAA-submission-Climate-Disclosures-2.pdf (June 2023)
- RIAA-submission-to-the-ISSB.pdf (responsibleinvestment.org)
- Submission: International Sustainability Standards Board (September 2023)
- 20220715-RIAA-comments-ED-321-ISSB-Standards.pdf (responsibleinvestment.org)
- Submission: Climate-related financial disclosure (February 2023)

About RIAA

The Responsible Investment Association Australasia champions responsible investing and a sustainable financial system in Australia and Aotearoa New Zealand. It is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy.



RIAA submissions

Question 1—Measurement and disclosure of Scope 3 Category 15 greenhouse gas Emissions

General

- RIAA is broadly supportive of the proposed amendments to permit entities to limit their disclosure of Scope 3 Category 15 greenhouse gas emissions until such time as there is clear methodology and guidance for measurement.
- This relief should be time-bound to incentivise the development of appropriate methodologies, safeguard against potential reporting arbitrage, and ensure the materiality of emissions are considered.
- Usability of these relatively new standards is important for wide-spread adoption – however, providing relief that will weaken comparability without a plan and strong incentives to address these concerns should be avoided. Investors building portfolios using disclosed climate data depend on information that is comparable across companies and favour consistent reporting where possible.
- The amendments have considered application for ‘users of general-purpose financial reports’, in line with the expected users of IFRS standards. However, for institutional investors, and especially for asset owners, the users of climate reporting is different to the users of general-purpose financial reports of corporates. The standards are developed to assist the users of general-purpose financial reports. But the same standards apply to investors who have different users for their financial reports and climate statements. The ISSB Standards have been generally targeted at issuers of capital, i.e. not asset owners. The users of the general-purpose financial statements (and therefore the climate information prepared in accordance with the ISSB Standards) of institutional investors thus will have different informational needs.

Derivatives

- RIAA recommends that the relief in relation to derivatives be tightened.
- While some relief is reasonable as derivatives are more about risk transfer and management and are often used to hedge or speculate rather than to direct capital investments. Similarly, underwriting does not directly emit carbon/methane. However, there is a question about whether these instruments indirectly support the continuation and expansion of activities that may have a high emissions profile such as fossil fuel infrastructure (such as pipelines), coal power plants and shipping.
- A focus on equities, fixed income and corporate bonds/sustainable finance should be a priority, although where derivatives relate to loans, credit and commodities, some constraints and reporting expectations should be applied to ensure transparency and the reduction of duplication of accounting for risk and emissions.
- At present, the proposed changes provide a broad ranging ability for reporters to determine themselves what a derivative may be. Where possible, ISSB should refer to acceptable criteria for determining a derivative, in lieu of relying on a specific definition – as it has done with other terms such as ‘loans and investments’ in paragraph BC17 in the Basis for Conclusions on Amendments to Greenhouse Gas Emissions Disclosures (Basis for Conclusions). Removing derivatives from emissions disclosure without specifying the definition used – and without a commitment to introducing disclosure at a specified date – assumes this financial instrument has, no material impact on GHG emissions.

- Creating exemptions for asset classes with no specific definition and without a commitment to introducing disclosure can have the effect of (1) structuring assets into this asset class to evade disclosure and (2) disincentivises the development of methodologies for these asset classes. This is particularly so where the relief is not time bound.
- There is also a potential for regulatory arbitrage which allows for benefits to flow to a reporter from a high emitting asset where it is held through a derivative. That is, as there is no requirement for emissions information to be disclosed on derivative, could this instrument end up being preferred as it would not impact on a reporter's emissions disclosure and, therefore, they could continue to make positive sustainability claims?
- In addition to requiring that a reporter that is relying the proposed relief explains 'what it has treated as a derivative' (paragraph BC20 of the Basis for Conclusions), it should include why that method of defining the instrument as a derivative was chosen.

Facilitated and insurance-associated emissions

- RIAA recommends the relief in relation to facilitated and insurance-associated emissions be tightened.
- Where a reporter relies on this relief, disclosures should be provided on not only the overall amount of derivatives and financial activities excluded, but also the total amount of this activity undertaken by the reporting entity, so excluded amounts are understood in the relevant context.
- Both amounts (overall amount excluded and the total amount of the activity) should be disaggregated by industry sector (GICS or an alternative industry-classification system as relevant) as a means to provide insight into the climate risks associated with the investment banking and insurance activities.
- This information is critical for institutional investors who need to be able to understand and compare the degree to which the emissions of these activities impact an entity. Until emissions methodologies for facilitated and insurance associated emissions are settled, alternate disclosure provided must help users of this reporting understand the climate risks related to facilitated and insurance associated emissions.
- 'Relevance' (or materiality judgements) should be the overarching principle that guides inclusion in disclosure. This will assist in ameliorating burden on reporters.
- In addition, this relief should be time-bound to ensure that the relief is not perpetual. The importance of including an end point is significant because the consequences of the proposed relief is significant: disclosure of emissions related to financial activities will be limited to loans and investments (that is, financed emissions) rather than including all material emissions information about financial activities. Paragraphs BC14-15 of the Basis for Conclusions provide:
 - When an entity considers whether Category 15 is relevant to its value chain, it considers all the financial activities that could give rise to greenhouse gas emissions in this category and then discloses the Scope 3 greenhouse gas emissions if this disclosure would provide material information.
 - The proposed relief will limit the Scope 3 Category 15 greenhouse gas emissions that are required to be measured and disclosed to financed emissions only, a subset of Scope 3 Category 15 greenhouse gas emissions which is defined as 'the portion of gross greenhouse gas emissions of an investee or counterparty attributed to the *loans and investments* made by an entity to the investee or counterparty' (emphasis added).
 - This results in excluding other types of Category 15 emissions such as facilitated and insurance-associated emissions, regardless of materiality.

- Without an end point for the relief, the standing assumption appears to be that facilitated and insurance-associated emissions information will never be material – this is not the case and particularly not for investors.

Question 2—Use of the Global Industry Classification Standard in applying specific requirements related to financed emissions

- RIAA agrees that the comparability offered by a singular standardised approach is valuable.
- However, some of the GICS limitations should be taken into account: For example, apparent US-centric bias, the need to evolve with emerging business models, and the need to start integrating some of the ESG classifications (such as most established definitions under major ESG categories).
- ISSB should encourage harmonisation at all times, only deviating when absolutely necessary. Noting that “the ISSB’s original decision to require the use of GICS reflected the importance of comparability in disclosures for users of general-purpose financial reports”, RIAA recommends the relief is time bound to ensure a) there is an incentive to develop methodologies for measuring these emissions and b) comparability remains the goal.
- For example, paragraph BC34 in the Basis for Conclusions provides that where an entity does not use GICS to classify its lending or investment activities and is not required by any jurisdictional or exchange requirements to use a specific other industry-classification system, the ISSB is proposing that the entity be able to use an industry-classification system of its choice. RIAA considers that, in these circumstances where a classification system needs to be selected, ISSB should encourage the adoption of GICS and thus amend this to require GICS adoption.

Question 3—Jurisdictional relief from using the GHG Protocol Corporate Standard

- RIAA recommends that ISSB require disclosure in circumstances where entities apply for this proposed additional relief and that the examples provided in BC49 would be provide useful information that would not be unreasonably burdensome:
Therefore, an entity might consider whether information about the GWP values used is relevant to this disclosure. This might include, for example:
 - (a) a description of the GWP values used; or*
 - (b) an explanation of why the entity has not used the GWP values from the latest IPCC assessment.*

Question 4—Applicability of jurisdictional relief for global warming potential values

- RIAA supports this amendment which acknowledges that domestic processes in updating the adopted GWP values operates independently to global requirements.