



Australian Accounting Standards Board
PO Box 204
Collins St West
VIC 8007

Date: 1 June 2025

By email: standard@aasb.gov.au

Dear S2 Taskforce at AASB,

Subject: ED SR 2 Amendments to GHG Disclosures

I am reaching out on behalf of the [Business Council for Sustainable Development Australia \(BCSDA\)](#), in our role as a pivotal advocate for sustainable development within the business sector and as a global network partner of the [World Business Council for Sustainable Development \(WBCSD\)](#).

Our collective mission is to champion sustainable business practices that are not only globally recognized but also carefully adapted to meet the unique demands of the Australian landscape.

Outlined in the following pages is our feedback to the Consultation you have requested on the **Subject**. We thank you for the opportunity to make these submissions.

We confirm our submission can be made public.

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Yours faithfully,

A handwritten signature in black ink, appearing to read "Andrew Petersen", with a long horizontal line extending to the right.

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Executive Summary

The Business Council for Sustainable Development Australia (BCSDA) welcomes the opportunity to comment on the Australian Accounting Standards Board's (AASB) proposed amendments to greenhouse gas (GHG) disclosures under AASB S2. We support the overarching goal of improving climate-related financial disclosures in line with the ISSB's global baseline. However, we believe some proposed reliefs—particularly around Scope 3 Category 15 emissions and classification systems—warrant closer scrutiny to balance practical feasibility with scientific credibility, investor trust, and long-term accountability.

We acknowledge the technical challenges in disclosing all elements of Scope 3 Category 15 emissions, especially derivatives, facilitated finance, and insurance-associated emissions. While the proposed relief to focus only on “financed emissions” improves feasibility, it risks undermining completeness and transparency. Our view is that this relief should be treated as temporary. We recommend a phased plan for expanding disclosures to cover all material finance-enabled emissions as measurement methods evolve. In the interim, enhanced qualitative disclosures and encouragement of voluntary reporting will help mitigate credibility concerns.

On classification systems, BCSDA supports the flexibility to use alternatives to the Global Industry Classification Standard (GICS), such as ANZSIC, given regulatory and operational realities in Australia. This amendment aligns disclosure with existing domestic frameworks and reduces duplication. However, the risk to global comparability is real. We recommend the AASB issue guidance to promote consistent application within Australia, encourage high granularity, and require justification of chosen classifications to ensure decision-useful information remains a priority.

Regarding jurisdictional relief for GHG measurement methods and global warming potential (GWP) values, BCSDA supports the flexibility to use legally mandated local methods (e.g. Australia's NGER framework). This pragmatic approach will ease compliance burdens for Australian and multinational entities and encourage broader adoption of AASB S2. Nevertheless, the use of outdated methodologies and GWP assumptions can impair comparability, investor understanding, and alignment with climate science. We propose strengthened disclosure requirements to clearly explain methods used, their impact, and any inconsistencies or risks.

For example, the forest, land management and agriculture sectors face a unique set of challenges under the current drafting of the ASRS due to its reliance on the Greenhouse Gas Protocol (GHGP). While the GHGP has been instrumental in establishing foundational carbon accounting principles, its Land Sector and Removals Guidance (LSRG) introduces methodologies that are not only scientifically contentious but also operationally burdensome for land-based sectors. For example, the LSRG's use of “intervention accounting” requires companies to estimate hypothetical carbon outcomes based on counterfactual land use scenarios—an approach that is speculative, unverifiable, and inconsistent with the purpose of a GHG inventory. This creates a significant barrier for forest and land managers who are otherwise engaging in sustainable practices. Furthermore, the LSRG has remained in draft form for over five years, leaving stakeholders without a stable or finalised framework. In contrast, ISO standards such as ISO 14040, 14044, 14067, and the newly released ISO 13391 series offer scientifically robust, auditable, and internationally accepted methodologies that are already recognised by regulators in the United States and European Union. The ASRS should explicitly allow the use of these ISO standards to ensure that Australia's reporting framework is both credible and fit-for-purpose across all sectors.

Overall, BCSDA supports the direction of AASB S2 and its alignment with international sustainability standards. The proposed amendments reflect important implementation realities and provide sensible flexibilities. However, the success of these amendments will hinge on robust transparency, guidance to prevent misuse, and a clear pathway toward more complete, science-aligned disclosures. Our recommendations aim to ensure that AASB S2 remains credible, decision-useful, and aligned with Australia's and the world's climate accountability goals.

Responses to Consultation Questions

Question 1(a) & (b)—Measurement and disclosure of Scope 3 Category 15 greenhouse gas emissions

BCSDA Response

We believe that the amendment aligns partially with current practices and methodologies (e.g. GHG Protocol and PCAF guidance) in focusing on core financed emissions, but it diverges from emerging expert consensus that calls for comprehensive accounting of all financed, facilitated, and insured emissions. The relief may **improve practicality and data quality** in the short term, but it also raises concerns about **transparency, comparability, and**

completeness of disclosures. Stakeholder trust could be impacted if significant categories of emissions are systematically omitted, potentially undermining the credibility of sustainability reports.

Alignment with GHG Accounting Standards and Expert Consensus on Scope 3 Category 15

Scope 3 Category 15 (Investments) is defined by the GHG Protocol as the downstream emissions associated with investments and financial services. In the GHG Protocol's 2011 **Corporate Value Chain (Scope 3) Standard**, financial institutions are expected to assess Category 15 if relevant, but detailed guidance on complex instruments (derivatives, insurance, underwriting) was not fully developed. The ISSB's proposed amendment essentially limits required disclosure to "financed emissions," defined in IFRS S2 as emissions attributed to loans and investments made to an investee or counterparty. This focus aligns with the current core of industry practice: most banks and investors today measure financed emissions from lending and investment portfolios as guided by frameworks like the **Partnership for Carbon Accounting Financials (PCAF)**. PCAF's *Global GHG Accounting and Reporting Standard Part A (Financed Emissions)* provides methodologies for loans, bonds, equity, project finance, real estate, etc., which are now widely adopted.¹ By concentrating on these financed emissions, the amendment is consistent with what many practitioners consider the minimum Scope 3 investment disclosure based on available science and data.

However, the exclusion of derivatives, facilitated emissions, and insurance-associated emissions represents a departure from the expanding expert consensus that full value-chain carbon accountability for financial institutions should cover all significant financed activities. Notably, PCAF itself has extended its standard in recent years to address these areas: it published Part B (Facilitated Emissions) for capital market underwriting, and Part C (Insurance-Associated Emissions) for insurance underwriting, with first editions released in 2023.^{2 1}

Similarly, stakeholders in the ongoing GHG Protocol Scope 3 standard update have *proposed broadening Category 15* to include over-the-counter derivatives and called for consistent treatment of financed, insured, and facilitated emissions across frameworks.³ These developments indicate a growing scientific and industry consensus that emissions enabled through *all* financial services should ultimately be measured and disclosed for a true picture of a financial institution's climate impact.

The ISSB and AASB proposal acknowledges the current reality that methodologies for those complex exposures are less established. In fact, when finalising IFRS S2 in 2023, the ISSB consciously decided *not* to require disclosure of emissions from derivatives, underwriting, and insurance, citing the lack of established measurement methodologies for these categories.⁴ In that sense, the relief is aligned with the *status quo ante* – the GHG Protocol (2011) did not mandate those sub-categories, and only now are frameworks like PCAF offering guidance. Permitting their exclusion, therefore reflects the present state of practice, focusing on the *portion of Category 15 emissions that can be measured with reasonable confidence* (loans and investments), and avoiding requirements that outstrip the available science.

That said, by codifying their exclusion, the amendment could put AASB S2 slightly at odds with the direction of travel in expert circles. The GHG Protocol update proposals explicitly discuss including such emissions (albeit optionally at this stage)³, and leading climate accountability advocates argue that financial institutions' climate impact is understated if these enabled emissions are ignored. In summary, the proposed change aligns with today's predominant accounting frameworks for Scope 3 (which centre on financed emissions), but it only partially aligns with the broader expert consensus that is pushing toward more comprehensive Scope 3 accounting (encompassing facilitated and insured emissions). This tension between pragmatic alignment and scientific completeness is a central theme in evaluating the amendment.

Impact on Transparency, Comparability, and Completeness of Disclosures

The core trade-off inherent in the amendment is pragmatism versus completeness. By limiting required reporting to financed emissions, the rule would omit potentially significant sources of value-chain GHG emissions – for example, emissions from high-carbon activities that a bank finances indirectly through underwriting bond issuances (facilitated) or through insurance of fossil fuel projects.

Excluding these categories reduces the completeness of disclosed emissions inventories, which could in turn affect the transparency and credibility of financial institutions' climate reports. Stakeholders scrutinising climate disclosures may question whether banks and insurers are "cherry-picking" the easiest emissions to report while leaving out more complex or inconvenient categories. Indeed, critics argue that such concessions risk "watering

¹ <https://carbonaccountingfinancials.com/standard>

² <https://uabonline.org/wp-content/uploads/2024/07/Mr.Eslam-Mahdy2-1.pdf>

³ <https://ghgprotocol.org/sites/default/files/2024-03/Scope-3-Proposals-Summary-Draft.pdf>

⁴ <https://www.ifrs.org/content/dam/ifrs/project/amendments-greenhouse-gas-s2/issb-ed-2025-1-greenhouse-gas-s2-bc.pdf>

down the comprehensiveness” of sustainability disclosures at a time when investors and civil society are demanding full value-chain accountability. From this perspective, the amendment could undermine stakeholder trust, as reports might not fully reflect the institution’s climate impact or exposure.

Comparability across institutions is another concern. If some banks choose (or are required by jurisdictions) to apply the relief and exclude certain emissions, while others continue to report them (perhaps voluntarily or under different standards), it will become challenging to compare total financed Scope 3 emissions on an apples-to-apples basis. Even within the ISSB framework, the relief is optional – entities *may* use it, and jurisdictions like Australia (via AASB) can decide whether to adopt it.⁴ This optionality means two banks with similar portfolios could report markedly different Scope 3 totals depending on their interpretation and use of the relief. The ISSB recognised this risk: since “derivative” is not defined in the sustainability standards, firms might scope in or out various instruments inconsistently, affecting comparability.⁴ To mitigate this, the proposal includes specific transparency measures – any entity utilising the exemption must disclose the magnitude of activities excluded and explain its definitions. In other words, a bank would have to report, for example, the total notional amount of derivatives or the outstanding exposure of facilitated transactions that it excluded from the Scope 3 calculation and clarify what it considered a “derivative” for this purpose. This additional disclosure is critical for transparency, as it enables report users to gauge the scale of omitted emissions and adjust their analyses accordingly. It also serves as a deterrent against abuse of the relief – companies must be forthright about what they left out.

If implemented well, these safeguards can preserve a degree of transparency and trust. Users of reports will be alerted to significant exclusions. For instance, if Bank A excludes a large book of commodity derivatives and discloses that fact, investors can infer that Bank A’s reported Scope 3 is an underestimate relative to a comprehensive measure, and they can press for more information or factor that into risk assessments. The ISSB maintains that by requiring companies to disclose what is excluded and why, the standard retains focus on decision-useful information rather than raw completeness. This approach reflects a judgment that *some transparency about omissions* is preferable to forcing the inclusion of highly uncertain data.

Nonetheless, from a stakeholder credibility standpoint, there is a fine line. Trust in sustainability reporting hinges on the perception that companies are being fully open about their impacts and risks. While investors appreciate practicality, they also expect that material sources of emissions are not systematically hidden. If facilitated and insurance-related emissions are significant (which for some financial institutions they could be, e.g. an investment bank that underwrites large fossil-fuel projects), permanently exempting them could lead stakeholders – including climate advocacy groups, clients, and regulators – to question the credibility of a bank’s net-zero claims or its alignment with climate goals. In the long run, this could erode trust unless it’s made clear that this is a *temporary technical relief* rather than a permanent loophole.

Overall, we believe the amendment would improve the clarity of what is reported (by focusing on categories with established methods) and includes provisions to maintain transparency about omissions, which is positive for comparability and honesty in reporting. However, it undeniably reduces completeness, and thus the onus is on standard-setters and reporting entities to ensure stakeholders understand the limitations. Without vigilant disclosure of exclusions and context, there is a risk of diminished stakeholder trust in the integrity of climate disclosures under AASB S2.

Technical Feasibility, Cost-Effectiveness, and Implementation Practicality

The impetus behind this amendment is largely the technical and practical challenges that preparers face in measuring these complex Scope 3 sub-categories. Scope 3 Category 15 is among the most challenging reporting areas for financial institutions. Accurately tracing GHG emissions through multi-layered financial instruments is a nascent and resource-intensive exercise. By design, derivatives (such as swaps, futures, options) represent indirect financial exposure rather than ownership of an asset; attributing emissions to them is *highly complex*.

Methodologies are still being debated (e.g. whether to use gross notional value, mark-to-market exposure, or “loan-equivalent” exposure as a basis).³ Any approach can seem arbitrary and requires significant data on underlying activities. Facilitated emissions (from activities like underwriting stock or bond issuances for clients) pose a difficult attribution question: if five banks underwrite a high-emitting company’s \$10 billion bond issue, how do they split responsibility for the resulting emissions enabled? Insurance-associated emissions likewise force insurers to gather emissions data for insured assets or clients – data that many insurers currently do not systematically collect – and to decide attribution for shared or reinsured policies. These technical hurdles translate into substantial implementation costs (developing data systems, hiring specialists, obtaining estimates from clients, etc.) and potentially low data quality if companies are forced to report before robust methodologies are in place.

The ISSB, in proposing this relief, explicitly aimed to “simplify compliance” for companies while “preserving the value of emissions information for investors”. In other words, it’s a cost-benefit calibration: requiring all of Category 15 right now might impose disproportionate cost and complexity for preparers and yield information of questionable reliability for users. By contrast, focusing on financed emissions (loans/investments) — where methodologies like PCAF Part A are well-developed and data (borrower emissions, portfolio carbon intensity) is increasingly accessible — strikes a more feasible starting point. This relief can be seen as a pragmatic step to encourage adoption of the standards. Firms facing the daunting task of Scope 3 measurement may be more willing to comply if the most intractable pieces are optional at first. Indeed, the ISSB noted that these changes respond to early implementation feedback and the Transition Implementation Group’s identified “application challenges,” aiming to “reduce the risk of duplication of reporting and related costs” without losing material information.⁴

From a technical feasibility perspective, the amendment acknowledges that methodological consensus lags for certain financial emissions. The ISSB’s own Basis for Conclusions recounts that it did not define “derivatives” in the standard because no GHG accounting protocol has yet formally defined how to handle derivatives.⁴ Incorporating a definition from financial accounting (such as IFRS 9’s definition of derivatives) was deemed problematic for GHG disclosure purposes, as it could introduce inconsistencies and unintended complexity.⁴ This illustrates the standards-setter’s caution: rather than rushing to include a requirement that lacks conceptual clarity in the sustainability context, they chose to pause and allow flexibility. Additionally, by limiting scope initially, companies can focus on data quality for the categories they do report.

A well-known issue in climate disclosure is that forcing reporting of poorly-understood metrics can result in “checkbox compliance” — lots of numbers, but little reliability or comparability. The ISSB’s approach tries to avoid that outcome by easing into broader Scope 3 reporting only when it can be done credibly. In terms of cost-effectiveness, the relief is likely to save considerable time and expense for Australian banks and insurers in the near term. Rather than diverting resources to novel estimation techniques for, say, derivatives-linked emissions (which might involve complex modelling of client use-of-proceeds or hedging emissions), those resources can be applied to improving the accuracy of financed emissions data (which is already challenging enough). Over time, as techniques mature (for example, if PCAF’s facilitated emissions methodology gains traction or if insurers develop standard emissions factors for certain lines of business), the incremental cost of including those will decrease.

The ISSB’s framing is that this is a temporary technical relief, not a permanent exemption. It allows the “next wave” of reporting to proceed on solid footing — getting companies to start disclosing key financed emissions metrics now, rather than delay implementation or report unusable data. This adaptive standard-setting acknowledges that ambition must be balanced with feasibility. The amendment “aims to streamline compliance while preserving essential transparency”, reflecting a realistic appraisal of where companies and data availability currently stand.

In evaluating this aspect, it’s important to recognise that technical feasibility and cost concerns are valid: if the requirements overshoot what companies can reasonably do, the likely result would be patchy compliance or superficial, low-credibility numbers, neither of which serves investors or the climate.

The AASB’s role is to ensure standards are rigorous yet implementable. On that front, the proposed change demonstrates sensitivity to implementation practicality, though it will be incumbent on standard-setters to revisit these reliefs as feasibility improves (to avoid them becoming a loophole perpetually justified by outdated assumptions).

Recommendations – Balancing Burden Reduction with Accountability

While the proposed amendment provides necessary relief, we recommend several enhancements and future steps to better balance burden reduction with climate accountability:

- **Phase-In Plan for Comprehensive Coverage:** The AASB (and ISSB) should clarify a *roadmap* for eventually incorporating derivatives, facilitated, and insured emissions into mandatory disclosure. For example, the Board could signal that these categories will be reviewed in, say, 2–3 years once methodologies further mature, with the possibility of phased requirements (e.g. first require qualitative disclosures, then partial quantitative metrics, moving to full inclusion). This would underscore that the relief is temporary and tied to technical readiness, thereby maintaining momentum toward full Scope 3 accountability.
- **Encourage Voluntary Reporting and Guidance:** Even while not required, entities should be *encouraged* (or guided via application guidance) to voluntarily disclose material Category 15 emissions they are able to measure. The amendment already allows voluntary disclosure of excluded emissions. The AASB could supplement this by providing best-practice guidance on how to estimate facilitated or insured emissions using emerging frameworks. By showcasing examples (perhaps leveraging PCAF’s methodologies for facilitated and insurance emissions)¹ The standard-setter can facilitate learning and gradual uptake. Such

encouragement ensures that leaders in the industry move ahead, and laggards can learn from them, all within a consistent framework.

- **Enhanced Transparency Requirements:** We support the proposal's added requirement to disclose the "amount" of excluded exposures (derivatives, etc.) and an explanation. To strengthen this, AASB could require that companies also qualitatively discuss the potential climate significance of those excluded exposures. For instance, if a bank excludes emissions from facilitated bond underwriting for oil & gas companies, it should state whether this might represent a sizable portion of its overall climate impact. Requiring a brief discussion of the potential magnitude or risk associated with excluded emissions would provide stakeholders with richer context, mitigating concerns that something important is being swept under the rug.
- **Consistency in Definition and Application:** Since "derivative" isn't defined in the standard, companies have leeway in interpretation⁴. The AASB could issue guidance or examples aligning with common financial definitions (e.g. referencing IFRS 9's definition of derivatives for consistency, while acknowledging differences). At a minimum, as proposed, each entity explaining its definition will help⁴; but additional AASB guidance could reduce divergence. Similarly, providing or endorsing a working definition of "facilitated emissions" and "insurance-associated emissions" (perhaps referencing PCAF's definitions) would promote consistency. *This will enhance comparability* even under the optional regime, because companies in Australia would be more likely to exclude similar activities rather than vary wildly in what they choose to omit.
- **Leverage Industry Initiatives & Expertise:** The AASB should remain closely engaged with international best practices such as the GHG Protocol updates and PCAF. Given that PCAF has now published globally harmonised methods for facilitated and insured emissions², the AASB could collaborate with PCAF to develop supplementary reporting templates or workshops for Australian entities. Additionally, monitoring outcomes from initiatives like the Science Based Targets initiative (SBTi) for financial institutions and the Net-Zero Banking/Insurance Alliances could inform when and how to bring the excluded categories into the disclosure regime. For example, if SBTi or regulators begin to require banks to address facilitated emissions in targets or stress tests, that would be an opportune moment to incorporate such metrics into AASB S2 requirements. Keeping the standard in sync with broader climate accountability movements will ensure it remains credible and science-based.
- **Maintain Investor Focus – Materiality and Decision-Usefulness:** To address any investor concerns, AASB can emphasise that even under the relief, if any excluded category becomes material to an investor's decision-making, companies should disclose it (consistent with the materiality principle). In practice, this means if a bank knows that, say, its insurance underwriting of coal power is a major emissions source and a reputational risk, it should find ways to communicate that rather than hide behind the relief. Reinforcing the primacy of materiality (as IFRS S2 already does⁴) will help balance flexibility with accountability – companies shouldn't use the permission to exclude as an excuse to omit decision-critical information.

Overall, we believe that the proposed amendment reflects a pragmatic response to real-world implementation challenges in Scope 3 emissions reporting. It aligns with established accounting practices for financed emissions and will likely improve data quality and feasibility in the early phases of adoption. However, it also introduces gaps in completeness that must be carefully managed.

The success of this amendment will depend on transparent communication of what is excluded and a commitment to evolve the standards as methodologies catch up to ambition. So long as AASB frames this relief as part of a journey toward fuller disclosure, and couples it with guidance and signals for future inclusion of all relevant emissions, it can strike an acceptable balance between cost-effective reporting and accountability. Maintaining investor and stakeholder trust is paramount – which means continuing to push for greater completeness over time. By following the recommendations above, the AASB can ensure that easing the reporting burden today does not compromise the credibility and usefulness of climate disclosures tomorrow.

Question 2(a) & (b)—Use of the Global Industry Classification Standard in applying specific requirements related to financed emissions

BCSDA Response

We assess the scientific and practical rationale, implications for comparability and global best practices, as well as specific impacts for Australian entities.

Scientific and Practical Soundness – Does flexibility compromise disclosure quality?

Allowing alternatives to GICS is largely a practical accommodation and does not inherently undermine the science or measurement of financed emissions. The total financed emissions attributed to an entity remain the same

regardless of classification; the change only affects how those emissions are grouped by sector. In scientific terms, there is nothing sacrosanct about GICS – it is an economic taxonomy, not a science-based grouping of climate impacts.

In fact, other classification systems may arguably provide equal or better insight into climate-related exposures. For example, SASB's Sustainable Industry Classification System (SICS) groups companies based on similar sustainability risks and impacts, which could be scientifically informative for climate disclosures (clustering businesses with comparable transition or physical risk profiles).⁵ The ISSB staff acknowledged SICS's merits but noted it is not yet as widely adopted as GICS, and no single alternative taxonomy today clearly surpasses GICS on comparability grounds.⁵

From a methodological standpoint, what matters is that the classification chosen is applied consistently and captures the industries in which financed emissions occur. The proposal's hierarchy ensures that entities use established classification schemes – many of which (e.g. NACE in Europe, NAICS in North America, ANZSIC in Australia) are recognised internationally⁵ – rather than ad hoc or bespoke groupings. This means the disclosures remain grounded in standardised industry definitions widely used in financial and sustainability contexts⁵. Therefore, the scientific integrity of the emissions data (e.g. accuracy of Scope 1-3 emissions measurement) is unchanged; only the lens for viewing that data shifts to one that may be more practical for the reporting entity.

On balance, this flexibility is practically sound: it aligns the climate disclosure with the entity's existing reporting infrastructure, reducing complexity and potential errors from reclassification. It can also improve the quality of data provided – an entity using its native classification system (especially if mandated by regulators) is likely to have more robust internal controls and data governance around that system, thereby enhancing the reliability of the disaggregated emissions figures.

Impacts on Comparability and Decision-Usefulness – *Balancing global consistency with local relevance:*

A chief concern with introducing multiple classification options is the potential loss of comparability across disclosures.

GICS was originally required “on the basis that it is fit for purpose and would support international comparability of GHG emissions disclosures”⁵. If one bank reports financed emissions by GICS industry and another by, say, ANZSIC industries, users could face challenges in comparing the sector exposures of those banks directly. A global investor or analyst would no longer see a uniform set of sector categories, possibly complicating peer benchmarking (e.g. what one entity calls “Utilities” under GICS might be split into several categories under another system, or vice versa).

This fragmentation risk is real, but its severity may be mitigated by a few factors:

- **First**, many classification systems broadly correspond at a high level – for instance, most divide the economy into similar overarching sectors (energy, manufacturing, transportation, etc.), even if sub-sectors differ. Entities will still be disclosing the same core information – the Scope 1, 2, 3 emissions financed in each industry – just labelled under a different standard.
- **Second**, the required disclosure of the system used, and the rationale provides transparency. Users will be told, for example, that “Bank A used ANZSIC 2006 sectors because this is required by Australian regulators,” which alerts analysts that Bank A's industry breakdown can be understood in that context (and potentially mapped to GICS if needed).

In terms of domestic comparability, the flexibility could actually improve usefulness. If all or most Australian banks choose the same alternative (likely ANZSIC, given APRA's reporting standards), then Australian stakeholders can more directly compare local banks' financed emissions without each having to convert to a foreign taxonomy. In Australia's case, since APRA *mandates ANZSIC* for credit exposure reporting⁶, banks will naturally coalesce around ANZSIC for climate disclosures under the new rule. This keeps domestic comparisons consistent while aligning climate data with other financial risk data – a benefit for regulators and investors who analyse both.

On the global stage, there will be some loss of ‘apples-to-apples’ comparability, but it's worth noting that even under a GICS-only regime, perfect comparability can be elusive (firms might interpret industry boundaries slightly differently, or have portfolios concentrated in different sub-industries). In addition, the alternative would be forcing all entities worldwide into GICS, which could deter adoption of the standard or result in lower-quality disclosures if entities treat it as a tick-the-box exercise.

⁵ <https://www.ifrs.org/content/dam/ifrs/meetings/2025/january/issb/ap9c-application-challenges-concerns-requirement-gics-ifrs-s2.pdf>

⁶ <https://www.apra.gov.au/response-to-submissions-and-consequential-changes-reporting-standard-ars-2200-credit-exposures-and>

The ISSB judged that giving relief here would encourage broader participation in climate reporting, which itself enhances global comparability in a broader sense, by not leaving certain jurisdictions or firms out of the system entirely.

From a decision-usefulness perspective, information is most useful when it is relevant, faithfully represented, and timely for users.⁵ Allowing a bank to use the classification that it and its regulators already use can make the disclosed data more relevant (since it ties to how that bank manages its risk) and possibly more granular or timely (since it leverages existing reporting processes). For example, an Australian bank using ANZSIC can directly draw on its prudential reports to APRA to populate the climate disclosure, ensuring consistency between financial risk disclosures and climate risk disclosures.

Investors often compare climate exposure with financial exposure; using the same industry categories can make such analysis more straightforward and meaningful for decision-making. In contrast, a strictly imposed taxonomy could generate *parallel reports* that are less integrated with other information, arguably reducing their practical utility. In saying that, for global investors, the patchwork of classifications will introduce extra analytical work – they may need to translate an Australian bank’s ANZSIC-based breakdown into GICS or another common frame to compare with a U.S. peer. This trade-off between local relevance and global consistency is the crux of the issue.

Potential Weaknesses and Risks – Ambiguity, Inconsistency, and Assurance challenges:

While the proposed hierarchy is sensible, it does introduce ambiguity and variability that did not exist under a single mandated system.

One concern is the judgment involved in determining the classification “most useful” to users when an entity has no regulatory mandate (the catch-all scenario)⁵. Different entities might make different choices, and some could be tempted to choose a classification that paints their portfolio in a more favourable light.

For instance, if Classification System X aggregates certain high-emitting industries with lower-emitting ones, a bank using X might appear to have a smaller share of “high-carbon” exposure than it would under GICS. The requirement to explain the choice mitigates this to a degree – management would need to justify that the chosen system provides a relevant and faithful representation of its financed emissions profile⁵. However, the qualitative explanation might vary in depth, and there is no guarantee of consistency in how entities justify their choices.

This latitude could lead to inconsistent application across jurisdictions and even across peers in the same country if no single system is predominant. For example, if APRA did not require a specific taxonomy, one Australian bank might pick ANZSIC while another might opt for GICS or even a global framework like NAICS. Such divergence would erode comparability within the Australian market, contrary to the spirit of the ISSB’s global baseline.

Another weakness is the lack of explicit guidance on the level of detail required when using an alternative system. GICS at the 6-digit level is quite granular; will entities using other systems provide an equally granular breakdown?

If an alternative classification groups industries more broadly, there’s a risk of obscuring important information. For instance, GICS separates “Oil & Gas Exploration & Production” from “Integrated Oil & Gas” and “Coal & Consumable Fuels” as distinct industries. A different system might aggregate all fossil fuel extraction into one category, or conversely, might not clearly isolate coal. Without further direction, an entity could technically comply by disaggregating at a high sector level, potentially hiding concentrations (though presumably material concentrations would be discussed elsewhere).

There is also a risk to data consistency over time: if a company switches classification systems (say, if a new regulation comes in, or if it initially chose one freely and later another becomes preferable), trend information could be disrupted. Auditors and assurance providers will need to evaluate not just the emissions data but whether the chosen classification system is being applied consistently and appropriately – adding a layer of complexity to assurance engagements.

Finally, from a *global governance* perspective, this flexibility could invite jurisdictional arbitrage. Some jurisdictions might encourage their companies to use the local classification (which they find easier), while others might stick to GICS, leading to a fragmented global reporting landscape.

The ISSB considered a pure “jurisdictional relief” approach (where any jurisdiction could opt out of GICS in favour of a local system) but recognised the need for more nuance⁵. The chosen approach attempts that nuance, but much depends on how jurisdictions implement it. If most major jurisdictions mandate or encourage a specific taxonomy (e.g. EU with NACE, Australia with ANZSIC, etc.), the world could end up with regional silos of practice, complicating the work of investors who allocate capital globally.

Implications for Australian Entities – Local benefits and considerations:

For Australian reporting entities – especially banks and insurers – this amendment is largely positive and pragmatic. It acknowledges the reality that Australian banks already categorize their loan and investment portfolios by ANZSIC for regulatory reporting to APRA⁶.

If AASB S2 strictly required GICS, Australian entities would face duplicative systems: one for prudential reports (ANZSIC) and one for climate disclosures (GICS). The relief means they can leverage their existing ANZSIC-based data for climate reporting, ensuring consistency with other reports and easing implementation. This is crucial for banks, as financed emissions calculation is complex enough without adding an extra layer of reclassification.

Additionally, using ANZSIC may allow alignment with Australia's national greenhouse gas inventory sectors or other local climate-related datasets, potentially enhancing the decision-usefulness for domestic stakeholders. Australian investors and regulators are familiar with ANZSIC industry groupings, so disclosures in that format may be more readily understood in context.

There could also be a cost saving: GICS is a proprietary system maintained by MSCI/S&P; banks not already using it might have needed to purchase licenses or data feeds⁷. Using ANZSIC (a public standard maintained by the ABS) avoids that cost, a non-trivial consideration especially for smaller institutions.

One specific consideration is for Australian *insurers*: while banks clearly use ANZSIC, insurers' investment portfolios might currently use different classifications (some insurers invest heavily in equities and might use GICS via their asset managers, for example). These entities will need to choose between aligning with the banking sector's likely ANZSIC approach or sticking with GICS if that is already embedded in their investment management. The flexibility allows them to choose the route that makes sense, but for industry consistency it may be beneficial if Australian financial institutions converge on a common system.

We anticipate that, given APRA's influence and the efficiency of leveraging regulatory data, most Australian banks and possibly insurers will adopt ANZSIC for the purposes of AASB S2.

The AASB might see merit in encouraging a unified approach (perhaps via implementation guidance) so that all Australian reporters use a comparable taxonomy, which would preserve comparability within Australia and simplify user analysis.

Another implication is that Australian entities will need to provide a clear disclosure about their chosen classification. For example, a bank would explain that it used ANZSIC and note that this is the same industry classification used in APRA's credit exposure statistics – giving international readers the cue that an alternative system is in play. There may be a minor learning curve for global users to map ANZSIC to more familiar classifications but given that ANZSIC is closely aligned with other standard industrial classifications (and cross-references exist), this is a manageable issue.

Overall, for Australia, the benefits of this amendment – feasibility, consistency with local regulation, and lowered reporting friction – appear to outweigh the downsides.

Recommendations – Enhancing Clarity, Consistency, and Comparability:

We support the aim of the proposed amendment but recommend several refinements to ensure it achieves a high-quality outcome:

- **Promote Standardised Choices:** The AASB (and ISSB) should, where possible, **discourage excessive proliferation of classification bases**. While forcing a single system is not feasible, it would be beneficial to limit choices to **recognised frameworks** (such as GICS, ANZSIC/NAICS/NACE, or SICs). We suggest providing guidance or examples in the standard or accompanying materials to make clear that using a well-established classification (whether mandated or chosen) is expected – an entity's internal, bespoke sector definitions should not be considered acceptable unless they map to a known standard. This will prevent companies from straying into idiosyncratic groupings and will uphold a baseline of comparability. Notably, the ISSB's Basis for Conclusions could explicitly reference common alternatives (as the NZBA banking alliance does⁸) to signal what systems are considered appropriate.
- **Encourage Consolidation within Jurisdictions:** To preserve **domestic comparability**, we recommend AASB coordinate with Australian regulators (e.g. APRA, ASIC) to **align on a preferred classification** for climate

⁷ <https://www.bdo.com.au/en-au/insights/esg-sustainability/changes-in-the-pipeline-for-climate-related-disclosures-in-australia>

⁸ <https://www.unepfi.org/wordpress/wp-content/uploads/2024/03/Guidelines-for-Climate-Target-Setting-for-Banks-Version-2.pdf>

disclosures if GICS is not used. Given APRA's use of ANZSIC, it would make sense for Australian climate reports to use ANZSIC by default when relief from GICS is taken. The AASB could communicate an expectation that entities in the same industry **apply the same classification level** (e.g. ANZSIC at the Class level) for their financed emissions breakdown, unless they have a compelling reason to differ. This could be achieved through implementation guidance or illustrative examples. Such coordination will ensure that one bank does not report by high-level sectors while another reports by detailed sub-sectors, which would undermine comparability and potentially confuse users. In short, use of an alternative system should come with an expectation of **industry-wide consistency** within a jurisdiction.

- **Maintain Granularity and Transparency:** We recommend clarifying that any alternative classification used should provide a **comparable level of disaggregation** to GICS. The standard could stipulate that the chosen system must allow the entity to **meaningfully separate material industries** in its portfolio, particularly those with high climate risk. For example, if using ANZSIC, an entity might need to disclose at the 3- or 4-digit level to distinguish, say, coal mining from other mining, or power generation from other utilities – analogous to the detail GICS would have provided. Additionally, to aid users, entities using alternate systems could be encouraged to **report the equivalent broad sector categories** (e.g. GICS Sector level or similar) as a supplementary reference. This does not mean redoing the whole disclosure in GICS, but providing a high-level bridge (for instance, grouping their industries into something like “Energy,” “Materials,” “ Industrials,” etc., if feasible) to help investors orient themselves. Such a mapping could be presented in a footnote or appendix to the climate report. While not required, this extra step would enhance **user-friendliness** for global investors.
- **Strengthen the Explanation Requirement:** We agree with the new requirement to disclose and explain the classification system used⁵. To improve it, we suggest that the AASB explicitly require entities to **articulate why the chosen system yields decision-useful information** in the climate context. Boilerplate like “we used System X because it is required by regulator Y” is factual but doesn’t illuminate usefulness. Instead, entities should be prompted to link the choice to the **quality of disclosure** – for example: *“Using ANZSIC allows investors to compare this disclosure with our prudential risk disclosures and with national emissions data, thereby enhancing comparability and relevance.”* Including such context will reinforce that the goal of the relief is to improve usefulness, not to simply ease compliance. It will also hold entities accountable to choose alternatives for sound reasons, not convenience alone.
- **Monitor and Review Impact:** We recommend that the ISSB and AASB commit to **monitoring the use of this flexibility** in practice and to review its impact on comparability. If down the line the landscape changes (for instance, if SICS or another global sustainability-focused classification gains broad acceptance), the standard could be revisited to perhaps tighten the requirement again around a more climate-relevant taxonomy. In the interim, gathering feedback from users will be important – are investors able to navigate the different classifications, or is it hindering analysis? If issues arise, the Boards should provide additional guidance or standardise further. On the flip side, if most entities gravitate to a small number of classification systems (as expected), the ISSB could facilitate comparability by publishing or endorsing **mapping guidance** between those systems. For example, a simple concordance table between GICS and NACE/ANZSIC could be extremely helpful for users and could be provided as non-mandatory guidance in the standard’s implementation resources.

We believe that the proposed amendments to B62–B63 strike a reasonable balance between international consistency and practical feasibility. They recognise that climate disclosure needs to integrate with existing reporting frameworks to gain traction and accuracy.

We support the changes, provided that the above recommendations are considered to bolster clarity and comparability. By requiring transparency about the classification used and encouraging alignment with authoritative systems, the AASB can ensure that this flexibility enhances the decision-usefulness of financed emissions disclosures without unduly sacrificing the ability of users to compare and interpret information across entities and borders.

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

BCSDA Response

We focus on the scientific and practical soundness of allowing different GHG measurement methods for parts of an entity subject to jurisdictional or exchange-specific requirements.

Scientific and Practical Validity of Multiple GHG Methods

From a scientific standpoint, permitting different GHG accounting methods within one entity is not ideal for pure comparability, but it can be *practically valid* if those methods are each robust and compliant with high standards.

Many jurisdiction-specific methodologies (such as ISO 14064 or national protocols) are themselves based on established science and often align closely with GHG Protocol principles.⁹ In theory, two sound methodologies applied to the same operations should yield similar emissions figures, provided boundaries and factors are equivalent.

In practice, however, differences in methodological details – for example, using country-specific emission factors, older global warming potential (GWP) values, or varying organisational boundaries – can lead to divergences in reported emissions for the same source. This raises questions about the validity of mixing methods, because even minor differences (e.g. how biogenic CO₂ or refrigerant leaks are treated) could affect totals. Nonetheless, the rationale for allowing multiple methods is largely pragmatic: companies often face multiple reporting obligations and already “opt to apply multiple methodologies to ensure comprehensive coverage and compliance”.⁹ For instance, a firm operating across jurisdictions might use a local mandated method to satisfy regulators and the GHG Protocol for voluntary/global reporting – a dual approach that ensures all compliance bases are covered.

Given this reality, the amendment’s validity lies in acknowledging that methodological flexibility is sometimes necessary to reflect legal requirements, and that forcing a single method in all cases could be impractical or even impossible (if it conflicts with local law).

Scientifically, no single method has a monopoly on accuracy, so using different approved methods for different parts of the business can still yield decision-useful information, if the results are carefully compiled and disclosed. The trade-off is that the burden of reconciling these methods falls on the reporting entity to ensure the overall disclosure remains coherent and not misleading.

Effects on Comparability, Data Integrity, and Assurance

Allowing multiple GHG measurement methods within one report naturally challenges comparability – both across companies and internally across an entity’s segments.

Research in carbon accounting has cautioned that “output comparability...is challenged when a standard allows for the choice of multiple methodologies”.¹⁰ If companies or parts of companies are using different calculation rules, investors may struggle to compare emissions on a like-for-like basis. For example, one subsidiary’s emissions might exclude sources that another method would include, or use different GWP conversion factors, making the aggregated total less directly comparable to a peer who used one consistent standard. This can raise concerns that differences in emissions may reflect methodological choices rather than real performance.¹⁰

Data integrity could also suffer if the compilation of various methods isn’t tightly controlled. There is a risk of inconsistencies or double-counting/omissions when merging data from different systems. For instance, if a subsidiary’s local reporting uses a control approach for organisational boundary and the rest of the group uses an operational control or financial control approach per GHG Protocol, the parent must ensure emissions are not counted twice or left out. IFRS S2’s application guidance already warns that if a jurisdictional requirement covers only part of the entity’s emissions (e.g. only Scope 1 and 2), the company is *not* exempt from reporting the full Scope 1, 2, and 3 for the entity as a whole. This means companies still need to fill any gaps so that the consolidated disclosure is complete. Ensuring integrity will require robust internal controls to map and translate between methodologies, so that the final figures truly represent the entity-wide emissions without gaps or overlaps.

From an assurance perspective, multiple methods add complexity. Auditors or verifiers must understand the criteria of each method used and verify that each part of the data meets the applicable standard. Assurance teams may need multi-jurisdictional expertise or to rely on component auditors (for example, an auditor in a subsidiary’s country attesting to that portion’s emissions under the local framework). The lack of a uniform method can complicate assurance because evidence and calculation approaches differ.

However, assurance standards like ISAE 3410 (Assurance on GHG Statements) are flexible enough to accommodate different methodologies, provided the methodology is disclosed and consistently applied. The key risk is that if the methodologies have different levels of rigor or scope, the overall reliability of the combined disclosure might be questioned. It may be harder for an assurance practitioner to opine that the consolidated emissions are “fairly stated” without caveats, if part of the data is derived in a way that is not directly comparable. They will likely have to do additional work to satisfy themselves that despite the methodological differences, the aggregate emission figures are not materially misstated. This can increase assurance cost and effort. On the positive side, since the relief is only available where the method is mandated by law or exchange, those methods are presumably well-defined and credible, which should aid assurance (the company isn’t arbitrarily picking a

⁹ <https://climateseed.com/blog/ghg-accounting-methodologies-comparison>

¹⁰ https://www.smithschool.ox.ac.uk/sites/default/files/2023-07/WP_No._23-04_Comparability.pdf

convenient method; it's following an authoritative requirement). Overall, while not insurmountable, the mix of methods requires careful documentation, controls, and expert judgment to maintain data integrity and auditability.

Strengths of Allowing Jurisdictional Method Flexibility

- **Pragmatic Compliance and Cost Reduction:** The primary benefit is avoiding *duplicative reporting*. Companies operating in multiple jurisdictions will not need to calculate two separate emissions inventories for the same operations (one for local compliance, one reconverted for IFRS). This saves significant time and cost. Grant Thornton notes, for example, that without such relief a company subject to Australia's **NGER Act** would have to recalculate its emissions using two sets of GWP values – one for local law and one for IFRS S2 – leading to extra burden. The amendment removes this redundancy by letting the company use the locally required values/method for that part of the business. Eliminating parallel accounting exercises (so long as the local method is acceptable) is *scientifically sensible* too, since it reduces the risk of calculation errors that come with maintaining multiple methodologies for the same data.
- **Flexibility for Multinational Firms:** Multinationals gain flexibility to **comply with local laws while still reporting under a global framework**. This is crucial for global companies that might otherwise face a conflict: comply with IFRS S2 (GHG Protocol) or obey a local law that prescribes a different approach. The clarification ensures they can do *both* – they won't be penalised under IFRS for following a jurisdiction's rules. This flexibility can encourage more jurisdictions and companies to embrace IFRS S2 because it demonstrates respect for **local regulatory regimes**. In other words, IFRS S2 becomes a more *workable global baseline* when it interoperates with local systems (a point many stakeholders raised during consultations). For Australian firms, for instance, the ability to integrate **NGER-compliant data** for domestic operations with GHG Protocol data elsewhere makes adopting AASB S2 (the local equivalent of IFRS S2) far more feasible.
- **Maintaining Comprehensive Disclosure:** Importantly, the relief **does not exempt** any portion of the entity from reporting – it only changes *how* that portion's emissions are measured. This means companies still disclose all scopes and all significant sources entity-wide, preserving completeness. IFRS S2 explicitly requires that even if a jurisdiction only mandates, say, Scope 1-2, the entity must still report Scope 3 for the whole group. The relief simply lets the company use the mandated measurement method for those Scope 1-2 figures instead of re-measuring them under GHG Protocol. Thus, the **integrity of having a full-picture GHG inventory is maintained**, while allowing method flexibility in the details.
- **Alignment with Existing Practices:** Many companies already use local methods for regulatory reporting and the GHG Protocol for voluntary reporting. The amendment essentially formalises what is common practice, allowing a smoother **transition to standardised climate disclosures**. It acknowledges that methodologies like the GHG Protocol, ISO 14064, or national programs (e.g. the EU's or Japan's reporting rules) each have legitimacy. By accommodating them, IFRS S2 leverages existing data and processes companies have in place. This can accelerate compliance readiness – firms can plug their current regulatory reports into the IFRS S2 disclosure (with appropriate notes), rather than starting from scratch. It also provides comfort that adopting IFRS S2 won't force entities to **override local compliance systems** that may be strongly embedded in their operations.
- **Facilitating Global Adoption and Trust:** At a higher level, this flexibility could foster **greater global adoption of the standards**. Jurisdictional authorities might be more inclined to mandate IFRS S2 if they see their own requirements respected within it. Multinational companies likewise can support the standard knowing it won't put them at odds with any country's laws. This cooperative approach can enhance the *credibility* of climate disclosures – regulators, companies, and investors see that IFRS S2 is pragmatic and inclusive. Over time, as jurisdictions potentially harmonise their methods with the GHG Protocol, the need for relief might diminish, but in the interim this flexibility builds trust that the standard can accommodate **real-world regulatory diversity**.

Weaknesses and Challenges

- **Comparability and Consistency Issues:** Allowing different methods undermines the consistency of metrics across entities. Investors and other users may find it harder to compare emissions between two companies if one stuck strictly to GHG Protocol and another used a patchwork of methods. Even within the same company, year-on-year comparisons might be muddled if the scope of jurisdictional relief changes (e.g. if a subsidiary moves under a new regulation or if methodologies evolve). As noted, differences in methodology can cause differences in numbers that are unrelated to actual performance – a clear comparability pitfall.¹⁰ Without a single uniform yardstick, users must rely on disclosures and trust that any differences are minor or justified. This *could* reduce the effectiveness of climate disclosures for benchmarking purposes, at least in the short term. In a worst-case scenario, companies might be seen as having wiggle room to present lower emissions if one permitted method yields a more favourable result

(even if the company's ability to choose is limited to what authorities require, the optics of non-uniform measurements can raise scepticism).

- **Complexity in Data Consolidation:** Mixing methodologies introduces significant complexity in data aggregation and reconciliation. Sustainability teams will need to merge data that may be calculated on different bases. This can be technically challenging – for example, if Method A calculates emissions by facility and Method B by legal entity, consolidating them to the group level requires careful alignment. There's also the challenge of ensuring that all methods align on scope definitions (Scope 1, 2, 3), emissions factors, and reporting periods. A practical concern is the potential for errors: combining disparate datasets manually or even through software can lead to mistakes if assumptions are not perfectly harmonised. Companies will have to document their approaches meticulously to provide a clear audit trail of how, for example, Subsidiary X's emissions (using Method X) were integrated with the rest of the group's (using GHG Protocol). This not only strains internal resources but could also confuse information users if not presented clearly.
- **Potential Investor Confusion:** Even with disclosures, investors may find it confusing to interpret results that involve multiple methodologies. For instance, an investor reading a climate report might see total emissions and assume one methodology, not realising part of it is based on a different standard. If the company discloses "Subsidiary A's emissions are calculated per Local Standard Y," many users might not understand how Standard Y differs from the GHG Protocol or how that might affect the numbers. This can erode the clarity and transparency that IFRS S2 aims to provide. The more nuances and footnotes required to explain measurement approaches, the greater the risk that crucial information gets lost or misinterpreted by the average reader. In Australia's context, if an investor compares two banks – one using purely GHG Protocol and another using some NGER-derived figures – they might not readily know whether a difference of, for example, 5% in reported emissions is due to actual performance or just methodology variances. Such confusion can reduce confidence in the disclosures.
- **Lack of Explicit Reconciling Disclosure:** The ISSB decided *not* to add special reconciliation requirements for entities using this relief. While companies must disclose their measurement approaches and inputs generally, there is no specific mandate to quantify the impact of using an alternative method. This is a weakness because it leaves a knowledge gap – stakeholders won't know, for example, "If Subsidiary 3's emissions were measured under GHG Protocol, would the total be significantly different?" Without at least qualitative discussion of differences, transparency suffers. The standard-setting board assumed the generic disclosure of methodology would suffice, but in practice a boilerplate note might not illuminate whether the methods are broadly equivalent or if one is more lenient. Therefore the absence of a required bridge or comparison means *comparability issues could go unmitigated*.
- **Long-Term Harmonisation Setback:** A subtle drawback is that by permitting multiple methods, the urgency for global harmonisation of GHG accounting might be reduced. If everyone used GHG Protocol universally (as IFRS S2 initially seemed to intend), over time all players would align on one system, greatly aiding comparability and understanding. Allowing jurisdictional deviations, even for good reasons, could entrench those differences. Jurisdictions might be less inclined to update their local standards to match global best practices if the global standard (ISSB) already accommodates them. This could prolong fragmentation in how emissions are measured worldwide. From a scientific perspective, it would be preferable to have one consistent methodology so that corporate emissions truly speak the same language globally. The relief, while pragmatic now, might inadvertently slow the momentum toward a single high-quality method used everywhere.

Global and Australian Implications for Multinationals

Globally, this clarification is very significant for multinational companies. Many countries have their own GHG reporting programs (e.g. the EU's Emissions Trading System MRV rules, U.S. EPA mandatory GHG reporting, Canada's facility reporting, Japan's mandatory schemes, etc.), and stock exchanges or regulators may impose climate disclosure rules referencing specific protocols.

A global company preparing consolidated climate disclosures can now integrate these various compliance outputs into one IFRS S2 report. For example, a European subsidiary might report under the EU rules while an American subsidiary follows EPA rules – IFRS S2 would allow the parent to use each sub's numbers as-is (if those rules conflict with GHG Protocol) when consolidating. The flexibility smooths out cross-border reporting frictions, enabling a more complete global view. It also means investors get *one* climate report for the whole company, rather than separate reports or non-comparable data, which is a step forward for global transparency.

However, globally operating firms will need to be very clear in describing their approaches. We can expect to see additional narrative in climate reports detailing which parts of the business used which method, and why. This places a premium on effective communication in sustainability reports across all jurisdictions. Additionally, the move acknowledges global regulatory diversity; it's a nod to the fact that one size may not yet fit all in carbon accounting. This recognition might encourage more jurisdictions to adopt IFRS S2, knowing they don't have to give up their local methodologies immediately. Over time, this could lead to a convergence where jurisdictions

gradually calibrate their methods closer to GHG Protocol to ease consolidation – using the relief as a bridge to eventual harmonisation.

In **Australia**, the implications are quite direct. The AASB is adopting IFRS S2 as “AASB S2”, making climate disclosure mandatory for many Australian entities from 2025. Australia already has a well-established **National Greenhouse and Energy Reporting (NGER) scheme**, which requires large emitters to report Scope 1 and 2 emissions annually using government-specified methods and emission factors.

Under the clarified IFRS S2 relief, an Australian multinational can use its NGER-compliant figures for its Australian operations in its AASB S2 climate report. This is extremely helpful because it avoids duplicating effort – companies won’t need to recalculate Australian emissions using the GHG Protocol if NGER already requires a slightly different approach.

In many cases, NGER and GHG Protocol are similar (both draw on IPCC science), but there are differences such as global warming potentials (NGER until recently used AR4 values, whereas IFRS S2 mandates the *latest* IPCC values by default) and certain operational boundaries. The relief means, for example, a company can stick with the AR4-based CO₂e values for its Australian data if that’s what NGER demands, instead of recalculating everything with AR6 GWP factors for IFRS reporting.

From a regulatory perspective, this eases the transition to AASB S2 – it aligns with the “**back to baseline**” **approach** the AASB has championed, ensuring Australian rules don’t unnecessarily diverge from ISSB’s baseline while still respecting local context.

However, Australian users of reports should be aware that an AASB S2 report might incorporate NGER-based data (for domestic operations) alongside GHG-Protocol-based data (for overseas parts).

Regulators like ASIC and APRA will likely expect companies to clearly disclose this mix to avoid confusion.

Additionally, assurance providers in Australia (who may already audit NGER reports) will need to reconcile NGER audits with AASB S2 assurance – fortunately, the consistency in using NGER data for both should make verification more straightforward rather than less.

One potential challenge in Australia could be for companies whose financial year differs from the NGER reporting year (which is July–June) – they might need to align data timing or explain any timing mismatches if they use NGER figures in their annual climate disclosure. Despite such nuances, the overall impact in Australia is a positive one: it leverages existing robust emissions data and makes AASB S2 reporting more efficient and palatable for businesses, especially those already complying with NGER or other schemes in different countries.

For multinational entities operating across regulatory jurisdictions, the clarified relief essentially legitimises a *multi-method approach* as part of one unified disclosure. It acknowledges that a global company is a sum of parts operating under various rules. By focusing on the output (disclosure) rather than imposing one single input method, it tries to get the best of both worlds – comprehensive global disclosure with local compliance.

The key global implication is that companies and investors will need to become conversant in *what different methods mean*. Climate-literate investors might start asking questions like, “*What proportion of your emissions were measured under non-GHG-Protocol standards, and do those tend to be higher or lower than if measured uniformly?*” As the climate disclosure field matures, we may see increasing pressure to quantify these differences or gradually eliminate them. But in the near term, for global companies in Australia and elsewhere, this relief is a practical necessity that enables the climate reporting regime to function in a world where regulations are not yet fully aligned.

Specific issues for the forest, land management and agriculture sectors

The forest, land management and agriculture sector’s experience with the GHG Protocol’s Land Sector and Removals Guidance (LSRG) underscores the urgent need for jurisdictional relief within the ASRS framework. Since its inception over five years ago, the LSRG has remained in draft form, creating a prolonged period of uncertainty for forest managers, investors, and auditors. This delay has left stakeholders without a stable or finalised methodology for land-sector GHG accounting, despite the increasing regulatory and market pressure to disclose climate-related risks and emissions.

During this time, the forest sector has actively engaged with the LSRG development process, contributing technical expertise and operational insights. However, the sector’s feedback has often gone unaddressed, particularly regarding the introduction of “intervention accounting.” This approach requires companies to estimate emissions and removals based on hypothetical land-use scenarios—such as what carbon stocks might have been if a plantation had been left to regenerate as native forest. This is not only speculative and unverifiable, but it also

contradicts the foundational principles of GHG inventories, which are intended to report actual, measurable emissions and removals over time.

The implications of this are significant. Under the LSRG, sustainably managed forests may be treated as net emitters simply because they are compared to an idealised, unmanaged baseline. This penalises responsible land stewardship and creates a perverse incentive to avoid active management, even when such management delivers real climate benefits. Moreover, the LSRG explicitly excludes Scope 3 removals for bioenergy, undermining the role of renewable biomass in decarbonisation strategies and contradicting the IPCC's recognition of bioenergy as a key mitigation pathway.

The operational burden is also considerable. The LSRG introduces complex requirements for leakage accounting (e.g., indirect land use change, carbon opportunity cost) without providing practical methodologies for implementation. It also demands statistically significant monitoring and traceability, which are often infeasible for smaller forest operators or those managing diverse landscapes.

These issues are compounded by governance concerns. The LSRG process has been marked by late-stage methodological changes, limited stakeholder transparency, and a lack of formal consensus mechanisms. This has eroded trust in the GHGP as a standard-setting body for the land sector.

In contrast, ISO standards such as ISO 14040, 14044, 14067, and the ISO 13391 series offer a scientifically robust, operationally feasible, and internationally recognised alternative. These standards are developed through transparent, consensus-based processes and are already accepted by regulators in the United States and European Union. They align with IPCC methodologies and national inventory systems like Australia's NNGI, ensuring consistency and comparability.

Given this context, it is inappropriate to mandate the GHGP as the sole standard for land-sector reporting under the ASRS. Jurisdictional relief should be granted to allow the use of ISO standards that are better aligned with national methodologies, operational realities, and the principles of scientific integrity and transparency.

Recommendations to Preserve Transparency and Harmonization

To maximise the benefits of this jurisdictional relief while mitigating its downsides, we offer the following evidence-based recommendations for the AASB and ISSB:

- **Mandate Enhanced Disclosure When Relief is Used:** Companies should be required (or encouraged via guidance) to explicitly state which parts of the entity used an alternative method and provide details on that method. This includes naming the methodology, the scope of operations it covers, and a brief description of key differences from the GHG Protocol. For example, if a subsidiary uses a national protocol that employs different emissions factors or excludes certain sources, the report should flag this. While IFRS S2 already asks for disclosure of measurement inputs and assumptions, we recommend making this section of the report extremely clear and prominent when multiple methods are in play. This will help users understand the context of the numbers and mitigate confusion. In practice, a tabular presentation might work (e.g. a table listing each methodology, where it was applied, and its basis) to improve clarity.
- **Encourage Quantitative Bridging or Comparison (Where Feasible):** If possible, companies using different methods should provide a qualitative and/or quantitative bridge to help stakeholders gauge the impact. For instance, management could disclose that *"Method X typically yields ~5% higher CO₂e for our operations than GHG Protocol would, due to older GWP values,"* or *"Local Method Y omits emissions under 1,000 tCO₂, which are included in our global total – however, these are minor (<0.5% of total)."* Such explanations, even if approximate, would greatly enhance transparency. We recognize that calculating a full reconciliation might be burdensome (defeating the purpose of the relief), so this could be done through sensitivity analysis or narrative rather than hard numbers. The goal is to reassure users that the multi-method approach isn't obscuring material information. If differences are negligible, stating that is useful; if they are significant, stakeholders should know. AASB could incorporate this expectation in guidance or educational materials for AASB S2, emphasising the principle of "no surprises" for the reader.
- **Promote Harmonization and Future Convergence:** The relief should be seen as a *temporary accommodation*, not a permanent state of fragmentation. We recommend the AASB (and ISSB through its jurisdictional outreach) work with local regulators to gradually **harmonise GHG measurement requirements**. For example, Australia's regulators could consider aligning NGER's methodologies and GWP values with the GHG Protocol/latest science over time, reducing the gap between local and global standards. The ISSB could facilitate knowledge sharing between jurisdictions on best practices in GHG accounting. By explicitly stating an intention for convergence, standard-setters can preserve the long-term vision of uniformity. This could be communicated in the Basis for Conclusions or implementation guidance – underscoring that the relief is not meant to endorse multiple standards indefinitely, but to ease the transition toward a common global approach.

- **Ensure Robust Assurance and Oversight:** To address data integrity concerns, we recommend that companies leveraging this relief be guided to implement additional internal controls and obtain assurance at the component level. The AASB (in collaboration with the Auditing and Assurance Board, AUASB) might issue guidance that when different methods are used, management should perform an internal consistency check – for instance, verifying that activity data (like fuel usage) is not counted under two methods, etc. External auditors should be alert to the risk of inconsistency; audit programs could include steps to review how management aggregated the data. If needed, component auditors could provide comfort on the portions under local methods. Regulators could also scrutinize disclosures: if a company claims a methodology that yields improbably low emissions, that might warrant questions. Basically, a multi-method report should still be held to the same high bar of accuracy as a single-method report. Strengthening assurance around this will help maintain investor trust.
- **Investor Education and Guidance:** We suggest that the AASB and industry bodies (like the BCSDA or investor groups) develop guidance materials for investors and stakeholders to interpret climate reports that utilize this relief. Fact sheets or appendices could explain common alternative methodologies (for example, summarizing how NGER or ISO 14064 differ from GHG Protocol). If investors are better educated on why a company used a certain method and what it implies, they can make more informed judgments and will be less prone to confusion. This can preserve confidence in the disclosures. It also signals to companies that transparency is valued over any competitive advantage one might seek by leveraging a “friendlier” methodology. Clear expectations from the user community can incentivize companies to be forthcoming.

The clarification to IFRS S2’s 29(a)(ii) and B24 is a welcome, pragmatic step that balances global consistency with local flexibility. It acknowledges the real-world patchwork of climate reporting requirements and provides a path for multinational entities (including Australian companies under AASB S2) to present a unified climate disclosure without unnecessary duplication. The key to success will be in *how* companies implement this relief: through candid disclosure, careful data management, and a commitment to gradually ironing out methodological differences.

By following the recommendations above – enhancing transparency, maintaining rigor, and steering towards harmonization – standard setters and preparers can ensure that this flexibility strengthens rather than weakens climate disclosure. The end goal should remain clear: comparable, credible, and comprehensive emissions reporting that stakeholders can rely on for decision-making, even as we navigate the interim complexity of multiple GHG measurement systems.

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

BCSDA Response

We analyse the differences between IPCC GWP versions (e.g. AR4 vs AR6) and how these differences can materially affect reported emissions, comparability, and decision-usefulness of disclosures.

Scientific Implications of Using Alternative GWP Values

Allowing alternative GWP values raises scientific consistency concerns, as GWP factors can differ materially between IPCC assessment reports. The IPCC periodically updates GWP estimates to reflect improved science (changes in gas lifetimes, radiative forcing, feedbacks, etc.). These updates can shift the relative weighting of gases:

- **Methane (CH₄):** Under AR4 (2007), the 100-year GWP for methane was 25. AR6 values for methane range from about 27.0 (for biogenic methane) up to 29.8 (for fossil-sourced methane).³ In other words, the latest science attributes ~10–20% more warming effect to a tonne of CH₄ than was assumed under AR4. Even compared to AR5 (2013), which used 28 (or ~30 with feedbacks) for CH₄, AR6 reflects a slight increase for fossil methane.³ Using an older GWP (e.g. 25) will undercount methane’s contribution to climate change relative to AR6 values, potentially understating the emissions of methane-rich operations (like natural gas production) by a significant margin.
- **Nitrous Oxide (N₂O):** AR4 assigned N₂O a GWP100 of 298, whereas AR5 revised it to 265, and AR6 put it at about 273.³ Thus, AR5/AR6 lowered N₂O’s potency by roughly 8–11% compared to AR4. An entity using AR4-based factors would overstate N₂O emissions in CO₂e terms relative to one using AR6. Conversely, an entity on AR5 or AR6 might report slightly lower N₂O-equivalent emissions than one on AR4 for the same physical quantity of gas.

These differences illustrate the scientific implications: the choice of GWP dataset directly affects the reported totals. An entity taking advantage of the relief to use older GWP values is effectively using an outdated scientific

benchmark. This could lead to reported CO₂e emissions that diverge from what the latest climate science would indicate.

While the numerical differences for CH₄ and N₂O may seem moderate (often on the order of 10–20%), they are non-trivial in absolute terms – especially for high-emitting sectors – and can impact carbon footprint calculations, carbon budgets, and performance against climate targets. Stakeholders well-versed in climate science may question the scientific credibility of disclosures that use superseded GWP factors without explanation, since it could imply the entity's emissions impact is being measured with a less accurate lens.

Credibility, Consistency and Comparability

From a reporting standpoint, permitting multiple GWP bases can weaken the consistency and comparability of climate disclosures – both internally and across entities:

- **Credibility:** A core strength of sustainability standards is that they align disclosures with scientific consensus. IFRS/AASB S2's default of using latest-IPCC GWPs was meant to ground reports in up-to-date climate science. Allowing entities to use older GWP values mandated elsewhere introduces a gap between what the standard considers "best practice" science and what the entity actually reports. This could subtly undermine the credibility of the disclosures for users who recognize that, for example, methane's impact is being understated relative to current science. On the other hand, one could argue credibility is also a function of compliance with law – using the exact factors required by regulators can enhance trust that the numbers reconcile with official reports. There is a trade-off between scientific purity and practical credibility through legal alignment.
- **Consistency:** Within a single report, consistency may be affected if different parts of the entity use different GWP assumptions. Ideally, all emissions in a climate report are calculated on the same basis. Under the amendment, a company's Scope 1 emissions might effectively be computed on two different GWP scales for different subsidiaries or regions. This patchwork approach means a tonne of CH₄ in one part of the business might be counted as, say, 25 tonnes CO₂e, while in another it's 28 tonnes CO₂e. The total, in effect, becomes a mixed metric. Users of the report are left to interpret a total CO₂e number that is an amalgam of AR6-based and (for example) AR5-based figures. Without very careful disclosure, this undermines the internal consistency of the reported metrics.
- **Comparability:** A key concern is comparability across entities. If most entities adhere to AR6 GWP (as envisaged by IFRS S2) but some use AR4 or AR5 values due to this relief, comparisons of absolute emissions, emissions intensity, or trend trajectories become less like-for-like. Analysts comparing two companies or tracking a company's progress over time might not realize that a portion of one company's emissions are calculated on an older basis. Even relatively small percentage differences can matter – for instance, a ~10% understatement of methane emissions could be the difference between meeting or missing a climate target. The ISSB has argued that the effect on comparability should not be significant, given that this relief applies only in specific circumstances and parallels an already-existing relief for methodology.⁵ It is true that many jurisdictions are themselves moving toward newer GWP values (mitigating long-term divergence), and that the overall integrity of disclosure is preserved by the requirement being externally imposed (companies cannot cherry-pick a favourable GWP). Nonetheless, any deviation from a uniform standard reduces strict comparability. Stakeholders may need to adjust or at least be conscious of these differences when benchmarking emissions. The credibility of the standard's promise of consistency is best upheld if such deviations are transparent and minimal.

The amendment provides practical flexibility at the possible expense of some scientific consistency. It places a greater onus on disclosure and user understanding to maintain credibility and comparability.

Impact on Multinational Entities

For multinational companies, this relief is especially pertinent. Such entities often operate across multiple jurisdictions, each with its own climate reporting rules.

Prior to the amendment, an IFRS S2 reporter with global operations faced the prospect of maintaining two sets of GHG calculations: one using IPCC AR6 GWPs for the consolidated report, and others using local GWP factors to satisfy regional requirements.

This is not a hypothetical edge case – many countries and programs still use AR4 or AR5 GWPs for historical and policy reasons. Under the amendment, the multinational can use the local mandated GWP values for the portions of its operations covered by those rules, and use AR6 for the rest. This certainly reduces administrative burden and potential confusion of having divergent numbers in official filings.

For example, consider a company with a subsidiary in Country X that requires AR4 GWPs for its emissions reporting, while the parent must report under AASB S2 using AR6. Without relief, the subsidiary would report (say) 1 million t CO₂e (based on AR4) to authorities, but the parent's sustainability report would have to convert that to perhaps ~1.1 million t CO₂e (using AR6). This discrepancy could raise questions or require footnotes. With the relief, the parent can simply take the 1 million t CO₂e as is for that subsidiary's contribution.

The benefit is clear: no double-calculation, no discrepancies between what is reported locally and globally, and thus a lower risk of error or confusion in reconciliation. The challenge, however, is that the consolidated figure is now a hybrid. Stakeholders will need to be aware that the group total includes some emissions measured on different scales. In effect, the burden shifts from the preparer (who no longer must recall everything to one basis) to the user (who must interpret a mixed-basis number).

Multinationals will need to provide careful explanation in their reports to ensure that users understand this context. Otherwise, a risk remains that investors might make unwarranted assumptions when comparing two subsidiaries or two companies. In cross-border comparisons, companies in jurisdictions with older GWP mandates could appear *slightly "lower" in CO₂e* than peers in jurisdictions using AR6, purely due to the accounting difference. Multinationals, therefore, gain flexibility but must manage communication to preserve the integrity of their disclosures.

Impact on Australian Entities (NGER context)

Australian companies provide a concrete case study for this amendment. Australia's **National Greenhouse and Energy Reporting (NGER)** scheme currently prescribes the use of GWP factors from the IPCC Fourth and Fifth Assessment Reports (transitioning to AR5 in recent years). In fact, from 2020–21 onward NGER has used AR5 values (CH₄ GWP=28, N₂O GWP=265),¹¹ up from AR4 values (25 and 298 respectively) used prior – a shift that itself caused a one-time methodological jump of about +12% for methane and –11% for nitrous oxide in reported figures¹¹. Meanwhile, AASB S2 (adopted from IFRS S2) requires the latest IPCC values, which AASB has clarified means AR6.¹² AR6's GWP for methane (~27–30, depending on source) and nitrous oxide (~273) are not the same as AR5's, but NGER has not yet moved to AR6. This misalignment would have forced Australian companies to do dual calculations: use AR6 for their sustainability report and AR5 for their NGER compliance.

The amended B21–B22 spares Australian preparers that burden. An Australian entity can now use the exact same GWP values in its AASB S2 climate disclosures as it uses in its NGER report, ensuring consistency between what is reported to investors and what is reported to the government. This undoubtedly enhances the credibility and simplicity of their disclosure – investors and other stakeholders won't see two different emissions totals for the same company in different reports. It also eliminates the risk of inadvertent errors in converting between GWP schemes. BCSDA supports this alignment in principle, as it streamlines reporting and reduces confusion for Australian companies in the initial phases of mandatory climate reporting.

However, it is important to recognize the trade-offs. Australian entities taking this route will be reporting using IPCC AR5 factors, which are a step behind the "latest science" ideal. Their disclosures will be slightly less comparable to those of entities in jurisdictions already using AR6. For instance, an Australian oil & gas company's Scope 1 might exclude the additional ~5% CO₂e that AR6 would attribute to its fugitive methane, whereas a UK or US peer (not constrained by a local scheme) might include it. Users comparing the two might not realize an adjustment is needed. Moreover, this situation is temporary – Australia may well update its regulations to AR6 in the future. When that happens, companies will experience a methodological jump in their reported emissions. Without proper disclosure, a sudden increase in emissions (due to switching GWP factors) could be mistaken for a deterioration in performance. Historical trend analysis would require careful adjustment.

The **Clean Energy Regulator explicitly notes** that data reported under different GWP regimes aren't directly comparable and must be recalculated for meaningful trend comparison.¹¹ For example, when NGER moved from AR4 to AR5, entities saw changes in reported totals purely from the factor update, not from actual emissions – a scenario that will repeat if/when AR6 is adopted. Thus, while the relief is pragmatic for Australian companies, it puts the onus on both companies and the AASB to ensure transparency around these methodological nuances.

Risks and Challenges

Several risks arise from allowing alternative GWP values, which need to be managed through careful implementation and disclosure:

- **Misaligned Emissions Totals:** Using different GWP scales within a single organization means that aggregating emissions is no longer a straightforward summation of apples-to-apples figures. The group-

¹¹ <https://cer.gov.au/schemes/national-greenhouse-and-energy-reporting-scheme/about-emissions-and-energy-data/global-warming-potential>

¹² https://standards.aasb.gov.au/sites/default/files/2024-10/AASBS2_09-24.pdf

level “total CO₂e” becomes an amalgam of slightly different unit conversions. This misalignment can distort perceptions. For instance, if 30% of a conglomerate’s emissions are calculated with AR5 factors and 70% with AR6 factors, the total reported is not exactly what it would have been had a single consistent method been used. It’s feasible that an investor or analyst could be misled by a small margin, unless supplementary information is provided. The risk is especially pronounced when an entity’s emissions mix is skewed toward gases like methane or N₂O where the GWP differences are larger. Small discrepancies might not materially affect every analysis, but for certain assessments (e.g. carbon budgets, alignment with climate limits), precision matters.

- **Investor and Stakeholder Confusion:** A key risk is that report users may not grasp that different GWP assumptions are at play. If an entity does not clearly disclose this, stakeholders could draw incorrect conclusions. This confusion isn’t just hypothetical. The Australian Clean Energy Regulator provides an illustrative example: a facility reported 100,000 t CO₂e of methane in one year (using one set of GWPs) and 120,000 t CO₂e the next year under a new set of GWPs. At face value, emissions seemed to jump 20%. But after converting both years’ methane to a common GWP basis, the increase was only ~7%.¹¹ The initial 20% spike was an artifact of changing GWP factors, not an actual rise in emissions. This example highlights how misinterpretation can occur if methodology changes or differences are not transparent. In the context of B21–B22 relief, an investor comparing year-on-year emissions or peer emissions could similarly be misled if part of the change or difference is due to GWP basis and they aren’t aware of it. Clear communication is therefore critical to avoid confusion or even scepticism about the integrity of the data.
- **Assurance and Audit Complexity:** From an assurance standpoint, the use of multiple GWP values introduces additional complexity. Auditors must verify not only the accuracy of emissions data but also confirm that the appropriate jurisdiction-specific GWP factors were applied where relevant. This could entail checking regulatory filings, cross-calculating sample sources with both GWP sets, and ensuring there were no accidental mix-ups (e.g. using the wrong factor for a given gas/source). It effectively enlarges the scope of audit procedures. Assurance providers might need to treat emissions disclosures almost like a set of segmented financial statements, where each segment has its own conversion assumptions. There’s a risk that errors go unnoticed in a mixed-basis approach – for example, if a company mis-categorizes some emissions and uses the wrong GWP factor, it might not be obvious without meticulous verification. The complexity is further increased if an entity operates under multiple different GWP regimes (imagine a multinational with parts of its business under AR4, AR5, and AR6 all at once). Auditors and regulators will need to pay close attention to the documentation of methods (per paragraph B28 requirements) to ensure everything is applied correctly. This complexity could marginally increase the cost of assurance and the risk of qualified conclusions if disclosures are not sufficiently clear.
- **Loss of Scientific Alignment & Evolving Baselines:** By permitting the use of older GWP values for potentially many years, there’s a risk that some disclosures drift away from reflecting the most current science. If certain jurisdictions are slow to update their mandated GWPs, companies in those regions will continue reporting using factors that the climate science community has since updated. Over the long term, this could create a perception that corporate disclosures are out of sync with climate reality, especially as more stakeholders (investors, civil society, scientists) scrutinize corporate emissions against global carbon budgets and climate models that typically use the latest IPCC values. Another challenge here is the transitional jumps when alignment finally occurs. As noted, when a jurisdiction updates its requirements (e.g., moving from AR5 to AR6), companies will show a one-time increase or decrease in emissions unrelated to actual operational changes. If not properly flagged, this could confuse trend analysis – a company could appear to regress on its climate targets due to a recalibration. Users may have to dig into footnotes to understand that an emissions “increase” was just a recalculation. This is analogous to how a change in accounting policy can create a discontinuity in financial statements. Without clear guidance, some entities might handle this well while others might not, leading to inconsistent practices in the market. The risk, therefore, is twofold: short-term misalignment with science, and sudden shifts when re-alignment happens, both of which can impair the usefulness of the information.

In light of these risks, it becomes evident that simply allowing the relief is not enough – **how** entities implement and disclose it will determine whether the benefits outweigh the downsides. The next section outlines recommendations to manage these challenges.

Recommendations for Improvement

To ensure this amendment achieves its purpose without undermining the overall quality and credibility of climate disclosures, we offer the following evidence-based recommendations:

- **Require Explicit Disclosure of GWP Assumptions:** AASB S2 should mandate transparent disclosure when an entity applies this relief. At minimum, the sustainability report should clearly identify the GWP values or IPCC assessment report used for converting GHG emissions in each part of the business. Currently,

IFRS/AASB S2 requires disclosure of the measurement methodologies and inputs (per paragraph B28 and B29), but it does not explicitly say “disclose which IPCC GWP you used.” The Basis for Conclusions hints that an entity *might* include a description of the GWP values used or why it didn’t use the latest⁵, but making this explicit will greatly enhance clarity. For example, a note could read: *“Our Scope 1 and 2 emissions for Australian operations are calculated using GWP factors from the IPCC Fifth Assessment Report (consistent with NGER requirements), whereas all other emissions use IPCC Sixth Assessment Report values.”* Such a disclosure allows knowledgeable readers to adjust or understand differences, and it bolsters overall transparency. It also guards against any perception that a company might quietly use older GWPs to make its emissions look lower – the requirement would shine a light on that choice, ensuring it’s only done when justified by regulation.

- **Provide Bridging Information for Users:** Where the difference in GWP values has a material impact on reported figures, companies should provide bridging information to aid users in understanding the magnitude of the discrepancy. We are not suggesting a full duplicate reporting of emissions under both GWP regimes (which would defeat the purpose of the relief), but rather a concise indication of the effect. This could be qualitative or quantitative. For instance, if using AR5 instead of AR6 for methane causes a 5% lower CO₂e figure, the entity could state: *“Using the latest IPCC factors would increase our reported Scope 1 emissions by approximately X tonnes, or Y%.”* The Clean Energy Regulator’s example shows the value of such context – without conversion, one might think a 20% jump occurred, but with conversion, one sees it’s only 7%.¹¹ Similarly, an investor shouldn’t have to guess how much an alternate GWP might be skewing the picture. Even a simple statement about the direction and scale of differences (e.g., “AR5 GWPs are ~10% lower for our mix of gases than AR6 values would be”) would improve the interpretability of reports. We recommend the AASB consider adding guidance or examples in the application guidance to encourage this practice. It bridges the gap between scientific accuracy and practical compliance in a user-friendly way.
- **Ensure Year-on-Year Consistency (Comparatives):** To handle the eventuality that jurisdictions update their GWP requirements, the standard should emphasize comparative reporting techniques akin to those in financial reporting when methodologies change. For instance, if an entity in 2025 used AR5 and in 2026 switches to AR6 because the jurisdiction did, the entity should disclose the change and consider providing adjusted prior-year figures or at least discuss the impact on trends. Currently, AASB S2 (like IFRS S2) would allow a change in methodology without necessarily requiring restatement of prior emissions (since these are not “errors” per se). We suggest the AASB encourage companies to present a pro-forma comparison or narrative explaining the change. An illustrative disclosure could be: *“In 20X6, Regulator ABC updated its mandated GWP values from AR5 to AR6. As a result, our reported emissions increased by ~8% solely due to this methodological change. Prior year Scope 1 emissions would have been 1.08 million tonnes CO₂e on a comparable AR6 basis.”* This kind of disclosure mirrors the spirit of accounting standards that require explanation of changes in accounting policy. It will greatly help users to distinguish real emissions performance changes from accounting changes.¹¹ We believe the AASB can include this as a recommendation in guidance, or even a requirement if material, to maintain consistency over time.
- **Segment and Label Emissions by GWP Source (if Practical):** Especially for larger companies with complex operations, it may be useful to disaggregate emissions data by the GWP regime used, at least in a note or table. For example, an entity could provide a breakdown: *“X tonnes CO₂e (calculated using AR6) + Y tonnes CO₂e (calculated using AR5) = Total Z tonnes CO₂e.”* This level of transparency would make it abundantly clear how much of the total is on an older basis. Users who wish to re-compute everything on a single basis could then attempt to do so with the information given. Even if not required in numeric detail, clearly labelling each figure in the report with the GWP basis (e.g., “Scope 1 (using AR5 GWPs): ___ tonnes CO₂e”) would help avoid any ambiguity. We acknowledge that too much detail can overwhelm users, so this should be balanced with materiality and clarity considerations. But a well-structured disclosure (perhaps in an appendix or footnote) that segregates emissions by methodology would enhance comparability and trust.
- **Promote Global Alignment in the Long Run:** While outside the direct scope of what AASB S2 can mandate, we recommend that the Board use its influence to encourage convergence of GWP standards globally. The need for this relief is essentially a symptom of misalignment between jurisdictions and the IFRS/ISSB’s chosen baseline. Over time, as climate reporting matures, it would be ideal if all major jurisdictions move to the same GWP basis (preferably the most current one). In fact, we have seen progress in this direction – for example, Australia updated from AR4 to AR5 GWPs for its national reporting in 2020¹¹, and no doubt will consider AR6 in due course. The AASB, in its dialogues with regulators and through its standard-setting outreach, can advocate for using up-to-date science in local regulations. Doing so would gradually eliminate the need for GWP relief and improve global comparability. Until that happens, the Board should at least highlight in the Basis for Conclusions that this relief is a temporary bridge to handle current inconsistencies, not a permanent endorsement of multiple measurement standards. This will signal to stakeholders that full alignment remains the end goal.
- **Maintain Strict Conditions to Prevent Abuse:** We strongly agree that the relief should be tightly limited to bona fide jurisdictional or exchange requirements. The current wording achieves this by specifying the

entity (or part thereof) must be *required* by a regulator or listing rule to use the alternate GWP, and only “for as long as” that requirement is in force. This means an entity cannot arbitrarily choose a GWP set that yields a more favourable outcome – they can only deviate from the IFRS S2 default when compelled by an external authority. It is important that this is rigorously enforced. We recommend the AASB, and assurance providers monitor that companies clearly cite the specific law or exchange rule that triggers the relief in their disclosures. If any ambiguity arises (for instance, if an entity operates in a jurisdiction where using older GWPs is common practice but not strictly required by law), the default should be to use the latest IPCC values. By keeping the bar high for utilizing this provision, the standard prevents “cherry-picking” of GWP factors and preserves a level playing field. We also note that if a jurisdictional requirement is dropped or expires, the company should promptly switch to the IFRS-required GWP values – and this expectation should be communicated in implementation guidance.

- **For the forest, land management and agriculture sectors, flexibility in the choice of GHG accounting methodologies is essential.** ISO standards—particularly ISO 13391-1, -2, and -3—provide a comprehensive and scientifically credible framework for quantifying emissions, removals, and carbon storage across forest value chains. These standards are aligned with IPCC principles and are compatible with national inventory systems. They also offer practical guidance on system boundaries, traceability, and displacement effects, which are critical for recognising the climate benefits of wood products. By contrast, the GHGP’s LSRG introduces methodological inconsistencies and reporting burdens that are not aligned with the operational context of land-based industries. Jurisdictional relief should therefore extend to allow the use of ISO standards for calculating global warming potential values, especially where these standards are more appropriate for the sector and already recognised by international regulators.

We believe the amendment to B21–B22 is a pragmatic response to real-world reporting conflicts, particularly beneficial for entities like those in Australia that face dual reporting mandates.

We support the goal of reducing unnecessary duplication; however, it is imperative to implement this flexibility in a way that does not compromise the credibility, consistency, and comparability of climate disclosures.

By incorporating the above recommendations – chiefly around robust disclosure and explanatory context – AASB S2 can accommodate alternate GWP values where needed without losing transparency or scientific integrity. This will ensure that investors and other users continue to receive high-quality, decision-useful information about greenhouse gas emissions, and that Australian reporting under AASB S2 remains aligned with both international best practices and local regulatory realities.

Ultimately, clear guidance and disclosures will turn a potentially problematic flexibility into a well-understood and trustable aspect of the climate reporting framework.

Question 5—Effective date

BCSDA Response

We consider:

- *Whether the proposed immediate effectiveness and allowance for early application are procedurally sound and appropriate given the nature of the amendments.*
- *The implications for scientific consistency, disclosure quality, and administrative feasibility.*
- *How the effective date interacts with stakeholder feedback, especially if there is pushback or proposed alternatives to the amendments.*

Impact on Robustness, Consistency, and Feasibility

Rapid Implementation – Pros and Cons:

Setting an immediate effective date with optional early adoption can enhance implementation feasibility by ensuring companies do not invest in unwarranted procedures that the amendments ultimately relax. For example, if relief on *Scope 3 Category 15* (financed) emissions is finalized quickly, banks and insurers can avoid the “unnecessary work” of measuring derivative or facilitated emissions now only to drop them later. This agility supports preparers’ operational efficiency and cost-effectiveness, aligning with earlier critiques that urged pragmatic timelines for complex requirements.

Further, early availability of reliefs like the GICS alternative classification (B62–B63) or jurisdictional GHG-method relief (29(a)(ii)/B24) can bolster scientific robustness by letting entities use methodologies *better suited to their context* from the outset – for instance, using regulator-mandated GHG calculation methods or localized industry

classifications that may yield more meaningful data in those jurisdictions. In theory, quicker implementation of clarifications could also reduce diversity in practice, enhancing consistency: the ISSB itself expects these targeted amendments to “*support the consistent application*” of IFRS S2 by clarifying ambiguous areas⁵.

However, rushing the effective date could have downsides. Premature implementation might hinder scientific robustness if companies adopt reliefs without sufficient methodological guidance or industry consensus. For instance, the relief permitting exclusion of certain financed-emission categories responds to a lack of established measurement techniques for derivatives and other financial emissions⁵. While rapid adoption spares entities from using tenuous methods, it also means the standard concedes a scientific gap rather than resolving it. If adopted too broadly, this could slow momentum to develop rigorous methodologies for these excluded emissions, potentially undermining the completeness of climate-risk disclosures in the near term. Additionally, optional early application intrinsically creates an interim consistency issue: some entities (or jurisdictions) may apply the amendments early while others wait until mandatory, leading to a patchwork of disclosure practices. For example, an international banking group reporting under multiple regimes might exclude derivative-related emissions in jurisdictions that embrace the relief early, but include them elsewhere – complicating comparability. Our earlier critique of 29A(b) emphasized the importance of transparency about exclusions (e.g. disclosing the magnitude of derivatives or other activities omitted)⁵; if early adoption is uneven, such transparency becomes even more vital to maintain user trust in the data’s consistency.

Importantly, the ISSB’s proposal to permit early application can mitigate some consistency concerns by empowering prepared entities to align globally. Those ready to implement reliefs uniformly across their operations can do so, potentially avoiding dual systems (one for IFRS jurisdiction, one for local). This was a key point in our critique of B62–B63: we supported allowing alternate industry classification systems if companies disclose and justify their choice⁵. Enabling early adoption of that amendment means a multinational bank could immediately use its existing classification (say, one required by prudential regulators) for disaggregating financed emissions across all reports, rather than using GICS in some reports and switching later.

In summary, rapid implementation paired with proper disclosure can enhance feasibility and even consistency in the long run, but it requires diligent communication to ensure stakeholders understand any short-term differences arising from optional uptake.

Alignment with Transition Planning and Regulatory Developments

From a transition planning perspective, making the amendments effective as soon as possible – likely by January 2026 per ISSB intentions – is broadly supportive of entities’ smooth adoption of climate disclosures. Australian companies, in particular, face newly mandated climate reporting from 1 January 2025 under the AASB standards, phased in by entity size. A rapid finalization of the ISSB amendments would allow the AASB to incorporate these changes into AASB S2 early in this rollout.

This timing is crucial: it aligns the reliefs with the first wave of mandatory reporters, so that (for example) an Australian bank preparing its FY2025 climate report can apply the Scope 3 Category 15 exclusions and avoid a costly one-year workaround. Our earlier recommendation for §29(a)(ii) and B24 (jurisdictional measurement relief) underscored the need to accommodate existing regulatory requirements to prevent duplicate reporting. The proposed effective date reinforces this by minimizing the period of misalignment. If an Australian multinational’s subsidiary must use a local emissions method (e.g. a different calculation standard mandated abroad), the parent could *immediately* consolidate that data under the relief once effective, rather than undertake parallel GHG Protocol computations for IFRS compliance. In short, timely adoption of these amendments can better synchronize IFRS S2 with evolving regulations, reducing friction for multinational groups juggling multiple regimes.

That said, appropriate timing should also consider that entities need adequate lead time for internal adjustments.

Even relief-focused amendments require process updates – e.g. systems to track which emissions are excluded, or controls to ensure the new disclosure of excluded amounts (per §29A(b)) is captured reliably. An immediate effective date “as early as possible” could be interpreted as effective upon issue (late 2025), which might pressure companies to adjust year-end 2025 reports on short notice. The ISSB has acknowledged it will finalize the exact date after considering feedback and once the issuance timeline is clear⁵.

In practice, we agree with commenters who suggest a start date no earlier than 1 January 2026, giving at least a few months post-finalisation for entities to update systems and controls. This would still meet the objective of helping first adopters (e.g. Australian FY25 reporters can apply retrospectively or in comparative figures for 2025 if needed), without undermining orderly transition planning. Notably, because the amendments are optional reliefs, even an aggressive effective date can be managed flexibly: entities not ready to operationalize a given relief can

simply continue with the original requirement until they are prepared, since not using the relief does not breach the standard.

This flexibility eases transition risk – a point reflected in our B21–B22 critique, where we supported extending jurisdictional relief for GWP values precisely to let companies avoid duplicative reporting and switch to IFRS-aligned metrics at the right time. Similarly, an entity can choose to delay using an amendment until its processes are ready, even if the amendment is officially in effect.

Stakeholder Feedback and Conditional Timing Considerations

It is essential to weigh the proposed timing against stakeholder views – especially if majority feedback opposes certain amendments or offers divergent solutions.

The ISSB's expedited process (a 60-day comment period) signals urgency, but also a willingness to adjust based on the feedback received⁵. If a large portion of respondents (investors, regulators, or standard-setters) were to argue that a particular amendment is misguided or premature, pressing ahead with an "ASAP" effective date for that item could undermine the standard's credibility and scientific soundness.

For example, if many stakeholders oppose the Scope 3 Category 15 exclusion (29A(a)) on grounds that it *omits material sources of financed emissions*, the ISSB might need to reconsider its approach (perhaps seeking an alternative measurement framework rather than a blanket exclusion). In such a scenario, the proposed timing should be recalibrated. It may be prudent to delay the effective date or carve out the contentious provision until a consensus or improved solution is reached. The ISSB has implicitly acknowledged this by stating it will set the final effective date after reviewing feedback, when the issuance timeline is more certain⁵.

If opposition is significant but the ISSB still sees merit in relief (for cost/practicality reasons), one compromise is a conditional or staggered implementation. The amendments could be finalized but with an effectiveness conditional on certain criteria – for instance, jurisdictional readiness or interim guidance development. A hypothetical approach: *"Amendment X is effective from 2026, but if stakeholder feedback necessitates further methodological guidance, full compliance is not required until 2027 for all but early adopters."*

This is not typical for IFRS standards, yet the concept parallels how jurisdictions are given latitude. Indeed, the ISSB already built in jurisdictional flexibility: a jurisdiction can opt not to allow early application or a particular relief initially if it conflicts with local strategy (without losing IFRS alignment, since the reliefs are optional)⁵.

For example, if a majority of Australian stakeholders opposed using alternate GWP values (preferring consistency with IPCC latest by all reporters), the AASB could theoretically decline that relief in its local adoption even if the IFRS amendment is effective – effectively a local deferral of that piece. Such conditional adoption based on local readiness was a theme in our critique of B21–B22: we recommended ensuring any allowance for alternate GWP or methods be tightly scoped to cases where a binding local requirement exists, and sunset when it no longer applies. The ISSB's amendment does exactly that – the relief "is available for the relevant part of the entity *for as long as* such jurisdictional requirement applies". This principle could guide timing too: the effective date could be immediate in general, but regulators might permit a **short grace period** if needed for certain companies or requirements that prove challenging or controversial.

In terms of stakeholder proposals for alternatives, the effective date should be agile.

Suppose respondents propose an alternative way to handle financed emissions (e.g. phasing in derivative emissions reporting once a standard method is developed). The ISSB should assess whether adopting such alternatives necessitates additional time for development or education. If so, imposing an immediate effective date for the original proposal could be moot – instead, the Board might pivot, causing delay. Our view is that it's better to get the solution right than fast in cases where the quality of disclosure is at stake.

Therefore, if feedback reveals that rapid implementation would force through an amendment that many view as weakening disclosure consistency or scientific integrity, a deferral or conditional rollout of that amendment is warranted. On the other hand, if feedback is largely supportive (or silent) on a proposal, that is evidence that swift implementation will "do no harm" and indeed meet its goal of easing application burden. The Board's plan to issue amendments expeditiously (second half of 2025) is sensible only if the content is broadly accepted – a point we made in earlier critiques that stressed maintaining investor confidence in the standards. Rushing an *unwelcome* change into force could lead to entities or jurisdictions choosing to **opt-out in practice**, fragmenting the uniform adoption IFRS S2 seeks to achieve.

Recommendations for Phased, Transparent Implementation

Considering the above, we recommend an **evidence-based, phased approach** to implementing the amendments' effective date, coupled with enhanced transparency during the transition:

- **Set a Realistic Mandatory Date (with Early Adoption):** We concur that the effective date should be "as early as possible" to realize benefits, but define this with a practical buffer. A target of **1 January 2026** for mandatory effectiveness (as hinted by ISSB discussions) is reasonable, assuming final amendments issued in late 2025. This aligns with giving companies time to adjust systems in 2025 while still aiding first movers. Early application should remain permitted upon issue – we support this, as it empowers proactive entities to adopt reliefs in 2025 filings if feasible. Crucially, IFRS should **require companies to disclose if and when they early-adopted** the amendments (consistent with IFRS practice for new standards) so users understand any differences in basis year-over-year.
- **Phase in Complex Requirements if Needed:** For any amendment that significantly changes practice or where methodologies are immature (e.g. measuring certain Scope 3 categories), the ISSB could introduce it as **optional relief initially, then review uptake and feedback before making it mandatory**. In effect, this is already the case – the reliefs are optional. We suggest formalizing a plan to **revisit these reliefs in a defined timeframe**. For instance, the Board could commit to a **post-implementation review** of the financed-emissions exclusion after, say, two reporting cycles. If by then data quality or methodologies have improved (perhaps via GHG Protocol updates or industry frameworks), the ISSB could decide whether to continue, narrow, or remove the relief. This approach ensures that rapid relief now does not become a permanent loophole contrary to long-term scientific robustness.
- **Enhance Transition Guidance and Transparency:** The ISSB and AASB should provide additional guidance on how to handle the transition at the effective date. This includes illustrative disclosures for entities to explain the impact of the amendments' adoption (e.g. "Under the new amendment effective 2026, we have elected to exclude derivative-related emissions, whereas in 2025 these were included, resulting in a X% reduction in reported Scope 3 emissions"). Such transparency echoes our §29A(b) recommendation that any exclusions be clearly quantified and explained.⁵ It will help stakeholders understand changes brought by early vs late adoption. We also encourage regulators to communicate with companies about whether early application is encouraged, allowed, or not used locally, to manage stakeholder expectations. For example, if the Australian regulator expects companies to early-adopt the reliefs to align with AASB's own submission, that should be made clear to avoid confusion.
- **Coordinate with Jurisdictional Readiness:** Where possible, link the amendment timing to jurisdictions' rollout of climate disclosure mandates. The ISSB has wisely allowed jurisdictional leeway (e.g. alternative GWP values can be used as *long* as a local rule requires it⁵). We recommend a similar spirit in timing: if a major jurisdiction (or block, like the ISSB's jurisdictional working group) indicates they will only adopt the amendments starting a certain date (perhaps to sync with their legislative cycle), the ISSB could accommodate this in setting the effective date or in communications about early adoption. This doesn't mean letting each country choose an effective date – rather, it means being mindful of real-world rollout. A practical step would be for the ISSB to engage with early adopters (such as Australia, UK, Japan, etc.) during the comment analysis phase to understand their **readiness to implement the changes immediately**. If, say, Australian stakeholders express that the reliefs need to be in place by Q4 2025 to influence FY25 reporting, that's evidence to not delay. Conversely, if some jurisdictions worry that immediate adoption would disrupt an existing first-year implementation, the ISSB might allow those regions a transition provision (since entities can always elect not to use a relief until locally sanctioned).

We believe, making the amendments effective as soon as practicable with optional early application is a sound approach to support companies and maintain momentum on climate disclosures – provided that the timing is tuned to stakeholder input and practical readiness. It appears consistent with our earlier recommendations: we advocated for pragmatism and clarity in each amendment area, and a rapid-yet-transparent effective date advances those aims.

The key is to ensure that speed does not come at the expense of disclosure quality or stakeholder buy-in. By phasing implementation where necessary, demanding robust transition disclosures, and remaining responsive to feedback (even post-issuance), the ISSB and AASB can enhance the scientific robustness and consistency of climate reporting while still easing implementation. This balanced timing strategy will ultimately help entities (in Australia and globally) plan their transition confidently, knowing that relief is available when needed and that any changes in requirements will be communicated and managed with appropriate lead time and transparency.

Supporting Recommendations for Future Consideration

While the following proposals fall outside the immediate scope of the ED SR2 consultation, BCSDA considers them vital to the long-term effectiveness, credibility, and comparability of Australia's climate disclosure framework.

These recommendations are intended to support the implementation and evolution of AASB S2 in alignment with emerging international standards and best practice in sustainability reporting.

- **Establish a Technical Advisory Group (TAG):** Create a cross-sectoral expert group including industry, civil society, and scientific bodies to support the AASB in monitoring and updating GHG disclosure guidance as methodologies mature—particularly in relation to facilitated and insurance-associated emissions.
- **Signal a Roadmap for Future Inclusion of Scope 3 Subcategories:** Clearly articulate a timeline for potential mandatory inclusion of currently excluded emissions (e.g. derivatives, facilitated finance, insurance) once data quality thresholds or methodology maturity are reached. A phased approach will provide certainty and encourage voluntary early adoption.
- **Foster Inter-Agency Alignment:** Coordinate with APRA, ASIC, and other regulators to harmonise sustainability-related disclosures with financial risk and prudential reporting obligations, minimising regulatory burden and ensuring data consistency across frameworks.
- **Promote Voluntary Reporting and Shared Learning:** Encourage voluntary disclosure of excluded but material emissions categories, supported by AASB-issued best practice templates or guidance derived from PCAF and GHG Protocol developments. This will promote industry leadership and build readiness for future requirements.
- **Create an Implementation Learning Repository:** Establish a central hub or annual reporting mechanism to capture emerging implementation challenges, innovations, and illustrative examples. This would support continuous improvement and allow stakeholders to engage with practical disclosure approaches.
- **Recognise ISO 14040, 14044, 14067, and the ISO 13391 series as valid alternatives to the GHG Protocol for land-sector and product-level GHG accounting:** These standards are developed through transparent, consensus-based processes and are already accepted by the U.S. Securities and Exchange Commission (SEC) and the European Union's Corporate Sustainability Reporting Directive (CSRD). They provide a scientifically rigorous and operationally feasible framework for forest carbon accounting, including the quantification of product carbon storage and the displacement of emissions through the use of renewable materials. Their inclusion in the ASRS would ensure that Australia's reporting framework is globally aligned, scientifically credible, and supportive of sustainable land management practices.

These supporting recommendations aim to ensure that the relief measures provided under ED SR2 remain transitional and do not undermine the long-term ambition of Australia's sustainability reporting regime. BCSDA stands ready to collaborate with the AASB and broader stakeholder community to implement these enablers in the spirit of stewardship, transparency, and climate accountability.

Annex – Validation of Forest Sector Concerns on AASB ED SR2

This annex provides evidence-based validation of the issues raised regarding the AASB Exposure Draft ED SR2 and its reliance on the GHG Protocol's Land Sector and Removals Guidance (LSRG). These concerns are supported by international literature, regulatory precedent, and technical critiques from global stakeholders.

1. Criticism of “Intervention Accounting”

Multiple stakeholders have criticised the GHG Protocol's “intervention accounting,” which uses hypothetical baselines assuming no human intervention. Key sources include:

- *Climate Advisers (2022), “Intervention Accounting Is a Mistake”*
- *Forest Climate Working Group (FCWG), US (2023)*

This approach is considered unverifiable and inconsistent with IPCC-aligned GHG accounting, which relies on actual stock-change methods.

2. Divergence from IPCC-Aligned National Inventories

Australia's NGGI, based on IPCC methodology, does not use intervention-style baselines. The LSRG's divergence may cause inconsistencies between corporate disclosures and national emissions reports.

References:

- *IPCC 2006 Guidelines*
- *Department of Climate Change, Energy, the Environment and Water (DCCEEW) NGGI framework*

3. Operational Burdens and Practicality

Forest and agriculture sectors report GHGP requirements as overly complex and impractical due to:

- Expensive monitoring and traceability
- Leakage accounting without feasible methods

References:

- *FAO (2021), “GHG Measurement in Forestry and Agriculture”*
- *Bioenergy Australia submission to ISSB (2023)*

4. Risks from Referencing an Unpublished Standard

The LSRG remains in draft after more than 5 years. Regulatory dependence on an unpublished, potentially evolving standard presents:

- Investment uncertainty
- Compliance risk
- Lack of confidence in reporting frameworks

References:

- *International Emissions Trading Association (IETA), 2024*
- *GHG Protocol website, Land Sector page*

5. Global Recognition of ISO Standards

Other regulatory frameworks recognise ISO methodologies:

- **US SEC Climate Rule (2024)** permits ISO-aligned disclosure
- **EU CSRD** includes ISO options for non-financial reporting
- The new **ISO 13391 series** offers sector-specific forest GHG accounting

Key ISO standards:

- ISO 14040, 14044, 14067 – product carbon foot printing
- ISO 13391-1/2/3 (2025) – forest emissions, removals, and substitution