



Date: 2 June 2025

## **Australian Accounting Standards Board**

### **Response to the AASB Exposure Draft – Amendments to Greenhouse Gas Emissions Disclosures, proposed amendments to AASB S2 (AASB ED SR2)**

IAG welcomes the opportunity to provide feedback to the AASB Exposure Draft – Amendments to Greenhouse Gas Emissions Disclosures proposed amendments to AASB S2 (AASB ED SR2).

IAG is the parent company of Australia and New Zealand's largest general insurance group. Our businesses underwrite over \$16 billion of premium per annum, selling insurance under many leading brands, including: NRMA Insurance, CGU, WFI and ROLLiN' (Australia); and NZI, State and AMI (New Zealand).

As IAG is preparing for its first mandatory Sustainability Report in FY26 we have a direct interest in the proposed amendments as they will assist in clarifying the requirements of the reporting standard, particularly with regards Scope 3 GHG emissions, and in an additional consideration we have raised regarding financed emissions disaggregation.

Our responses in this submission are to the proposed amendments to the IFRS S2 standard as set out by the ISSB in the IFRS S2 ED. Similarly, any references made to existing paragraphs in the standard including the Basis for Conclusions are made to IFRS S2. However, our responses should be taken to apply equally to any matching proposed amendments to the AASB S2 standard.

#### **Response to Question 1: Measurement and disclosure of Scope 3 Category 15 greenhouse gas emissions.**

##### **Question 1 part (a):**

IAG supports the proposal to amend IFRS S2 to permit entities to limit their disclosure of Scope 3 Category 15 greenhouse gas emissions by allowing the optional exclusion of specific Scope 3 Category 15 greenhouse gas emissions, including insurance-associated emissions, when measuring and disclosing Scope 3 greenhouse gas emissions in accordance with IFRS S2. Both the intent of the changes and the related drafting amendments as laid out in the ED regarding the proposed addition of paragraph 29A(a) are supported.

The main reasons for supporting these changes are as follows:

- They serve to clarify what is required to meet the standards with regards Scope 3 Category 15 emissions disclosures. This is important given the potential issues of interpretation as outlined in BC9 – BC13 of this ED, including those which arose from the statements of BC127 and BC129 that accompanied IFRS S2. IAG is aware that the current drafting of the standard has led to differing conclusions regarding the Category 15 requirements.
- While clarifying that an entity may limit what is included within its measure of Scope 3 Category 15 GHG emissions to financed emissions, the proposed amendments as drafted will not preclude an entity from electing to also disclose insurance associated emissions or other options within the category.
- Welcome relief from the methodological, cost and complexity issues in relation to the estimation of insurance associated emissions, especially on a fully assured basis. Also, the proposed amendments provide an approach to Scope 3 Category 15 emissions measurement that is more consistent with that of the GHG Protocol, wherein insurance contracts are included under Category 15 “Other investments or financial services”, a grouping which is stated as only being Optional by the GHG Protocol.

IAG also supports not setting a finite period for these amendments, as discussed in BC21 of the ED. This is a pragmatic and sensible approach which will support the goal of a consistent application of IFRS S2, as discussed within BC53 of the ED.

**Question 1 part (b):**

IAG supports the proposed addition of paragraph 29A(b). This would require entities that limit their Scope 3 Category 15 measure of emissions in accordance with the proposed 29A(a), to provide information that enables users of general purpose financial reports to understand the magnitude of the derivatives and financial activities associated with any Scope 3 Category 15 greenhouse gas emissions that are excluded.

This is a sensible complimentary amendment which is consistent with existing provisions in IFRS S2 such as B62(c) and B63(c) which require disclosure of the percentage of the entity’s gross exposure included in the financed emissions calculation, and therefore inversely reveals the percentage of gross exposure excluded.

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

**Question 2 part (a):**

IAG supports the proposed amendments to paragraphs B62(a)(i) and B63(a)(i) and addition of paragraphs B62A-B62B and B63A-B63B to provide entities some relief from the use of the GICS industry classification in some circumstances and allow them to instead use an alternative industry classification system. This amendment will facilitate entities meeting the reporting requirements of IFRS S2, especially as noted in BC30 of the ED, smaller entities or those in developing and emerging economies.

The careful ordering of the industry-classification systems proposed by paragraphs B62B and B63B provide a safeguard against entities choosing to use an alternative industry-classification system to

GICS if they already use it in any part of the entity. This approach should provide flexibility of the industry classification system that can be utilised for IFRS S2 reporting while still supporting the use of GICS as the primary classification system where it is readily accessible to the entity.

**Question 2 part (b):**

IAG supports the proposed addition of paragraphs B62C and B63C which will require disclosure of the use of a non-GICS classification system, and disclosure of the reasons for selection of the alternative classification system. These are sensible complimentary amendments to ensure primary users of the report have the contextual information required to make use of the disaggregated financed emissions information where the entity has made use of the proposed industry-classification changes discussed under Question 2 part (a) above.

**Further financed emissions disaggregation considerations**

While IAG supports the amendment discussed under Question 2 part (a) and (b), the proposed changes do not address existing issues in relation to the requirements for disclosure of disaggregation of financed emissions.

Under the current IFRS S2 standard, the requirement to disaggregate financed emissions is specified at the GICS 6-digit Industry level code (B62(a)(i) and B63(a)(i)), and this requirement will remain under the proposed changes for those still using GICS (B62B(a) and B63B(a)).

IAG's primary concern with this requirement is the potential for disclosure of commercially sensitive investment portfolio allocation information. This concern arises given the requirement to disclose the gross exposure (B62B(b) and B63(b)) along with the estimated emissions associated with that gross exposure. Further, detailed disclosure of IAG's investments would be onerous and practically difficult to achieve. The GICS Industry code is disaggregated to no fewer than 74 separate industry classifications. Requiring disclosure of investments exposure at this level of granularity has potential to create the issues of practicality of preparation and commercial sensitivity noted above.

Therefore, IAG recommends that changes to the standard also be made to provide entities relief to disaggregate financed emissions to the 2 digit Sector level code (per the GICS framework, or the equivalent in other industry classification systems) rather than the 6-digit Industry level code. Entities should then be required to provide the reason for doing this to the primary users of their report (similar to the proposed B63C statement).

**Response to Question 3: Question 3—Jurisdictional relief from using the GHG Protocol Corporate Standard**

IAG supports the proposal to amend paragraphs 29(a)(ii) and B24 of IFRS S2, clarifying the scope of the jurisdictional relief available on the use of a method other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) for its emissions reporting.

Given this general relief was already provided for in IFRS S2, the proposed amendments to IFRS S2 provide sensible clear limits on the applicability of the relief only to those parts of the entity that require it for jurisdictional reasons.

**Response to Question 4: Applicability of jurisdictional relief for global warming potential values**

IAG supports the proposed amendments to paragraphs B21 and B22 of the IFRS S2 (as discussed in Question 3 above). Amendments should also include relief from the use of global warming potential (GWP) values other than the GWP values that are currently required by the IFRS S2 standard where they are also required by a jurisdictional authority or an exchange for the relevant part of the entity. This is a logical complimentary extension of GHG Protocol jurisdictional relief, with the application of the proposed GWP values relief set out to be consistent with the application of the proposed GHG Protocol relief.

**Response to Question 5: Effective date**

For the reasons discussed in BC50 of the ED, IAG supports proposal to add paragraphs C1A–C1B which would specify the effective date of the amendments, so that as stated in the ED the amendments would be effective as early as possible and permit early application of the proposed revised IFRS S2 standard.

We welcome the opportunity to discuss the issues raised in this submission further, please contact Francis Kelly, [francis.kelly@iag.com.au](mailto:francis.kelly@iag.com.au).

Sincerely,



Alana Bailey

CFO, Group Finance