29 May 2025

Australian Accounting Standards Board | Exposure Draft Amendments to Greenhouse Gas Emissions Disclosures - Proposed amendments to IFRS S2

To whom it may concern,

Australian Accounting Standards Board | Exposure Draft Amendments to Greenhouse Gas Emissions Disclosures - Proposed amendments to IFRS S2

The Insurance Council of Australia (**ICA**) welcomes the opportunity to provide feedback to the Australian Accounting Standards Board (AASB) on the ISSB's Exposure Draft Amendments to Greenhouse Gas Emissions Disclosures - Proposed amendments to IFRS S2.

The ICA is the national body of the general insurance industry in Australia, representing around 90% percent of private sector general insurers. Australia's general insurance sector provides protection for 41 million homes, buildings and vehicles against unexpected events.

Managing climate-related risks is essential for pricing and guiding capital allocation, and climate disclosure promotes transparency and accountability. As insurers adopt climate reporting standards, pragmatic amendments such as those proposed in this Exposure Draft are important to ensure implementation is achievable, consistent and credible. The ICA supports the ISSB's consultative approach and offers the following views on the five proposed changes.

The ICA's response to the ISSB's Exposure Draft is detailed below. The ICA recommends that the AASB adopt the ISSB's proposed changes to ensure alignment with global best practices in sustainability reporting. Full adoption will provide consistency and comparability across jurisdictions and reduce reporting complexity for insurers operating internationally.

Further detail is provided below.

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

Emissions

The ICA supports the proposed amendment to permit the optional exclusion of insurance-associated emissions (IAE) from Scope 3 disclosures. Confirming this optional exclusion would remove the current ambiguity between the body of IFRS S2 and its Basis for Conclusions about whether disclosure of these emissions is required.

This approach also reflects the current limitations in data availability and estimation methods, while acknowledging the significant costs involved in developing assured reporting at this early stage and would provide flexibility to assist insurers in managing compliance costs and the operational challenges in capturing data and measuring emissions across the entire book of business.

However, concerns were raised by some ICA members that excluding IAE from mandatory disclosure could lead to limited disclosures and transition plans, particularly given IAE is often the bulk of an insurers emissions footprint. Accordingly, the ICA encourages the ISSB to signal its intent to monitor the development of principles and methodologies for identifying and measuring emissions associated with insurance activities; and to revisit this category in future once there are clearer pathways for estimation, verification and integration into disclosure and transition planning**.**

Insurance Council of Australia

The ICA supports the proposed disclosure of the magnitude of the emissions under the relief. This approach reflects best practice for building trust in sustainability reporting and will enable users to better assess the reliability and relevance of reported data.

However, concerns were raised about how insurers might satisfy these requirements and whether the substantial amount of information presented in general purpose financial statements prepared applying IFRS 17 *Insurance Contracts* (AASB 17) could be leveraged, perhaps by cross-referencing from the climate reporting. In Australia the climate reporting mandated under the Corporations Act is to be lodged with the entity's financial report and directors report, as part of annual reports. That is, the IFRS 17 information will be available in the same report as the climate-related disclosures under AASB S2 *Climate-related Disclosures*, which uses IFRS S2 as a baseline. We encourage the ISSB to provide further guidance to ensure entities on how to meet this requirement.

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

The ICA supports the proposed amendment to allow the use of the Global Industry Classification Standard (GICS) for disaggregating financed emissions when GICS is not used in any part of the entity, rather than mandating its use in all circumstances. We note that for entities using a classification other than GICS, identifying a relevant classification is the subject of a proposed hierarchy.

GICS is a widely adopted system within the finance sectors and can offer a familiar and operationally efficient structure for emissions attribution. Allowing the use of an alternative classification when the entity does not currently apply GICS could reduce the learning curve, streamline data integration, and support consistency between financial and sustainability disclosures.

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

The ICA supports allowing jurisdictionally mandated methodologies - other than the GHG Protocol - to be used, provided they are consistent with the principles of IFRS S2. This proposal would ensure greater alignment between IFRS S2 and Australia's mandatory climate disclosure regime, which does not require exclusive use of the GHG Protocol.

This flexibility will enable insurers to leverage existing national frameworks such as Australia's National Greenhouse and Energy Reporting (NGER) system and avoid duplicating emissions reporting processes. It also reduces regulatory burden and ensures smoother implementation, particularly for entities operating under multiple frameworks.

The primary risk associated with this proposal is the potential for reduced comparability between jurisdictions. If different estimation techniques are used without adequate explanation, users may find it harder to benchmark emissions performance globally. This places greater emphasis on the clarity and transparency of accompanying narrative disclosures.

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

The ICA supports permitting entities, where required by a jurisdictional authority or an exchange on which it is listed, to use GWP values other than the GWP values from the latest IPCC assessment available at the reporting date. This is consistent with Australia's approach to providing relief for entities using pre-converted emission factors (e.g., Australian National Greenhouse Accounts Factors) from having to recalculate using the latest IPCC GWP values. While this flexible approach may provide potential for reduced comparability across entities, the relief would also avoid duplication of effort, particularly for entities operating across different jurisdictions.

Question 5—Effective date

The ICA supports the proposed amendments being made effective as early as possible and to their permit early application. There are Australian-based insurers currently implementing AASB S2, which the AASB is proposing to amend based on the ISSB's proposals for the annual reporting period commencing 1 January 2025. Accordingly, the completion of this project to amend IFRS S2 is a matter of urgency.

Conclusion

The ICA appreciates the ISSB's responsive and pragmatic approach to implementation feedback. Overall, we support the proposed changes as practical improvements that maintain the integrity of IFRS S2 while addressing real-world challenges for insurers.

We trust that our initial observations are of assistance. If you have any questions or comments in relation to our submission please contact Ange Nichols, Senior Adviser, Climate Action, ange.nichols@insurancecouncil.com.au.

Yours sincerely,

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