

Explanatory Statement

Australian Sustainability Reporting Standard AASB S2025-X *Amendments to Greenhouse Gas Emissions Disclosures*

December 2025

Draft



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standard Amended by AASB S2025-X

This Standard makes amendments to Australian Sustainability Reporting Standard AASB S2 *Climate-related Disclosures* (September 2024).

Main Features of AASB S2025-X

AASB S2025-X *Amendments to Greenhouse Gas Emissions Disclosures* amended AASB S2 *Climate-related Disclosures* to provide additional relief and clarify existing relief from specific greenhouse gas emissions disclosure requirements and to amend the requirements for classifying some types of greenhouse gas emissions.

This Standard amends the requirements in AASB S2 to:

- (a) clarify that an entity is permitted to limit its measurement and disclosure of Scope 3 Category 15 greenhouse gas emissions to financed emissions. Consequently, an entity is permitted to exclude from its measurement and disclosure of Category 15 greenhouse gas emissions the emissions associated with financial activities, such as facilitated emissions associated with investment banking activities and emissions associated with insurance and reinsurance underwriting activities;
- (b) replace the requirement for an entity that participates in commercial banking activities or financial activities associated with the insurance industry to use the Global Industry Classification Standard (GICS) to disaggregate financed emissions information by industry with less prescriptive requirements for the entity to select an industry-classification system that enables it to provide useful information about its exposure to climate-related transition risks;
- (c) clarify that the relief from using the method in the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) for measuring greenhouse gas emissions is available to an entity when a jurisdictional authority or an exchange on which the entity is listed requires the use of a different method only for the part of the entity to which that jurisdictional authority or exchange requirement applies; and
- (d) provide relief to an entity from using the global warming potential (GWP) values based on a 100-year time horizon from the latest Intergovernmental Panel on Climate Change assessment available at the reporting date when a jurisdictional authority or an exchange on which the entity is listed requires the use of different GWP values for the part of the entity to which that jurisdictional authority or exchange requirement applies.

Application Date

This Standard applies to annual periods beginning on or after 1 January 2027, with earlier application permitted.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED SR2 *Amendments to Greenhouse Gas Emissions Disclosures* in April 2025 for public comment, with comments due by 2 June 2025. ED SR2 incorporated the International Sustainability Standards Board (ISSB) Exposure Draft ED/2025/1 *Amendments to Greenhouse Gas Emissions Disclosures*, which proposed amendments to the IFRS Sustainability Disclosure Standard IFRS S2 *Climate-related Disclosures*.

The AASB received 15 comment letters and 8 usable survey responses on ED SR2 across various stakeholder groups and also obtained feedback from targeted outreach. The AASB considered the feedback received from Australian stakeholders in preparing its submissions to the ISSB Exposure Draft. A number of Australian stakeholders also provided their comments directly to the ISSB.

Most of the Australian feedback and the AASB submission to the ISSB was in favour of the proposed amendments on the basis that they would clarify or provide useful relief for entities reporting climate-related disclosures while not resulting in a significant loss of useful information for users of those disclosures. A main area of concern related to the proposed hierarchy of systems for classifying financed emissions of entities that participate in commercial banking activities and financial activities associated with the insurance industry, with the AASB recommending a less prescriptive approach to the classification requirements.

Consistent with the ISSB, the AASB made changes to address concerns raised on the proposals in finalising the Standard. The AASB determined that in the context of the *AASB Due Process Framework for Setting Australian Sustainability Reporting Standards* a further round of public consultation was not needed before finalising the amendments on the basis that it would be unlikely to reveal new information and changes were made to address concerns raised in response to ED SR2.

The AASB set an effective date of annual periods beginning on or after 1 January 2027, with earlier application permitted. This enables entities to apply the amendments to AASB S2 from the time AASB S2025-X is made. The effective date is the same as for the ISSB's amendments to IFRS S2.

A Policy Impact Analysis has not been prepared in connection with the issue of AASB S2025-X as it amends AASB S2 to clarify existing reliefs from some greenhouse gas emissions disclosures and extends some of the existing reliefs. The regulatory impact for AASB S2 had already been calculated by the Treasury in relation to the proposed legislative amendments to the *Corporations Act 2001* in respect of sustainability reporting requirements and assessed by the Office of Impact Analysis (refer OIA, Published Impact Analysis “Climate risk disclosure”, January 2024). The OIA confirmed that a separate Policy Impact Analysis was not required for the amendments to AASB S2.

Legislative Features of Australian Sustainability Reporting Standards

Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Australian Sustainability Reporting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

Copyright

This Standard, like all Australian Sustainability Reporting Standards promulgated by the AASB, is published with Commonwealth of Australia copyright. Educational, commercial and other publishers are able to request the AASB for permission to reprint all or parts of this Standard, which is given without charge.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
Human Rights (Parliamentary Scrutiny) Act 2011

Australian Sustainability Reporting Standard AASB S2025-X *Amendments to Greenhouse Gas Emissions Disclosures*

Overview of the Australian Sustainability Reporting Standard

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This Standard amended the requirements in AASB S2 to:

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- (d) provide relief to an entity from using the global warming potential (GWP) values based on a 100-year time horizon from the latest Intergovernmental Panel on Climate Change assessment available at the reporting date when a jurisdictional authority or an exchange on which the entity is listed requires the use of different GWP values for the part of the entity to which that jurisdictional authority or exchange requirement applies.

Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

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