Australian Government
Australian Accounting Standards Board

Cover Memo

Project:	**Climate-related Financial Disclosures**	**Meeting:**	**December 2025** (M217)
Topic:	**Amendments to AASB S2**	**Paper:**	3.0
		Date of paper:	12 December 2025
Contacts:	Angus Thomson athomson@aasb.gov.au Ao Li ali@aasb.gov.au Lachlan McDonald-Kerr lmcdonald-kerr@aasb.gov.au Charis Halliday challiday@aasb.gov.au	**Project Priority:**	High
		Decision-Making:	High
		Project Status:	Make amendments to AASB S2

Objective

1 The objective of this memorandum and the attachments is to provide the Board with:

(a) a ballot draft version of *Australian Sustainability Reporting Standard* AASB S2025-X *Amendments to Greenhouse Gas Emissions Disclosures* **for voting**; and

(b) the accompanying Explanatory Statement **for approval.**

Attachments

Agenda paper 3.1	Ballot Draft: Australian Sustainability Reporting Standard S2025-X *Amendments to Greenhouse Gas Emissions Disclosures*
Agenda paper 3.2	[Draft] Explanatory Statement to accompany Australian Sustainability Reporting Standard S2025-X *Amendments to Greenhouse Gas Emissions Disclosures*

Background

2 At its November 2025 meeting, the AASB Board received an update on the ISSB's decision to finalise targeted amendments to IFRS S2 *Climate-related Disclosures* in response to application challenges related to specific greenhouse gas (GHG) emissions disclosure requirements. The amendments to IFRS S2 were expected to be finalised by the ISSB in December 2025.

3 Subject to consideration of the ISSB's final wording, the Board made the following tentative decisions in relation to amendments to AASB S2 *Climate-related Disclosures*:

(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, the 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 (IPCC) 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.

4 The Board also decided:

(a) to have an effective date of periods beginning on or after 1 January 2027 for the amendments to AASB S2, with early application permitted;

(b) that, although unlikely to be relevant in an Australian context, to include requirements for entities to adjust comparative information in the first annual reporting period in which the amendments are applied—unless impracticable:

(i) if Scope 3 Category 15 GHG emissions were disclosed in the prior period, the total and financed emissions subtotal, would be restated as if the new requirement had applied;

(ii) if industry-level financed emissions were disaggregated in the prior period, the new classification system would be reflected in the prior period;

(iii) if the entity elects to use jurisdictional relief from the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)* or GWP values, emissions would be restated as if that election had been made in the prior period; and

(c) further public consultation is not required before finalising the amendments to AASB S2.

5 In relation to 4(a), the Board noted that entities applying the amendment early would need to disclose that fact (C1B of AASB S2025-X). The Board also noted that under s336A(3) of the *Corporations Act 2001*, an entity may elect to apply amendments to an earlier period unless the standard specifies otherwise and that the election must be made in writing by the directors. This is consistent with the requirements for early adoption of new or amended Australian Accounting Standards. The Board suggested that staff highlight these requirements to stakeholders. Staff intend to give visibility to this matter in the Frequently Asked Question (FAQ) section on the AASB S2 Knowledge Hub.

ISSB final amendments

6 On 11 December 2025, the ISSB issued the final amendments to IFRS S2. Staff have reviewed the final amendments to IFRS S2 and consider that the wording of the ISSB final amendments is consistent with the tentative decisions made by the AASB Board at its November 2025 meeting and, as such, is appropriate for inclusion in the AASB's ballot draft.

Ballot drafts and accompanying papers

7 Using the final amendments issued by the ISSB as the basis, staff have prepared:

(a) a ballot draft version of AASB S2025-X (Agenda paper 3.1) for **voting**; and

(b) draft Explanatory Statement accompanying AASB S2025-X (Agenda paper 3.2) for Board members' consideration and **approval**.

8 The amendments shown in the ballot draft version of AASB S2025-X are the same as the amendments made to IFRS S2 by the ISSB in December 2025 and, accordingly, help to maintain alignment between AASB S2 and IFRS S2. The AASB developed AASB S2025-X by incorporating the content of ISSB amendments, including the IFRS S2 paragraph numbering, modified to the extent necessary to account for the Australian legal and institutional environment and to ensure that any disclosure and transparency provisions are appropriate. This includes replacing references to IFRS Accounting Standards with Australian Accounting Standards.

9 In addition to the amendments contained in Amendments to IFRS S2–Amendments to Greenhouse Gas Emissions Disclosures issued by the ISSB paragraph AusB63.1 has been deleted. This paragraph was included in AASB S2 to specify, consistent with the Legislation Act 2003, the relevant version of a non-legislative Australian document / foreign document referenced in the Standard—in this case, the GICS. This paragraph has now been deleted as a consequence of the amendments to AASB S2 because, under the newly added paragraph B63A, entities engaged in commercial banking or insurance activities are no longer required to refer to the latest version of the GICS when classifying financed emissions.

10 Staff have not identified or been made aware of any areas of inconsistency between the *Corporations Act 2001* and the proposed Amending Standard AASB S2025-X.

Staff recommendation

11 Staff recommend the Board vote to make Australian Sustainability Reporting Standard S2025-X *Amendments to Greenhouse Gas Emissions Disclosures* and approve the accompanying [draft] Explanatory Statement. Staff note that the amendments provide reliefs and clarifications that will support entities in applying AASB S2 without significantly affecting the decision-usefulness of information for users.

Questions to Board members:

Question 1 (**for discussion**):	Do Board members have any questions or comments on the ballot draft AASB S2025-X (Agenda paper 3.1) and the [draft] Explanatory Statement (Agenda paper 3.2)?
Question 2 (**for decision**):	Do Board members vote in favour of making Australian Sustainability Reporting Standard S2025-X *Amendments to Greenhouse Gas Emissions Disclosures*?
Question 3 (**for decision**):	Do Board members approve the Explanatory Statement accompanying Australian Sustainability Reporting Standard S2025-X *Amendments to Greenhouse Gas Emissions Disclosures*?

Next steps

12 If AASB members vote to make the proposed Amending Standard AASB S2025-X and approve the Explanatory Statement, the content of the Amending Standard and the Explanatory Statement will be finalised by replacing "AASB S2025-X" with the next Amending Standard number in the sequence and the various dates inserted into the Amending Standard or Explanatory Statement as indicated. The Amending Standard and the Explanatory Statement would then be registered on the Federal Register of Legislation, published on the AASB Standards Portal and communicated with stakeholders.