



Project:	Climate-related Financial Disclosures	Meeting:	November 2025 (M216)
Topic:	Amendments to AASB S2 <i>Climate-related Disclosures</i>	Agenda Item:	7.1
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		Decision-Making:	High
		Project Status:	Decide on amendments to AASB S2

Objective

- 1 At its September 2025 meeting, the ISSB agreed to finalise targeted amendments to IFRS S2 *Climate-related Disclosures* in response to application challenges related to greenhouse gas (GHG) emissions requirements. The amendments to IFRS S2 are expected to be issued in December 2025.
- 2 The objective of this staff paper is to **tentatively decide** on amendments to AASB S2 *Climate-related Disclosures* in a manner consistent with the ISSB amendments.
- 3 As the content presented in this paper is based on tentative decisions of the ISSB, once the ISSB issues amendments to IFRS S2, AASB staff will assess whether any updates are required in the Australian context. AASB staff will then prepare an amending Standard and accompanying Board Paper outlining any changes from the tentative decisions. The Board will then be asked to vote on issuing the amending Standard, which staff expect to be in December 2025.

Structure

- 4 This paper is structured as follows:
 - (a) [Section One](#): Background
 - (b) [Section Two](#): Theme 1: Measurement and disclosure of Scope 3 Category 15 GHG emissions
 - (c) [Section Three](#): Theme 2: Classification of specific financed emissions disclosures
 - (d) [Section Four](#): Theme 3: Jurisdictional relief from using the GHG Protocol Corporate Standard
 - (e) [Section Five](#): Theme 4: Applicability of the jurisdictional relief for global warming potential (GWP) values
 - (f) [Section Six](#): Theme 5: Effective date and early application
 - (g) [Section Seven](#): Due process
 - (h) [Section Eight](#): Next steps

Section One: Background

- 5 The AASB issued [Exposure Draft ED SR2 Amendments to Greenhouse Gas Emissions Disclosures](#), which incorporates ISSB's [Exposure Draft Amendments to Greenhouse Gas Emissions Disclosures](#),

proposing targeted amendments to AASB S2 in response to application challenges identified by stakeholders.

- 6 The proposals in ED SR2 related to the following five themes:
- (a) **Theme 1:** Measurement and disclosure of Scope 3 Category 15 GHG emissions;
 - (b) **Theme 2:** Classification of specific financed emissions disclosures;
 - (c) **Theme 3:** Jurisdictional relief from using the GHG Protocol Corporate Standard;
 - (d) **Theme 4:** Applicability of the jurisdictional relief for global warming potential (GWP) values; and
 - (e) **Theme 5:** Effective date and early application.
- 7 At its October 2025 meeting, the AASB was provided with a comprehensive update on the proposed amendments including a summary of Australian stakeholder feedback, the content of the AASB's submissions to the ISSB, approaches to the monitoring of ISSB deliberations and an outline of next steps.¹ Consequently, this paper provides only a high-level summary of Australian stakeholder feedback and the content of the AASB's submissions to the ISSB to help inform Board deliberations.

Section Two: Theme 1: Measurement and disclosure of Scope 3 Category 15 GHG emissions

- 8 ED SR2 proposed clarifying that entities are not required to measure or disclose Scope 3 Category 15 GHG emissions, except for financed emissions (i.e. those related to loans and investments). Hence, entities would not be required to measure and disclose Scope 3 Category 15 GHG emissions associated with derivatives, commercial banking and insurance-associated activities.
- 9 ED SR2 also proposed disclosures to help users understand the magnitude of the derivatives and financial activities excluded from Scope 3 Category 15 GHG emissions measurement and disclosure.
- 10 Most stakeholders broadly supported both the proposed exclusions and disclosure requirements.
- 11 The AASB agreed that the proposed amendments would help clarify the nature of disclosure requirements. The AASB supported the rationale for permitting exclusions, including the lack of established methodologies and varying interpretations of these disclosure requirements. The AASB also supported proposed disclosures to help users understand the extent of derivatives and financial activities excluded from Scope 3 Category 15 GHG emissions measurement.

ISSB decisions

- 12 The ISSB tentatively decided, as proposed in their Exposure Draft, to clarify that measurement and disclosure of Scope 3 Category 15 GHG emissions is mandatory for financed emissions. However, these do not include emissions from commercial banking, insurance-related activities or derivatives.
- 13 In making this tentative decision, among other things, the ISSB noted:
- the need to clarify that the relief does not extend to other IFRS S2 requirements related to understanding an entity's exposure to transition risk. The focus remains on IFRS S2.29(a). For example, IFRS S2.29(b), which requires broader disclosures about transition risk vulnerabilities, would still apply to commercial banking and insurance-related activities;
 - support for not establishing a timeline to revisit the relief, with reassurance that the ISSB will monitor developments through its due process to assess the ongoing relevance of the relief;

1 See [Agenda Paper 9.1 \(October 2025\) Project Update and Next Steps – Proposed Amendments to IFRS S2/AASB S2 Climate-related Disclosures](#).

- “financed emissions” refers to “loans and investments”, which are not defined in IFRS and are not standard accounting terms—hence, they cannot be relied upon to determine scope; and
 - recognition of calls for a definition of “derivatives”, but support for the current approach—allowing entities to define derivatives themselves—given that climate disclosures serve a different purpose than financial statements and need not align with financial statement definitions.
- 14 The ISSB tentatively decided to include in the Basis for Conclusions a statement clarifying that the relief does not imply whether the excluded information is relevant to understanding transition risk. The intent is to resolve inconsistencies between the Standard and its Basis for Conclusions, without reassessing the usefulness of the information.
- 15 In relation to the disclosures associated with the relief, the ISSB tentatively decided to:
- (a) replace the Exposure Draft proposal to quantify excluded derivatives and financial activities with a requirement to describe the excluded financial activities, including those involving derivatives; and
 - (b) require entities to explain what they considered a derivative when applying the relief, such as by describing whether these items meet the definition of derivatives under the GAAP applied in their financial statements.
- 16 The ISSB also tentatively decided to require disclosure of total Category 15 GHG emissions and a sub-total for financed emissions, where emissions beyond financed emissions are included.
- 17 In making these tentative decisions, among other things, the ISSB noted:
- there is no uniform accounting treatment for derivatives—treatment varies by instrument, including fair value through profit or loss (FVPL), hedging, share-based payments or equity instruments;
 - the purpose of the derivative disclosures is not to align with financial statements—since total derivatives are not disclosed therein—but to explain how the relief was applied; and
 - it is useful for investors to understand the scope of derivatives identified by each entity when applying IFRS S2.

Staff recommendations

- 18 AASB staff note that the ISSB’s decisions outlined above align with the AASB’s views and address the clarity-related concerns raised in the AASB’s submission. Therefore, subject to consideration of the final wording, staff recommend that the AASB adopt the relief and associated disclosure requirements as tentatively decided by the ISSB at its September 2025 meeting.

Question 1 to the Board (for decision):

Subject to consideration of the final wording, do Board members agree with the staff recommendation to amend AASB S2 in a manner consistent with the ISSB tentatively decided amendments to IFRS S2 related to the measurement and disclosure of Scope 3 Category 15 GHG emissions?

Section Three: Theme 2: Classification of specific financed emissions disclosures

- 19 ED SR2 proposed allowing entities to use an industry classification system other than GICS for financed emissions related to commercial banking or insurance activities, provided GICS is not used anywhere in the entity. A hierarchy was suggested to guide the choice of alternative systems, prioritising those required for climate or financial reporting, or those that produce useful information

for users of general purpose financial reports. ED SR2 also proposed requiring entities to disclose when an alternative classification system is used.

- 20 Most stakeholders supported this flexibility, noting it would reduce reporting burden, avoid duplication, and better align with existing practices.
- 21 However, stakeholders raised concerns about the requirement to apply GICS across the entire entity if used in any part. Stakeholders advocated for a more pragmatic approach, allowing partial use of GICS, especially where it is only applied in specific business units or where licensing constraints exist.
- 22 The AASB encouraged the ISSB to adopt a more principles-based approach, allowing entities to classify counterparties using any system that produces useful information. This reflects concerns about GICS's limited coverage, cost and the risk of classification being driven by subsidiaries rather than group-level policy.

ISSB decisions

- 23 The ISSB tentatively decided in favour of amending the proposed requirement to (instead) require an entity participating in commercial banking or insurance activities to classify financed emissions by:
- (a) selecting a system that enables the entity to classify counterparties by industry in a manner that results in information that is useful for understanding the entity's exposure to climate-related transition risks;
 - (b) prioritising—with all else being equal—selecting a commonly used industry-classification system that would support comparability between entities;
 - (c) using a single industry-classification system, subject to clarifying that an entity that participates in both commercial banking and insurance activities is not required to use the same industry-classification system to classify counterparties for its commercial banking and insurance activities when disaggregating financed emissions information by industry;
 - (d) disclosing the industry-classification system used to disaggregate the entity's financed emissions information by industry; and
 - (e) disclosing reasons for the entity's choice of system and how using that system enables the entity to classify counterparties by industry in a manner that results in information that is useful for understanding the entity's exposure to climate-related transition risks.
- 24 In making these decisions, among other things, the ISSB noted:
- both usefulness and comparability are important, with comparability implying the use of a widely adopted classification system;
 - requiring a single system supports comparability, while allowing entities to exercise judgement in selecting the most appropriate system within that constrain;
 - there may be a reasonable trade-off between usefulness and comparability, and that an overemphasis on usefulness may undermine comparability in some cases;
 - some jurisdictions have established classification systems for their business and regulatory contexts, which may enhance usefulness; and
 - investors expressed support for a more principles-based approach, as indicated through targeted outreach.

Staff recommendations

- 25 AASB staff note that the ISSB's decisions address the key concerns raised in the AASB's submission. Accordingly, subject to consideration of the final wording, staff recommend that the AASB adopt the industry classification requirements tentatively decided by the ISSB at its September 2025 meeting.

Question 2 to the Board (for decision):

Subject to consideration of the final wording, do Board members agree with the staff recommendation to amend AASB S2 in a manner consistent with the ISSB tentatively decided amendments to IFRS S2 related to the classification of financed emissions?

Section Four: Theme 3: Jurisdictional relief from using the GHG Protocol Corporate Standard

- 26 ED SR2 proposed allowing an entity to use a method other than the GHG Protocol: A Corporate Accounting and Reporting Standard (2004) (GHG Protocol Corporate Standard) to measure GHG emissions for the relevant part of the entity, where a jurisdictional or exchange requirement applies in whole or in part, and for as long as that requirement remains in effect.
- 27 Most stakeholders broadly supported the proposed jurisdictional relief, viewing it as a practical and necessary step to reduce duplication, align with national frameworks such as Australia's NGER scheme, and ease the reporting burden—particularly for multinational entities operating across diverse regulatory environments.
- 28 Several stakeholders applying NGER advocated for extending the relief to allow its application not only to Australian operations, but also:
- (a) in jurisdictions where there are no jurisdictional requirements; or
 - (b) across the whole group, regardless of the presence of alternative jurisdictional requirements.
- 29 The AASB supported the proposed relief as a practical solution as it clarifies that the relief applies only to those parts of the entity required to use alternative jurisdictional or exchange requirements, and would reduce or remove the need for duplicative reporting.

ISSB decisions

- 30 The ISSB tentatively decided to clarify, as proposed in their Exposure Draft, that jurisdictional relief from using the GHG Protocol Corporate Standard is available when an entity is required by a jurisdictional authority or listing exchange to use a different method for measuring GHG emissions, in whole or in part, and for as long as that requirement applies.
- 31 The ISSB also tentatively decided to rely on existing disclosure requirements under IFRS S1.B29 and B30 (included in AASB S2 Appendix D), which require entities to disclose other measurement methods used and to disaggregate information when material.

Staff recommendations

- 32 Staff note that the ISSB's tentative decisions outlined above are broadly consistent with the AASB's submission. Staff also note that the relief would be significant for Australian stakeholders already reporting via the NGER scheme, as certain entities may be required to report at a facility (rather than accounting entity) level. As such, subject to consideration of the final wording, staff recommend that the AASB adopt the jurisdictional relief from using the GHG Protocol Corporate Standard for measuring GHG emissions as tentatively decided by the ISSB at its September 2025 meeting.

Question 3 to the Board (for decision):

Subject to consideration of the final wording, do Board members agree with the staff recommendation to amend AASB S2 in a manner consistent with the ISSB tentatively decided amendments to IFRS S2 related to the jurisdictional relief from using the GHG Protocol Corporate Standard?

Section Five: Theme 4: Applicability of the jurisdictional relief for global warming potential (GWP) values

- 33 ED SR2 proposed allowing an entity to use GWP values other than those from the latest IPCC Assessment for the relevant part of the entity, where a jurisdictional or exchange requirement applies in whole or in part, and for as long as that requirement remains in effect.
- 34 Stakeholders broadly supported the proposed relief, considering it a practical solution that reduces duplication of effort and aligns with national frameworks such as Australia's NGER scheme.
- 35 Several stakeholders advocated for extending the relief to cases where no specific GWP values are mandated. They supported consistent GWP values across an entity's operations—regardless of jurisdictional requirements—arguing this would reduce administrative burden and enhance internal consistency.
- 36 The AASB supported the proposed relief as a practical solution, as it clarifies that the relief applies only to those parts of an entity subject to alternative jurisdictional or exchange requirements, and would reduce or eliminate duplicative reporting.

ISSB decisions

- 37 The ISSB tentatively decided, as proposed in their Exposure Draft, to permit entities to use GWP values that differ from those required in the Standard when, in whole or in part, they are subject to a jurisdictional or exchange requirement. This relief applies for as long as the requirement remains in effect and allows entities to use values other than the 100-year GWP values from the latest IPCC assessment for converting the seven constituent greenhouse gases into CO₂ equivalents.
- 38 The ISSB also tentatively decided to rely on existing disclosure requirements—specifically IFRS S2.29(a)(iii)(1) for inputs and assumptions used in GHG measurement, and IFRS S1.B29 and B30 for disaggregation when material.
- 39 In making these tentative decisions, the ISSB noted:
- stakeholders' concerns regarding comparability;
 - the importance of clarifying that the relief can apply to part of an entity; and
 - that the balance between comparability and reducing duplicative reporting is reasonable.

Staff recommendations

- 40 AASB staff note that the ISSB's tentative decisions are largely consistent with the AASB's submission. Staff recommend that, subject to consideration of the final wording, the AASB adopt the jurisdictional relief tentatively decided by the ISSB at its September 2025 meeting.

Question 4 to the Board (for decision):

Subject to consideration of the final wording, do Board members agree with the staff recommendation to amend AASB S2 in a manner consistent with the ISSB tentatively decided amendments to IFRS S2 related to the jurisdictional relief from using GWP values from the latest IPCC assessment?

Section Six: Theme 5: Effective date and early application

- 41 ED SR2 proposed setting the effective date so that the amendments would be effective as early as possible and to permit early application.²

2 Section 336A of the Corporations Act permits early adoption unless the standard says otherwise.

- 42 Stakeholders supported the proposal for an early effective date—noting that some entities will be applying AASB S2 for the year ended 31 December 2025.
- 43 The AASB supported the proposal for the earliest possible effective date and permitting the option for early application.

ISSB decisions

- 44 The ISSB tentatively decided on an effective date of 1 January 2027, with early application permitted.
- 45 The ISSB also tentatively decided that entities should adjust comparative information in the first annual reporting period in which the amendments are applied—unless impracticable. Specifically:
- (a) if Scope 3 Category 15 GHG emissions were disclosed in the prior period, the total and financed emissions subtotal should be restated as if the new requirement had applied;
 - (b) if industry-level financed emissions were disaggregated in the prior period, the new classification system should be reflected in the prior period; and
 - (c) if the entity elects to use jurisdictional relief from the GHG Protocol Corporate Standard or GWP values, emissions should be restated as if that election had been made in the prior period.

Staff analysis

- 46 AASB staff note:
- (a) many stakeholders expect the amendments to AASB S2 to be available for the first mandatory application period for Group 1 entities—i.e. annual reporting periods beginning on or after 1 January 2025; and
 - (b) the AASB cannot issue a standard with retrospective application and therefore cannot make the amendments mandatory for any period or date beginning before the Standard is made.
- 47 There are two main competing options outlined in the below table:

Approach	Advantages	Disadvantages
Periods beginning on or after 1 January 2027	Aligns with the IFRS S2	Early adopters would need to declare and disclose that fact ³ (e.g. for two years for Group 1 entities). Mixed adoption may also affect comparability across entities.
Periods ending on or after 31 December 2025	Early adopters would not need to declare and disclose early adoption. Ensures all entities reporting for calendar 2025 apply the same (amended) version of AASB S2.	For Group 1 entities, the legislated effective date under the Corporations Act is 1 January 2025—using a period ending date may be perceived as incompatible. The AASB typically only uses a period ending effective date in exceptional cases (e.g. AASB 1048). Staff would need to compile the amendments into AASB S2 in early 2026, which may pose practical challenges due to the limited time available.

3 AASB S2.AusC1.1 requires entities applying AASB S2 early to disclose that fact. A similar requirement would be expected in the amending Standard for early adopters. Section 336A of the Corporations Act requires an election by directors to early adopt to be in writing, typically satisfied by recording in board minutes.

Staff recommendation

- 48 Staff recommend aligning the effective date for the AASB S2 amendments with the effective date for the amendments to IFRS S2—i.e. for periods beginning on or after 1 January 2027—with early application permitted, because this approach does not affect the practical availability of the amendments from 2025 and supports consistency with IFRS S2.
- 49 Although the transitional provisions for comparative information are unlikely to be relevant for Australian entities—given that AASB S2 will first be applied in 2025 or later—staff consider that including them would not be problematic in the Australian context.
- 50 Staff also note that AASB communications channels can highlight the requirement for entities adopting the amendments early to disclose that they have done so, consistent with AASB S2.AusC1.1.

Question 5(a) to the Board (for decision):

Do Board members agree with having an effective date of 1 January 2027 for the amendments to AASB S2, with early application permitted?

Question 5(b) to the Board (for decision):

Do Board members agree with including the additional comparative information transitional provisions in AASB S2?

Section Seven: Due Process

- 51 The table below outlines the principles underpinning the due process and the steps the AASB has conducted in progressing amendments to AASB S2, in parallel with ISSB due process.

Due Process Framework	AASB actions	Comments
Strategic international influence – maximising Australian input and influence with international, regional and national standard-setters, including, but not limited to, the ISSB [para.18(a)]. Issue consultation documents from significant international sustainability reporting standard-setters concurrently in Australia to seek Australian input [para.20(c)].	March 2025: AASB noted the ISSB decided to respond to stakeholder feedback on aspects of IFRS S2 by issuing an ED for a 60-day comment period proposing narrow-scope amendments. AASB resolved to issue an AASB ED that incorporates the ISSB ED for a 30-day comment period, to facilitate obtaining Australian stakeholders' feedback to inform the AASB's submission to the ISSB on its proposals.	AASB's monitoring of ISSB activities and close tracking of ISSB due process meets the relevant principles in the Due Process Framework.
	April 2025: issued ED SR2 Amendments to Greenhouse Gas Emissions Disclosures , which incorporates ISSB's Exposure Draft Amendments to Greenhouse Gas Emissions Disclosures .	AASB S2 uses IFRS S2 as its baseline. The ISSB's proposed amendments relate to identical requirements in AASB S2. Australian stakeholders were among those raising the need for amendments.
Appropriate consultation – consulting in a genuine and	ED SR2 remained open for comment for 34 days, closing on 2 June 2025. The	The period for comment on ED SR2 and outreach

Due Process Framework	AASB actions	Comments
timely way with interested and affected entities, professional bodies, community organisations and individuals, to achieve high-quality Standards [para.18(b)]. Ideally, a minimum 90-day comment period, however, if a project is narrow in scope and urgent, no less than a 30-day comment period [para.26].	AASB received 15 comment letters and eight usable survey responses. The AASB also participated in virtual and in-person roundtable sessions to hear stakeholders' views on ED SR2.	conducted was justifiable to help achieve timely amendments and has met the mandatory due process step associated with public consultation.
Make submissions on issues likely to be of relevance to Australian entities. Take input received from Australian stakeholders into account when making submissions [para.20(c)].	AASB provided a detailed comment letter to ISSB on all ED issues. ⁴ The AASB also provided a joint comment letter—together with the UK Financial Reporting Council and Sustainability Standards Board of Japan—to ISSB to convey common concerns on classification of financed emissions (Theme 2). ⁵	Staff consider the individual and joint submissions, influenced by domestic stakeholder feedback, met this due process requirement.

- 52 Re-exposure for public comment may be necessary in certain circumstances—particularly where the Board decides to substantively amend the originally-exposed proposals. This judgement should be informed by the nature of stakeholder feedback and the extent to which changes reflect that input and whether new information would be revealed by further consultation.
- 53 Two changes have been made to the originally-exposed proposals—relating to disclosures about omitted emissions (Theme 1(b)) and the classification of financed emissions (Theme 2)—both in response to feedback from AASB and international stakeholders. These changes have resulted in positions that largely address the concerns raised by the AASB. All other proposed amendments are expected to proceed as originally drafted, having received majority support.

ISSB decision

- 54 At its September 2025 meeting, the ISSB concluded that further public consultation is not required before finalising the amendments to IFRS S2. This decision was based on the view that no substantive changes have been introduced that stakeholders have not already had the opportunity to comment on, and that re-exposure is unlikely to yield new information or concerns.

Staff recommendation

- 55 Subject to the Board's agreement with staff recommendations in Sections 2–5 and a review of the ISSB's final wording for alignment and legislative consistency once issued, staff recommend that the AASB finalise amendments to AASB S2—aligned with the ISSB's tentative decisions—without further public exposure.

4 The [AASB's individual comment letter](#) has been published on the AASB website.

5 The [AASB's joint comment letter](#) has been published on the AASB website.

Question 6 to the Board (for decision):

Do Board members agree that there is no need for further public consultation before finalising amendments to AASB S2 aligned with the ISSB's tentative decisions? If you disagree, what steps do you suggest are needed and why?

Section Eight: Next Steps

- 56 For the above reasons, staff consider it important to finalise and issue the amending Standard in 2025 to provide clarity and certainty to the Australian market while maintaining international alignment with IFRS S2, which the ISSB expects to have amended by December 2025.
- 57 Amending Standards are typically used to modify existing Accounting Standards, which are then compiled into the relevant Standard.
- 58 Staff note the following considerations in relation to finalising the amendments:
- (a) in theory, an Australian entity could apply the amendments if they are available before finalising its sustainability report. Entities reporting for periods beginning 1 January 2025 are expected to complete their reports between January and March 2026. Therefore, the amending Standard could be issued in early 2026 and still be available for use for 2025 reports. However, entities are likely to expect clarity on applicable requirements before the end of 2025.
 - (b) existing transition relief allows entities to avoid most of the concerns addressed by the amendments in their first year of applying AASB S2:
 - for Themes 1 and 2, entities are not required to disclose Scope 3 GHG emissions [AASB S2.C4(b)]; and
 - for Theme 3, entities may continue using a previously applied method other than the GHG Protocol Corporate Standard [AASB S2.C4(a)].
 - (c) there is no existing transition relief for Theme 4. Entities using direct measurement must convert the seven constituent greenhouse gases into CO₂ equivalent values using 100-year global warming potential values from the latest IPCC assessment available at the reporting date [AASB S2.B21]. While Scope 3 emissions may be excluded under AASB S2.C4(b), no relief is available for Scope 1 and Scope 2 emissions.
- 59 Staff expect the following steps to finalisation:
- AASB staff to review final wording from ISSB and prepare and draft AASB amending Standard with accompanying paper for Board members;
 - Board to vote on making the amending Standard; and
 - publish amending Standard and lodge on the Federal Register of Legislative Instruments.

Question 7 to the Board (for decision):

Do Board members have any comments or questions on proceeding with an amending Standard and the next steps noted above?