

Basis for Conclusions on AASB S2025-1

This Basis for Conclusions accompanies, but is not part of, AASB S2. The Basis for Conclusions was originally published with AASB S2025-1 Amendments to Greenhouse Gas Emissions Disclosures.

Introduction

BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board's (AASB's) considerations in developing AASB S2025-1. In making decisions, individual Board members gave greater weight to some factors than to others.

Reasons for issuing this Standard

BC2 Consistent with the commitment from the Australian Government to introduce internationally aligned mandatory climate-related financial reporting for large businesses and financial institutions, the AASB issued AASB S2025-1 to amend AASB S2 *Climate-related Disclosures* to:

- (a) clarify existing relief from disclosing and measuring Scope 3 Category 15 greenhouse gas emissions related to derivatives and to commercial banking and insurance-associated activities;
- (b) amend requirements related to classifying financed emissions of entities that participate in commercial banking activities and financial activities associated with the insurance industry;
- (c) clarify the jurisdictional relief from using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) when measuring greenhouse gas emissions; and
- (d) provide jurisdictional relief for using global warming potential (GWP) values other than the GWP values based on a 100-year time horizon from the latest Intergovernmental Panel on Climate Change assessment available at the reporting date.

Approach to developing AASB S2025-1

BC3 In April 2025, the ISSB published an Exposure Draft *Amendments to Greenhouse Gas Emissions Disclosures* and the AASB published ED SR2 *Amendments to Greenhouse Gas Emissions Disclosures*, which proposed targeted amendments to IFRS S2 *Climate-related Disclosures* and AASB S2 *Climate-related Disclosures* to address application challenges identified by stakeholders related to greenhouse gas (GHG) emissions disclosure requirements.

BC4 The AASB ED was open for a 34-day comment period that closed on 2 June 2025. The ISSB ED was open for a 60-day comment period to 27 June 2025. 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. A number of Australian stakeholders also provided their comments directly to the ISSB. Most of the stakeholder feedback generally supported the proposed amendments to:

- (a) clarify 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). They supported entities being permitted to exclude from the measurement and disclosure of Scope 3 Category 15 GHG emissions those emissions associated with derivatives, commercial banking and insurance-associated activities;
- (b) require disclosures about the financial activities associated with commercial banking, insurance or derivatives, relating to excluded Scope 3 Category 15 greenhouse gas emissions;
- (c) change the requirements for classifying financed emissions of entities that participate in commercial banking activities and financial activities associated with the insurance industry. However, they expressed concerns over the proposed continuing use of the Global Industry Classification Standard as a default classification system;
- (d) clarify the relief from using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) to measure greenhouse gas emissions for the relevant part of the entity, where a different jurisdictional or exchange requirement applies in whole or in part, and for as long as that requirement remains in effect; and

- (e) use global warming potential values other than those from the latest Intergovernmental Panel for Climate Change 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. Stakeholders generally considered this to be a practical solution that would reduce duplication of effort and align with national frameworks such as Australia’s National Greenhouse and Energy Reporting Scheme.
- BC5 The AASB considered the feedback it received from Australian stakeholders in preparing its submissions to the ISSB ED – one comment letter from the AASB alone and a second joint comment letter with the UK Financial Reporting Council and the Sustainability Standards Board of Japan to convey common feedback.
- BC6 Consistent with Australian stakeholder feedback, the AASB’s comments to the ISSB generally supported the proposals while raising the concerns noted in paragraph BC4(c).
- BC7 In relation to the concerns expressed by stakeholders, changes were made to the proposed amendments by the ISSB and the AASB. These changes included requiring the use of a system that classifies investees or counterparties in a manner that results in information that enables users of general purpose financial reports to understand the entity’s exposure to climate-related transition risks, noting that a system commonly used by other entities is more likely to support the comparability of information across entities than a system used only by the entity.
- BC8 In making the amendments to clarify that some Scope 3 Category 15 greenhouse gas emissions are permitted not to be measured and disclosed, the AASB noted that the amendments do not relieve an entity from:
- (a) other requirements to provide information about its climate-related risks and opportunities, including transition risks, that is useful to users of general purpose financial reports in making decisions relating to providing resources to the entity; or
- (b) providing information about its climate-related targets, which might include targets related to Scope 3 Category 15 greenhouse gas emissions that are not financed emissions.
- BC9 In developing the amendments, the AASB considered the *AASB Due Process Framework for Setting Australian Sustainability Reporting Standards* and whether a further round of public consultation might be needed before finalising the amendments. The AASB concluded a further round of public consultation would be unlikely to reveal new information or concerns.
- BC10 The amendments made by AASB S2025-1 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. International alignment is widely supported by Australian stakeholders based on the feedback received in 2024 on the AASB ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information* when AASB S2 was being developed.

Impact analysis

- BC11 The AASB issued AASB S2 to support the *Corporations Act 2001* requirements for large businesses and financial institutions to prepare climate-related financial disclosures. The AASB was advised by the Office of Impact Analysis (OIA) that the AASB did not need to undertake an Impact Analysis for the mandatory climate-related disclosure Standard on the basis that the regulatory impact had already been calculated by the Treasury in relation to the proposed amendments of the Corporations Act and assessed by the OIA (refer OIA, Published Impact Analysis “Climate risk disclosure”, January 2024).
- BC12 AASB S2025-1 amends AASB S2 to clarify existing reliefs from some greenhouse gas emissions disclosures and extend some of the existing reliefs and also amends the requirements for classifying some types of greenhouse gas emissions in applying specific requirements related to the disclosure of information about financed emissions. The AASB has been advised by the OIA that the AASB does not need to undertake an Impact Analysis for AASB S2025-1.

Effective date and transition

- BC13 The financial period in which an entity is first required to apply AASB S2 is specified in the Corporations Act as amended by the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024*. It specifies three application dates (financial years beginning on or after 1 January 2025, 1 July 2026 and 1 July 2027) for the various classes of entity, based on entity size or, for entities reporting under the National Greenhouse and Energy Reporting Scheme, on level of emissions.
- BC14 To support the Corporations Act requirements, AASB S2 has an effective date of annual reporting periods beginning on or after 1 January 2025.

- BC15 In selecting the effective date for the amendments set out in AASB S2025-1, the AASB considered the fact that there are existing transition reliefs applicable to greenhouse gas emissions disclosure requirements. Specifically, in the first annual reporting period in which an entity applies AASB S2, the following transition reliefs are available:
- (a) if, in the annual reporting period immediately preceding the date of initial application the entity used a method for measuring its greenhouse gas emissions other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), the entity is permitted to continue using that other method; and
 - (b) an entity is not required to disclose its Scope 3 greenhouse gas emissions, which includes, if the entity participates in asset management, commercial banking or insurance activities, the additional information about its financed emissions.
- BC16 AASB S2025-1 has an effective date of annual reporting periods beginning on or after 1 January 2027, with earlier application permitted, which aligns with the effective date of the amendments to IFRS S2. However, entities required to comply with AASB S2 follow their application date as set out in the legislation. By permitting early application of AASB S2025-1, entities can apply the amendments to annual reporting periods beginning on or after 1 January 2025. Entities applying the amendments early need to disclose that fact.
- BC17 The amending Standard also introduces transition provisions relating to comparative information that would apply to entities that apply the unamended AASB S2 to one reporting period and subsequently apply the amended AASB S2 to the next reporting period. These provisions have been included to align with IFRS S2. These transition provisions are not expected to be widely used by entities applying AASB S2 because Australian entities are generally expected to apply the amended AASB S2 at the earliest opportunity and transition reliefs are available in the first annual reporting period in which an entity applies AASB S2.