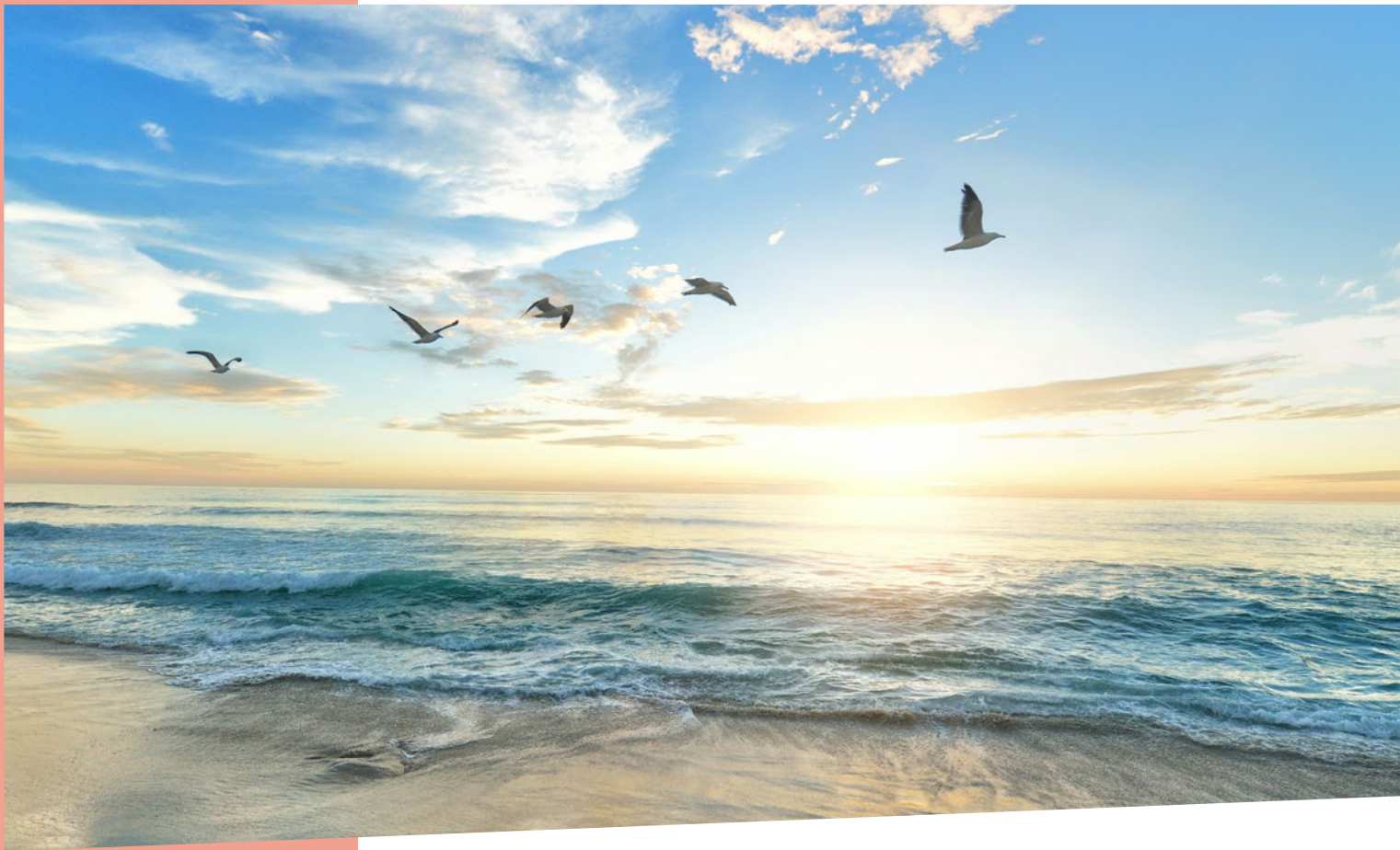


# ESV

## AASB S2 Climate-Related Disclosures – Scope 3 Emissions



Even where reporting is not mandatory, Scope 3 expectations are flowing through supply chains and into everyday business relationships.

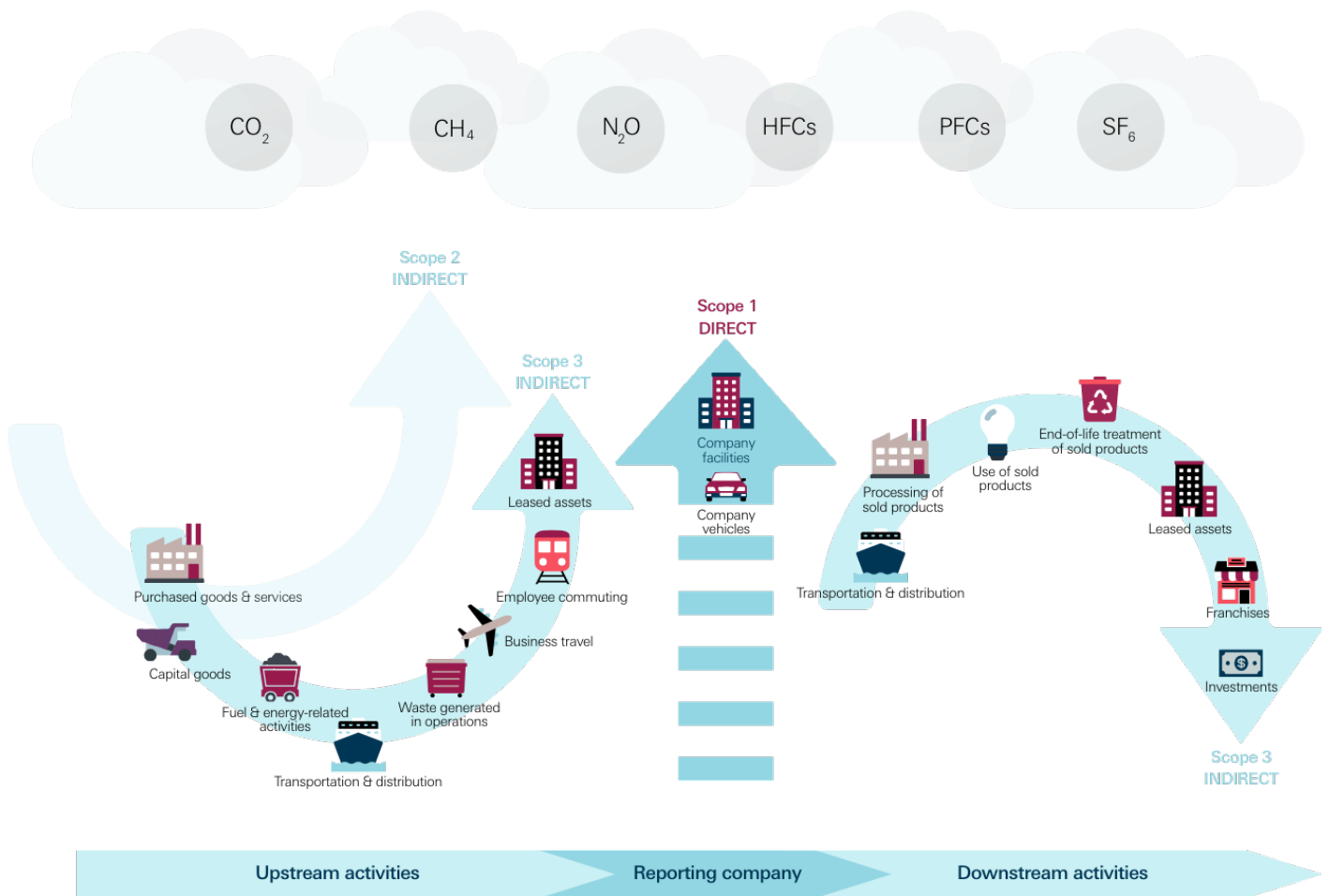
Under AASB S2, organisations are required to consider and disclose material Scope 3 greenhouse gas (GHG) emissions as part of their climate-related metrics. Scope 3 emissions typically represent the largest and most complex component of an organisation's emissions profile, extending beyond direct operational control into the broader value chain.

While AASB S2 provides transitional relief for Scope 3 disclosures, entities are still expected to identify, assess and progressively improve their Scope 3 measurement capability. For many organisations, Scope 3 emissions are critical to transition planning, target-setting, stakeholder expectations and the credibility of climate-related claims.

# Understanding Scope 3 emissions

Scope 3 emissions are indirect emissions that occur across an organisation’s upstream and downstream value chain, excluding Scope 1 and Scope 2. Scope 3 emissions inherently rely on value-chain data that sits outside an entity’s direct control, increasing estimation risk and placing greater emphasis on clear boundary definition, documentation and governance.

Under the GHG Protocol, Scope 3 emissions are grouped into several categories, including:



Credit: [ghgprotocol.org](http://ghgprotocol.org)

For professional services and private groups, the most material categories are commonly purchased goods and services, business travel, employee commuting and investments.

# Why Scope 3 matters

For many organisations, Scope 3 emissions account for 70–95% of total emissions. As a result:

- Investors and lenders increasingly assess Scope 3 exposure.
- Customers expect transparency across the value chain.
- Transition plans and net-zero targets are often not credible without Scope 3 consideration.
- Reputational and greenwashing risks increase where Scope 3 is ignored.

Although more complex and estimation-based than Scope 1 and 2, Scope 3 emissions are often the most decision-useful for understanding climate risk and opportunity.



## AASB S2 disclosure expectations

Under AASB S2, entities must:

Disclosure area	Expectations
Materiality	Identify material Scope 3 categories and explain the assessment
Measurement	Disclose emissions where material and data are reasonably available
Methodologies	Describe methods applied by category
Assumptions	Explain estimates, proxies and limitations
Transparency	Clearly disclose data gaps and uncertainty
Improvement	Outline plans to improve Scope 3 data quality over time

For professional services and private groups, the most material categories are commonly purchased goods and services, business travel, employee commuting and investments.

## Scope 3 Emissions disclosures

Given the additional information required, AASB S2 provides transitional relief, meaning Scope 3 emissions may not be required to be disclosed in the first year of climate reporting. From the second year of reporting, limited assurance is expected to apply to climate disclosures, including Scope 3 emissions where disclosed.

Comparative emissions information is **not required in the first year of reporting** where transition relief applies; comparatives are expected once disclosures stabilise in subsequent years.

Years commencing	Year 1 <sup>1</sup>	Year 2	Year 3	Year 4 <sup>2</sup>	Year 5	Year 6
Group 1	1/1/25 to 30/6/26	1/7/26 to 30/6/27	1/7/27 to 30/6/28	1/7/28 to 30/6/29	1/7/29 to 30/6/30	1/7/30 to 30/6/31
Group 2	1/7/26 to 30/6/27	1/7/27 to 30/6/28	1/7/28 to 30/6/29	1/7/29 to 30/6/30	1/7/30 to 30/6/31	1/7/31 to 30/6/32
Group 3	1/7/27 to 30/6/28	1/7/28 to 30/6/29	1/7/29 to 30/6/30	1/7/30 to 30/6/31	1/7/31 to 30/6/32	1/7/32 to 30/6/33
Governance	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Strategy - Risks & Opportunities <sup>3</sup>	Limited <sup>4</sup>	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate Resilience Assessments/ Scenario Analysis	None <sup>5</sup>	Limited	Limited	Reasonable	Reasonable	Reasonable
Transition Plans	None <sup>5</sup>	Limited	Limited	Reasonable	Reasonable	Reasonable
Risk Management	None <sup>5</sup>	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 1 & 2 Emissions	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 3 Emissions	N/A <sup>5</sup>	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate-related Metrics & Targets	None <sup>5</sup>	Limited	Limited	Reasonable	Reasonable	Reasonable

<sup>1</sup> Group 1 entities with years commencing 1 January to 30 June will be subject to the Year 1 provisions twice (e.g. years commencing 1/1/25 and 1/1/26). Reporting of Scope 3 emissions is required for years commencing 1/1/26 to 30/6/26 for these Group 1 entities.

<sup>2</sup> Years commencing from 1/7/30 to 30/6/31 for Group 3 entities. From that time reasonable assurance is required by the Act for all mandatory climate disclosures.

<sup>3</sup> The phasing for assurance on statements that there are no material climate-related risks and opportunities would be the same as for 'Strategy – Risks and Opportunities'.

<sup>4</sup> Only subparagraphs 9(a), 10(a) and 10(b) of AASB S2.

<sup>5</sup> N/A means disclosure is not required while 'None' means disclosure is required but not subject to assurance.

Source – Auditing and Assurance Standards Board - Appendix - Diagrammatic representation of assurance phasing - (Ref: Para. 10)

## What this means for private clients

- > Although Scope 3 emissions are not required to be disclosed until the second year of climate reporting, they typically represent the largest and most complex component of an organisation's emissions profile.
- > Identifying material categories, data sources and governance responsibilities early will significantly reduce future compliance risk.
- > Private businesses may be indirectly captured through value chains. Even where a private entity is not directly subject to AASB S2 reporting, it may be a supplier, customer or investee of a larger reporting entity. As a result, private businesses are increasingly being asked to provide emissions data or sustainability information to support their customers' Scope 3 disclosures.

If you have any questions regarding Scope 3 emissions or climate-related disclosures, please don't hesitate to reach out to your ESV Engagement Team.

