GHG Emissions Scope Classification Guide

Ensuring compliance with AASB S2 climate-related disclosure requirements

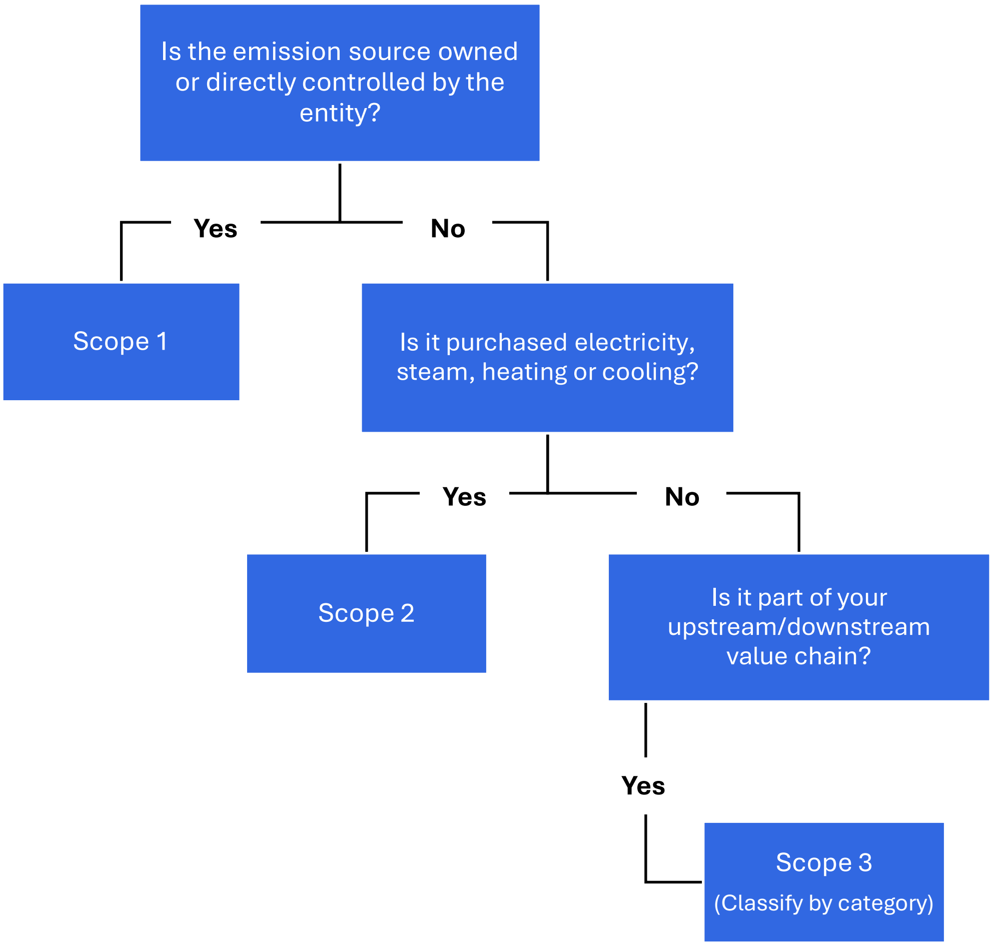
1. Introduction

This guide provides accounting and sustainability teams with clear instructions on how to classify greenhouse gas (GHG) emissions into Scope 1, Scope 2, and Scope 3 categories, as required under AASB S2. Proper classification is crucial to ensure transparency, audit readiness, and compliance with Australia's climate-related financial disclosure regulations.

2. Definition of Scopes

Scope	Definition	Common examples
Scope 1	Direct emissions from sources that are owned or controlled by the entity	Company vehicles, on-site fuel combustion
Scope 2	Indirect emissions from the generation of purchased electricity, steam, heating, or cooling	Grid electricity used in buildings
Scope 3	Indirect emissions (excluding Scope 2) from the value chain, both upstream and downstream	Business travel, purchased goods, waste, use of sold products

3. Scope classification flowchart



4. Scope 3 GHG categories

Category	Description	Example
1	Purchased goods & services	Raw materials, packaging
2	Capital goods	Equipment purchases
3	Fuel- and energy-related activities	Extraction/transport of fuels
4	Upstream transportation & distribution	Third-party logistics
5	Waste generated in operations	Landfill, recycling
6	Business travel	Air travel, hotels
7	Employee commuting	Cars, public transport
8	Upstream leased assets	Leased office equipment
9	Downstream transportation & distribution	Customer shipping
10	Processing of sold products	Manufacturing by third parties
11	Use of sold products	Consumer product emissions
12	End-of-life treatment of sold products	Disposal, recycling

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13	Downstream leased assets	Equipment leased to others
14	Franchises	Emissions from franchisees
15	Investments	Financed emissions (banks, funds)

5. Common Classification Mistakes

- Transmission losses incorrectly reported as Scope 1 instead of Scope 3 (Category 3)
- Double counting emissions in Scope 1 and Scope 3 when dealing with shared assets
- Misreporting upstream leased assets under Scope 1 rather than Scope 3 (Category 8)
- Omitting Category 15 for investment and finance sector entities
- Applying the wrong boundary setting (e.g., reporting emissions from entities not included in the financial consolidation group)
- Using outdated or irrelevant emission factors not aligned with the correct activity, region, or year
- Failing to update classification when operations or procurement practices change, resulting in outdated reporting assumptions
- Overlooking upstream Scope 3 categories when reporting downstream emissions only (or vice versa)

6. Additional Resources

- GHG Protocol Scope 1 and 2 GHG Inventory Guidance
- GHG Protocol Scope 3 Calculation Guidance
- ASRS AASB S2 Climate-related Disclosures
- Australian National Greenhouse Accounts Factors