Financed Emissions

Commonwealth Climate Disclosure Requirements

Financed emissions are a Year 3 disclosure requirement for investment entities listed in Appendix B of the Commonwealth Climate Disclosure (CCD) Requirements. They provide annual report users with greater transparency on the greenhouse gas emissions associated with an entity's investments, loans and financing activities.

This guidance provides practical guidance for investment entities on reporting financed emissions under requirements M3(e)ii and M4. This guidance outlines who must report financed emissions, what information is required, and key considerations to support transparent and defensible disclosures.

What are financed emissions?

Financed emissions are the portion of the gross greenhouse gas emissions of an investee, borrower or counterparty attributed to an entity's loans, investments or other financial activities. For the reporting entity, financed emissions form part of its Scope 3 Category 15 (under the Greenhouse Gas Protocol accounting methodology) emissions.

The methodology applied, the nature of the investment, and the availability of emissions data will determine whether Scope 1, Scope 2 and Scope 3 emissions are included in the financed emissions calculation.

Entities should clearly disclose which emissions data are based on actual reported information, which have been estimated, and which have been excluded from the calculation, together with an explanation of the rationale and any material assumptions applied.

Definition: The CCD Requirements define financed emissions as the portion of gross greenhouse gas emissions attributable to the recipient of a loan or investment made by the entity (see page 30 of the CCD Requirements).

Financed emissions criteria [M4]

The table below summarises the key requirements set out in M4 and prompting questions entities can use when preparing a financed emissions disclosure.

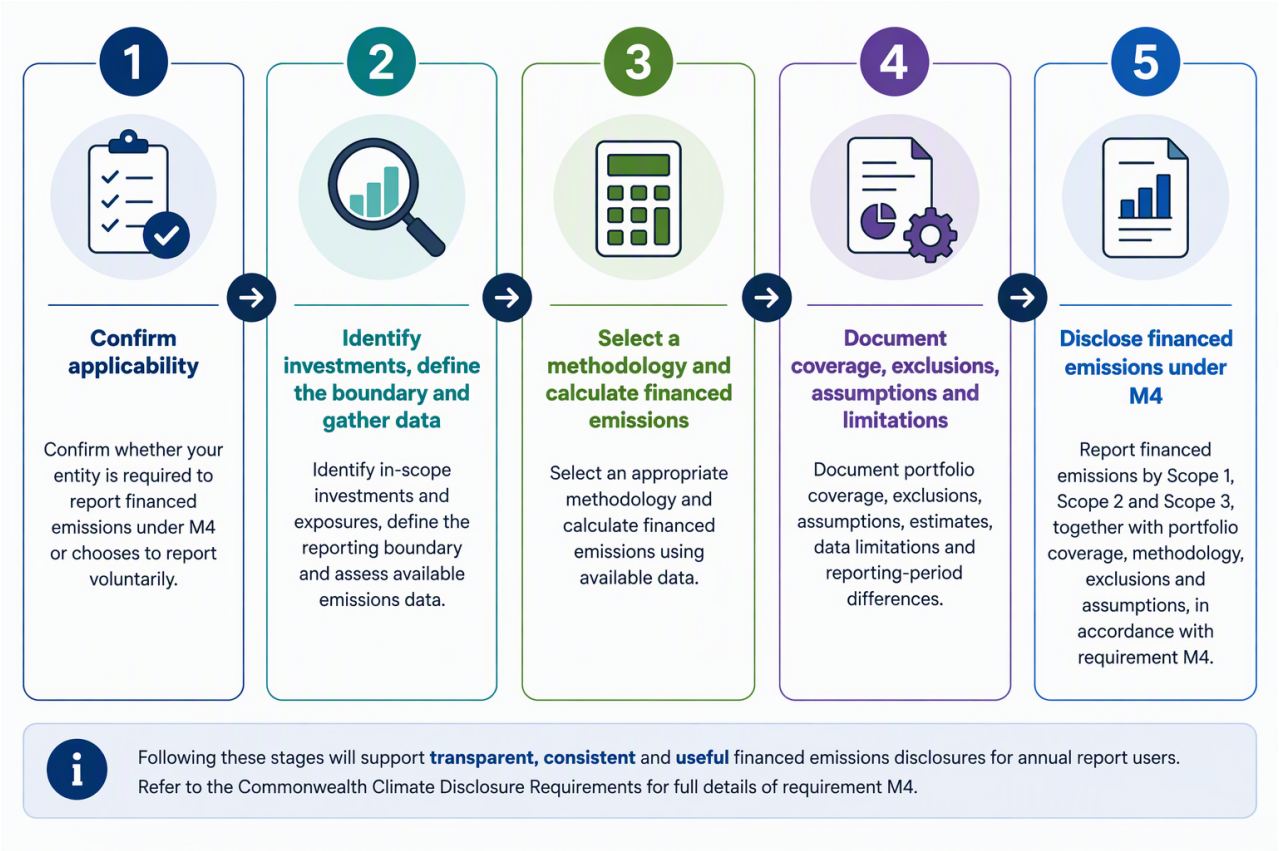
Table 1 Overview of M4 financed emissions disclosure requirements

Requirement	Requirement overview	Prompting question
M4(a)	Gross financed emissions, disaggregated by Scope 1, Scope 2 and Scope 3 greenhouse gas emissions.	What are the emissions associated with our loans, investments or financing, broken down by scope?

M4(b)	The percentage of the entity's total assets under management or gross exposure included in the financed emissions calculation.	How much of our portfolio or exposure is covered by the calculation?
M4(b)	An explanation of any exclusions from the financed emissions calculation.	What have we left out, and why?
M4(c)	The methodology used to calculate financed emissions.	What calculation approach did we use?
M4(c)	The allocation method used to attribute the entity's share of emissions, based on the size of its gross exposure or total assets under management.	How did we calculate the emissions attributable to our investment or financing exposure?
M4(d)	Use of all reasonable and supportable information available at the reporting date without undue cost or effort.	What reasonable and supportable information was available at the reporting date, and what estimates, assumptions or data limitations affected the calculation?

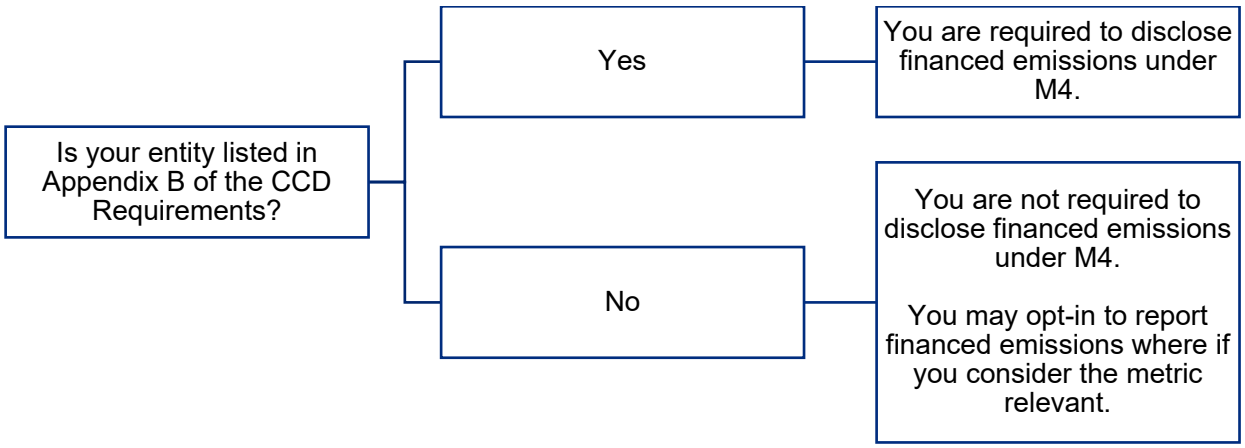
Process for reporting financed emissions

Figure 1 Process for reporting financed emissions



Step 1: Confirm applicability

Figure 2 Confirm applicability of M4 financed emissions requirements



Step 2: Identify investments, define the boundary and gather data

Once applicability has been confirmed, identify the investments and exposures to be assessed for financed emissions reporting. The entity should then:

- identify the relevant reporting date, for example, the value of investments held as at 30 June of the reporting year;
- group investments using categories appropriate to the entity, such as industry sector or type of financing;
- determine the relevant financial exposure; and
- assess whether Scope 1, Scope 2 and Scope 3 emissions information is available.

This establishes the calculation boundary and identifies data gaps that may require estimates, assumptions or exclusions.

Note: Reporting period and data availability
The CCD Requirements permit entities to use the most recent portfolio emissions information available where it relates to an equivalent reporting period. It is common for entities to report financed emissions with a one-year lag to allow sufficient time to collate counterparty emissions information. For example, 2024–25 financed emissions calculations can be based on 2023–24 emissions data.

Entities should consider what information is available to support a financed emissions calculation. Some information may already be held within the entity, while other information may need to be obtained from investee organisations, fund managers or public disclosures. Some common data sources are tabled below.

Table 2 Potential sources of financed emissions data

Information required	Potential Source	Typical availability
Investment or financial exposure	Portfolio records, finance systems and investment records	Usually held internally
Investment type or asset class	Investment records, investment papers and legal agreements	Usually held internally
Sector and location of financed activity	Investment records, project documents and public disclosures	Usually available
Scope 1 and Scope 2 emissions	Investee annual reports, sustainability reports, climate disclosures or direct requests	Often available, depending on the investment
Scope 3 emissions	Investee sustainability reports, climate disclosures or direct requests	May be incomplete or unavailable
Organisation, project or asset value	Financial statements, project documents, investee data	Availability varies
Emissions estimates or factors	Recognised sector or activity-based emission factors, public datasets or third-party data providers	May require additional analysis

Example: hypothetical scoping financed emissions boundary [M4b]

Entities should review their investment portfolio to identify investments and exposures within scope and assess the availability of emissions data. A summary of a hypothetical investment portfolio is provided below.

Table 3 Hypothetical in-scope investment exposures

Investment Sector	Activities	Investment Exposure	Emissions Data Available?
Energy and renewables	Renewable energy generation, storage and infrastructure	$20 million	Scope 1, Scope 2 and Scope 3 available
Resources and critical minerals	Mining, processing and industrial projects	$15 million	Scope 1, Scope 2 and Scope 3 available
Transport and logistics	Ports, airports, freight and transport infrastructure	$10 million	Scope 1 and Scope 2 reported; Scope 3 estimated
Social infrastructure	Housing, health and community infrastructure	$5 million	Insufficient emissions information available
Total in scope exposure		$50 million	

Table 4 Illustrative portfolio data assessment

Metric	Value
Total in-scope exposure	$50 million
Exposure with complete reported emissions data	$35 million
Exposure with partial data and estimates	$10 million
Exposure with insufficient emissions information	$5 million
Exposure expected to be included in the financed emissions calculation	$45 million

Based on the portfolio assessment, the entity identified **$50 million of in-scope investments and exposures**. Emissions data was available for investments representing **$45 million** of the

portfolio, with sufficient information unavailable for the remaining **$5 million**. As a result, the entity expects to calculate financed emissions for **90 per cent** of its in-scope portfolio and will need to consider how the remaining exposure is treated when documenting exclusions, assumptions and portfolio coverage in later stages of the disclosure.

Tip: Start with data that is readily available. Investment values, portfolio holdings and public climate disclosures are often the easiest information to obtain and can help entities establish an initial financed emissions calculation. Where investee emissions data is unavailable, entities should document the gap and consider whether estimates or alternative data sources may be appropriate.

Step 3: Select methodology and calculate financed emissions [M4a, M4c]

The CCD Requirements do not prescribe a specific methodology for calculating financed emissions. Entities should adopt an approach that is appropriate to their investment activities and available data and clearly disclose the methodology, assumptions and data sources used.

Commonly used methodologies

The most used methodology by investment entities producing disclosures as part of the CCD initiative to date for calculating financed emissions is the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting and Reporting Standard. PCAF provides approaches for measuring and attributing greenhouse gas emissions associated with investments and financing activities and is designed to supplement the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Example: Export Finance Australia's financed emissions methodology [M4c]

Export Finance's reported using the PCAF Standard in their 2025-26 Climate Disclosure. They applied a 'follow the money' approach to select emissions factors reflecting the sectors and regions financed. The share of customers' Scope 1 and Scope 2 emissions based on its proportional share of outstanding exposure, with the reporting boundary informed by available data and AASB S2.

Example – Calculating financed emissions

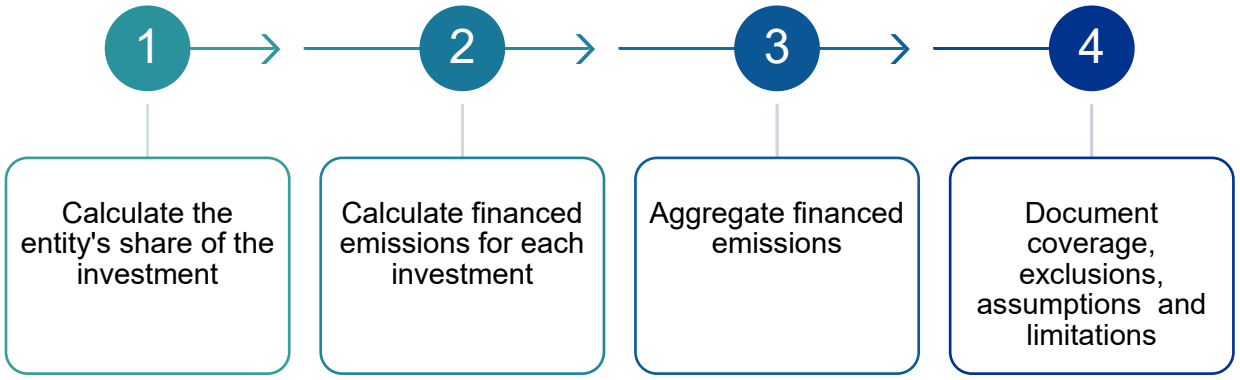
The example below illustrates an approach to calculating financed emissions for an individual investment within a hypothetical investment portfolio. It is provided for illustrative purposes only and does not prescribe a particular methodology. Entities should select an approach appropriate to their investment activities and disclose the methodology, assumptions and data sources used.

In this scenario the entity holds a $20 million energy and renewables investment for the FY2024–25 reporting period. This investment forms part of the entity's $50 million in-scope investment exposure.

- The entity's investment exposure is $20 million.
- The total value of the financed organisation is $500 million.
- The financed organisation reports annual Scope 1, Scope 2 and Scope 3 greenhouse gas emissions.

The process used is outlined in the figure below.

Figure 3 Approach to calculating financed emissions



1. *Calculate the attribution factor*

Calculate an attribution factor representing its proportional financial interest in the underlying organisation, project or asset. The appropriate denominator and allocation method will depend on the selected methodology and the type of investment. In this simplified example, the entity's $20 million exposure is divided by the assumed $500 million value of the financed organisation.

Table 5 Attribution factor calculation

Item	Value
Investment sector	Energy and renewables
Entity investment exposure	$20 million
Assumed value of financed organisation	$500 million
Attribution factor	4%

Note: This simplified example does not prescribe a valuation basis or allocation method. Entities should apply the denominator and attribution approach required by their selected methodology and relevant investment or asset class.

2. *Calculate financed emissions for each investment*

The entity applies its 4 per cent share to the organisation's reported emissions.

Table 6 Financed emissions by each investment

Emissions Category	Organisation Emissions (tCO_2-e)	Entity's Share	Financed Emissions (tCO_2-e)
Scope 1	140,000 tCO_2-e	4%	5,600 tCO_2-e
Scope 2	10,000 tCO_2-e	4%	400 tCO_2-e
Scope 3	50,000 tCO_2-e	4%	2,000 tCO_2-e
Total – Energy and renewables investment	**200,000 tCO_2-e**		**8,000 tCO_2-e**

Table 7 Illustrative calculation of financed emissions

3. Aggregate financed emissions

After calculating financed emissions for each investment included in the calculation, the entity combines the individual results to determine its portfolio-level financed emissions. The results

should be aggregated separately for Scope 1, Scope 2 and Scope 3 so the entity can prepare the disaggregated disclosure required under M4(a).

Table 8 Aggregated financed emissions

Investment sector	Exposure included in calculation	Scope 1 financed emissions (tCO_2-e)	Scope 2 financed emissions (tCO_2-e)	Scope 3 financed emissions (tCO_2-e)	Total financed emissions (tCO_2-e)
Energy and renewables	$20 million	5,600	400	2,000	8,000
Resources and critical minerals	$15 million	2,400	600	2,000	5,000
Transport and logistics	$10 million	1,000	250	750	2,000
Social infrastructure	Excluded	Not calculated	Not calculated	Not calculated	Not calculated
Portfolio total included in calculation	$45 million	5,400	1,250	8,350	15,000

Table 9 Aggregate financed emissions across the portfolio

The entity calculated financed emissions for three investment sectors representing **$45 million** of its **$50 million** in-scope exposure. The individual investment results were aggregated to determine portfolio-level financed emissions of **15,000 tCO_2-e**, comprising **5,400 tCO_2-e of Scope 1 financed emissions, 1,250 tCO_2-e of Scope 2 financed emissions and 8,350 tCO_2-e of Scope 3 financed emissions**. The remaining $5 million Social infrastructure exposure was not included because sufficient emissions information was unavailable.

Step 4: Document coverage, exclusions, assumptions and limitations

Following the calculation and aggregation of financed emissions, the entity should document the extent of portfolio coverage, any exposures excluded from the calculation, and the assumptions, estimates and data limitations that affect the reported results. This information helps annual report users understand the completeness of the financed emissions disclosure and how the reported figures were determined.

Illustrative Portfolio coverage

Table 10 Portfolio coverage example

Coverage metric	Value
Total in-scope exposure	$50 million
Exposure included in financed emissions calculation	$45 million
Exposure excluded from calculation	$5 million
Portfolio coverage	90%

Exclusions

Table 11 Financed emissions exclusion example

Excluded exposure	Value	Reason
Social infrastructure investment	$5 million	Insufficient emissions information was available to calculate or reasonably estimate financed emissions

Assumptions and limitations

Table 12 Financed emissions assumptions and limitations

Assumption or limitation	Description
Reporting period	FY2024–25 investee emissions information used where this was the most recent equivalent reporting-period information available
Data source	Investee disclosures, internal investment information and other reasonable and supportable information available
Estimated data	Scope 3 emissions for the $10 million Transport and logistics exposure estimated where reported Scope 3 information was unavailable

Use of reasonable and supportable information [M4d]

In accordance with requirement M4(d), the entity has used all reasonable and supportable information available at the reporting date without undue cost or effort to calculate financed emissions. Where directly reported emissions information was unavailable, reasonable estimates and assumptions were applied and are disclosed alongside the reported results.

Step 5: Disclose financed emissions under M4

The final step is to present financed emissions information in a clear and transparent manner within your climate disclosure. A strong disclosure separately reports the Scope 1, Scope 2 and Scope 3 financed emissions included in the calculation and clearly explains where an emissions scope has been estimated or excluded.

Table 13 M4 disclosure example

M4 requirement	Illustrative disclosure
M4(a) Financed emissions	Scope 1: 5,400 tCO_2-e; Scope 2: 1,250 tCO_2-e; Scope 3: 8,350 tCO_2-e; Total: 15,000 tCO_2-e
M4(b) – Portfolio coverage	$45 million of $50 million in-scope exposure included, representing 90% portfolio coverage
M4(b) - Exclusions	$5 million social infrastructure exposure excluded because sufficient information was unavailable to calculate or reasonably estimate financed emissions
M4(c) – Methodology	The entity calculated an attribution factor for each included investment by comparing its financial exposure with the relevant value of the underlying organisation, project or asset. It applied that attribution factor to the underlying Scope 1, Scope 2 and Scope 3 emissions included in the calculation and aggregated the individual results to portfolio level.
M4(d) – Information used	The entity used reasonable and supportable information available at the reporting date without undue cost or effort, including reported information and estimates where appropriate

Learn from existing Commonwealth disclosures

Several Commonwealth entities have voluntarily disclosed financed emissions ahead of the Year 3 reporting requirement. Reviewing these public disclosures can help entities understand how methodologies, portfolio coverage, assumptions, exclusions and data limitations may be presented in practice.

See the Transparency Portal for access to published annual reports. Hyperlinks are provided in the box below for investment entities that have disclosed financed emissions earlier than required.

Note: Appendix B listed entities include

Australian Renewable Energy Agency

Clean Energy Finance Corporation

Export Finance and Insurance Corporation

Future Fund Management Agency

Housing Australia

National Reconstruction Fund Corporation

Northern Australia Infrastructure Facility

Regional Investment Corporation

The Australian Infrastructure Financing Facility for the Pacific.

Document control

Version number	Date of issue	Brief description of change
1	3/11/2026	Initial publication

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