



IFRS EXPOSURE DRAFT AMENDMENTS TO GREENHOUSE GAS EMISSIONS DISCLOSURES - PROPOSED AMMENDMENTS TO IFRS S2

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ICAEW welcomes the opportunity to comment on the “IFRS Exposure Draft Amendments to Greenhouse Gas Emissions Disclosures - Proposed Amendments to IFRS S2” published by International Sustainability Standards Board on 28 April 2025, a copy of which is available from [this link](#).

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EXECUTIVE SUMMARY

Measurement and disclosure of Scope 3 Category 15 Green House Gas Emissions

1. We are supportive of the proposed relief allowing financial institutions (FI's) to exclude derivatives, facilitated emissions, and insurance-associated emissions from their Scope 3 Category 15 Green House Gas (GHG) disclosures.
2. Significant challenges in measuring derivative, insurance-associated, and facilitated emissions persist, such as data access and quality, attribution, and methodologies. Despite the Partnership for Carbon Accounting Financials (PCAF) making important progress in deriving approaches to measuring Scope 3 financed emissions, along with initial efforts by the GHG Protocol in their reporting standard, coverage remains limited.
3. On balance we do not believe the reliefs need to be time-bound on the basis that time pressure to disclose a metric where important questions are still to be answered (including usefulness, completeness, methodology and data) would be unhelpful in progressing the development of decision useful information.
4. We believe that any future assessment of the reliefs, whether they are maintained, narrowed, or withdrawn, should start by being clear on the objective of such disclosures and what they are intended to reveal about the climate risks and opportunities facing FI's. Further, whether such metrics are the best way of evidencing the extent to which FI's influence their customers and wider supply chain in the context of the transition to net zero.
5. It would appear that the link between an FI's activity and the emissions it enables can range from direct to very indirect. As a result, attempts to attribute emissions are still highly judgemental and this lack of clarity around causality increases the risk that disclosures are misleading.
6. That said, we recognise that the broader range of insurance and facilitation activities support and enable economic activity through capital markets, risk management, and risk pooling. We therefore encourage the ISSB and the sector to continue exploring the most effective ways to report progress on decarbonising their business activities and transitioning to net zero.
7. We support the ISSB's proposal that where emissions are excluded, entities should disclose the magnitude of the excluded activities. However, further clarity is welcome on what is meant by "amount" in this context. Firms could interpret this as a requirement to estimate and disclose figures based on varying reported values and new business metrics. For example, for facilitation activities some FI's are likely to disclose fees earned on deals while others may decide the notional amount of debt/equity raised is more appropriate.
8. We recommend allowing entities to define derivative related activities themselves, given the complexity and variety of their use in financial institutions.

Use of the Global Industry Classification standard (GICS) in applying specific requirements related to financed emissions

9. We support the ISSB's proposals to allow flexibility in industry classification systems and jurisdictional reliefs, which reduce reporting burdens and costs for multinational entities. However, we recommend removing the group-wide GICS mandate triggered by any single subsidiaries use, and aligning classification requirements with an entity's primary framework to avoid unnecessary complexity.

Jurisdictional relief from using the GHG Protocol

10. We believe the amendment makes IFRS S2 clearer and easier to use. It confirms that companies can apply the jurisdictional relief to only those parts of their business that local rules cover, instead of needing the same rule to cover the entire company.
11. We note this amendment not only benefits FI's but reporters under IFRS S2 more broadly.

Applicability of jurisdiction relief for global warming potential (GWP) values

12. We support the proposal. Requiring the latest IPCC GWP factors across an entire group, even where local rules mandate different values, forces global businesses to run two emissions conversion workflows, driving up cost and complexity.

ANSWERS TO SPECIFIC QUESTIONS

Question 1—Measurement and disclosure of Scope 3 Category 15 greenhouse gas emissions

- a) *The ISSB proposes to permit entities to limit their disclosure of Scope 3 Category 15 greenhouse gas emissions. This limitation would permit entities to exclude some of their Scope 3 Category 15 greenhouse gas emissions, including those emissions associated with derivatives, facilitated emissions and insurance-associated emissions, when measuring and disclosing Scope 3 greenhouse gas emissions in accordance with paragraph 29(a)(i)(3) of IFRS S2. (a) The ISSB proposes to add paragraph 29A(a), which would permit an entity to limit its disclosure of Scope 3 Category 15 greenhouse gas emissions to financed emissions, as defined in IFRS S2 (being those emissions attributed to loans and investments made by an entity to an investee or counterparty). For the purposes of the limitation, the proposed paragraph 29A(a) would expressly permit an entity to exclude greenhouse gas emissions associated with derivatives. Consequently, this paragraph would permit an entity to exclude emissions associated with derivatives, facilitated emissions or insurance-associated emissions from its disclosure of Scope 3 greenhouse gas emissions. The proposed amendment would not prevent an entity from choosing to disclose greenhouse gas emissions associated with derivatives, facilitated emissions, or insurance-associated emissions should it elect to do so. Paragraphs BC7–BC24 of the Basis for Conclusions describe the reasons for the proposed amendment.*

Do you agree with the proposed amendment? Why or why not?

Measurement and disclosure of Scope 3 Category 15 GHG emissions

13. We are supportive of the relief that the proposed amendments provide. These would allow FI's to exclude derivatives, facilitated emissions and insurance-associated emissions from their disclosure of Scope 3 Category 15 GHG emissions.
14. We have heard a range of views on the proposals, but there was broad agreement that the finance sector is not yet in a position to be able to report accurate and decision-useful information for these categories.
15. While on balance we believe the reliefs should not be time-bound, some members expressed concern that without a commitment to reassess the appropriateness of reliefs in the future, progress on methodology and reporting might stall.
16. However, we believe at this point there is a more pressing question about the relevance of metrics that attempt to capture the carbon intensity of derivatives, facilitated emissions and insurance-associated emissions and whether they align with the objectives of IFRS S2.
17. The causal connection between a financial institution's activity and the emissions it supports can vary significantly in strength, and at present, attribution relies heavily on judgement. This uncertainty brings with it a real risk that disclosures may misrepresent what is actually going on.
18. Any future consideration in respect of changes to these reliefs should consider two important questions. Firstly, do these emissions disclosures help us to understand more about the reporting entity's physical and transition risks? And second, how much do they tell us about an FI's ability to influence the transition and capture progress towards net zero commitments?

19. That said, these activities – derivatives, facilitation and insurance play a significant role in the global economy, as enablers of economic activities. So it remains important the ISSB and along with the sector continue to evaluate the best way to measure and disclose where these activities impact or influence emissions.

Potential Impact on climate-related targets

20. While the primary focus of the proposed amendments is the disclosure of climate-related metrics under paragraph 29, we acknowledge they are also likely to impact the disclosure of climate-related targets under paragraphs 33 to 36 of the standard.
21. This is particularly relevant for FIs that, prior to the amendments, had expected to set specific targets relating to their Scope 3 GHG emissions.
22. The reliefs may bring in additional considerations for FI's when setting Scope 3 targets by business line or industry classification or any potential business or portfolio level aggregation.
23. At the same time, there is broad recognition that aggregating Scope 3 emissions is highly problematic for FI's, due to the inconsistencies in attribution methodologies and the likelihood of double counting.
24. Member feedback indicates that alternative disclosures, both quantitative and qualitative, may better reflect the practical actions FI's are taking to implement their strategies. For example, disclosure on exposures to high-carbon sectors through insurance, facilitation or derivatives, alignment with net zero investment portfolios and the level and nature of stewardship type engagement with upstream and downstream counterparties.
25. These metrics and targets are a better reflection of the distinct characteristics of an FI's products, value chains, and activities.

Challenges of Insurance-associated emissions

26. We received detailed examples from members in respect of the challenges in measuring insurance-associated emissions.
27. The Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (GHG Scope 3 Standard) recognises that it is not always possible to accurately determine the Scope 3 emissions directly attributable to an entity or product, and that some form of allocation may be required. For example, providing commercial property insurance does not in itself produce emissions, but it enables a business to be carried on from the building that may house manufacturing processes that emit GHG.

Issues with attribution

28. Key considerations include finding an allocation approach that fairly reflects the relationship between the emissions and the entity's (in this case insurer's) responsibility or influence and that can be applied consistently.
29. In the case of Category 15 Scope 3 emissions, the GHG Scope 3 Standard suggests using some form of economic allocation, based on the entity's proportional share of equity or debt. This approach does not work for insurance products, as unlike equity or a loan, an insurance product does not represent an ownership stake or a part of the balance sheet: premiums are a (typically annual) cost to the insured.
30. The PCAF has published the PCAF Insurance Standard which provides a methodology to measure and disclose Scope 3 GHG emissions.
31. While we commend the efforts of PCAF in developing approaches tailored to insurers activities we note there remain a number of issues which limit the accuracy and usefulness of insured-associated emissions reporting.
32. The PCAF Insurance Standard only provides an approach to measuring GHG emissions for two lines of business: personal motor lines and commercial lines. Notably absent are significant sectors such as personal life, health and property, corporate life and pensions, and public sector purchased products.

33. It is also not clear whether PCAF standards appropriately represent the ability of an insurer to influence decarbonisation of the risk or asset being underwritten.
34. We note PCAF are currently developing methodology for a number of additional business lines. That being said, we are unlikely to see a comprehensive framework for insured-associated emissions for some time.
35. Unfortunately, as a result any aggregate disclosure of insured-associated emissions or inclusion within the overall Scope 3 GHG emissions of an FI is likely to be incomplete.

Accuracy and access to data

36. We have also heard that obtaining reliable and consistent data concerning the GHG emissions of the insured customers can be challenging. This issue is particularly pronounced for small and medium-sized enterprises (SMEs) that might not report their emissions or adhere to varying methodologies and standards.
37. Moreover, an insurer's ability to obtain data might be frustrated by the lack of an ownership interest to justify asking for non-public data or where the insurance has been brokered by a third party.
38. To compensate, insurers might resort to estimates or proxies based on industry averages or benchmarks. However, such methods can introduce uncertainties and inaccuracies into the calculations.

Double counting

39. Double counting of emissions can occur within insurers because emissions are not uniquely disaggregated. We understand that for an individual insurer there are different ways emissions could be double counted. For example, when the insurer provides coverage for various lines of business, such as both car and business insurance; when it is involved in both underwriting and investment activities with the same counterparty; or when it underwrites or invests at multiple levels within its value chain.

Challenges with Facilitated Emissions

40. While the scope of what has been developed under PCAF for facilitated emissions is more progressed than insurance-associated emissions, big gaps remain. These include methodology for the issuance of sovereign bonds, securitised products, covered bonds, derivative products, green bonds, and broader advisory M&A services.
41. We note that similar data and methodology issues exist as with insurance-associated emissions which impede upon completeness, comparability, and usefulness.

Interaction with IFRS S1 Materiality Requirements

42. We note a potential tension between the reliefs proposed under IFRS S2 and the overarching materiality requirements in IFRS S1, specifically paragraph 17, which requires entities to disclose material information about sustainability risks and opportunities that could reasonably be expected to affect the entity's prospects.
43. Our view is that the proposed amendments to IFRS S2 clearly permit entities to exclude insurance associated, facilitated, and derivative related financed emissions from their Scope 3 Category 15 disclosure, even where those emissions may be considered material. However, this does not override the broader requirement in IFRS S1 to provide users with the information they need to understand the full picture.
44. In practice, that does not require disclosing the excluded emissions themselves, but may involve providing contextual information that enables users to understand the nature, scale and implications of the underlying risk or activity. For instance, in cases where a firm is heavily exposed to high emitting sectors, some narrative or supporting data may still be

expected under IFRS S1, even if the specific emissions are excluded from the metrics under IFRS S2.

45. The ISSB's proposal to require disclosure of the magnitude of excluded activities is a helpful step toward bridging this gap. We also think that other requirements under IFRS S1 and S2 would still lead financial institutions to consider and disclose material information related to these activities. For example, under the 'Strategy' section, entities are expected to disclose the risks and opportunities associated with these activities, including any risk concentrations and their implications for the entity's transition plan.
- b) *The ISSB also proposes to add paragraph 29A(b), which would require an entity that limits its disclosure of Scope 3 Category 15 greenhouse gas emissions, in accordance with the proposed paragraph 29A(a), to provide information that enables users of general purpose financial reports to understand the magnitude of the derivatives and financial activities associated with the entity's Scope 3 Category 15 greenhouse gas emissions that are excluded. Therefore, the ISSB proposes to add: • paragraph 29A(b)(i) which would require an entity that has excluded derivatives from its measurement and disclosure of Scope 3 Category 15 greenhouse gas emissions to disclose the amount of derivatives it excluded; and • paragraph 29A(b)(ii) which would require an entity that has excluded any other financial activities from its measurement and disclosure of Scope 3 Category 15 greenhouse gas emissions to disclose the amount of other financial activities it excluded. The term 'derivatives' is not defined in IFRS Sustainability Disclosure Standards, and the ISSB does not propose to define this term. As a result, an entity is required to apply judgement to determine what it treats as derivatives for the purposes of limiting its disclosure of Scope 3 Category 15 greenhouse gas emissions, in accordance with the proposed paragraph 29A(a). The proposed paragraph 29A(b)(i) would require an entity that has excluded derivatives from its measurement and disclosure of Scope 3 Category 15 greenhouse gas emissions to explain the derivatives it excluded. Paragraphs BC7–BC24 of the Basis for Conclusions describe the reasons for the proposed disclosure requirements. Do you agree with the proposed disclosure requirements? Why or why not?***

Defining “Derivatives”

46. We do not think a formal or prescriptive definition is required and should be left to the FI to determine.
47. Our members indicate there are a number of areas within FI's operations where derivatives are involved and drawing a line around what is in or out, if prescribed by the ISSB could be problematic. For example,
- Embedded derivatives in convertible financial instruments resulting from prudential capital requirements
 - Derivative products used in asset and liability and interest rate risk management, involved in hedge accounting.
 - Derivative products where a bank, originates, is counter party to or a market maker as part of their trading desk activities.
48. In the interests of connectivity within corporate reporting, the use of financial reporting definitions may be helpful for some entities, and we welcome the extent to which the proposed amendments permit this. However, not all relevant activities will give rise to direct accounting entries, and there are multiple ways financial institutions engage in these activities. For example, derivatives measured at fair value, those not in a hedge relationship (designated or economic) and those held for trading. For these reasons, we do not believe the ISSB should mandate the use of a financial reporting definition for derivatives.

Defining “magnitude”

49. We agree in principle that FI’s should be required to disclose the extent to which derivatives, insurance-associated and facilitated activities have been excluded from Scope 3 Category 15 emissions.
50. However further clarity is welcomed as to what is meant by “amount” in the context “magnitude”.
51. Where firms interpret the requirement as an aggregation of financial reporting or other management information, we are likely to see divergence in practice across FI’s.
52. For example, when it comes to insurance-associated emissions insurers may elect to disclose gross written premiums, net written premiums, insurance contract liabilities as reported in their financial statements or insurance contract liabilities as disclosed in their prudential regulatory returns. Other insurers may elect to disclose claims costs or cash payments made out over the reported period, which maybe more appropriate for certain policies (for example, life insurance products). Another example, for facilitation some FI’s are likely to disclose fees earned on deals while others may decide the notional amount of debt/equity raised is more appropriate.

Question 2—Use of the Global Industry Classification Standard in applying specific requirements related to financed emissions

Paragraphs 29(a)(vi)(2) and B62–B63 of IFRS S2 require entities with commercial banking or insurance activities to disclose additional information about their financed emissions. These entities are required to use the Global Industry Classification Standard (GICS) for classifying counterparties when disaggregating their financed emissions information in accordance with paragraphs B62(a)(i) and B63(a)(i) of IFRS S2. (a) The ISSB proposes to amend the requirements in paragraphs B62(a)(i) and B63(a)(i) of IFRS S2 and to add paragraphs B62A–B62B and B63A–B63B that would provide relief to an entity from using GICS in some circumstances. Under the proposals, an entity can use an alternative industry-classification system in some circumstances when disaggregating financed emissions information disclosed in accordance with paragraphs B62(a)–B62(b) and B63(a)–B63(b) of IFRS S2. Paragraphs BC25–BC38 of the Basis for Conclusions describe the reasons for the proposed amendment. Do you agree with the proposed amendment? Why or why not? (b) The ISSB also proposes to add paragraphs B62C and B63C to require an entity to disclose the industry-classification system used to disaggregate its financed emissions information and, if the entity does not use GICS, to explain the basis for its industry-classification system selection. Paragraphs BC25–BC38 of the Basis for Conclusions describe the reasons for the proposed disclosure requirements.

Do you agree with the proposed disclosure requirements? Why or why not?

53. We support the ISSB’s proposals to allow flexibility in industry classification systems and jurisdictional reliefs, which reduce reporting burdens and costs for multinational entities. However, we recommend removing the group-wide GICS mandate triggered by any single unit’s use, and aligning classification requirements with an entity’s primary framework to avoid unnecessary complexity.
54. In identifying what the entity’s primary framework is, we suggest an examination of factors around the jurisdiction of the parent entity, the presence of large or critically important subsidiaries and the intersection of key regulatory reporting requirements.
55. We would recommend that firms are required to disclose when they have relied on GICS reliefs.

Question 3—Jurisdictional relief from using the GHG Protocol Corporate Standard

The ISSB proposes to amend paragraphs 29(a)(ii) and B24 of IFRS S2 to clarify the scope of the jurisdictional relief available if an entity is required by a jurisdictional authority or an exchange on which it is listed to use a method other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) to measure greenhouse gas

emissions for a part of the entity. The amendment would clarify that this relief, which permits an entity to use a different method for measuring greenhouse gas emissions, is available for the relevant part of the entity when such a jurisdictional or exchange requirement applies to an entity in whole or in part, for as long as that requirement is applicable. Paragraphs BC39–BC43 of the Basis for Conclusions describe the reasons for the proposed amendment.

Do you agree with the proposed amendment? Why or why not?

56. We believe the amendment makes IFRS S2 clearer and easier to use. It confirms that companies can apply the jurisdictional relief to only those parts of their business that local rules cover, instead of needing the same rule to cover the entire company.
57. We suggest some consideration is given to whether a clause is required that limits the use of such relief where alternative measurement approaches result in significant divergence from the GHG Protocol and misleading or incorrect measurement.
58. We would recommend that firms are required to disclose when they have relied on reliefs.

Question 4—Applicability of jurisdictional relief for global warming potential values

The ISSB proposes to amend paragraphs B21–B22 of IFRS S2 to extend the jurisdictional relief in the Standard. The ISSB proposes that if an entity is required, in whole or in part, by a jurisdictional authority or exchange on which it is listed to use global warming potential (GWP) values other than the GWP values that are required by paragraphs B21–B22 of IFRS S2, the entity would be permitted to use the GWP values required by such a jurisdictional authority or an exchange for the relevant part of the entity, for as long as that requirement is applicable. Paragraphs BC44–BC49 of the Basis for Conclusions describe the reasons for the proposed amendment.

Do you agree with the proposed amendment? Why or why not?

59. We support the proposal. Requiring the latest IPCC GWP factors across an entire group, even where local rules mandate different values, forces global businesses to run two emissions-conversion workflows, driving up cost and complexity.
60. We suggest some consideration is given to whether a clause is required that limits the use of such relief where alternative measurement approaches result in significant divergence from the GWP values and misleading or incorrect measurement.
61. We would recommend that firms are required to disclose when they have relied on reliefs in a disaggregated format with accompanying explanation.

Question 5—Effective date

The ISSB proposes to add paragraphs C1A–C1B which would specify the effective date of the amendments. The ISSB expects the amendments would make it easier for entities to apply IFRS S2 and would support entities in implementing the Standard. Consequently, the ISSB proposes to set the effective date so that the amendments would be effective as early as possible and to permit early application. Paragraphs BC50–BC51 of the Basis for Conclusions describe the reasons for the proposal.

Do you agree with the proposed approach for setting the effective date of the amendments and permitting early application? Why or why not?

62. We agree the above will support orderly implementation of the standard.

Question 6—Other comments

Do you have any other comments on the proposals set out in the Exposure Draft?

63. While we have responded from the perspective of FI's it is worth acknowledging that entities other than financial institutions will also be impacted by the proposed amendments, in particular, the jurisdictional reliefs.