

International Sustainability Standards Board  
IFRS Foundation  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London  
E14 4HD

11 June 2025

Dear Board members,

**Invitation to comment – Exposure Draft Amendments to Greenhouse Gas Emissions Disclosures**

Ernst & Young Global Limited, the central coordinating entity of the global EY organisation, welcomes the opportunity to offer its views on the International Sustainability Standards Board's (ISSB or Board) Exposure Draft Amendments to Greenhouse Gas Emissions Disclosures.

We support the ISSB's efforts in developing this Exposure Draft (ED) and supporting Basis for Conclusions as part of the work related to supporting the implementation of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and IFRS S2 *Climate-related Disclosures* (IFRS S2).

We further support the ISSB's establishment of the Transition Implementation Group on IFRS S1 and IFRS S2 to identify and discuss stakeholder application challenges and recognise the prompt action that the ISSB has taken in addressing these challenges through the proposed amendments to IFRS S2.

We broadly support the amendments proposed and agree that the requirements in the ED meet its proposed objectives.

A summary of our response to the questions are set out in Appendix A to this letter. Should you wish to discuss the contents of this letter with us, please contact Michiel van der Lof at the above address or on +31 88 407 1030.

Yours faithfully

*Ernst & Young Global Limited*

## Appendix A - Responses to specific questions

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

(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.

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

We broadly agree with the proposed amendments. We have the following clarifying suggestions, however:

- Paragraph 29A(a) states that, "For an entity that participates in asset management activities, financed emissions include greenhouse gas emissions attributed to assets under management." However, established practice is that assets under management are generally considered to be managed investments rather than financed emissions. We suggest adding the following clarification to this sentence (in underline), as follows: "... for an entity that participates in asset management activities, the Category 15 emissions required to be disclosed shall include greenhouse gas emissions attributed to assets under management."
- We suggest that the scope of the definition of financed emissions in paragraph 29A(a) is clarified further to explain whether the use of 'includes' in "The term 'loans and investments' includes [...]" is meant to either restrictively define or simply to list some items that are included. For example, to clarify whether finance lease receivables, or unit-linked products (shown on an entity's balance sheet, but held on behalf of another entity) should be included.
- As paragraph BC15 states "the proposed amendment would not prevent an entity from choosing to disclose these other types of Scope 3 Category 15 greenhouse gas emissions", we suggest a requirement be added to paragraph 29A that if an entity chooses to disclose these optional types of emissions, then the entity should state that they have been included. We believe this will improve comparability between entities, and interoperability between the ISSB standards and other standards.
- IFRS S2 paragraph 29(a)(vi)(2) requires additional information about the entity's financed emissions "if the entity's activities include asset management, commercial banking or insurance". However, in the Basis for Conclusions to IFRS S2, the section starting BC122 is subtitled "Financed emissions (financial sector)". We suggest changing this subtitle to "Financed emissions (~~financial sector~~)" as we believe that there could be entities outside of the financial sector that would be considered in scope of the additional disclosure requirements for financed emissions.

#### **Question 1 - Measurement and disclosure of Scope 3 Category 15 greenhouse gas emissions**

(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.

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

We broadly agree with the proposed amendments. However, we have the following clarifying suggestions:

- Whilst we note the rationale in paragraph BC23 for not defining the term 'amount', we believe that using this term in the proposed disclosure requirement may not help preparers in disclosing information about derivatives and other financial activities that is most useful to primary users. Information about the types of derivatives or the nature of activities across sectors, for example, may be more useful in understanding emissions, than disclosing an amount of derivatives (for example, per the financial statements). We suggest that paragraph 29A(b)(i) is amended, as follows: "Specifically, the entity shall disclose: (i) the amount of a description of the magnitude of derivatives it excluded [...], and (ii) a description of the magnitude of the amount of other financial activities it excluded."
- However, if the Board decides to retain the term 'amount', we suggest requiring the entity to explain the basis for the calculation of the 'amount' used for the disclosure. We also suggest, in addition to the revenue example provided in paragraph BC23, providing more examples of the 'amount' the entity may disclose, including some non-monetary examples.
- In the absence of a definition of derivatives, we believe that alignment to the definition of derivatives that the entity uses for financial reporting purposes would promote connectivity of information reported. Therefore, we suggest that the wording in paragraph 29A(b)(i) is amended, as follows: "[...] an explanation of what it treats as derivatives for the purpose of limiting its disclosure of Scope 3 Category 15 greenhouse gas emissions, consistent with the definition of derivatives in its financial statements; [...]"

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

(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.

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

- We agree with the proposed amendment and believe it will benefit entities by providing flexibility to use an alternative industry-classification system to the Global Industry Classification Standard (GICS) in certain situations.
- We also agree with the requirement for entities to use GICS if it is already being used by part of the entity, as this promotes comparability. However, we believe that this will create situations where it may not be practical or cost effective to implement GICS across all other parts of the entity. For example, where only one of the smallest (less significant) subsidiaries of a large group entity uses GICS, we understand the proposed amendment to mean that the whole group of entities would then be required to use GICS. Another example could be where an entity that does not currently use GICS acquires an entity that does use GICS shortly before year end, leaving insufficient time to implement GICS across both entities for year-end reporting. If circumstances such as these were not the intention of the Board, we suggest that the Board consider alternative wording, such as to make allowances to permit group entities to apply judgement in considering the significance of the part of the group currently using GICS before being required to implement GICS across the rest of the group that are not currently using GICS. Alternatively, we suggest that the Board considers whether creating a jurisdictional relief (that applies to an entity in whole or in part) from applying GICS could be a practical solution to the application challenges. In this case, using GICS would be required unless the entity, in whole or in part, is required by a jurisdictional authority or an exchange on which it is listed to use an alternative industry-classification system.
- As there are separate paragraphs in IFRS S2 for different financial activities, we suggest adding a clarification to explain that GICS should be used across the whole entity when an entity participates in more than one financial activity, if that is what the Board intended. For example, when part of an entity that participates in commercial banking activities uses GICS, but another part of the entity that participates in insurance activities has a jurisdictional requirement to use an alternative industry-classification system.
- We suggest that an explanation be included in IFRS S2 about what constitutes a requirement by a jurisdictional authority or exchange on which an entity is listed, or what would be an acceptable alternative industry-classification system for entities to use. When reading the proposed amendments, it is not clear whether, for example, the NACE industry-classification system (the Statistical Classification of Economic Activities in the European Community) would be an appropriate alternative for entities reporting within the European Union's regulatory framework. We note footnote 5 in paragraph BC29 on this matter, but we are concerned that differences between GICS and the NACE system could increase over time. This would make mapping the two systems more difficult, even if they are currently similar.



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

(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.

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

- We agree with the proposed amendment and believe that this will provide useful information to the primary users for the purpose of comparability.

**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.

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

- We agree with the proposed amendment and believe it will clarify the jurisdictional relief and prevent diversity in application.
- We note the proposal in paragraph BC42 to clarify that, “if only part of an entity is subject to such a jurisdictional or exchange requirement, the relief ... is only applicable to that part of the entity. The entity would be required to measure greenhouse gas emissions for the rest of the entity using the GHG Protocol Corporate Standard”. By way of example to consider interoperability with European Sustainability Reporting Standards (ESRS), we interpret the proposed amendment to mean that an American parent entity with a European subsidiary that applies ESRS would be permitted to track the GHG emissions of the European subsidiary in accordance with ESRS, but could not extend this measurement method to track the GHG emissions of the American parent entity. This would result in the entity tracking its overall GHG emissions using multiple methods. If this was the Board’s intention, then we suggest that the quoted wording above from paragraph BC42 is included in IFRS S2 paragraph B24 so that this point is made clear when reading the body of the standard. Currently, paragraph 29(a)(ii) may be misinterpreted to mean that the relief applies to the whole entity if only part of an entity is subject to a jurisdictional requirement. We suggest adding: “This applies for the part of the entity to which that requirement applies” to the end of paragraph 29(a)(ii) so that it is consistent with paragraph B24.
- We suggest that, in the body of the standard, reference is made to disaggregation of information (paragraphs B29-B30 of IFRS S1), as highlighted in paragraph BC43. This is because we believe application of the jurisdictional relief could result in significantly different amounts being disclosed.

#### **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.

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

- We agree with the proposed amendment and believe it will provide entities with necessary flexibility to use alternative values should a jurisdictional requirement apply.
- The split infinitive "to instead use" in paragraphs B21 and B22 may be misinterpreted. We suggest saying just "to use".
- As highlighted in our point raised under Question 3 above, we suggest that, in the body of the standard, reference is made to disaggregation of information (paragraphs B29-B30 of IFRS S1), as per paragraph BC43. This is because we believe application of the jurisdictional relief for global warming potential values could result in significantly different amounts being disclosed.

#### **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.

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

- We agree with the proposed approach for setting the effective date of the amendments and permitting early application.
- However, we suggest including a transition relief with an explanation of how comparative information should be presented for those entities that are already applying IFRS S2.

#### **Question 6 - Other comments**

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

- We suggest removing the Basis for Conclusions paragraph (BC6) that discusses the proportionality mechanisms as we believe it could be read to add restrictions to the notion of undue cost or effort, and is not needed for the ED.
- We suggest that the information provided in footnotes in the Basis for Conclusions should instead be stated in the body of the Basis for Conclusions to add more clarity. We do not believe the use of footnotes within the Basis for Conclusions gives the information sufficient prominence, particularly when referring to another agenda paper.