

IFRS Sustainability Developments

ISSB proposes amendments to Greenhouse Gas emissions disclosures

What you need to know

- On 28 April 2025, the ISSB published the Exposure Draft (the ED) *Amendments to Greenhouse Gas (GHG) Emissions Disclosures*.
- The proposed amendments are intended to provide extra reliefs from specific requirements in IFRS S2 relating to the measurement and disclosure of GHG emissions as well as to clarify existing reliefs.
- The ED is the ISSB's response to application challenges that were flagged by stakeholders implementing the Standard. The amendments are aimed at reducing reporting complexity and costs.
- The comment period for this ED ends on 27 June 2025.

Highlights

On 28 April 2025, the International Sustainability Standards Board (ISSB) proposed to amend IFRS S2 *Climate-related Disclosures* (IFRS S2) to improve clarity on already existing reliefs as well as to provide additional reliefs from specific Greenhouse Gas (GHG) emissions disclosure requirements. The proposed amendments are in response to challenges faced by stakeholders in implementing the requirements of IFRS S2.

The Exposure Draft (the ED) *Amendments to Greenhouse Gas (GHG) Emissions Disclosures* proposes the following targeted amendments to:

- Provide relief to allow entities to exclude some Scope 3 Category 15 GHG emissions including those related to derivatives, facilitated emissions and insurance-associated emissions when measuring and disclosing Scope 3 GHG emissions.
- Provide relief to entities involved in commercial banking and insurance activities from using the Global Industry Classification Standard (GICS) in some circumstances to allow the use of an alternative industry-classification system when disclosing information about their financed emissions.
- Amend the relief that allows entities to use an alternative method to the GHG Protocol when measuring GHG emissions (if required by a jurisdictional authority or an exchange), clarifying that it applies to an entity either in whole or in part.
- Allow entities to use alternative global warming potential (GWP) values instead of using the GWP values based on the latest Intergovernmental Panel on Climate Change (IPCC) assessment, to the relevant part of the entity that is required by a jurisdictional authority or exchange to apply those different GWP values.



Background

The ISSB's priority is to support the implementation of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 by entities around the world. As part of this, it established the Transition Implementation Group (TIG) to publicly discuss implementation issues raised by stakeholders. Through the TIG the ISSB identified specific challenges related to the application of IFRS S2. The ED proposes four targeted amendments to IFRS S2 GHG emissions disclosures, which aim to address these challenges and reduce reporting complexity and costs for preparers.

Proposed relief on the disclosure of Scope 3 Category 15 GHG emissions

IFRS S2 requires the disclosure of Scope 3 GHG emissions in accordance with the GHG Protocol and requires additional information related to an entity's Category 15 financed emissions. IFRS S2 does not have any explicit limitations as to the types of financed emissions that need to be disclosed, for example, emissions related to derivatives, facilitated emissions and insurance-associated emissions.

The proposed amendment would limit the Scope 3 Category 15 greenhouse gas emissions, that are required to be measured and disclosed, to financed emissions as defined in IFRS S2. This would allow an entity to exclude certain Scope 3 Category 15 GHG emissions including those related to derivatives, facilitated emissions and insurance-associated emissions from its disclosures. An entity that uses this relief would need to provide information related to the amount of derivatives and financial activities it has excluded. Note that the term 'derivatives' is not defined in IFRS S2; the entity must decide what it treats as derivatives.

Proposed relief related to the use of the GICS

Currently, IFRS S2 requires an entity with commercial banking and insurance activities to use the GICS for classifying counterparties when disaggregating its financed emissions information.

The proposed amendment would still require an entity to use an industry classification system, but includes a relief from using the GICS in circumstances in which it is required by a jurisdiction or exchange to use another industry classification system and if it does not use the GICS at all. An entity would need to disclose the industry-classification system it has used and explain the basis for its selection.

Proposed amendment to the existing relief related to the use of GHG emissions measurement method

IFRS S2 states that an entity must use the GHG Protocol for measuring its GHG emissions, unless it is required by a jurisdiction or an exchange on which it is listed to use a different measurement method. However, the requirement does not spell out whether an entity is permitted to use this relief when only part of it is required to use a different method.

The proposed amendment to the existing relief clarifies that if an entity is required, in whole or in part, by a jurisdiction or an exchange on which it is listed, to use a different method from the GHG Protocol for measuring GHG emissions, it is permitted to apply that method to an entity in whole or in part, for as long as this is required.

Proposed amendment relating to the use of GWP values

IFRS S2 already permits an entity to use GWP values other than those taken from the latest IPCC assessment, if the entity uses emissions factors that have already been converted into CO₂ equivalent values.

The proposed amendment makes it explicit that if an entity is required, in whole or in part, by a jurisdiction or exchange, to use different GWP values other than those from the latest IPCC assessment, then the entity is permitted to instead use those different values for the part of the entity to which the requirement applies, for as long as this is required. This amendment would provide relief in a similar manner to the jurisdictional relief allowed for the GHG emissions measurement method.

Which entities would be affected

The proposed amendments to some GHG emissions disclosure requirements are expected to be widely applicable to entities that apply IFRS S2. However, those most likely to be affected include: entities subject to jurisdictional requirements related to the use of specific GHG emissions measurement methods or the use of specific GWP values; and entities in the financial sector that have Scope 3 Category 15 GHG emissions.

An example of jurisdictional requirements is Australia where entities need to follow a specific GHG emissions regulatory reporting regime, the National Greenhouse and Energy Reporting (NGER) Scheme, instead of the GHG Protocol. The NGER Scheme also requires entities to use GWP values from the IPCC Fifth Assessment Report (AR5) instead of using GWP values from the latest IPCC assessment report as stated in the current IFRS S2.

Under Scope 3 Category 15 of the GHG Protocol, entities in the financial sector with business activities in asset management, commercial banking and insurance have particularly significant financed emissions which are the indirect emissions from their investments.

Next steps

The ISSB intends to set the effective date of the proposed amendments as early as possible and to permit early application.

The comment period ends on 27 June 2025. After its analysis of the feedback from the comment letters, the ISSB will redeliberate the proposals in the second half of 2025 with the intention to issue the amendments soon thereafter.

How we see it

We support the ISSB's efforts to amend IFRS S2, to clarify existing reliefs as well as to provide additional reliefs from specific GHG emissions disclosure requirements. We encourage entities to engage in the comment letter process.

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EYG no. 003506-25Gbl.

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