

IFRS Sustainability Developments

ISSB issues targeted amendments to IFRS S2



What you need to know

- On 11 December 2025, the ISSB issued targeted amendments to IFRS S2.
- The amendments provide additional reliefs from specific requirements in IFRS S2 relating to the measurement and disclosure of GHG emissions and clarify existing reliefs and requirements.
- The amendments have been issued in response to application challenges flagged by stakeholders implementing IFRS S2.
- The amendments are effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

Highlights

On 11 December 2025, the International Sustainability Standards Board (ISSB) issued targeted amendments to IFRS S2 *Climate-related Disclosures* (IFRS S2) in relation to Greenhouse Gas (GHG) emissions disclosure requirements. These *Amendments to Greenhouse Gas Emissions Disclosures* were issued in response to challenges faced by stakeholders when implementing IFRS S2, and aim to support its application by reducing complexity and the cost of applying specific GHG emissions disclosure requirements in IFRS S2. The ISSB also issued consequential amendments to the financed emissions metrics in three Sustainability Accounting Standards Board (SASB) Standards to align them with the corresponding amended IFRS S2 requirements. The amendments are effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

In summary, the amendments to IFRS S2:

- Clarify that entities are permitted to limit the measurement and disclosure of Scope 3 Category 15 GHG emissions to financed emissions as defined in IFRS S2
- Remove the requirement to use the Global Industry Classification Standard (GICS) to disaggregate information about financed emissions, and instead, allow the use of a classification system that enables the entity to provide useful information about its exposure to climate-related transition risks
- Clarify that the jurisdictional relief that allows entities to use an alternative method to the GHG Protocol if required by their jurisdiction, applies to an entity either in whole or in part
- Provide a jurisdictional relief that applies to an entity either in whole or in part, from using Global Warming Potential values from the latest Intergovernmental Panel on Climate Change (IPCC) Assessment Report when converting GHG emissions to CO₂ equivalent values



Background

It is the ISSB's priority 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) on IFRS S1 and IFRS S2 to publicly discuss implementation issues raised by stakeholders. Through the TIG, the ISSB identified specific challenges related to the application of IFRS S2. In response, the ISSB issued targeted amendments to IFRS S2 to address these challenges and support entities in applying the Standard.

Relief for measuring and disclosing Scope 3 Category 15 GHG emissions

IFRS S2 requires an entity to disclose information about its Scope 3 GHG emissions, considering all 15 categories. The amendment allows entities with asset management, commercial banking or insurance activities to limit what they include in Scope 3 Category 15 GHG emissions to only their financed emissions. Financed emissions are defined in the amended IFRS S2 as those emissions that are attributed to loans and investments made by an entity to investees or counterparties, e.g., loans, project finance, bonds, equity investments and undrawn loan commitments. Additionally, for an entity that participates in asset management activities, financed emissions include GHG emissions attributed to assets under management.

The amendment further clarifies that, if entities choose to apply this relief, they are allowed to exclude emissions attributable to derivatives. In such circumstances, an entity needs to describe the financial activities it has excluded from its Scope 3 Category 15 GHG emissions, including those associated with derivatives, and disclose an explanation of what it has treated as a derivative.

Furthermore, the amendments require the entity to disclose the total Category 15 GHG emissions and the subtotal of financed emissions included in that total.

Amendments to the industry-classification system used when disaggregating information about financed emissions

IFRS S2 requires entities with commercial banking and insurance activities to disclose additional information about their financed emissions – specifically absolute gross financed emissions, disaggregated by Scope 1, Scope 2 and Scope 3 GHG emissions for each industry by asset class. Prior to the amendments, entities were required to use GICS to provide this disaggregated information.

The amendment removes the requirement to use GICS and instead requires entities to select an industry-classification system that enables them to provide useful information about their exposure to climate-related transition risks. This could be a system that is commonly used by other entities, e.g., those operating in the same industry or jurisdiction. Entities with both commercial banking activities and insurance activities are not required to use the same industry-classification system for classifying by industry the counterparties in both activities.

An entity needs to disclose the industry-classification system it has used and provide information to explain the basis for its selection.

Clarification of the jurisdictional relief related to using the GHG Protocol

IFRS S2 requires entities to use the GHG Protocol to measure GHG emissions, unless required to use a different measurement method by a jurisdiction or an exchange on which they are listed.

The amendment clarifies that if an entity is required by a jurisdiction or an exchange, either in whole or in part, to use a different method from the GHG Protocol for measuring GHG emissions, it is permitted to apply that different method for the part of the entity to which the requirement applies.

For example, an entity applying the requirements of IFRS S2 with a subsidiary subject to the requirements of European Sustainability Reporting Standards (ESRS): a) will be permitted to apply the ESRS measurement approach to measure GHG emissions for that subsidiary; and b) will apply the measurement approach to measure GHG emissions for the rest of the entity in accordance with IFRS S2 (i.e., the GHG Protocol).

Introduction of jurisdictional relief from using specific Global Warming Potential values

IFRS S2 requires an entity to disclose its GHG emissions expressed as metric tonnes of CO₂ equivalent. To meet this requirement, an entity is required to convert constituent GHG emissions into CO₂ equivalent values using the Global Warming Potential values based on a 100-year time horizon from the latest IPCC assessment available at the reporting date.

The amendment introduces a relief that if an entity is required, either in whole or in part, by a jurisdiction or exchange to use different Global Warming Potential values, then the entity is permitted to instead use those different values for the part of the entity to which the requirement applies.

Consequential amendments to SASB Standards

Along with the amendments to IFRS S2, the ISSB also amended the financed emissions metrics in the *Asset Management & Custody Activities*, *Commercial Banks* and *Insurance* SASB Standards. The amendments to these SASB Standards were issued to align them with the corresponding requirements in IFRS S2 as amended by the *Amendments to Greenhouse Gas Emissions Disclosures*.

Effective date and transition

Both the amendments to IFRS S2 and the consequential amendments to the SASB Standards are effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

The transition requirements relating to the amendments to IFRS S2 require entities that applied IFRS S2 prior to the amendments and are affected by the amendments to adjust comparative information for the preceding period. That is, entities need to reflect their comparative disclosures as if they had applied the amended IFRS S2 requirements in the preceding period, unless it is impracticable to do so.

Next steps

The ISSB's intention is to issue educational material on these amendments to further support the understanding of their implications.



How we see it

The amendments to IFRS S2 for the GHG emissions disclosures are likely to affect entities that: a) are involved in asset management, commercial banking or insurance activities and disclose information about Category 15 GHG emissions; b) disclose disaggregated information about financed emissions using GICS as an industry-classification system; c) are required to measure, in whole or in part, their GHG emissions using a different method from the GHG Protocol; and d) are required, in whole or in part, to convert the seven constituent greenhouse gases into a CO₂ equivalent value using Global Warming Potential values other than those from the latest IPCC assessment.

Given that the IFRS S2 amendments are intended to address specific challenges identified during the implementation of IFRS S2, we believe these will be particularly helpful in reducing complexity for the entities that need to report on financed emissions with different jurisdictional requirements.

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