
ISSB meeting

Date	September 2025
Project	Amendments to Greenhouse Gas Emissions Disclosures (Amendments to IFRS S2)
Topic	Relief from measurement and disclosure of Scope 3 Category 15 greenhouse gas emissions beyond financed emissions
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This paper has been prepared for discussion at a public meeting of the International Sustainability Standards Board (ISSB). This paper does not represent the views of the ISSB or any individual ISSB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Sustainability Disclosure Standards. The ISSB's technical decisions are made in public and are reported in the ISSB Update.

Purpose

1. In April 2025, the International Sustainability Standards Board (ISSB) published the [Exposure Draft Amendments to Greenhouse Gas Emissions Disclosures](#). The Exposure Draft sets out proposed targeted amendments to IFRS S2 *Climate-related Disclosures* in response to application challenges related to greenhouse gas emissions measurement and disclosure requirements.
2. Agenda Paper 9 sets out the structure of the agenda papers for this meeting, background on the proposed amendments to IFRS S2, the summary statistics of stakeholder feedback, and the next steps.
3. The purpose of this paper is to set out the summary of stakeholder feedback about the proposed relief for Scope 3 Category 15 GHG emissions ('Category 15 GHG emissions') beyond financed emissions, and staff analysis and recommendations in response to that feedback. This feedback includes the survey and comment letter feedback received from respondents to the Exposure Draft, and stakeholder feedback from the staff's outreach activities. Agenda Paper 9B of this meeting provides the

feedback summary, staff analysis and recommendations about the proposed disclosures that would be required if the relief is used.

4. At this meeting, the ISSB will be asked to vote on the staff recommendations on these proposed amendments to IFRS S2.

Structure of the paper

5. This paper is structured as follows:
 - (a) Summary of the staff recommendations;
 - (b) Overview of the proposed amendments;
 - (c) Feedback summary;
 - (d) Staff analysis of stakeholder feedback;
 - (e) Staff recommendations on the proposed amendments;
 - (f) Questions for the ISSB;
 - (g) Appendix A—Extract from the Exposure Draft
 - (h) Appendix B—Supplement to staff analysis of feedback about methodological developments

Summary of the staff recommendations

6. The staff recommend that the ISSB proceed with the relief from disclosure of Category 15 GHG emissions beyond financed emissions as proposed in the Exposure Draft. That is, to permit an entity to limit its measurement and disclosure of Category 15 GHG emissions to financed emissions as defined in IFRS S2; and to specify that, for the purpose of this limitation, an entity is permitted to exclude GHG emissions associated with derivatives. The staff do not recommend that the ISSB set an end date for the relief.

7. The staff suggest that the ISSB can clarify the intent of the relief as part of the amended Basis of Conclusions on IFRS S2 that would explain the rationale for the amendments. In explaining the rationale for amendments, the application challenges that resulted in the amendment would be noted. That is, this explanation would clarify that the relief is intended to resolve the conflict between (1) the requirements for disclosures of the amounts of Category 15 GHG emissions in IFRS S2 and (2) the rationale for the ISSB's decisions related to Category 15 GHG emissions as set out in the Basis for Conclusions on IFRS S2.
8. The staff also suggest that the ISSB continue to monitor the developments in measurement methodologies for Category 15 GHG emissions. The staff notes that there could be opportunities in the future for the ISSB to reassess the necessity of the relief. These opportunities include the post-implementation review of IFRS S2 and the ISSB's consideration of prospective revisions in relation to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (GHG Protocol Corporate Standard).

Overview of the proposed amendments

9. The ISSB proposed a relief to permit an entity to limit its measurement and disclosure of Scope 3 Category 15 GHG emissions to financed emissions as defined in IFRS S2. Further, this proposed amendment specifies that, for the purpose of this limitation, an entity is permitted to exclude GHG emissions associated with derivatives.
10. Additionally, the ISSB proposed that an entity using the relief disclose the amount of derivatives it excluded, an explanation of the derivatives it excluded and the amount of other financial activities it excluded as a consequence of using the relief. See Agenda Paper AP9B.
11. The proposed amendment responds to an application challenge related to a potential conflict between the requirement in IFRS S2 to measure and disclose Scope 3 GHG emissions in accordance with paragraph 29(a)(i)(3)—which does not have any explicit limitation on the types of financial activities or asset classes that are required to be

included in an entity's measurement and disclosure of its absolute gross Scope 3 Category 15 GHG emissions—and the rationale for the ISSB's decisions as set out in paragraphs BC127 and BC129 of the Basis for Conclusions on IFRS S2. Respondents indicated that these paragraphs in the Basis for Conclusions on IFRS S2 could be interpreted as explaining that the ISSB decided either:

- (a) to exclude specific GHG emissions—namely, facilitated emissions, insurance-associated emissions and emissions associated with derivatives—from the additional disclosure requirements for Category 15 GHG emissions in paragraphs B58–B63 of IFRS S2; or
 - (b) to exclude specific GHG emissions from the additional disclosure requirements for Category 15 GHG emissions in paragraphs B58–B63 of IFRS S2 *and* exclude those specific GHG emissions from the requirement to disclose the amount of absolute gross Scope 3 GHG emissions in accordance with paragraph 29(a)(i)(3) of IFRS S2.
12. The proposed amendment would clarify what is required to be included in the measurement and disclosure of Category 15 GHG emissions by limiting the requirement to financed emissions, as defined in IFRS S2. This amendment would result in consistency of the types of Category 15 GHG emissions required to be disclosed to meet the IFRS S2 requirements to:
- (a) disclose Scope 3 GHG emissions (paragraph 29(a)(i)(3) of IFRS S2); and
 - (b) disclose additional information about Category 15 emissions (paragraphs B58–B63 of IFRS S2).
13. Framing the requirement based on the inclusions for Category 15 GHG emissions—rather than referring to the exclusions—is referred to as the ‘in-scope approach’ in the Basis for Conclusions on the Exposure Draft. Although the proposed amendment does not refer to facilitated and insurance-associated emissions, the result of limiting the required disclosure of Scope 3 Category 15 GHG emissions to the defined term ‘financed emissions’ is to exclude all other types of Category 15 GHG emissions including facilitated and insurance-associated emissions.

14. In designing the proposed amendment, the ISSB also noted that by simply referencing financed emissions it may not be clear that the proposed amendment would permit an entity to exclude emissions associated with derivatives from its Category 15 GHG emissions. Therefore, the proposed amendment explicitly permits an entity to exclude emissions associated with derivatives.
15. The proposed amendment does not include a definition for the term ‘derivatives’. This means an entity would decide what it treats as derivatives for the purposes of applying the relief. The ISSB decided not to define derivatives for reasons including the absence of a suitable definition from GHG emissions measurement methodologies and the fact that definitions in accounting standards were not defined for the purpose of reporting sustainability-related financial information, therefore using definitions from accounting standards might not always result in the most useful information for primary users of general-purpose financial reports (primary users).

Feedback summary

Overview of responses to Question 1(a)

16. Most respondents provided a response to Question 1(a) in the Exposure Draft. The feedback shows broad support for the proposed amendment. Most respondents to this question, including most investors, broadly agree with the proposed amendment. Some respondents, including many public interest organisations that responded to this question, broadly disagree with the proposed relief.
17. The staff have grouped the feedback on Question 1(a) of the Exposure Draft into themes which are explained further in this paper:
 - (a) feedback about how the proposed amendment would work;
 - (b) feedback about the existence of relief for Category 15 GHG emissions beyond financed emissions; and
 - (c) other feedback.

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18. Most respondents that broadly agreed with the proposed amendment did so based on either their: support for clarifying the potential conflict between IFRS S2 and the Basis for Conclusions on IFRS S2; views that the amendment would support the implementation of Category 15 requirements for entities that have a range of capabilities; or views about the state of measurement methodologies for Category 15 GHG emissions—see paragraphs 21, 30, 35 and 37. Most respondents that disagreed with the proposed amendment expressed concerns that the amendment would undermine the usefulness and importance of information about Category 15 GHG emissions and the financial activities associated with these emissions—see paragraph 31.
19. Several of the feedback themes were shared by respondents regardless of whether they broadly agreed, broadly disagreed, or neither agreed nor disagreed with the proposed amendment. The staff have indicated within in each theme whether there were notable differences in the feedback between respondents that agreed or disagreed with the proposed amendment.
20. The staff also note that the proposed amendments were intended to address implementation challenges arising from the potential conflict between IFRS S2 and the Basis of Conclusions on IFRS S2 regarding Category 15 GHG emissions (see paragraph 11). Despite the targeted, narrow scope of the proposed amendments, many stakeholders raised broader considerations in their feedback beyond the matters considered by the ISSB in proposing this amendment, particularly feedback about the existence of the relief noted in paragraphs 30–45.

Feedback about how the proposed amendment would work

Support for clarifying IFRS S2 requirements for Category 15 GHG emissions

21. Some respondents expressly state that they support the amendment because they agree that the potential conflict between the requirements for disclosures of the amounts of Category 15 GHG emissions in IFRS S2 and the rationale for the ISSB’s decisions related to Category 15 GHG emissions as set out in the Basis for Conclusions on IFRS

S2 could lead to inconsistent application of these requirements. In other words, these respondents agreed that the application challenge outlined in the Exposure Draft and that the proposed amendment clarifies what is required to be included in the measurement and disclosure of Category 15 GHG emissions.

22. A few respondents asked whether the IFRS S2 requirements related to Category 15 GHG emissions only apply to entities in the financial sector, and whether the relief would also only apply to such entities. As noted in paragraph IN7 of the Exposure Draft these amendments are *more likely* to affect entities in the financial sector, however, this does not mean that entities in other sectors are not affected by the relief. If an entity participates in activities that are associated with Category 15 GHG emissions, the IFRS S2 requirements and proposed amendments related to these GHG emissions might be relevant to them.

Concerns about terminology related to Category 15 GHG emissions

23. A few respondents, including those broadly supportive of the relief, suggest that the ISSB provide additional guidance about terminology used to describe different types of Category 15 GHG emissions (including financed emissions, facilitated emissions and insurance-associated emissions).
24. These respondents raised questions about how the relief would work, including questions relating to:
- (a) why facilitated and insurance-associated emissions are not expressly mentioned in the proposed wording of the relief; and
 - (b) whether other types of Category 15 GHG emissions beyond facilitated emissions, insurance-associated emissions and emissions associated with derivatives are also subject to the relief.
25. A few respondents suggest that the ISSB define the terms ‘facilitated emissions’ and ‘insurance-associated emissions’. These respondents believe that defining such terms would support the understanding of what is permitted to be excluded.

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26. A few respondents sought clarity or made suggestions about updating the definition of financed emissions in IFRS S2 including:
- (a) querying whether paragraph 29A(a) of the Exposure Draft would result in a change to the definition of financed emissions, specifically whether the explicit permission to exclude derivatives changes the definition of financed emissions;
 - (b) querying why ‘project finance’ is referenced in paragraph B62(a)(ii) but not B63(a)(i) of IFRS S2 and whether this represented an inconsistency in the definition of financed emissions; and
 - (c) suggesting that the definition of financed emissions be updated to be consistent with paragraph 29A(a) of the Exposure Draft and specifically that clarity be provided that financed emissions includes emissions associated with Assets Under Management.¹

Concerns about defining derivatives

27. Many respondents that supported the relief suggested that the amendment could be improved by providing guidance to support entities in determining what is treated as derivatives or defining derivatives for the purpose of the relief. These respondents provided these suggestions in relation to both the scope of the relief and the proposed requirement to disclose derivatives excluded, and the quantification is not separated between these topics.
28. Respondents note that the term ‘derivatives’ captures a broad variety of transactions. Their concerns about the lack of a definition for derivatives or guidance on how to determine what is treated as derivatives, include:

¹ Paragraph 29A(a) of the Exposure Draft states that (1) The term ‘loans and investments’ includes loans, project finance, bonds, equity investments and undrawn loan commitments (2) For an entity that participates in asset management activities, financed emissions include greenhouse gas emissions attributed to assets under management (3) For the purposes of the limitation, an entity is permitted to exclude any greenhouse gas emissions associated with derivatives.

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- (a) reduced comparability of Category 15 GHG emissions between entities because the range of interpretation of what is treated as derivatives, and thus what is excluded from these GHG emissions, could be broad; and
- (b) a risk of misuse of the relief. An accounting firm described such a scenario:
- ‘...we are concerned that the choice in the proposals could allow an entity to define derivatives as those arrangements documented as derivatives (i.e. a form-based definition). That could allow an entity to exclude transactions structured using derivatives (e.g. a ‘sale and repurchase’ or ‘repo’ arrangement comprising (i) the spot purchase of a commodity in conjunction with (ii) a fixed price forward resale of the same amount of commodity to the same counterparty) from financed emissions reporting, even where the substance is that the arrangement is a loan collateralised on the commodity, i.e. a financing transaction. We believe that outcome would be inconsistent with the requirement of paragraph D9 of IFRS S1 that information must faithfully represent the substance of the phenomena that it purports to represent.’ (Comment letter 47, PricewaterhouseCoopers International Limited)
29. To support connectivity with the related financial statements, a few respondents suggested that for the purpose of applying the relief, what an entity treats as derivatives should be consistent—at least to the extent possible—with what the entity treats as derivatives in preparing its related financial statements. In addition, a few respondents suggested that if what an entity treats as derivatives for the purposes of applying the relief is different from what it treats as derivatives in preparing the related financial statements, those differences should be explained.

Feedback about the existence of relief for Category 15 GHG emissions

Supporting implementation of Category 15 requirements for entities with a range of capabilities

30. Some respondents state that entities in the early phase of developing capacity for GHG emissions measurement would consider the relief helpful, because these entities

have prioritised developing capacity to report financed emissions (as defined) relative to other Category 15 GHG emissions. This view includes feedback from respondents based in emerging markets and developing economies.

Views on the usefulness and importance of Category 15 GHG emissions

31. Most of the respondents that do not broadly agree with the proposed relief believe that the proposal disregards the decision usefulness of the Category 15 GHG emissions for which relief would be provided. Their feedback explains why information about these emissions is relevant, including how the financial activities that would be subject to relief are linked to GHG emissions. These respondents raise concerns about the omission of this information, including concerns that the proposed amendments would result in a reduction in the usefulness of information disclosed about climate-related risk provided applying IFRS S2, or provide a misleading view of an entity's GHG emissions profile. For example, respondents noted:
- (a) *the relative size of these activities*: derivative transactions, investment banking and insurance underwriting could be substantial—in terms of their contribution to revenue and total GHG emissions—for entities participating in banking, insurance and other financial activities, and if these activities are linked to counterparties in high-emitting sectors, these activities can give rise to transition risk; and
 - (b) *usefulness of information without these particular GHG emissions information*: permitting an entity to exclude part of its Category 15 GHG emissions would affect the ability of primary users to assess the credibility of an entity's net-zero commitments.
32. In contrast, some respondents who support the proposed relief express uncertainty about, or disagreement with, whether the affected Category 15 GHG emissions provide relevant information about climate-related risks. These respondents noted that the result of the relief is consistent with their view that such Category 15 GHG emissions are not relevant to understanding climate-related risks, and some suggest

that metrics other than GHG emissions might provide more useful information about climate-related risks.

33. A few respondents state that they support the proposed relief because they observe that the amendment would result in the required IFRS S2 Category 15 GHG emissions aligning more closely with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) (the Corporate Value Chain Standard). Specifically, the types of financial investments and activities that are expressed to be mandatory in the Corporate Value Chain Standard would fall under the definition of financed emissions as defined in IFRS S2.²

Views on the state of measurement methodologies

34. Most respondents—whether they broadly agreed or broadly disagreed with the proposed relief—commented on Category 15 GHG emissions measurement methodologies, even though this was not the focus of the Exposure Draft nor addressed by the ISSB in deliberating the proposals in the Exposure Draft other than in consideration of the duration of the relief. The views provided related to the state of measurement methodologies for derivatives are broadly consistent across stakeholder groups. The views on the state of measurement methodologies for facilitated and insurance-associated emissions are mixed.

Derivatives

35. Some respondents, including many of those respondents that broadly disagreed with the proposed relief, expressed the view that measurement methodologies for GHG emissions associated with derivatives are not well established.
36. A few stakeholders that did not agree with the proposal highlight frameworks for measuring GHG emissions associated with particular types of derivatives, such as those produced by The Institutional Investors Group on Climate Change, Ceres and

² The GHG Protocol Corporate Value Chain Standard lists equity investments, debt investments with known use of proceeds, and project finance as mandatory to report under Category 15 GHG emissions. All other types of financial investments and financial services are listed as optional to report. Refer to tables 5.9 and 5.10 on pages 52 and 54 of the GHG Protocol CVCS: https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporting-Standard_041613_2.pdf

the Standards Board for Alternative Investments.^{3,4,5} These respondents suggest that the relief should differentiate between different types of derivatives because these frameworks consider some types to be more exposed to climate-related risk than others.

Facilitated emissions and insurance-associated emissions

37. Many respondents that broadly support the relief referred to the facilitated emissions and insurance-associated emissions methodologies as still in the process of becoming established. These respondents acknowledge the development of methodologies such as the Partnership for Carbon Accounting Financials' (PCAF) methodological guidance in the 'Global Accounting and Reporting Standards Part B: Facilitated Emissions' (Part B) and 'Global Accounting and Reporting Standards Part C: Insurance-Associated Emissions' (Part C).⁶ However, these respondents raise concerns about insufficient coverage of these existing measurement methodologies, aspects of the attribution used in these methodologies and the extent of reporting of these types of emissions to date.
38. In contrast, many respondents that broadly disagreed with the proposals raised concerns that views that measurement methodologies are not sufficiently established—referring to BC127 and BC129 of the Basis for Conclusions on IFRS S2—are out of date.⁷ These respondents stated that:
- (a) the ISSB has not acknowledged emerging methodologies, specifically PCAF Part B and C guidance, in considering the necessity for the relief;
 - (b) PCAF signatories are starting to disclose, or indicating plans to disclose, facilitated emissions using the Part B guidance;

³ 'Derivatives and Hedge Funds Guidance', Institutional Investors Group on Climate Change, 2024, <https://www.iigcc.org/resources/derivatives-and-hedge-funds>.

⁴ B Bateson, J Scott, 'Derivatives & Bank Climate Risk', Ceres Accelerator for Sustainable Capital Markets, 2022, <https://www.ceres.org/resources/reports/derivatives-bank-climate-risk>.

⁵ 'Principles for GHG-Emission Accounting in Alternative Strategies', Standards Board for Alternative Investments, 2024, <https://www.sbai.org/resource/principles-for-ghg-emission-accounting-in-alternative-strategies.html>.

⁶ Partnership for Carbon Accounting Financials, *The Global GHG Accounting and Reporting Standard for the Financial Industry*, <https://carbonaccountingfinancials.com/standard>.

⁷ The staff highlight that ISSB did not refer to the establishment of measurement methodologies as the basis for the proposed amendments in the Exposure Draft.

- (c) facilitated emissions are reported by the largest global investment banks in Europe and North America, and some are starting to set targets linked to these emissions;
- (d) the Net-Zero Banking Alliance (NZBA) Framework includes tracking of target-setting for facilitated emissions, and their target-setting guidance incorporates PCAF Part B guidance;
- (e) the limited number of investment banks reporting facilitated emissions to date should be considered in the context of the PCAF Part B guidance only being applicable to a few entities. The few stakeholders that expressed this view state that only a few entities have the scale and sophistication to undertake the investment underwriting activities that are in the scope of the PCAF Part B guidance. Thus, in the view of these respondents, the number of entities using Part B should not be expected to be near the number of those using the PCAF ‘Global Accounting and Reporting Standards Part A: Financed Emissions’ (Part A) guidance to report financed emissions;
- (f) some of the largest insurers in jurisdictions such as the EU and New Zealand are reporting insurance-associated emissions;
- (g) a growing number of reinsurers are PCAF signatories, which respondents viewed as an indication of market-readiness for reinsurers adopting the PCAF Part C guidance; and
- (h) a few regulators have either introduced requirements for companies to report insurance-associated emissions or are consulting on requirements for reporting such emissions. Examples of these regulators include the Office of the Superintendent of Financial Institutions (OSFI) in Canada and European Insurance and Occupational Pensions Authority (EIOPA) in the EU.^{8,9}

⁸ Annex 2-2 – Metrics and Targets (b)(ii), Climate-related financial disclosure expectations, ‘*Guideline B15: Climate Risk Management*’, Office of the Superintendent of Financial Institutions, 2025, <https://www.osfi-bsif.gc.ca/en/print/pdf/node/571>

⁹ Minimum list of metrics, page 48, ‘*Consultation Paper on the proposal for Regulatory Technical Standards on management of sustainability risks including sustainability risk plans*’, European Insurance and Occupational Pensions Authority, 2024, https://www.eiopa.europa.eu/document/download/fc18cd82-762f-4fa3-818b-01bc8453bcb8_en?filename=EIOPA-BoS-24-458%20Consultation%20Paper%20on%20Regulatory%20Technical%20Standards%20on%20management%20of%20sustainability%20risks.pdf

39. Nevertheless, respondents that broadly disagreed with the proposals acknowledge that the measurement methodologies for facilitated and insurance-associated emissions are still evolving. This commentary includes acknowledging the ongoing process of increasing the scope of asset classes and business lines covered in the measurement methodologies of PCAF Part B and Part C guidance.
40. As a compromise, some respondents suggest a ‘comply or explain’ approach, whereby an entity would only be able to use the relief to the extent that Category 15 measurement methodologies are not available for its financial activities. These respondents also suggest that an entity disclose the justification for its Category 15 exclusions.
41. Note that there is a relationship between respondents’ views on the measurement methodologies for facilitated emissions and insurance-associated emissions and the concerns raised about whether the relief for these emissions should be temporary. Many respondents link the appropriateness of the proposal with the establishment of measurement methodology even though this was not the basis for the proposed amendment which sought to resolve a conflict between IFRS S2 and its related Basis of Conclusions. See paragraphs 42—45 that summarise feedback related to the relief not being transitional.

Concerns about the relief not being transitional

42. Many respondents, including those that broadly agreed with the proposal, have concerns about the relief not being temporary (or transitional). These respondents suggest that the ISSB either:
- (a) make the relief explicitly timebound by setting an end date for the relief; or
 - (b) state an intention to revisit the need for the relief at a future date.
43. Some respondents believe that the market would benefit from the certainty of knowing when the disclosure of all Category 15 GHG emissions would be required. Of these respondents, a few suggest a specific duration in their feedback. These suggestions range from two to five years. Some of these respondents did not provide a

specific reason for the timeline beyond the existence of the PCAF guidance. Other respondents state that the timeframe they suggest would be in line with the time taken for momentum to build in the reporting of financed emissions after the PCAF Part A guidance was released, noting that reporting became common practice within a few years of the release of the that guidance.

44. Some of these respondents suggest that the ISSB revisit the need for relief at a future date, with a few of these respondents suggesting particular actions or identifying opportunities when the relief could be revisited. These include that the ISSB:
- (a) monitor the development of measurement methodologies and reporting practice for Category 15 GHG emissions;
 - (b) express an intention to revisit the relief at a future date. A few suggest this could be included as part of the ISSB explaining the rationale for its decisions in the amended Basis for Conclusions on IFRS S2; and
 - (c) revisit the need for relief as part of the post-implementation review of IFRS S1 and IFRS S2, or as part of the ISSB's work related to the GHG Protocol revisions.^{10, 11}
45. The reasons respondents suggest either setting an end-date or signalling a clear intention to revisit the need for the relief at a future date include:
- (a) the opportunity to consider developments in measurement methodologies and to consider whether such methodologies should be referenced in IFRS S2. Most respondents mentioned PCAF in relation to this point;
 - (b) a concern that not doing so will disincentivise further development in measurement methodologies for Category 15 GHG emissions;

¹⁰ Paragraph BC90 of the Basis for Conclusions on IFRS S2 states that 'If the GHG Protocol Corporate Standard were to be updated, the ISSB will assess the likely effects of those changes before proposing any changes to IFRS S2 to reflect those updates. The ISSB will update IFRS S2 to include a reference to a modified version of the GHG Protocol Corporate Standard only after it has made this assessment and sought feedback on any proposed change in accordance with the IFRS Foundation's due process.'

¹¹ The GHG Protocol is expected to release documents for public consultation from 2025 and publish final standards/guidance in 2027. Refer to: '*GHG Protocol Corporate Suite of Standards and Guidance Update Process*', Greenhouse Gas Protocol, 2024, <https://ghgprotocol.org/ghg-protocol-corporate-suite-standards-and-guidance-update-process>

- (c) that entities are beginning to disclose Category 15 GHG emissions beyond financed emissions—particularly facilitated and insurance-associated emissions—either voluntarily or through regulatory requirements. Respondents with this view are concerned the relief would defer this progress. They are concerned that although disclosure of the amounts of these Category 15 GHG emissions is currently limited, introducing relief might disincentivise entities from starting or continuing to disclose these emissions. These respondents’ concerns extend to the potential effect on entities that have started disclosing some of their facilitated and insurance-associated emissions. For example, for an entity that was disclosing Category 15 GHG emissions associated with its investment banking activities for specific sectors, the relief might result in the entity not being incentivised to continue expanding the scope of their reporting to other sectors; and
- (d) other concerns about the negative effect the relief could have on the behaviour of entities participating in these activities and the consequence of this change in behaviour on the real economy.

Other feedback***Views on the optional nature of the relief***

46. Some respondents that agree with the proposal noted that they support the proposed relief being optional. In their view, the optionality would allow entities that are already reporting Category 15 GHG emissions beyond financed emissions to continue doing so and allow other entities to start doing so as measurement methodologies for Category 15 GHG emissions become more established.
47. Some respondents raised a concern about the effect of the optional nature of the relief on the comparability of Category 15 GHG emissions information. Specifically, that differences in the extent to which the relief is used could result in the composition of Category 15 GHG emissions being different:
- (a) between entities; and

- (b) over time for a particular entity.¹²

This concern was raised both by respondents that broadly disagree with the amendment and those who support the amendment if it is transitional. The staff note that the analysis of this feedback is addressed in Agenda Paper 9B of this meeting, in the analysis of feedback about the proposed disclosure requirement if the relief is used.

Concerns about interoperability

48. A few respondents note that the proposed relief is not consistent with requirements in other standards including the European Sustainability Reporting Standards (ESRS) and the Global Reporting Initiative (GRI) Standards, therefore these respondents raised concerns about whether the proposal would reduce the interoperability of IFRS S2 with those standards. For example, the ESRS do not have such a limitation, nor do the GRI exposure drafts for the financial sector sectoral standards which recommend disclosure of Category 15 GHG emissions amounts including facilitated emissions and insurance-associated emissions.^{13,14}

Staff analysis of stakeholder feedback

Purpose of the proposed amendment

49. Many respondents made comments about Category 15 GHG emissions disclosures that went beyond the scope of the application challenge the proposed amendment is intended to address. This commentary is captured in the summary feedback under the feedback themes of: supporting implementation of Category 15 requirements for

¹² For example, the amount of an entity's Category 15 GHG emissions might vary over time as it expands the coverage of financial instruments or activities included in its measurement of these GHG emissions.

¹³ 'GRI Sector Standards Project for Financial Services – Capital Markets exposure draft', Global Sustainability Standards Board, 2025, <https://www.globalreporting.org/media/jy1fze15/gri-sector-standards-project-for-financial-services-capital-markets-exposure-draft.pdf>.

¹⁴ 'GRI Sector Standards Project for Financial Services – Insurance exposure draft', Global Sustainability Standards Board, 2025, <https://www.globalreporting.org/media/jy1fze15/gri-sector-standards-project-for-financial-services-capital-markets-exposure-draft.pdf>.

entities with a range of capabilities; the state of Category 15 GHG emissions measurement methodologies; and the usefulness of information about the Category 15 GHG emissions that are the subject of the proposed relief.

50. The staff reiterate that this feedback is not related to the application challenge that formed the basis of the proposed amendment. The Exposure Draft proposals respond to the conflict between the requirements in IFRS S2 for Category 15 GHG emissions and the paragraphs in the Basis for Conclusions on IFRS S2 that explain the ISSB's rationale for not requiring disclosures for particular types of Category 15 GHG emissions. The proposals in the Exposure Draft were not proposed in response to concerns related to the state of measurement methodologies nor in relation to questions about the usefulness of information about Category 15 GHG emissions for primary users.
51. The Basis for Conclusions on the Exposure Draft cites the lack of established measurement methodologies in relation to the potential conflict between the IFRS S2 requirements for Category 15 GHG emissions and the commentary about Category 15 in the Basis for Conclusions on IFRS S2 (reflecting the considerations set out in the Basis for Conclusions on IFRS S2)—and because the consideration of the state of methodologies formed part of the ISSB's consideration of whether the proposed relief should be time-bound.

How the proposed amendment would work

Support for clarifying the IFRS S2 requirements for Category 15 GHG emissions

52. Feedback highlights agreement that there is a conflict between the IFRS S2 requirements for disclosures about Category 15 GHG emissions and the Basis of Conclusions on IFRS S2, and that an amendment is the appropriate way to resolve the conflict. Therefore, the staff are of the view that the amendment is necessary from this perspective.

53. Primary users did not raise concerns about a significant loss of decision-useful information as a result of the proposed amendment. This is complemented by the fact that most investors that responded to this question in the Exposure Draft broadly agree with the proposed amendment. Further, most of the investors that responded to this question did not raise concerns about the loss of information described in paragraphs 31 of this paper.

Concerns about terminology related to Category 15 GHG emissions

54. During outreach activities, the staff were asked about the terminology related to Category 15 GHG emissions that illustrated some confusion among stakeholders about the effect of the ‘in-scope approach’ used to draft the proposed amendment. For example, some stakeholders asked why the terms facilitated emissions and insurance-associated emissions are not included in the proposed amendment to IFRS S2. However, the staff note that most stakeholders understood the rationale for this approach once explained in further detail. Further, the comment letters that suggested the ISSB define facilitated emissions and insurance-associated emissions were limited to a few respondents. This suggests that the terminology was understood by most respondents and that the rationale for the in-scope approach—which includes understanding why facilitated emissions and insurance-associated emissions were not defined—is understood by most respondents.
55. The staff continue to believe that it is not necessary to define terms such as ‘facilitated emissions’ and ‘insurance-associated emissions’ in the amendment. By virtue of the relief being framed in terms of what is required to be disclosed (i.e., financed emissions), an entity is permitted to exclude from its measurement and disclosure of Category 15 GHG emissions, any GHG emissions associated with Category 15 activities that are not financed emissions. The staff think that it is clear from the definition of financed emissions in IFRS S2 that this does not include facilitated emissions associated with investment banking activities nor insurance-associated emissions associated with insurance and reinsurance underwriting activities.

56. However, the staff note that there are opportunities to support understanding of the terminology related to Category 15 GHG emissions in the context of the relief, such as by:
- (a) explaining the rationale for the in-scope approach in the amended Basis for Conclusions on IFRS S2. For example, the staff could adapt paragraph BC15 of the Basis for Conclusions on the Exposure Draft for inclusion in the amended Basis for Conclusions on IFRS S2; or
 - (b) updating the IFRS Foundation's educational material about IFRS S2 GHG emissions requirements to explain the amendments.¹⁵
57. Regarding the respondents that sought clarity about or made suggestions to clarify the definition of financed emissions, the staff notes that:
- (a) in proposing targeted amendments to IFRS S2, the ISSB was careful to focus on minimising changes to IFRS S2 as much as possible. In this respect, paragraph 29A(a) of the Exposure Draft included the activities and assets that paragraphs B61–B63 of IFRS S2 highlight are included in relation to financed emissions. That is, that financed emissions include the GHG emissions attributed to loans, project finance, bonds, equity investments and undrawn loan commitments and that for an entity that participates in asset management activities (Paragraph B62 and B63 of IFRS S2), financed emissions include GHG emissions attributed to assets under management (Paragraph B61 of IFRS S2). The staff does not think it is necessary to amend the definition of financed emissions because IFRS S2 and the proposed amendments to IFRS S2 are sufficiently clear in this respect.
 - (b) the staff note that of the reference to derivatives in paragraph 29A(a) of the Exposure Draft does not change the definition of financed emissions. Paragraph 29A(a) notes that for the purposes of the limitation an entity is permitted to exclude any GHG emissions associated with derivatives. The

¹⁵ 'Greenhouse Gas Emissions Disclosure requirements applying IFRS S2 Climate-related Disclosures', IFRS Sustainability, 2025, <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/ghg-ifrs-s2-educational-material.pdf>.

use of the words ‘for the purposes of the limitation’ means that Paragraph 29A(a) is not intended to change the definition of financed emissions.

- (c) the difference in the requirement to include project finance in the asset classes that are included in the disaggregated financed information for entities that participate in commercial banking activities (Paragraph B62 of IFRS S2) but not for entities that participate in insurance activities (Paragraph B63 of IFRS S2) does not mean that there is an inconsistency in the definition of financed emissions within the Standard. The asset classes set out do not redefine financed emissions, rather this sets out the particular disaggregation required to be provided with project finance expected to be more relevant to commercial banking than for insurance. In addition, the staff note that the asset classes mentioned in the disaggregation requirement for financed emissions does not represent an exhaustive list, as indicated by the use of ‘shall *include*’ before listing the asset classes.

Concerns about not defining derivatives

58. The ISSB proposed that the term derivatives not be defined for the purposes of the relief given the challenges with doing so as explained in paragraph 15. Feedback highlighted concerns about not defining derivatives but did not highlight an alternative that directly responded to the challenges that the ISSB considered in making that decision. However, some respondents disagreed with the ISSB’s decision not to require that the definition of derivatives applied when using the relief be the same as that used in the preparation of the entity’s related financial statements. These respondents think that such an approach would be detrimental to the ‘connectivity’ between the sustainability-related financial disclosures and the related financial statements.
59. The staff note that the proposals would not prevent an entity from using the definition of derivatives applied in preparing its related financial statements for the purposes of applying the relief. However, the staff acknowledge that the use of a different definition applied in sustainability-related financial disclosures could create a

disconnect with an entity's related financial statements as a different population of financial instruments could be covered in each context.

60. In responding to concerns about the connection with the related financial statements, the ISSB proposed that an entity explain what it treats as derivatives. The ISSB also noted that this would likely involve judgement which might need to be disclosed applying paragraph 74 of IFRS S1. The staff thinks that the ISSB could further mitigate potential negative effects on the connection of information by specifically requiring an entity to disclose if the population of financial instruments it treats as derivatives when applying the relief differs from that in the financial statements, and to provide information about how what it treats as derivatives for the purposes of applying the relief differs from what it treats as derivatives in its related financial statements. Such disclosure would enable primary users to understand this difference. Refer to Agenda Paper 9B of this meeting for the staff recommendations related to the disclosure requirements for an entity that uses the relief.

The existence of relief

Views on the usefulness and importance of Category 15 GHG emissions

61. The ISSB's intent with the proposed amendment is to address a conflict between IFRS S2 disclosure requirements and the Basis of Conclusions on IFRS S2—see paragraph 11. However, some respondents are concerned that the proposed relief means that the ISSB either does not think that disclosure of other Category 15 GHG emissions (beyond financed emissions) results in the provision of decision-useful information about transition risk, or does not think that other financial activities give rise to exposure to transition risk. Because these misconceptions were held by most of the respondents that did not broadly agree with the proposed relief, the staff think it is important that the ISSB's considerations related to these issues are clear to respondents.
62. Paragraphs BC127 and BC129 of the Basis for Conclusions on IFRS S2 explain the ISSB's decisions not to require disclosure for facilitated emissions, insurance-

associated emissions and emissions associated with derivatives. These paragraphs state that the reason is a lack of established measurement methodologies for these Category 15 GHG emissions; the paragraphs do not comment on the decision-usefulness of these types of emissions.

63. The proposed amendment does not relieve entities from providing material information about climate-related risks and opportunities, including transition risk. More specifically when the activities or financial instruments underpinning the emissions subject to the relief give rise to climate-related transition risk an entity would still need to provide information to enable the objective of IFRS S2 to be met. The objective of IFRS S2 is to require companies to provide information about climate-related risks and opportunities that is useful to primary users. Climate-related risks include transition risks. Information about an entity's Scope 3 GHG emissions, including Category 15 GHG emissions, is only one type of information relevant to an understanding of an entity's exposure to transition risk.
64. Information about transition risk is not limited to information about GHG emissions. Other requirements in IFRS S2 are also relevant to, or explicitly require information to be provided about, transition risks. Examples of these IFRS S2 disclosure requirements include the provision of information about:
- (a) the current and anticipated effects of climate-related risks on the entity's business model (paragraph 13 of IFRS S2);
 - (b) the current and anticipated changes to the entity's business model to address climate-related risks (paragraph 14(a) of IFRS S2);
 - (c) the resilience of the entity's business model to climate-related changes (paragraph 22 of IFRS S2); and
 - (d) the amounts and percentage of assets or business activities vulnerable to transition risk (paragraph 29(b) of IFRS S2).
65. In addition to the requirements referenced in paragraph 63(a)– 63(d), the staff note that paragraph 15(b) of IFRS S1 requires an entity to disclose additional information if compliance with the specifically applicable requirements in IFRS Sustainability

Disclosure Standards are not sufficient to enable primary users to understand the effects of sustainability-related risks and opportunities. Therefore, even if an entity is not expressly required to provide particular information related to transition risk applying IFRS S2, an entity is required to disclose information to enable primary users to understand the effects of climate-related risks and opportunities, including transition risk.

66. The rationale for any finalised amendments to IFRS S2 would be included as part of an amended Basis of Conclusions on IFRS S2. This would provide the opportunity to clarify the intent of the amendment and therefore mitigate some of the concerns raised. In explaining the rationale for amendments, the application challenges that resulted in the amendment would be noted and this explanation could clarify that the relief:
- (a) applies to a specific disclosure requirement, that is the disclosure of Category 15 GHG emissions;
 - (b) is not an observation about the relevance of this information to understand an entity's transition risk;
 - (c) does not relieve an entity from providing information about its climate-related targets, which might include targets related to Category 15 GHG emissions beyond financed emissions; and
 - (d) does not negate the requirement that an entity is required to provide information to enable primary users to understand the entity's climate-related risks and opportunities, including transition risk.

Views on the state of measurement methodologies

67. Although not included in questions to stakeholders in the Exposure Draft, more respondents provided commentary about the state of measurement methodologies than they did about the application challenge the ISSB sought to address—the conflict between IFRS S2 requirements for Category 15 GHG emissions and the Basis for Conclusions on IFRS S2.

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68. Many respondents—whether they broadly agree or disagree with the proposal for relief—note that what is captured as part of Category 15 GHG emissions is broad and that measurement methodologies for these emissions are in varying stages of ongoing development. These respondents also acknowledge the existence of emerging measurement methodologies, with many referencing PCAF Part B and C guidance in relation to facilitated and insurance associated emissions, and a few referencing approaches for derivatives.
69. The staff observe that many of the respondents that did not broadly agree with the proposal also raised concerns about the relief not being temporary. Therefore, considering this observation together with the feedback acknowledging the ongoing evolution of Category 15 GHG emissions measurement methodologies, stakeholder feedback suggests the concern is not necessarily whether the relief should be provided in IFRS S2, but whether the relief should be temporary.
70. Furthermore, the staff note that the intention of the ISSB with the proposed amendments was to remove an inconsistency rather than revisit decisions the ISSB previously made as part of its redeliberations on the Exposure Draft of IFRS S2. The ISSB’s decisions related to the exclusion of particular Category 15 GHG emissions from additional information disclosure requirements as part of its redeliberations on the exposure draft of IFRS S2 did not result in the ISSB requiring that this information be provided at a future date. In responding to the application challenge about the conflict between IFRS S2 and the Basis for Conclusions on IFRS S2, the ISSB decided not to set an end date for the relief either. The staff note that this would result in consistency between the requirement to measure and disclosure Category 15 GHG emissions and the requirement to provide additional information about those emissions (that is, in both cases there would simply be no requirement to provide this information rather than a transitional relief from providing such information).

Concerns about the relief not being transitional

71. The staff observe that stakeholders’ concerns about the relief not being transitional are linked to a concern that the amendment could result in behavioural responses, such

that entities may either stop providing Category 15 GHG emissions information or that improvements in measurement methodologies for these emissions might stall. However, the purpose of the proposed amendment was to resolve the inconsistency while limiting disruption to implementation from any amendments. Therefore, the proposals were not intended to revisit the original decision by the ISSB about the provision of information about GHG emissions for these activities; the primary objective was removing an inconsistency. Any changes beyond removing the inconsistency—such as limiting the duration of the relief such that it is transitional—would be secondary to resolving the inconsistency.

72. Additionally, as noted in the Exposure Draft and paragraph 70 of this paper, the exclusion of derivatives, facilitated emissions and insurance-associated emissions from the Category 15 GHG emissions additional information requirements is not timebound. If the ISSB were to provide a timebound relief for disclosures about the amount of Category 15 GHG emissions, it would then create an inconsistency with the requirement to provide additional information about Category 15 GHG emissions that is limited to financed emissions.
73. For completeness, the staff have considered whether the feedback from respondents received on the proposed amendments included new information from that which the ISSB considered in proposing the amendments.¹⁶ Refer to Appendix B for a detailed description of this feedback and the staff's analysis. Paragraphs 74–81 of this paper provide a summary of this feedback and staff analysis.

Feedback about the relief not being transitional

74. The feedback regarding the state of methodologies for Category 15 GHG emissions beyond financed emissions is consistent with the staff's understanding prior to the consultation period related to (1) the extent of entities reporting these emissions; and (2) the inclusion of these emissions in target-setting.

¹⁶The staff note that in 'AP9B: Specific aspects of the potential amendments to IFRS S2' (Agenda Paper 9B of the January 2025 meeting), the ISSB considered the development of measurement methodologies as part of assessing whether the relief could be timebound. That is, the analysis used to facilitate the ISSB's discussion on the duration of the relief did not rely on information from the prior deliberations, but on more recent information. Refer to <https://www.ifrs.org/content/dam/ifrs/meetings/2025/january/issb/ap9b-specific-aspects-potential-amendments-ifrs-s2.pdf>

75. The staff notes that the feedback related to methodological development and regulatory reporting is mostly consistent with the staff's understanding prior to the Exposure Draft:
- (a) *the extent of methodology development*: in addition to PCAF Part B and C guidance, IIGCC and Ceres frameworks for derivatives—all of which staff previously cited in its research prior to the consultation—a few respondents cite the SBAI's principles for GHG measurement in relation to derivatives, which is nascent.
 - (b) *regulatory reporting*: the staff was made aware of some regulatory requirements, per paragraph 38 of this paper.
76. In conclusion, the staff does not think that the feedback from respondents provides additional evidence that would support the ISSB determining a duration to support the relief being dated.

Feedback about revisiting the relief at a future date

77. Stakeholder suggestions about points in time at which the ISSB might have an opportunity to revisit the need for relief is consistent with opportunities that the staff previously presented to the ISSB in considering how the ISSB could respond to the application challenge.¹⁷ These included:
- (a) revisions to the GHG Protocol Corporate standards;
 - (b) further evolution of GHG emissions measurement methodologies for derivatives, facilitated emissions and insurance-associated emissions; and
 - (c) when undertaking the post-implementation review of IFRS S2.¹¹
78. The staff think that the ISSB stating an intention to revisit the need for relief at a future date has similar challenges to determining whether the relief should be dated. That is, if disclosures are not required as of a particular date or if the ISSB simply states an intent to reconsider the relief in the future this is unlikely to address the risk

¹⁷ See paragraph 12 of 'AP9B: Specific aspects of the potential amendments to IFRS S2', January 2025.

of less disclosure of this information or address negative effects on the development of measurement methodology.

79. Nonetheless, the staff understand that many respondents have concerns that unless the ISSB requires disclosure of material information about the amount of all Category 15 Scope 3 GHG emissions from a particular date, this may compromise progress in methodologies and even result in regression in the extent of reporting. The staff acknowledge that if there were a date at which these disclosures were going to be required or reviewed that this may increase the likelihood of disclosure and support continued developments in methodology.
80. However, the staff notes as explained in paragraph 63–65, that the relief does not exempt an entity from providing information about climate-related risks and opportunities in relation to their activities, including information about transition risks. Although the amendment means that it is not necessary to provide information about the amount of Category 15 GHG emissions beyond financed emissions, even when material, companies need to identify their climate-related risks and opportunities and provide information about such risks and opportunities including information about transition risk associated with those activities. The staff also note part of the ISSB’s current workplan is enhancing the SASB Standards. This work includes considering enhancing the financial sector industry standards which provides an opportunity to support the development of market informed metrics relevant to the sector and to investors’ understanding of climate-related risks and opportunities if the ISSB believes that this is warranted.
81. To further address respondents’ concerns, the staff note that the amended Basis of Conclusions on IFRS S2 could explain the ISSB’s considerations related to the duration of the relief. In explaining the rationale for the amendment, the ISSB has the opportunity to note that:
- (a) the measurement methodologies for Category 15 GHG emissions continue to develop and the ISSB encourages these efforts; and

- (b) the ISSB plans to continue monitoring evolution of these measurement methodologies and to note that if future changes to IFRS S2 were to be proposed in relation to disclosures about Category 15 GHG emissions, these would be subject to the IFRS Foundation's due process which would include public consultation on any future amendments.

Other feedback***Optional nature of the relief***

82. The staff notes that the amendment is drafted to ensure that it is clear that IFRS S2 does not *require* the disclosure of the amounts of Category 15 GHG emissions beyond financed emissions but that an entity could choose to provide disclosures of the amount of other Category 15 emissions. This makes the 'optional' nature of the relief very clear. However, it would be rare to *prohibit* an entity from disclosing information beyond that which is explicitly required by a Standard especially if that information is material for investors. Thus, this optionality is not unusual. Nevertheless, the staff acknowledge that the drafting of the amendment drew attention to the optionality of the relief resulting in specific feedback.
83. The staff think that the ISSB could respond to respondents' concerns about the optionality of the relief—reducing comparability of Category 15 GHG emissions—through modifications to the disclosure requirement proposed for entities that use the relief. See paragraphs 59–62 of Agenda Paper 9B of this meeting which discuss the recommendations for the proposed disclosure requirement if the relief is used.

Interoperability

84. The staff note that the ISSB considered interoperability when considering the proposed amendments—interoperability is part of the ISSB's criteria for evaluating potential amendments to IFRS S1 and IFRS S2 during implementation. As part of this consideration, the ISSB noted that an entity can choose to provide information about all of its Category 15 GHG emissions thus the proposed amendment would not create

an interoperability challenge. Thus, an entity can still meet the requirements of IFRS S2 and other standards.

Staff recommendations on the proposed amendments

85. The staff recommends that the ISSB proceed with the relief for Category 15 GHG emissions beyond financed emissions as proposed in the Exposure Draft *Amendments to Greenhouse Gas Emissions Disclosures*, which is undated—see Appendix A for the relevant extract from the Exposure Draft.
86. The staff suggest that the ISSB clarify the intent of the relief as part of the amended Basis of Conclusions on IFRS S2 that explains the rationale for the amendments. In explaining the rationale for amendments, the application challenges that resulted in the amendment would be noted. That is, this explanation could clarify that the relief is intended to resolve the conflict between (1) the requirements for disclosures of the amounts of Category 15 GHG emissions in IFRS S2 and (2) the commentary about rationale for the ISSB’s decisions related to Category 15 GHG emissions as set out in the Basis for Conclusions on IFRS S2. Further, this explanation could also clarify that the relief:
- (a) applies to a specific disclosure requirement, the disclosure of Category 15 GHG emissions;
 - (b) is not an observation about the relevance of this information to understand an entity’s transition risk;
 - (c) does not relieve an entity from providing information about its climate-related targets, which might include targets related to Category 15 GHG emissions beyond financed emissions; and
 - (d) does not negate the requirement that an entity is required to provide information to enable primary users to understand the entity’s climate-related risks and opportunities, including transition risk.

87. Additionally, the staff suggest that the ISSB continue to monitor the developments in measurement methodologies for Category 15 GHG emissions. The staff notes that there could be opportunities for the ISSB to reassess the need for the relief. These opportunities include the post-implementation review of IFRS S2 and the ISSB's consideration of prospective revisions related to the GHG Protocol Corporate Standard.¹¹
88. The staff thinks that confirming the ISSB's intention to monitor methodological developments and the need for the relief would respond to respondents concerns about the risk of unintended behavioural consequences as a result of the proposed amendment, including mitigating the risk that the ongoing development of measurement methodologies is stalled. This response would also reduce the risk that there is a perception that the ISSB does not consider Category 15 GHG emissions information beyond financed emissions to be useful.

Questions for the ISSB members

89. The staff presents the following questions for the ISSB.

Questions for ISSB

1. Do you have any comments or questions on the feedback summary, the staff analysis and recommendations presented in this paper?
2. Do you agree with:
 - a. the staff recommendation to proceed with the relief for Category 15 GHG emissions as described in paragraph 85;
 - b. the staff suggestion to clarify the intent of the relief, as described paragraph 86; and
 - c. the staff suggestion to continue to monitor the developments in measurement methodologies for Category 15 GHG emissions paragraph 87?

Appendix A—Extract from the Exposure Draft

The following is an extract from page 13 of the Exposure Draft *Amendments to Greenhouse Gas Emissions Disclosures* which presents the proposed relief for Category 15 GHG emissions.

29A In preparing disclosures to meet the requirement in paragraph 29(a)(i)(3):

(a) an entity may limit what is included within the entity's measure of Scope 3 Category 15 greenhouse gas emissions to financed emissions—that is, greenhouse gas emissions attributed to loans and investments made by an entity to an investee or counterparty. The term 'loans and investments' includes loans, project finance, bonds, equity investments and undrawn loan commitments. For an entity that participates in asset management activities, financed emissions include greenhouse gas emissions attributed to assets under management. For the purposes of the limitation, an entity is permitted to exclude any greenhouse gas emissions associated with derivatives.

Appendix B— Supplement to staff analysis of feedback about methodological developments

The following is the staff's assessment of whether the feedback heard from respondents during the consultation period provides new information about the establishment of measurement methodologies for Category 15 GHG emissions that the staff had not considered during its research in January 2025, prior to the consultation period. Refer to paragraph 76 of this paper for the staff conclusions.

Derivatives

1. Methodologies for assessing climate-risk management and emissions measurement related to derivatives are beginning to emerge. In addition to IIGCC and Ceres methodologies on this topic cited in the staff's January 2025 analysis, the SBAI's methodology has been mentioned by a few respondents.
2. However, there is limited evidence brought forward by respondents that entities are reporting information about emissions associated with derivatives; that laws or regulations require such emissions disclosure; nor that such emissions are included in entities' climate related targets. Thus, the methodologies for measuring emissions seem to be nascent based on the limited evidence of their use in the market.
3. Therefore, the feedback from respondents is consistent with the staff's understanding of measurement methodologies and what was reported to the ISSB as part of its considerations related to the proposed amendments in January 2025.

Facilitated emissions

4. Respondents have highlighted the existence of the PCAF Part B guidance. No new information has been received about other measurement methodologies for measuring facilitated emissions.
5. Regarding reporting, respondents mention a few, large entities based in the Europe and North America as beginning to disclose facilitated emissions voluntarily, and generally using the PCAF Part B guidance. They also cited the Net Zero Banking Alliance (NZBA) which recommends, but does not mandate alliance members to set

targets for facilitated emissions. This feedback is broadly aligned with the staff's January 2025 findings reported to the ISSB as part of its considerations related to the proposed amendment.

6. However, the view from a few respondents that only a small number of entities reporting is sufficient to illustrate the facilitated emissions as being well established is new information. Nevertheless, the basis for the view that only a few, sophisticated entities with investment banking activities would be expected to ever disclose facilitated emissions using the PCAF Part B guidance does not appear to be consistent with the application of materiality in IFRS Sustainability Disclosure Standards. That is, this seems to be an assessment of an entity's relative size of activities compared to other entities, or 'market share', as opposed to considering whether there is material information about transition risk related to investment underwriting activities in the context of the activities in an individual entity's business model.
7. Although a few respondents suggest that the number of entities reporting facilitated emissions today is similar to the uptake of entities reporting financed emissions in the first couple of years after the PCAF Part A guidance was released, there is limited additional information provided on why it is reasonable to assume that the uptake of reporting of facilitated and financed emissions would have a similar trajectory.
8. Further, we received no new information that contradicts the staff's understanding that (1) the scope of coverage of asset classes covered by the PCAF Part B guidance is still in the process of being expanded and (2) the anticipated end date of the process is not publicly available.
9. Therefore, although there are mixed views on whether emerging methodologies for facilitated emissions can be deemed established, there is limited new information received from respondents that suggests a reasonable end date can be determined for the relief.

Insurance associated emissions

10. Respondents have highlighted the existence of the PCAF Part C guidance. Respondents have provided limited new information about other measurement methodologies for measuring insurance-associated emissions.
11. Regarding reporting, respondents mention a few, large entities based mostly based in Europe as beginning to disclose insurance-associated emissions, and generally using the PCAF Part C guidance, which is broadly aligned with our January 2025 findings reported to the ISSB as part of its considerations related to the proposed amendment.
12. No new information was received regarding the scope of business lines covered by the Part C guidance, and the scope of business lines covered is still in the process of being expanded without a known anticipated end date for the process.
13. No new additional information has been received related to target-setting for insurance-associated emissions.

Other commentary regarding PCAF

14. A few respondents mentioned the number of PCAF signatories—and the growth in the number of these signatories in the past several years—as a data point to indicate that the PCAF Part B and Part C guidance is well-established. However, the staff note that the number of PCAF signatories does not provide information about when an entity intends to apply the PCAF guidance. Additionally, there is no separate PCAF commitment for the Part A, B and C guidance, so it is difficult to determine how ready an entity is to implement PCAF guidance for Part B or Part C even if it has already begun disclosing financed emissions using the Part A guidance.
15. In response to comments suggesting endorsement of PCAF, the ISSB supports the ongoing development of methodologies including those of PCAF. We refer to BC125 of IFRS S2:

‘The application guidance is intended to enhance consistent and comparable disclosure of financed emissions information while allowing for innovation. It is also intended to enable the market to converge on measurement methodologies for different asset classes as they emerge and gain acceptance, such as those developed

by the Partnership for Carbon Accounting Financials. Although the requirements support the use of different measurement approaches, they also provide users of general purpose financial reports with the information necessary to understand an entity's exposures and the approaches the entity has used to measure its financed emissions.'