Staff paper

Agenda reference: 3

Transition Implementation Group on IFRS S1 and IFRS S2

Date	**November 2026**
Topic	**GHG emissions associated with claims-settlement activities**
Contacts	Tim Kasim (tkasim@ifrs.org) David Bolderston (david.bolderston@ifrs.org)

This paper has been prepared for discussion at a public meeting of the Transition Implementation Group on IFRS S1 and IFRS S2 (TIG). 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*.

Introduction

1. We have received submissions about greenhouse gas (GHG) emissions associated with an insurer's activities related to settling insurance claims. The submissions ask whether IFRS S2 *Climate-related Disclosures* requires an entity to measure and disclose such emissions—specifically, whether such emissions are captured within the scope of the 15 categories of Scope 3 GHG emissions and, if so, which category.

2. The objective of this paper is to provide background and analysis to support discussion by the Transition Implementation Group on IFRS S1 and IFRS S2 (TIG).

3. The TIG provides a public forum for the discussion of implementation questions related to the IFRS Sustainability Disclosure Standards and provides information for the ISSB to determine what, if any, action will be needed to address those questions.

4. This paper:

   (a) sets out the relevant requirements in IFRS S2;

   (b) summarises the implementation questions raised in the submissions;

   (c) outlines the staff's analysis related to the implementation questions; and

   (d) asks the members of the TIG for their views on the questions raised.

Relevant requirements

5. The following paragraphs set out the main requirements in IFRS S2 related to the implementation questions.

Disclosing Scope 3 GHG emissions

6. Paragraph 29(a)(i)(3) of IFRS S2 sets out the requirement for an entity to disclose its Scope 3 GHG emissions:

> 29 An entity shall disclose information relevant to the cross-industry metric categories of:
>
> (a) *greenhouse gases*—the entity shall:
>
> (i) disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tonnes of CO_2 equivalent (see paragraphs B19–B22), classified as:
>
> (1) *Scope 1 greenhouse gas emissions*;
>
> (2) *Scope 2 greenhouse gas emissions*; and
>
> (3) *Scope 3 greenhouse gas emissions*;

7. Paragraph 29A of IFRS S2—added by *Amendments to Greenhouse Gas Emissions Disclosures*, which amended IFRS S2 in December 2025—permits an entity to limit what it includes in its measure of Scope 3 Category 15 GHG emissions to only its financed emissions:

> 29A In preparing disclosures to meet the requirement in paragraph 29(a)(i)(3), an entity is permitted to limit what it includes in its measure of Scope 3 Category 15 greenhouse gas emissions to only its financed emissions. That is, the entity is permitted to limit its Category 15 greenhouse gas emissions to emissions attributed to loans and investments made by the entity to

investees or counterparties. 'Loans and investments' include 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 purpose of the limitation, an entity is permitted to exclude greenhouse gas emissions attributable to derivatives.

8. Appendix A of IFRS S2 defines 'financed emissions' as:

> The portion of gross greenhouse gas emissions of an investee or counterparty attributed to the loans and investments made by an entity to the investee or counterparty. These emissions are part of Scope 3 Category 15 (investments) as defined in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).

Disclosing the Scope 3 categories included

9. Paragraph 29(a)(vi)(1) of IFRS S2 sets out the requirement for an entity to disclose the Scope 3 categories included within its measure of Scope 3 GHG emissions:

> 29 An entity shall disclose information relevant to the cross-industry metric categories of:
>
> (a) *greenhouse gases*—the entity shall:
>
> …
>
> (vi) for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)(3), and with reference to paragraphs B32–B57, disclose:
>
> (1) the categories included within the entity's measure of Scope 3 greenhouse gas emissions, in accordance with the *Scope 3*

> *categories* described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011);

10. Paragraph B32 of IFRS S2 specifies that an entity is required to consider all 15 categories of Scope 3 GHG emissions as described in the *Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)* (GHG Protocol Value Chain Standard):

> B32 In accordance with paragraph 29(a)(vi), an entity shall disclose information about its Scope 3 greenhouse gas emissions to enable users of general purpose financial reports to understand the source of these emissions. The entity shall consider its entire value chain (upstream and downstream) and shall consider all 15 categories of Scope 3 greenhouse gas emissions, as described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011). In accordance with paragraph 29(a)(vi), the entity shall disclose which of these categories are included in its Scope 3 greenhouse gas emissions disclosures.

11. Appendix A of IFRS S2 defines 'Scope 3 categories' as follows:

> Scope 3 greenhouse gas emissions are categorised into these 15 categories—as described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011):
>
> (1) purchased goods and services;
>
> …
>
> (15) investments.

Implementation questions received

12. We have received two questions about GHG emissions associated with an insurer's activities related to settling insurance claims. The first question focuses specifically on emissions associated with activities related to settling motor vehicle insurance claims, while the second question asks more broadly about emissions associated with activities related to settling different types of insurance claims. Because the second question covers a broader range of insurance claims, the analysis would also apply to the first question. The focus of both questions is the same—whether IFRS S2 requires an entity to measure and disclose emissions associated with claims-settlement activities. Specifically, the questions ask whether emissions associated with claims-settlement activities are:

    (a) captured within Scope 3 Category 1 (Purchased goods and services);

    (b) captured within Scope 3 Category 15 (Investments); or

    (c) beyond the 15 categories of Scope 3 GHG emissions that IFRS S2 requires an entity to consider.

13. The questions have been asked because emissions associated with claims-settlement activities are not explicitly addressed in the GHG Protocol Value Chain Standard—which is referenced by IFRS S2 as part of the definition of Scope 3 GHG emissions. Such emissions are associated with a range of activities because insurance claims can be settled through a variety of arrangements, including insurer-managed repair or replacement programs, direct payments to suppliers, payments through intermediaries or service providers, and cash payments to policyholders. Because claims-settlement activities are not explicitly addressed in the GHG Protocol Value Chain Standard, there might be diversity in entities' views on whether emissions associated with claims-settlement activities are captured within the scope of the 15 categories of Scope 3 GHG emissions and, if so, in which category.

14. Table 1 below summarises the alternative views set out in the submissions, the rationale provided for each view, and the potential effect of each view on the

disclosure of those emissions in accordance with IFRS S2. The potential effects are considered in Table 1 on the basis that an entity has identified climate-related transition risks or climate-related opportunities related to settling such claims.

Table 1—Alternative views set out in the submissions

View	Rationale	Effect on disclosure of emissions associated with claims-settlement activities
View 1: Captured within Category 1 (Purchased goods and services)	Claims-settlement activities are a regular part of an insurer's activities, and the goods and services provided could be regarded as inputs into the insurer's value chain, rather than solely as activities of the policyholder. Therefore, GHG emissions associated with claims-settlement activities related to an insurer's purchase of (or funding of) goods and services to fulfil the insurer's obligations under insurance contracts could be classified as Category 1.[1] As part of this view, there is also judgement about whether classifying the emissions as Category 1 depends on the insurer's relationship with the supplier, for example whether the insurer selects and contracts with the suppliers.	**Required to be included** in an entity's measure of Scope 3, if information determined to be material.
View 2: Captured within Category 15 (Investments)	Claims paid to policyholders constitute the realisation of the policyholders' risk exposure assumed through underwriting. That is, claims payments are not a separate activity from underwriting, but represent the fulfilment of the insurer's obligation arising from the insurance-contract liabilities. Accordingly, emissions arising from claims payments (whether in cash or in-kind) could be included within the same scope as insurance-associated emissions because they are not separate from, or incidental to, the insurance contract. GHG Protocol Value Chain Standard describes Category 15 as emissions associated with a range of financial investments and services, including insurance contracts. Consequently, claims-settlement activities could be viewed as part of insurance underwriting activities—classified as Category 15.	**Not required to be included** in an entity's measure of Scope 3 because an entity is permitted to limit Category 15 to financed emissions and such emissions do not meet the definition of financed emissions in IFRS S2.
View 3: Beyond the 15 categories	Claims-settlement activities are not explicitly captured within the 15 categories of Scope 3 GHG emissions, and consequently they could be considered as Scope 3 GHG emissions that fall beyond those 15 categories.[2] The submission also notes that the GHG Protocol is considering to propose changes to the GHG Protocol Value Chain Standard. The proposal would explicitly	**Not required to be included** in an entity's measure of Scope 3 because the requirements in IFRS S2 could be reasonably read as not requiring an entity to measure and disclose Scope 3 GHG emissions beyond the 15

[1] The submission notes that this view may also avoid different reporting outcomes depending on whether a claim-settlement activity is undertaken internally or outsourced. The submission notes that 'For example, emissions arising from repair or restoration activities performed using an insurer's own resources may be reflected within the insurer's Scope 1 or Scope 2 emissions. Treating equivalent outsourced activities as purchased goods and services may therefore provide a more consistent representation of the emissions associated with the insurer's claims-settlement activities.'

[2] GHG Protocol Value Chain Standard describes Category 15 (Investments) as a category for emissions associated with a range of financial investments and services. It highlights insurance contracts as an example of the activities covered in that category (Table 5.10, page 54 of GHG Protocol Value Chain Standard). However, it does not specifically address whether claim-settlement activities fall under that category.

View	Rationale	Effect on disclosure of emissions associated with claims-settlement activities
	capture claims-settlement activities for the first time in a newly created Category 16, rather than as part of the existing 15 categories of Scope 3.	categories (see the summary of the TIG November 2025 meeting).

15. The questions are important for entities that participate in insurance and reinsurance activities because claims-settlement activities represent a significant part of their business model. The determination of whether emissions associated with such activities are captured within the 15 categories of Scope 3, and if so which category, can affect whether an entity would need to consider such emissions in its measurement of its Scope 3 GHG emissions in accordance with IFRS S2.

Staff analysis

16. The objective of IFRS S2 is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users in making decisions relating to providing resources to the entity (paragraph 1 of IFRS S2). Information about GHG emissions associated with an entity's activities—including those related to Scope 3 GHG emissions—can help primary users assess an entity's exposure to specific climate-related risks and opportunities associated with a transition to a lower-carbon economy.

17. IFRS S2 requires an entity to disclose its absolute gross GHG emissions generated during the reporting period (paragraph 29(a)(i) of IFRS S2). IFRS S2 references *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)* (GHG Protocol Corporate Standard) for the measurement of GHG emissions, including the characterisation of the sources of GHG emissions as Scope 1, Scope 2 and Scope 3 (paragraph 29(a)(ii) of IFRS S2). Additionally, IFRS S2 references the GHG Protocol Value Chain Standard in relation to Scope 3 GHG emissions, including the requirements to disclose the Scope 3 categories included (paragraph 29(a)(vi)(1) of IFRS S2) and to consider all 15 categories of Scope 3 GHG emissions (paragraph

B32 of IFRS S2). Therefore, IFRS S2 requires an entity to classify emissions associated with claims-settlement activities based on:

(a) the characterisation of the sources of GHG emissions as Scope 1, Scope 2 and Scope 3 GHG emissions, in accordance with the GHG Protocol Corporate Standard; and

(b) the description of the 15 categories of Scope 3 GHG emissions, in accordance with the GHG Protocol Value Chain Standard.

18. In addition, IFRS S2 defines a specific type of Scope 3 Category 15 GHG emissions—'financed emissions', that is, emissions attributed to loans and investments made by an entity to investees or counterparties (see paragraph 8). That definition is used in IFRS S2 to (1) set out the permission for an entity to limit what it includes in its measure of Scope 3 Category 15 GHG emissions (paragraph 29A of IFRS S2) and (2) require additional information to be provided about such emissions for entities that participate in specific financial activities.[3]

Staff view

19. In the staff's view, the questions submitted relate to the requirements in the GHG Protocol Corporate Standard and GHG Protocol Value Chain Standard, rather than IFRS S2. IFRS S2 does not provide guidance on the classification of emissions associated with claims-settlement activities, beyond that set out in the applicable GHG Protocol standards.

20. IFRS S2 refers to the description of Scope 3 categories in the GHG Protocol Value Chain Standard. IFRS S2 relies on the GHG Protocol Value Chain Standard for the categorisation of Scope 3 GHG emissions, but includes a definition of financed emissions. The staff think that emissions associated with claims-settlement activities do not meet IFRS S2's definition of financed emissions. Thus, the emissions

[3] IFRS S2 requires entities that participate in asset management, commercial banking or insurance activities to provide additional information about the entity's financed emissions (paragraphs 29(a)(vi)(2) and B58–B63A of IFRS S2).

associated with such activities are not within the scope of the requirements related to financed emissions (paragraphs 29A, 29(a)(vi)(2) and B58–B63A of IFRS S2).

21. The staff note that the GHG Protocol has commenced a project to propose revisions to the GHG Protocol Value Chain Standard as part of a broader update to the GHG Protocol's corporate suite of standards and guidance.[4] The proposed revisions under consideration include a new Scope 3 category—Category 16 (Other value chain activities). This new category would specifically address emissions associated with 'insurance, reinsurance and/ or claims payments' as a sub-category to Category 16. This sub-category is separated between 'insurance-associated activities of insured parties' and 'claims payment-associated activities' (see Annex C of the Scope 3 Standard Revisions Phase 1 Progress Update March 2026).[5] The staff note that the proposed revisions to GHG Protocol Value Chain Standard remain subject to ongoing revision and approval by the GHG Protocol Independent Standards Board and then, per the GHG Protocol's standard development plan, will be subject to public consultation during Q2 2027.[6]

22. Consistent with the considerations set out in Agenda Paper 2 for this meeting, the completion of the GHG Protocol's project would not change the requirements in IFRS S2. The ISSB would need to assess the likely effect of those changes before proposing any changes to IFRS S2 to reflect updates to the GHG Protocol Corporate Standard and GHG Protocol Value Chain Standard. The ISSB would update IFRS S2 to include a reference to a modified version of the GHG Protocol Corporate Standard and GHG Protocol Value Chain Standard only after it has made this assessment and sought

[4] Information about the GHG Protocol's project to update its corporate suite of standards and guidance is available on GHG Protocol's website: https://ghgprotocol.org/blog/ghg-protocol-announces-key-standard-development-updates

[5] GHG Protocol's consideration of the proposed revisions includes having emissions associated with claims-settlement activities in Category 16, rather than Category 1 or 15. Emissions associated with a range of other financial activities and services, including insurance-associated activities would also be moved from Category 15 to Category 16. Additionally, the proposal under consideration describes 'claims payment-associated activities' as: 'claims payment reflect the money an insurance company pays to indemnify an insured party, policyholder, or other third party (referred to simply as "insured party") when a covered loss or event occurs, under the terms of an insurance contract.' (p. 111 of Scope 3 Standard Revisions Phase 1 Progress Update March 2026).

[6] The GHG Protocol's standard development plan is available on the GHG Protocol's website: https://ghgprotocol.org/sites/default/files/2026-07/Consolidated-StandardDevelopmentPlan%28SDP%29-2026.07.29.pdf

feedback on any proposed change in accordance with the IFRS Foundation's due process.

Staff note

23. The staff note that IFRS S2 requires an entity to provide information about its Scope 3 GHG emissions to help primary users assess the entity's exposure to climate-related risks and opportunities associated with a transition to a lower-carbon economy. The disclosure objective for metrics and targets (paragraph 27 of IFRS S2) is to provide information that enables primary users to understand the entity's performance in relation to *its climate-related risks and opportunities.* Therefore, in disclosing information about emissions associated with claims-settlement activities, it is important for an entity to consider whether that information would be material in the context of understanding its performance in relation to the climate-related risks or opportunities that it has identified, including its exposure to such risks or opportunities.

24. Because claims-settlement activities are not explicitly addressed in the GHG Protocol Value Chain Standard, the staff think an entity would need to apply judgement to determine whether emissions associated with such activities are captured within the 15 categories of Scope 3, and if so which category. The staff note that, in November 2025, the TIG discussed whether IFRS S2 requires an entity to measure and disclose Scope 3 GHG emissions beyond the 15 categories. Overall, TIG members expressed agreement with the staff analysis and supported the staff view that IFRS S2 could reasonably be read as *not* requiring an entity to measure and disclose Scope 3 GHG emissions beyond the 15 categories.[7] However, an entity is required to disclose other information relevant to an understanding of its climate-related risks and opportunities applying the requirements in IFRS S2 (see paragraph 27).

[7] Agenda Paper 3 of the November 2025 TIG meeting discusses the topic of Scope 3 GHG emissions applying IFRS 2. The summary of that TIG meeting is available on IFRS Foundation's website: https://www.ifrs.org/content/dam/ifrs/meetings/2025/november/tig/meeting-summary.pdf

25. Paragraph 74 of IFRS S1 requires an entity to disclose information to enable primary users to understand the judgements (apart from those involving estimations of amounts) that it has made in preparing its sustainability-related financial disclosures and that have *the most significant effect* on the information included in those disclosures. Because of the potential effect of classification on the disclosure of emissions associated with claims-settlement activities, an entity might need to provide information about the judgements made in applying the GHG Protocol Corporate Standard or GHG Protocol Value Chain Standard. Information about such judgements supports primary users' ability to compare information between entities, including when entities might make different judgements in the application of the applicable GHG Protocol standards. For example, an entity might explain the judgements made in classifying emissions associated with claims-settlement activities, if such information were material.

26. Additionally, paragraph 29(a)(vi)(1) of IFRS S2 requires an entity to disclose the Scope 3 categories included in an entity's measure of Scope 3 GHG emissions. Paragraph B32 of IFRS S2 specifies that, 'in accordance with paragraph 29(a)(vi), an entity is required to disclose information about its Scope 3 GHG emissions to enable primary users to understand the source of these emissions'. Therefore, an entity might provide information about the Scope 3 category in which it has included emissions associated with claims-settlement activities, if such information were material.

27. The staff note that—if an entity identifies climate-related risks or opportunities associated with a transition to a lower-carbon economy that are related to its claims-settlement activities—information about GHG emissions is *not* the only information about claims-settlement activities that would help primary users assess the entity's exposure to such risks or opportunities. Information about GHG emissions associated with claims-settlement activities is only one type of information relevant to an understanding of such risks and opportunities. For example, the application of other requirements in IFRS S2 would provide information about the entity's strategy for managing those risks and opportunities, including the current and anticipated effects on the entity's business model and value chain.

Question for the TIG

28. The staff present the following question for the TIG members.

Question for TIG members
1. What are your views on the questions and analysis presented?