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ISSB consultation on the IFRS *Exposure Draft on Amendments to Greenhouse Gas Emissions Disclosures*: Response by the TPI Centre at the London School of Economics and Political Science

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Introduction

1. About the consultation

On 28 April 2025, the International Sustainability Standards Board (ISSB) released an Exposure Draft titled “Amendments to Greenhouse Gas Emissions Disclosures, proposing targeted changes to IFRS S2”. The amendments aim to ease the application of certain requirements related to the disclosure of greenhouse gas (GHG) emissions.

2. About the TPI Centre

The Transition Pathway Initiative Centre (TPI Centre) is an independent and authoritative source of research and data into the progress being made by corporate and sovereign entities in the transition to a low-carbon economy. Based at the London School of Economics and Political Science (LSE), the TPI Centre is the academic partner of the Transition Pathway Initiative (TPI), a global investor initiative led by asset owners and supported by asset managers. The TPI has 150 investor supporters and more than \$80 trillion in assets under management and advisement¹.

¹ As of June 2025. Assets Under Management (and Advice) are subject to market-price and foreign-exchange fluctuations. As the sum of self-reported data by TPI supporters, they may double-count assets.

3. The TPI Centre's feedback on the IFRS consultation:

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

a) The ISSB proposes to add paragraph 29A(a), which would permit an entity to limit its disclosure of Scope 3 Category 15 greenhouse gas emissions to financed emissions, as defined in IFRS S2 (being those emissions attributed to loans and investments made by an entity to an investee or counterparty). For the purposes of the limitation, the proposed paragraph 29A(a) would expressly permit an entity to exclude greenhouse gas emissions associated with derivatives. Consequently, this paragraph would permit an entity to exclude emissions associated with derivatives, facilitated emissions or insurance-associated emissions from its disclosure of Scope 3 greenhouse gas emissions.

The proposed amendment would not prevent an entity from choosing to disclose greenhouse gas emissions associated with derivatives, facilitated emissions or insurance-associated emissions should it elect to do so.

Paragraphs BC7–BC24 of the Basis for Conclusions describe the reasons for the proposed amendment.

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

- **Broadly disagree**

TPI Centre response:

Summary:

- The TPI Centre recommends not to limit the disclosure of Scope 3 Category 15 GHG emissions associated with facilitated emissions and insurance-related emissions. This is particularly relevant for banks and insurance entities, respectively.
- On average, facilitation and insurance activities represent a significant proportion of these financial institution's business activities, i.e., are material, and are therefore essential for users of general-purpose financial reports to understand the impact of climate-related risks and opportunities on the financial institution's cash flows, access to finance, and cost of capital in the short, medium, and long term.
- Moreover, methodologies for disclosing emissions accounting associated with these activities currently exist in the market (e.g. Partnership for Carbon Accounting Financials - PCAF), enabling users of general-purpose financial reports to engage with financial institutions on this information.
- Conversely, the TPI Centre agrees with the limitation of Scope 3, Category 15 GHG emissions associated with derivatives due to the lack of a currently available accounting methodology. The development of the PCAF methodology for derivatives is still ongoing. Due to the size of the derivatives market and the potential for transition risks to be amplified by the leveraged and interconnected nature of these instruments, we recommend that this relief only applies for a period of one year after the publication of the PCAF standard.

Rationale for facilitated emissions disclosure:

For the banking sector, S&P Global estimates that, in 2024, the median percentage of capital markets revenue among the largest banks was 35% of total revenue, up from 32% in 2023². These findings show that capital market activities, such as underwriting debt and equity, are a major source of revenue for banks and are crucial for their profitability, i.e. are material. Therefore, the disclosure of emissions accounting associated with these activities is relevant for users of general-purpose financial reports, as they need to understand the full impact that climate-related risks and opportunities can have on an financial institution's cash flows, access to finance and cost of capital in the short, medium and long term.

In addition, when a bank arranges a syndicated loan and underwrites debt or equity for a company, it temporarily assumes the financial and reputational risks associated with the transaction. If the company is exposed to transition risks, the bank may absorb some of that risk during and after the underwriting process, even if it does not hold the security long term. For instance, it is estimated that as of 2023, more than 40% of fossil fuel financing was derived from underwriting activities³. Similarly, syndicated loans accounted for 66% of global fossil fuel finance in 2018⁴, followed by bonds (29%) and equity instruments (5%). In this context, users of general-purpose financial reports will benefit from the disclosure of emissions accounting associated with facilitation activities for high-emitting companies, particularly if these companies are exposed to significant transition risks. This will give users a comprehensive understanding of the potential risks to the bank's financial performance in the short, medium and long term.

Finally, well-established methodologies such as those developed by PCAF already exist. Therefore, financial institutions should be able to use these standards and disclose facilitated emissions accounting information. For example, the results of the 2024 Net Zero Banking Assessment Framework (NZBAF)⁵ show that approximately 19% of major global banks have already disclosed estimates for its facilitated emissions⁶. We recognise that banks often make alterations to these standards such as introducing three-year averages instead of annual transacted values or changing the standard weighting factor of 33%. Nevertheless, disclosing facilitated emissions estimates is already common practice for some banks and it enables users of general-purpose financial reports to measure and evaluate the potential impact of transition risks on a bank's financial position and performance more accurately.

Rationale for insured emissions disclosure:

² <https://www.spglobal.com/ratings/en/research/articles/250409-capital-markets-could-support-bank-revenue-in-2025-but-uncertainty-due-to-tariffs-is-high-13465040>

³ https://www.bankingonclimatechaos.org/wp-content/uploads/2024/07/BOCC_2024_vF3.pdf - p. 18

⁴ Rickman, J., Falkenberg, M., Kothari, S. et al. The challenge of phasing-out fossil fuel finance in the banking sector. *Nat Commun* **15**, 7881 (2024). <https://doi.org/10.1038/s41467-024-51662-6>

⁵ The Net Zero Banking Assessment Framework (NZBAF). Developed by the TPI Centre in consultation with the investor networks the Institutional Investors Group on Climate Change (IIGCC) and Ceres, this framework evaluates banks on 72 sub-indicators organised into 10 areas. These sub-indicators can be used to assess banks' overall performance in managing the low-carbon transition and mitigating the impacts of climate change, covering banks' decarbonisation strategies, climate risk management practices and emissions disclosures.

⁶ <https://www.transitionpathwayinitiative.org/publications/uploads/2024-state-of-transition-in-the-banking-sector-report-2024.pdf> - p. 15

In practice, limiting the disclosure of Scope 3, Category 15 GHG emissions associated with insurance-related activities would exclude insurance companies' core business activity. This means that users of general-purpose financial reports will have an incomplete picture of the potential impact of climate-related risks and opportunities on insurance entities' cash flows, access to finance and cost of capital in the short, medium and long term.

This is because insurance companies underwrite the operations of high-emitting sectors, such as oil, gas and coal. While these emissions are indirect, they are a direct consequence of the insurer's business decisions. Failing to disclose these emissions obscures the insurer's actual exposure to the low carbon transition, which could affect the value of liabilities through climate-related claims and insured assets in the long term. Thus, if those estimates are not included, the insurance sector will be completely obscured from the users of general-purpose financial reports, who need to understand the impact of climate-related risks and opportunities on the financial performance of insurance entities.

Now that standardised methodologies such as the PCAF Insurance-Associated Emissions Standard are available, the ISSB should not limit the disclosure of insurance-related emissions⁷.

Rationale for derivatives disclosure:

We understand the concerns raised by the ISSB regarding the lack of established standards for quantifying derivatives, and the differences in how derivatives are defined across GAAPs. The TPI Centre agrees with the limitation of Scope 3, Category 15 GHG emissions associated with derivatives. We recommend that this relief only applies for a period of one year after the publication of the PCAF standard. We believe that the inclusion of derivatives in future disclosure requirements should be based on the potential climate impact of such investments and financial positions. As IIGCC noted:

"Given that derivatives (providing either long or short exposure), collateralised long positions and short selling with prime brokers do not involve direct ownership of an asset, they do not carry directly attributable GHG emissions or the usual ownership rights. However, they are tied to underlying assets such as stocks or bonds, which do have associated emissions linked to the activities of the issuer"⁸.

Accordingly, we believe that omitting derivatives from future disclosure requirements could result in significant understatements of climate risk exposure and consequent implications for financial performance similar to those of facilitated emissions. This is because of the size of the derivatives market and the potential for transition risks to be amplified by the leveraged and interconnected nature of these instruments.

⁷ <https://carbonaccountingfinancials.com/files/download/pcaf-standard-part-c-insurance-associated-emissions-nov-2022.pdf>

⁸ <https://139838633.fs1.hubspotusercontent-eu1.net/hubfs/139838633/IIGCC%20Derivatives%20and%20Hedge%20Funds%20Guidance%202024-1.pdf> - p.6

We would like to re-emphasise that PCAF is currently working on establishing standards for securitised and structured products^{9,10}, so the lack of established methodologies for this asset class is only temporary.

b) The ISSB also proposes to add paragraph 29A(b), which would require an entity that limits its disclosure of Scope 3 Category 15 greenhouse gas emissions in accordance with the proposed paragraph 29A(a), to provide information that enables users of general purpose financial reports to understand the magnitude of the derivatives and financial activities associated with the entity's Scope 3 Category 15 greenhouse gas emissions that are excluded. Therefore, the ISSB proposes to add:

- paragraph 29A(b)(i) which would require an entity that has excluded derivatives from its measurement and disclosure of Scope 3 Category 15 greenhouse gas emissions to disclose the amount of derivatives it excluded; and
- paragraph 29A(b)(ii) which would require an entity that has excluded any other financial activities from its measurement and disclosure of Scope 3 Category 15 greenhouse gas emissions to disclose the amount of other financial activities it excluded.

The term 'derivatives' is not defined in IFRS Sustainability Disclosure Standards, and the ISSB does not propose to define this term. As a result, an entity is required to apply judgement to determine what it treats as derivatives for the purposes of limiting its disclosure of Scope 3 Category 15 greenhouse gas emissions, in accordance with the proposed paragraph 29A(a). The proposed paragraph 29A(b)(i) would require an entity that has excluded derivatives from its measurement and disclosure of Scope 3 Category 15 greenhouse gas emissions to explain the derivatives it excluded.

Paragraphs BC7–BC24 of the Basis for Conclusions describe the reasons for the proposed disclosure requirements.

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

- **Broadly disagree**

TPI Centre response:

Summary:

- We recommend that the ISSB anchor the definition of derivatives to the jurisdictional definition set by the financial regulators in each jurisdiction in which a financial institution operates.

⁹ <https://carbonaccountingfinancials.com/en/newsitem/pcaf-announces-areas-for-standard-development-in-2024>

¹⁰ [Download part A - Financed Emissions](#)

Rationale:

We acknowledge the difficulty of having one unique definition for derivatives. Therefore, we recommend that the ISSB anchor the definition of derivatives to the jurisdictional definition set by the relevant financial regulator in each jurisdiction in which a financial institution operates. This will reduce potential inconsistencies within financial institutions in the same jurisdiction and increase the comparability of Scope 3 emissions accounting disclosures.

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

a) The ISSB proposes to amend the requirements in paragraphs B62(a)(i) and B63(a)(i) of IFRS S2 and to add paragraphs B62A–B62B and B63A–B63B that would provide relief to an entity from using GICS in some circumstances. Under the proposals, an entity can use an alternative industry-classification system in some circumstances when disaggregating financed emissions information disclosed in accordance with paragraphs B62(a)–B62(b) and B63(a)–B63(b) of IFRS S2.

Paragraphs BC25–BC38 of the Basis for Conclusions describe the reasons for the proposed amendment.

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

- **Broadly agree**

TPI Centre Response:

Summary:

- While the TPI Centre agrees with the proposal, the amendment could reduce the comparability of how financial entities report financed and/or facilitated emissions. This would increase the complexity of disclosures and reduce the ability of users of general-purpose financial reports to make informed decisions.
- As a safeguard, we recommend that the ISSB produces an annual comparison document of alternative classification systems that are being used in IFRS reporting and how these alternative standards map to the GICS to facilitate comparison between classification systems.

Rationale:

The TPI Centre broadly agrees with the proposed change given the multitude of classification standards that already exist and are currently being applied in various jurisdictions. However, without a single required standard, this runs the risk of reduced comparability between financial entities' reporting of financed and/or facilitated emissions across jurisdictions. Therefore, the ISSB is encouraged to take precautionary steps to minimise any fragmentation of disclosures resulting from this amendment.

The TPI Centre suggests the production of a guidance document that compares the industry classification standards that will be accepted in IFRS reporting to the GICS. This would be a less complex task and consume less resources compared to producing a comparison document of all existing alternative classification standards.

b) The ISSB also proposes to add paragraphs B62C and B63C to require an entity to disclose the industry-classification system used to disaggregate its financed emissions information and, if the entity does not use GICS, to explain the basis for its industry-classification system

selection.

Paragraphs BC25–BC38 of the Basis for Conclusions describe the reasons for the proposed disclosure requirements.

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

- **Broadly agree**

Question 3—Jurisdictional relief from using the GHG Protocol Corporate Standard

The ISSB proposes to amend paragraphs 29(a) (ii) and B24 of IFRS S2 to clarify the scope of the jurisdictional relief available if an entity is required by a jurisdictional authority or an exchange on which it is listed to use a method other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) to measure greenhouse gas emissions for a part of the entity. The amendment would clarify that this relief, which permits an entity to use a different method for measuring greenhouse gas emissions, is available for the relevant part of the entity when such a jurisdictional or exchange requirement applies to an entity in whole or in part, for as long as that requirement is applicable.

Paragraphs BC39–BC43 of the Basis for Conclusions describe the reasons for the proposed amendment.

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

- **Broadly agree**

TPI Centre Response:

Summary:

- The TPI Centre acknowledges that the IFRS S1 & S2 framework needs to account for jurisdictional requirements that entities are subject to. However, this amendment would significantly reduce the comparability between different parts of the same multinational entity, as well as between entities operating in jurisdictions with different GHG emission measurement standards.
- As a safeguard to maintain comparability of emissions disclosure data, we recommend that the ISSB produces a comparison document between the GHG Protocol Corporate Standard and accepted jurisdictional GHG emission measurement standards. This would improve comparability between alternative GHG emission measurement standards and help users of general-purpose financial reports to understand the differences between the various accepted standards.

Rationale:

While the proposed changes are useful in clarifying the scope of paragraphs 29(a) (ii) and B24, the proposal complicates comparability between different parts of the same multinational entity, as well as the comparability of these jurisdictional GHG emission measurement standards compared to entities in the rest of the world. This once again augments the risk of disclosure fragmentation, increasing the complexity of the data being disclosed as these different GHG emission measurement standards are likely to have different measurement assumptions and variables, making it difficult for users of general-purpose financial reports to compare entities within the same sector and make informed decisions. This proposed amendment would be moving in the opposite direction of simplification and standardisation of disclosures around the world.

As a safeguard, we encourage the ISSB to produce a comparison document between ISSB-accepted jurisdictional GHG emission measurement standards and the GHG Protocol Corporate Standard, to improve comparability between different GHG emission measurement standards and to aid in investors' understanding of the differences between various frameworks that are being accepted.

Furthermore, under the current proposal entities within these exempted jurisdictions may not be required to calculate their Scope 1, 2 and 3 emissions in a similar way to the GHG Protocol. Alternative GHG measurement standards are likely to use different assumptions and variables when calculating GHG emissions. This runs the risk of reducing the quality of emissions calculations from entities, depending on the jurisdictional caveats, resulting in inconsistent and less robust emissions data.

If the ISSB chooses to go ahead with this change, we encourage the ISSB to publish further guidance or principles to ensure the quality of various jurisdictional GHG emission measurement standards to ensure the robustness and quality of emissions reporting. This will likely be in the form of a guidance or comparison document.

Question 4—Applicability of jurisdictional relief for global warming potential values

The ISSB proposes to amend paragraphs B21–B22 of IFRS S2 to extend the jurisdictional relief in the Standard. The ISSB proposes that if an entity is required, in whole or in part, by a jurisdictional authority or exchange on which it is listed to use global warming potential (GWP) values other than the GWP values that are required by paragraphs B21–B22 of IFRS S2, the entity would be permitted to use the GWP values required by such a jurisdictional authority or an exchange for the relevant part of the entity, for as long as that requirement is applicable.

Paragraphs BC44–BC49 of the Basis for Conclusions describe the reasons for the proposed amendment.

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

- **Neither agree nor disagree**

Question 5—Effective date

The ISSB proposes to add paragraphs C1A–C1B which would specify the effective date of the amendments. The ISSB expects the amendments would make it easier for entities to apply IFRS S2 and would support entities in implementing the Standard. Consequently the ISSB proposes to set the effective date so that the amendments would be effective as early as possible and to permit early application.

Paragraphs BC50–BC51 of the Basis for Conclusions describe the reasons for the proposal.

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

- **Neither agree nor disagree**

Question 6—Other comments

N/A