



Tel: +44 20 7893 3300  
Fax: +44 20 7487 3686  
@: [abuchanan@bdoifra.com](mailto:abuchanan@bdoifra.com)  
[www.bdointernational.com](http://www.bdointernational.com)

BDO IFR Advisory Limited  
Contact: Andrew Buchanan  
55 Baker Street  
London W1U 7EU  
United Kingdom

International Sustainability Standards Board  
IFRS Foundation  
Opernplatz 14  
60313 Frankfurt am Main  
Germany

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Dear Sir/Madam

**ISSB Exposure Draft - Amendments to Greenhouse Gas Emissions Disclosures - Proposed amendments to IFRS S2**

We are pleased to comment on the above Exposure Draft (the ED). Following consultation with the BDO network<sup>1</sup>, this letter summarises views of member firms that provided comments on the ED.

We generally support the proposed amendments to IFRS S2. We would emphasise the importance of the connectivity between the sustainability statement and the financial statements. In addition, we have observed that the timing of implementing the proposed amendments as early as possible is critical to certain jurisdictions.

Our comments on the ED are set out in the attached Appendix.

We hope that you will find our comments and observations helpful. If you would like to discuss any of them, please contact me at +44 (0)7875 311782 or by email at [abuchanan@bdoifra.com](mailto:abuchanan@bdoifra.com).

Yours faithfully

Andrew Buchanan  
*Global Head of IFRS and Corporate Reporting*

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

The ISSB proposes to permit entities to limit their disclosure of Scope 3 Category 15 greenhouse gas emissions. This limitation would permit entities to exclude some of their Scope 3 Category 15 greenhouse gas emissions, including those emissions associated with derivatives, facilitated emissions and insurance-associated emissions, when measuring and disclosing Scope 3 greenhouse gas emissions in accordance with paragraph 29(a)(i)(3) of IFRS S2.

- (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?

- (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?

Question 1(a)

We are supportive of the proposed amendment.

Question 1(b)

We are generally supportive of the proposed amendment. However, we suggest the following:

- The interconnectivity between the sustainability statement and the financial statements should be explicit. We suggest the definition of a derivative used in the sustainability statement should be consistent with the definition used in the financial statements;
- Clarifying the meaning of 'magnitude' in paragraph 29A(b); and
- Requiring the disclosure of what types of activities are included in 'financial activities' that the entity discloses it has excluded in accordance with paragraph 29A(b)(ii).

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

Paragraphs 29(a)(vi)(2) and B62-B63 of IFRS S2 require entities with commercial banking or insurance activities to disclose additional information about their financed emissions. These entities are required to use the Global Industry Classification Standard (GICS) for classifying counterparties when disaggregating their financed emissions information in accordance with paragraphs B62(a)(i) and B63(a)(i) of IFRS S2.

- (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?

- (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?

**Question 2(a)**

We are supportive of the proposed amendment.

**Question 2(b)**

We are supportive of the proposed amendment.

**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?

**Question 3**

We are supportive of the proposed amendment.

We have observed that this amendment is critically important to some jurisdictions e.g., Australia, where local legislation determines how large emitters measure Scope 1 and Scope 2 emissions. Consequently, this proposed amendment would alleviate entities preparing duplicate calculations for GHG emissions.

We also suggest that the calculation methodology to be applied by financial institutions be clarified within IFRS S2. PCAF contains specific provisions for calculating financed emissions by financial institutions; however, this methodology is not referenced as an available methodology for financial institutions.

**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?

**Question 4**

We are supportive of the proposed amendment.

**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?

**Question 5**

We are supportive of the proposed amendment. We have observed that the timing of implementing the proposed amendments as early as possible is critical to certain jurisdictions. For example, setting the effective date as early as possible with early adoption permitted would allow Australia time to implement the proposed amendments before reporting deadlines.

**Question 6—Other comments**

Do you have any other comments on the proposals set out in the Exposure Draft?

**Question 6**

We do not have any other comments on the ISSB's Exposure Draft.