
ISSB meeting

Date	January 2025
Project	Supporting Implementation of IFRS S1 and IFRS S2
Topic	Evaluating potential amendments to IFRS S2 using the ISSB criteria for evaluating potential amendments to IFRS S1 or IFRS S2
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This paper has been prepared for discussion at a public meeting of the International Sustainability Standards Board ('ISSB' or 'Board'). It does not purport to represent the views of any individual member of the International Sustainability Standards Board or staff. Comments on the application of IFRS Standards do not purport to set out acceptable or unacceptable application of IFRS Standards.

Purpose

1. This paper evaluates the three potential amendments to IFRS S2 *Climate-related Disclosures* presented at the November 2024 ISSB meeting using the criteria the International Sustainability Standards Board (ISSB) has agreed to use to evaluate potential amendments to IFRS S1 or IFRS S2 (amendment criteria for application challenges). It provides the staff analysis and recommendations to the ISSB on whether these three potential amendments meet the amendment criteria for application challenges.
2. At this meeting, the ISSB will be asked to vote on:
 - (a) whether the three potential amendments to IFRS S2 meet the amendment criteria for application challenges; and
 - (b) the timing of making such potential amendments to IFRS S2.

Structure of the paper

3. This paper is structured as follows:

- (a) Background;
 - (b) Staff analysis on:
 - (i) evaluation of the potential amendments to IFRS S2 using the amendment criteria for application challenges;
 - (ii) evaluation of effects of the potential amendments;
 - (iii) the timing of making the potential amendments.
 - (c) Staff recommendations;
 - (d) Questions for the ISSB members;
 - (e) Appendix A– Amendment criteria for application challenges;
 - (f) Appendix B– Summary of the effects analysis of the potential amendments to IFRS S2 for stakeholders; and
 - (g) Appendix C– Agenda Paper 9D *Implementation challenges and concerns related to IFRS S2* of the November 2024 ISSB meeting. This paper is unchanged from Agenda Paper 9D of the November 2024 ISSB meeting. It is included for ease of reference.
4. This paper should be read in conjunction with:
- (a) Agenda Paper 9 *Cover note* which provides background and context for the topics being discussed by the ISSB;
 - (b) Agenda Paper 9B *Specific aspects of the potential amendments to IFRS S2* which provides the staff analysis and recommendations related to how the three potential amendments to IFRS S2 that were presented at the November 2024 ISSB meeting could be provided; and
 - (c) Agenda Paper 9D *Due process steps and permission to ballot* which provides a summary of the due process steps the ISSB has and will undertake in developing the potential amendments to IFRS S2.
5. Agenda Paper 9C *Application challenges and concerns associated with the requirement to use the Global Industry Classification Standard (GICS) in IFRS S2*

refers feedback to the ISSB about a separate application challenges that was not presented at the November 2024 ISSB meeting. Agenda Paper 9C provides the staff analysis and recommendations on addressing this *additional* specific matter, including whether a potential amendment would meet the amendment criteria for application challenges, the timing of such amendment and how such amendment could be made.

Background

6. At the November 2024 ISSB meeting, the ISSB agreed on the amendment criteria for application challenges that would be used during the implementation phase of IFRS S1 and IFRS S2. This set of criteria is included in Appendix A of this paper for ease of reference. It was agreed that the criteria would be used as a necessary hurdle but would not be determinative in itself of whether an amendment be proposed. That is, the ISSB agreed that it would also consider other relevant factors in deciding whether to propose amendments—including the timing of such amendments and the particular amendments that could be made.¹
7. As explained in Agenda Paper 9 for this meeting, in November 2024 the ISSB discussed *three* specific application challenges and concerns that were discussed at the September 2024 Transition Implementation Group on IFRS S1 and IFRS S2 (TIG) meeting that the staff thinks warrant further consideration by the ISSB.² At that meeting, the staff presented preliminary thoughts regarding the assessment of whether these three potential amendments would meet the proposed amendment criteria for application challenges, but did not seek any decisions from the ISSB. A summary of these implementation challenges and concerns and the potential amendments are provided in Table 1 of this paper.²
8. In November 2024, the staff proposed that it would refine its analysis based on ISSB feedback and decisions related to the then *proposed* criteria. This paper refines the

¹ Refer to Agenda Paper 9B *Specific aspects of the potential amendments to IFRS S2* of this meeting.

² Refer to Appendix A of this paper for Agenda Paper 9D *Implementation challenges and concerns related to IFRS S2* of the November 2024 ISSB meeting.

staff analysis on the potential amendments as to whether they meet the amendment criteria for application challenges. Agenda Paper 9B provides the staff analysis and recommendations about how the particular amendments could be made to IFRS S2 to address these three specific application challenges.

9. On the basis that the criteria remained essentially unchanged from the criteria proposed by staff, and that further clarifications and analysis were limited, Agenda Paper 9D of the November 2024 ISSB meeting, that sets out that analysis, is included in Appendix C of this paper with no changes. Relevant updates or clarifications to that analysis are included in the staff analysis section of this paper.

Table 1 – Summary of implementation challenges and concerns and potential amendments

Topic	Implementation challenges and concerns	Potential amendment
Application of requirements related to Scope 3 Category 15 GHG emissions related to specific financial activities and a specific asset class (Topic covered in Agenda Paper 4 from September 2024 TIG meeting)	<ul style="list-style-type: none"> • Paragraphs in the Basis for Conclusions on IFRS S2 are unclear and appear contradictory to the requirements in IFRS S2 related to the disclosure of Scope 3 Category 15 greenhouse gas (GHG) emissions. Specifically, this relates to the requirements to disclose Category 15 GHG emissions associated with: <ul style="list-style-type: none"> ○ underwriting activities in the insurance and reinsurance industries; ○ investment banking activities in the investment banking industry; and ○ derivatives. • The ISSB redeliberated the requirements related to these specific GHG emissions and noted a lack of established methodology in determining to not proceed with requiring particular disclosure of information about these emissions. • This might give rise to diversity in practice and complexity of application for those applying the requirements. 	Permit entities to exclude such GHG emissions from the disclosure of Scope 3 GHG emissions.

Topic	Implementation challenges and concerns	Potential amendment
<p>Use of GWP values from the latest IPCC assessment when a jurisdiction requires the use of different GWP values</p> <p>(Topic covered by Agenda Paper 5 from September 2024 TIG meeting)</p>	<ul style="list-style-type: none"> IFRS S2 requires entities to use global warming potential (GWP) values from the latest Intergovernmental Panel on Climate Change (IPCC) assessment when converting GHG emissions into carbon dioxide equivalent (CO₂e) values.³ Entities operating in a jurisdiction that requires the use of specific GWP values that are different from those in the latest IPCC assessment are required to (1) use GWP values from the latest IPCC assessment to comply with IFRS S2 and (2) use different GWP values to meet jurisdictional requirements. This seems contrary to the objective of the relief in IFRS S2 that permits entities to measure GHG emissions using a method other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (GHG Protocol Corporate Standard) if another method is required by a regulatory authority or exchange on which the entity is listed (referred to in this paper as the ‘jurisdictional relief’). This might result in duplication of effort and increased costs for entities. 	<p>Extend the jurisdictional relief in IFRS S2 to permit the use of GWP values required by a jurisdictional authority or exchange on which an entity is listed instead of the GWP values from the latest IPCC assessment.</p>
<p>Application of the jurisdictional relief in IFRS S2, related to the method for measuring GHG emissions in specific circumstances, and its applicability to a part of a reporting entity</p> <p>(Topic covered by Agenda Paper 3 from September 2024 TIG meeting)</p>	<ul style="list-style-type: none"> Lack of clarity about the application of the jurisdictional relief in IFRS S2 if only part of the entity is required by a jurisdictional authority or exchange on which the entity is listed to use a method for measuring GHG emissions that is different from the GHG Protocol Corporate Standard. This might give rise to diversity in practice, uncertainty for those applying the requirements and duplicative measurement and reporting requirements. 	<p>Clarify that the jurisdictional relief applies to an entity in whole or in part.</p>

³ IFRS S2 requires entities to convert the seven constituent GHGs into a CO₂ equivalent value using GWP values based on a 100-year time horizon, from the latest IPCC assessment available at the reporting date. This paper refers to these GWP values as ‘GWP values from the latest IPCC assessment’.

Staff analysis

Evaluation of the potential amendments to IFRS S2 using the amendment criteria for application challenges

10. At the November 2024 ISSB meeting, the staff provided its preliminary thoughts on whether the potential amendments to IFRS S2 met the then *proposed* criteria for application challenges for feedback from the ISSB. In this paper, the staff provides an updated analysis on this and asks the ISSB for a vote on whether these potential amendments meet the amendment criteria for application challenges.

Updates to the evaluation of the potential amendments

11. The amendment criteria for application challenges remained essentially unchanged from the criteria proposed by the staff at the November 2024 ISSB meeting. The main adjustments to the criteria was the decision by the ISSB to emphasise that the criteria would be used as a necessary hurdle to proceed with an amendment and that the ISSB will consider other relevant factors and to be clear that the criteria were applicable in relation to the initial implementation of the Standards.⁴ As there were no substantial changes to the criteria, the staff analysis remains unchanged from that provided in November 2024 with the exception of some points of clarification noted below.
12. The staff has provided further clarity about why IFRS S2 does not address the application challenges associated with one of the matters set out in Table 1 of this paper—the requirements to measure and disclose specific Scope 3 Category 15 GHG emissions. This was noted in paragraph 27 of Agenda Paper 9D of the November 2024 ISSB meeting (which is reproduced in Appendix C of this paper with no changes) and has been expanded upon in paragraphs 15–22 of this paper.
13. A summary of the evaluation of the potential amendments against the amendment criteria for application challenges, including references to paragraphs with the relevant

⁴ Refer to Appendix A—Amendment criteria for application challenges

staff analysis, is provided in **Table 2**. This table sets out the staff view that, in relation to all three matters discussed in November 2024, the potential amendments to IFRS S2 meet the amendment criteria for application challenges.

Table 2 – Summary of staff evaluation of potential amendments against amendment criteria for application challenges

Potential amendment to IFRS S2	Criterion 1—There is a demonstrated need to amend IFRS S2	Criterion 2—No significant loss of useful information for primary users	Criterion 3—Not unduly disruptive to ongoing implementation processes
Permit entities to exclude Scope 3 Category 15 GHG emissions related to specific financial activities and a specific asset class from the disclosure of GHG emissions at this time.	<p>Met – application challenges associated with measuring and disclosing such GHG emissions are expected to be pervasive and could result in diversity in practice.</p> <p>(covered in paragraphs 25-29 of Appendix C of this paper)</p>	<p>Met – the potential amendment would not prevent an entity from providing this information and there is unlikely to be a significant loss of useful information relative to current information being provided using existing requirements in IFRS S1 and IFRS S2.</p> <p>(covered in paragraphs 30-32 of Appendix C of this paper)</p>	<p>Met – the potential amendment for Scope 3 Category 15 GHG emissions is limited to those entities for which information about these emissions are relevant and material. It is not expected to unduly disrupt ongoing implementation processes, as the potential amendment provides an optional relief from a requirement and as a result:</p> <ul style="list-style-type: none"> - entities could decide not to apply it; and - jurisdictions could decide not to introduce such optional relief without affecting the description of the degree of alignment with ISSB Standards.⁵ <p>(covered in paragraphs 33-37 of Appendix C of this paper)</p>
Extend the jurisdictional relief in IFRS S2 to permit the use of GWP values required	<p>Met – application challenges associated with duplicative measurement and disclosure of GHG emissions are expected</p>	<p>Met – although it might affect international comparability, expected loss of useful information compared with that provided by</p>	<p>Met – the potential amendment related to the use of specific GWP values is limited to entities in jurisdictions in which there is a requirement to use</p>

⁵ Refer to *Inaugural Jurisdictional Guide* for the adoption or other use of ISSB Standards <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/adoption-guide/inaugural-jurisdictional-guide.pdf>

Potential amendment to IFRS S2	Criterion 1—There is a demonstrated need to amend IFRS S2	Criterion 2—No significant loss of useful information for primary users	Criterion 3—Not unduly disruptive to ongoing implementation processes
<p>by a jurisdictional authority or exchange on which an entity is listed instead of the GWP values from the latest IPCC assessment.</p>	<p>to be pervasive in jurisdictions that mandate specific GWP values that are not from the latest IPCC assessment. (covered in paragraphs 59-61 of Appendix C of this paper)</p>	<p>entities applying the existing requirements in IFRS S1 and IFRS S2 is not expected to be significant given that jurisdictional relief is already provided in relation to the measurement method used by entity to measure its GHG emissions. (covered in paragraphs 62-64 of Appendix C of this paper)</p>	<p>specific GWP values that are not from the latest IPCC assessment. It is not expected to unduly disrupt ongoing implementation processes, as the potential amendment provides an optional relief from a requirement and as a result:</p> <ul style="list-style-type: none"> - entities could decide not to apply it; and - jurisdictions could decide not to introduce such optional relief without affecting the description of the degree of alignment with ISSB Standards.⁶ <p>(covered in paragraphs 65-69 of Appendix C of this paper)</p>
<p>Clarify that the jurisdictional relief applies to an entity in whole or in part.</p>	<p>Met – application challenges associated with inconsistent application, uncertainty and misunderstanding of requirements in IFRS S2 is expected to be pervasive given that a number of jurisdictions require methods for measuring GHG emissions that are different from the GHG Protocol Corporate Standard and that entities are expected to be subject to requirements in multiple jurisdictions.</p>	<p>Met –it is not expected to result in significant loss of useful information as the relief is already available in IFRS S2 and at least some entities are already expected to apply the relief in part. In contrast, clarification of its use might reduce potential inconsistencies in the application of the jurisdictional relief. (covered in paragraphs 94-95 of Appendix C of this paper)</p>	<p>Met – clarifying the scope of the relief is not expected to unduly disrupt ongoing implementation or adoption (or other use) processes as such relief is already available and would remain optional such that:</p> <ul style="list-style-type: none"> - entities could decide not to apply it; and - jurisdictions could decide not to introduce such optional relief without affecting the description of the degree of alignment with ISSB Standards.⁶

⁶ Refer to *Inaugural Jurisdictional Guide* for the adoption or other use of ISSB Standards
<https://www.ifrs.org/content/dam/ifrs/supporting-implementation/adoption-guide/inaugural-jurisdictional-guide.pdf>

Potential amendment to IFRS S2	Criterion 1—There is a demonstrated need to amend IFRS S2	Criterion 2—No significant loss of useful information for primary users	Criterion 3—Not unduly disruptive to ongoing implementation processes
	(covered in paragraphs 90-93 of Appendix C of this paper)		(covered in paragraphs 96-102 of Appendix C of this paper)

Alternative actions

14. The staff considered whether developing educational materials or taking no specific action could address these application challenges. However, the staff is of the view that these alternatives would not address the application challenges. The alternative actions—that were considered by the staff before considering whether amending IFRS S2 would address the identified application challenges—are included in the following paragraphs of Agenda Paper 9D of the November 2024 ISSB meeting (reproduced in Appendix C with no changes):
- (a) paragraph 45 considers alternative actions related to permitting entities to exclude Scope 3 Category 15 GHG emissions related to specific financial activities and a specific asset class;
 - (b) paragraphs 73–74 consider alternative actions related to permitting the use of GWP values required by a jurisdictional authority or exchange on which the entity is listed instead of the GWP values from the latest IPCC assessment; and
 - (c) paragraphs 107–108 consider alternative actions related to clarifying that the jurisdictional relief applies to an entity in whole or in part.
15. At the November 2024 ISSB meeting, several board members asked whether some of the existing requirements in IFRS S2 would be relevant to the application challenge related to the requirements to measure such Scope 3 Category 15 GHG emissions (see paragraph 27 of Appendix C of this paper), as an alternative to amending IFRS S2. The staff provides further analysis of why existing requirements in IFRS S2 do not address the application challenges raised. Specifically, the following requirements in IFRS S2 were considered:

- (a) using all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort;
- (b) applying the Scope 3 measurement framework; and
- (c) applying the requirements related to impracticability.

Using all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort

16. Paragraph B39 of IFRS S2 requires entities to use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort when selecting the measurement approach, inputs and assumptions used in measuring Scope 3 GHG emissions. This requirement does not exempt entities from measuring and providing disclosures but instead establishes parameters for the type of information required to be considered and the level of effort required to obtain such information, as explained in paragraphs BC15–BC17 of the Basis for Conclusions on IFRS S1.
17. The key question that has been raised is whether entities are required to measure and disclose particular Scope 3 GHG emissions, due to the apparent conflict between the requirements in IFRS S2 and the Basis for Conclusions on IFRS S2. That is, due to this apparent conflict, some stakeholders understand IFRS S2 to require specific disclosures, while others do not believe such disclosures are required. The staff thinks that the requirement to use all reasonable and supportable information and the limitation of undue cost or effort does not address this apparent conflict as this does not clarify the requirements in IFRS S2 related to this matter.
18. In addition, the requirement to use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort when selecting the measurement approach, inputs and assumptions used in measuring and disclosing Scope 3 GHG emissions, does not exempt an entity from the requirement to measure and disclose these GHG emissions. It simply clarifies the type of information to consider and the level of effort required to obtain such information. This is designed

such that an entity can apply the requirements based on its own circumstances, which will assist those entities that would otherwise find these requirements challenging to apply. Therefore, this provides support to entities, for example, in cases in which obtaining specific information to be used as an input to a GHG emissions measurement is unavailable without undue cost or effort, by permitting entities to use different (reasonable and supportable) information that is available without undue cost or effort. However, for the avoidance of doubt, an entity would still need to find a way to measure these GHG emissions using that information.

Applying the Scope 3 measurement framework

19. The Scope 3 measurement framework described in paragraphs B40-B54 of IFRS S2 provides guidance for an entity to use in preparing its Scope 3 GHG emissions disclosures. Specifically, an entity is required to apply the Scope 3 measurement framework to prioritise inputs and assumptions using specific characteristics.
20. This Scope 3 measurement framework does not clarify the apparent conflict between the requirements in IFRS S2 and the Basis for Conclusions on IFRS S2—and therefore, the Scope 3 measurement framework does not address this aspect of stakeholder feedback on application challenges.
21. The Scope 3 measurement framework would simply support entities in making prioritisation decisions related to inputs and assumptions when measuring such GHG emissions. It would not result in a change or a clarification of the requirement in IFRS S2 to measure and disclose these GHG emissions.

Applying the requirements related to impracticability

22. Paragraph B57 of IFRS S2 states that in those rare cases when an entity determines it is impracticable to estimate its Scope 3 GHG emissions, the entity is required to disclose how it is managing its Scope 3 GHG emissions. This is the only circumstance in which an entity needs not to measure and disclose material information about Scope 3 GHG emissions. Applying a requirement is considered ‘impracticable’ when the entity cannot apply it after making every reasonable effort to do so. This is a high

hurdle with established practice in application of IFRS Accounting Standards. This exemption is expected to be rarely available to entities.

Evaluation of effects of the potential amendments

23. In considering amendments to the ISSB Standards, the ISSB is required to consider the likely costs and benefits of the potential amendments in accordance with paragraphs 3.76–3.81 of the [Due Process Handbook](#). Specifically, the ISSB is required to assess the likely effects of potential amendments in comparison to the issued requirements in IFRS S1 and IFRS S2. In **Table 3** of Appendix B of this paper, the staff considers the likely effects for stakeholders of the potential amendments compared to the requirements in IFRS S2, including considerations associated with the costs and benefits for stakeholders.
24. The staff expects that these potential amendments might require minimal, if any, incremental costs to some stakeholders, and that such costs would be justified as amending IFRS S2 would provide meaningful support to entities implementing IFRS S2 and potentially even reduce costs. This is because the potential amendments are narrow in scope and intended to simplify the implementation of IFRS S2 by reducing costs and reporting burden for affected entities.

The timing of making the potential amendments

25. In evaluating potential amendments to the Standards, the ISSB also considers other relevant factors in deciding whether and how amendments should be pursued, including the timing of such amendments. The timing of making such amendments was considered a particularly important consideration given application questions could arise at different times during the initial period post-issuance of the Standards, and as a result the ISSB will need to balance the urgency of proposing amendments against the risk of disruption that could be caused by acting quickly and on several occasions.
26. The reasons that might support acting now include:

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- (a) **nature of amendments:** the proposed amendments to IFRS S2:
- (i) relate to requirements that are likely to require entities to set up systems and processes to manage large amounts of data. As a result, acting as early as possible will reduce uncertainty during the implementation phase in which entities will need to make choices about those systems and processes. For example, entities might decide not to recalculate GHG emissions using GWP values required by a jurisdiction that are not from the latest IPCC assessment, if requirements in IFRS S2 are modified to permit entities to do so; and
 - (ii) provide relief or clarification to existing requirements and as a result are less disruptive to implementation than amendments that change or introduce new disclosure requirements. That is, entities can choose whether they apply the relief based on their particular circumstances. Jurisdictions can also choose whether they adopt the relief and in relation to the proposed amendments these decisions would not affect the description of their degree of alignment with the ISSB Standards.
- (b) **number of proposed amendments:** in addition to considering the urgency of a particular amendment, the ISSB will need to consider whether the number of amendments influence the decision to start a process to propose amendments. This is because the process to amend an ISSB Standard is resource intensive for both the ISSB and its stakeholders and as a result, there could be benefits to delaying individual amendments until a package of amendments are proposed. The staff is of the view that, in addition to the urgency of individual particular amendments, the fact that all proposed amendments relate to one area of IFRS S2 (GHG emissions) supports the ISSB in acting now, with a single package of proposed amendments rather than waiting to consider other application challenges that might arise during implementation.
27. The staff acknowledges that any amendment *at this time* may cause disruption to entities and jurisdictions already using IFRS S1 and IFRS S2. However, the staff is of the view that based on the considerations in paragraph 26, the benefits of acting in a timely manner outweigh any disruption that might be caused by acting on several

occasions during implementation of IFRS S2. Proposing such amendments as a single package of amendments will support entities apply an important and challenging area of the Standards. It is expected to reduce complexity of application and related costs for those applying the Standards—including reducing duplication of reporting.

28. The staff thinks that if the ISSB acts *now* to amend IFRS S2, rather than waiting until entities and jurisdictions have made further progress on their ongoing implementing processes, the risk of further disruption will be reduced. In particular, the staff expects that if the ISSB acts *now* the amendments could be issued—dependent on stakeholder feedback during consultation on the proposed amendments—in 2025 with an effective date of 1 January 2026 (that is, the amendments would be effective for annual reporting periods beginning on or after 1 January 2026).
29. Further, pursuing these potential amendments to IFRS S2 on a timely basis will:
 - (a) contribute to the ISSB achieving its objective to deliver a comprehensive global baseline of sustainability-related financial disclosures that meet the needs of primary users and enable entities to provide decision-useful sustainability-related financial information to global capital markets; and
 - (b) demonstrate the ISSB ability to be responsive to application challenges arising from stakeholder feedback during the implementation phase, which is consistent with the ISSB stated highest priority in its work plan to support the implementation of IFRS S1 and IFRS S2.

Staff recommendations

30. Based on the analysis in paragraphs 10–22 of this paper, it is the staff view that the potential amendments meet the amendment criteria for application challenges. Specifically, that amending IFRS S2 to:
 - (a) permit entities to exclude Scope 3 Category 15 GHG emissions related to specific financial activities and a specific asset class from the disclosure of GHG emissions meets the amendment criteria for application challenges; and

- (b) extend the jurisdictional relief to permit the use of GWP values required by a jurisdictional authority or exchange on which it is listed instead of the GWP values from the latest IPCC assessment meets the amendment criteria for application challenges; and
 - (c) clarify that the jurisdictional relief applies to an entity in whole or in part meets the amendment criteria for application challenges.
31. In addition, based on the analysis in paragraphs 25–29 of this paper, the staff recommends that the ISSB pursue these three potential amendments at this time rather than waiting to consider other applications challenges that could be raised during implementation.

Questions for the ISSB members

The staff presents the following questions for the ISSB.

Questions for ISSB

1. Does the ISSB have any comments or questions on the considerations set out in this paper?
2. Does the ISSB agree with the staff view in paragraph 30 that the three potential amendments to IFRS S2 meet the amendment criteria for application challenges for each potential amendment to IFRS S2. That is, to amend IFRS S2 to:
 - a. permit entities to exclude Scope 3 Category 15 GHG emissions related to specific financial activities and a specific asset class from the disclosure of Scope 3 GHG emissions;
 - b. permit the use of GWP values required by jurisdictional authority or exchange on which the entity is listed instead of the GWP values from the latest IPCC assessment; and
 - c. clarify that the jurisdictional relief applies to an entity in whole or in part?
3. Does the ISSB agree with the staff recommendation set out in paragraph 31 to pursue these three potential amendments at this time?

Appendix A—Amendment criteria for application challenges⁷

- A1. Any amendments made to IFRS S1 or IFRS S2 in response to stakeholder feedback on application challenges identified in implementing the Standards would need to meet the ISSB implementation amendment criteria:
- (a) be considered only if the ISSB identifies a demonstrated need, after it has explored all other options, to respond to pervasive application challenges arising from implementation, including concerns related to diversity in practice.
 - (b) not result in a significant loss of useful information, including significant reduction of the qualitative characteristics of useful sustainability-related financial information, compared with that provided by entities applying the issued requirements in IFRS S1 and IFRS S2.
 - (c) not unduly disrupt entities' processes for implementing or jurisdictional processes for adopting or using IFRS S1 and IFRS S2. The ISSB would balance the need for amendments with the potential disruption they could cause. The ISSB would seek to avoid amendments that, compared to the issued requirements, would:
 - (i) reduce interoperability between the IFRS Sustainability Disclosure Standards and either the European Sustainability Reporting Standards or the GRI Standards.
 - (ii) reduce connectivity between the IFRS Sustainability Disclosure Standards and the IFRS Accounting Standards.
 - (iii) increase the complexity of applying the requirements in IFRS S1 or IFRS S2, reducing the proportionality of the Standards.
- A2. The ISSB would also consider other relevant factors in deciding whether and how to propose amendments.

⁷ This is the criteria as voted on by the ISSB at the November 2024 ISSB meeting.

Appendix B— Summary of the effects analysis of the potential amendments to IFRS S2

Table 3 – Effects analysis of the potential amendments to IFRS S2

Potential amendments	Effects on sustainability-related financial disclosures	Cost-benefit analysis
<p>Permit entities to exclude Scope 3 Category 15 GHG emissions related to specific financial activities and a specific asset class from the disclosure of Scope 3 GHG emissions.</p>	<p>The relief is expected to be used by entities in which Scope 3 Category 15 GHG emissions associated with these specific financial activities and specific asset class are relevant.</p> <p>Such entities would not be required to measure and disclose these specific Scope 3 Category 15 GHG emissions as part of their Scope 3 GHG emissions.</p>	<p>The potential amendment is expected to reduce the complexity for entities that apply IFRS S2. The implementation question highlighted uncertainty and misunderstanding about whether entities are required to disclose these GHG emissions. This complexity would be resolved through this potential amendment supporting consistent application of IFRS S2, reducing diversity in practice. The implementation question also highlighted that there are significant application challenges in entities’ ability to apply the relevant disclosure requirements.</p> <p>The potential amendment is not expected to result in a significant cost to entities applying the requirements because the relief (if applied) removes a requirement to measure and to disclose such Scope 3 GHG emissions. In addition, as this amendment provides an optional relief, entities can choose to continue with preparation to provide this information.</p> <p>The amendment might result in some loss of information about Scope 3 GHG Category 15 emissions for primary users of general purpose financial reports, however it is noted that the potential loss of information is not considered significant relative to current information being provided.</p>

Potential amendments	Effects on sustainability-related financial disclosures	Cost-benefit analysis
		<p>In summary, the loss of information and risk of disruption (costs) is considered acceptable when balanced against the need to amend IFRS S2 to support application (benefits).</p>
<p>Extend the jurisdictional relief in IFRS S2 to permit the use of GWP values that are not from the latest IPCC assessment, if required by a jurisdictional authority or exchange it is listed on to use different GWP values.</p>	<p>Entities operating in jurisdictions in which GWP values are required that are different from those in the latest IPCC assessment, are expected to apply this relief and would not be required to recalculate their GHG emissions using GWP values from the latest IPCC assessment.</p> <p>Entities would convert GHG emissions using GWP values that differ from the latest IPCC assessment, possibly reducing comparability and the alignment with latest scientific data.</p>	<p>The potential amendment is expected to reduce the complexity for entities that apply IFRS S2. This is because such amendment is expected to reduce reporting burden and related costs by not requiring entities to recalculate their GHG emissions using GWP values from the latest IPCC assessment when they are required to use GWP values that are not from the latest IPCC assessment by a jurisdictional authority or exchange.</p> <p>The potential amendment is not expected to result in a significant cost to entities applying the requirements because the relief is optional and as a result they can consider the benefits of the relief and the potential disruption of changing implementation processes that are already underway to determine the best approach in their circumstances.</p> <p>This amendment might affect the international comparability of GHG emissions resulting in some loss of useful information for primary users of general purpose financial reports. However, it is expected to maintain comparability of information within jurisdictions. In addition, as jurisdictional relief is already provided to allow the use of a measurement method other than the GHG Protocol Corporate Standard if required by a jurisdictional authority or exchange to use a different method for measuring its GHG emissions, this additional relief is not expected to have significant incremental effect in reducing comparability.</p>

Potential amendments	Effects on sustainability-related financial disclosures	Cost-benefit analysis
		<p>In summary, the loss of information and risks of disruption (costs) are considered acceptable when balanced against the need to amend IFRS S2 to support application (benefits).</p>
<p>Clarify that the jurisdictional relief applies to an entity in whole or in part</p>	<p>Entities operating in jurisdictions that require that GHG emissions be measured using a method that is different from the GHG Protocol Corporate Standard are expected to apply this relief and use the required measurement method that is different from the GHG Protocol Corporate Standard.</p> <p>Entities using a measurement method that differs from the GHG Protocol Corporate Standard are expected to consider the aggregation and disaggregation requirements in paragraphs B29 and B30 of IFRS S1 in providing information to primary users.</p>	<p>The potential amendment is expected to reduce the complexity for entities in applying IFRS S2. This is because the amendment is expected to clarify the requirements in IFRS S2 and reduce diversity in practice, as well as reduce reporting burden and related costs. Given that a number of jurisdictions require methods for measuring GHG emissions that are different from the GHG Protocol Corporate Standard and given the number of entities likely to be subject to multiple jurisdictional requirements this is likely to benefit many entities. Further, clarifying the requirements through this potential amendment will support consistent application of IFRS S2.</p> <p>Such amendment might affect international comparability of GHG emissions and as a result reduce the usefulness of the information for primary users of general purpose financial reports. However, it is expected to maintain comparability of information within a jurisdiction when information is provided separately in relation to that jurisdiction (including disaggregation of material information, as a result of applying paragraphs B29 and B30 of IFRS S1).</p> <p>In summary, the loss of information and risks of disruption (costs) are considered acceptable when balanced against the need to amend IFRS S2 to support application (benefits).</p>

Appendix C—Agenda Paper 9D *Implementation challenges and concerns related to IFRS S2* of the November 2024 ISSB meeting.

Staff paper

Agenda reference: 9D

ISSB meeting

Date	November 2024
Project	Supporting Implementation of IFRS S1 and IFRS S2
Topic	Implementation challenges and concerns related to IFRS S2
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This paper has been prepared for discussion at a public meeting of the International Sustainability Standards Board ('ISSB'). It does not purport to represent the views of any individual member of the International Sustainability Standards Board or staff. Comments on the application of IFRS Standards do not purport to set out acceptable or unacceptable application of IFRS Standards.

Purpose

1. This paper provides an overview of:
 - (a) implementation challenges and concerns that have been raised about the application of specific requirements in IFRS S2 *Climate-related Disclosures* during the September 2024 Transition Implementation Group (TIG) meeting; and
 - (b) the staff preliminary thoughts for the International Sustainability Standards Board (ISSB) on actions it could take to address these implementation challenges and concerns, including potential amendments to IFRS S2.

2. This paper does not seek any decisions from the ISSB. The staff welcomes input from the ISSB on the implementation challenges and concerns discussed in this paper and on the staff preliminary thoughts on the actions the ISSB could take to address them.

Structure of the paper

3. The paper is structured as follows:
 - (a) Introduction and background (paragraphs 5–8);
 - (b) Application of requirements related to Scope 3 Category 15 greenhouse gas (GHG) emissions related to specific financial activities and a specific asset class (paragraphs 9–45);
 - (c) Use of global warming potential (GWP) values from the latest Intergovernmental Panel on Climate Change (IPCC) assessment when a jurisdiction requires the use of different GWP values (paragraphs 46–74);
 - (d) Application of the jurisdictional relief in IFRS S2, related to the method for measuring GHG emissions in specific circumstances, and its applicability to a part of a reporting entity (paragraphs 75–108);
 - (e) Next steps (paragraph 109); and
 - (f) Questions for the ISSB members (paragraph 110).
4. For each topic in paragraph 3(b)–3(d) of this paper, the following is set out:
 - (a) the implementation question;
 - (b) ISSB rationale for requirements in IFRS S2;
 - (c) the implementation challenges and concerns
 - (d) staff analysis; and
 - (e) the staff preliminary thoughts.

Introduction and background

5. This paper should be read in the context of Agenda Papers of the November 2024 ISSB meeting:
 - (a) Agenda Paper 9A *Implications of amending IFRS S1 or IFRS S2 – Risks and benefits*;
 - (b) Agenda Paper 9B *Criteria for evaluating potential amendments to IFRS S1 or IFRS S2*; and
 - (c) Agenda Paper 9C *Summary of Transition Implementation Group on IFRS S1 and IFRS S2 meeting held on 19 September 2024*.

6. As discussed in Agenda Paper 9A, the TIG serves an important role in the ISSB’s work to support the implementation of IFRS S1 and IFRS S2. Specifically, the TIG provides a public forum to discuss questions that arise when entities implement IFRS S1 and IFRS S2 and, when necessary, provides information for the ISSB to determine what, if any, action is needed to address those questions.

7. During the September 2024 TIG meeting, TIG members highlighted implementation challenges and concerns related to three implementation questions that, in the staff view, warrant further consideration by the ISSB. These implementation challenges and concerns and the staff view on potential amendments to address them are summarised in Table 1.

Table 1 – Summary of implementation challenges and concerns and potential amendments

Topic	Implementation challenges and concerns	Potential amendment
Application of requirements related to Scope 3 Category 15 GHG emissions related to specific financial activities and a specific asset class	<ul style="list-style-type: none"> • Paragraphs in the Basis for Conclusions on IFRS S2 are unclear and appear contradictory to the requirements in IFRS S2 related to the disclosure of Scope 3 Category 15 GHG emissions. Specifically, this relates to the requirements to disclose Category 15 GHG emissions associated with: <ul style="list-style-type: none"> ○ underwriting activities in the insurance and reinsurance industries; 	Permit entities to exclude such GHG emissions from the disclosure of Scope 3 GHG emissions at this time.

Topic	Implementation challenges and concerns	Potential amendment
(Topic covered in Agenda Paper 4 from September 2024 TIG meeting)	<ul style="list-style-type: none"> ○ investment banking activities in the investment banking industry; and ○ derivatives. ● The ISSB redeliberated the requirements related to these specific GHG emissions and noted a lack of established methodology in determining to not proceed with requiring particular disclosure of information about these emissions. ● This might give rise to diversity in practice and complexity of application for those applying the requirements. 	
<p>Use of GWP values from the latest IPCC assessment when a jurisdiction requires the use of different GWP values</p> <p>(Topic covered by Agenda Paper 5 from September 2024 TIG meeting)</p>	<ul style="list-style-type: none"> ● IFRS S2 requires entities to use GWP values from the latest IPCC assessment when converting GHG emissions into carbon dioxide equivalent (CO₂e) values.⁸ ● Entities operating in a jurisdiction that requires the use of specific GWP values that are different from those in the latest IPCC assessment are required to (1) use GWP values from the latest IPCC assessment to comply with IFRS S2 and (2) use GWP values required jurisdictionally to meet jurisdictional requirements. ● This seems contrary to the objective of the relief in IFRS S2 that permits entities to measure GHG emissions using a method other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (GHG Protocol Corporate Standard) if another method is required by a regulatory authority or exchange on which the entity is listed (referred to in this paper as the ‘jurisdictional relief’). ● This might result in duplication of effort and increased costs for entities. 	<p>Extend the jurisdictional relief in IFRS S2 to permit the use of GWP values that are not from the latest IPCC assessment, if required by a jurisdictional authority or exchange on which an entity is listed to use different GWP values.</p>
<p>Application of the jurisdictional relief in IFRS S2, related to the method for measuring GHG emissions in specific circumstances, and</p>	<ul style="list-style-type: none"> ● Lack of clarity about the application of the jurisdictional relief in IFRS S2 if only part of the entity is required by a jurisdictional authority or exchange on which the entity is listed to use a method for measuring GHG emissions that is different from the GHG Protocol Corporate Standard. ● This might give rise to diversity in practice, uncertainty for those applying the requirements and duplicative measurement and reporting requirements. 	<p>Clarify that the jurisdictional relief applies to an entity in whole or in part.</p>

⁸ IFRS S2 requires entities to convert the seven constituent GHGs into a CO₂ equivalent value using GWP values based on a 100-year time horizon, from the latest IPCC assessment available at the reporting date. This paper refers to these GWP values as ‘GWP values from the latest IPCC assessment’.

Topic	Implementation challenges and concerns	Potential amendment
<p>its applicability to a part of a reporting entity</p> <p>(Topic covered by Agenda Paper 3 from September 2024 TIG meeting)</p>		

8. This paper includes a preliminary evaluation of potential amendments to IFRS S2 utilising the criteria as proposed in Agenda Paper 9B of the November 2024 ISSB meeting. The staff seeks comments and observations from the ISSB about the analysis.

Application of requirements related to Scope 3 Category 15 GHG emissions related to specific financial activities and a specific asset class —TIG Agenda Paper 4

Implementation question

9. As summarised in Agenda Paper 9C, TIG members discussed a submission about the application of the requirements in IFRS S2 related to disclosure of Scope 3 Category 15 GHG emissions in circumstances in which those GHG emissions relate to an asset class or financial activities that are not explicitly referenced in IFRS S2. Specifically, the submission questioned the requirements related to disclosure of the amount of Scope 3 Category 15 GHG emissions associated with:
- (a) underwriting activities in the insurance and reinsurance industries;
 - (b) investment banking activities in the investment banking industry; and
 - (c) derivatives.
10. These Scope 3 GHG emissions are referred to in this paper as ‘Category 15 GHG emissions related to specific financial activities and a specific asset class’.

11. As discussed during the TIG meeting, TIG members agreed that there is no explicit limitation on the types of financial activities or asset classes that must be included in the measurement of an entity's Category 15 GHG emissions. This analysis means that the Scope 3 GHG emissions related to specific financial activities and a specific asset class noted are required to be included in the disclosure of an entity's Scope 3 GHG emissions to comply with IFRS S2.
12. However, some TIG members questioned whether the requirements in IFRS S2 are sufficiently clear, specifically because of paragraphs in the Basis for Conclusions on IFRS S2 that might be understood to mean that the ISSB did not intend these GHG emissions to be included as part of an entity's Scope 3 GHG emissions disclosures.
13. The requirements in IFRS S2 relevant to the implementation question are set out in Agenda Paper 9C.

ISSB rationale for requirements in IFRS S2

14. IFRS S2 requires all entities to disclose information about their Scope 3 GHG emissions including the absolute gross Scope 3 GHG emissions generated during the period. This disclosure includes information about which of the 15 Categories as defined in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) (GHG Protocol Value Chain Standard) are included in an entity's emissions measurement.
15. IFRS S2 also requires entities participating in financial activities associated with asset management, commercial banking, or insurance to disclose additional information about financed emissions.⁹ These requirements are intended to enable the market to converge on measurement methodologies as they emerge and gain acceptance, such as those

⁹ 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).'

developed by the Partnership for Carbon Accounting Financials (PCAF)¹⁰ (paragraph BC125 of the Basis for Conclusions on IFRS S2).

16. Further, citing a lack of established measurement methodology, the ISSB explained their decisions:
- (a) not to proceed with the proposal for an entity to include derivatives when calculating its financed emissions (paragraph BC127 of the Basis for Conclusions on IFRS S2);
 - (b) not to require disclosure of the ‘associated emissions’ of underwriting portfolios in the insurance and reinsurance industries (paragraph BC129 of the Basis for Conclusions on IFRS S2); and
 - (c) not to proceed with the proposed requirements for an entity engaged in financial activities associated with investment banking activities to disclose information about its ‘facilitated emissions’ (paragraph BC129 of the Basis for Conclusions on IFRS S2).

Implementation challenges and concerns

Application of the requirements

17. Whilst many TIG members agreed with the staff analysis that there is no explicit limitation on the types of financial activities or asset classes that must be included in the measurement of an entity’s Scope 3 GHG emissions, some TIG members questioned whether the requirements in IFRS S2 are sufficiently clear, specifically because of paragraphs BC127 and BC129 of the Basis for Conclusions on IFRS S2. While the Basis for Conclusions cannot override the requirements IFRS S2, it can cause confusion about the requirements in the Standard if there is an apparent conflict between the Basis for Conclusions and the Standard. This confusion could result in diversity in practice.

¹⁰ PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess the GHG emissions associated with their loans and investments. Further information can be found through the following link [About PCAF \(carbonaccountingfinancials.com\)](https://www.carbonaccountingfinancials.com).

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18. A few TIG members noted that they think paragraphs BC127 and BC129 of the Basis for Conclusions on IFRS S2 *only* refer to excluding these specific GHG emissions from the ‘additional’ disclosure requirements set out in paragraphs B58–B63 of IFRS S2. Other TIG members noted that they think paragraphs BC127 and BC129 of the Basis for Conclusions on IFRS S2 also relate to the requirement to disclose the amount of an entity’s Scope 3 GHG emissions, as set out in paragraph 29(a) of IFRS S2.
19. The staff understands the confusion about the application of the requirements is in part due to the ISSB citing a lack of measurement methodology for its decisions related to disclosure of information about such GHG emissions. That is, some question the logic of the ISSB to *not require* disclosure of information about such GHG emissions as part of the ‘additional requirements’—citing a lack of established measurement methodology—but still *requiring* disclosure of the amount of such GHG emissions (which would require application of a measurement methodology).

Application challenges

20. TIG members raised concerns about the ability of entities to meet the requirements to disclose the amount of such GHG emissions given the lack of an established measurement methodology.
21. Since the issuance of IFRS S2, PCAF has released its first version of the Facilitated Emissions Standard, which provides detailed methodological guidance for the measurement of GHG emissions associated with capital market transactions.¹¹ Additionally, PCAF has also released the first version of the Insurance-Associated Emissions Standard, which provides detailed methodological guidance for the measurement of GHG emissions associated with two insurance segments. Furthermore, PCAF has announced areas for standard development across several areas including facilitated emissions associated with derivatives.¹²

¹¹ [The Global GHG Accounting and Reporting Standard for the Financial Industry \(carbonaccountingfinancials.com\)](https://www.carbonaccountingfinancials.com)

¹² [PCAF announces areas for standard development in 2024 \(carbonaccountingfinancials.com\)](https://www.carbonaccountingfinancials.com)

22. TIG members noted that, despite these developments from PCAF, application of the requirements remains challenging given the relative nascency of measuring such GHG emissions. For example, due to the nature and characteristics of derivatives, complexities arise in measuring GHG emissions associated with this asset class, including determining how to attribute the emissions related to a derivative.

Staff view

23. Given the implementation challenges and concerns raised by TIG members about the application of these requirements, including potential diversity in practice, it is the staff view that the implementation question warrants further consideration by the ISSB to determine what, if any, action is needed. Specifically, the staff view is that the ISSB should consider whether to amend IFRS S2 to permit entities to exclude such GHG emissions from the requirement to disclose Scope 3 GHG emissions in accordance with IFRS S2.29(a)(i)(3).

Staff analysis

24. In this section, the staff evaluates the potential amendment—to permit entities to exclude such GHG emissions from the requirement to disclose Scope 3 GHG emissions—against the criteria set out in Agenda Paper 9B.

There is a demonstrated need to amend IFRS S1 or IFRS S2 to address implementation challenges or concerns

25. If the implementation question is not addressed with an amendment to IFRS S2:
- (a) entities will face challenges in measuring these Category 15 GHG emissions related to specific financial activities and a specific asset class. The lack of established measurement methodology for measuring such GHG emissions will pose significant challenges to entities' ability to meet the requirements in IFRS S2 related to the disclosure of Scope 3 GHG emissions.

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- (b) the lack of clarity in the Basis for Conclusions on IFRS S2 could result in diversity in practice, as highlighted by TIG members with differing views on how to apply the requirements.
26. This implementation challenge is expected to be pervasive as it affects all entities that disclose information about Scope 3 Category 15 GHG emissions, and particularly those entities that participate in financial activities associated with investment banking, asset management, commercial banking, insurance and reinsurance. For these industries the application challenge will likely affect a large portion of their assets and activities.
27. The staff notes that while IFRS S2 includes the following requirements, these requirements do not address the implementation challenges or concerns associated with the apparent conflict between IFRS S2 and the Basis for Conclusions on IFRS S2 or the lack of a measurement methodology to measure such GHG emissions:
- (a) that the information that is required to be used to measure Scope 3 GHG emissions is that which is reasonable and supportable and available to the entity at the reporting date without undue cost or effort (in accordance with paragraph B39 of IFRS S2);
- (b) that Scope 3 GHG emissions be measured using the measurement framework (in accordance with paragraphs B38-B57 of IFRS S2); and
- (c) entities are required to provide material information about their Scope 3 GHG emissions subject only to impracticability (in accordance with paragraph B57 of IFRS S2).
28. On the basis that the ISSB cited a lack of an established measurement methodology for measuring such GHG emissions as the reason for not proceeding with the requirements related to these GHG emissions, the staff thinks that an amendment to exclude such GHG emissions from the Scope 3 GHG emissions included in the measurement required by paragraph 29(a)(i)(3) of IFRS S2 would be consistent with the ISSB's rationale.

29. Therefore, it is the staff view that there is a demonstrated need for the ISSB to amend IFRS S2 in response to the implementation question and exclude such GHG emissions from the Scope 3 GHG emissions that an entity is required to disclose.

The amendments would not result in a significant loss of useful information for users of general purpose financial reports

30. If the ISSB were to amend IFRS S2 to exclude such GHG emissions from the Scope 3 GHG emissions that are required to be disclosed, the staff has considered the potential loss of information for users of general purpose financial reports relative to what would otherwise be provided by IFRS S2.
31. In considering whether information would be lost, and if that loss is significant, the staff note:
- (a) the exclusion of such GHG emissions from the requirements in IFRS S2 would not *prevent* an entity providing this information. That is, entities that either currently provide this information or are planning to provide this information would still be permitted to provide this information, even if IFRS S2 was amended. The amendment would simply relieve entities from a *requirement* to provide such information, even if it is material.
 - (b) there is unlikely to be a loss of useful information for users of general purpose financial reports relative to current information being provided—that this would not result in a loss of existing information. The staff understands there is not prevent an entity providing this information.
32. If the ISSB were to amend IFRS S2, the staff thinks that the requirements could be amended in a way to minimise the loss of useful information by:
- (a) requiring an entity to disclose information about the scope, extent and/or amount of financial activities or asset classes for which Scope 3 GHG emissions disclosures have been excluded using the proposed exception. This would provide primary users with an understanding of what has been excluded and the extent of the exclusion, and as a result improve understandability. Through this

understanding, this would also reduce risks related to comparability if some entities include such GHG emissions in their Scope 3 GHG emissions disclosures.

- (b) limiting the exclusion of such GHG emissions from required disclosures on a transitional basis, that is, for a specified period of time. This would limit the loss of any useful information to a defined period.

The amendments would not unduly disrupt ongoing implementation processes or jurisdictional adoption processes

- 33. The staff notes the risk of disruption to the implementation of IFRS S2 posed by an amendment to exclude such GHG emissions could include disruption to:
 - (a) preparers currently updating or amending systems and processes to measure such GHG emissions; and
 - (b) jurisdictions that are in the process of or have completed their public consultation to adopt or otherwise use ISSB Standards that may need to incorporate any such changes to IFRS S2.

- 34. However, in considering whether the amendments would result in undue disruption the staff note:
 - (a) the potential disruption would be limited to those entities for which such GHG emissions are relevant and that would result in material information. That is, not all industries will be affected by the amendment.
 - (b) because the amendment provides relief from a requirement (reducing the scope of activities and assets within the scope of Scope 3 GHG emissions measurement), it is by its nature less disruptive than amendments that introduce new requirements. This includes those entities that have or are in the process of setting up systems and processes to meet the disclosures requirements, that could decide to continue to include such GHG emissions in their disclosure of Scope 3 GHG emissions. That is, essentially an entity could decide if the disruption was warranted by the benefits of the amendment.

- (c) a jurisdiction could decide not to introduce the proposed amendment without affecting the description of the degree of alignment of the jurisdictional requirements with ISSB Standards (as set out in the approach in the Inaugural Jurisdictional Guide).¹³ Thus, such amendments are not necessary for all jurisdictions that are in the process of or are adopting or otherwise using ISSB Standards.

Other considerations – interoperability, proportionality and connectivity

35. The staff do not expect that this amendment would affect interoperability of ISSB Standards with European Sustainability Reporting Standards (ESRS) or Global Reporting Initiative (GRI) Standards. The staff thinks generally the provision of reliefs cannot reduce interoperability and, in some cases might improve interoperability compared with that resulting from IFRS S1 and IFRS S2 without amendment. This is because reliefs provide permissions for entities applying ISSB Standards to choose to apply the requirements using the relief.
36. Amending IFRS S2 to exclude such GHG emissions from the requirement to disclose Scope 3 GHG emissions will address concerns about the complexities of measuring such emissions. Such amendment would introduce a relief from measuring some Scope 3 GHG emissions and introducing a relief does not increase the complexity of the application of the requirements in IFRS S2; in fact, it should reduce the complexity. Consequently, such amendment is not expected to reduce the proportionality of IFRS S2.
37. The amendment is not expected to affect the interaction with IFRS Accounting Standards and therefore will not affect connectivity with the IFRS Accounting Standards.

Staff preliminary thoughts

38. The staff thinks that amending IFRS S2 to permit entities to exclude Category 15 GHG emissions related to specific financial activities and a specific asset class from the

¹³ Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards can be found at: <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/adoption-guide/inaugural-jurisdictional-guide.pdf>

requirement to disclose Scope 3 GHG emissions would address the implementation challenges and concerns that have been raised. Further, the staff thinks that this amendment would meet the criteria proposed in Agenda Paper 9B.

39. In applying the criteria, the staff thinks that the importance of amending IFRS S2 is not outweighed by the potential loss of useful information nor the disruption that an amendment might result in. The implementation question highlighted that there are significant challenges in entities' ability to apply the relevant disclosure requirements and that, if left unamended, this might result in entities not being able to apply the requirements in IFRS S2.
40. If the ISSB decides to permit entities to exclude such GHG emissions from their Scope 3 measurement, the staff thinks that it would be important for the ISSB to signal its intention to revisit the exclusion at the appropriate time based on the evolution in relevant measurement methodologies. This is on the basis of, and consistent with, the ISSB's decisions related to Scope 3 GHG emissions that noted that the disclosure of Scope 3 GHG emission information provides useful information about an entity's climate-related risks and opportunities.
41. The staff also note that the decision to limit this amendment specifically to Scope 3 Category 15 GHG emissions related to the specific financial activities and a specific asset class set out in this paper, is responsive to the implementation question the ISSB received. That is, stakeholders have specifically asked for clarity on these financial activities and this asset class. Further, these were the financial activities and asset class that:
 - (a) were considered by the ISSB in its redeliberations; and
 - (b) for which there was an apparent conflict between the requirements in IFRS S2 and the Basis for Conclusions.
42. For these reasons, the staff think such an amendment—and discussion about such amendments—should relate only to these financial activities and asset class.

43. The staff thinks that if the ISSB decides to amend IFRS S2, additional considerations would be required including *how* the amendment could be provided. Specifically, the manner in which the amendment is provided could affect the extent of the loss of useful of information. For example, the ISSB could:
- (a) set an expiry date of three to five years, that is, amend IFRS S2 to provide relief from including such emissions in the measurement of Scope 3 Category 15 GHG emissions through the provision of transitional relief rather than a permanent exclusion;¹⁴
 - (b) require an entity to provide additional information about the scope, extent and/or amount of financial activities and assets omitted from the measurement of Category 15 Scope 3 GHG emissions applying the relief to provide transparency about the exclusions from the entity’s disclosure of Scope 3 GHG emissions.
44. Table 2 sets out the staff preliminary thoughts about these amendments, specifically the risks and benefits of such amendments.

Table 2 – Summary of staff preliminary thoughts about amendments, specifically the risks and benefits of such amendments

Amendment	Benefits	Risks
Amending IFRS S2 through the provision of transitional relief rather than permanent exclusion of such GHG emissions	<ul style="list-style-type: none"> • <i>Reduction in future disruption:</i> if methodologies are sufficiently established by the end of the transition relief period, then there is no need to amend IFRS S2 again. The relief would simply expire. • <i>Level of certainty:</i> provides a level of certainty for preparers and primary users about when such GHG emissions will be required to be disclosed. This is likely to support continued preparation for this disclosure. 	<ul style="list-style-type: none"> • <i>May not prevent future disruption:</i> If the period of relief selected is ultimately too short—or too long—given the pace of development in measurement methodologies the ISSB may have to consider revisit the term of the relief in the future.

¹⁴ The staff preliminary view is to set an expiry date of 5 years from the date of issuance of the amendment. Dating the relief in this way, rather than from the date an entity first applies ISSB Standards, means that the relief will no longer be available to entities after the relief period lapses, including those applying ISSB Standards for the first time. This is because the staff thinks that the lack of established methodology is a market-wide phenomenon not directly linked to the individual circumstances of entities.

Amendment	Benefits	Risks
Determining period of transitional relief	<ul style="list-style-type: none"> • <i>Consider a period of 3 to 5 years:</i> Such a period will allow methodologies to develop and encourage affected entities to engage in assisting such development in view of the period of relief. • <i>This period is proportionate relative to other reliefs:</i> One year relief was provided for Scope 3 GHG emissions more generally. A period of 3-5 years provides extended relief without this being a very significant delay for primary users. This period is also consistent with the extended reliefs identified in the Inaugural Jurisdiction Guide. 	<ul style="list-style-type: none"> • <i>Ability to determine transition period:</i> it may be difficult for the ISSB to determine an appropriate period of relief due to the uncertainty associated with when measurement methodologies will be sufficiently established to support required disclosure.
Require additional information about the scope, extent and amount of an entity’s Category 15 Scope 3 GHG emissions that have been excluded due to the relief. That is, require that information about the extent of an entity’s financial activities or asset classes excluded from an entity’s disclosure of Category 15 Scope 3 GHG emissions are disclosed.	<ul style="list-style-type: none"> • <i>Reduces the extent of loss of useful information:</i> this information could improve primary users’ understanding of an entity’s Scope 3 GHG emissions disclosures as well as comparability through this transparency. 	<ul style="list-style-type: none"> • <i>Disruption to implementation:</i> introducing an additional requirement would cause disruption to implementation processes. • <i>Increase complexity in application of the requirements:</i> identifying the scope of financial activities or asset class not included could be challenging for entities.¹⁵ However, staff notes that entities preparing to apply IFRS S2 (and thus at risk of disruption) should already be collecting information about these activities and assets to support application – thus these processes could support this new disclosure.

¹⁵ The staff notes that preparers can rely on the definition of derivatives used in the generally accepted principles or practices applied to its related financial statements.

Considerations of alternative actions

45. The staff considered other actions the ISSB could take to address this implementation question including:
- (a) not amend IFRS S2 and rely on the TIG discussion to clarify the application of the requirements to disclose Category 15 Scope 3 GHG emissions. The staff note that:
 - i. the TIG discussion highlighted confusion about the application of the requirements and therefore relying on the TIG discussion might not significantly reduce the confusion about the application of the requirements.
 - ii. this would not address the implementation challenges and concerns associated with the lack of established measurement methodology and entities' ability to measure, and therefore, meet the requirements in IFRS S2.
 - (b) publish educational material to address the confusion about the application of the requirements. The staff note that:
 - i. educational materials cannot change or add to requirements in ISSB Standards so can only explain what ISSB Standards already require;
 - ii. educational materials cannot address the apparent inconsistency between the Basis for Conclusions on IFRS S2 and the requirements in IFRS S2; and
 - iii. educational material would not relieve entities from the challenges arising from measuring such GHG emissions, and thus would not address the implementation challenge and concern associated with the lack of established measurement methodology to enable entities to meet the disclosure requirement.

Use of GWP values from the latest IPCC assessment when a jurisdiction requires the use of different GWP values —TIG Agenda Paper 5

Implementation question

46. As summarised in Agenda Paper 9C, TIG members discussed a submission related to the requirement to convert GHG emissions into CO₂e values using GWP values from the latest IPCC assessment, specifically in a circumstance in which a jurisdictional authority mandates the use of different GWP values.
47. As discussed during the TIG meeting, if an entity operating in one or several jurisdictions that mandates the use of GWP values that are different from the GWP values from latest IPCC assessment, the entity would:
- (a) in meeting jurisdictional requirements, convert its GHG emissions into CO₂e using the GWP values mandated by the jurisdictional authority; and
 - (b) in applying the requirements in IFRS S2, be required to convert its GHG emissions into CO₂e using GWP values from the latest IPCC assessment.¹⁶
48. Therefore, duplication in calculating and reporting GHG emissions might occur for those entities subject to such jurisdictional requirements.
49. The staff noted, and the TIG members discussed, that the jurisdictional relief in IFRS S2, which permits an entity to use a different method for measuring GHG emissions from the GHG Protocol Corporate Standard, does not relieve an entity from the requirement to use GWP values from the latest IPCC assessment.
50. The requirements in IFRS S2 relevant to the implementation question are set out in paragraph 52 of the *Summary of the TIG meeting held on 19 September 2024* – which is provided as an appendix to Agenda Paper 9C of the November 2024 ISSB meeting.

¹⁶ The staff notes that, except in the circumstances set out in paragraphs B21 and B22 of IFRS S2, there are no stated exemptions from the requirement in IFRS S2 to use GWP values from the latest IPCC assessment (see paragraph 53 of the *Summary of the TIG meeting held on 19 September 2024* – which is provided as an Appendix to Agenda Paper 9C of the November 2024 ISSB meeting).

ISSB rationale for requirements in IFRS S2

51. The ISSB decided to require entities to convert its constituent GHG emissions into CO₂e using GWP values based on the latest IPCC assessment in response to stakeholder feedback. Stakeholders highlighted the importance of using standardised GWP values in an entity's calculation of GHG emissions to improve comparability of GHG emissions disclosures and to ensure GHG data reflects the latest scientific knowledge. This requirement is consistent with the GHG Protocol Corporate Standard's recommendation to use the most recent GWP values. The ISSB noted that the most frequently used GWP values are defined by the IPCC and refined periodically in published IPCC assessment reports (paragraphs BC87–BC95 of the Basis for Conclusions on IFRS S2).
52. The ISSB also decided to permit entities—in circumstances in which an entity is required by a jurisdictional authority or an exchange on which the entity is listed to use a method of measuring GHG emissions that differs from the GHG Protocol Corporate Standard—to use the method required by the jurisdictional authority or exchange for measuring GHG emissions. The ISSB agreed to this jurisdictional relief to respond to the additional costs that could be incurred by entities subject to such requirements and avoid duplicative reporting (paragraph BC88 of the Basis for Conclusions on IFRS S2).
53. During redeliberations on the Exposure Draft of IFRS S2, the ISSB did not discuss whether the jurisdictional relief should apply to the requirement to use GWP values from the latest IPCC assessment.

Implementation challenges and concerns***Application of the requirements***

54. The implementation question highlighted that some jurisdictional authorities require use of GWP values that are not from the latest IPCC assessment. As noted in the TIG paper and in the TIG discussions, the jurisdictional relief that allows the use of a method other than that set out in the GHG Protocol Corporate Standard does not provide relief from the requirement in IFRS S2 to use of GWP values from the latest IPCC assessment.

55. These TIG members questioned whether the jurisdictional relief should also be available in this circumstance when an entity would be subject to duplicative measurement and reporting of GHG emissions. Specifically in the circumstance in which an entity is required by a jurisdictional authority or exchange on which it is listed to use GWP values that are different from GWP values from the latest IPCC assessment. While these TIG members said that the jurisdictional relief did not apply in these circumstances, the implementation question highlights that entities might not understand that the jurisdictional relief *does not* apply in such circumstances and that the absence of the relief could result in duplicative reporting.

Application challenges

56. In applying these requirements in IFRS S2, some entities might be required to recalculate some of their GHG emissions using two sets of GWP values to comply with both IFRS S2 and jurisdictional requirements. TIG members expressed concerns about the potential additional costs and reporting burden these entities might incur. Specifically, during TIG discussions, there were questions about whether the advantages of enhanced comparability of information that comes from using consistent GWP values outweigh the cost and effort involved in duplicative reporting.

Staff view

57. Given the implementation challenges raised by TIG members, it is the staff view that the implementation question warrants further consideration by the ISSB to determine what, if any, action is needed. Specifically, the staff thinks that the ISSB should consider whether to amend IFRS S2 to extend the existing jurisdictional relief to allow the use of an alternative to the GWP values from the latest IPCC assessment for entities that are required by a jurisdictional authority or exchange on which it is listed to use different GWP values such that this would result in duplication in reporting.

Staff analysis

58. In this section, the staff evaluates the potential amendment—to extend the existing jurisdictional relief to also apply to the requirement to use GWP values from the latest IPCC assessment—against the criteria set out in Agenda Paper 9B.

There is a demonstrated need to amend IFRS S1 or IFRS S2 to address implementation challenges or concerns

59. If the implementation question is not addressed with an amendment to IFRS S2:
- (a) some entities will be subject to duplicative measurement and reporting of their GHG emissions, if they are subject to a jurisdictional requirement to use GWP values that are not from the latest IPCC assessment. The staff expect that this will give rise to additional costs and reporting burden for entities to implement or amend systems and processes to provide the information required by IFRS S2 in addition to that required by the relevant jurisdiction, assuming that the information provided using the alternative GWP values would provide material information.
 - (b) the requirement could introduce additional considerations for jurisdictions adopting or otherwise using IFRS S2 if the relevant jurisdiction requires entities to use GWP values other than those from the latest IPCC assessment as part of jurisdictional reporting.
60. The implementation question that was discussed with the TIG highlights that these effects are pervasive for entities in jurisdictions that mandate specific GWP values that are not from the latest IPCC assessment. The staff understands that such jurisdictions include, for example, Singapore and the United States of America.
61. Therefore, it is the staff view that there is a demonstrated need for the ISSB to amend IFRS S2 in response to the implementation question to relieve entities from the challenges associated with such duplicative reporting outcomes.

The amendments would not result in a significant loss of useful information to users of general purpose financial reports

62. The staff notes that, if the ISSB were to amend IFRS S2 to permit entities to apply the jurisdictional relief to the requirement to use GWP values from the latest IPCC assessment, this amendment might:
- (a) reduce comparability of GHG emissions converted into CO₂e between entities in different jurisdictions; and
 - (b) result in disclosure of GHG emissions that are converted into CO₂e using GWP values that are not aligned with latest scientific data.
63. In considering whether information would be lost, and if that loss is significant, the staff note the following:
- (a) the TIG discussion highlighted that jurisdictional requirements related to the measurement of GHG emissions often have important implications for both the jurisdiction itself and entities based within it—for instance, for the purposes of a jurisdiction’s GHG emissions-related goals or for GHG emissions-related costs. As a result, information about GHG emissions measured using such jurisdiction-specific requirements, including those related to the use of specific GWP values that might be different from the most recent IPCC assessment could provide primary users with relevant information.
 - (b) although such an amendment may reduce international comparability of GHG emissions converted into CO₂e, entities using the relief and operating in the same jurisdiction would maintain comparability.
64. Separately, the staff notes that GHG emissions information prepared using IFRS S2 is not comparable in all circumstances due to the jurisdictional relief already provided related to the method for measuring GHG emissions. That is, IFRS S2 already permits entities to use a different method for measuring GHG emissions other than the GHG Protocol Corporate Standard when required by a jurisdictional authority or exchange on which it is listed to use a different method. Therefore, the relief on how an entity

converts GHG emissions into CO_{2e} might not be a significant contributor to full international comparability of GHG emissions information provided using IFRS S2.

The amendments would not unduly disrupt ongoing implementation processes or jurisdictional adoption processes

65. The staff notes that, if the ISSB were to amend IFRS S2 to extend the jurisdictional relief to the requirement to use GWP values from the latest IPCC assessment, this amendment might create some disruption to ongoing implementation by preparers and to jurisdictions' adoption processes. Specifically, preparers (in jurisdictions with mandated GWP values that are different from the latest IPCC assessment) that are currently updating or amending systems and processes convert GHG emissions into CO_{2e}.
66. However, in considering whether the amendments would result in undue disruption the staff notes:
- (a) if an optional relief is proposed—such as the existing jurisdictional relief included in IFRS S2—a jurisdiction can decide whether it is necessary to include this relief as part of its jurisdictional adoption process. If a jurisdiction decided not to include the relief that would not affect the description of its degree of alignment with ISSB Standards as set out in the Inaugural Jurisdictional Guidance. In addition, such a relief is not relevant for a jurisdiction if it does not require the use of specific GWP values or if the value used is the latest IPCC value, and in such a case, this potential amendment would not cause disruption. However, the staff note that an entity in a jurisdiction that does not require the use of specific GWP values itself might have, for example, subsidiaries in jurisdictions that do require use of GWP values that are different from those in the latest IPCC assessment. In such cases, the entity in that jurisdiction would benefit from such amendment;
 - (b) an entity can choose whether to apply this relief. That is, an entity that does not want to change its implementation processes can choose to not to use the relief and thus continue to use GWP values from the latest IPCC assessment when applying IFRS S2 and the GWP values required by its jurisdiction, if it chooses. Thus, an entity can consider the benefits of the relief and the potential disruption

of changing implementation processes that are already away to determine the best approach in its circumstances.

Other considerations – interoperability, proportionality and connectivity

67. The staff does not expect that this amendment would affect interoperability of ISSB Standards with ESRS or GRI Standards. The staff thinks optional relief is proposed in reduced interoperability and, in some cases might improve interoperability compared with that resulting from IFRS S1 and IFRS S2 without amendment. This is because reliefs provide permissions for entities applying ISSB Standards to apply the requirements to choose to apply the requirements using the relief.
68. Amending IFRS S2 to extend the jurisdictional relief is not expected to reduce the proportionality of IFRS S2 because it will not increase the complexity of application of the requirements in IFRS S2. In fact, it should reduce the complexity of application for affected entities.
69. The amendment is not expected to affect the interaction with IFRS Accounting Standards and therefore will not affect connectivity with the IFRS Accounting Standards.

Staff preliminary thoughts

70. The staff thinks that amending IFRS S2 to extend the jurisdictional relief in IFRS S2, such that relief is also provided when an entity is required by a jurisdictional authority or exchange on which it is listed to use GWP values that are not from the latest IPCC assessment, would address the implementation challenges and concerns.¹⁷ Further the staff thinks that this amendment would meet the criteria for such an amendment, as proposed in Agenda Paper 9B.
71. In applying the criteria, the staff thinks that the importance of amending IFRS S2 is not outweighed by the potential loss of useful information nor the disruption to implementation associated with such an amendment. The implementation question

¹⁷ For the avoidance of doubt, an entity would still be required to use GWP values based on the latest IPCC assessment to comply with IFRS S2 if a jurisdictional authority or exchange on which it is listed does not require specific GWP values.

highlighted that some entities will be subject to duplicative measurement and reporting of their GHG emissions and that, if the requirements are left unamended, this might give rise to additional costs and burden to entities in applying the requirements in IFRS S2.

72. Moreover, given IFRS S2 already includes a jurisdictional relief for using a different method for measuring GHG emissions, the staff thinks that extending this relief to the requirements associated with the conversion of GHG emissions into CO₂e would be consistent with the ISSB's objective of providing jurisdictional relief for GHG emissions measurement to avoid duplication of reporting and additional costs.

Considerations of alternative actions

73. The staff considered other actions the ISSB could take to address this implementation question including:
- (a) not amend IFRS S2 and rely on the TIG discussion to confirm the requirement to use GWP values from the latest IPCC assessment; or
 - (b) publish educational material to confirm the application of the requirements to support consistent understanding.
74. However, the staff note that neither of the above options would address the implementation challenge and concern. That is, it would not relieve entities from duplicative reporting and additional costs associated with reporting burden for some entities in applying IFRS S2 as educational materials cannot add to or change the requirements in ISSB Standards.

Application of the jurisdictional relief in IFRS S2, related to the method for measuring GHG emissions in specific circumstances, and its applicability to a part of a reporting entity—TIG Agenda Paper 3

Implementation question

75. As summarised in AP9C, the TIG discussed a submission about the requirement related to the application of the jurisdictional relief in a circumstance in which only a part of a

reporting entity is required by a jurisdictional authority or an exchange on which it is listed to use a method for measuring GHG emissions that is different from the GHG Protocol Corporate Standard, but other parts of the entity are not subject to such requirement.

76. As discussed during the September 2024 TIG meeting the following was noted:
- (a) many TIG members expressed agreement with the staff analysis and staff view that the jurisdictional relief can be applied to a whole entity or part; and
 - (b) some TIG members questioned whether this is sufficiently clear in IFRS S2 including noting that the Basis for Conclusions on IFRS S2 which provides rationale for the decisions made by the ISSB does not address the application of this relief in the context of a reporting entity that represents a group.
77. Further, it was noted that if an entity applies this relief to the applicable part of an entity, it is only that part of the entity that is permitted to measure GHG emissions using the different method. This is because if a part of an entity is required by a jurisdictional authority (or an exchange it is listed on) to use a method for measuring GHG emissions that is different from the GHG Protocol Corporate Standard, the ‘entity’ is subject to the jurisdictional requirement.
78. However, as further discussed at the TIG meeting, the jurisdictional relief does not explicitly state that it is applicable to the entity in part, and therefore, it may be unclear whether the jurisdictional relief can be applied to part of the entity.
79. The requirements in IFRS S1 and IFRS S2 relevant to the implementation question are set out in Agenda Paper 9C.

ISSB rationale for requirements in IFRS S2

80. The ISSB decided to reference the GHG Protocol Corporate Standard in IFRS S2 to provide a common basis for measurement of GHG emissions. The ISSB concluded that using a single reference would improve the comparability of entities’ disclosures in

response to stakeholder feedback (paragraphs BC86 to BC88 of the Basis for Conclusions on IFRS S2).

81. This decision was informed by the ISSB's understanding that the GHG Protocol Corporate Standard is the predominant method used by entities around the world and in most jurisdictions. However, the ISSB noted that some jurisdictions require entities to report their emissions in accordance with local requirements.
82. To respond to the additional costs to meet the requirements in IFRS S2 for those entities in jurisdictions that require other approaches for measuring GHG emissions, the ISSB provided a relief such that if an entity is required by a jurisdictional authority or an exchange on which the entity is listed to use a method of measuring GHG emissions that differs from the GHG Protocol Corporate Standard, the entity is permitted to use that method.

Implementation challenges and concerns

Application of the requirements

83. While many TIG members agreed with the staff view that the jurisdiction relief can be applied to a part of the reporting entity, some TIG members questioned whether this is sufficiently clear in IFRS S2. These TIG members raised the concern that this is not the only possible reading or interpretation of whether the jurisdictional relief could be applied. Specifically, TIG members noted the requirements might be read or interpreted to mean that the jurisdictional relief is only applicable if the whole entity is subject to the jurisdictional requirement.

Application challenges

84. The implementation challenge and concerns have arisen because the jurisdictional relief refers to the 'entity' and does not provide specificity about whether the jurisdictional relief applies if parts of the group (ie entities that comprise the reporting entity when information is provided with consolidated financial statements) or only if the whole

group (ie all entities in that group when information is provided with consolidated financial statements) are subject to the jurisdictional requirement. The jurisdictional relief states that it is applicable if ‘the entity’ is required by a jurisdictional authority (or an exchange on which it is listed on) to apply a method other than that set out in the GHG Protocol Corporate Standard, and does not provide specificity about the application of the requirement if only part of the entity is subject to such a jurisdictional requirement. This question is particularly important for those entities that have subsidiaries operating in jurisdictions around the world that are subject to different jurisdictional requirements for measurement of GHG emissions.

85. The absence of specificity could result in confusion for stakeholders—particularly for preparers, assurance providers and regulators—about the applicability of the jurisdictional relief, which could result in diversity in practice. It may also increase the amount of duplicative reporting. Specifically, if the relief is understood to apply only in circumstances when the whole entity is subject to a jurisdictional requirement, the entity that is subject to such requirements only for part of the entity might measure its GHG emissions using the method required by its jurisdictional authority *and also* using the GHG Protocol Corporate Standard when it need not do so.
86. A few TIG members were concerned that when the terms ‘entity’ or ‘reporting entity’ are used in ISSB Standards (as in IFRS Accounting Standards), they refer to the entity as a whole and the group in the context of consolidated financial statements and associated sustainability-related financial disclosures. That is, while the TIG concluded that the jurisdictional relief could be read to apply when a jurisdictional requirement was applicable to an entity in whole or in part, this was only appropriate in the specific context of the jurisdictional relief in IFRS S2 and should not change the meaning of ‘entity’ ISSB Standards or ‘reporting entity’ which both refer to the entity as a whole and all entities that are comprised within the group in the context of consolidated financial statements. More specifically, TIG members noted the reading should be applicable only in the context of this particular relief, and that it does not mean that the ISSB’s definition of a reporting entity is different to that otherwise used throughout IFRS Accounting and Sustainability Disclosure Standards.

87. A few TIG members also raised concerns about the outcome of applying the jurisdictional relief in a manner that permits the use of multiple measurement methods for the calculation of GHG emissions for a reporting entity. In particular, some TIG members raised concerns about reduced comparability of GHG emissions because a reporting entity is permitted to apply different measurement methods if it is comprised of multiple entities subject to different jurisdictional GHG emissions measurement requirements. As noted in the TIG paper and in the TIG discussions, the requirements for disaggregation of information, as set out in paragraphs B29 and B30 of IFRS S1, apply. Therefore, if an entity's GHG emissions measured using the measurement method required by a jurisdiction—when presented separately from the balance of its GHG emissions that are measured using the GHG Protocol Corporate Standard—provides material information to primary users, the entity is required to disaggregate such information.¹⁸ Further, IFRS S2 requires the disclosure of the method used to measure GHG emissions, which would provide transparency in circumstances when that information is material and thus must be provided.

Staff view

88. Given the implementation challenges and concerns raised by TIG members about the application of the jurisdictional relief, including the risk of confusion for stakeholders regarding the applicability of the jurisdictional relief, the related risk of diversity in application and the risk of duplicative reporting, it is the staff view that the implementation question warrants further consideration by the ISSB to determine what, if any, action is needed. Specifically, the staff view is that the ISSB should consider whether to amend IFRS S2 to clarify that the jurisdictional relief is applicable when a jurisdictional requirement to use a method other than the GHG Protocol Corporate Standard to measure GHG emissions applies to a reporting entity in whole or in part.

¹⁸ This may or may not be the case depending, for example, on factors such as how different the measurement approaches are.

Staff analysis

89. In this section, the staff evaluates the potential amendment—to clarify that the jurisdictional relief in IFRS S2 is applicable when a jurisdictional requirement to use a method other than the GHG Protocol Corporate Standard to measure GHG emissions applies to an entity in whole or in part—against the criteria set out in Agenda Paper 9B.

There is a demonstrated need to amend IFRS S1 or IFRS S2 to address implementation challenges or concerns

90. If the implementation question is not addressed with an amendment to clarify IFRS S2 on how to apply the jurisdictional relief, it might result in:
- (a) inconsistent application of IFRS S2; and
 - (b) uncertainty and misunderstanding for preparers, assurance providers and regulators relating to the application of the requirements, including possible duplication of reporting for entities operating in and subject to GHG emissions measurement requirements in more than one jurisdiction.
91. The implementation challenges and concerns are expected to be pervasive given that a number of jurisdictions require methods for measuring GHG emissions that are different from the GHG Protocol Corporate Standard and given the number of entities likely to be subject to multiple jurisdictional requirements.
92. The staff also notes that if the interpretation of the relief is that it is only applicable when an entity *as a whole* is subject to a jurisdictional requirement, this would significantly restrict the circumstances in which the relief would be available and thus, significantly reduce the extent of relief from duplicative reporting of GHG emissions when applying IFRS S2.
93. Therefore, it is the staff view that there is a demonstrated need for the ISSB to amend IFRS S2 to respond to the implementation challenges highlighted and clarify that the jurisdictional relief applies to an entity as a whole or in part to reduce potential duplicating reporting.

The amendments would not result in a significant loss of useful information to users of general purpose financial reports

94. The staff notes that if the ISSB decided to amend IFRS S2 to clarify the scope of this relief, it is unlikely to result in significant loss of information, as while the clarification would confirm an extended scope for the relief, jurisdictional relief from applying the GHG Protocol Corporate Standard to measure GHG emissions is already available in IFRS S2.
95. In contrast, providing clarity on how to apply such relief might improve entities' understanding of the relief and therefore reduce potential inconsistencies in the application of the jurisdiction relief.

The amendments would not unduly disrupt ongoing implementation processes or jurisdictional adoption processes

96. The staff notes that the potential disruption to implementing IFRS S2, resulting from an amendment to clarify the application of jurisdictional relief would primarily affect those entities that interpret the relief as applying only if the entire entity is subject to specific jurisdictional requirements. These entities may be preparing to report GHG emissions using two different measurement methods—both that which is required in the jurisdiction, and that which is required by IFRS S2.
97. However, in assessing whether the amendment would lead to undue disruption, the staff notes that entities would not be required to make changes; the relief remains optional. Therefore, entities are permitted to measure GHG emissions using both the measurement method required jurisdictionally, and the GHG Protocol Corporate Standard as required by IFRS S2.
98. Additionally, the staff does not anticipate any impact on jurisdictions. If a jurisdiction chooses not to incorporate the amendment, this would not affect their alignment with IFRS S2, as the TIG has indicated that the jurisdictional relief in IFRS S2 can already be interpreted in a manner consistent with the proposed clarification. Essentially, each

jurisdiction can decide whether this clarification is valuable enough to warrant amending their approach to alignment.

99. The staff note, in addition to not being disruptive, the clarification of this relief will reduce duplication of reporting for entities operating in multiple jurisdictions.

Other considerations – interoperability, proportionality and connectivity

100. Given this is simply a clarification of what is already required in IFRS S2, the staff do not anticipate there to be any effect on interoperability.
101. Clarifying the jurisdictional relief in IFRS S2 will reduce the potential burden for some entities in IFRS S2 by confirming the broader applicability of the jurisdictional relief in more circumstances that should therefore assist more entities. Consequently, such amendment is not expected to reduce the proportionality of IFRS S2 because it will not increase the complexity of application of the requirements in IFRS S2. In fact it should reduce the complexity of application for affected entities.
102. The amendment is not expected to affect the interaction with IFRS Accounting Standards and therefore will not affect connectivity with the IFRS Accounting Standards.

Staff preliminary thoughts

103. The staff thinks that amending IFRS S2 to clarify the jurisdictional relief is applicable if the entity is subject to a jurisdictional requirement to use a method other than the GHG Protocol Corporate Standard to measure GHG emissions, in whole or in part, would address the implementation challenges and concerns raised. Further, the staff thinks that this amendment would meet the criteria proposed in Agenda Paper 9B.
104. In applying the criteria, the staff thinks that the importance of amending IFRS S2 is not outweighed by the potential loss of useful information nor the disruption to implementation associated with such an amendment. Given this is a clarification of the requirements in IFRS S2, the staff thinks this does not change the requirements set out in IFRS S2. Further, this amendment will help entities to avoid costs and challenges

associated with duplicative measurement and reporting of GHG emissions and reduce the risk of diversity in application.

105. The staff is also considering whether it would be beneficial to emphasise how to apply the principles of aggregation and disaggregation, as set out in paragraphs B29-B30 of IFRS S1, to separately present GHG emissions amounts calculated using different measurement methods, if such information is material. This will respond to TIG member feedback about the importance of providing useful information if an entity uses multiple measurement methods to measure its GHG emissions when applying the jurisdictional relief. However, it is noted that this is already a requirement in IFRS S1 so consideration needs to be given about whether it is necessary to highlight this, and how else this could be achieved. For example, it may be sufficient to simply note the relevance of this disaggregation requirement in the Basis for Conclusions accompanying any potential amendment.
106. The staff emphasises that the clarification of the application of the jurisdictional relief in IFRS S2 would also be consistent with the staff preliminary thoughts on extending the jurisdictional relief to include relief for the use of a GWP value other than the latest IPCC value, as noted in this paper. That is, both potential amendments would align with the objective of the jurisdictional relief in IFRS S2 to avoid duplication of reporting and to permit entities to use specific GHG measurement methods and specific GWP values if mandated by jurisdictions.

Considerations of alternative actions

107. The staff considered other actions the ISSB could take to address this implementation question including:
- (a) not amending IFRS S2 and relying on the TIG discussion to reduce confusion about the application of the requirement; and
 - (b) publishing educational material to address the confusion about the application of the requirement.

108. However, the staff note that neither of the above options would be as helpful in clarifying implementation challenge and concerns. Given how pervasive this challenge is expected to be, the staff view is that clarifying the requirements in IFRS S2 will provide the most support to entities applying or otherwise using IFRS S2.

Next Steps

109. The input from the ISSB during the November 2024 meeting will inform the staff future recommendations about what action, if any, the ISSB should take to respond to these implementation questions, challenges and concerns.

Questions for the ISSB members

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

Questions for ISSB

1. With regard to the topic on the application of requirements related to Scope 3 Category 15 GHG emissions related to specific financial activities and a specific asset class, what are the ISSB members' views about:
 - a. the identified implementation challenges and concerns; and
 - b. the staff preliminary thoughts about the action the ISSB could take to respond to those implementation challenges and concerns?
2. With regard to the topic on the use of specific GWP values other than those from the latest IPCC assessment, what are the ISSB members' views about:
 - a. the identified implementation challenges and concerns; and
 - b. and the staff preliminary thoughts about the action the ISSB could take to respond to those implementation challenges and concerns?
3. With regard to the topic on the application of the jurisdictional relief when a jurisdictional requirement applies only to part of a reporting entity, what are the ISSB members' views about:
 - a. the identified implementation challenges and the concerns; and

Questions for ISSB

- b. the staff preliminary thoughts about the action the ISSB could take to respond to those implementation challenges and concerns?