

International Sustainability Standards Board
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Dear International Sustainability Standards Board,

Exposure Draft: Amendments to Greenhouse Gas Emissions Disclosures

We welcome the opportunity to comment on the proposed amendments to IFRS S2 set out in the *Exposure Draft: Amendments to Greenhouse Gas Emissions Disclosures*.

We present below our general comments on the proposals followed by responses to the individual questions set out in the consultation document. In responding to individual questions we have identified where we Broadly Agree, Broadly Disagree or Neither Agree nor Disagree in line with the structure of the online survey. We trust that this is helpful.

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General comments

We support the prompt action taken by the International Sustainability Standards Board (ISSB) in responding to feedback from preparers relating to the challenges around reporting of Scope 3 GHG Emissions. Such action helps maintain the relevance and usefulness of the IFRS Sustainability Disclosure Standards at this early stage in their implementation, and is helpful in contributing to their continued adoption.

Given the significant challenges in reliably measuring Scope 3 Category 15 emissions, specifically around derivatives, facilitated emissions and insurance-associated emissions, we broadly support the proposed amendments to IFRS S2. In general we would suggest that reliefs such as this should be limited to a specific period or circumstances. It is important, however, that these amendments are not seen as a permanent solution to these challenges, meaning that institutions would never need to develop tools and methodologies to calculate and ultimately report on this area.

There is much work going on to develop methodologies for measurement of emissions, and there are examples where entities have been able to measure and report on at least some of these types of emissions. We believe that, given time, it is probable that such data and methodologies will be available for information to be published for most of these emissions. In that regard, we believe that a form of transitional relief provides the best way to balance the short-term challenges with the need for entities to drive medium term solutions to address those challenges.

We also support the principle of permitting jurisdictional flexibility where appropriate and, in that context, support the proposed amendments regarding the use of the GHG Protocol, GICS and global warming potential values.

Responses to consultation questions

Question 1: Measurement and disclosure of Scope 3 Category 15 greenhouse gas emissions Do you agree with the proposed amendment? Why or why not?

We Broadly Agree with the proposed amendment.

There is ongoing debate around the relevance of measuring and reporting some of these emissions, a lack of clarity of what is included in these categories and a lack of commonly recognised methodologies for calculating them. On that basis, we support the proposed reliefs to limit Scope 3 Category to financed emissions, subject to additional comments regarding the nature of the exemptions/reliefs and definitions set out below.

It would be helpful for the ISSB to clarify the objective of these disclosures, in particular, whether they are intended to allocate responsibility for emissions or indicate exposure to risks and whether or how aggregation with other scope 3 emissions is appropriate. This will aid the development of standards and the consideration of the instruments to which they apply.

Transitional reliefs:

We believe that the proposed exemptions on derivatives, facilitated emissions and insurance associated emissions should be in the form of transitional reliefs rather than permanent exemptions. The ISSB may consider establishing a timeframe for reviewing the application of these reliefs with a view to further refining IFRS S2 at a set point in time. In our view, a fixed time frame for such transitional relief, with a further review by the ISSB, will help to ensure progress is made to address clarifying the purpose of such disclosures, the existing challenges relating to definitions and the need to develop methodologies for reliably measuring such emissions.

It would be helpful if the ISSB could clarify whether partial disclosure may be appropriate as tools and methodologies develop over time, for example where entities have established robust methodologies and data to enable disclosure for parts of their business or certain types of emissions.

Definitions:

To assist with consistent application of the proposed amendments, we believe that it is important that the categories of emissions subject to transitional relief (if any) should be clearly defined where possible, or alternatively clearly described with examples given in application guidance. For example, we note that terms such as “facilitated emissions for investment management” and “insurance associated emissions” are not defined.

We make the following specific comments on definitions:

- *Facilitated emissions* encompasses a wide range of financial activities, and a clear definition along with examples will help to identify which types of emissions may be excluded and why.
- *Insurance associated emissions* do not include the portfolio of investments held by insurance subsidiaries. We believe that such emissions should be considered as many entities exclude the investment portfolio of their insurance companies, which is difficult to justify as they represent financed emissions.
- *Derivatives* – although we do not believe that a formal definition is required, as that in the IASB’s standards should be used, guidance on which of the activities giving rise to derivatives are included in the relief would be extremely helpful. Further, we believe that commodity derivatives should be considered separately from other types of derivatives, as they include

activities like energy derivatives, with higher potential impacts than others such as interest rate derivatives.

- *Magnitude of derivatives* – Whilst we agree with the temporary exemptions proposed in the exposure draft, further clarity over, and examples of, how entities should define the “magnitude” of those emissions which have been excluded would be helpful both to preparers and, more importantly, to the consistency and comparability of disclosures.

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

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

We Broadly Agree with the proposed amendment.

We support the reasoning for this jurisdictional relief to avoid double reporting for those entities affected by prudential reporting requirements, especially as its use is restricted to only certain circumstances set out in the exposure draft.

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

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

We Broadly Agree with the proposed amendment.

We support the proposed relief permitting a different method specified by individual jurisdictions only to those entities within the jurisdiction, which gives appropriate flexibility to entities to apply the appropriate GHG emission accounting methodology. In practice, transparent disclosure will be important to explain how GHG emissions have been calculated.

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

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

We Broadly Agree with the proposed amendment.

We support the amendment permitting alternative methods where these are required in local jurisdictions. We note that this is consistent with the proposals relating to the GHG protocol in Question 3.

We suggest, however, some consideration is given to whether a clause is required that limits the use of such relief where alternative measurement approaches result in significant divergence from the Global Warming Protocol values and misleading or incorrect measurement.

Further discussion

If you would find it helpful to discuss any issues in this letter, please contact Paul Winrow, Partner, Sustainability Reporting and Assurance (paul.winrow@mazars.co.uk).

Yours faithfully,

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