



The Japanese Institute of  
Certified Public Accountants  
4-4-1, Kudan-Minami, Chiyoda-ku, Tokyo 102-8264 JAPAN  
Phone: +81-3-3515-1128 Fax: +81-3-5226-3355  
e-mail: [kigyojyoho@sec.jicpa.or.jp](mailto:kigyojyoho@sec.jicpa.or.jp)  
<https://jicpa.or.jp/english/>

27 June 2025

International Sustainability Standards Board  
Columbus Building, 7 Westferry Circus  
Canary Wharf, London, E14 4HD  
United Kingdom

Comments on the Exposure Draft  
*Amendments to Greenhouse Gas Emissions Disclosures*  
—*Proposed amendments to IFRS S2*

The Japanese Institute of Certified Public Accountants (JICPA) welcomes the opportunity to comment on the Exposure Draft (ED) ‘Amendments to Greenhouse Gas Emissions Disclosures’ published by the International Sustainability Standards Board (ISSB) in April 2025.

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

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

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

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

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

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

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

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

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

Category 15 greenhouse gas emissions to explain the derivatives it excluded.

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

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

**Comment:**

JICPA agrees with the ISSB’s proposed amendment to permit an entity to exclude emissions associated with derivatives, facilitated emissions or insurance-associated emissions from its disclosure of Scope 3 Category 15 greenhouse gas (GHG) emissions, because we believe the amendment will resolve the misalignment between paragraph 29(a)(i)(3) of IFRS S2 and paragraphs BC127 and BC 129 of the Basis for Conclusions, thereby clarifying the requirements in IFRS S2.

However, it seems uncertainty still remains in the proposed new paragraph 29A(a) of the ED, which would permit an entity to limit its measurement of Scope 3 Category 15 GHG emissions to those attributed to ‘loans and investments’ made by the entity to an investee or counterparty, because the financial activities subject to the requirement are still unclear. We understand the term ‘investment’ is not always specific enough and thus various types of investments could exist, including those whose calculation method for financed emissions might not be established yet<sup>1</sup>. Therefore, we recommend the ISSB to permit entities to exclude not only derivatives but also such investments from the disclosure of financed emissions and to provide guidance as to how entities can identify such investments permitted for exclusion.

Discussions regarding the calculation methodologies for financed emissions are actively underway through amendments to the GHG Protocol standards and the developments of the Partnership for Carbon Accounting Financials (PCAF) standards. Also, it is anticipated the calculation practice will evolve over time. Such direction of travel may cause the ISSB to revisit the requirement permitting entities to exclude certain disclosures.

---

<sup>1</sup>As an example, The Global GHG Accounting and Reporting Standard for the Financial Industry/Part A, issued by Partnership for Carbon Accounting Financials (PCAF) in 2022, excludes not only derivatives (which are excluded from the disclosure requirements in the ED), but also private equity that refers to investment funds, green bonds, loans for securitization, and exchange traded funds from the scope of the standard, given the lack of established methods to calculate financed emissions for such financial products. Although new guidance for some of the financial products, including Use of Proceeds structures and securitizations, was issued for public consultation in November 2024, we understand the practice for calculating financed emissions is still in an early stage of development, meaning that there are some investments out there whose calculation methods are not established yet.

With regard to the proposal to require an entity to disclose the amount of derivatives and any other financial activities it excluded from its measurement and disclosure of Scope 3 Category 15 greenhouse gas emissions, we have concerns about the following situations: it is uncertain as to whether disclosing amounts truly provides useful information to users of general purpose financial reports about the financial activities that are excluded; and what information to be disclosed about the amount is not sufficiently clear in the proposal. Further, there is a certain probability that costs to provide such information in practice will exceed associated benefits.

Considering the primary and common needs of users, we recommend the targeted amendments to IFRS S2 should require entities to provide qualitative information about the type of financial activities excluded and reasons for the exclusion. Then, as the ISSB goes through monitoring results of Scope 3 Category 15 disclosure practice as well as progress results of other initiatives, it may subsequently require entities to provide additional information, such as the magnitude of financial activities excluded.

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

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

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

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

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

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

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

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

**Comment:**

In summary, we agree with the proposal to provide relief to an entity from using GICS in specific circumstances and allow the use of an alternative industry-classification system. However, as the proposal provides very limited circumstances under which an entity is not required to use GICS, we are afraid licensing-related issues identified by the ISSB might not be solved under the proposal. Instead, we suggest the requirement to use GICS should be revised by stipulating that an entity that is already using GICS in ‘major part of its business’ shall be required to use GICS when disaggregating its financed emissions information in accordance with IFRS S2. Moreover, we hope ISSB will develop an industry-classification system that a wide range of preparers can be used in the future in order to fundamentally solve application challenges around the use of GICS.

We believe that ensuring comparability is essential when providing information on disaggregated financed emissions by industry, as such information will enhance usefulness to users of general purpose financial reports. From that perspective, the commonality in the use of industry-classification system among companies is important, and thereby, we support the idea of retaining the principle of requiring the use of GICS, which is currently widely used in the finance and investment industry. At the same time, the ISSB should take account of stakeholder feedback, arguing that entities not already using GICS would have to enter into an additional licensing arrangement to use GICS in order to comply with the applicable requirements in IFRS S2. From that point of view, we think the ISSB’s approach of allowing the entities to use alternatives to GICS is reasonable.

That being said, the proposed paragraph B62B(a) explicitly requires an entity to use GICS if it is used in ‘any part of the entity.’ This means that, for example, when a financial institution group mainly engaged in commercial banking activities has one small-sized asset management subsidiary using GICS, the entire group entities have to use the industry-classification system based on GICS simply because of that one subsidiary. Not only would that cause additional costs for entities to acquire licenses, but it would also require entities engaged in commercial banking activities to classify their loans made to all kinds of borrowers, including unlisted companies, based on GICS. We are afraid the proposal would not be able to address challenges identified through the ISSB’s stakeholder feedback under such circumstances. Therefore, we recommend revising the proposal to stipulate that an entity already using GICS in ‘major part of the business’—not in ‘any part of the entity’—shall be required to provide industry-classification information based on GICS. In this way, we believe the ISSB should be able to not only address the issue of additional licensing cost, but also maintain comparability of disclosures at a reasonable level.

In the future, we expect the IFRS Foundation or international financial authority to work on developing an industry-classification system in order to create an environment where entities can classify their lending or investment activities by industry without undue cost or effort.

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

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

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

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

**Comment:**

We agree with the proposal to clarify that the relief, which permits an entity to use a different method for measuring greenhouse gas emissions if an entity is required by a jurisdictional authority or an exchange on which it is listed to use a method other than the Greenhouse Gas Protocol Corporate Standard, is applicable to the relevant part of the entity group.

That said, when the relief is applied to a part of an entity and when that part is material, we suggest information should be disclosed as to which part the relief was applied to. Accordingly, we recommend revising paragraph B26(b) of IFRS S2 as follows:

(proposed revision to B26(b) is underlined)

the applicable method if the entity is not using the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), the measurement approach the entity uses, and the scope to which the method is applied.

<b>Question 4—Applicability of jurisdictional relief for global warming potential values</b>
--

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

<p>Paragraphs BC44–BC49 of the Basis for Conclusions describe the reasons for the proposed amendment.</p>
---

<p>Do you agree with the proposed amendment? Why or why not?</p>
--

**Comment:**

We agree with the proposed amendment that allows an entity to use different GWP values for converting greenhouse gases into CO2 equivalent values, if the entity is required, in whole or in part, by a jurisdictional authority or exchange on which it is listed to use the GWP values.

<b>Question 5—Effective date</b>
----------------------------------

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

<p>Paragraphs BC50–BC51 of the Basis for Conclusions describe the reasons for the proposal.</p>
---

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

**Comment:**

We agree with the proposal.

<b>Question 6—Other comments</b>
----------------------------------

<p>Do you have any other comments on the proposals set out in the Exposure Draft?</p>
---

**Comment:**

We do not have any other comments on the proposal.

Yours faithfully,

Eriko Otokozawa

Executive Board Member — Business Accounting Standards and Practice/Corporate  
Disclosure

The Japanese Institute of Certified Public Accountants