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



Japanese Bankers Association

## **JBA comments on the ISSB Exposure Draft: “Amendments to Greenhouse Gas Emissions Disclosures (Proposed amendments to IFRS S2)”**

Dear Sirs/Madams:

The Japanese Bankers Association<sup>1</sup> (JBA) appreciates the opportunity to provide our comments on the International Sustainability Standards Board’s (ISSB) Exposure Draft: “Amendments to Greenhouse Gas Emissions Disclosures (Proposed amendments to IFRS S2)”<sup>2</sup> released on 28 April 2025.

We hope that our comments will contribute to further discussions at the ISSB.

### **Responses to the questions**

#### **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

<sup>1</sup> The Japanese Bankers Association is the leading trade association for banks, bank holding companies and bankers associations in Japan. As of 1 April 2025, the JBA has 112 Full Members (banks), 3 Bank Holding Company Members (bank holding companies), 75 Associate Members (banks & bank holding companies), 49 Special Members (regionally-based bankers associations) and one Sub-Associate Member for a total of 240 members.

<sup>2</sup> <https://www.ifrs.org/news-and-events/news/2025/04/issb-publishes-exposure-draft-targeted-amendments-s2/>

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?

(a)

**We agree** with the proposed paragraph 29A(a).

### Derivatives

We agree with the proposed amendment to exclude emissions associated with derivatives from its disclosure of Scope 3 Category 15, as measurement methodologies for emissions associated with derivatives have not yet been established and financed emissions calculated from underlying assets generally cover expected emissions data.

### Facilitated emissions

We also agree with the proposed amendment to permit an entity to exclude facilitated emissions from its disclosure of Scope 3 greenhouse gas emissions as it may be a double counting with financed emissions.

Additionally, facilitated emissions are metrics significantly affected by market volatility, the role and status for facilitated deals and other factors.

Although calculation methods have been published by PCAF, the scope of these methodologies is still evolving.

### Insurance-associated emissions

No specific comment on insurance-related emissions.

(b)

**We disagree** with the proposed paragraph 29A(b), as we believe the cost of disclosure outweighs the benefits. Originally, the GHG Protocol - Scope 3 Guidance (2011) considered emissions from derivatives and other financial activities as optional, indicating that they are of low priority from an investor needs perspective. Therefore, we believe that entities should be permitted to exclude emissions associated with derivatives and other financial activities without being required to quantify and report the excluded amounts, as information related to the total emissions from these activities is also considered to be of low priority.

### Derivatives

As outlined in 29A (a), if the disclosure of Scope 3 Category 15 greenhouse gas emissions is limited to financed emissions, disclosure of the amount associated with derivatives, which are not included in financed emissions, is unlikely to provide users of general-purpose financial reports with any supportive or material information from a climate change perspective.

Furthermore, derivatives have been already recorded on the balance sheet in accordance with each entity's accounting standards, and therefore, there is no need to additionally disclose the amount of derivatives.

Finally, since the definition of derivatives is not specified in the proposed 29A, we consider that comparability cannot be ensured.

Requiring entities to disclose the amount of excluded derivatives may not substantially reduce the burden on the entities and it is not appropriate to impose an additional burden by requiring information not considered to be material for users.

### Other financial activities (Facilitated emissions)

Regarding other financial activities, it does not necessarily correlate with the extent of Scope 3 emissions and disclosing it can potentially mislead users of general-purpose financial reports.

Moreover, since the definition of other financial activities is also not specified, we consider that comparability cannot be ensured.

Measurement of facilitated amounts poses challenges from the perspective of data availability and may impose a significant burden on the entity, such as necessity to establish new internal IT systems typically in collaboration with external vendors. Considering that the disclosure of such amounts is unlikely to provide high added value to users of general-purpose financial reports, imposing such a burden on the entity would not be appropriate.

Furthermore, if an entity decides to exclude derivatives or other financial activities in consideration of their materiality, according to the IFRS S1 Paragraph 17-19, we understand that such activities are also excluded from the scope of proposed disclosure requirement. We request that this be clarified in the Basis for Conclusion.

### **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 amendment? Why or why not?

(a)

**We disagree** with the proposed amendments B62B and B63B for the following reasons:

#### Use of GICS

We disagree with the proposed amendments of B62B and B63B which require an entire entity to use GICS if any part of the entity uses GICS to classify its lending or investment activities.

Although the GICS industry code is a widely used industry code, it was developed by a specific private entity

(S&P). Considering that the use of GICS may result in the payment of licensing fees to the specific entity, it would be undesirable to mandate the use of GICS under the ISSB Standards, which are the global standards.

As the proposal requires the entire reporting entity to use GICS even if it is used only by an immaterial part (e.g. by a certain (not material) subsidiary in the group), we believe it is insufficient to resolve the above issues.

Furthermore, GICS cannot be used to classify non-listed companies (even if a reporting entity could independently map non-listed companies to GICS, it cannot officially claim as "using GICS"). On the other hand, while GICS can be used to classify listed companies, in actual practice, banks do not necessarily align their classification with the GICS codes.

It may be possible for a reporting entity to translate the industry classification it uses into GICS at its discretion. However, such a translation would place a heavy burden on the reporting entity and there is a concern that it would go beyond the scope of "reasonable and supportable information" in paragraphs B8 - B10 IFRS S1. This would also be an unfair treatment compared to entities that do not use GICS at all.

In addition, it should be noted that the result of conversion between codes could be inconsistent across reports even for reporting entities that use the same industry codes, due to the lack of a commonly used mapping method to convert to GICS, unlike NACE. In this case, requiring GICS may not necessarily contribute to improving comparability.

#### Use of the industry classification system required by the jurisdiction's authorities or the exchange

There are also concerns in using the industry classification system required by the jurisdiction's authorities or the exchange.

In Japan, for example, an alternative industry classification to GICS could be the Bank of Japan's "Industry Classification for Loans and Discounts." However, the use of this industry classification would not ensure global comparability.

#### Alternatives

As an alternative, we believe that the use of the industry classification for carbon-related assets included in the TCFD recommendations would be an option. The reasons are as follows:

- The TCFD recommendations are currently under the management of the IFRS Foundation and are considered highly compatible with the ISSB.
- Given the widespread adoption of TCFD, global comparability can be sufficiently ensured.
- Since TCFD defines the classifications, they focus on industries that are more susceptible to the financial impacts of climate change.
- Using GICS 6-digit codes results in approximately 80 classifications and further breaking these down into five asset classes results in 400 rows. In contrast, the TCFD industry classification consists of 18 categories, making it more practical.

If the appropriate alternative classification, including the TCFD cannot be adopted, as we disagree with the proposal regarding the use of GICS, it would be more appropriate to allow each entity to determine which industry-classification system to use.

(b)

**We disagree** with the proposed amendments of B62C and B63C, as the disclosure of the industry-classification system used by each entity and the explanation of the basis for its industry-classification system selection do not affect financial-decision makings and is unlikely to provide useful information to users of general-purpose financial reports, including financial institutions and investors.

#### **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?

**We agree.**

This clarification of the scope of the relief is expected to promote proper compliance with the ISSB Standards.

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

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

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

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

**We agree.**

Applying relief that allows the use of GWP mandated by the relevant jurisdictional authorities or exchanges is expected to reduce the burden.

Specifically, in the calculation of fluorocarbon emissions at domestic locations in Japan, using the GWP defined in the Fluorocarbon Emissions Control Act helps enhance efficiency and accelerate disclosure.

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| <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> |

**We agree.**

We support the ISSB’s intention to issue the amendments as early as possible. We also agree with the proposed approach, as it permits early application while not mandating the early application for entities which did not choose such a treatment.

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We thank the ISSB for the opportunity to comment on the consultation and hope our comments will contribute to further consideration in the ISSB.

Yours faithfully,

Japanese Bankers Association