

AY-2. Are you responding as an individual, or on behalf of an organisation?

- Organisation

AY-3. Please provide the name of the organisation you are responding on behalf of:

EFAA - European Federation of Accountants and Auditors for SMEs AISBL

AY-10. Please provide any additional details relevant to you (if responding as an individual) or your organisation (if responding on behalf of an organisation).

CL-1. Please provide your cover letter in the text box below.

27 June 2025 Dear Mr. Faber, Re: EFAA's Comment Letter to the ISSB ED/2025/1 Amendments to Greenhouse Gas Emissions Disclosures – Proposed amendments to IFRS S2 On behalf of the European Federation of Accountants and Auditors for Small and Medium-Sized Enterprises (EFAA for SMEs, in short EFAA), I am providing this cover letter to provide a brief overview of EFAA's comments, including our response to your survey. Firstly, I would like to introduce EFAA. EFAA is an umbrella organisation; its members comprise PAOs in Europe. EFAA has 15 member bodies throughout Europe representing over 400,000 professional accountants, auditors and tax advisors. EFAA is the voice of Small- and Medium-sized Practitioners (SMPs) in Europe and strives to advocate for its members, influencing regulators, policymakers, standard setters, and other key stakeholders in the EU, as well as, where necessary, globally. Therefore, EFAA broadly agrees with the proposals for amendments to relieve the disclosure requirements, as we have pointed out in our responses. Comparability does not necessarily imply uniformity, and changes in criteria or classifications can introduce additional burdens, mainly to SMPs and SMEs, and we especially do not want the 'think small first' principle, which is of great importance for the general interest, to be forgotten. All the amendments to facilitate disclosure are welcome. At the same time, when there are additional disclosure requirements as a consequence of the relief, EFAA can either agree in part or remain neutral due to the specific industry or the available options. EFAA's detailed comments and responses to the ED's questions are included in our response to the survey. For further explanations, please contact the EFAA secretariat or me. Yours sincerely, Salvador Marín EFAA President

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.

01-A Response. Do you agree with the proposed amendment? Why or why not?

- Broadly agree

Scope 3 data, as established in this proposal's basis for conclusions, requires applying measurement methodology and determining which greenhouse gas emissions are relevant to the entity's value chain. EFAA agrees that entities should be able to determine the most appropriate information to provide that is entity-specific and useful to users of general-purpose financial reports, as is stated in this proposal's basis for conclusions, and that in these specific cases, there are concerns about whether the potential cost of providing this information would be warranted by its potential usefulness to users of general purpose financial reports. Therefore, EFAA supports this exclusion and the proposed amendment; indeed, requirements for the value chain are indirectly asking for information from undertakings that are not obliged to report, implying additional costs and effort, which will often disproportionately negatively impact SMEs.

(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.

01-B Response. Do you agree with the proposed disclosure requirements? Why or why not?

- Neither agree nor disagree

EFAA supports the exclusion and the proposed amendment, as explained in the previous question, but it refers explicitly to financed emissions (derivatives and other financial activities). This financial sector disclosure is not within EFAA's scope of activity. Therefore, EFAA cannot assess if the information regarding the number of derivatives or other financial activities excluded is necessary to users of this information. As expressed in this proposal's basis for conclusions, there is indeed a relief and, at the same time, a need to disclose this information. EFAA is not in a position to give a fundamental opinion about this balance in this industry.

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.

02-A Response. Do you agree with the proposed amendment? Why or why not?

- Broadly agree

EFAA agrees with the relief from using GICS. In the definition in IFRS S2, Appendix A, loans and investments are included in the concept of financed emissions. However, loans are reported under one sector classification (prudential reporting, such as Pillar 3) and investments under another (financial market reporting, such as GICS). As explained in this proposal's basis for conclusions, the requirement of using GICS as the unique classification implies possible legal and cost implications as there are jurisdictions where the use of GICS is not required. Also, smaller entities might be less likely to use or to be using GICS. Besides this, the use of GICS can mean a duplication of the reporting efforts. As previously mentioned, there are other used sector classifications (Bloomberg Industry Classification System), TRBC (Thomson Reuters Business Classification), ICB (Industry Classification Benchmark), ISIC (International Standard Industrial Classification) or NAICS (North American Industry Classification System)). Therefore, GICS does not solve the comparability issue and as it is also stated in this proposal basis for conclusions and in paragraph D20 of IFRS S1, "comparability is not uniformity". For this reason, the ISSB should analyse the interoperability between the existing classifications to provide a map allowing comparable reporting of financed emissions.

(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.

02-B Response. Do you agree with the proposed disclosure requirements? Why or why not?

- Neither agree nor disagree

The new paragraphs B62C and B63C state, "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". EFAA broadly agrees with the proposal, noting that it involves disclosing an industry classification already in use. Regarding the second part of the requirement, as previously mentioned, the classification depends on the financed emissions, whether loans or investments and in some cases, they are compulsorily required. EFAA is unable to agree or disagree with this second part, as the requirement for explanation added varies depending on the financed emissions, and it implies disclosing additional information.

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.

03-Response. Do you agree with the proposed amendment? Why or why not?

- Broadly agree

EFAA agrees with this relief, as explained in Question 2 because other methods to measure greenhouse gas emissions can be used because of jurisdictional or exchange requirements. The use of the GHG Protocol Corporate Standard only would imply possible legal and cost implications and a duplication of the reporting efforts. As previously pointed out and stated in this proposal's basis for conclusions and in paragraph D20 of IFRS S1, "comparability is not uniformity". For this reason, the ISSB should analyse the interoperability between the existing methods to measure greenhouse gas emissions to provide a map allowing comparable reporting. And, in any case, it should try to facilitate the work for smaller entities and companies.

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.

04-Response. Do you agree with the proposed amendment? Why or why not?

- Broadly agree

EFAA agrees with this relief, as explained in Question 2 and Question 3. In this case, it is allowed in order to measure greenhouse gas emissions to permit an entity, if required by a jurisdictional authority or an exchange on which it is listed, to use global warming potential (GWP) values that differ from those needed for this standard. Entities can be required to use other GWP values, and this would result, as stated in this proposal's basis for conclusions, in duplication of effort and increased costs. As included in the basis for conclusions, this relief is an expansion of existing relief in IFRS S2 and, therefore, does not imply a considerable effect on the decrease of comparability.

Question 5—Effective date

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

Paragraphs BC50–BC51 of the Basis for Conclusions describe the reasons for the proposal.

05-Response. Do you agree with the proposed approach for setting the effective date of the amendments and permitting early application? Why or why not?

- Broadly agree

EFAA agrees with the proposal to introduce the amendments as early as possible and permit early application. EFAA positively values the fact (included in the basis for conclusions) that, as the amendments provide additional relief or clarify existing relief in IFRS S2, stakeholders might want to apply them at the same time as the implementation and adoption of the Standard.

Question 6—Other comments

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