June 26, 2025

Re: Proposed amendments to IFRS S2

Dear Members of the ISSB,

Americans for Financial Reform Education Fund and the 16 undersigned organizations write in support of maintaining effective emissions disclosures within the International Sustainability Standards Board (ISSB) S2 framework (S2). We believe that any amendments to S2 must preserve a pathway to fulsome accounting for greenhouse gas (GHG) emissions from the finance sector, and that the current proposed amendments would be a step backwards from where the market is headed today and result in global fragmentation.

Comprehensive financial emissions reporting is the clear direction of travel and there are now established methodologies for insurance-associated and facilitated emissions that substantially cover the most material business lines.

In June 2023, ISSB "cited the lack of established methodologies for [derivatives, facilitated, and insurance-associated emissions] as **the reason** [*emphasis added*]" it excluded them from S2.[1] In other words, the lack of "established methodologies" was the dispositive factor leading to their exclusion.

The state of financial carbon accounting is far more advanced today than it was in 2023. The Partnership for Carbon Accounting Financials (PCAF)—the global, industry-led initiative of financial institutions—has now established methodologies for insurance-associated emissions and facilitated emissions and grown its signatory count from 380 to over 600 financial firms. Major insurers like Allianz, Achmea, NN Group, Swiss Re, and a.s.r. have begun disclosing insurance-associated emissions, and all PCAF signatories make a commitment to assessing and disclosing emissions in line with the PCAF Standard. The United Nations Forum for Insurance Transition (UNFIT) is developing detailed guidance for insurance underwriting transition plans and has called for insurers to disclose insurance-associated emissions metrics within these plans.[2]

As financial firms and markets are fast converging on more comprehensive disclosure of financial emissions figures based on the PCAF methodologies, the ISSB should not finalize a financial emissions disclosure framework that excludes major categories of emissions based on 2023 findings that are no longer accurate. If this proposed amendment is finalized as written, firms already reporting these emissions may stop doing so, which will undermine the global effort to achieve comprehensive emissions figures for investors.

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[1] ISSB, "Basis for Conclusions on Exposure Draft, Amendments to the Greenhouse Gas Emissions Disclosure, Proposed amendments to IFRS S2," April 2025. At BC10. Referring to ISSB, "Basis for Conclusions on Climate-related Disclosures," June 2023.
[2] UNFIT, "Closing the Gap: The Emerging Global Agenda for Transition Plans and the Need for Insurance Specific Guidance," 2024. At page 70.

Emissions from insurance, investment banking, and derivatives are each important.

Insurance-associated emissions are increasingly subject to transition risks, as climate-related disruptions in the sector have sparked regulatory efforts to measure and manage insurers' emissions from their underwriting activities. In the United States, legislative and regulatory proposals in Maine, New York, and Connecticut, as well as guidance from international entities like the International Association for Insurance Supervisors, all underscore the need for emissions accounting for insurers' underwriting. Various insurers have implemented underwriting exclusion policies for their highest-emissions activities in recognition of the associated financial risks.

Facilitated emissions are likewise critical, and Sierra Club finds that 61 percent of all U.S. bank finance for fossil fuel expansion from 2016-2022 came from underwriting bonds and equities. The banks with the highest levels of facilitated emissions are the largest global institutions, so excluding facilitated emissions would provide disproportionate and unnecessary relief to the best-resourced banks in the world.

Further, while only a relatively small percentage of businesses have significant capital markets or insurance-associated business lines, omitting these categories would create a misleading view of the risks for these firms and sectors because of their concentration in those activities.

Derivatives emissions are also important to investors, and a Ceres report reveals that transition risk currently is likely mispriced in these markets.

Excluding some emissions will decrease interoperability and cause fragmentation.

The 2024 California climate disclosure law requires full-scope GHG reporting, including mandatory Scope 3 emissions reporting based on the GHG Protocol. This will be the de facto baseline for climate disclosure reporting for U.S. firms starting in 2026, with financial emissions requirements coming in 2027. Globally, the Global Reporting Initiative (GRI) is one of the most widespread voluntary climate disclosure frameworks and GRI specifically recommends that insurers report insurance-associated emissions in its most recent exposure draft (issued in December 2024).

The effectiveness and interoperability of S2 is at stake. This amendment could potentially undermine global progress and facilitate backsliding by other parties. The ISSB should not rush to amend its financial emissions requirements without reconsidering the status and progress of the relevant industry methodologies.

At this time, the ISSB should:

1) Specifically validate the use of PCAF methodologies as acceptable (as S2 does for the GHG Protocol);
2) Recognize that the PCAF methodologies for insurance-associated emissions and facilitated emissions are now established, and provide guidance to reporting entities clarifying that these categories of emissions should be disclosed under S2;
3) Clarify the intention to incorporate derivatives emissions if and when methodologies become established.

We strongly urge the ISSB not to finalize these amendments as proposed, and to instead set a clear path forward for incorporating these important categories of emissions into S2.

Americans for Financial Reform Education Fund
Affordable Homeownership Foundation Inc.
Center for Economic Justice
Center for Law, Energy & the Environment, UC Berkeley
Committee for Better Banks
Fair Housing Center of Central Indiana
For a Better Bayou
Freeport Haven Project
Green America
MARBE SA
National Community Reinvestment Coalition (NCRC)
Natural Resources Defense Council
New York Communities for Change (NYCC)
Public Citizen
Rainforest Action Network (RAN)
Sierra Club
The Center for NYC Neighborhoods, Inc.