

To: Corporate Reporting - Investments & Sustainable Finance WG
From: Insurance Europe Secretariat
Date: 06-06-2025
Reference: ECO-CRISF-25-181

Subject: Draft Response to EFRAG's Comment Letter to IFRS

EFRAG has published a Draft Comment Letter on the IASB Proposed Amendments to IFRS S2 Greenhouse Gas Emissions Disclosures: [here](#).

Please find below the Secretariat's initial draft for comments, to facilitate a timely response to EFRAG's Draft Comment Letter ahead of the 19 June 2025 deadline.

A call has been scheduled to discuss our response on **Wednesday 11 June at 16:00 CEST**. Please register [here](#).

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

Do you agree with EFRAG's position on emissions associated with derivatives?

- Yes
- No
- Abstain

Please Explain:

There is currently no widely adopted methodology for calculating financed emissions attributable to derivative contracts, making it inappropriate to mandate their disclosure within IFRS S2. Derivatives are typically used by insurers and financial institutions for hedging, liability matching, or risk management purposes, rather than direct investment in emission-generating activities. Attempting to attribute emissions to these instruments could lead to un-economic outcomes and would not provide decision-useful information for users of sustainability reports. This position aligns with current practice and reflects the practical and conceptual challenges of linking derivatives to underlying emissions.

Do you agree with EFRAG's position on facilitated emissions?

- Yes
- No
- Abstain

Please Explain:

Do you agree with EFRAG's position on insurance-associated emissions?

- Yes
- No
- Abstain

Please Explain

We believe EFRAG's approach to insurance-associated emissions (IAEs) should be reconsidered to reflect both the current methodological limitations and the need to recognise the role insurers can play in enabling the transition through a range of actions beyond emissions reporting.

While we do not oppose the transitional nature of the optional relief proposed by the ISSB, we caution against moving too quickly toward mandatory disclosure of IAEs. Accounting methodologies for IAEs, particularly those linked to underwriting portfolios, are still in an early phase of development. There is no harmonised definition, broad consensus on relevance, or mature methodology for measurement. While initiatives such as PCAF's Part C standard have made progress, adoption remains limited, and questions persist regarding its reliability and applicability across diverse insurance business models.

We therefore stress the need for a shared and operational definition of insurance-associated emissions. In our view, IAEs should refer only to emissions linked to underwriting portfolios in the (re)insurance sector. Other emissions, such as those arising from claims management, should fall under Scope 3 Category 11 ("Use of sold products"), not Category 15. EFRAG's inclusion of claims management risks introducing confusion and diluting the clarity needed for effective reporting.

At present, only a limited number of insurers disclose IAEs, and even fewer have set targets, usually confined to specific segments. While the insurance sector has been proactive in managing climate-related risks through underwriting, investment, and risk prevention, the reporting of IAEs remains in its infancy. Significant challenges persist, including **methodological uncertainty, limited data availability, and proportionality concerns for smaller entities**. These factors justify a cautious and flexible approach.

Importantly, we emphasise that **IAE metrics are not always the most meaningful or useful indicators of insurers' climate action**. GHG reporting in isolation does little to drive real-world decarbonisation unless it is connected to credible, context-specific targets. Even then, there is a risk that overly rigid focus on IAE targets could distort priorities or incentivise insurers to withdraw coverage from high-emission sectors, potentially disrupting access to essential goods and services.

A broader perspective is needed. Insurers can support the low-carbon transition through underwriting policies that favour transitioning companies, by offering incentives and services that help customers adapt to climate change, and through risk prevention, education, and claims management practices that promote repair and reuse. These levers are no less important than absolute emissions metrics and may, in fact, be more effective in some contexts.

EFRAG's concern that permanent relief might slow progress is understandable but, in our view, misplaced. A balanced approach that allows flexibility, while methodologies and definitions mature, can foster innovation and lead to more robust and consistent reporting frameworks over time. Mandating disclosures prematurely, without clear technical foundations, risks producing unreliable or non-comparable data.

As EFRAG's draft itself acknowledges, IFRS S2 currently lacks a definition of insurance-associated emissions. This gap must be addressed before narrowing relief provisions, as a clear scope is essential to ensure proportional and technically grounded requirements.

In conclusion, while we support the direction of travel toward enhanced sustainability reporting, we call on EFRAG to adopt a **more pragmatic and phased approach to IAE disclosures**, one that acknowledges the current limitations, respects insurers' broader transition role, and prioritises meaningful, decision-useful information over premature standardisation.

Do you agree with EFRAG's position on the disclosure of the amount of derivatives or other financial activities excluded?

- Yes
- **No**
- Abstain

Please Explain

While we support the overall objective of maintaining transparency, we have strong reservations regarding the usefulness and practicality of requiring disclosure of absolute figures, such as the magnitude or amount, of derivatives or insurance-related activities excluded from financed emissions calculations.

European insurers acknowledge the ISSB's intention to strike a balance between transparency and feasibility through paragraph 29A(b), and we welcome the flexibility to use definitions and data aligned with entities'

own financial statements, in line with the IFRS S1 principle of “connected information.” This approach allows insurers to provide information that is more relevant and meaningful to stakeholders, particularly given the complexities introduced by IFRS 17 and the absence of standardised concepts such as Gross Written Premium under IFRS.

However, we caution against introducing prescriptive quantitative disclosure requirements at this stage, particularly in areas where clear links to underlying emissions do not exist or are highly ambiguous. For example, in the case of financial derivatives, insurers typically hold significant positions for hedging and risk management purposes. These do not directly relate to financed or facilitated emissions, except in limited cases such as commodity-linked contracts. Requiring disclosure of the “amount” of such excluded derivatives risks creating confusion and misinterpretation among users, as such figures may not reflect real-world emissions exposure.

Similarly, the requirement to disclose insurance-related exclusions using Gross Written Premiums is not appropriate. GWP does not account for the level of influence insurers have over different types of policyholders, the social role of certain lines of business (e.g. health insurance), or the fact that beneficiaries of insurance contracts often extend beyond policyholders themselves. As such, this metric lacks relevance and could obscure rather than clarify the scope and nature of emissions excluded from reporting.

In both cases, we believe a more meaningful and decision-useful approach would be to allow entities to explain exclusions through narrative disclosures, providing context on the types of financial or insurance activities excluded, their purpose, and the reasons for exclusion. This approach would also give insurers the opportunity to describe complementary actions undertaken to support decarbonisation and resilience, such as adapting underwriting policies, offering incentives to policyholders, or engaging in risk prevention and repair-focused claims management.

We also emphasise that while insurers can contribute to the transition through underwriting and investment practices, they often operate within legal, regulatory, and social frameworks that limit their ability to control counterparties’ or policyholders’ emissions. It is important to avoid overstating insurers’ influence in areas where their leverage is limited or indirect. At the same time, insurers play a key enabling role in the transition, through the products and services they offer, the incentives they design, and the resilience they help build across sectors.

In conclusion, while we remain supportive of the broader transparency goals underpinning IFRS S2, we recommend that EFRAG advocate for greater flexibility and proportionality in how exclusions are communicated. Narrative, qualitative disclosures, rather than mandatory, standardised figures, are more appropriate at this stage to reflect the true complexity of insurers’ activities and ensure disclosures remain both accurate and useful.

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

Do you agree with EFRAG’s position on the use of the Global Industry Classification Standard in applying requirements related to financed emissions?

- Yes
- No
- Abstain

Please Explain

We agree with EFRAG’s position on the use of the Global Industry Classification Standard (GICS) in applying reporting requirements related to financed emissions. European insurers support the flexibility to use alternative industry-classification systems, as this approach balances the need for comparability with practical feasibility and avoids unnecessary legal, licensing, and cost burdens, especially for entities already subject to other regulatory frameworks. Mandating GICS across all activities could create significant implementation challenges for large, global organisations and may require unproductive annual investigations to verify GICS usage throughout the group.

Allowing institutions to apply the most appropriate classification systems for their specific business areas respects existing operational structures and enhances the usability and scalability of IFRS S2, without compromising the decision-usefulness of disclosures. However, we share EFRAG’s concern that the current drafting could undermine intended flexibility, and we support clarifying the requirements to ensure the relief is meaningful and practical for preparers.

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

Do you agree with EFRAG’s position on Jurisdictional relief from using the GHG Protocol Corporate Standards?

- Yes
- No
- Abstain

Please Explain

European insurers broadly support EFRAG’s position on the proposed clarification of jurisdictional relief for greenhouse gas emissions measurement. This amendment provides essential flexibility for entities operating in multiple jurisdictions by allowing them to comply with local regulations that may require alternative methodologies for specific parts of the entity, such as subsidiaries in different jurisdictions. By reducing duplicative reporting and administrative burden, this approach enhances regulatory alignment and ensures entities can meet both global and local requirements efficiently.

However, we emphasise that the scope of this relief must be strictly limited to situations where local regulations mandate an alternative methodology. As the GHG Protocol serves as an internationally recognised standard and reference for GHG accounting, using alternative methods risks undermining the consistency and comparability of reported data across entities and jurisdictions. Expanding this flexibility beyond cases required by local regulations could further jeopardize data alignment. We encourage the ISSB to safeguard the integrity of global reporting standards by restricting optionality in methodology selection and continuing collaboration on updates to the GHG Protocol.

Question 4 – Applicability of jurisdictional relief for global warming potential values?

Do you agree with EFRAG’s position on the applicability of jurisdictional relief for global warming potential values?

- Yes
- No
- Abstain

Please Explain

We agree with EFRAG’s position on extending jurisdictional relief for the use of global warming potential (GWP) values. European insurers support this amendment because it addresses the practical challenges faced by entities operating in multiple jurisdictions that may require different GWP values than those specified in IFRS S2. The proposed relief reduces duplicative effort and compliance costs, allowing insurers to meet both local and global reporting requirements efficiently. This flexibility is particularly important for multinational insurers navigating diverse regulatory environments.

However, while we support the need for flexibility where jurisdictional authorities may require entities to use GWP values other than those specified by the IPCC, it is essential to recognize that IPCC GWP values are scientifically established and widely used at the international level. These values should remain the standard basis for global warming potential calculations to ensure consistency and comparability in reporting. By allowing practical jurisdictional adjustments while maintaining the IPCC values as the reference point, the amendment strikes a balance between regulatory coherence and operational practicality.