



Financed and facilitated emissions

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Global IFRS Institute | Sustainability reporting

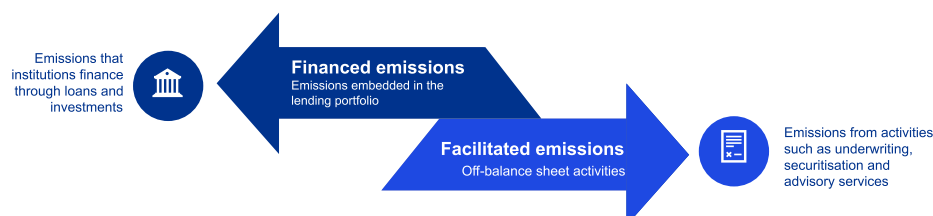


Mark Vaessen
Partner
KPMG in the Netherlands

Driving consistency in the reporting of emissions that banks, insurers and asset managers finance and facilitate

What's the issue?

The measurement of financed and facilitated emissions is a complex and fast-moving area. These emissions represent key metrics for banks, insurance companies and asset managers (together, 'financial institutions'). They help users to understand what the financial institution is funding and therefore both its ability to influence global emissions and its exposure to transition risk.



“The reporting of emissions that financial institutions fund and facilitate is an important area where the ISSB can drive consistency in a way that acknowledges complexity and allows for calculation methodologies to evolve in practice.”

Mark Vaessen, Chair
Global Corporate & Sustainability
Reporting Topic Team

A minority of **global banks** currently disclose financed emissions for a subset of their lending exposures – i.e. those in specific sectors. However, measurement methodologies and practices continue to evolve and vary, and many financial institutions do not currently disclose them.

What was proposed?

The proposals provide guidance on the disclosure of financed and facilitated emissions, building on the existing *GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard*. The proposals aim to cover two key elements:

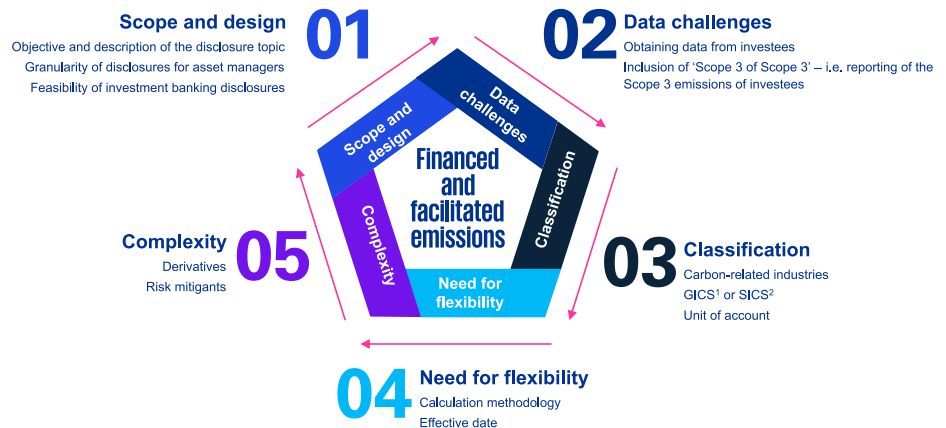
- emissions relating to the financial institution's financing activities; and
- the corresponding financial exposure arising from those activities.

However, the International Sustainability Standards Board (ISSB) proposals do not specify how a financial institution should calculate its financed and facilitated emissions or require financial institutions to follow a particular calculation methodology or framework – e.g. the Partnership for Carbon Accounting Financials (PCAF).

What's the ISSB's latest thinking?

The ISSB's analysis shows that most respondents generally agreed with the proposals, believing that they would result in more robust and complete disclosure and go further than cross-industry metrics.

However, some concerns were raised about specific aspects of the proposals. The ISSB discussed undertaking additional work to respond to that feedback:



What's the impact?

This area is complicated and the methodology is still developing. Financial institutions reporting these metrics will need a lot of data, therefore they need to start now. Our recent [benchmarking analysis](#) showed that the reported Scope 3 emissions of most banks currently excludes any financed or facilitated emissions.

It may take many years to gather relevant data and develop effective reporting, so there is no time to lose.

Actions for management

- Understand the detail behind the proposals. See our one-page [guide](#).
- Work with a specialist to understand how the proposals would apply to your lending or investment portfolio and what data would be required.
- Consider the systems, processes and controls needed to support your reporting.
- Engage with peers – the PCAF framework is an example of industry-led collaboration to resolve a complex challenge. This industry-led collaboration is expected to continue.

How did we get here?

The Sustainability Accounting Standards Board (SASB) Standards for commercial banks, investment banking and brokerage, insurance, and asset management and custody activities do not include requirements for financed and facilitated emissions. The ISSB proposed high-level requirements when creating Appendix B of the proposed IFRS S2 *Climate-related Disclosures*.

Document version	Reference	Note
SASB Standards	n/a	No content included
Proposed IFRS S2	Appendix B: Industry-related disclosures (sections B15–18)	ISSB added new requirements to the existing SASB Standards
ISSB Board meeting – 20–23 September 2022 – Frankfurt	AP4D Financed and facilitated emissions Meeting summary	Identified topics for further analysis

1. Global Industry Classification System (GICS®).

2. SASB's Sustainable Industry Classification System® (SICS®).

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