International Sustainability Standards Board
Columbus Building
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27 June 2025

Online submission

Dear International Sustainability Standards Board Team,

BVCA feedback on the Exposure Draft proposing targeted amendments to IFRS S2 to ease application for companies.

The BVCA welcomes the opportunity to respond to the ISSB's consultation and the work being undertaken in effective and relevant emissions reporting. We further acknowledge the broader significance of the challenges raised by preparers aligning with the Standards and support proposals to ease reporting, encouraging a focus on decision useful data and acknowledging that reporting should not hinder business.

With a membership of over 600 firms, the BVCA represents UK-based private capital, as well as the wider ecosystem of professional advisers and investors. Private capital consists of Private Equity and Venture capital which makes long-term investments to grow British businesses and build a better economy. Private credit and venture debt also provide active and engaged debt finance to businesses. The private capital industry backs 13,000 UK businesses, nine in 10 of which are small or medium-sized enterprises. Businesses backed by the industry employ 2.5 million people across the UK and contribute 7% to GDP. In 2024, £29.4bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. This increased investment has fuelled the growth of businesses across the UK, with six in ten (58%) of the businesses backed in 2024, located outside of the capital. These investments are long term, with an average investment period of six years, in contrast to less than a year in public markets.

Role of Private Capital in the Net Zero Challenge

The UK's private capital industry has a leading role to play in the global challenge of eliminating the causes and effects of climate change. Private capital is a global industry, with our members actively investing and diversifying their portfolios worldwide. The industry stands at the unique intersection of deploying capital, investing for the long term and helping to shape the strategy of investee companies. This allows private capital to play a leading role in ensuring firms adapt to the global climate crisis, embedding environmental and social considerations into businesses across the UK economy.

Whilst the transition to a net zero economy and increase in regulation is driving the increase in green investment, there is also increasing evidence that encompassing ESG (Environmental, Social and Governance) factors makes for a smart business strategy and drives value creation. The BVCA is committed to supporting initiatives that drive progress in GHG emissions reporting. While the specific focus of this consultation does not fall squarely within the scope of our industry's core operations, we remain supportive of the overarching objectives and principles it seeks to advance.

Walker Guidelines

The BVCA leads on the Walker Guidelines, which were introduced in 2007 with the objective of improving accountability and transparency in the UK's private capital industry. The guidelines require enhanced public disclosure by large UK-based private-capital backed companies and their owners across a range of areas including financial performance, corporate governance and, more recently, environmental, social and governance (ESG) factors. The Walker Guidelines were revised in 2024 and the newly introduced sustainability

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disclosures therein aim for interoperability with the ISSB and other major reporting frameworks, enabling alignment and minimising duplication where requirements overlap.

We value the opportunity to remain engaged in the sustainability reporting dialogue and would be pleased to engage further as required.

Amendment 1: Relief in the form of limitation of emissions reporting related to derivatives, facilitation and insurance

The need for proportionality and non-onerous reporting requirements

The BVCA is supportive of the need to ease reporting requirements which may be considered overly burdensome especially when it comes to tracking supply chains. This is clear in our responses to the Scope 3 Emissions in the UK Reporting Landscape and ISSB IFRS S1 and S2 consultations. We believe companies should focus their GHG reporting efforts on their own material topics, using any applicable materiality frameworks (SASB, VentureESG materiality mapper, etc.). However, as mentioned in the basis of reporting, the ISSB specifically cited the lack of established methodologies for these types of potentially material emissions as the reason for these relief decisions (explained in paragraphs BC127 and BC129 of the Basis for Conclusions on IFRS S2). On this basis, we agree that enforcing mandatory emissions reporting without a distinct and accurate methodology will result in difficulties in benchmarking companies, creating confusion and inconsistency in data being collected and reported.

This could, however, allow for complacency in meeting emissions targets, affecting supply chain improvements within companies whose main operations centre on insurance, derivatives or facilitation of financial transactions. We therefore recommend that companies that fall within scope of the exposure draft amendments should be encouraged to maintain an in-depth understanding of the emissions relating to derivatives, facilitation or insurance-related operations in their supply chains and continue to promote should they not be required to report.

The BVCA is supportive of interoperability regarding setting of frameworks and regulations and providing relief. Therefore, it is important that the ISSB considers how limitations to financed emissions disclosures may interface with other regulations (such as CSRD), as limitation of material emissions may not be consistent with other countries' disclosure requirements.

Flexibility with methodology

To assist with transparency and the disclosure of decision useful data, the BVCA agrees with embedding optionality in the design of the amendments. We are of the opinion that detailed methodologies or bases of reporting documents completed by these companies should adequately reflect the flexible approaches companies use to calculate their emissions. Maintaining a robust reporting methodology is essential to ensure transparency for stakeholders, even when companies utilise available relief measures. Accordingly, there may be opportunities for flexible reporting that prioritises methodological rigor over perfect data accuracy, particularly in the case of financed emissions. For example, the use of proxy data can be appropriate, provided it is supported by a sound and transparent estimation methodology. Therefore, the BVCA agrees with the need for relief provided in the form of flexibility of reporting rather than complete relief from reporting scope 3 emissions for financial activities whose main emissions source are scope 3 category 15 emissions.

We further understand the data collection challenges faced by many companies (especially SMEs) around ESG data collection and reporting and the need for greater emphasis to be placed on materiality assessments for companies when accounting for financed emissions. Members raised concerns that the proposed requirement to disclose the financial value of derivatives and other financial activities excluded from emissions disclosure may unintentionally add to reporting burden, without providing additional decision-useful information (i.e., because monetary amount is not necessarily representative of emissions exposure). It may be more appropriate to request companies disclose relevant information, whether qualitative or quantitative, regarding the *material emission*s from derivatives or other financial activities, instead of prescribing disclosure of the financial amount.

Amendment 2: Relief from the use of the Global Industry Classification Standard (GICS), in some circumstances, in disclosing disaggregated financed emissions information

The BVCA supports the ISSB's proposals 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. However, there are concerns that this proposal to require preparers to use the GICS classification system which could unintentionally undermine the coherence between sustainability and financial disclosures. This is particularly prevalent where jurisdictional requirements mandate the use of a different classification system for financial reporting. In such cases, an entity may be required to apply GICS for emissions reporting solely because it is used elsewhere within the Group, leading to inconsistencies and potential confusion. An alternative approach would be to recommend preparers use classification systems aligned with their financial and regulatory reporting and business models. This would provide decision-useful information, enabling connectivity and comparability without undue cost, as useful disclosures can still be achieved through different classification systems.

Regardless, there should be emphasis that the disaggregation method used provides adequately valuable and decision-useful information to stakeholders and users of the emissions information. This will ensure that firms can more transparently identify carbon-intensive sectors in their portfolios, assess climate-related risks and compare emissions performance across peer institutions and industry groups.

Amendment 3: Clarification on the jurisdictional relief to use a measurement method other than the Greenhouse Gas Protocol for measuring GHG emissions

We support and agree with the need for further clarification around relief and reporting requirements and, in this instance, clarification around jurisdictional relief. It is, however, worth noting that a major divergence in methodology used by companies may result in difficulties benchmarking companies aligning with a jurisdictional methodology against those aligning with the GHG Protocol and consideration should be given to this, to limit impact. This limitation could present in the form of a detailed disclosure on the difference in the methodological approach used, effectively providing decision-useful data to effectively mitigate benchmarking challenges.

Amendment 4: Permission to use jurisdiction-required Global Warming Potential (GWP) values that are not from the latest Intergovernmental Panel on Climate Change (IPCC).

We support the ISSB's aims to allow flexibility in the usage of GWP values as this will limit duplication of effort and costs for entities that would be required to recalculate some of their greenhouse gas emissions using additional sets of GWP values. We are, however, supportive of the requirement that companies should aim to disclose if there are differences in GWP values used in calculations for different jurisdictions as this requirement would not be overly resource-intensive and is important to provide decision-useful information for stakeholders attempting to benchmark similar companies in a portfolio.

We appreciate the work the ISSB, and the wider stakeholder community, are doing to shape meaningful and forward-looking approaches to decision-useful data collection and sustainability reporting. We welcome continued engagement and remain open to collaboration in areas of mutual interest. Please do not hesitate to get in touch with Chris Khoury or Ciaran Harris if you have any comments or questions.

Yours sincerely,

Jonathan Martin

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