

27 June 2025

IFRS Foundation
Columbus Building
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London E14 4HD
United Kingdom

Dear Sir,

RESPONSE TO EXPOSURE DRAFT AMENDMENTS TO GREENHOUSE GAS EMISSIONS DISCLOSURES

The Institute of Singapore Chartered Accountants (ISCA) appreciates the opportunity to comment on the proposed amendments to the greenhouse gas (GHG) emissions disclosures. Furthermore, we commend ISSB's efforts to reduce the complexity and risk of potential duplication of reporting and related costs associated with applying specific requirements in IFRS S2 *Climate-related Disclosures*.

To solicit meaningful feedback from key stakeholders on the ED, ISCA undertook the following initiatives:

- Conducted a one-month public consultation to seek feedback from its members
- Solicited feedback on the Exposure Draft from the ISCA Sustainability and Climate Change Committee and its Sustainability Reporting Standards Sub-Committee, which comprise experienced individuals with subject matter knowledge in sustainability-related matters, including practitioners from accounting firms, C-suite executives and regulators.

We are broadly supportive of the proposed amendments in the Exposure Draft. Specifically, the reliefs to allow the use of (1) alternative industry-classification system other than the Global Industry Classification Standard; (2) alternative measurement method other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004); and (3) global warming potential (GWP) values other than the GWP values from the latest Intergovernmental Panel on Climate Change (IPCC) assessment are a pragmatic approach to ease the reporting obligations of preparers in jurisdictions with different regulatory reporting requirements. This will help facilitate the implementation and global adoption of ISSB standards.

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.

Do you agree with the proposed amendment? Why or why not?

- (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.

Do you agree with the proposed disclosure requirements? Why or why not?

We agree broadly with the proposed amendments, as the relief relating to derivatives and facilitated emissions or insurance-associated emissions recognises both the complexity in measurement of related emissions and the current lack of industry guidance for such

measurement. The relief could also alleviate the burden on entities as they enhance their data collection and reporting capabilities over time.

Clarity over the scope of the limitation

We agree with ISSB that scoping the proposed amendment by using the definition of financed emissions in IFRS S2 and explicitly excluding derivatives and other financial activities is a clear and succinct way to amend IFRS S2. However, ISSB could further enhance the clarity of the amendments by considering the following:

- As some jurisdictions may not publish the Basis for Conclusions, we recommend ISSB to incorporate the conclusions in the Basis for Conclusions on the Exposure Draft to the amendments, so that there will be greater clarity over what the entity may limit within its measure of Scope 3 Category 15 greenhouse gas emissions as allowed in paragraph 29A(a) of the proposed amendments. For example, ISSB could clarify that for the purposes of the limitation, an entity is also permitted to exclude facilitated and insurance-associated emissions, which was discussed in the Basis for Conclusions but was not included in the proposed amendments.
- Providing guidance on what financed emissions include. Further guidance beyond the definition and examples provided in paragraph 29A(a) would be helpful to determine what is included within the limitation.

Definition of derivatives

We note the Exposure Draft did not take the opportunity to include a proposed definition of derivatives. This was largely because definitions of derivatives are typically found only in generally accepted accounting principles and practices (GAAP) and these definitions were not drafted for the purpose of reporting sustainability-related financial information. Therefore, using them might introduce unintended complexity, such as how some loan commitments could be accounted for as derivatives under IFRS 9 *Financial Instruments*.

In our view, this could lead to the following application challenges and comparability issues:

- The absence of a definition for derivatives in the proposed amendments could give rise to considerable confusion over how to meet the requirements in paragraph 29A of the proposed amendments.
- The lack of context is further compounded by how there is no definition for derivatives in major GHG emissions measurement methodologies, as acknowledged in the Basis for Conclusions on the Exposure Draft, which would make the range of possible interpretations of what derivatives should comprise overly broad.
- Not providing a definition for derivatives does not address or mitigate the issues raised in the Basis for Conclusions, e.g. that some financial instruments that are accounted for as derivatives in financial statements are not categorised as derivatives in GHG emissions measurement methodologies, and these issues would persist without clear guidelines on what derivatives encompass anyway.

As such, we suggest for ISSB to include guidelines for the definition of derivatives in the amendments. ISSB could consider aligning the definition of derivatives to that in the GAAP applied for the financial statements as a base, before requiring the necessary reconciliations to an appropriate amount for the purpose and intent of the required disclosure. This would provide more clarity on what is excluded from the entity's measure of financed emissions,

benefiting both preparers and users of the sustainability-related financial information in developing and understanding, respectively, the required disclosures.

Leveraging the definition in the GAAP used for the financial statements, rather than any specific GAAP's, would also avoid creating a disconnect with the entity's financial statements and instead enhance connectivity between the financial statements and sustainability-related financial disclosures.

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.

Do you agree with the proposed amendment? Why or why not?

- (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.

Do you agree with the proposed disclosure requirements? Why or why not?

As set out in paragraph B62B of the proposed amendments, the order to determine which industry-classification systems to use to classify counterparties requires the use of the Global Industry Classification Standard (GICS) over any jurisdictional or exchange requirements if any part of the entity uses it. We would like to highlight that this is not consistent with the general approach in the proposed amendments to allow the use of jurisdictional reliefs in order to reduce the risk of potential duplication of reporting and related costs.

The potential for increased costs is compounded by the concerns about legal and cost implications of an entity being required to use GICS to meet the IFRS S2 requirements that were shared in paragraph BC37 of the Basis for Conclusions on the Exposure Draft.

For your information, the Monetary Authority of Singapore requires banks to follow the industry classification adopted by the Singapore Department of Statistics in the Singapore Standard Industrial Classification (SSIC) in its submission of statistics and returns. The SSIC adopts the basic framework and principles of the International Standard Industrial Classification of All Economic Activities (ISIC).

We understand that while the GICS methodology is publicly available, GICS Direct, which provides more than 26,000 active company classifications and over 29,000 securities, is a paid service. It is unclear whether a paid license is necessary for a parent to use GICS in its public reporting in order to comply with the requirement in paragraph B62B(a) of the proposed amendments, if any of its subsidiaries uses GICS.

As a matter of principle, it should not be imposed, nor perceived to be imposed, upon an entity to subscribe to proprietary programmes or licenses solely to meet disclosure requirements. This would exacerbate the perception that sustainability reporting is cost-intensive and discourage meaningful adoption.

We acknowledge the concern of comparability of sustainability-related financial disclosures if an entity uses industry-classification system other than GICS. To mitigate this concern, we suggest permitting the use of a few select industry-classification systems to promote comparability without requiring entities to use GICS if they are not already doing so. A staff paper for the ISSB meeting in May 2024 on the topic “Sustainable Industry Classification System (SICS)— Background and staff analysis” analysed a few industry-classification systems, e.g. GICS, ISIC and SICS. One of the observations in the staff paper was that despite the differences between these systems, a degree of comparability among them did exist, and efforts had been undertaken to draw connections between different classification systems.

The GICS’ 74 six-digit industry-level codes, which are the level of disaggregation currently required in paragraph B62B(a) of the proposed amendments, correspond to the ISIC’s 238 three-digit groups and SICS’ 77 industries. ISSB could consider if the degree of comparability at this level of disaggregation would be sufficiently high to enable meaningful and comparable disclosures. That is, when disclosing financed emissions disaggregated by industry as required by paragraph B62(a), summing up the financed emissions of the entity as long as every part of it uses one of GICS, ISIC or SICS should result in meaningful disclosures that are comparable across entities. ISSB might conclude that using this approach instead could reduce the cost and legal burden to comply with paragraph B62B(a) without compelling entities to use GICS.

The proposed amendments for paragraph B62B(a) suggest that the parent would have to use GICS even if only one of its subsidiaries uses it. If the proposed amendment is retained, we suggest that ISSB include a threshold to ensure this requirement is not onerous.

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.

Do you agree with the proposed amendment? Why or why not?

We agree with the proposed amendments. However, we suggest that ISSB consider the following:

- Clarifying in the amendments whether GHG emissions that are measured using different methods should be aggregated or separately disclosed
- Whether the jurisdictional relief would impair the comparability of sustainability-related financial disclosures, and if so, whether there should be an expectation that the jurisdictional relief would be removed after a period of time to promote convergence in practice and comparability

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.

Do you agree with the proposed amendment? Why or why not?

We agree with the proposed amendments. However, we suggest that ISSB consider the following:

- Clarifying in the amendments whether GHG emissions that are measured using different GWP values should be aggregated or separately disclosed
- Whether the jurisdictional relief would impair the comparability of sustainability-related financial disclosures, and if so, whether there should be an expectation that the jurisdictional relief would be removed after a period of time to promote convergence in practice and 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.

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

We are supportive of the proposed approach for setting the effective date of the amendments and permitting early adoption as the reliefs should be made available as soon as possible to preparers who are already in the midst of preparing their first set of sustainability-related financial disclosures or climate reporting in accordance with IFRS S2. For example, companies listed on the Singapore Exchange are required to incorporate the climate-related

requirements in the IFRS Sustainability Disclosure Standards in their climate reporting for financial year 2025.

Should you require any further clarification, please feel free to contact Mr Donaphan Boey at donaphan.boey@isca.org.sg.

Yours faithfully,

A handwritten signature in black ink, consisting of a large, sweeping 'L' shape followed by a series of smaller, connected loops and a final horizontal stroke.

Mr Terence Lam
Director, Advocacy & Professional Standards