



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

26 June 2025

Mr Emmanuel Faber
ISSB Chair
IFRS Foundation
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Canary Wharf
London E14 4HD
United Kingdom

Dear Mr Faber

COMMENTS ON PROPOSED AMENDMENTS ON IFRS S2, AMENDMENTS TO GREENHOUSE GAS EMISSIONS DISCLOSURES

The Malaysian Institute of Accountants ("MIA") appreciates the opportunity to provide comments on the Proposed Amendments to Greenhouse Gas Emissions Disclosures by the International Sustainability Standards Board (ISSB).

Please refer to Appendix 1 for the comments and recommendations that have been approved for submission to the ISSB.

We trust that our comments and recommendations are valuable and useful to the ISSB for your onward deliberation.

If you have any queries or require clarification of this submission, please contact Rasmimi Ramli, Executive Director of Sustainability, Digital Economy, and Reporting at +603 2722 9277 or by email at rasmimi@mia.org.my.

Yours sincerely

MALAYSIAN INSTITUTE OF ACCOUNTANTS

G SHANMUGAM

Acting Chief Executive Officer

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?

We agree adding with paragraph 29A(a) which would permit entities to limit their disclosure of Scope 3 Category 15 greenhouse gas (GHG) emissions to financed emissions, as defined in IFRS S2 including allowing the exclusion of emissions associated with derivatives, facilitated emissions, and insurance-associated emissions.

The proposed amendment provides a practical and proportionate approach as these excluded categories are still evolving in terms of methodology and data availability, hence would be challenging to be measured those reliably. This approach supports broader comparability across entities and promotes adoption, especially for financial institutions.

Paragraph BC15 states that "the proposed amendment would not prevent an entity from choosing to disclose these other types of Scope 3 Category 15 greenhouse gas emissions". Accordingly, we suggest that a **requirement be added to paragraph 29A** that if entities choose to disclose these optional types of emissions, the entity should state that they have

been included. We believe this will improve comparability between entities, and interoperability between the ISSB standards and other standards.

In relation to paragraph BC21 of the ED, if the transition relief is finalised without a defined duration, the ISSB may wish to explicitly state that this would be subject to review in the future when more information becomes available for the ISSB to make an informed decision on the appropriate duration for such relief and communicating this clearly in the Basis for Conclusions.

We propose that the ISSB revisit this area as part of its post-implementation review of reporting practices by financial institutions concerning their financed emissions and align the definition of “derivatives” with the definitions set out in the IFRS Accounting Standards.

(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 with the proposed disclosure requirements in paragraph 29A(b), which complement the amendment in paragraph 29A(a) as it ensures transparency. Such

requirements support users in understanding the magnitude of excluded financial activities (such as derivatives or insurance-associated emissions), helping to assess their potential materiality.

Requiring entities to disclose the amount and nature of the excluded activities without prescribing definitions provides flexibility to preparers while promoting comparability and responsible disclosure. With minor clarifications, particularly around the scope of terms such as "derivatives," the proposal will significantly enhance the quality and usefulness of Scope 3 GHG emissions reporting. We recommend that an additional row disclosing the total amounts of what is included in Scope 3 Category 15.

While we support the requirement to disclose the magnitude of excluded financial activities, we recommend that entities should be encouraged to disclose a plan or timeline for incorporating the excluded categories in future reporting. This would further promote transparency, signal a commitment to continuous improvement, and enhance the decision-usefulness of climate-related disclosures over time.

We also propose that the ISSB provide implementation guidance or illustrative examples to support consistent interpretation of key terms such as "derivatives" and "facilitated emissions", which are not currently defined in the IFRS Sustainability Disclosure Standards. This would help reduce inconsistencies in application across jurisdictions and industries, and support preparers in applying judgement more effectively.

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?

We agree with the proposed amendment to allow entities to use an alternative industry-classification system in certain circumstances, instead of GICS for disaggregating financed emissions. We recommend defining the criteria for what constitute "alternative industry-classification" and "some circumstance". Such alternative industry classification should be

internationally recognised and result in comparable and verifiable information. This flexibility supports broader adoption of IFRS S2 without compromising the spirit of the standard.

Mandating GICS could ensure entities maintain dual systems for classification, one for internal or regulatory reporting, and another solely for IFRS S2 purposes. This would create complexity and increase compliance costs, especially for institutions already subject to emissions reporting under other frameworks.

With regards to the required hierarchy as proposed in paragraphs B62B and B63B, we agree with the requirement for entities to use GICS if it is already being used by certain parts of the entity as it promotes comparability. However, we believe that implementing GICS across all other parts of the entity may not be practical or cost-effective. We suggest that the ISSB consider alternative wordings, such as to make allowances to permit group entities to apply judgement in considering the significance of part of the group currently using GICS before being required to implement GICS across the rest of the group.

Alternatively, we propose that the ISSB to consider creating a jurisdictional relief (that applies to an entity in whole or in part) from applying GICS which could be a practical solution to application challenges. In this case, using GICS would be required unless the entity, in whole or in part, is required by a jurisdictional authority or an exchange on which it is listed to use an alternative industry-classification system. For example, in Malaysia, the prevailing system is the Malaysia Standard Industrial Classification (MSIC), which is aligned with the International Standard Industrial Classification (ISIC) which may have been adapted by some other jurisdictions.

(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?

We agree with the proposed disclosure requirements in paragraphs B62C and B63C. These requirements enhance transparency and interpretability when an entity chooses not to use GICS.

Requiring the use of GICS across the entire group could result in disclosures that do not align with the management's classification of sectors and industries, and how risk is internally managed. This misalignment could obscure the true nature of risk management strategies employed by the entity, avoids undue burden on preparers, and enhances confidence in the disclosures by ensuring that stakeholders can understand and assess the basis for any deviation from GICS. We recommend the removal of the hierarchy for the use of GICS and instead permit entities to disaggregate by industry according to management's classifications and the entity's risk management processes. This approach would reflect the entity's genuine operational and risk management strategies, providing more relevant and accurate disclosures for stakeholders.

However, there are concerns regarding the proposed hierarchy for applying GICS relief in paragraphs B62B and B63A. The proposed amendment suggests that even if only a small part of a group uses the GICS classification, the entire group must apply GICS for disaggregated disclosures. This requirement seems disproportionate relative to what the group needs to achieve and may lead to misaligned reporting.

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 amendment to paragraphs 29(a)(ii) and B24 of IFRS S2 which clarifies the scope and application of jurisdictional relief when entities are required to use a method other than the *GHG Protocol Corporate Standard (2004)* to measure greenhouse gas (GHG) emissions for a part of their operations. Allowing jurisdictional relief ensures that IFRS S2 is practical and compatible with the local legal and regulatory frameworks, supporting broader international adoption of the standard. It also supports regulatory flexibility while maintaining the integrity of sustainability disclosures. By enabling consistent application of IFRS S2 across diverse jurisdictions, this amendment contributes to the ISSB's mission of delivering a globally interoperable framework for climate-related disclosures.

However, granting relief from applying the GHG Protocol Corporate Standard could introduce variability in GHG emissions measurement, affecting the comparability of IFRS S2 reports across various jurisdictions. To address this, the proposed amendment should include a time-bound transition period and accompanied by expectations regarding progress in data quality and supplier engagement, requiring the disclosure of a reconciliation to the emissions that would have been reported under GHG Protocol, allowing jurisdictions to gradually move towards mandatory use of the GHG Protocol for measurement. This approach would accommodate necessary legislative changes, facilitating alignment with the GHG Protocol over time.

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 as the proposed amendment is pragmatic and enables entities to comply with IFRS S2 while honouring jurisdictional mandates on GWP values. It avoids unnecessary duplication, supports efficient reporting, and facilitates international consistency and credibility of climate-related disclosures with minimal trade-off in transparency. With appropriate disclosure of the methodology used, the amendment will preserve comparability and trust in reported GHG data.

However, the comparability of GHG disclosures might be impacted if jurisdictions continue to apply different GWP values, including those older values published by the IPCC. We recommend that a transitional relief period of 2 to 3 years be provided to facilitate full adoption of IFRS standards requirements, after which, the GWP values shall be harmonised across jurisdictions. In the transitional period, the GWP values, including its sources shall be disclosed clearly in the sustainability report prepared in compliance with ISSB Standards.

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 agree with the proposed early effective date and early application as both are appropriate and desirable. It will enable preparers to implement IFRS S2 more effectively, reduce uncertainty, and enhance the overall success of the standard's rollout. The ISSB's proposal strikes a practical balance between timely adoption and preparer flexibility, especially given the dynamic and evolving landscape of sustainability disclosures.

However, we recommend that a transition relief be included with explanation of how comparative information should be presented for those entities that are already applying IFRS S2. Early adoption may not be suitable given the readiness of some entities, particularly in emerging economies like Malaysia. Malaysia's NSRF plan aims for full adoption by 2027, allowing 3 years to align reporting and processes. An earlier effective date may place pressure on entities and affect reporting quality. Entities generally require a minimum of 2 to 3 years, or possibly more time, to implement such significant changes effectively.

Question 6—Other comments

Do you have any other comments on the proposals set out in the Exposure Draft?

The ISSB could encourage entities to map or cross-reference their chosen classification system to GICS, particularly in disclosures to investors who compare institutions across jurisdictions.

Given that these proposals represent important interpretive and operational changes to IFRS S2, a structured post-implementation review (PIR) should be scheduled within 2 or 3 years after the amendments become effective. This would help assess:

- The extent of adoption of reliefs
- The quality and consistency of disclosures
- Any unintended consequences

We also encourage the ISSB to invest in capacity-building materials tailored to emerging economies to ensure consistent and accurate application of IFRS S2 amendments, especially in financial sectors unfamiliar with detailed GHG disclosures.