Our Ref: STA/001

26 June 2025

The Chairman,
International Accounting Standards Board,
Columbus Building,
7 Westferry Circus,
Canary Wharf,
London E14 4HD,
United Kingdom.

Dear Sir,

<u>Greenhouse Gas Emissions Disclosures Proposed amendments IFRS S2</u>

The Institute of Certified Public Accountants of Uganda (ICPAU) is pleased to participate in the review of the IFRS S2 Standard.

Our comments are restricted to the definition of public accountability and Proposed amendments to impairment of financial assets as detailed in **Appendix 1**.

We are hopeful that you will find them useful.

For any inquiries relating to this comment letter, kindly contact the undersigned at the email address: standards@icpau.co.ug

Yours faithfully,

CPA Charles Lutimba
MANAGER STANDARDS AND TECHNICAL SUPPORT
For: **SECRETARY/CEO**

Encl/… (Appendix 1: ICPAU'S Responses to the Exposure Draft and Comment Letters: Targeted improvements proposed amendments)

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Appendix I: Greenhouse Gas Emissions Disclosures Proposed amendments

Question 1 Measurement and disclosure of scope 3 category 15 Greenhouse Gas Emissions

a) 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?

<u>Our response</u>

we broadly disagree.

Whereas ICPAU supports the proposed amendment in paragraph 29A(a), which seeks to permit entities to limit disclosure of Scope 3 Category 15 greenhouse gas emissions to 'financed emissions', subject to the same being monitored and reviewed as methodologies, data and technology evolve. As a jurisdiction our roadmap is considering extending a further year of exemption for scope 3 emission generally. Therefore, we consider the Board's approach to limit disclosure of Scope 3 Category 15 greenhouse gas emissions to 'financed emissions' as a more ideal gesture that attempts to reflect the present challenges associated with measuring and assuring greenhouse gas emissions especially in emerging economies.

However, considering the above limitation on disclosures of Scope 3 Category 15 greenhouse gas emissions to financed emissions without clear time restrictions up to when the reporting entities should be held accountable for full disclosures may need to be considered. Scope 3, Category 15 emissions including those associated with derivatives, insurance, and facilitated activities should be reported to show how financial institutions impact on the climate crisis.

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?

Our response

No, we broadly disagree

The proposed amendments under para 29A (b)(i) & (ii) requiring an entity to specifically disclose the amount of derivatives the entity excluded and an explanation of what the entity treats as derivatives for the purposes of limiting its disclosure of Scope 3 Category 15 greenhouse gas emissions and the amount of other financial activities it excluded, seem to divert the reporting from the known scalable and principles-based dispensation to now a particularised disclosure. The confusion that would arise from this requirement is that whether disclosure of the specifics required therein would amount to full disclosure or a reporting entity may choose to even expand the disclosures beyond the specific requirements so mentioned. The Board should instead provide a clear guidance on the definition of derivatives in relation to IFRS Sustainability Disclosure Standards and how (the basis) a reporting entity should determine the amount of derivatives that should be disclosed. This is proposed to ensure some level of comparability at least from a sector-by-sector basis or otherwise,
to avoid ambiguity and provide a detailed justification for each exclusion, demonstrating why they are not materially relevant to the entity's climate profile

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?

<u>Our response</u>

We agree with the proposed amendment which provides "relief" to entities "from using Global Industry Classification Standard (GICS), in some circumstances." We support this proposal, as it permits entities that are currently not using the GICS, and especially those in emerging markets, to incorporate industry classifications which produce disclosures that are most relevant and suitable to their regions and stakeholders.

However, ICPAU does not support the provisions under para B62B(a) and B63B(a) which require an entity to use GICS when disaggregating information, if in any part of the entity it is used to classify its lending or investment activities at reporting date and the hierarchical approach so envisioned in this paragraph. This approach risks introducing increased cost and operational burdens thereby undermining a key principle enunciated within the standards of 'without undue cost or effort.' ICPAU wonders why application of a global standard would be linked to adoption of GICS which come along with proprietary reservations and user fees.

Instead, ICPAU preferred approach and recommendation is to adopt provisions of para (d) as a priority when an entity disaggregates the information by industry.

(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?

Our response

Yes, we broadly agree

Entities should clearly state which classification system they are employing to disaggregate financed emissions information. These disclosure requirements enhance transparency and enable users of general-purpose financial reports to understand the basis for the entity's classification choices.

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?

Our response

The amendment acknowledges that jurisdictions may mandate the use of specific Global Warming potential (GWP) values or alternative greenhouse gas (GHG) measurement methods. There are currently some entities that are measuring their emissions using alternative GHG measurement methods other than the GHG Protocol such as Partnership for Carbon Accounting Financials (PCAF) and the Global Protocol for Community-Scale Greenhouse Gas Emissions (GPC). Allowing entities to measure greenhouse gas emissions either in part or in whole with jurisdictional or exchange requirements ensures consistency and avoids conflicts between international standards and national regulations. The Board should however encourage disclosure of the motivation and impact of the GWP so selected where the jurisdiction provides for use of alternative greenhouse gas (GHG) measurement methods but with no particular reference to a specific GWP.

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?

<u>Our response</u>

Yes, we broadly agree

By allowing the use of jurisdiction-specific GWP values, entities can avoid the administrative burden of maintaining dual reporting systems which facilitates more efficient and accurate sustainability reporting. This amendment is a logical response to the reality that different jurisdictions may adopt GWP values based on local policies, scientific guidance and regulatory frameworks.

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?

<u>Our response</u>

Yes, we broadly agree

The global need for standardized, comparable, and reliable sustainability-related financial disclosures is critical and by aligning the effective date with the earliest feasible reporting period ensures that entities begin to provide this information without unnecessary delay. However, it is essential that the ISSB provides adequate guidance, tools, and support for entities that may face capacity challenges, *particularly in emerging jurisdictions where regulatory frameworks are still evolving.*

Question 6—Other comments Do you have any other comments on the proposals set out in the Exposure Draft?

None