



Emmanuel Faber
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International Sustainability Standards Board
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UNITED KINGDOM

26 June 2025

Dear Mr Faber,

Joint response to invitation to comment on Exposure Draft *Amendments to Greenhouse Gas Emissions Disclosures - Proposed amendments to IFRS S2*

The Australian Accounting Standards Board (AASB), Financial Reporting Council (FRC) and the Sustainability Standards Board of Japan (SSBJ) (collectively the “Boards”) are pleased to have the opportunity to provide comments on the Exposure Draft *Amendments to Greenhouse Gas Emissions Disclosures - Proposed amendments to IFRS S2* (Exposure Draft) published on 28 April 2025.

All Boards support the International Sustainability Standards Board (ISSB)’s global baseline of climate-related financial disclosures and welcome this opportunity to contribute jurisdictional perspectives.

While each Board has provided individual submissions to the ISSB in response to the Exposure Draft,¹ this joint submission highlights shared concerns regarding the use of the Global Industry Classification Standard (GICS).

Our joint submission aims to constructively contribute to the development of internationally relevant and useful disclosures and support the ISSB’s efforts towards developing a global baseline for climate-related financial reporting requirements.

¹ Australia: https://aasb.gov.au/admin/file/content106/c2/AASBSubmission_ISSB-ED2025-1_06-25.pdf; Japan: https://www.ssb-j.jp/en/wp-content/uploads/sites/7/20250623_01_e.pdf; the UK: https://www.frc.org.uk/documents/8381/FRC_Response_to_ISSB_Exposure_Draft_Proposed_Amendments_to_IFRS_S2.pdf

Our Concerns Regarding the Proposed Hierarchy

We support the ISSB's efforts to address challenges in applying the requirement to use GICS. However, we have concerns with the proposed hierarchy set out in paragraphs B62B and B63B for the reasons described below.

Prioritising the Use of GICS

The proposed hierarchy set out in paragraphs B62B and B63B is designed to prioritise the use of GICS to the extent possible. We are not convinced with this prioritisation, for the following reasons:

- (a) Because GICS was not developed for the disclosure of climate-related financial information, using GICS does not necessarily result in the most relevant financed emissions disclosures compared to other industry-classification systems;
- (b) Even if the entity has already used GICS, the purpose and scope of its use may vary. Accordingly, applying GICS for the reporting entity's climate-related financial information, solely because it has been used by one part within the group for whatever reason, may not result in the most relevant disclosures. We also highlight that this practice would run counter to well-established principles of corporate reporting, whereby accounting policies are generally established by the parent entity, rather than being established by the practice of a subsidiary or particular part of an entity;
- (c) GICS does not provide classification codes for companies that are not listed. This means that a reporting entity should limit its use of GICS and that judgement will have to be applied to assign GICS codes to non-listed companies or the reporting entity would need to consider an alternative classification system. In such cases, the reporting entity would be applying B62B/B63B(d) and/or potentially needing to use multiple classification systems; and
- (d) Practical challenges have been identified in applying GICS. Among others, constituents in more than one jurisdiction have expressed concerns noting that:
 - (i) There are difficulties in classifying counterparties using the latest version when GICS codes are updated, particularly when they are updated near the end of the reporting period; and
 - (ii) Even in cases where the entity has already entered into a licensing agreement to use GICS, depending on the arrangement, the cost may increase due to the expansion of the scope of using GICS. There is also a potential for fees to increase when contracts are renewed in the future.

The Industry-Classification System Used to Meet a Jurisdictional or Exchange Requirement

We have concerns regarding the use of an industry-classification system used to meet a jurisdictional or exchange requirement being included in the hierarchy for the following reasons:

- (a) An entity within the group (say, a foreign subsidiary) may be subject to jurisdictional or exchange requirements to use a specific industry-classification system. Based on the proposals in the Exposure Draft, the reporting entity may be required to use that specific industry-classification system for all entities that comprise the reporting entity. Applying such an industry-classification system to the reporting entity in its entirety may not result in the most relevant disclosures; and
- (b) Multiple entities within the group may be subject to jurisdictional or exchange requirements. Based on the proposals in the Exposure Draft, the reporting entity would be required to choose one industry-classification system and apply that industry-classification system to all entities that comprise the reporting entity. Applying such an industry-classification system to the reporting entity in its entirety may not result in the most relevant disclosures.

Our Proposal Regarding the Industry-Classification System

We think that an industry-classification system to be used for the purpose of climate-related financial disclosures should be selected based on the relevance of the information from the perspective of the reporting entity (that is, the consolidated group). It is reasonable to assume that an entity would provide the most relevant climate-related financial information by using an industry-classification system selected with reference to the industry-classification system used by an entity or entities within the group that hold significant investments, such as the parent company or a financial subsidiary.

However, we are concerned that, based on the hierarchy proposed in the Exposure Draft, the reporting entity may not always be able to select the industry-classification system that is most relevant from the perspective of the reporting entity.

Considering the concerns described above, we suggest that the ISSB require entities to select an industry-classification system that enables them to classify counterparties in a manner that results in information useful to users of climate-related financial disclosures and to provide an explanation of the basis for selecting that specific industry-classification system. The assumption is that the entity will select an established industry-classification system and that the entity will not develop an industry-classification on its own, which may be GICS depending on the circumstances.

Under our proposal, reporting entities would be required to apply paragraphs B62B/B63B(d) of the ED without considering the systems described in paragraphs B62B/B63B(a)-(c) of the ED and to provide explanation in accordance with paragraph B62C/B63C.

Our understanding is that the proposed hierarchy is intended to achieve comparability to the extent possible by prioritising the use of GICS. However, the degree of comparability that can be achieved under the ED's proposals would be limited, given the current diversity in the use of GICS and industry-classification systems required by jurisdictional authorities or exchanges on which the entity is listed.

We think that the ISSB should focus on achieving the most relevant industry-based financed emissions disclosures from the perspective of the reporting entity. Furthermore, we think that a reasonable degree of comparability will be achieved by requiring entities to select an established industry-classification system, given that there is a limited number of established industry-classification systems that entities would be likely to choose.

If you have any questions regarding this letter, please contact Charis Halliday and Lachlan McDonald-Kerr, Co-Leads Sustainability, AASB (challiday@asb.gov.au and lmcdonald-kerr@asb.gov.au), Sarah-Jayne Dominic, Regulatory Standards, FRC (S.Dominic@frc.org.uk), or Waka Kirihara, Director, SSBJ (w.kirihara@ssb-j.jp).

Yours sincerely,



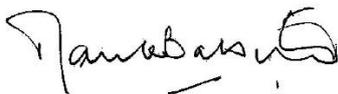
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