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BY EMAIL ONLY

26 July 2022

Dear Mr Faber and Ms Lloyd,

Exposure Draft ED 2022/S1: IFRS S1 *General Requirements for Disclosure of Sustainability-Related Financial Information* and ED/2022/S2: IFRS S2 *Climate-Related Disclosures*

RSM International, a worldwide network of independent audit, tax, and consulting services firms focused on serving the middle market, appreciates the opportunity to comment on the IFRS S1 [S1] and IFRS S2 [S2] exposure drafts [EDs].

We agree with the need and appetite for globally recognised standards relating to the disclosure of relevant, useful, and informative sustainability-related financial information that is consistent and comparable. The IASB's decision to establish the ISSB and the swift publication of these EDs is a welcome step in the direction of fulfilling this need by establishing globally recognised standards.

We understand and welcome that the ISSB envisions the IFRS Sustainability Disclosure Standards to form the baseline for such sustainability-related financial information. Legislators and regulators may then expand the requirements to fulfil further specific informational needs to users in their jurisdictions. This enables entities to comply with various jurisdictional requirements without having to duplicate disclosures. We believe that the successful execution of this vision will assist in the adoption rate of the finalised standards, which will be critical for its long-term success.

Our detailed responses to the questions within the invitation to comment are included in our appendices A and B for S1 and S2 respectively. The following overarching comments are worth highlighting, and please refer to our detailed answers for context and justification:

1. **Practical implementation and phased approach:** Given the capital investment, knowledge, and skills required to develop and implement systems to collect, digest, and report good quality information on sustainability matters, we believe the initial implementation of the requirements will be challenging for all but the largest and most sophisticated entities. There are various ways to balance this practical implementational challenge and the informational requirements of investors. We suggest a two-pronged approach to phasing – the first would be implemented by the ISSB by identifying a core subset of disclosures for early implementation, with all other disclosure requirements having a later implementation date. The second prong would be implemented by local legislators applying the ISSB's EDs to say large and public interest entities sooner than other entities.

2. **Mandatory external guidance:** Both S1 (e.g., para 51) and S2 (e.g., para B17) contain instances where the ED refers to external guidance or requirements that are dependent on knowledge of external guidance, whether produced by other standard setters or jurisdictional requirements. We believe the requirement to consider or apply such guidance is not within the objectives of the EDs. In addition, it creates implementation problems, as preparers do not have a single source of requirements and the external guidance may change in a manner over which the ISSB does not have control.

3. **Repetition**: Through considering the content of the EDs in detail, we identified a significant amount of repetition, both within each draft ED and between S1 and S2. Given that the current two EDs will become the foundational framework, such repetition seems likely to continue in future. This may result in unnecessarily long documents, make the EDs more complex, and lacking in the necessary clarity, all of which is unhelpful in itself, and could also lead to the real message of a clause or requirement being obscured.

4. **Materiality**: Materiality forms a cornerstone of the information that is ultimately disclosed. Consequently, it is likely to be one of the more contentious matters in the ED. We agree with the basic premise for materiality set out in S1 para 56 as we believe that enterprise value is a sufficient proxy to use as a basis to identify and disclose an entity's most significant sustainability-related risks and opportunities. In addition, the current proposed materiality is also not overly broad and contains a tangible element – two concepts that we believe are important for implementation and verifying. Lastly, since the proposed materiality is similar to that used in the preparation of annual financial statements, the concept is well known, which may aid in its implementation in this new arena.

If you have any questions relating to our response or would like to discuss any of our comments, please contact Danielle Stewart OBE at Danielle.StewartOBE@rsmuk.com or me at marion.hannon@rsm.global.com.

Yours sincerely,

Marion Hannon
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Appendix A: Questions on IFRS S1 General Requirements for Disclosure of Sustainability-Related Financial Information

Question1: Overall approach
The Exposure Draft sets out overall requirements with the objective of disclosing sustainability-related financial information that is useful to the primary users of the entity's general purpose financial reporting when they assess the entity's enterprise value and decide whether to provide resources to it. Proposals in the Exposure Draft would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. The assessment of materiality shall be made in the context of the information necessary for users of general purpose financial reporting to assess enterprise value. a. Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer? b. Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not? c. Is it clear how the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards, including the [draft] IFRS S2 Climate-related Disclosures? Why or why not? If not, what aspects of the proposals are unclear? d. Do you agree that the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposals? If not, what approach do you suggest and why?

The EDs clearly state that material information should be provided on sustainability-related risks and opportunities, irrespective of whether or not that matter is addressed by a specific IFRS Sustainability Disclosure Standard.

We believe it is clear that the proposals in S1 will be applied in tandem with specific requirements in S2 or future standards, especially given that the current structure is very reminiscent of the IFRS Accounting Standards.

The overall approach is largely an evolutionary step from the TCFD Recommendations and SASB, for which we applaud the ISSB. This may simplify the implementation of the proposals for those entities that are already applying or, at least considering applying, the TCFD Recommendations or SASB.

However, many entities that will be expected to implement the EDs will have little to no experience in collecting, digesting, and disclosing this type of information. Further, there are likely to be significant resource constraints as entities ramp up their sustainability related disclosures. These factors may put pressure on the implementation of the proposed disclosures.

We are in full agreement with the Board's proposals (subject to the comments in this letter), however, we think it may be worthwhile considering a phased approach, in order to avoid potential implementation pains or pushback from impacted entities.

We can see two ways in which a phased approach may be applied. The first is where different entities apply the proposals at different times. The entities would be grouped based on certain attributes; for example size or public accountability. The second approach is one whereby specific disclosure requirements become mandatory at different times for all entities applying the EDs.

We believe that both approaches are valid, although it may be appropriate that they are applied by different parties. The first approach is more suitable for the remit of local legislators, who can require entities in their own territories to adopt the EDs from different effective dates according to, say, whether or not they are listed, or for unlisted companies, based on their turnover or number of employees. We already see this in the adoption of the TCFD Recommendations in different territories round the world.

The second approach is one we believe the Board might want to consider in more detail. Effectively, the Board could define an initial subset of disclosure requirements which focus on the core informational needs of users, that must be adopted from the initial effective date of the ED. The Board could then apply a later effective date for the balance of the disclosures, thereby allowing time for companies' systems and processes to develop and mature to accommodate the full rigour of the EDs.

Assurance over the information disclosed or assessing compliance with the EDs is likely to be a journey. As entities implement the EDs, we will expect approaches and interpretations to converge into a pool of knowledge that is deemed acceptable. This should allow the disclosures to be assured and assessed for compliance.

In the meantime, we believe assessing compliance or providing assurance over the information disclosed in accordance with the EDs will be challenging. Such assurance or assessment of compliance will only be possible to the extent that entities have formalised their systems to collect, digest, and report relevant sustainability related information. Another expected challenge stems from the nature of some proposed disclosures to be forward looking; this is beyond the scope of most information that is currently assessed for compliance or assured. Lastly, any assurance will depend on the level of assurance required (e.g., positive or negative assurance), as well as the development of appropriate assurance EDs.

Question 2: Objective (paragraphs 1–7)

The Exposure Draft sets out proposed requirements for entities to disclose sustainability-related financial information that provides a sufficient basis for the primary users of the information to assess the implications of sustainability-related risks and opportunities on an entity's enterprise value.

Enterprise value reflects expectations of the amount, timing and uncertainty of future cash flows over the short, medium and long term and the value of those cash flows in the light of the entity's risk profile, and its access to finance and cost of capital. Information that is essential for assessing the enterprise value of an entity includes information in an entity's financial statements and sustainability-related financial information.

Sustainability-related financial information is broader than information reported in the financial statements that influences the assessment of enterprise value by the primary users. An entity is required to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Sustainability-related financial information should, therefore, include information about the entity's governance of and strategy for addressing sustainability-related risks and opportunities and about decisions made by the entity that could result in future inflows and outflows that have not yet met the criteria for recognition in the related financial statements. Sustainability-related financial information also depicts the reputation, performance and prospects of the entity as a consequence of actions it has undertaken, such as its relationships with, and impacts and dependencies on, people, the planet and the economy, or about the entity's development of knowledge-based assets.

The Exposure Draft focuses on information about significant sustainability-related risks and opportunities that can reasonably be expected to have an effect on an entity's enterprise value.

a. Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?

b. Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why or why not? If not, do you have any suggestions for improving the definition to make it clearer?

The general objective of the ED is clear, as is the definition. However, we note that 'sustainability' itself is not defined. Although para 17 provides some insight into what is meant by sustainability-related risks and opportunities, we believe there remains uncertainty as to what precisely constitutes 'sustainability'. We understand that it is a very difficult concept to define, and that there is no current definition in the literature or in practice. Despite this difficulty, we believe a clear definition is needed, as it will be important for preparers, auditors, regulators, and users to understand and implement the proposals or to meet the objective of the proposals, assess compliance with the proposals, or provide assurance over information disclosed in accordance with the proposals.

We appreciate that the ISSB focuses on the investor and their informational needs and that, as a global baseline, regulators and legislators may add additional requirements to meet the informational need of other users. However, the EDs do not make any reference to the fact that other stakeholders may also find the information useful. For example, the Conceptual Framework of the IFRS Accounting Standards make such a reference in para 1.10. As the reporting of sustainability matters develops and matures, the informational demand from these other stakeholders may increase beyond the immediate focus area for such information. If this demand materialises, we may see Companies voluntarily extending their disclosures. In turn this may necessitate updates to the standards.

We are in agreement with constraining the significant sustainability-related risks and opportunities to those impacting enterprise value. This agreement stems from our view that enterprise value is a sufficient proxy for identifying and therefore disclosing the most significant sustainability-related risks and opportunities.

We believe there exists a potential discrepancy between the decisions referenced in S1 para 1 relating to the provision of resources and the decisions in the definition (found in Appendix A) of ‘general purpose financial reporting’. We are more in favour of the broader decisions in para 1 (of whether to provide resources to an entity) rather than just funding decisions (per Appendix A).

Question 3: Scope (paragraphs 8–10)
Proposals in the Exposure Draft would apply to the preparation and disclosure of sustainability-related financial information in accordance with IFRS Sustainability Disclosure Standards. Sustainability-related risks and opportunities that cannot reasonably be expected to affect users’ assessments of the entity’s enterprise value are outside the scope of sustainability-related financial disclosures. The Exposure Draft proposals were developed to be applied by entities preparing their general purpose financial statements with any jurisdiction’s GAAP (so with IFRS Accounting Standards or other GAAP). Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction’s GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?

We agree with the proposal that the EDs are independent of the accounting standards applied. However, we believe that users will most likely interpret and apply the EDs in the context of the accounting standards which they normally use. For example, the EDs are mainly drafted through the lens of an IFRS expert. Given that the users of the EDs may come from a diverse range of specialisms, (including other GAAPs and other professions), they may interpret the requirements differently due to their area of expertise. We therefore believe it will be important for the ISSB to carefully consider (and perform relevant outreach activities to obtain the views of non IFRS users of sustainability standards) whether the requirements will be interpreted consistently.

We believe it may be worthwhile considering additional disclosure requirements for information required through the EDs that is not required or disallowed by the relevant accounting standards. For example, the threshold for recognising a liability or disclosing a contingent liability in the accounting records may be higher than the threshold for disclosing information as required by the EDs. The disclosure of this information in compliance with the EDs could create the perception that a liability exists for the financial statements. It will be important for readers to understand these differences.

Question 4: Core content (paragraphs 11–35)
The Exposure Draft includes proposals that entities disclose information that enables primary users to assess enterprise value. The information required would represent core aspects of the way in which an entity operates. This approach reflects stakeholder feedback on key requirements for success in the Trustees’ 2020 consultation on sustainability reporting, and builds upon the well- established work of the TCFD. **Governance** The Exposure Draft proposes that the objective of sustainability-related financial disclosures on governance would be: to enable the primary users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage significant sustainability-related risks and opportunities. **Strategy** The Exposure Draft proposes that the objective of sustainability-related financial disclosures on strategy would be: to enable users of general purpose financial reporting to understand an entity’s strategy for addressing significant sustainability-related risks and opportunities. **Risk management** The Exposure Draft proposes that the objective of sustainability-related financial disclosures on risk management would be:

to enable the users of general purpose financial reporting to understand the process, or processes, by which sustainability-related risks and opportunities are identified, assessed and managed. These disclosures shall also enable users to assess whether those processes are integrated into the entity's overall risk management processes and to evaluate the entity's overall risk profile and risk management processes.

Metrics and targets

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on metrics and targets would be:

to enable users of general purpose financial reporting to understand how an entity measures, monitors and manages its significant sustainability-related risks and opportunities. These disclosures shall enable users to understand how the entity assesses its performance, including progress towards the targets it has set.

a. Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why or why not?

b. Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not?

We are broadly in agreement with the proposals. We agree with the four areas of governance, strategy, risk management and metrics and targets, as well as their broad objectives.

We considered the interaction between providing broad objectives and specific disclosure requirements. Broad objectives provide preparers with a greater opportunity to present users with information that is most useful within the context of their particular business. However, it may also dampen comparability of disclosures across entities or industries. Conversely, specific disclosure requirements may improve comparability but might result in the provision of information that isn't particularly useful for that specific entity. Generally, we think a reasonable balance has been struck at this stage, although we will only learn whether that balance is appropriate over time.

Nevertheless, we believe that the ISSB should carefully consider the extent to which specific disclosures are required and the clarity of the general objectives. The ISSB may leverage from the extensive work that the IASB has been doing in this area over the last few years.

Para 32 provides disclosure requirements relating to targets an entity has set to assess their progress towards achieving strategic goals. In particular, sub-paragraph (c) requires disclosure of the base period from which progress is measured. Although we recognise that most targets will include a base period, an absolute target does not need to include such a base period. We would recommend moving sub-paragraph (c) to the last requirement of para 32 and to add wording akin to 'if the metric has a base period, an entity shall disclose that base period'. We agree that if a base period is used in the target, its disclosure provides useful information and should ordinarily be provided.

In addition, should the base period for those metrics with base periods change, disclosure may be required to indicate such a change, including reasons for such a change. We recognise some of these recommendations are included through the requirements on comparative information. However, some emphasis thereof may be useful.

Question 5: Reporting entity (paragraphs 37–41)

The Exposure Draft proposes that sustainability-related financial information would be required to be provided for the same reporting entity as the related general purpose financial statements.

The Exposure Draft proposals would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Such risks and opportunities relate to activities, interactions and relationships and use of resources along its value chain such as:

- its employment practices and those of its suppliers, wastage related to the packaging of the products it sells, or events that could disrupt its supply chain;
- the assets it controls (such as a production facility that relies on scarce water resources);
- investments it controls, including investments in associates and joint ventures (such as financing a greenhouse gas-emitting activity through a joint venture); and
- sources of finance.

The Exposure Draft also proposes that an entity disclose the financial statements to which sustainability-related financial disclosures relate.

a. Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?

b. Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?

c. Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?

We agree that the reporting entity should be consistent with the reporting entity of the related financial statements and that the related financial statements should be identified. This requirement of consistent reporting entities is necessary for there to be meaningful connected information between sustainability disclosures and the financial information (refer to question 6 for further details).

We agree with the concept of the value chain and the required disclosures relating to it. However, it is not currently clear to what extent the value chain should be assessed and how informational gaps relating to third parties should be addressed. The further down the value chain one goes, the more costly the exercise is likely to be. The cost-benefit of this approach warrants careful consideration and clarity. This may also have an unintended consequence to certain third parties (particularly, small entities) who cannot provide the necessary information in a cost-effective manner to larger entities.

Given the concerns noted above, we do not believe the current requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain is sufficiently clear such that it is capable of consistent application.

We suggested in our answer to question 1 that the ISSB could consider a more phased approach to implementation of sustainability standards. The concept of and disclosure requirements relating to the value chain is an area which we believe may benefit greatly from a phased approach.

As further noted in question 1, we believe that the provision of assurance over the information provided in accordance with the EDs will present various challenges. One additional area of concern we have noted is the scoping of entities when providing such assurance. Currently, assurance over financial information is provided through scoping entities within a group (as defined for the purposes of general purpose financial statements) on a mainly quantitative basis. Although additional guidance through assurance standards may assist, we believe it could also be helpful to provide some guidance on how entities can identify and assess significant sustainability risks and opportunities within such a group scenario. This may be helpful, not only to assurance providers, but also to preparers.

Question 6: Connected information (paragraphs 42–44)

The Exposure Draft proposes that an entity be required to provide users of general purpose financial reporting with information that enables them to assess the connections between (a) various sustainability-related risks and opportunities; (b) the governance, strategy and risk management related to those risks and opportunities, along with metrics and targets; and (c) sustainability-related risks and opportunities and other information in general purpose financial reporting, including the financial statements.

a. Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?

b. Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?

We wholeheartedly agree with the proposal that the information disclosed in accordance with the proposals and the general purpose financial statements should be connected.

As noted in question 3, we believe it is worthwhile to have additional disclosure requirements for any disclosure discrepancies resulting from applying different requirements and thresholds between the EDs and information disclosed in accordance with the accounting standards.

Question 7: Fair presentation (paragraphs 45–55)
The Exposure Draft proposes that a complete set of sustainability-related financial disclosures would be required to present fairly the sustainability-related risks and opportunities to which an entity is exposed. Fair presentation would require the faithful representation of sustainability-related risks and opportunities in accordance with the proposed principles set out in the Exposure Draft. Applying IFRS Sustainability Disclosure Standards, with additional disclosure when necessary, is presumed to result in sustainability-related financial disclosures that achieve a fair presentation. To identify significant sustainability-related risks and opportunities, an entity would apply IFRS Sustainability Disclosure Standards. In addition to IFRS Sustainability Disclosure Standards to identify sustainability-related risks and opportunities, the entity shall consider the disclosure topics in the industry-based SASB Standards, the ISSB's non-mandatory guidance (such as the CDSB Framework application guidance for water- and biodiversity-related disclosures), the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting, and sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies. To identify disclosures, including metrics, that are likely to be helpful in assessing how sustainability-related risks and opportunities to which it is exposed could affect its enterprise value, an entity would apply the relevant IFRS Sustainability Disclosure Standards. In the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk and opportunity, an entity shall use its judgement in identifying disclosures that (a) are relevant to the decision-making needs of users of general purpose financial reporting; (b) faithfully represent the entity's risks and opportunities in relation to the specific sustainability-related risk or opportunity; and (c) are neutral. In making that judgement, entities would consider the same sources identified in the preceding paragraph, to the extent that they do not conflict with an IFRS Sustainability Disclosure Standard. a. Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not? b. Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the Exposure Draft.

We believe the proposal is sufficiently clear, subject to our comments elsewhere in this letter.

As noted in our cover letter, we are concerned about the references to external guidance. Specifically, para 51 includes a list of resources an entity should consider in identifying sustainability-related risks and opportunities and disclosure. We agree that it is useful to include a list of resources to reference in applying the EDs.

However, we have two concerns with the current drafting:

- The use of 'shall consider' – this is likely to be interpreted as scoping in the requirements of all the sources listed. We don't believe this would be appropriate. Instead, we believe the resources should be used as reference material in applying the ED, but should not in themselves influence the application of the principles of the ED.
- The resources listed are very specific, referencing particular frameworks of standards by other standard setters. We believe the list should be generalised not to include specific names. This will ensure the ED itself is sustainable as generalised references will remain applicable, irrespective of the longevity or continued suitability of the specified resources.

We agree with the statement in para 46 which includes a presumption that the application of IFRS Sustainability Disclosure Standards will achieve fair presentation. However, we believe this presumption should form part of the overall objective of the ED instead appearing for the first time part-way through the document.

Question 8: Materiality (paragraphs 56–62)
The Exposure Draft defines material information in alignment with the definition in IASB's *Conceptual Framework for General Purpose Financial Reporting* and IAS 1. Information 'is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity'. However, the materiality judgements will vary because the nature of sustainability- related financial information is different to information included in financial statements. Whether information is material also needs to be assessed in relation to enterprise value. Material sustainability-related financial information disclosed by an entity may change from one reporting period to another as circumstances and assumptions change, and as expectations from the primary users of reporting change. Therefore, an entity would be required to use judgement to identify what is material, and materiality judgements are reassessed at each reporting date. The Exposure Draft proposes that even if a specific IFRS Sustainability Disclosure Standard contained specific disclosure requirements, an entity would need not to provide that disclosure if the resulting information was not material. Equally, when the specific requirements would be

insufficient to meet users' information needs, an entity would be required to consider whether to disclose additional information. This approach is consistent with the requirements of IAS 1.

The Exposure Draft also proposes that an entity need not disclose information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information. In such a case, an entity shall identify the type of information not disclosed and explain the source of the restriction.

a. Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not?

b. Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not?

c. Is the Exposure Draft and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why or why not? If not, what additional guidance is needed and why?

d. Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?

We agree with the basic premise for materiality set out in para 56 of S1 because, as noted elsewhere, we believe that enterprise value is a sufficient proxy to use as a basis to identify and disclose an entity's most significant sustainability-related risks and opportunities.

In addition, we belief that any proposed materiality should be tangible and not overly broad. The current proposed materiality fulfils both these conditions.

Lastly, the similarity of the current proposed materiality with that in most accounting standards should assist preparers in its application and result in more consistent application, although the usefulness of any guidance will most likely only be truly established once the EDs are applied in practice.

We note the use of significant throughout the document without the term being defined. We believe most users will simply use 'significant' and 'material' interchangeably. Any difference between the terms within the context of the ED is not clear. We recommend removing this ambiguity through merging the two terms.

Question 9: Frequency of reporting (paragraphs 66–71)

The Exposure Draft proposes that an entity be required to report its sustainability- related financial disclosures at the same time as its related financial statements, and the sustainability-related financial disclosures shall be for the same reporting period as the financial statements.

Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not?

Conceptually, we welcome the proposal to report information at the same time as the related financial statements. This further enhances the connectedness of information.

However, as alluded to in question 1, we are concerned about the availability of knowledgeable resources to apply the EDs in their current form within the tight deadlines required for financial statements. Our earlier proposal for a phased approach may alleviate this time pressure as entities become familiar with the new EDs' reporting requirements and the related information is more readily available.

In addition, we are aware that certain jurisdictions require entities to provide financial statements very quickly after the end of the reporting period. In these instances, it may be very difficult, if not impossible, for entities to comply with this requirement.

Question 10: Location of information (paragraphs 72–78)

The Exposure Draft proposes that an entity be required to disclose information required by the IFRS Sustainability Disclosure Standards as part of its general purpose financial reporting—ie as part of the same package of reporting that is targeted at investors and other providers of financial capital.

However, the Exposure Draft deliberately avoids requiring the information to be provided in a particular location within the general purpose financial reporting so as not to limit an entity's ability to communicate information in an effective and coherent manner, and to prevent conflicts with specific jurisdictional regulatory requirements on general purpose financial reporting.

The proposal permits an entity to disclose information required by an IFRS Sustainability Disclosure Standard in the same location as information disclosed to meet other requirements, such as information required by regulators. However, the entity would be required to ensure that the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information.

Information required by an IFRS Sustainability Disclosure Standard could also be included by cross-reference, provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced. For example, information required by an IFRS Sustainability Disclosure Standard could be disclosed in the related financial statements.

The Exposure Draft also proposes that when IFRS Sustainability Disclosure Standards require a disclosure of common items of information, an entity shall avoid unnecessary duplication.

a. Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not?

b. Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location?

c. Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross- referenced? Why or why not?

d. Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why or why not?

We broadly agree with the ISSB proposals. We believe that the sustainability information and financial information should be provided with equal prominence and be made available to users on the same terms. The current proposals fulfil these requirements.

We further agree that disclosures can be provided in an integrated manner and that the EDs are sufficiently clear regarding integrated disclosures.

Para 72 specifies that the disclosures required by the IFRS Sustainability Disclosure Standards must be provided by an entity 'as part of its general purpose financial reporting.' Although general purpose financial reporting is defined in Appendix A so as to include both general purpose financial statements and sustainability-related financial disclosures, we believe this may nevertheless result in an assumption that the disclosures form *part of* the general purpose financial statements, which we don't believe is the intention nor appropriate. We recommend a clarification in para 72 to specify that the disclosures are provided *alongside* the general purpose financial statements.

Question 11: Comparative information, sources of estimation and outcome uncertainty, and errors (paragraphs 63–65, 79–83 and 84–90)

The Exposure Draft sets out proposed requirements for comparative information, sources of estimation and outcome uncertainty, and errors. These proposals are based on corresponding concepts for financial statements contained in IAS 1 and IAS 8.

However, rather than requiring a change in estimate to be reported as part of the current period disclosures, the Exposure Draft proposes that comparative information which reflects updated estimates be disclosed, except when this would be impracticable

—ie the comparatives would be restated to reflect the better estimate.

The Exposure Draft also includes a proposed requirement that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements, to the extent possible.

a. Have these general features been adapted appropriately into the proposals? If not, what should be changed?

b. Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives?

c. Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?

Para 64 requires entities to revise comparative information that reflects updated estimates. We understand and agree with the rationale as described in para BC83. In addition, we note the further disclosure requirements regarding the difference from the previous disclosure and the reasons for the change. Although these additional disclosures provide valuable information, we believe that entities should not just disclose the difference and the revised information, but also retain the original information. This will emphasise the changes and focus a reader's attention on the reasons for the change, which may indicate a noticeable change in circumstances or potentially highlight deficiencies in management's processes.

We further agree that information utilised to quantify disclosures should be consistent between sustainability related disclosures and those disclosures in the financial statements.

We note in para 64 the concept of impracticability in revising the comparative information. We agree with this requirement in principle, and we are comfortable with the consistent terminology to that in IAS 8 '*Accounting Policies, Changes in Accounting Estimates and Errors*'. However, S1 does little to expand on what is meant by impracticable, whilst IAS 8 contains a robust definition in para 5. We believe it would be very useful to have a similar definition of impracticable in S1, especially as this is likely to occur more often in the provision of sustainability-related financial information.

Question 12: Statement of compliance (paragraphs 91-92)
The Exposure Draft proposes that for an entity to claim compliance with IFRS Sustainability Disclosure Standards, it would be required to comply with the proposals in the Exposure Draft and all of the requirements of applicable IFRS Sustainability Disclosure Standards. Furthermore, the entity would be required to include an explicit and unqualified statement that it has complied with all of these requirements. The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards. Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

We agree with the proposals, including the proposal that an entity may assert compliance with the EDs if information is not provided due to limitations imposed on them by laws or regulations. It may be worthwhile requiring an entity to disclose the fact that they made use of this relief, including a reference to the law or regulation imposing such a limitation.

Question 13: Effective date (Appendix B)
The Exposure Draft proposes allowing entities to apply the Standard before the effective date to be set by the ISSB. It also proposes relief from the requirement to present comparative information in the first year the requirements would be applied to facilitate timely application of the Standard. a. When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others. b. Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?

We do not have any specific timelines in mind. However, when considering the effective date, we believe that the ISSB should consider the information needed to comply with the EDs, as well as the resources available to entities. As previously discussed, we think this may be simplified through a phased approach to the EDs whereby the most core disclosures are required immediately and then additional disclosure requirements are phased in over time. This may alleviate the pressure on both obtaining quality information and upskilling relevant employees.

We agree with the proposed relief regarding comparative disclosures in the first year of applying the EDs.

Question 14: Global baseline
IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of sustainability-related risks and opportunities. Those needs may be met by requirements set by others, including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards. Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

We referenced the EDs as a global baseline elsewhere in this letter. Broadly, we believe that the proposals are potentially capable of being considered a global baseline. Nevertheless, we think it may be useful to carefully consider the interaction between this goal of a global baseline and the provision of comprehensive disclosure requirements. In addition, a phased approach may assist in identifying the information that must form part of a global baseline vs information that is ideally provided in certain jurisdictions.

We agree with the idea behind providing a global baseline, as this will increase the possibility of the EDs being adopted globally, thereby providing certain information across geographic regions that is useful and comparable.

Question 15: Digital reporting
The ISSB plans to prioritise enabling digital consumption of sustainability-related financial information prepared in accordance with IFRS Sustainability Disclosure Standards from the outset of its work. The primary benefit of digital consumption as compared to paper-based consumption is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S2 *Climate-related Disclosures* Standards are the sources for the Taxonomy. It is intended that a staff draft of the Taxonomy will be published shortly after the release of the Exposure Draft, accompanied by a staff paper which will include an overview of the essential proposals for the Taxonomy. At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation. Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

We entirely agree with the need to enable digital reporting as soon as possible. We believe the ISSB can leverage the skills and knowledge of the IASB on matters that should be considered when drafting the ED in order to simplify the development of a Taxonomy and digital reporting. We also anticipate that the content of disclosures will evolve over time, so it will be important to have a sufficiently flexible taxonomy.

Question 16: Costs, benefits and likely effects
The ISSB is committed to ensuring that implementing the Exposure Draft proposals appropriately balances costs and benefits. a. Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals? b. Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

We acknowledge that implementing the ED will be costly, particularly in the first few reporting cycles. We will, however, defer to the preparers of sustainability related financial information for an analysis of the costs to implement the proposals, including relevant assurance costs. We are encouraged that the ISSB is conscious of the cost-benefit of any proposal as the costs may significantly influence the appetite to adopt the final EDs.

Question 17: Other comments
Do you have any other comments on the proposals set out in the Exposure Draft?

We believe that the naming convention as currently constituted is likely to cause some confusion. We understand the apparent intention to reposition IFRS away from its acronym to a brand name and have the accounting standards called IFRS Accounting Standards and the current EDs as IFRS Sustainability Disclosure Standards. We think that additional communication regarding this intention will be needed and that IFRS should henceforth not be expanded to its full form (otherwise you get International Financial Reporting Standards Accounting Standards).

We also note that using IFRS in the EDs' names may create the perception that they are interlinked with the IFRS Accounting Standards and thereby hamper adoption, despite the explicit statement in para 8.

Appendix B: Questions on IFRS S2 Climate-Related Disclosures

Question 1—Objective of the Exposure Draft
Paragraph 1 of the Exposure Draft sets out the proposed objective: an entity is required to disclose information about its exposure to climate-related risks and opportunities, enabling users of an entity's general purpose financial reporting: • to assess the effects of climate-related risks and opportunities on the entity's enterprise value; • to understand how the entity's use of resources, and corresponding inputs, activities, outputs and outcomes support the entity's response to and strategy for managing its climate-related risks and opportunities; and • to evaluate the entity's ability to adapt its planning, business model and operations to climate-related risks and opportunities. Paragraphs BC21–BC22 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals. a. Do you agree with the objective that has been established for the Exposure Draft? Why or why not? b. Does the objective focus on the information that would enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value? c. Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?

Please refer to our answers at questions 1 and 2 in Appendix A, as these apply equally within the context of this ED.

One additional concern we have is a potential inconsistency due to the naming convention. The ED is called 'Climate-related Disclosures', yet all the specific disclosures are related to climate change. Even the scope defines transition risk in para 3(a)(ii) as 'risks associated with the transition to a lower-carbon economy'. Although all the objectives and general wording in the ED refer to climate-related risks and opportunities, all the disclosures that have any specificity (for example, paras 9(c), 13(b)(iii), 15(b)(i), 21(a), 21(b), 21(f), and 23(f)) relate to climate-change only. The objective of the ED may therefore be confusing as all the general wording is climate-related, but all specific requirements are climate change. We are not certain whether this was the intention of the ISSB or whether there are specified reasons for this apparent inconsistency. It may be worthwhile for the ISSB to add in the basis of conclusions (BCs) their rationale relating to the naming convention, or if this anomaly was unintentional, to resolve it.

Question 2—Governance
Paragraphs 4 and 5 of the Exposure Draft propose that an entity be required to disclose information that enables users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities. To achieve this objective, the Exposure Draft proposes that an entity be required to disclose information about the governance body or bodies (which can include a board, committee or equivalent body charged with governance) with oversight of climate-related risks and opportunities, and a description of management's role regarding climate-related risks and opportunities. The Exposure Draft's proposed governance disclosure requirements are based on the recommendations of the TCFD, but the Exposure Draft proposes more detailed disclosure on some aspects of climate-related governance and management in order to meet the information needs of users of general purpose financial reporting. For example, the Exposure Draft proposes a requirement for preparers to disclose how the governance body's responsibilities for climate-related risks and opportunities are reflected in the entity's terms of reference, board mandates and other related policies. The related TCFD's recommendations are to: describe the board's oversight of climate- related risks and opportunities and management's role in assessing and managing climate-related risks and opportunities. Paragraphs BC57–BC63 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals. Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?

Please refer to our answer at question 4 in Appendix A, as this applies equally within the context of this ED. We agree with the close alignment of the current proposals to that of the TCFD Recommendations.

Question 3—Identification of climate-related risks and opportunities
Paragraph 9 of the Exposure Draft proposes that an entity be required to identify and disclose a description of significant climate-related risks and opportunities and the time horizon over which each could reasonably be expected to affect its business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term. In identifying the significant climate-related risks and opportunities described in paragraph 9(a), an entity would be required to refer to the disclosure topics defined in the industry disclosure requirements (Appendix B).

Paragraphs BC64–BC65 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

a. Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?

b. Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?

We broadly agree with the proposed requirements insofar as they align with the TCFD Recommendations, although our comments and concerns elsewhere in this letter also apply. We believe that any requirements beyond the TCFD Recommendations will require careful consideration regarding the impact of their implementation.

Question 4—Concentrations of climate-related risks and opportunities in an entity's value chain

Paragraph 12 of the Exposure Draft proposes requiring disclosures that are designed to enable users of general purpose financial reporting to understand the effects of significant climate-related risks and opportunities on an entity's business model, including in its value chain. The disclosure requirements seek to balance measurement challenges (for example, with respect to physical risks and the availability of reliable, geographically-specific information) with the information necessary for users to understand the effects of significant climate-related risks and opportunities in an entity's value chain.

As a result, the Exposure Draft includes proposals for qualitative disclosure requirements about the current and anticipated effects of significant climate-related risks and opportunities on an entity's value chain. The proposals would also require an entity to disclose where in an entity's value chain significant climate-related risks and opportunities are concentrated.

Paragraphs BC66–BC68 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

a. Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not?

b. Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?

We broadly agree with the proposed requirements, insofar as they align with the TCFD Recommendations. Any requirements beyond the TCFD Recommendations will require careful consideration because of implementation challenges.

In addition, we highlight our comments in other parts of our response which are also applicable here:

- Our response to Question 5 in Appendix A relating to the challenges relating to the value chain;
- Our response to Question 6 in Appendix A also applies here to explain to users the potential differences between disclosure in accordance with S2 and those disclosed in the financial statements; and
- As outlined in our response to question 1 in Appendix A, we are of the view that the ISSB should consider a phased approach regarding the timing of when requirements are mandatory. This is an area where a phased approach may be useful and could alleviate some of the immediate pressure of applying the EDs.

Question 5—Transition plans and carbon offsets

Disclosing an entity's transition plan towards a lower-carbon economy is important for enabling users of general purpose financial reporting to assess the entity's current and planned responses to the decarbonisation-related risks and opportunities that can reasonably be expected to affect its enterprise value.

Paragraph 13 of the Exposure Draft proposes a range of disclosures about an entity's transition plans. The Exposure Draft proposes requiring disclosure of information to enable users of general purpose financial reporting to understand the effects of climate- related risks and opportunities on an entity's strategy and decision-making, including its transition plans. This includes information about how it plans to achieve any climate-related targets that it has set (this includes information about the use of carbon offsets); its plans and critical assumptions for legacy assets; and quantitative and qualitative information about the progress of plans previously disclosed by the entity.

An entity's reliance on carbon offsets, how the offsets it uses are generated, and the credibility and integrity of the scheme from which the entity obtains the offsets have implications for the entity's enterprise value over the short, medium and long term. The Exposure Draft therefore includes disclosure requirements about the use of carbon offsets in achieving an entity's emissions targets. This proposal reflects the need for users of general purpose financial reporting to understand an entity's plan for reducing emissions, the role played by carbon offsets and the quality of those offsets.

The Exposure Draft proposes that entities disclose information about the basis of the offsets' carbon removal (nature- or technology-based) and the third-party verification or certification scheme for the offsets. Carbon offsets can be based on avoided emissions. Avoided emissions are the potential lower future emissions of a product, service or project when compared to a situation where the product, service or project did not exist, or when it is compared to a baseline. Avoided-emission approaches in an entity's climate-related strategy are complementary to, but fundamentally different from, the entity's emission-inventory accounting and emission-reduction transition targets. The Exposure Draft therefore proposes to include a requirement for entities to disclose whether the carbon offset amount achieved is through carbon removal or emission avoidance.

The Exposure Draft also proposes that an entity disclose any other significant factors necessary for users of general purpose financial reporting to understand the credibility of the offsets used by the entity such as information about assumptions of the permanence of the offsets.

Paragraphs BC71–BC85 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

a. Do you agree with the proposed disclosure requirements for transition plans? Why or why not?

b. Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.

c. Do you think the proposed carbon offset disclosures will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?

d. Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?

We broadly agree with the requirements in relation to transition plans and carbon offsets, insofar as they align with the TCFD Recommendations. Any requirements beyond the TCFD Recommendations will require careful consideration given the challenges implicit in complying with the requirements.

Regarding the cost of implementation, please refer to our answer in question 12.

In addition, we highlight our comments in other parts of our response which are also applicable here:

- Our response to Question 6 in Appendix A also applies here to explain to users the potential differences between disclosures in accordance with S2 and disclosures in the financial statements; and
- As outlined in our response to question 1 in Appendix A, we are of the view that the ISSB should consider a phased approach regarding the timing of when requirements are mandatory. This is another area where a phased approach may be useful to alleviate some of the immediate pressure of applying the EDs.

Question 6—Current and anticipated effects

The Exposure Draft proposes requirements for an entity to disclose information about the anticipated future effects of significant climate-related risks and opportunities. The Exposure Draft proposes that, if such information is provided quantitatively, it can be expressed as a single amount or as a range. Disclosing a range enables an entity to communicate the significant variance of potential outcomes associated with the monetised effect for an entity; whereas if the outcome is more certain, a single value may be more appropriate.

The TCFD's 2021 status report identified the disclosure of anticipated financial effects of climate-related risks and opportunities using the TCFD Recommendations as an area with little disclosure. Challenges include: difficulties of organisational alignment, data, risk evaluation and the attribution of effects in financial accounts; longer time horizons associated with climate-related risks and opportunities compared with business horizons; and securing approval to disclose the results publicly. Disclosing the financial effects of climate-related risks and opportunities is further complicated when an entity provides specific information about the effects of climate-related risks and opportunities on the entity. The financial effects could be due to a combination of other sustainability-related risks and opportunities and not separable for the purposes of climate-related disclosure (for example, if the value of an asset is considered to be at risk it may be difficult to separately identify the effect of climate on the value of the asset in isolation from other risks).

Similar concerns were raised by members of the TRWG in the development of the climate-related disclosure prototype following conversations with some preparers. The difficulty of providing single-point estimates due to the level of uncertainty regarding both climate outcomes and the effect of those outcomes on a particular entity was also highlighted. As a result, the proposals in the Exposure Draft seek to balance these challenges with the provision of information for investors about how climate-related issues affect an entity's financial position and financial performance currently and over the short, medium and long term by allowing anticipated monetary effects to be disclosed as a range or a point estimate.

The Exposure Draft proposes that an entity be required to disclose the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term—including how climate-related risks and opportunities are included in the entity's financial planning (paragraph 14). The requirements also seek to address potential measurement challenges by requiring disclosure of quantitative information unless an entity is unable to provide the information quantitatively, in which case it shall be provided qualitatively.

Paragraphs BC96–BC100 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

a. Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?

b. Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?

c. Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?

We broadly agree with the requirements of current and anticipated effects, insofar as they align with the TCFD Recommendations. Any requirements beyond the TCFD Recommendations will require careful consideration given the challenges of complying with the requirements.

Specifically, we agree with the concept that quantitative information should be provided, unless an entity is not capable to do so. This is similar to the 'comply or explain' model often utilised in integrated reporting, which is generally well known. However, we believe this may present its own challenges, especially in jurisdictions where the 'comply or explain' model is not well known.

In addition, we highlight our comments in other parts of our response which are also applicable here:

- Our response to Question 6 in Appendix A also applies here to explain to users the potential differences between disclosure in accordance with S2 and disclosures in the financial statements; and
- As outlined in our response to question 1 in Appendix A, we are of the view that the ISSB should consider a phased approach regarding the timing of when requirements are mandatory. This is another area where a phased approach may be useful to alleviate some of the immediate pressure of applying the EDs.

Question 7—Climate resilience

The likelihood, magnitude and timing of climate-related risks and opportunities affecting an entity are often complex and uncertain. As a result, users of general purpose financial reporting need to understand the resilience of an entity's strategy (including its business model) to climate change, factoring in the associated uncertainties. Paragraph 15 of the Exposure Draft therefore includes requirements related to an entity's analysis of the resilience of its strategy to climate-related risks. These requirements focus on:

- what the results of the analysis, such as impacts on the entity's decisions and performance, should enable users to understand; and
- whether the analysis has been conducted using:
    - climate-related scenario analysis; or
    - an alternative technique.

Scenario analysis is becoming increasingly well established as a tool to help entities and investors understand the potential effects of climate change on business models, strategies, financial performance and financial position. The work of the TCFD showed that investors have sought to understand the assumptions used in scenario analysis, and how an entity's findings from the analysis inform its strategy and risk- management decisions and plans. The TCFD also found that investors want to understand what the outcomes indicate about the resilience of the entity's strategy, business model and future cash flows to a range of future climate scenarios (including whether the entity has used a scenario aligned with the latest international agreement on climate change). Corporate board committees (notably audit and risk) are also increasingly requesting entity-specific climate-related risks to be included in risk mapping with scenarios reflecting different climate outcomes and the severity of their effects.

Although scenario analysis is a widely accepted process, its application to climate- related matters in business, particularly at an individual entity level, and its application across sectors is still evolving. Some sectors, such as extractives and minerals processing, have used climate-related scenario analysis for many years; others, such as consumer goods or technology and communications, are just beginning to explore applying climate-related scenario analysis to their businesses.

Many entities use scenario analysis in risk management for other purposes. Where robust data and practices have developed, entities thus have the analytical capacity to undertake scenario analysis. However, at this time the application of climate-related scenario analysis for entities is still developing.

Preparers raised other challenges and concerns associated with climate-related scenario analysis, including: the speculative nature of the information that scenario analysis generates, potential legal liability associated with disclosure (or miscommunication) of such information, data availability and disclosure of confidential information about an entity's strategy. Nonetheless, by prompting the consideration of a range of possible outcomes and explicitly incorporating multiple variables, scenario analysis provides valuable information and perspectives as inputs to an entity's strategic decision-making and risk-management processes. Accordingly, information about an entity's scenario analysis of significant climate-related risks is important for users in assessing enterprise value.

The Exposure Draft proposes that an entity be required to use climate-related scenario analysis to assess its climate resilience unless it is unable to do so. If an entity is unable to use climate-related scenario analysis, it shall use an alternative method or technique to assess its climate resilience.

Requiring disclosure of information about climate-related scenario analysis as the only tool to assess an entity's climate resilience may be considered a challenging request from the perspective of a number of preparers at this time—particularly in some sectors. Therefore, the proposed requirements are designed to accommodate alternative approaches to resilience assessment, such as qualitative analysis, single-point forecasts, sensitivity analysis and stress tests. This approach would provide preparers, including smaller entities, with relief, recognising that formal scenario analysis and related disclosure can be resource intensive, represents an iterative learning process, and may take multiple planning cycles to achieve. The Exposure Draft proposes that when an entity uses an approach other than scenario analysis, it disclose similar information to that generated by scenario analysis to provide investors with the information they need to understand the approach used and the key underlying assumptions and parameters associated with the approach and associated implications for the entity's resilience over the short, medium and long term.

It is, however, recommended that scenario analysis for significant climate-related risks (and opportunities) should become the preferred option to meet the information needs of users to understand the resilience of an entity's strategy to significant climate- related risks. As a result, the Exposure Draft proposes that entities that are unable to conduct climate-related scenario analysis provide an explanation of why this analysis was not conducted. Consideration was also given to whether climate-related scenario analysis should be required by all entities with a later effective date than other proposals in the Exposure Draft.

Paragraphs BC86–BC95 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

a. Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?

b. The Exposure Draft proposes that if an entity is unable to perform climate- related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy.

    i. Do you agree with this proposal? Why or why not?

    ii. Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not?

    iii. Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why?

c. Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?

d. Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?

e. Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?

We broadly agree with the requirements for climate resilience, insofar as they align with the TCFD Recommendations. Any requirements beyond the TCFD Recommendations will require careful consideration given the challenges with compliance.

Regarding the cost of implementation, please refer to our answer in question 12.

In addition, we highlight our comments in other parts of our response which are also applicable here:

- Our response to Question 6 in Appendix A also applies here to explain to users the potential differences between disclosure in accordance with S2 and disclosures in the financial statements; and
- As outlined in our response to question 1 in Appendix A, we are of the view that the ISSB should consider a phased approach regarding the timing of when requirements are mandatory. This is another area where a phased approach may be useful to alleviate some of the immediate pressure of applying the EDs.

Question 8—Risk management

An objective of the Exposure Draft is to require an entity to provide information about its exposure to climate-related risks and opportunities, to enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on the entity's enterprise value. Such disclosures include information for users to understand the process, or processes, that an entity uses to identify, assess and manage not only climate-related risks, but also climate-related opportunities.

Paragraphs 16 and 17 of the Exposure Draft would extend the remit of disclosures about risk management beyond the TCFD Recommendations, which currently only focus on climate-related risks. This proposal reflects both the view that risks and opportunities can relate to or result from the same source of uncertainty, as well as the evolution of common practice in risk management, which increasingly includes opportunities in processes for identification, assessment, prioritisation and response.

Paragraphs BC101–BC104 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?

Please refer to our answer at question 4 in Appendix A, as this applies equally within the context of this ED. We agree with the close alignment of the current proposals to that of the TCFD Recommendations. Any requirements beyond the TCFD Recommendations will require careful consideration because of implementation challenges.

Question 9—Cross-industry metric categories and greenhouse gas emissions

The Exposure Draft proposes incorporating the TCFD's concept of cross-industry metrics and metric categories with the aim of improving the comparability of disclosures across reporting entities regardless of industry. The proposals in the Exposure Draft would require an entity to disclose these metrics and metric categories irrespective of its particular industry or sector (subject to materiality). In proposing these requirements, the TCFD's criteria were considered. These criteria were designed to identify metrics and metric categories that are:

- indicative of basic aspects and drivers of climate-related risks and opportunities;
- useful for understanding how an entity is managing its climate-related risks and opportunities;
- widely requested by climate reporting frameworks, lenders, investors, insurance underwriters and regional and national disclosure requirements; and
- important for estimating the financial effects of climate change on entities.

The Exposure Draft thus proposes seven cross-industry metric categories that all entities would be required to disclose: greenhouse gas (GHG) emissions on an absolute basis and on an intensity basis; transition risks; physical risks; climate-related opportunities; capital deployment towards climate-related risks and opportunities; internal carbon prices; and the percentage of executive management remuneration that is linked to climate-related considerations. The Exposure Draft proposes that the GHG Protocol be applied to measure GHG emissions.

The GHG Protocol allows varied approaches to be taken to determine which emissions an entity includes in the calculation of Scope 1, 2 and 3—including for example, how the emissions of unconsolidated entities such as associates are included. This means that the way in which information is provided about an entity's investments in other entities in their financial statements may not align with how its GHG emissions are calculated. It also means that two entities with identical investments in other entities could report different GHG emissions in relation to those investments by virtue of choices made in applying the GHG Protocol.

To facilitate comparability despite the varied approaches allowed in the GHG Protocol, the Exposure Draft proposes that an entity shall disclose:

- separately Scope 1 and Scope 2 emissions, for:
  - the consolidated accounting group (the parent and its subsidiaries);
  - the associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group; and
- the approach it used to include emissions for associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group (for example, the equity share or operational control method in the GHG Protocol Corporate Standard).

The disclosure of Scope 3 GHG emissions involves a number of challenges, including those related to data availability, use of estimates, calculation methodologies and other sources of uncertainty. However, despite these challenges, the disclosure of GHG emissions, including Scope 3 emissions, is becoming more common and the quality of the information provided across all sectors and jurisdictions is improving. This development reflects an increasing recognition that Scope 3 emissions are an important component of investment-risk analysis because, for most entities, they represent by far the largest portion of an entity's carbon footprint.

Entities in many industries face risks and opportunities related to activities that drive Scope 3 emissions both up and down the value chain. For example, they may need to address evolving and increasingly stringent energy efficiency standards through product design (a transition risk) or seek to capture growing demand for energy- efficient products or seek to enable or incentivise upstream emissions reduction (climate opportunities). In combination with industry metrics related to these specific drivers of risk and opportunity, Scope 3 data can help users evaluate the extent to which an entity is adapting to the transition to a lower-carbon economy. Thus, information about Scope 3 GHG emissions enables entities and their investors to identify the most significant GHG reduction opportunities across an entity's entire value chain, informing strategic and operational decisions regarding relevant inputs, activities and outputs.

For Scope 3 emissions, the Exposure Draft proposes that:

- an entity shall include upstream and downstream emissions in its measure of Scope 3 emissions;
- an entity shall disclose an explanation of the activities included within its measure of Scope 3 emissions, to enable users of general purpose financial reporting to understand which Scope 3 emissions have been included in, or excluded from, those reported;
- if the entity includes emissions information provided by entities in its value chain in its measure of Scope 3 greenhouse gas emissions, it shall explain the basis for that measurement; and
- if the entity excludes those greenhouse gas emissions, it shall state the reason for omitting them, for example, because it is unable to obtain a faithful measure.

Aside from the GHG emissions category, the other cross-industry metric categories are defined broadly in the Exposure Draft. However, the Exposure Draft includes non- mandatory Illustrative Guidance for each cross-industry metric category to guide entities.

Paragraphs BC105–BC118 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

a. The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?

b. Are there any additional cross-industry metric categories related to climate- related risks and opportunities that would be useful to facilitate cross-industry comparisons and assessments of enterprise value (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful to users of general purpose financial reporting.

c. Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?

d. Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3— expressed in CO_2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH_4) separately from nitrous oxide (NO_2))?

e. Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for:

   i. the consolidated entity; and

   ii. for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not?

f. Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?

We broadly agree with the requirements, insofar as they align with the TCFD Recommendations. Any requirements beyond the TCFD Recommendations will require careful consideration because of implementation challenges.

Specifically, we note the significant challenges that will exist in disclosing Scope 3 emissions. Likewise, we believe the requirement to disclose Scope 1 and Scope 2 emissions for any associates, joint ventures, unconsolidated subsidiaries and affiliates may also be challenging, due to the lack of control by the Group over these entities and their inability to insist on certain information being produced. In both instances, the main challenge is the collection of information and the ability of an entity to obtain reliable and complete information. These two requirements are particularly well suited for a phased approach as referenced below.

In addition to the above, we have two further specific observations:

1. The requirement in para 21(a)(iii) is to disclose the Scope 1 and Scope 2 emissions for the consolidated accounting group. Although no indication is given for 'intercompany' type emissions, preparers are used to the concept of eliminating intra-group transactions and balances, therefore their natural reaction might be to eliminate such emissions. We believe this interpretation is inconsistent with the intention of the requirement, which should include all emissions, whether intercompany or external. We therefore suggest clarifying that due to the nature of emissions, no 'intercompany' eliminations should be made when complying with this requirement.
2. Para 21(e) provides a disclosure requirement regarding capital deployment towards climate-related risks and opportunities. However, no definition is provided for 'deployment'. There can be various ways to interpret this, for example the amount already incurred vs the amount committed. We would therefore recommend clarifying the scope of 'deployment'.

In addition, we highlight our comments in other parts of our response which are also applicable here:

- Our response to Question 6 in Appendix A also applies here to explain to users the potential differences between disclosure in accordance with S2 and disclosures in the financial statements; and
- As outlined in our response to question 1 in Appendix A, we are of the view that the ISSB should consider a phased approach regarding the timing of when requirements are mandatory. This is another area where a phased approach may be useful to alleviate some of the immediate pressure of applying the EDs.

Question 10—Targets
Paragraph 23 of the Exposure Draft proposes that an entity be required to disclose information about its emission-reduction targets, including the objective of the target (for example, mitigation, adaptation or conformance with sector or science-based initiatives), as well as information about how the entity's targets compare with those prescribed in the latest international agreement on climate change. The 'latest international agreement on climate change' is defined as the latest agreement between members of the United Nations Framework Convention on Climate Change (UNFCCC). The agreements made under the UNFCCC set norms and targets for a reduction in greenhouse gases. At the time of publication of the Exposure Draft, the latest such agreement is the Paris Agreement (April 2016); its signatories agreed to limit global warming to well below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit warming to 1.5 degrees Celsius above pre-industrial levels. Until the Paris Agreement is replaced, the effect of the proposals in the Exposure Draft is that an entity is required to reference the targets set out in the Paris Agreement when disclosing whether or to what degree its own targets compare to the targets in the Paris Agreement. Paragraphs BC119–BC122 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals. a. Do you agree with the proposed disclosure about climate-related targets? Why or why not? b. Do you think the proposed definition of 'latest international agreement on climate change' is sufficiently clear? If not, what would you suggest and why?

We broadly agree with the proposed requirements, insofar as they align with the TCFD Recommendations. Any requirements beyond the TCFD Recommendations will require careful consideration because of implementation challenges.

In addition, we highlight our comments in other parts of our response which are also applicable here:

- Our response to Question 6 in Appendix A also applies here to explain to users the potential differences between disclosure in accordance with S2 and disclosures in the financial statements; and
- As outlined in our response to question 1 in Appendix A, we are of the view that the ISSB should consider a phased approach regarding the timing of when requirements are mandatory. This is another area where a phased approach may be useful to alleviate some of the immediate pressure of applying the EDs.

Question 11—Industry-based requirements
The Exposure Draft proposes industry-based disclosure requirements in Appendix B that address significant sustainability-related risks and opportunities related to climate change. Because the requirements are industry-based, only a subset will apply to a particular entity. The requirements have been derived from the SASB Standards. This is consistent with the responses to the Trustees' 2020 consultation on sustainability that recommended that the ISSB build upon existing sustainability standards and frameworks. This approach is also consistent with the TRWG's climate-related disclosure prototype. The proposed industry-based disclosure requirements are largely unchanged from the equivalent requirements in the SASB Standards. However, the requirements included in the Exposure Draft include some targeted amendments relative to the existing SASB Standards. The proposed enhancements have been developed since the publication of the TRWG's climate-related disclosure prototype. The first set of proposed changes address the international applicability of a subset of metrics that cited jurisdiction-specific regulations or standards. In this case, the Exposure Draft proposes amendments (relative to the SASB Standards) to include references to international standards and definitions or, where appropriate, jurisdictional equivalents. Paragraphs BC130–BC148 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals to improve the international applicability of the industry-based requirements. a. Do you agree with the approach taken to revising the SASB Standards to improve the international applicability, including that it will enable entities to apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why?

b. Do you agree with the proposed amendments that are intended to improve the international applicability of a subset of industry disclosure requirements? If not, why not?

c. Do you agree that the proposed amendments will enable an entity that has used the relevant SASB Standards in prior periods to continue to provide information consistent with the equivalent disclosures in prior periods? If not, why not?

The second set of proposed changes relative to existing SASB Standards address emerging consensus on the measurement and disclosure of financed or facilitated emissions in the financial sector. To address this, the Exposure Draft proposes adding disclosure topics and associated metrics in four industries: commercial banks, investment banks, insurance and asset management. The proposed requirements relate to the lending, underwriting and/or investment activities that finance or facilitate emissions. The proposal builds on the GHG Protocol Corporate Value Chain (Scope 3) Standard which includes guidance on calculating indirect emissions resulting from Category 15 (investments).

Paragraphs BC149–BC172 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals for financed or facilitated emissions.

d. Do you agree with the proposed industry-based disclosure requirements for financed and facilitated emissions, or would the cross-industry requirement to disclose Scope 3 emissions (which includes Category 15: Investments) facilitate adequate disclosure? Why or why not?

e. Do you agree with the industries classified as 'carbon-related' in the proposals for commercial banks and insurance entities? Why or why not? Are there other industries you would include in this classification? If so, why?

f. Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?

g. Do you agree with the proposals to require disclosure of the methodology used to calculate financed emissions? If not, what would you suggest and why?

h. Do you agree that an entity be required to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions without the ISSB prescribing a more specific methodology (such as that of the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry)? If you don't agree, what methodology would you suggest and why?

i. In the proposal for entities in the asset management and custody activities industry, does the disclosure of financed emissions associated with total assets under management provide useful information for the assessment of the entity's indirect transition risk exposure? Why or why not?

Overall, the proposed industry-based approach acknowledges that climate-related risks and opportunities tend to manifest differently in relation to an entity's business model, the underlying economic activities in which it is engaged and the natural resources upon which its business depends or which its activities affect. This affects the assessment of enterprise value. The Exposure Draft thus incorporates industry-based requirements derived from the SASB Standards.

The SASB Standards were developed by an independent standard-setting board through a rigorous and open due process over nearly 10 years with the aim of enabling entities to communicate sustainability information relevant to assessments of enterprise value to investors in a cost-effective manner. The outcomes of that process identify and define the sustainability-related risks and opportunities (disclosure topics) most likely to have a significant effect on the enterprise value of an entity in a given industry. Further, they set out standardised measures to help investors assess an entity's performance on the topic.

Paragraphs BC123–BC129 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals related to the industry-based disclosure requirements.

While the industry-based requirements in Appendix B are an integral part of the Exposure Draft, forming part of its requirements, it is noted that the requirements can also inform the fulfilment of other requirements in the Exposure Draft, such as the identification of significant climate-related risks and opportunities (see paragraphs BC49–BC52).

j. Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why

k. Are there any additional industry-based requirements that address climate- related risks and opportunities that are necessary to enable users of general purpose financial reporting to assess enterprise value (or are some proposed that are not)? If so, please describe those disclosures and explain why they are or are not necessary.

l. In noting that the industry classifications are used to establish the applicability of the industry-based disclosure requirements, do you have any comments or suggestions on the industry descriptions that define the activities to which the requirements will apply? Why or why not? If not, what do you suggest and why?

We broadly agree with requirements that leverage current, relatively well known requirements. Further, we believe that industry based requirements can be very useful to preparers. Such requirements may enhance comparability for users. However, any requirements beyond the more well known ones (e.g., the additional metrics to the four industries in the financial sector) will require careful consideration regarding the impact and practicality of their implementation.

Given the onerous nature of the requirements, we are of the view that this is another area where a phased approach may be useful and could alleviate the immediate pressure of applying the EDs as outlined in Question 1 of Appendix A. This is especially true for the extensive additions made to the metrics applicable to the four industries in the financial sector that will be inextricably linked to externally obtained information.

As noted in our cover letter and further elaborated in question 8 of Appendix A, para B17 provides industry-based disclosure EDs associated with S2, thereby mandating their use. Although this guidance isn't specifically external, we consider them external within the context of the ED. However they might be classified, we disagree with this requirement without explicit guidance on how to assess which industry-based disclosures should apply. This is especially true for larger, multi-disciplinary entities, where many different industries' guidance could apply equally. This may result in cumbersome and less useful disclosure, if all of them are mandated for application. We recommend demoting the guidance from mandatory application to being a useful resource to consider when assessing the disclosures required to fulfil the objectives and requirements in S2.

Question 12—Costs, benefits and likely effects
Paragraphs BC46–BC48 of the Basis for Conclusions set out the commitment to ensure that implementing the Exposure Draft proposals appropriately balances costs and benefits. a. Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals? b. Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider? c. Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?

Please refer to our answer at question 16 in Appendix A.

Question 13—Verifiability and enforceability
Paragraphs C21–24 of [draft] IFRS S1 *General Requirements for Disclosure of Sustainability- related Financial Information* describes verifiability as one of the enhancing qualitative characteristics of sustainability-related financial information. Verifiability helps give investors and creditors confidence that information is complete, neutral and accurate. Verifiable information is more useful to investors and creditors than information that is not verifiable. Information is verifiable if it is possible to corroborate either the information itself or the inputs used to derive it. Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.

Please refer to our answer at questions 1 and 5 in Appendix A, as they relate to assurance over the information disclosed and assessing compliance with the requirements of the EDs.

Question 14—Effective date
Because the Exposure Draft is building upon sustainability-related and integrated reporting frameworks used by some entities, some may be able to apply a retrospective approach to provide comparative information in the first year of application. However, it is acknowledged that entities will vary in their ability to use a retrospective approach. Acknowledging this situation and to facilitate timely application of the proposals in the Exposure Draft, it is proposed that an entity is not required to disclose comparative information in the first period of application. [Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* requires entities to disclose all material information about sustainability- related risks and opportunities. It is intended that [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* be applied in conjunction with the Exposure Draft. This could pose challenges for preparers, given that the Exposure Draft proposes disclosure requirements for climate-related risks and opportunities, which are a subset of those sustainability-related risks and opportunities. Therefore, the requirements included in [draft] IFRS S1 *General Requirements for Disclosure of Sustainability- related Financial Information* could take longer to implement. Paragraphs BC190–BC194 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

a. Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*? Why?

b. When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft.

c. Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?

Please refer to our answer at question 13 in Appendix A.

Question 15—Digital reporting

The ISSB plans to prioritise enabling digital consumption of sustainability-related financial information prepared in accordance with IFRS Sustainability Disclosure Standards from the outset of its work. The primary benefit of digital consumption of sustainability-related financial information, as compared to paper-based consumption, is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* Standards are the sources for the Taxonomy.

It is intended that a staff draft of the Taxonomy will be published shortly after the release of the Exposure Draft, accompanied by a staff paper which will include an overview of the essential proposals for the Taxonomy. At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation.

Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

Please refer to our answer at question 15 in Appendix A.

Question 16—Global baseline

IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of climate change. Those needs may be met by requirements set by others including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

Please refer to our answer at question 14 in Appendix A.

Question 17—Other comments

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

We realise that this is not likely to apply to S2 because climate change affects all entities, but it is possible that some future standards might not result in any significant sustainability risks or opportunities for an entity. We would therefore recommend an explicit statement that an entire standard can be scoped out based on materiality, even though this is implicitly the case through application of S1.

The reason for this recommendation is two-fold:

- these exposure drafts form the foundation and structure that will be followed for other standards, some of which may be more likely to be not relevant for some entities. For example, water pollution is unlikely to pose significant risks and opportunities for professional services firms; and
- requirements prefaced by 'shall' often devolve into a checklist and, although preparers may decide not to apply some requirements, it might seem too much not to apply an entire standard.