# Comment letter to ISSB's Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, and Exposure Draft IFRS S2 Climate-related Disclosures

The following Canadian-based, global investors, asset managers and owners are pleased to submit our comments in support of the International Sustainability Standards Board's (ISSB)'s proposed enhancement and standardization of sustainability-related financial information disclosures and climate-related disclosures. Representing $1.6 trillion Canadian dollars in assets under management we are committed to creating more sustainable and inclusive growth by integrating climate change and other environmental, social and governance (ESG) factors into our strategies and investment decisions, and into our financial disclosures.

We support the ISSB's proposal to improve and standardize disclosure of sustainability-related financial information and climate-related disclosures.

Doing this will unlock opportunities and mitigate risks, supporting our mandates to deliver long-term risk adjusted returns. To deliver on our mandates we need the disclosure of consistent, comparable, and reliable information on climate change from companies.

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## Preamble to IFRS S1

In our view, a few key elements that were included in both exposure drafts (IFRS S1 and IFRS S2) must be changed to provide more clarity and enhance the recommended disclosure.

- Eliminate, "significant" and focus on materiality

We recommend that the concept of *material* be used in place of the concept of *significant* throughout the standard. There is no clear distinction between significant and material. For example, in IFRS S1, paragraph 2 refers to <u>material</u> information for <u>significant</u> risks and opportunities. Guidance regarding materiality follows in paragraphs 2, 56-62 and C8; however, guidance regarding significant is not provided. Also the Exposure Draft does not consistently refer to "*significant sustainability-related risks and opportunities"* so it is not clear if significant sustainability-related risks and opportunities has a unique meeting

The Exposure Draft does not define *significant* and does not provide guidance or context as to the relationship and or differences between the *significance* and *materiality* of the sustainability-related risks or opportunities a reporting entity is expected to identify. In addition, *significant* is not an auditable concept, presenting challenges with verification, whereas *material* is an accepted and auditable concept.

- Focus on the impact on the decision-making of users of general purpose financial reporting rather than just the impact of risks and opportunities on enterprise value

In IFRS S1 paragraph 2, the guidance regarding materiality should be clearer and it should be focused on the <u>decisions</u> of users of general purpose financial reporting (as noted in paragraph 56) rather than narrowly focused on <u>assessing enterprise value</u>. In addition, we noted that the definition of enterprise value in the appendix suits a public company (i.e., reference to market capitalization) but may not apply widely to entities like those in the pension industry.

This same thinking is also applicable to the overall objective of IFRS S1. Paragraph 1 currently states the objective is to provide information that is useful to assess enterprise value and decide whether to provide resources to the entity. The objective of IFRS S1 should be broader than to assess enterprise value as sustainability-related information can also be used for other types of decision-making, such as support stewardship activities.

- Governance and risk management disclosures should not be subject to a materiality test

Descriptions as to how a reporting entity approaches its governance and risk management for identifying material sustainability-related risks and opportunities is relevant to investors and the process an entity uses to determine what information and topics are material enough to disclose is in itself material information that is critical for investors. It is not sufficient to leave users to assume that an entity's lack of disclosure about certain sustainability risks and opportunities indicates that an entity has actively determined them to be immaterial without any insight into how such determinations were made or how governance oversight was exercised. The assessment of materiality and discussion of the methodology used to perform such an assessment should be a part of the general requirements for sustainability-related financial disclosures as it is relevant to identification and determination of what other IFRS Sustainability Disclosure Standards may apply and could potentially avoid duplicate disclosures in such other standards. We recommend that the ISSB should follow the TCFD's approach with respect to governance and risk management disclosures not being subject to materiality and, in addition, should require disclosures with respect to materiality assessments.

References to these aspects, and more details on how the required disclosure must be modified to provide more clarity and enhance the recommended disclosure are included in our comment to IFRS S1 and IFRS S2.

- The notion of general-purpose financial reporting

IFRS S1 and IFRS S2 require entities to present sustainability-related disclosures, but does not prescribe the location of these disclosures, other than mention they need to be part of general-purpose financial reporting. We acknowledge that it may be more suitable to present certain information, such as financial information on current impacts of sustainability related risks and opportunities, directly in the financial statements, while other disclosures will be more relevant in management commentary. We also point out that information included in financial statements would be subject to external audit, while the decision to provide any level of assurance for disclosures outside the financial statements would depend on management, if not determined by any regulation or other requirements that apply to an entity. Regulators as well as management will have to consider the suitability of the location of the information to ensure users can navigate easily through general purpose financial reporting of multiple entities and ensure comparability. Finally, we note the statement of compliance would apply to sustainability-related disclosures, no matter the location of these disclosures.

- Disclosures not addressed by IFRS S2

If IFRS S1 has a similar function as IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors (8 (as stated in IFRS S1 BC18), we recommend that the ISSB clarify whether the IFRS S2 climate-related disclosure requirements will be the only sustainability-related disclosures needed for an entity to comply with the ISSB Standards, before other standards covering other aspects of ESG are published by the ISSB. In other words, should entities wish to present disclosures on other aspects of sustainability, we recommend the ISSB clarifies whether IFRS S1 requirements must be applied, in the absence of specific disclosure requirements set out by the ISSB.

- User-perspective

This response to the IFRS S1 and IFRS S2 exposure drafts has been drafted from the perspective of investors that will use the proposed ISSB disclosures to assess sustainability-related risks and opportunities as part of their ESG strategy and mandates to deliver long-term risk adjusted returns.

We note however that from a reporting entity perspective, the current exposure drafts do not address appropriately the disclosures that would be required from investment entities (as defined by IFRS 10 *Consolidated financial statements*). This should be considered in the further development of the sustainability standards.

**IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**
**Question 1—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?

It is clear that a reporting entity would be required to disclose information about all of the sustainability-related risks and opportunities to which it is exposed, as this is stated in paragraph 2.

That said, it should be clearer that an entity would be required to identify all of the sustainability-related risks and opportunities to which it is exposed in order to support the disclosure.

Recommendation: We recommend the concept of *material* be used in place of the concept of *significant* throughout the standard. There is no clear distinction between significant and material. For example, paragraph 2 refers to material information for significant risks and opportunities. Guidance regarding materiality follows in paragraph 2; however, guidance regarding significant is not provided.

In paragraph 2, the guidance regarding materiality should be clearer and it should be focused on the decisions of users of general purpose financial reporting (as noted in paragraph 56) rather than narrowly focused on assessing enterprise value (as noted in paragraph 2, for example, and elsewhere). In addition, we noted that the description of enterprise value in paragraph 5, albeit not incorrect, reflects just one approach. The definition of enterprise value in the appendix suits a public company (i.e., reference to market capitalization) but may not apply widely.

The Exposure Draft does not consistently refer to "*significant sustainability-related risks and opportunities*". For example, the wording in paragraph 50 with respect to identification of sustainability-related risks and opportunities does include reference to *significant* sustainability-related risks and opportunities but paragraph 51 does not. In addition, the Exposure Draft does not define *significant* and does not provide guidance or context as to the relationship and or differences between the *significance* and *materiality* of the sustainability-related risks or opportunities a reporting entity is expected to identify. Additionally, *significant* is not an auditable concept, presenting challenges with verification, whereas *material* is an accepted and auditable concept.

(b) Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?

The objective of the proposed requirements should not be limited to assessment of enterprise value and provision of resources because primary users of general purpose financial reporting, like investors, may utilize the information in other types of assessments of an entity when determining whether to invest in an entity or not and to support stewardship activities (for example voting or engagement). We recommend that paragraph 1 be amended slightly as follows:

> The objective of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is to require an entity to disclose information about its sustainability-related risks and opportunities that could reasonably be expected to influence the decisions of the primary users of general purpose financial reporting.

The proposed requirements generally meet its proposed objective as stated in paragraph 1 except that the Exposure Draft subjects all sustainability-related information to a materiality test as determined by the reporting entity and in our view, this is not appropriate. The Taskforce on Climate-related Financial Disclosures (TCFD) expressly recommends that governance and risk management process disclosures should be made in all cases, notwithstanding significance or materiality. From our review of the Exposure Draft this requirement is not clearly stated and we recommend it should be made clear that this information is not subject to a materiality assessment. Understanding governance structures and risk management processes around sustainability-related risks and opportunities is key information for investors in determining how a reporting entity approaches and manages those risks and opportunities, including how an entity is assessing materiality and the application of materiality to its sustainability related financial information and disclosures. Investors need to understand *how* an entity is identifying, overseeing, measuring, and managing its material sustainability-related risks and opportunities in order to make decisions.

Descriptions as to how a reporting entity approaches its governance and risk management for identifying material sustainability-related risks and opportunities is relevant to investors and the process an entity uses to determine what information and topics are material enough to disclose is in itself material information that is critical for investors. It is not sufficient to leave users to assume that an entity's lack of disclosure about certain sustainability risks and opportunities indicates that an entity has actively determined them to be immaterial without any insight into how such determinations were made or how governance oversight was exercised.

The assessment of materiality and discussion of the methodology used to perform such an assessment should be a part of the general requirements for sustainability-related financial disclosures as it is relevant to identification and determination of what other IFRS Sustainability Disclosure Standards may apply and could potentially avoid duplicate disclosures in such other standards.

We recommend that the ISSB should follow the TCFD's approach with respect to governance and risk management disclosures not being subject to materiality and, in addition, should require disclosures with respect to materiality assessments.

(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?

It is clear that reporting entities must refer to other IFRS Sustainability Disclosure Standards when identifying sustainability-related risks and opportunities. It is also clear that other topic specific IFRS Sustainability-related Disclosure Standards take precedence for disclosures made in respect to that standard [for example, see the preamble to paragraph 11 which states that disclosures will be provided: "Unless another IFRS Sustainability Disclosure Standard permits or requires otherwise,…"].

Reporting entities may benefit from additional guidance as to how disclosures under different topic specific standards should fit together especially where there may be overlaps or duplication. For example, an entity may be prompted to disclose overland flood risk through compliance with IFRS S2 and also through a potential future Standard on water. Clarity on how this duplication should be handled would be beneficial.

Rather than having several different topic standards, we would encourage the ISSB to focus on the industry-specific metrics included in the SASB standards. This will ensure reporting entities avoid unnecessary duplication and that disclosure of material ESG topics is provided.

(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 requirements proposed in the Exposure Draft may generally be a suitable basis for auditors and regulators to determine whether an entity has complied with the proposals. For regulators, this will be dependent on the level of verification they require to determine compliance with the proposals. For auditors, this may be dependent on the type of assurance that is required of the auditors as the requirements to opine on compliance under different assurance standards may vary. There may also be some concepts within the exposure draft such as significant and neutral that we foresee may be difficult to opine on from an audit perspective. In addition, the auditability of the disclosed information would need to be assessed on an entity-by-entity basis and should be a key consideration in how entities identify, assess, and disclose sustainability related financial information. The sustainability-related financial information disclosed by an entity should be verifiable and users, including auditors and regulators, must be able to corroborate the information/inputs used to derive those sustainability-related financial disclosures. Investors look to whether sustainability-related disclosures have been audited and the results of those audits act as a source of verification of the entity's compliance with the standards.

**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?

The proposed objective should be made clearer by updating it to focus on the <u>decisions</u> of users of general-purpose financial reporting (as noted in paragraph 56) rather than narrowly focused on <u>assessing enterprise value</u> and decisions on whether to provide resources to the entity (as noted in paragraphs 1 and 2, for example). The objective should not be limited to these items as primary users of general purpose financial reporting, such as investors, may utilize the information in other types of assessments when determining whether to invest in an entity or not. We have proposed new language for paragraph 1 in our response to question 1(b).

We have assumed that the words entity and reporting entity should be used interchangeably, with the same meaning. This should be clarified.

In particular we are supportive of the following elements incorporated into the objective:

- Investors, including existing and potential investors, lenders and other creditors, as the primary users of general purpose financial information, are identified as the intended audience for the disclosures;
- subject to our comments above with respect to governance and risk management disclosures, the information to be disclosed with respect to identified sustainability-related risks and opportunities is that which is material to users;
- sustainability-related financial information is broader than information reported in the financial statements and could include the information listed in paragraph 6 (a) – (d); and
- the basis for disclosing sustainability-related financial information should be comparable with the entity's previous periods and other entities; however, we recommend that paragraph 7(a) be further clarified to indicate other entities within comparable industries. This addition would capture the expectation that entities should also disclosure information that is comparable to their peer group and in line with industry best practices.

(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 definition is reasonably clear but needs improvement and needs to be found earlier in the standard than Appendix A.

For example, the definition does not include a reference to governance oversight. When articulating that sustainability-related financial information is broader than information disclosed in the financial statements, governance oversight of risks and opportunities is expressly referenced as being a component of that broader landscape and incorporated into the concept of "sustainability-related financial information".

We recommend that the definition be amended slightly (as set out below) to recognize that governance related information is important for users of sustainability-related financial information.

> Sustainability-related financial information: Information that gives insight into sustainability-related risks and opportunities that impact the entity's financial performance and influence the decisions of primary users of general purpose financial reporting and provides a sufficient basis for users of general purpose financial reporting to assess the governance oversight of sustainability-related risks and opportunities and resources and relationships on which an entity's business model and strategy for sustaining and developing that model depend.

In addition, "sustainability" should also be defined. A clear definition should be included in the Objective section of the standard, as well as in Appendix A. We recommend the ISSB refer to the definition provided in the SASB Conceptual Framework:

> Sustainability refers to corporate activities that maintain or enhance the ability of the company to create value over the long term... Sustainability accounting reflects the management of a corporation's environmental and social impacts arising from production of goods and services, as well as its management of the environmental and social capitals necessary to create long-term value. It also includes the impacts the sustainability challenges have on innovation, business models and corporate governance and vice versa.

Finally, the distinction between "sustainability-related financial information" and "sustainability-related financial disclosures" is unclear. Implementation challenges aside, this ambiguity will be problematic as the final standard is translated into other languages for jurisdictional use.

**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?

Generally, we 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. However, we have the following comments:

- In paragraph 8, while it is clear that the exposure draft is GAAP agnostic, we note that it is unclear if an entity would be required to perform a reconciliation of sustainability related information that is connected to the financial statements to the GAAP information presented within those financial statements. This, for example, may be in respect to non-GAAP measures used like adjusted balances or information that may impact the entity's financial statement line items that may be used in the disclosure of sustainability related risks and opportunities but not incorporated within the financial statements. This should be made clearer within this section or under the Connected Information in the exposure draft.
- In paragraph 9, we recommend replacing the current wording of "cannot reasonably be expected to affect assessments of an entity's enterprise value…" with "cannot reasonably be expected to influence the decisions of primary users of general purpose financial reporting" to be aligned with the definition of materiality noted within paragraph 56.
- Further clarification is required in paragraph 10 regarding entities that are not profit-oriented, such as pension plans.

**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?

We strongly support alignment of the ISSB's sustainability-related disclosures with the four pillars of the TCFD recommendations.

As noted in the response to question 1(b) above, we would like to see the ISSB clarify, consistent with the approach taken by the TCFD, that sustainability-related disclosures around governance and risk management are not subject to materiality.

As currently structured, there is a risk that reporting entities make determinations that sustainability-related disclosure topics are not material (even after reference to the ISSB Sustainability Disclosure Standards, the SASB industry disclosure topics and metrics, and the other sources referred to in the exposure draft). If this is the case then no disclosures would be required as to how these determinations were made, how risk procedures address such determinations and how the board exercises its governance oversight responsibilities over them. Investors require this information to be able to assess how a company is approaching sustainability-related issues. Investors require transparency with respect to how a board is assessing and determining whether and which sustainability-related risks are material to it and what practices are in place to oversee the risks that are identified.

We do not believe that there is a prescriptive, one size fits all approach to the board oversight of sustainability-related risks and opportunities, and individual boards are best positioned to determine how oversight is exercised. As such, disclosure becomes an especially valuable tool for companies to inform investors as to how they are discharging this core obligation.

We recommend the disclosure objective for strategy in paragraph 14 be expanded to include enabling users of general purpose financial reporting to understand the effects of material sustainability-related risks and opportunities on the entity's strategy and operations, as outlined in paragraphs 15b through 15e.

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

For the disclosure requirements for governance, we suggest that in addition to how the body ensures the appropriate skills and competencies are available, the entity also disclose the identified skills and competencies necessary to provide effective oversight of sustainability-related risks and opportunities.

We agree with the disclosure requirements for strategy including both disclosure of the effects of material sustainability-related risks and opportunities on the entity's strategy, business model, etc., and how the entity is responding to material sustainability-related risks and opportunities. We agree with proposed requirement for entities to disclose the definition of short, medium, and long term.

**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?

Yes, in principle. There may be circumstances where such reporting is not appropriate. We observe that the Basis for Conclusions document accompanying the Exposure Draft notes that the ISSB expects specific IFRS Sustainability Disclosure Standards (such as those proposed related to climate) will address such issues.

(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?

Yes, we support 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.

The combination of the ISSB's definition of 'value chain' in Appendix A, which is very broad, and the illustrative examples in Paragraph 40, read together are somewhat confusing and may be difficult for a reporting entity to interpret. Clarity or guidance should be provided to assist in interpreting what disclosure is required and how a reporting entity is expected to make disclosures and collect data with respect to entities in its supply chain that are not directly controlled and/or are not themselves reporting entities.

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

Yes. This requirement is implied given the ISSB's proposal that sustainability-related disclosures would be included as part of the package of disclosures accompanying the general purpose financial reporting, which would include the relevant financial statements. That said, we do not see requiring this express identification as creating any additional reporting burden.

**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 support the concept of connectivity between various sustainability-related risks and opportunities and the general purpose financial statements, and in our view the additional context will make the disclosures easier for users to assess. The connection of sustainability-related risks and opportunities to general purpose financial statements is a critical element for users to understand the effect of material sustainability-related risks and opportunities.

Within paragraph 42, it should be made clearer what, and the extent of, information an entity is required to disclosed to enable users to assess the connections between various sustainability-related risks and opportunities and to general purpose financial statements. It is not clear if reconciliations of the financial information included in sustainability related disclosures that are connected to the financial statements are required to be included. Refer to comment under Question 4 above. We suggest that this requirement be clearly noted to ensure users are able to reconcile the information presented in each general purpose financial reporting disclosures.

**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?

Generally, it is clear; however, it is unclear how to interpret and apply the term neutral. In addition, we believe it will present challenges with respect to audit assurance and consistency. Further attempts should be made to incorporate and align with the qualitative characteristics of useful financial information expectations in IASB's Conceptual Framework for Financial Reporting.

(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 agree in principle with the sources of guidance to identify sustainability-related risks and opportunities but encourage the ISSB to clarify or provide more guidance as to how reporting entities are to interpret the list of sources specified in Paragraph 51. For example, if there is a specific ISSB Sustainability Disclosure Standard such as the proposed Exposure Draft S2 for Climate-related Disclosures does a reporting entity need to consider the additional sources of guidance or is adherence to the specific standard sufficient? For example, the Climate-related Disclosure Standard itself sets out a regime for identifying climate-related issues and requires consideration of the SASB-derived industry related materiality categories in Appendix B of that standard.

Conversely, in cases where there is no relevant ISSB Sustainability Disclosure Standard does the reporting entity need to consult all of the sources or do they represent a cascading set of alternatives (for example, the first item on the list is the disclosure topics in the industry-based SASB standards, the second refers to the ISSB's non-mandatory guidance, is the consideration of the SASB standards mandatory while the ISSB non-mandatory guidance best practice?). Greater guidance and clarity on this point would be beneficial.

**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?

We are supportive of the definition of materiality as outlined in paragraph 56 and the alignment to IASB's Conceptual Framework for General Purpose Financial Reporting and IAS 1. We are supportive of the concept that information be required to be disclosed if the impact to an entity is or will become financially material over time. However, as stated in our answer to Q1 (a) and (b), we do not agree with paragraph 57 and the requirement for sustainability-related financial information to be assessed only in relation to an entity's enterprise value. We believe this requirement to be too limiting and not necessarily practicably feasible or relevant for all intended users of the Standard.

While we recognize that enterprise value could be a key benchmark to assess materiality for a broad set of investors, we believe some flexibility should be permitted to allow management and their auditors to exercise judgement as to basis for assessing materiality in consideration of the primary users of their general purpose financial reporting. We believe the definition of materiality in paragraph 56 sufficiently defines what could be material and appropriately focusses on what "could reasonably be expected to influence decisions" of the general purpose financial reporting users. The wording in paragraph 56 will allow management, external auditors, and regulators to make an "entity specific" determination on what could be material in the context of sustainability disclosures and better align with the notion of paragraph 58. We suggest that any materiality assessment using enterprise value would be better suited as a recommendation or option in the illustrative guidance materials rather than a requirement within the Standards. We believe any supplemental guidance should promote streamline application amongst preparers and assist entities in applying practicably.

We acknowledge that enterprise value is a commonly used metric in the investor community when evaluating and underwriting investments. It inherently reflects an investor's view of the future financial outlook of a specific company as well as the associated risks (as part of developing a cost of capital). Depending on the industry, and whether the entity is private or publicly traded, enterprise value can be calculated using various methodologies. The calculation of enterprise value for public companies can generally be calculated on a daily basis using public stock prices and the company's recent financial position (i.e., external debt). For private companies, the calculation or estimate of enterprise value on an annual basis is less straightforward and is not commonly estimated as part of a company's regular financial reporting process unless specifically required to do so.

As noted, the ISSB's materiality guidance proposes that disclosure of material sustainability risks and opportunities should be considered in relation to an entity's enterprise value. As such, to make this assessment of whether a potential impact is material, a preparer would be required to calculate a "baseline" enterprise value going forward, requiring judgment and inputs that may not be directly observable from the market. Therefore, by using enterprise value as a basis for materiality, additional judgement and effort would be required to calculate a "base-line", beyond the already challenging task of assessing the quantum and present value impact of a known sustainability risk and opportunity in the future. We also note that there could be different views (or ranges) of what is a reasonable enterprise value, which could create confusion or uncertainty between various stakeholders (i.e. auditors, investors, preparers) as to what is material. Enterprise value can also be calculated using different valuation techniques, all of which utilize different levels of detail (i.e., transactions, public comparatives and a DCF).

Given the above complexities, and the potential for users to interpret the need to calculate a "baseline" enterprise value to determine the materiality of various identified sustainability risks and/or opportunities, we would suggest that the ISSB provide further guidance on how it can be streamlined and applied practicably. When issuing guidance on what risks could be material to a user, we would encourage the ISSB to direct readers to the SASB Materiality Map or other resources. Consistent with the recommendations of SASB, we recommend that entities be required to disclose their approach to defining materiality in order to provide transparency for primary users.

Lastly, we note that enterprise value is not explicitly mentioned within the SEC's proposed climate disclosure regulations in the context of materiality. As such, the use of "enterprise value" in the ISSB standards may create inconsistencies with international standards as to how materiality should be determined, thereby reducing the benefits and use of the ISSB standards as a "building block" going forward. We would encourage the ISSB to align the definition and approach to materiality with other jurisdictions and standards currently being developed.

As outlined in paragraph 60, an entity would not need to provide disclosures that would otherwise be required if the information resulting from that disclosure is not material. We agree with this approach with the exception of sustainability-related governance and risk management process disclosures. As previously commented in response to Q1(b), we recommend that governance and risk management process disclosures be required in all cases, notwithstanding significance or materiality.

(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?

The ISSB's definition of materiality proposes that "A reporting entity shall 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."

We agree that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of the specific entity given the wording of the definition is quite broad. That being said, enterprise value as the basis for materiality is not a commonly used approach for assessing disclosure materiality and therefore will likely create challenges for many preparers going forward, as discussed previously. If there is not a commonly understood 'best-practice' for determining materiality, or if it is open to significant assumptions, we recommend requiring disclosure to users on how materiality has been determined in the context of sustainability-related matters.

(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?

The ISSB's reference and acceptance of the SASB and CDSB Frameworks as valid sources to help identify material sustainability related financial information is helpful, as both standards are well accepted and commonly used in sustainability reporting. We strongly support the ISSB guiding users to SASB resources to help identify and monitor industry specific sustainability risks and metrics. That being said, specific guidance for large investment funds and asset owners, such as pension plans, appears to be absent from the ISSB and SASB standards. For example, the standards do not address the disclosure requirements for reporting entities that qualify as investment entities under IFRS 10. We recommend that this specific guidance be added.

(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?

Yes, we are supportive. We would advocate for a company to follow local laws or regulations.

**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?

Yes, we are supportive of sustainability-related financial information being reported at the same time and, ultimately, for the same reporting period as the financial statements. By aligning this timing, stakeholders, investors, and other users of financial reporting are able to gain a complete and integrated picture of the current and future sustainability risks and opportunities that may impact the entity.

While alignment to the financial statement reporting period is the ultimate goal, we believe alignment should not be at the expense of the quality of sustainability reporting nor the pace of adoption. As reflected in our response to Q13, we expect entities to quickly adopt IFRS sustainability standards once finalized. We recognize that it may be challenging for all entities to align their sustainability-related financial disclosures with the same reporting period as the financial statements upon initial adoption. To help facilitate this, we propose that there be a phased-in approach, which does not require full alignment for initial adoption to allow for entities to establish the robust systems and internal controls that may be needed to support the disclosure of timely, high-quality information.

**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?

We strongly support locating the disclosure information required by the IFRS Sustainability Disclosure Standards as part of an entity's general purpose financial reporting. We expect sustainability-related disclosures will be critical information required by investors and other financial reporting users. In addition, this will provide comfort that there is adequate governance and board oversight, as part of an entity's regular business reporting, supporting the reliability of the disclosures.

We further agree with enabling entities to decide where sustainability-related disclosures are included within the general-purpose financial reporting to best allow for effective and coherent communication of information. We support the requirement to ensure that the sustainability-related financial disclosures are clearly identifiable to enable ease of reference by users.

(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?

Nothing that we are aware of in Canada.

(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?

We have chosen not to comment.

(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 believe this is clear in the standard and is consistent with how many entities currently report disclosures aligned with TCFD. We are supportive of integrated disclosures for governance, strategy and risk management for sustainability-related risks and opportunities.

**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?

Please see response provided in (b).

(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?

We are supportive of using the corresponding concepts for financial statements contained in IAS 1 and IAS 8.

We believe that a materiality threshold should be incorporated before requiring a preparer to restate prior period figures, which should be informed by discussions between preparers, external auditors and/or local laws. If a restatement is required, we would suggest aligning the restatement rules to be similar to that of financial reporting and encourage the preparers to highlight whether the restatement is due to an error or change in estimate. We believe there is additional ambiguity around what would be considered 'impracticable' and how this is considered alongside materiality. We suggest that there would be benefit in providing further clarity and guidance in this area.

Further, we recognize that preparers will be evolving processes and methodologies for a number of years in order to reach a mature reporting state. This is expected to result in a higher frequency of restatements, where restatements are generally viewed negatively in the eyes of investors.

We recommend distinguishing restatements between errors and "changes in estimates" so to allow users more visibility into nature of the restatement and to manage the typically negative market perception/reaction to restatements. We support restating (where material) in order to provide useful comparative information to user and would not want preparer to be penalized for suchsuch.

(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?

We agree that the financial data and assumptions within sustainability-related disclosures should be consistent with those used within financial reporting, where possible. This avoids internal inconsistencies within reporting and ensures one set of management assumptions are used by preparers. This also ensures greater integration between financial and sustainability reporting processes, strategy, risk management and targets/metrics. We suggest a requirement to disclose where assumptions in sustainability-related financial disclosures cannot align and differs with corresponding financial data and assumptions used in the financial statements.

**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 are supportive of having a statement in the reporting that the entity has complied with all relevant IFRS Sustainability Disclosure standards and where adoption reliefs has been used (i.e. not providing comparatives, phased in reporting). This aligns with the current disclosures when complying with IFRS. We would also suggest that a similar statement could also be included in the entity's external audit assurance report, where available.

As noted above, we agree that an entity's reporting should not be in contradiction to local laws and or regulations. As long as the entity discloses why the disclosure was not presented due to local laws/regulations, we are supportive of relief being provided.

**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.

We would be supportive of the effective date being the fiscal year commencing after the Final Standards are issued. This would give an entity at least 12 months to formalize processes, internal controls, timelines, and hire resources in advance of the enhanced reporting requirements. As an example, if the Standards are finalized on December 31, 2022, the first fiscal year that would incorporate the additional disclosures would be the fiscal year-end December 31, 2023. We note this timeline is consistent with that provided to large accelerated reporters under the SEC's climate standards.

We also recommend that the ISSB consider a phased or rolling implementation given that it will take some time for reporting entities to become fully compliant with the requirements of the Exposure Draft. We recommend that the ISSB consider proportionality when considering effective dates and potentially provide a longer implementation for smaller and less sophisticated reporting entities. This is similar to approaches being considered in the context of proposed regulatory climate-related disclosure regimes in Canada and the United States. Such entities may not be as far along in considering or disclosing on sustainability topics and have a further learning curve than larger and more sophisticated reporting entities.

(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 prefer to have comparative information available to assist investors with identifying trends, assessing transition plans, and evaluating progress within the company as it relates to key disclosure metrics (e.g., GHG emissions). However, we are sensitive to the time and cost required to create historical comparative figures, especially for those reporting entities that have not prepared such metrics in the past. As such, to assist with broader and expedited adoption of the new standards and ultimately disclosure, providing relief on comparative information appears prudent. For many reporting entities that have not prepared the required disclosures or metrics in the past, performing this for two historical years may be time consuming and prevent adoption of the standards, which is the ultimate goal of the new standards. Given the focus of the standard is to provide current information that could impact forward looking cash flow and risk assessments, dated information may not be as relevant as current year information.

**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 broadly support the building block approach or "global baseline" standards as it enables multiple jurisdictions to use the ISSB standards as the basis for their own jurisdictional requirements. Many jurisdictions are less advanced as it relates to sustainability reporting standards and will need an international set of standards to use, build on, and adopt going forward.

We note that the ISSB standards have certain differences with standards currently being proposed by certain jurisdictions (e.g., the SEC). Specifically, we note that the ISSB standards provide less flexibility as it relates to certain items (e.g., scenario analysis, transition plans and industry metrics). If the ISSB standards are intended to be a global baseline for other regulations yet are broader and currently more restrictive or conflicting with local laws and or regulations, the building block approach is less effective. We urge the ISSB to continue working with international jurisdictions to promote alignment and comparability for users.

**Question 15—Digital reporting**

The ISSB plans to prioritize 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 have chosen not to comment.

**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 analyzing the likely effects of these proposals?

There are many direct and indirect benefits associated with the new standards being proposed. Predominately, having consistent, comparable, and high-quality disclosures, disclosed on an annual basis globally, is critical for investors to better assess sustainability risks/opportunities and make informed decisions when allocating capital, while motivating and differentiating companies that are working towards decarbonization and other sustainability initiatives. We recognize that there will be costs associated with developing and implementing disclosures, however, the standardization of climate-related reporting will also reduce the burden for preparers currently subject to multiple reporting requests from varied stakeholders. Furthermore, we believe these are more than offset by the benefits in helping entities understand the impact of climate risks and opportunities on them, and to satisfy investors needs for transparent, high-quality, globally comparable sustainability information. Further, we believe phased in reporting will help support the accommodation of initial upfront costs.

(b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

Initially, we expect the costs to roll-out the new standards to be non-trivial. However, as precedents are set and greater adoption and standardization of disclosures occurs, we would expect the reporting cost to become more aligned with the cost of financial reporting. We would also expect that as sustainability reporting matures and becomes more integrated with financial reporting, additional synergies and efficiencies could be possible.

**Question 17—Other comments**

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

Many of the disclosures in the Exposure Draft will entail forward looking information and first-time development of assumptions and methodologies. As noted previously, there is an increase risk of restatements as processes and methodologies evolve. Differing domestic regulatory requirements with respect to how such disclosures are treated for liability purposes in different jurisdictions may impact what and how reporting entities will choose to disclose. While outside the scope of the ISSB's mandate and jurisdiction, the ISSB may wish to engage with international regulators in respect of this topic and minimize the liability exposure to preparer in the prospects of encouraging adoption and evolution of reporting. Overall, we are generally supportive of safe harbours for climate-related disclosures given the nature of such disclosures.

# Exposure Draft IFRS S2 Climate-related Disclosures

## Preamble to IFRS S2

In our view, a few key elements that were included in both exposure drafts (IFRS S1 and IFRS S2) must be changed to provide more clarity and enhance the recommended disclosure.

- Eliminate, "significant" and focus on materiality

We recommend that the concept of *material* be used in place of the concept of *significant* throughout the standard. There is no clear distinction between significant and material. For example, in IFRS S1, paragraph 2 refers to material information for significant risks and opportunities. Guidance regarding materiality follows in paragraphs 2, 56-62 and C8; however, guidance regarding significant is not provided. Also the Exposure Draft does not consistently refer to "*significant sustainability-related risks and opportunities"* so it is not clear if significant sustainability-related risks and opportunities has a unique meeting

The Exposure Draft does not define *significant* and does not provide guidance or context as to the relationship and or differences between the *significance* and *materiality* of the sustainability-related risks or opportunities a reporting entity is expected to identify. In addition, *significant* is not an auditable concept, presenting challenges with verification, whereas *material* is an accepted and auditable concept.

- Focus on the impact on the decision-making of users of general purpose financial reporting rather than just the impact of risks and opportunities on enterprise value

In IFRS S1 paragraph 2, the guidance regarding materiality should be clearer and it should be focused on the decisions of users of general purpose financial reporting (as noted in paragraph 56) rather than narrowly focused on assessing enterprise value. In addition, we noted that the definition of enterprise value in the appendix suits a public company (i.e., reference to market capitalization) but may not apply widely to entities like those in the pension industry.

This same thinking is also applicable to the overall objective of IFRS S1. Paragraph 1 currently states the objective is to provide information that is useful to assess enterprise value and decide whether to provide resources to the entity. The objective of IFRS S1 should be broader than to assess enterprise value as sustainability-related information can also be used for other types of decision-making, such as support stewardship activities.

- Governance and risk management disclosures should not be subject to a materiality test

Descriptions as to how a reporting entity approaches its governance and risk management for identifying material sustainability-related risks and opportunities is relevant to investors and the process an entity uses to determine what information and topics are material enough to disclose is in itself material information that is critical for investors. It is not sufficient to leave users to assume that an entity's lack of disclosure about certain sustainability risks and opportunities indicates that an entity has actively determined them to be immaterial without any insight into how such determinations were made or how governance oversight was exercised. The assessment of materiality and discussion of the methodology used to perform such an assessment should be a part of the general requirements for sustainability-related financial disclosures as it is relevant to identification and determination of what other IFRS Sustainability Disclosure Standards may apply and could potentially avoid duplicate disclosures in such other standards. We recommend that the ISSB should follow the TCFD's approach with respect to governance and risk management disclosures not being subject to materiality and, in addition, should require disclosures with respect to materiality assessments.

References to these aspects, and more details on how the required disclosure must be modified to provide more clarity and enhance the recommended disclosure are included in our comment to IFRS S1 and IFRS S2.

- The notion of general-purpose financial reporting

IFRS S1 and IFRS S2 require entities to present sustainability-related disclosures, but does not prescribe the location of these disclosures, other than mention they need to be part of general-purpose financial reporting. We acknowledge that it may be more suitable to present certain information, such as financial information on current impacts of sustainability related risks and opportunities, directly in the financial statements, while other disclosures will be more relevant in management commentary. We also point out that information included in financial statements would be subject to external audit, while the decision to provide any level of assurance for disclosures outside the financial statements would depend on management, if not determined by any regulation or other requirements that apply to an entity. Regulators as well as management will have to consider the suitability of the location of the information to ensure users can navigate easily through general purpose financial reporting of multiple entities and ensure comparability. Finally, we note the statement of compliance would apply to sustainability-related disclosures, no matter the location of these disclosures.

- Disclosures not addressed by IFRS S2

If IFRS S1 has a similar function as IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors (8 (as stated in IFRS S1 BC18), we recommend that the ISSB clarify whether the IFRS S2 climate-related disclosure requirements will be the only sustainability-related disclosures needed for an entity to comply with the ISSB Standards, before other standards covering other aspects of ESG are published by the ISSB. In other words, should entities wish to present disclosures on other aspects of sustainability, we recommend the ISSB clarifies whether IFRS S1 requirements must be applied, in the absence of specific disclosure requirements set out by the ISSB.

- User-perspective

This response to the IFRS S1 and IFRS S2 exposure drafts has been drafted from the perspective of investors that will use the proposed ISSB disclosures to assess sustainability-related risks and opportunities as part of their ESG strategy and mandates to deliver long-term risk adjusted returns.

We note however that from a reporting entity perspective, the current exposure drafts do not address appropriately the disclosures that would be required from investment entities (as defined by IFRS 10 *Consolidated financial statements*). This should be considered in the further development of the sustainability standards.

## 1-Objective

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?

Yes, we generally agree with the objective as established in the Exposure Draft. We believe that climate change is one of several long-term structural trends that will likely have a material impact on investment risks and returns, across different sectors, geographies and asset classes. As a long-term investors, we must proactively address climate change risks and opportunities as part of our investment strategy. Consistent and credible disclosures on climate-related risks, both transition and physical, and climate-related opportunities are therefore necessary for asset owners and investors to effectively consider climate resilience at the portfolio construction level, to factor climate risks into investment decisions, to seek investment opportunities that contribute to the transition to a low-carbon economy, and to encourage efforts to maximize opportunities and minimize climate-related risks from companies in which we invest through active ownership.

However, as mentioned in our comment to IFRS S1 Q1 (a) and (b), the objective of the proposed requirements should not be limited to the assessment of enterprise value and provision of resources because primary users of general purpose financial reporting, like investors, may utilize the information in other types of assessments of an entity when determining whether to invest in an entity or not and to support stewardship activities (for example voting or engagement). We recommend that paragraph 1 of the Exposure draft be amended in order to focus on material climate-related risks and opportunities likely to affect the decisions of users of general purpose financial reporting.

(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?

See our comment to IFRS S1 Q1 (a) and (b) and IFRS S2 Q1 (a) on enterprise value.
While understanding the impact of climate change risks and opportunities on an entity is very important, we would also emphasize that disclosure of climate risks and opportunities should also allow investors to understand impact on the entity's future financial position as reflected in its income statement, cash flow statement as well as balance sheet. This is an important concept reflected in the TCFD disclosure recommendations. As such, it is important for users to understand how climate change might materially impact companies' revenues, expenses, capex and opex, etc.
Furthermore, as mentioned in our comment to IFRS S1 Q1 (a), we recommend the concept of material be used in place of the concept of significant throughout the standard. There is no clear distinction between significant and material. For example, in IFRS S1, paragraph 2 refers to material information for significant risks and opportunities. Guidance regarding materiality follows in IFRS S1 paragraph 2; however, guidance regarding significant is not provided.
Additionally, the drafting of the objective in paragraph 1 does not expressly identify governance related information as being a component of the information needed by investors to assess enterprise value, even though governance disclosure is a requirement [see paragraphs 4-6]. As noted in the response to question 1(b) of IFRS S1, we would like to see the ISSB clarify, consistent with the approach taken by the TCFD, that sustainability-related disclosures around governance and risk management are not subject to materiality. We would recommend that the list of categories of information identified in paragraph 1 (a)-(c) be updated to incorporate governance.
Mentioned later in the document, however perhaps worth underscoring in the Objective, is that investors require entity-level alignment around and disclosure of <u>**quantitative, decision-useful and comparable**</u> climate-related metrics, for example the TCFD cross-industry metrics, in order to effectively measure and manage climate-related risks and opportunities.

(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?

Yes - We strongly support alignment of the ISSB's sustainability-related disclosures with the four pillars of the TCFD recommendations. Disclosure requirements aligned to TCFD, including the new cross-industry climate related metrics, will meet the objective of enabling users of an entity's financial reporting to assess the potential impact of climate change risks and opportunities on an entity.

## 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.

A) 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?

Yes, we agree with the proposed disclosure requirements aligned to the TCFD recommendations. Clear, comparable and decision-useful disclosures with respect to how Boards and Management teams exercise oversight and control on climate-related risks and opportunities is essential to form a complete view regarding the credibility of an entity's climate change plan. By way of priority, we are committed to engaging with portfolio companies to influence, where appropriate, their governance and management of climate change risks, and to support enhanced disclosure against the TCFD framework. The ISSB requirements are therefore aligned with and support these efforts. We believe disclosure should include processes and frequency by which the governance body responsible for climate-related risks and opportunities are informed about climate issues. How the board monitors and oversees progress against climate-related goals and targets. How management has assigned climate-related responsibilities to management-level positions or committees. Processes by which management is informed about climate-related issues and how management monitors climate-related risks and opportunities. As discussed in the exposure draft paragraph 6, we support the view that disclosure should be provided at a high level in order to avoid unnecessary duplication and help assess the level of maturity of an organization in managing climate-related risks and opportunities.

For what relates to the executive compensation (paragraph 5F), as outlined in CCGG's answer, we believe that executive compensation should be treated separately from climate-related KPIs in a dedicated sub-paragraph.

## 3-Identification of 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?

Please refer to comments in response to 1(b) with respect to the use of “significant” as opposed to “material” when describing climate-related risks and opportunities.
The ISSB requirements provide significant flexibility to entities to identify the climate-related risks and opportunities that may affect their business. Throughout the document, we believe, the ISSB Exposure Draft should clearly point to TCFD’s cross-industry climate-related metrics as the key set of metrics to be disclosed, where material. Moreover, while we agree that specific years for short-term, medium-term and long-term climate targets cannot be tightly prescribed, we support ISSB offering guidance to indicate that interim targets are pre-2035, and long-term targets are post-2035, which would be aligned with the notions of interim and long-term targets used by the SBTi.

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 support the choice of ISSB to require the disclosure of material risks and opportunities in accordance with industry-specific guidance from SASB or other relevant third-party bodies, with SASB being our preferred framework. However, we have concerns with the lack of required disclosure with respect to how materiality assessments are conducted. Investors need to understand *how* a company is identifying, overseeing, measuring and managing its material sustainability-related risks and opportunities in order to properly assess the company’s ability to manage climate-related risks and opportunities. As defined by SASB Standards, we would like ISSB to consider a “comply or explain” approach whereas companies must explain their choice for not reporting against a SASB factor that what deemed material for the industry.

## 4-Concentration of risks and opportunities in the 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?

With respect to the Exposure Draft we note that paragraph 12(b) appears to repeat some of the elements of the definition of factors to be considered with respect to identifying the effects of climate-related risks and opportunities, such as with respect to distribution channels and geography but to also require additional factors to be considered such as asset type, facilities, etc. To avoid duplication, the ISSB may wish to consider refining the definition of "value chain" applicable in the Exposure Draft to be more tailored to the specific climate-related disclosures intended to be captured.

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 agree that for most companies, the risks associated with the value chain should be disclosed qualitatively to seek for a balance in measurement challenges. However, for companies operating in an industry where SASB factors 1) Supply Chain Management and / or 2) Materials sourcing & Efficiency are deemed materials, we would expect the companies to report on the accounting metrics as indicated by SASB (which could include quantitative information) or to explain the reason why they decided not to. Moreover, where ambitious guidance with respect to material Scope 3 (value chain) GHG emissions is available from regulators or third-party organizations, we recommend ISSB align with this guidance.

## 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 decarbonization-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? Yes, we are supportive. Climate change poses a systemic risk to both issuers and investors and creates an imperative to support the orderly transition to a low-carbon economy.

The momentum toward decarbonization further reinforces the need for companies to develop transition plans. Disclosure of these transition plans, including how a company intends to deliver on its net zero objectives (by 2050) and interim (by 2030, 2035, etc.) commitments and any targets therein is decision-useful to investors in evaluating the credibility of a company's plan and in measuring progress towards stated targets over time. We strongly support the disclosure requirements regarding an entity's transition plan. It is an essential forward-looking component of business strategy that speaks to a Board and Management's credibility and intentionality on climate change. We support aligning these requirements with those of the TCFD recommendations, including that transition plans and interim targets be mandatory for the most material sectors. Disclosure should include an entity's current GHG emissions and specific actions that will be taken to reduce those emissions over time. Importantly, we agree that disclosing how required resources, including financial resources, will support or be allocated to the transition plans is essential to determine its credibility.

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.

We consider that a disclosure related to transition plan should include key indicators showing entities decarbonization pathways. Industry specific decarbonization pathways are an efficient tool to evaluate the ambitions of entities transition plans, therefore we recommend using indicators that allow an easy comparison for entities within the same industry, as well as across different industries. An increasing number of entities align their transition plan with a science-based decarbonization pathway, or compare their decarbonization pathway with various global warming trajectories, we encourage this practice. Furthermore, it would be useful for transition plan disclosures to indicate whether they have or intend to seek third-party validation (e.g., from the Science Based Target Initiative or other industry equivalent).
We see a growing attention given to the alignment of capex with transition plans, we recommend disclosing how capex spending support and are aligned with an entity's transition plan.

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?

Yes, we strongly support transparency in terms of the quantity and quality of carbon offset procured or intended to be purchased to implement an entity's transition plan.

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?

Yes, in our view the disclosure requirements set out in the Exposure Draft are not over burdensome and represent fair and relevant considerations required to assess the credibility of an entity's climate transition plan. In the absence of disclosure of such dimensions, it is difficult for investors to know whether offset strategies will result in real emissions reductions, can be pursued in a cost-effective manner, and will stand the test of public and/or regulatory scrutiny.

## 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?

We understand that it may be challenging for entities to quantify information on anticipated effects of climate-related risks and opportunities. Since these are prospective in nature, it would also be disclosure on which providing assurance is more difficult. Consequently, we would expect the requirements on quantitative information related to current effects to be more easily met than those on anticipated effects. For example, the requirement of paragraphs 14 (b) through 14 (d) are prospective in nature and we wonder as to the practicability of the ask. We believe companies should be allowed to define the methodology they want to use to measure those anticipated effects and we reiterate the importance that entities disclose their methodology and main assumptions used in preparing prospective information otherwise, the quantitative information received might not be useful for investors. Where possible, a sensitivity analysis on the effects should also be provided if a single value is provided. For that reason, we believe entities are more like to provide a range of possible values. We also believe guidance should be provided as to the definition of short-, medium- and long-term effects. The time horizons should be comparable between entities of a same industry to ensure comparability of information.
A final comment on anticipated effects relates to paragraph 14(e) of the exposure draft which states that should quantitative disclosure not be presented; an explanation be provided. We wonder as to whether this "comply or explain" approach could result in a lesser number of entities disclosing the required information. During the implementation phase of IFRS S2, this approach may be appropriate to provide some relief to preparers, given the complexity and effort needed to prepare the information. However, after the implementation phase, this approach should be revisited.

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?

Yes we agree. Disclosure of climate risks and opportunities should allow investors to not only understand the impact on the entity but also to understand the impacts on the entity's future financial position as reflected in its income statement, cash flow statement as well as balance sheet. This is an important concept reflected in the TCFD disclosure recommendations. As such, it is important for users to understand how climate change might materially impact companies' revenues, expenses, capex and opex, etc.

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 agree with the proposed disclosure requirement but would encourage the ISSB to clarify the potential overlap of financial information asked in the other sections to avoid duplication. For example, in the Transition section we ask companies to disclose the CAPEX deployed towards climate related risks and opportunities. Something similar is asked in the Current & anticipated effect section which could cause some duplication. While we strongly support the disclosure of these financial metrics, we encourage ISSB to review requirements to streamline and avoid duplication.

## 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, recognizing 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 discloses 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?

We agree with the Exposure Draft proposals that scenario analysis should be the preferred option for evaluating the resilience of an entity's strategy to significant climate-related risks. Scenario analysis helps companies in making strategic and risk management decisions under complex and uncertain conditions such as climate change. It allows a company to understand the risks and uncertainties it may face under different hypothetical futures and how those conditions may affect its performance, therefore contributing to the development of greater strategy resilience.

We also support the TCFD's belief that all organizations exposed to climate-related risks should consider using scenario analysis to help inform their strategic and financial planning and disclosure how resilient their strategies are to a range of plausible climate-related scenarios. For sectors where climate related risk is most relevant such as those identified by TCFD, we are supportive of requiring more quantitative scenario analysis, disclosure should include sufficient transparency for investors to understand the rigor behind the assumptions made.

In addition, as an increasing number of nations, companies and investors adopt and execute on net-zero transition plans, the likelihood and impact of transition risk will grow. This underlines the importance for companies to undertake scenario analysis, and supports the inclusion of at least one scenario that contemplates limiting warming to 1.5C with limited-to-no overshoot.

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?

Yes, given there are diverging perspectives with respect to the usefulness of scenario analysis, we believe it is appropriate to provide this flexibility.

    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?

Yes, in the interest of transparency, we agree with a "complain or explain" disclosure.

    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?

No. Please see above regarding entities with high exposure to hydrocarbons.

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

Yes, the proposed disclosures are comprehensive and sufficiently granular so as to promote a fair and complete understanding of the entity's exercise.

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?

Yes, same as above.

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?

Yes, while these requirements are granular and specific, they should not be onerous for entity's to performance if they are undertaking scenario analysis. In cases where they are not conducting scenario analysis, sufficient flexibility is provided to ensure the entity remains able to explain its approach.

## 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, prioritization and response.

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

A. 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?

As noted in the response to question 1(b) of IFRS S1, we encourage the ISSB to clarify that climate-related governance and risk management disclosures, unlike those with respect to strategy and metrics and targets, are not subject to a materiality. As currently structured, there is a risk that reporting entities make determinations that climate-related disclosure topics are not material (even after reference to the SASB industry disclosure topics and metrics, and the other sources referred to in the Exposure Draft). If this is the case then no disclosures would be required as to how these determinations were made, how risk procedures address such determinations and how the board exercises its governance oversight responsibilities over them. Investors require this information to be able to assess how a company is approaching climate-related issues. Investors require transparency with respect to how a board is assessing and determining whether and which climate-related risks are material to a reporting entity and what practices are in place to oversee the risks that are identified.

## 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 nonmandatory 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?

Yes, we support all 7 proposed cross-industry metric categories as being core to climate-related disclosures: GHG emissions (absolute and intensity), transition and physical risks, climate-related opportunities, internal carbon pricing, capital deployment towards climate-related risks and opportunities and percentage of executive management remuneration.

Disclosure of these 7 metrics would be applicable across industries and business models and would assist investors in fully understanding an entity's climate-related risk exposure. With the proposed requirement for companies to disclose climate-related transition plans (Question 5) this information on cross industry metrics will support investors in determining how a company is mitigating climate-related risks and whether they are on track to meet their climate targets.

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.
No
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?

As investors seeking consistent, comparable and decision-useful climate information, we strongly support the ISSB's efforts to align issuers around a consistent GHG reporting framework. We use GHG

information to make evidence-based investment decisions in the context of climate change risks and opportunities. This includes calculating the marginal carbon footprint of transactions, evaluating the credibility of issuer climate transition plans, and tracking GHG progress across asset classes and our portfolios.
We strongly support the use of the GHG Protocol definitions for Scope 1, Scope 2, and Scope 3 emissions that are already widely adopted in carbon footprinting practices.
We strongly support the notion that issuers should disclose their methodology for calculating the GHG emissions, including any emission factors used and the source of the emission factors. Given existing gaps in knowledge and information on GHG emissions, we agree that companies should retain the flexibility to use proxies and estimates in their emissions disclosures so long as the assumptions regarding their use are clearly stated.

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 CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH4) separately from nitrous oxide (NO2))?

We support the inclusion of all non-CO2 gasses (e.g., CH4, N2O, HFCs, etc.) consistent with the UN Framework Convention on Climate Change and the GHG Protocol, and GHGs to be reported in disaggregate and in total. Moreover, we support the conversion of these values to carbon dioxide equivalent (CO2e).

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?

Our view is that standard, verifiable disclosure of Scope 1 (produced) and 2 (purchased) GHG emissions should be required for all issuers In line with how the entity reports consolidated or unconsolidated information in their financial statements.

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?

Value chain carbon exposure (Scope 3 emissions) may materially impact an issuer's financial performance. Some issuers can take steps to measure and manage Scope 3 exposure, despite these emissions not being directly within their care and control. As institutional investors, we take note of recent guidance from TCFD, the Science-Based Targets Initiative, and other credible institutions regarding Scope 3 disclosure methodologies and materiality definitions. We acknowledge the data challenges associated with both calculating and aggregating Scope 3 emissions (e.g. accessing supplier data, boundary setting, etc.) but support moving forward with disclosure when material information will improve data quality for all market participants.

## 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?

Climate change poses a systemic risk to both issuers and investors and creates an imperative to support the orderly transition to a low-carbon economy. Information on a companies’ transition plans, including how a company intends to align to a low carbon economy and the establishment of short and long-term targets is useful to investors. Disclosure of targets and transition plans allows investors to verify the credibility of an organizations’ commitments related to climate change, which is vital to investors’ assessment of risks.

We recommend that disclosure of targets and transition plans be, consistent with TCFD guidance. We also support the disclosure of key metrics and progress towards targets, plans to mitigate or adapt to any material physical or transition risks, as well as any plans to capitalize on any identified climate-related opportunities.

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?

Yes, it is sufficiently clear.

## 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?

We consider the SASB standards an important and informative resource, and strongly support a sector-based approach to materiality. We support increasing the international applicability of the SASB standards to increase the consistency and comparability of climate disclosure for all users.

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?

We support the proposed amendments to increase international applicability and the three approaches discussed in BC 130-148. The amendments propose to align with international standards where available, i.e. the International Energy Agency, or to the local jurisdiction when international standards are not available, increasing international applicability and comparability for investors.

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?

It is our view that for issuers in jurisdictions where SASB standards are more known, these amendments will result in disclosures that are consistent with prior periods.

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?

We support the proposed industry-specific disclosure requirements and agree with section in BC 145 that "significant evidence and market feedback suggested that such information would enable users of general purpose financial reporting to better understand and assess how effectively an entity is managing the risks and financial impacts associated with direct GHG emissions".

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?

It is unclear which industries are classified as 'carbon-related' but we believe it would be prudent for companies to report out all financed emissions regardless of what industry the capital is going to.

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

We support the disclosure of both absolute and intensity-based financed emissions. Absolute emissions assist investors in understanding the trajectory of overall emissions and progress towards targets. Emissions intensity, measured against a relevant unit, for example millions of dollars invested, allows for comparability among organizations in the same sector.

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?

We support comparable and consistent data and disclosure of the methodology used to calculate financed emissions will assist in ensuring consistency.

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?

We support providing the option to use the GHG Protocol Corporate Value Chain Standard and the PCAF Standards. As discussed in sections 149-172, there is increasing pressure on financial institutions to disclose climate-related data from investments, lending and underwriting activities. As investors we are looking for data that is comparable and consistent, and as preparers we are also in service of producing data that comparable and consistent. PCAF is built on the GHG Protocol Scope 3 and provides guidance to assist in the measurement and disclosure of GHG emissions across six asset classes. PCAF has further committed to consider and publish explicit guidance on calculating GHG emissions for financial products not currently addressed by the PCAF Standard, including private equity, investment funds, green bonds, sovereign bonds, loans for securitization, exchange traded funds, derivatives, and initial public offering (IPO) underwriting.

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?

We support the disclosure of financed emissions for total AUM, but in alignment with TCFD, this is one of four components that will help to assess the organizations transition risk. It will be important to ensure that all four components of TCFD (Governance, Strategy, Risk Management, Metric & Targets) are all being disclosed in order to fully understand an entity's risk exposure and transition plans.

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?

In order to ensure the comparability and usefulness of the data, we believe an industry-based approach is crucial, the disclosure topics in Appendix B have been derived and adapted from the SASB Standards. We believe the SASB Standards are the right model for identifying material sustainability-related disclosures, including with respect to climate-related disclosures, as such, we strongly support the proposal to include these industry-based requirements. Industry-specific disclosure will allow investors to compare information about how companies are addressing climate-related risks and opportunities across an appropriate peer group.

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.

No

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?

No

## 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?

There are many direct and indirect benefits associated with the new standards being proposed. Predominately, having consistent, comparable, and high-quality disclosures, disclosed on an annual basis globally, is critical for investors to better assess sustainability risks/opportunities and make informed decisions when allocating capital, while motivating and differentiating companies that are working towards decarbonization and other sustainability initiatives. We recognize that there will be costs associated with developing and implementing disclosures, however, the standardization of climate-related reporting will also reduce the burden for preparers currently subject to multiple reporting requests from varied stakeholders. Furthermore, we believe these are more than offset by the benefits in helping entities understand the impact of climate risks and opportunities on them, and to satisfy investors needs for transparent, high-quality, globally comparable sustainability information. Further, we believe phased in reporting will help support the accommodation of initial upfront costs.

b. Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

Initially, we expect the costs to roll-out the new standards to be non-trivial. However, as precedents are set and greater adoption and standardization of disclosures occurs, we would expect the reporting cost to become more aligned with the cost of financial reporting. We would also expect that as sustainability reporting matures and becomes more integrated with financial reporting, additional synergies and efficiencies could be possible.

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?

No

## 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.

A. 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?

For the disclosures to be verifiable, the users of the data should be able to corroborate the information and inputs used to derive the data. Therefore, in some cases there needs to be clear guidance on requirements to report inputs, calculation methodologies and assumptions from which certain quantitative disclosures are derived.

## 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 sustainabilityrelated 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 Sustainabilityrelated 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?

Given the interrelationship between the Exposure Draft for General Requirements and the Exposure Draft, ideally the effective dates should be at the same time, although this may create a significant compliance obligation for reporting entities which should be taken into account when considering effective dates.
If due to complexities arising from the comment process this is not possible, the Exposure Draft is comprehensive as drafted and could potentially become a stand-alone standard related to climate risks and opportunities if careful attention was paid to drafting in any additional requirements otherwise established in the Exposure Draft for General Requirements.

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.

We would encourage the timely implementation of the standards, as soon as is practical after the Standard is finalized. We would support the ISSB if it considered a phased in approach that required earlier compliance from larger companies and allowed for some time to smaller or less sophisticated reporting entities to acquire the necessary resources or expertise. This approach has been proposed by regulators in the United States and Canada with regard to their own proposed climate-related disclosure requirements.

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?

We would not support an approach that would piecemeal the disclosure requirements.

## 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.

We do not have comments on this point.

## 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.

A. 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 do not see any aspects of the proposals that would limit the ability of IFRS Sustainability Disclosure Standards to provide a global baseline for users of general purpose financial reporting to make assessments of enterprise value. Much of the information requested, notably the information about governance practices, and risk management processes, will be useful to other stakeholders. Domestic regulators and individual jurisdictions are able to build on this baseline and require different or additional information provided it does not obscure the material information required by IFRS Sustainability Disclosures Standards. That said, we encourage the ISSB to continue to work closely with and collaborate with international regulators to ensure that domestic regulatory regimes are as consistent as possible with the ISSB's global baseline. This is the most effective way to drive consistency and comparability for investors and to reduce compliance and implementation costs for reporting entities