Deutsches Aktieninstitut

IFRS Sustainability Disclosure Standards

Responses to the Exposure Drafts S1 and S2

Response of Deutsches Aktieninstitut to the consultation of ISSB's Exposure Drafts IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, 29 July 2022.

1 IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

Question 1 – Overall approach

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?

In our view, the ED clearly states that a company would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which it is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard. We support this approach and highly welcome that the ISSB prioritizes climate without generally delaying the provision of further sustainability-related financial information by companies.

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

We generally agree, subject to consideration of our responses to Q2 and Q8.

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?

We generally deem it to be clear how the ISSB foresees the proposed requirements in the ED to be applied together with other IFRS SDSs; this is similar to the twofold structure in financial reporting, namely of a Conceptual Framework and specific IFRS Accounting Standards that need to be applied jointly.

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?

It is difficult to judge this for the ED in isolation and at this stage; overall, the approach and structure seem well suited to achieve this, but naturally, it will become easier as the Topical Standards are added as this will increase standardization and comparability and reduce the burden upon (and risk for) companies to go through all the different sources to check what additional disclosure topics may need to be covered and how, as well as for auditors and regulators to verify whether this has been done appropriately (which will likely be challenging and time-consuming as the assessment, incl. as regards materiality and qualitative information characteristics, will be entity- and context-specific). A best effort principle needs to apply for companies to mitigate legal liability risks, at least during a transitional phase. Full auditability will only be possible once the full set of IFRS Sustainability Disclosure Standards is available. However, then, in the steady state, we see no particular issues and would expect that the ISSB framework will be as well-suited as the IFRS framework.

Question 2 – Objective (paragraphs 1–7)

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

The objective is generally clear. However, information necessary for users of general purpose financial reporting to assess enterprise value' may be interpreted and applied differently in terms of scope/breadth. While we acknowledge that the ISSB intends to focus on the investor perspective and does not intend to cover the so-called 'inside-out' perspective, we would like to emphasize that the two views are strongly intertwined and very difficult to disentangle.

Further guidance would likely help to ensure consistent application, for example, on what the requirement to consider the long-term time horizon would imply in terms of reporting requirements, as then, various inside-out impacts would also seem to be in scope. Further guidance would also be helpful to understand interoperability/compatibility with other materiality concepts (such as the one by the EU).

Please also refer to our comments on Q6.

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?

It would be worthwhile to define sustainability in the appendix. While we understand that disclosure topics will be set out in the IFRS Sustainability Disclosure Standards and that it may be too early to go into more detail, a high-level definition of the areas of sustainability (E, S, G) may help to create a common understanding that overall, sustainability-related financial information would be expected to relate to one or more of these three areas. Paragraph 6(b) does e.g. not specify that there needs to be a link to ESG. Our concern in this respect stems from the fact that some stakeholders seem to consider sustainability reporting as an outlet for any kind of information not reflected in financial reporting, where 'sustainable' is rather interpreted as 'long-term'.

Also, the co-existence of separate definitions for sustainability-related financial disclosures and sustainability-related financial information may be confusing.

Question 3 – Scope (paragraphs 8–10)

Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?

We generally agree and strongly support the ISSB's intention for the IFRS Sustainability Disclosure Standards to be designed in a way to be applicable independently and in isolation of both IFRS or local GAAP, as this would likely enhance the number of jurisdictions adopting the Standards as well as the scope of companies for which this could apply (e.g. including private companies), and may incentivize voluntary reporting. Potential issues could arise as to:

- The required location in general purpose financial statements where companies do not (need to) disclose financial statements at this stage; and
- The principle of connected information where companies do not (need to) disclose financial statements at this stage or where the principles of local GAAP differ (e.g. due to differences in scope and considered time horizons).

In any case, to enhance global relevance and acceptance, coherence/compliance with the ISSB framework must also be possible where companies are not required to disclose financial information.

Question 4 – Core content (paragraphs 11–35)

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

The disclosure objectives for all four categories are generally clear and appropriately defined. Related to this, we highly welcome the ISSB's approach to build on existing relevant and well-established sustainability reporting guidance as well as its commitment to collaborate with relevant organizations, initiatives and jurisdictions, including the various efforts it has already undertaken with respect to consolidation. This is not only absolutely critical to achieve timely progress, which is key given the urgency of ESG matters, but also leverages synergies to the highest possible degree. Therefore, we strongly support the proposed structure which builds on the well-established work of the TCFD, not only for climate, but also the other sustainability topics.

Also, we highly welcome that the ISSB would welcome integrated reporting on these categories across sustainability topics, where possible/relevant. In addition, a reasonable degree of flexibility should also be granted as regards the order and location of sustainability-related financial information. This would also significantly facilitate the provision of connected information.

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

We generally deem the disclosure requirements for governance, strategy, risk management and metrics and targets as appropriate to fulfil their stated disclosure objective.

However, as regards strategy, we would like to note the following:

- While we acknowledge that some flexibility is needed on time horizons (par. 16(b) and par. 18), e.g., to account for sector-specific differences, supplementary guidance on how short, medium and long term should be defined (e.g., in terms of ranges) would allow to reduce the need for judgment and associated diversity and inconsistencies in application. Alternatively or in addition, Illustrative Examples for sectors with different characteristics could be provided.

- The approach does neither seem aligned nor compatible with what the European Financial Reporting Advisory Group (EFRAG) currently envisages for the European sustainability reporting standards, which is the following: short-term to be understood as one year, mid-term to be understood as one to five years, long-term to be understood as beyond five years. Achieving interoperability/compatibility seems critical as differences in such a key underlying concept of sustainability reporting would clearly significantly harm interoperability and render the establishment of an endorsement or equivalence mechanism very difficult, maybe even impossible to achieve.

- As regards par. 22(a), (c) and (d), we fully support that information on current and anticipated financial effects shall be provided by companies as well as the fact that the ISSB follows a principles-based approach in S1. However, quantitative disclosures can only be provided where methods and data are available in a sufficiently standardized way. Also, further guidance needs to be included in the topic-specific IFRS Sustainability Disclosure Standards for each sustainability (sub-)topic. Similarly for par. 20 (b). "Anticipated effects of significant sustainability-related risks and opportunities" can only be evaluated in the value chain where (standardized) data is available.

As regards metrics and targets (par. 28), „Metrics identified from the other sources identified in paragraph 54" should be accompanied with "as relevant" as the "metrics developed by an entity itself" may be sufficiently comprehensive together with the cross-industry and industry-specific metrics as defined in the relevant topic-specific IFRS Sustainability Disclosure Standards to achieve the objective of the metrics and targets section as per par. 27 (namely "to understand how an entity measures, monitors and manages its significant sustainability-related risks and opportunities").

Question 5 – Reporting entity (paragraphs 37–41)

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?

We fully agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements.

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?

We highly welcome that the ISSB intends to require companies to not only look at and report on their own operations, but rather also the sustainability-related risks and opportunities alongside the value chain. Considering the value chain is essential to achieve the objective of the General Requirements ED and the Climate ED. A narrow scope limited to own operations only would stand in the way of a fair representation of the sustainability-related risks and opportunities that are material for users of general purpose financial reporting. Furthermore, this approach seems to be well-aligned with what the EU COM envisages in terms of scope for the Corporate Sustainability Reporting Directive (CSRD), which we deem as absolutely critical to achieve a reasonable level of alignment between the EU's and the ISSB's standards. Differences in such a key underlying concept of sustainability reporting would clearly significantly harm interoperability and render the establishment of an endorsement or equivalence mechanism very difficult, maybe even impossible to achieve.

However, clarity is needed on what the value chain encompasses for the financial sector, for example as regards whether or not this would imply a general look-through principle to investees, which would be highly burdensome and only be outweighed by respective costs for a core set of key KPI's (e.g. financed emissions). Other sectors would also need clarification, depending on the specific challenges arising for different sectors. Additionally, it might make sense to allow for a staged approach of reporting (starting with tier 1-suppliers/direct consumers etc.) as value chains can be broad, complicated and partly parallel. Alternatively, focusing on "significant" value chains might cover the most relevant information.

As regards paragraph 40(a), information on sustainability matters "of its suppliers" might not always be (fully) known, e.g. for SME suppliers not reporting under the IFRS Sustainability Disclosure Standards. This raises the question how companies should deal with data availability issues as regards the value chain.

Overall, an adequate balance between proportionality (for preparers and their value chain partners) and transparency (for users) is needed, taking into account the materiality of risks and opportunities that may be neglected or not adequately reflected when, e.g., using proxies or estimates. In any case, we deem it as absolutely essential that appropriate safeguards apply where preparers face data availability issues to avoid legal liability and reputational risks.

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

We generally agree with the proposed requirement for identifying the related financial statements.

Question 6 – Connected information (paragraphs 42–44)

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

The requirement on the need for connectivity between various sustainability-related risks and opportunities is generally clear.

We especially see a need to find a compatible solution to address differences in timescales and "stakeholder perspectives" (with regard to the double materiality concept) between financial and non-financial information as there are deviations between these. Further clarity is needed on how connected information shall be provided (e.g. repetition, cross-referencing) and to what extent (the requirement should only evolve for highly relevant interactions between purely financial and sustainability-related financial information.

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 fully support the general feature of connected information as it is crucial for users to understand interactions of sustainability-related risks (e.g. social implications from green transition) and interactions between financial statements and sustainability-related financial disclosures. However, where companies do not (need to) report under IFRS (or local GAAP), it might be difficult to (fully) comply with the principle of connected information as regards the second dimension (please refer to our response to Q3).

Question 7 – Fair presentation (paragraphs 45–55)

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, the proposal to present fairly the sustainability-related risks and opportunities to which the company is exposed is clear. However, the section on general features could be more strongly aligned with the IFRS Conceptual Framework. As regards (dis)aggregation, we strongly support the principles-based proposal brought forward by the ISSB. Companies' management is best positioned to make a meaningful assessment as to which level of disaggregation is necessary and useful for users, which will depend on the entity-specific facts and circumstances and companies' respective materiality assessments. However, further examples for where aggregation vs. disaggregation would be helpful.

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 fully agree with the sources, but would have the following comments:

- In our view, under par. 51(c), even proposals by standard setters not focusing only on investors' information demands such as the GRI standards and the standards under development at EU-level may represent a valuable source. Indeed, they do not (solely) target investors, however, this does not mean that they only prescribe disclosures that are not material for investors. Rather, they may be included because they are material for other stakeholders and investors. Also, some disclosures may indeed "only" be material for other stakeholders for some companies, while being material for investors and enterprise value for other companies. Also, including GRI and the ESRS would more appropriate reflect the concept of 'dynamic materiality'.

- Further, companies should consider insights from their engagement with primary users (as defined in Appendix A) of general purpose financial statements.

- Also, while we generally agree with the procedure as outlined in par. 52 and 53, it is unclear why the sources presented under par. 51 shall only be used as guidance on which sustainability-related risks and opportunities may need to be reported on, but not as guidance on disclosures related to those risks and opportunities (in the absence of an IFRS Sustainability Disclosure Standard). The criteria outlined in par. 53 could be applied to those in analogy. Indeed, par. 54 suggests that such guidance should be used for metrics (only), but not disclosures (in general).

Question 8 – Materiality (paragraphs 56–62)

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

We fully support materiality is considered as an entity-specific assessment (par. 58) and that it would be the responsibility of the company to identify material sustainability-related financial information (par. 59). Therefore, entities would not be required to disclose information that is not material, irrespective of whether an IFRS Sustainability Disclosure Standard includes a respective requirement (par. 60), which is essential to avoid information overload.

However, as outlined in our response to Q2, the objective and associated materiality concept to achieve this objective (namely for entities to report "information necessary for users of general purpose financial reporting to assess enterprise value and decide whether to provide resources to the entity" (par. 1)) may be interpreted and applied differently in terms of scope. To make the intended concept more clear, we would strongly suggest for the ISSB to add 'negative examples', namely examples of impacts on planet and people ('inside-out view') that would not be deemed as material by the ISSB. Otherwise, we believe that there is a high risk of inconsistent application and the decisions will require significant judgment.

A higher level of clarity would also be beneficial for preparers that, given the building blocks approach, may need to fulfil further sustainability-related reporting requirements such as in the EU. It is absolutely essential for them to have a clear understanding of the ISSB's materiality concept and the differences to the EU's materiality concept to be able to determine their disclosure strategy. We consider the formation of the working group of jurisdictional representatives as a very important and urgent measure in this regard and, therefore, strongly support this effort by the ISSB.

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?

We highly welcome that the materiality concept is as much as possible aligned with the materiality concept under IFRS, yet that it is clarified that information that could be relevant to the assessment of enterprise value is broader than information reported in the financial statements and that this includes information about a company's impacts and dependencies on people, the planet and the economy when relevant to the assessment of the company's enterprise value.

However, as outlined above, further clarification on the intended breadth of the ISSB's materiality concept is needed. In a similar vein, further guidance on the definition of enterprise value (e.g., role of possible monetarization) and of "significant (…) risks and opportunities" is needed, including as regards the difference between "significant" and "material".

In any case and irrespective of what shall ultimately be deemed as material, we strongly recommend for the ISSB to leverage its formal cooperation with GRI to achieve interoperable building blocks for multi-stakeholder reporting, where the building blocks can be applied separately, but also jointly, if both investors and broader stakeholders shall be addressed.

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?

While we deem the Illustrative Guidance as valuable and appreciate the ISSB's effort to prepare this document in parallel to this ED, as outlined in our response to question (a), to make the intended concept more clear, we strongly suggest for the ISSB to:

- Be more specific on the intended breadth of its materiality concept; and
- Add examples of impacts on planet and people that would be deemed as immaterial (in a specific situation).

d) Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why

or why not? If not, why?

We fully agree with this approach as it allows to cover a broad range of topics and matters and to pursue an ambitious approach in this respect, without requiring to take into account different jurisdictions' legal specificities and restrictions. Also, this fits the pursued building blocks approach and is likely to increase global relevance and acceptance.

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

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?

We fully agree that the sustainability-related financial disclosures should be required to be provided at the same time as the financial statements to which they relate. In particular, if a common understanding exists that both types of information are necessary and equally important to understand a company's development, performance and position, it seems indispensable that both types of information are made publicly available at the same point in time (also given that they are strongly interlinked and that interconnectivity is, thus, key).

Nonetheless, we recognize that imposing the same timeline as currently in place for financial reporting implies significant effort and cost for reporting entities, especially related to the initial set-up of the necessary processes, but also on an ongoing basis. This should be taken into account by jurisdictions when a) determining the effective date and scope (e.g., via adequate phased-in strategies that differentiate by size) as well as b) defining relevant safeguards.

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

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

We strongly support the proposal that purely financial and sustainability-related financial information shall be part of the general purpose financial statements. This would not only foster interconnectivity, but also contribute to the harmonization of how the two types of information are reported. In our view, this would also help clarify the status of sustainability-related financial information – which is or should be as high as the status attached to purely financial information, and increase trust in the reliability of sustainability-related financial information.

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?

Clarification is needed as regards the location for companies that do not (need to) publicly disclose general purpose financial statements. For example, as per the current CSRD, not all companies that will be required to provide sustainability information are currently publishing general purpose financial statements.

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 fully support the ISSB's proposal on cross-referencing, also to reduce potential issues with jurisdictional adoption and facilitate the building blocks approach, but especially as this is the best way to account for the fact that each company's idiosyncratic context requires a customized disclosure strategy. Tagging would mitigate potential concerns as regards (easy) accessibility.

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?

From a conceptual perspective, we fully support that entities are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way and believe that this becomes clear from par. 78. We also highly welcome that this possibility would extend to integrating sustainability and financial information. But instead of repeating the principle in the Topical Standards (such as in S2), it could potentially be strengthened in S1 by e.g. explicitly adding a) further examples on where this is expected and b) a clarification that this principle applies across sustainability topics and matters.

However, we would like to highlight that EU preparers might not be able to benefit from the option of integrating purely financial and sustainability-related information given the final CSRD proposal (which we regret). We would highly welcome if the ISSB could collaborate with EFRAG to provide EU preparers with guidance on whether and how the two approaches (which differ significantly as regards integration options) are interoperable/compatible.

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

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

Overall, we highly welcome the high degree of alignment with the IFRS financial reporting framework, which has proven to be a successful framework, as this fosters interconnectivity with financial reporting and leverages previous efforts. Further, it reduces complexity for preparers and users who have collected experience with IFRS over many years. However, we suggest for the ISSB to explore whether it would be appropriate to also include sub-sections for offsetting and the consistency of presentation (in analogy to IAS 1).

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 fully agree, wherever this can be done at reasonable effort.

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 fully agree. Where this is not possible, there should be a disclosure, incl. the rationale for any respective inconsistencies. This could for example be the case where a different scope or time horizon assumption underlies two information.

Question 12—Statement of compliance (paragraphs 91–92)

Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

We fully agree with this proposal, subject to consideration of our above concerns as relates to connected information (please refer to our response to questions 3 and 6) and location (please refer to our response to question 10).

Also, we would like to reiterate that the DAI is fully supportive of and has actively been calling for a global baseline for sustainability reporting. Therefore, we strongly urge and will continue to engage with jurisdictions to endorse the ISSB's global baseline or to fully incorporate it into their regulatory framework/standards, respectively.

Question 13 – Effective date (Appendix B)

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.

The effective date (for S1 and S2) should not be before 1 Jan 2025 (for FY 2024) (which would also be aligned with the effective date of the CSRD). The entities need time for the preparation and process development for sustainability data collection. This includes efforts to improve data quality and to align the robustness of sustainability-related financial reporting with that used for traditional financial reporting. Still, an ambitious timeline is needed as, from a political and conceptual perspective, to achieve a building blocks approach, it is essential that the global baseline will be effective early on and at the same time as jurisdiction-specific standards at the latest.

However, there should be a possibility for early adoption (esp. relevant for S2, which – given the fact that it strongly builds on TCFD – many companies may wish to apply already in 2024 (for FY 2023)).

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 fully agree with the proposed relief from disclosing comparatives in the first year of application.

Question 14 – Global baseline

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?

The ISSB and EFRAG should urgently develop a collaboration model that enables global alignment and connect EFRAG's work with the ISSB's agenda.

We emphasize the need for:

- Acting ambitiously and embracing the concept of 'dynamic materiality' (see above);
- Pursuing an ambitious timeline with respect to all ESG matters; and
- Close dialogue with the EU COM/EFRAG to prevent a situation in which EU preparers are required to report under both (potentially even non-complementary) standards to on the one hand comply with EU law and on the other hand respond to market expectations.

Question 15 – Digital reporting

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)?

To ensure compatibility with the EU reporting landscape, on the one hand, and to contribute to global availability and accessibility of data more generally, on the other hand, we would strongly support if the ISSB would develop a digital taxonomy in parallel to the development of the IFRS Sustainability Disclosure Standards from the beginning. We are fully convinced that this would not only be beneficial for EU companies to comply with their disclosure requirements and report in as well as extract data from ESAP, but also be of interest globally given that the demand for sustainability information is steadily increasing worldwide and across stakeholders.

However, it must be ensured that the planed digital format complies with the requirements of the European Single Electronic Format (ESEF) of the Commission Delegated Regulation (EU) 2018/815 and is fully interoperable/compatible with the tagging requirements currently developed at EU-level. It is essential that EU preparers will only need to upload their information once to comply with the EU and ISSB standards.

Question 16—Costs, benefits and likely effects

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?

In our view, the key challenge to mitigate costs and entail benefits is ensuring acceptance by the EU and incorporation in the EU regulatory framework, notwithstanding the EU's high(er) ambition and the fact that the EU is comparably more advanced. This essentially applies for the US in analogy, although the SEC's proposal rather seems to be less ambitious. In our view, the key risk is that EU preparers may otherwise be required to report under (potentially non-complementary) standards to comply with EU (or other) law and ISSB standards to meet (global) market demand. Also, the ISSB would risk for its standards to not be accepted as a global baseline, if the EU goes its own way. Therefore, we urge the ISSB to do anything in their power to avoid such a scenario as, then, the costs would be significant, both for preparers and users. Only global acceptance can prevent those costs from arising.

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

As to the operating implications, in our view, significant one-off implementation cost and effort for setting up the IT systems and processes as well as for the respective analysis, quality assurance and audit procedures on an ongoing basis would be incurred, especially for companies that do not prepare sustainability information at this stage or that do so only to a limited extent. Nonetheless, we believe that the cost would be:

- Reasonable, as we believe that a reasonable and workable baseline approach has been chosen and as the proposals build on existing well-established and highly accepted sustainability reporting requirements such as TCFD and SASB; and

- Outweighed by respective benefits for users of general purpose financial statements, who clearly and urgently need globally available sustainability-related financial information that is of high quality, comparability and reliability.

Question 17 – Other comments

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

While we agree that fieldwork should not generally represent a mandatory step in the standard-setting process of the IFRS Sustainability Disclosure Standards, we would like to emphasize that fieldwork has proven to be highly useful to provide evidence on practicability, proportionality and feasibility. While this is supported by evidence from standard-setting in financial reporting, this is likely even more relevant for sustainability reporting, at least during the first phase, as sustainability reporting is, in comparison, less mature. In our view, fieldwork can take different forms and must not in all cases involve case studies/simulations by preparers which require a considerable amount of time.

2 IFRS S2 Climate-related Disclosures

Question 1 – Objective of the Exposure Draft

a) Do you agree with the objective that has been established for the Exposure Draft? Why or why not?

We generally agree with the objective that has been established for the Exposure Draft. However, it is important to consider the need to balance the volume and level of detail to be disclosed in the context of other material business risks and opportunities an entity is exposed to. Moreover, users will use other sources of information (incl. third-party) for additional consideration in their assessments. Furthermore, entities shall not be forced to disclose competitive sensitive information.

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?

In our view, the objective would primarily enable users of general purpose financial reporting to assess first-tier effects of climate-related risks and opportunities on enterprise value. However, it is not clear to what extent the dynamic materiality concept would be embraced in this approach. Clarification would be needed.

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?

The disclosure requirements set out in the Exposure Draft meet the objectives described in par. 1. However, it is not clear to what extent the objective shall also address the dynamic materiality concept. Clarification would be needed.

Question 2 – Governance

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?

We generally agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities as the required information is relevant and decision-useful.

However, as to remuneration, while this aspect seems to be covered to some extent by par. 21(g)(i) in the metrics and targets section in terms of one quantitative indicator (overall percentage of remuneration "linked to climate-related considerations"), par. 21(g)(ii), which requires a respective description, refers to par. 5(f), which, however, in turn refers to par. 21(g). Therefore, it is unclear what exactly companies would be required to report and where; namely, the twofold cross-reference may cause confusion and lead to overall insufficient disclosures on remuneration.

Question 3 – Identification of climate-related risks and opportunities

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?

The requirements proposed to identify significantly climate-related risks and opportunities seem to be too generic and high-level to ensure consistent application. While we clearly reject a one-size-fits-all approach in terms of full standardization, a reasonable degree of standardization of disclosures on climate-related risks is essential. For example, further guidance on the definition of "significant (…) risks and opportunities" is needed, including as regards the difference between "significant" and "material".

Additionally, the terms "strategy" and "business model" are used inconsistently and sometimes interchangeably; the same applies occasionally for the use of the term "business model" and the term "value chain" (paragraph 8b and 12). While these concepts are linked they are not synonyms. Paragraph 5 uses "terms of reference" of an entity. Neither the ED nor the Basis for Conclusions provide further clarification. Also, the term "amount" used in paragraph 21 in the context of metrics is not sufficiently clear. Most importantly, since the ED covers the topic "climate-related" disclosures, we recommend also to enhance the definition of "climate-related risks and opportunities" in Appendix A. The current proposed metrics are related to CO2, transition and physical risks, opportunities, capital deployment, carbon prices and remuneration. However, there are other factors that could have an impact on climate, such as water, biodiversity, and waste.

With regards to the use of terminology we have observed further that the ED uses the meanwhile well-known TCFD terminology to describe/classify climate-related risks, however this does not consistently seem to be the case when referring to climate-related opportunities.

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 fully 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 and believe that this will lead to improved relevance and comparability of disclosures. However, the ISSB should explore whether there is a need to add further dimensions that are not industry-specific such as geography.

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

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?

We generally 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. As outlined above, we welcome that the ISSB proposes to require companies to not only consider and report on their own operations, but rather also the sustainability-related risks and opportunities alongside the value chain (please refer to our response to Q5 related to the General Requirements ED).

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 generally agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative, at least in a first step. However, we recommend for the ISSB to elaborate on and explore how such qualitative disclosures could be underpinned with quantitative disclosures in the future as part of its workplan. Also, par. 12(b) should not pre-empt companies from disclosing a quantitative assessment in addition, if the information fulfils the qualitative characteristics of information as outlined in the General Requirements ED. In case quantitative disclosures are either not material or not available, a qualitative description should be sufficient.

Also, more clarity will be needed to specify exactly in what cases the scope of disclosures shall also include the value chain of a reporting entity, because it seems like, in general, this would not be the case given that the reporting entity is defined, at least according to our understanding, based on the concept of "control".

Question 5 – Transition plans and carbon offsets

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

Given that one of the objectives of the ED is to enable users to evaluate an entity's ability to adapt its planning, business model and operations to significant climate-related risks and opportunities it is only consequential that a final standard would also include disclosures on transition plans to reach a lower carbon economy and on its climate resilience. Information on companies' transition pathways is essential and is one of users' fundamental information demands when it comes to climate-related reporting. The proposed disclosure requirements for transition plans under par. 13 are necessary and expected to result in decision-useful information.

Additionally, disclosure of resource plans should not result in high-granularity information. Rather than highly granular information, a description of the general approach as well as a reference to frameworks and/or standards used in the development of the transition plan – for example the SBTI Net Zero Standard – should be sufficient. Disclosing too many detailed figures (e.g. at action-level) does not bring meaningful information for decision making. In this context, the fact that plans will in many cases be interrelated and go back to the same risks or opportunities should also be taken into account when requiring information on plans' resourcing; namely, such information may not always be meaningful if required at the level of individual plans, depending on the entity-specific context and strategy.

Also, the distinction of par. 13(a) and (b) for newly implemented plans vs. (c) for previously implemented plans seems artificial as many such plans will extend over years.

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.

From a preparer's perspective we would welcome additional guidance in the form of examples and a more specific definition of a "transition plan" than that which is currently proposed in Appendix A. From a materiality point of view we think that a rephrasing or the requirement that a company should include in the disclosures how it plans to achieve any (=all) climate-related targets it has set would be appropriate. Companies in the size and with a similar engagement in sustainability-relevant business activities usually have many climate-related targets, including targets on local level only. Accordingly, it should suffice to report on targets addressing material topics. Also, further guidance is needed on, for example, the use an role of estimates.

Also, it seems like the proposed requirements would mainly capture transition plan-related disclosures as regards climate-related risks; the ISSB should clarify it expectations as to reporting on opportunities (here, but also more generally).

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?

The guidance on carbon offsets is not sufficient to ensure consistent application, especially given the fact that carbon offsetting is a highly complex topic, implying high complexity and uncertainty for preparers and hindering understandability by users. Further guidance is needed in this respect, for example, as to which verification scheme is sufficient, to what degree offsetting is accepted in science-based target setting, and how the accounting should be done when measuring the owned emissions.

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?

Generally, we believe that 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, subject to the concerns mentioned in our response to question (c).

Question 6 – Current and anticipated effects

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 support quantitative disclosure requirements on effects where methods and data are available in a sufficiently standardized way; however, this needs further work by the ISSB. We support that qualitative disclosures and ranges would also be possible; however, it should be made clearer when an entity is considered "unable", otherwise, quantitative disclosures will likely not be provided in most cases. Ranges should always be possible at least for anticipated effects, but in the best case also for current effects. Also, where companies provide quantitative information, this should be complemented by contextual qualitative information to support users' understanding.

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?

While we generally agree with the proposals (subject to our response to a)), from our perspective, it is not appropriate to expect that entities provide financial information about planned sources of funding due to the sensitivity of this information. We recommend that this requirement is deleted.

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?

While we generally 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, it seems difficult to quantify these effects over the short, medium and long term and in isolation, at least based on the current proposals and at this stage. Therefore, we fully agree with the ISSB's proposal to also allow for the disclosure of ranges or, if impossible, qualitative information for anticipated effects (please refer to our response to question a)). Also, it is essential that appropriate safeguards apply for any kind of forward-looking information, including anticipated financial effects on the financial statements.

Question 7 – Climate resilience

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 that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy. This information is key to achieve the objective of the General Requirements ED and the Climate ED and is one of users' most fundamental information demands when it comes to climate-related reporting.

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?

We agree with the ISSB's proposals as regards climate resilience and appreciate that the ISSB acknowledges that a variety of approaches will be required or are at least helpful to arrive at meaningful analysis and disclosure. Still, it is worthwhile emphasizing that, eventually, the approach yielding the most relevant information is preferred, thereby avoiding cherry-picking.

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?

We agree 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. However, in addition, guidance is needed on when a company would be deemed as unable to use climate-related scenario analysis. At least in the medium term, the rebuttable presumption should be that climate scenario analysis is feasible.

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?

We believe that in the future, disclosure on climate scenario analysis should be recommended. However, since the topic is still developing, and methodologies evolve over time and data coverage needs improvement, safeguards should apply to grant companies sufficient time to prepare for and apply climate scenario analysis. Climate scenario analysis is already widely established and strongly evolving practice and is not only necessary/valuable for reporting, but also for internal steering purposes.

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

We generally agree with the proposed disclosures about an entity's climate-related scenario analysis. However, further analysis should be undertaken as to whether some of the requirements are only relevant for entities that operate in high-impact sectors; in this case, they should form part of the industry-specific requirements.

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?

We agree with the proposed disclosure about alternative techniques.

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

We agree that 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.

Question 8 – Risk management

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?

We generally 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.

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

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?

We 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, and strongly welcome the proposals on scope 3 GHG emissions (also given that those will certainly form part of EFRAG's final technical advice to the EU COM as well, which will, however, likely apply for all seven metric categories).

However, several of the metrics are not sufficiently defined.

For example, the term used for the quantitative indicator on remuneration ("linked to climate-related considerations") in par. 21(g)(ii) is too vague. We suggest for this requirement to be further specified, while taking due consideration of potential interlinkages with jurisdictional requirements on setting remuneration.

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.

As regards Scope 3, which we support (subject to safeguards due to reliance on third-party data), the ISSB should also allow the disclosure of companies' Scope 3 GHG emissions optionally with meaningful additional information (e.g. if verified). As regards par. 21(a)(i)(ii), we recommend for the ISSB to require the disclosure of the GHG intensity expressed as metric tonnes of CO2 equivalent in both physical or economic output (where applicable, e.g., CO2 equivalent per tons of steel produced), but to allow for a provision of both. No splits by GHG type and of Scope 1 and 2 by consolidated entity vs. JVs/associates should be required.

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?

We agree.

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))?

In general, entities should only be required to disclose aggregated greenhouse gas (GHG) data in CO2 equivalent only with the option to further break down the data into individual figures for each GHG, unless an entity has defined targets that relate to a specific GHG. Requirements on splits could be considered for specific sectors. Given that the Greenhouse Gas Protocol Corporate Standard dates back 20 years and that there are already in some countries national GHG protocols we suggest the use of the international GHG standard and its methodologies as basis for disclosures.

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?

Although we agree that reporting Scope 1 and Scope 2 emissions for consolidated entities is possible and useful, we foresee problems in disclosing these for any associates, joint ventures or unconsolidated subsidiaries and affiliates with regards to data collection and data quality. Also, the scope of reporting should be in line with financial reporting.

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

We support mandatory cross-sector requirements as regards Scope 3, where material, subject to safeguards due to reliance on third-party data.

Question 10 – Targets

a) Do you agree with the proposed disclosure about climate-related targets? Why or why not?

We generally agree with the proposed disclosure about climate-related targets.

The disclosures on climate-related targets the proposals would include the requirement to describe how the entity's targets compare with those prescribed in the latest international agreement on climate change. The definition of such agreements provided in Appendix A Defined Terms relates to a reduction in greenhouse gases only. To avoid misunderstandings, we suggest that additional, relevant information could also be reported with regard to environmental issues.

References to "science based" should be avoided as they may be connotated with widely used labels, thus be a risk for an agnostic approach. For a wide range of activities, a robust scientific methodology for the requested comparison ("how the target compares with those created in the latest international agreement on climate change") is not available. Therefore, we propose to rephrase this part to give more flexibility.

b) Do you think the proposed definition of 'latest international agreement on climate change' is sufficiently clear? If not, what would you suggest and why?

We do not think that the proposed definition is sufficient. Therefore, we suggest a more detailed clarification so that users know exactly to what agreement the targets refer to.

Question 11 – 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 fully agree with the approach taken to revising the SASB Standards to improve international applicability. Indeed, we fully support the ISSB's intention of leveraging the industry-based standards by SASB as the most well-established industry-based investor-focused reporting initiative. However, we welcome that addressing international applicability of the SASB standards is also mentioned as a priority going forward and shall form part of the ISSB's initial work plan as the SASB standards have a US focus and in-depth assessments per industry are needed. We strongly urge the ISSB to conduct fieldwork and dedicated outreach to industries in this context.

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 ISSB's intention of leveraging the industry-based standards by SASB as the most well-established industry-based investor-focused reporting initiative. However, we recognized that addressing international applicability of the SASB standards is also mentioned as a priority going forward and shall form part of the ISSB's initial work plan as the SASB standards have a US focus and in-depth assessments per industry are needed.

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?

We agree.

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 agree with the proposed industry-based disclosure requirements for financed and facilitated emissions. However, for Scope 3 GHG emissions of investors, Scope 1 and Scope 2 GHG emissions of investees should need to be considered. At some point, conceptually, it would make sense to also consider Scope 3 GHG emissions of investees (despite the issue of double counting) – however, such a requirement should only be imposed as soon as data availability (namely, based on actual reported data by investees) is significantly increased, which can only be achieved via mandatory reporting requirements on Scope 1, 2 and 3 for investee companies in a first step.

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?

We do not agree with the industries classified as "carbon-related" in the proposals for insurance entities (par. 1.4.1) as the list is not sufficiently discriminatory. For example, it lists utilities, which could, however, be all-renewable. Instead, we strongly recommend for the ISSB to define sectors with ISIC/NACE and precise the framing to "usually carbon-related", as almost any industry is related to GHG.

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

We fully agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions as both indicators are highly decision-useful.

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 agree with the proposals to require disclosure of the methodology used to calculate financed emissions as such context is needed for users to understand how financed emissions were computed and to assess comparability across companies.

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 agree that companies should be required to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions. However, the “financed emissions calculation” method is not sufficiently defined; there should at least be a reference to PCAF’s Global GHG Accounting and Reporting Standard for the Financial Industry. This applies, for example, for “gross exposure”.

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?

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. However, it is unclear why a different approach applies for insurers and asset managers (by industry and asset class vs. no such splits). We suggest to apply the same standards for both of them, where asset managers should be required to provide the same splits as insurers.

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

We do not provide a specific answer as we represent many different industries.

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.

We do not provide a specific answer as we represent many different industries.

l) In noting that the industry classifications are used to establish the applicability of the industry-based disclosure requirements, do you have any comments or suggestions on the industry descriptions that define the activities to which the requirements will apply? Why or

why not? If not, what do you suggest and why?

We generally agree with the industry classification to establish the applicability of the industry-based disclosure requirements. However, we strongly recommend for the ISSB to include a mapping to NACE sectors (if relevant) as this would foster compatibility and interoperability with the EU's regulatory framework.

Question 12 – Costs, benefits and likely effects

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?

Whilst we acknowledge that there will be costs associated with the implementation of the proposed requirements, we welcome the ISSB's ambition and believe that the long-term benefits could outweigh the costs for entities outside the EU provided that the ISSB found the before-mentioned balanced approach and avoid that too many new standards with too many and in many cases irrelevant disclosure requirements are introduced too soon.

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

Ongoing costs would be incurred of course if jurisdictions apply a different approach to the implementation of sustainability-related disclosures or chose to "top up" the IFRS Sustainability Reporting Requirements with jurisdiction-specific requirements. This is also a reason why we are emphasizing the need for harmonization between IFRS Standards and ESRS.

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?

In our view, the Climate ED does not include disclosure requirements for which the benefits would not outweigh the costs associated with preparing that information.

Question 13 – Verifiability and enforceability

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.

We do not have specific concerns as long as qualitative disclosures can be provided, where reliable quantitative data cannot (yet) be produced and as long as appropriate safeguards apply (e.g. for forward-looking information and scope 3 emissions).

Question 14 – Effective date

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?

The effective date for both standards should be the same (please refer to our answer on b)).

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.

The effective date (for S1 and S2) should not be before 1 Jan 2025 (for FY 2024) (which would also be aligned with the effective date of the CSRD). The entities need time for the preparation and process development for sustainability data collection. This includes efforts to improve data quality and to align the robustness of sustainability-related financial reporting with that used for traditional financial reporting. Still, an ambitious timeline is needed as, from a political and conceptual perspective, to achieve a building blocks approach, it is essential that the global baseline will be effective early on and at the same time as jurisdiction-specific standards at the latest.

However, there should be a possibility for early adoption (esp. relevant for S2, which – given the fact that it strongly builds on TCFD – many companies may wish to apply already in 2024 (for FY 2023)).

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?

Surely, many companies may be able to provide some information even earlier than from 1 Jan 2025 onwards, but all disclosure requirements seems feasible as of then.

Question 15 – Digital reporting

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 are aware that the ISSB plans to facilitate digital consumption of the information provided in accordance with IFRS Sustainability Disclosure Standards and that a staff draft of the taxonomy is planned to be published shortly after the release of the ED. We acknowledge the theoretical advantages of a digital consumption compared to a paper-based consumption in terms of accessibility, enabling easier extraction and comparison of information and we are aware that also for the ESRS a digital provision of the reports will be mandatory. However, at least in Europe the implementation of the IFRS taxonomy for general purpose financial statements is currently ongoing and proving to be rather challenging. To implement all these requirements in parallel will be very challenging. To avoid an organizational overload resulting from the need to implement all these upcoming new requirements both from ESRS and from ISSB we would like to propose a step-by-step approach in which the focus firstly lies on tagging of the metrics and targets section of the Climate ED.

Finally, it must be ensured that the planed digital format complies with the requirements of the European Single Electronic Format (ESEF) of the Commission

Delegated Regulation (EU) 2018/815 and the planned ESAP (European Single Point of Access for nonfinancial information).

Question 16 – Global baseline

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?

The ISSB and EFRAG should urgently develop a collaboration model that enables global alignment and connect EFRAG's work with the ISSB's agenda.

We emphasize the need for:

- Acting ambitiously and embracing the concept of 'dynamic materiality' (see above);
- Pursuing an ambitious timeline with respect to all ESG matters; and
- Close dialogue with the EU COM/EFRAG to prevent a situation in which EU preparers are required to report under both (potentially even non-complementary) standards to on the one hand comply with EU law and on the other hand respond to market expectations. For example, there could be a global standard that covers the double materiality (impact and financial materiality) to avoid an unreasonable reporting effort.

Question 17 – Other comments

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

While we agree that fieldwork should not generally represent a mandatory step in the standard-setting process of the IFRS Sustainability Disclosure Standards, we would like to emphasize that fieldwork has proven to be highly useful to provide evidence on practicability, proportionality and feasibility. While this is supported by evidence from standard-setting in financial reporting, this is likely even more relevant for sustainability reporting, at least during the first phase, as sustainability reporting is, in comparison, less mature. In our view, fieldwork can take different forms and must not in all cases involve case studies/simulations by preparers which require a considerable amount of time.

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