IFRS Sustainability

Staff paper

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ISSB meeting

Date	**September 2022**
Project	**General Sustainability-related Disclosures**
Topic	**Summary of comments**
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Objective

1. This paper provides the International Sustainability Standards Board (ISSB) with:

   (a) an overview of the letters received during the comment period for the Exposure Draft IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* ([draft] S1); and

   (b) a summary of the feedback received.

2. The ISSB will have the opportunity to consider and discuss, as appropriate, each question included in the Invitation to Comment. The ISSB will not be asked to make any decisions during this session. However, ISSB members are asked to comment on any feedback that is unclear, that provides new information, or that needs further research.

Structure of the paper

3. This paper is structured as follows:

   (a) Background (paragraphs 4–6);

   (b) Key themes emerging from feedback (paragraphs 7–20);

   (c) Comment letters received (paragraphs 21–27);

   (d) Feedback by question (paragraphs 28–151);

   (e) Questions for the ISSB (paragraph 152); and

   (f) Appendix – Questions in [draft] S1.

Background

4. In March 2022, the Chair and Vice-Chair published [draft] S1, which sets out proposed requirements for disclosing sustainability-related financial information to provide users of general purpose financial reporting (users) with a complete set of sustainability-related financial disclosures. [Draft] S1 was developed in response to calls from users for more consistent, complete, comparable and verifiable sustainability-related financial information to enable them to assess an entity's enterprise value.

5. [Draft] S1 included an Invitation to Comment, soliciting public feedback on the proposals in [draft] S1. The questions presented in the Invitation to Comment are included in the Appendix to this paper.

6. Simultaneous to the publication of [draft] S1 in March 2022, Exposure Draft IFRS S2 *Climate-related Disclosures* ([draft] S2) was also published. While this paper focuses on feedback received on [draft] S1, a separate paper (Agenda Paper 4A *Climate-related Disclosures—Summary of comments*) summarises feedback received on [draft] S2.

Key themes emerging from feedback

Robust stakeholder response

7. The stakeholder response to the comment period on [draft] S1 was robust in terms of the volume of responses and the diversity of respondents. Over 700 respondents submitted comment letters and/or surveys. These respondents represented a range of stakeholder types and geographies. The strong response rate suggests significant and widespread interest across the global capital markets in [draft] S1, including the work of the ISSB to develop IFRS Sustainability Disclosure Standards more broadly.

8. Preparers represented the single largest stakeholder type that provided feedback. In addition, we note that the number of responses from users, including organisations that represent users such as investor associations, is high relative to commonly observed response rates to consultations from other standard setters or regulators. For example, many asset managers and asset owners that represent a wide range of sizes (in terms of assets under management), geographies and investment strategies provided feedback on [draft] S1, suggesting a high level of interest from investors and other users of general purpose financial reporting. Additional information on the composition of respondents is summarised in paragraphs 21–23.

Broad support for the ISSB and [draft] S1

9. Almost all respondents supported the ISSB's overall aim to develop a comprehensive global baseline of sustainability-related financial disclosures for the capital markets. They strongly welcomed the intention to consolidate multiple standards and frameworks into a single set of high-quality sustainability disclosures standards.

10. Most respondents welcomed the timely publication of [draft] S1 along with [draft] S2. Many encouraged the ISSB to continue moving at pace in issuing the final standards, with some respondents emphasising the importance of both timeliness and quality.

11. Most respondents supported the overall positioning of [draft] S1 as an overarching standard which sets out the general requirements designed to apply across the IFRS Sustainability Disclosure Standards. They acknowledged the important role that the proposed requirements are designed to play in supporting the provision of consistent and comparable sustainability-related financial information.

12. While there is a broad support for [draft] S1, many respondents also asked for greater support, guidance, and examples to enable effective application of the proposals. This includes requests from preparers of sustainability-related financial disclosures (preparers) for greater clarity on some aspects of the proposals in [draft] S1. These aspects are primarily discussed in further detail in the feedback summary for Question 1—Overall approach (paragraphs 29–42), Question 2—Objective (paragraphs 43–46), Question 5—Reporting entity (paragraphs 64–70), Question 7—Fair presentation (paragraphs 76–81) and Question 8—Materiality (paragraphs 82–91).

Scalability of the proposals

13. While most respondents were supportive of [draft] S1, many of these respondents suggested that the ISSB should give more consideration to the range of capabilities and preparedness of entities around the world to apply the proposals in [draft] S1.

14. Respondents suggested that substantial resources would have to be devoted to apply some of the proposed requirements in [draft] S1, especially for smaller entities and entities in emerging markets. This is discussed in further detail in the feedback summary for Question 16 (see paragraphs 139–144).

Connectivity and collaboration with the IASB

15. Many respondents emphasised the importance of close collaboration with the International Accounting Standards Board (IASB). They noted that the ISSB and the IASB are uniquely placed within the IFRS Foundation to ensure connectivity between sustainability-related financial disclosures and the financial statements.

16. Many respondents emphasised the importance of improving understandability, connectivity and consistency by using shared definitions and concepts across IFRS Sustainability Disclosures Standards and IFRS Accounting Standards. Some respondents also commented on the importance of promoting integrated disclosures. They welcomed the announcement to build on and integrate the International <IR> Framework. However, they also suggested a need for greater focus on the proposed requirements in [draft] S1 on integrated disclosures, including the requirements on connected information (see Question 6, paragraphs 71–75), location of information (see Question 10, paragraphs 95–111), and comparative information, sources of estimation and outcome uncertainty, and errors (see Question 11, paragraphs 112–116).

Global baseline

17. Almost all respondents agreed with, and strongly welcomed, the development of IFRS Sustainability Disclosure Standards as a comprehensive global baseline of sustainability-related financial information for the global capital markets.

18. Most respondents welcomed the use of the recommendations by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) as the basis for the structure of the core content in both [draft] S1 and [draft] S2. Most respondents said that the consistency of the structure will help to reduce complexity.

19. Many respondents emphasised the importance for the ISSB to work together with jurisdictions, including Europe and the United States (US), in developing a global baseline of sustainability-related financial disclosures. Many respondents said key differences in concepts, terminologies, and definitions remain between the ISSB's proposals and jurisdictional initiatives.

20. Many respondents welcomed the establishment of the Jurisdictional Working Group and the Sustainability Standards Advisory Forum. They emphasised the importance of working together with jurisdictions and encouraged the ISSB to continue to work closely with jurisdictions in developing [draft] S1, [draft] S2, and its future proposals. Many respondents also stressed the importance of collaboration with multi-stakeholder sustainability reporting standard-setters, including the Global Reporting Initiative (GRI). Respondents' comments on the global baseline are discussed in further detail in the feedback summary for Question 14 (see paragraphs 128–131).

Comment letters received

21. The comment period closed on 29 July 2022. The ISSB received comment letters and survey responses from 720 respondents on [draft] S1.[1] Figures 1 and 2 show the breakdown of the respondents by stakeholder type and geographic region, respectively.

22. Respondents to [draft] S1 included the following types of stakeholders (Figure 1):

(a) users of general purpose financial reporting (users);

(b) preparers of sustainability-related financial disclosures (preparers);

(c) accounting profession and auditors, including accounting professional bodies and audit firms;

(d) standard-setters, including accounting, auditing, and sustainability standard-setters;

(e) regulators, including auditing, securities and prudential regulators;

(f) policy makers, including central banks and government bodies;

(g) public interest, including NGOs, not-for-profit, and charity; and

(h) academia, including academics and students.

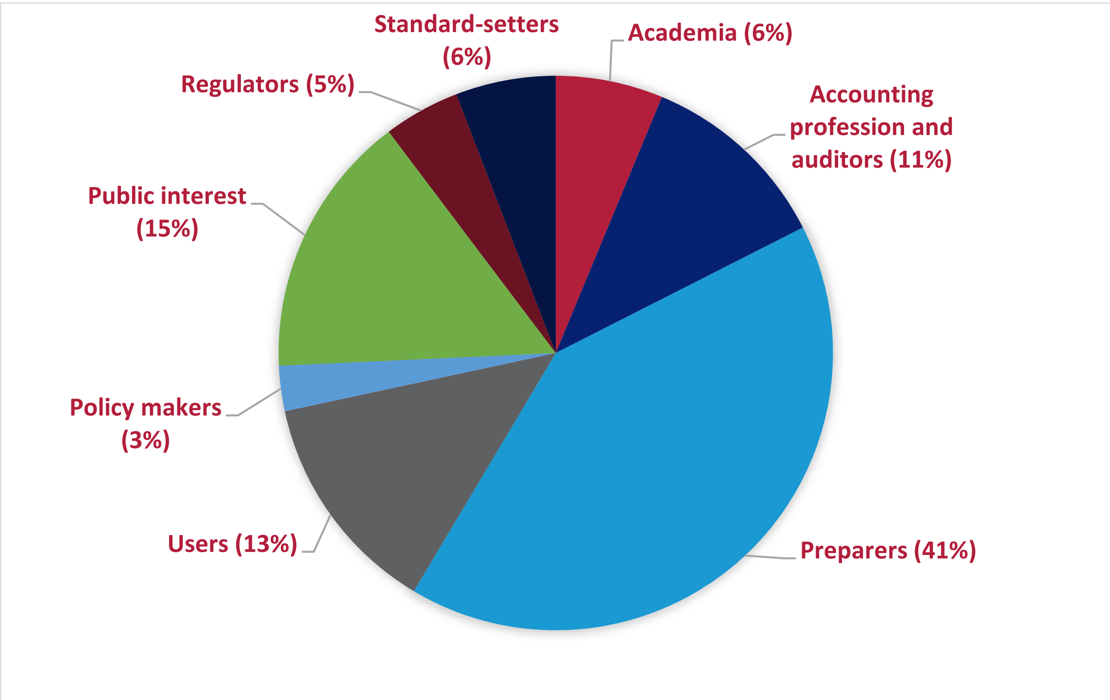

Figure – 1 Respondents by stakeholder type

[1] The total numbers of letters received may exceed the number of respondents as some respondents submitted more than one comment letter or survey.

23. Respondents to [draft] S1 provided an international perspective, coming from all geographic regions (Figure 2).

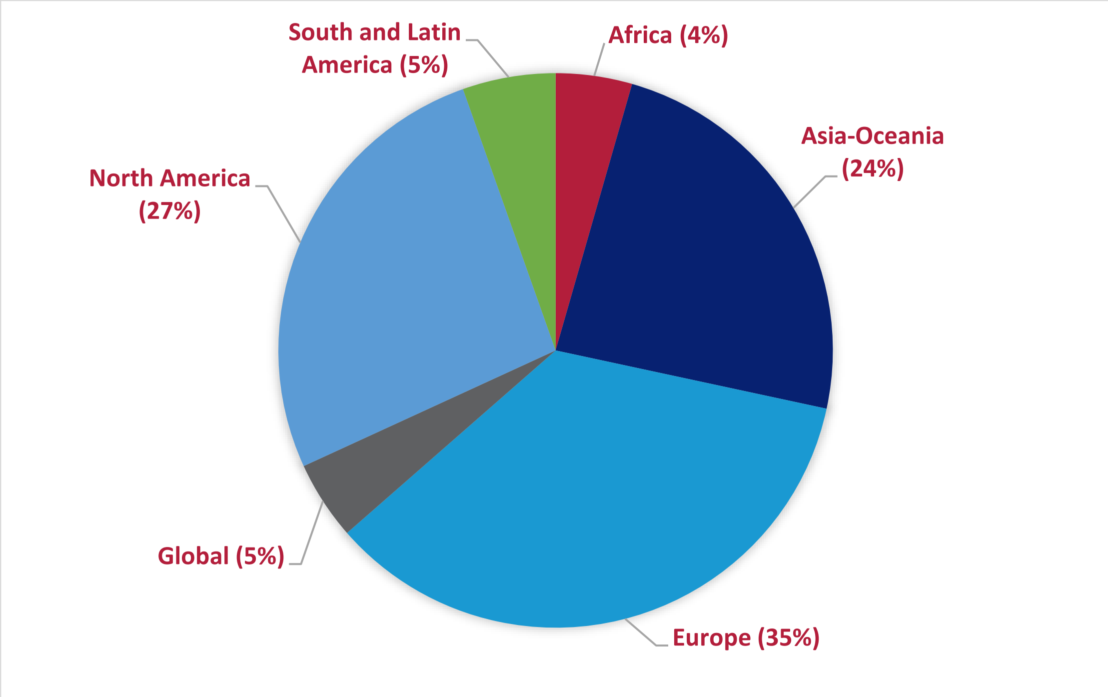

Figure – 2 Respondents by geographic region[2]

How we quantified the feedback

24. The papers use the following terms to describe the extent to which feedback was provided by respondents (Table 1):

Term	**Extent of response among respondents**
Almost All	All except a very small minority
Most	A large majority, with more than a few exceptions
Many	A small majority or large minority
Some	A small minority, but more than a few
A few	A very small minority

Table – 1 Terminology used to quantify feedback responses received

[2] South and Latin America geographic region category includes Mexico and the Caribbean.

25. The paper uses the term ‘respondents’ to refer to stakeholders who submitted a comment letter or survey.

26. Respondents did not always comment on every proposal of [draft] S1. Consequently, we have used the terms listed in Table 1 to describe the proportion of the respondents that commented on a particular question or topic. This is not necessarily a proportion of all respondents.

27. In summarising feedback from respondents, we have identified areas where we received differentiated messages between stakeholder groups and/or specific regions.

Feedback by question

28. This section follows the same structure as the Invitation to Comment, addressing each question as follows:

    (a) Question 1—Overall approach (paragraphs 29–42);

    (b) Question 2—Objective (paragraphs 43–46);

    (c) Question 3—Scope (paragraphs 47–48);

    (d) Question 4—Core content (paragraphs 49–63);

    (e) Question 5—Reporting entity (paragraphs 64–70);

    (f) Question 6—Connected information (paragraphs 71–75);

    (g) Question 7—Fair presentation (paragraphs 76–81);

    (h) Question 8—Materiality (paragraphs 82–91);

    (i) Question 9—Frequency of reporting (paragraphs 92–94);

    (j) Question 10—Location of information (paragraphs 95–111);

    (k) Question 11—Comparative information, sources of estimation and outcome uncertainty, and errors (paragraphs 112–116);

    (l) Question 12—Statement of compliance (paragraphs 117–119);

    (m) Question 13—Effective date (paragraphs 120–127);

    (n) Question 14—Global baseline (paragraphs 128–131);

    (o) Question 15—Digital reporting (paragraphs 132–138);

    (p) Question 16—Costs, benefits and likely effects (paragraphs 139–144); and

    (q) Question 17—Other comments (paragraphs 145–151).

Question 1—Overall approach

Question 1(a) and 1(b)—Overall aim of [draft] S1

29. Respondents' feedback to Questions 1(a) and 1(b) was similar. For conciseness, the responses to both questions have been combined.

30. Most respondents agreed that [draft] S1 clearly states that an entity would be required to identify and disclose material information about 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. Similarly, most respondents agreed that the proposed requirements meet the proposed objective in [draft] S1.

31. Many respondents qualified their response with a request for greater clarity on the definition and meaning of terms and concepts used in [draft] S1, including, sustainability-related financial information, sustainability-related risks and opportunities and enterprise value. These comments are summarised in the feedback and responses to Question 2 (see paragraphs 43–46). Many respondents also asked for greater clarity on the meaning of 'sustainability', which is not defined in [draft] S1, in the context of sustainability-related financial information.

32. Most respondents asked for greater clarity on the scope of and the process for identifying significant sustainability-related risks and opportunities and disclosures. Many expressed concerns about the use of the term 'significant' before the term 'sustainability-related risks and opportunities' in [draft] S1. They said that the term 'significant' lacked a clear definition and some noted that the distinction between the use of the terms 'significant' and 'material' is unclear throughout [draft] S1.

33. Some respondents provided suggestions for clarifying the scope of and process for identifying significant sustainability-related risks and opportunities and disclosures, including:

    (a) some respondents recommended removing the term 'significant' altogether in order to improve clarity. Some suggested replacing it with the term 'material' and a few suggested replacing it with the term 'principal'. They said that removing or replacing the term 'significant' would help to support the ISSB's intent as laid out in the Basis for Conclusions on [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*.

    (b) some respondents suggested that the process of identifying significant sustainability-related risks and opportunities and materiality assessments respectively could be seen as a two-step process. They suggested that the ISSB considers providing further illustrative guidance that explains this differentiation and supports preparers when identifying significant sustainability-related risks and opportunities and disclosing material information.

    (c) some respondents said that more clarity regarding the definition and application of materiality would be beneficial in ensuring [draft] S1 meets its proposed objective, as discussed further in Question 8 (see paragraphs 82–91).

Question 1(c)—Application with other IFRS Sustainability Disclosure Standards

34. Many respondents agreed that it was clear how the proposed requirements in [draft] S1 would be applied together with other IFRS Sustainability Disclosure Standards, including [draft] S2.

35. Some respondents, including preparers, accounting professionals, audit firms and accounting standard-setters, suggested that [draft] S2 could be streamlined by locating the 'core content' section (governance, risk management, strategy, and metrics and targets) within [draft] S1. These respondents said that duplication of the core content requirements across [draft] S1 and [draft] S2

could lead to duplicative disclosures or create confusion amongst preparers, as discussed further in Question 10(d) (see paragraphs 108–111).

36. A few respondents said that they would welcome an overview of the architecture of IFRS Sustainability Disclosure Standards showing how [draft] S1 and [draft] S2 are intended to be applied together, including the interaction with broadly applicable disclosure requirements and the disclosure requirements that apply to a specific industry. A few respondents suggested presenting the architecture overview in the form of a graphic or supplementary material.

37. A few respondents suggested adopting the architecture of the IFRS Accounting Standards whereby concepts that apply across standards, including the qualitative characteristics of useful information, would appear in a conceptual framework and the overall presentation requirements and the criteria for changes in estimates and corrections of errors would feature in separate standards.

Question 1(d)—Audit & regulation

38. Respondents, including many accounting professionals, audit firms and regulators, provided mixed feedback on whether the requirements proposed in [draft] S1 would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the requirements. Assurance challenges were also raised in relation to specific requirements within [draft] S1, including matters addressed in Questions 4, 5, 6, 8, 9, and 10. These are discussed in the summary of comments for each respective question.

39. Many respondents, particularly users, noted the importance of effective and robust assurance in ensuring confidence in the integrity of the disclosure of sustainability-related financial information. Many respondents also emphasised the importance of working with the International Auditing and Assurance Standards Board, as well as preparers, accounting professionals and audit firms to ensure that that sustainability-related financial disclosures can, over time, be subject to appropriate assurance.

40. Many respondents provided feedback on aspects of [draft] S1 that may prove challenging for auditors and regulators regarding the completeness and accuracy of information disclosed. For example, some of these aspects include:

(a) the expansive scope of [draft] S1, including whether a preparer has disclosed information about all significant sustainability-related risks and opportunities, in the absence of a stated definition for sustainability, and within the required scope of information related to the value chain;

(b) the challenge in assuring information that relies on assumptions and judgement (including materiality assessments) and forward-looking information and qualitative disclosures (such as an entity's reputation);

(c) how to define the scope of an engagement for assurance providers and regulators, for example, when considering whether various sources of guidance provided in [draft] S1 have been taken into account for the purposes of identifying sustainability-related risks and opportunities and related disclosures;

(d) the complexity of reporting, and thus providing assurance, on connected information;

(e) the difficulty in determining which documents comprise the general purpose financial reporting package when there are multiple documents cross-referred to, and which aspects of those documents address the requirements in relation to IFRS Sustainability Disclosure Standards; and

(f) the challenge where disclosures are based on information from non-financial data systems or external sources with controls and processes that differ from financial reporting.

41. Many respondents suggested that an additional requirement should be introduced for an entity to disclose information about the judgements and assumptions used, meaning, a basis for preparation similar to that required in IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. They said that it will help users understand how sustainability-related financial disclosures have been prepared and also support assurance of the information and assessment of completeness of information. A few respondents also suggested that entities should be required to disclose what they consider to be significant sustainability-related risks and opportunities and why. This would support assurance providers and users to assess whether all relevant disclosures had been made.

42. Some respondents also suggested that the ISSB provide illustrative examples and guidance to [draft] S1 to assist preparers and indirectly help assurance providers and regulators better understand the requirements and to determine whether an entity has complied with the proposals.

Question 2—Objective

Question 2(a)—Proposed objective

43. Most respondents agreed that the proposed objective of disclosing sustainability-related financial information is clear. Many of these respondents, including preparers and users, further explained that they support this objective in the context of the ISSB's mission more broadly.

44. Some respondents asked questions about how the objective of disclosing sustainability-related financial information relates to jurisdictional initiatives, including those in Europe and the US, and/or standards and frameworks developed by other organisations, including by multi-stakeholder standard-setters. Most of these respondents simply noted the complexities and interwoven nature of these objectives, but a few expressed views against the proposed objective of [draft] S1 on the basis that the resulting information would not meet the needs of broader stakeholder groups.

Question 2(b)—Definition of sustainability-related financial information

45. Respondents provided mixed feedback on whether the definition of 'sustainability-related financial information' is clear. Many respondents asked for further clarification on the definition of sustainability-related financial information and/or related terms and concepts, including:

(a) *Enterprise value*

(i) although most respondents were generally supportive of the ISSB's focus on enterprise value, some respondents queried whether the term 'enterprise value' is sufficiently well understood to be consistently applied in the context of sustainability-related financial disclosure.

(ii) some respondents commented on the inconsistency between the definition of enterprise value in Appendix A of [draft] S1 and the description in paragraph 5 of [draft] S1. They supported the description in paragraph 5 of [draft] S1 ('expectations of the amount, timing, and certainty 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'), but some asked for greater clarity on the definition of enterprise value in Appendix A which makes reference to an entity's market capitalisation. Some asked whether and how the definition would be applicable to non-listed entities.

(iii) some respondents said that paragraph 2 of [draft] S1 ('information necessary for users of general-purpose financial reporting to assess enterprise value') may be interpreted and applied differently. They suggested more guidance would be needed to support consistent and comparable materiality assessments (see Question 8, paragraphs 82–91).

(iv) some respondents suggested that the ISSB broaden its scope beyond the focus on sustainability-related financial information used to assess enterprise value.

(v) a few respondents, primarily users, explicitly supported the concept and definition of enterprise value while also expressing concerns that its use as proposed may not produce sufficient disclosures related to systemic risks. For example, if a sustainability risk is unlikely to affect an entity's enterprise value but may affect a user's broader investment portfolio through systemic risk.

(vi) a few respondents emphasised the need for clarity on the relationship between enterprise value and the basis of preparation of the financial statements, which is addressed in Question 6 (see paragraphs 71–75).

(b) *Sustainability-related risks and opportunities*

(i) some respondents commented on the potential breadth of disclosures required by [draft] S1 and expressed concerns about preparers' ability to consistently identify significant sustainability-related risks and opportunities without further guidance on the scope of sustainability-related financial information.

(ii) some respondents referenced paragraphs 50–55 of [draft] S1 ('Identifying sustainability-related risks and opportunities and disclosures') that is discussed more fully in Question 7(b) (see paragraphs 78–81).

46. Respondents provided mixed views on the examples of sustainability-related financial information provided in paragraph 6 of [draft] S1. Many users expressed support for these examples. Many preparers suggested additional guidance, while some expressed concerns with the examples provided. Some respondents expressed a view that the examples are confusing or inadequate. For example, some preparers disagreed with, or at a minimum, requested further clarification on the reference to 'knowledge-based assets' in paragraph 6(d) of [draft] S1.

Question 3—Scope

47. Most respondents agreed that the proposals in [draft] S1 could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP and/or using IFRS Accounting Standards. They said that it contributes towards developing a global baseline whilst acknowledging that there might be potential differences in some cases. Many respondents suggested that the ISSB should provide guidance for preparers on how to navigate potential differences.

48. Many respondents asked for more clarity on the intent and meaning of paragraph 9 of [draft] S1 which states 'Sustainability-related risks and opportunities that cannot be reasonably be expected to affect assessments of an entity's enterprise value are outside the scope of this [draft] Standard'.

Question 4—Core content

Question 4(a)—Disclosure objectives for the core content

49. Most respondents agreed that the disclosure objectives for governance, strategy, risk management and metrics and targets are clear and appropriately defined. However, many respondents, including preparers, asked for greater support and guidance for applying the proposed requirements to effectively meet the disclosure objectives and enable consistent application.

50. Other comments on governance, strategy, risk management and metrics and targets are included in the summary for Question 4(b) (see paragraphs 51–63).

Question 4(b)—Disclosure requirements for the core content

51. Many respondents agreed that the disclosure requirements for governance, strategy, risk management and metrics and targets are clear and appropriately defined. However, they called for clarifications on some aspects of the proposed requirements (see paragraphs 54–63).

52. Many respondents commented on the core content of [draft] S1 and [draft] S2. They suggested that [draft] S1 should contain the generic requirements that need not be duplicated in other specific IFRS Sustainability Disclosure Standards.

53. There were some calls for the ISSB to consult with the IASB on common terms and expressions to ensure consistency especially in relation to the requirements in paragraph 22 of [draft] S1 that is focused on the effects of significant sustainability related risks and opportunities on an entity's financial position, financial performance and cash flows (see paragraphs 58–59).

Governance

54. Many respondents, particularly users, suggested expanding the requirements on how sustainability-related risks and opportunities are managed from a governance perspective to be more explicit and more detailed.

55. Many respondents asked the ISSB to consider how those requirements interact with national governance codes, regulations and frameworks and with supra-national governance principles such as the G20/OECD Principles of Corporate Governance. Some respondents invited the ISSB to consider explaining the relationship between the concept of stewardship in the IASB's *Conceptual Framework* and the proposed governance disclosure requirements in [draft] S1.

Strategy

56. Some respondents expressed their support for including disclosures on business model as part of the strategy disclosure requirements. A few suggested that the term 'business model' should be made more prominent in the title of the strategy disclosure requirements.

57. Many respondents asked for clarification on the time horizons applicable to the short, medium and long term (paragraph 16(b) of [draft] S1). Some respondents were supportive of the proposed requirements. They explained 'long term' differs in length depending on the characteristics of the industry in which the reporting entity operates. Other respondents referenced the proposed European Sustainability Reporting Standards (ESRS), which define short-term as one year, medium-term as one to five years and long-term as beyond 5 years.

58. Many respondents commented on paragraph 22 of [draft] S1 which would require disclosures on the effects of significant sustainability related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term, including the disclosure of quantitative information 'unless it is unable to do so'. These comments include:

(a) many preparers asked for more clarity and expressed concerns around the challenges of applying the proposed requirement, including stating that time will be needed to implement systems to enable quantitative analysis.

(b) some respondents also asked for greater clarity on the type of disclosures required by the proposed requirements in paragraphs 22(c) and 22(d) which require entities to describe how their financial position and financial performance are expected to change over time.

(c) some respondents queried the meaning of 'unable to do so' and requested more detailed explanation of the circumstances when an entity could state that it was unable to provide required information.

(d) some preparers noted that disclosures of forward-looking information could lead to the disclosure of commercially sensitive information and exposing an entity to legal or reputational risks. For this reason, respondents suggested that disclosures should not be required where they could be considered commercially sensitive. They suggested amending the wording of paragraph 22 of [draft] S1 accordingly.

59. Some preparers said that qualitative rather than quantitative disclosures could be more useful for medium to long term estimates gives their uncertainty. On the other hand, some users said that only quantitative metrics were useful in assessing enterprise value although qualitative disclosures could be helpful to identify the context of other disclosures.

Risk Management

60. Many respondents supported the alignment of the risk management disclosure requirements with the TCFD recommendations although a few respondents suggested the title of this section should better reflect both elements of risks and opportunities equally.

61. A few respondents commented that including 'opportunities' as part of risk management goes beyond the scope of the TCFD recommendations. A few respondents, including preparers, suggested that only a high-level overview of the processes for identifying sustainability-related risks and opportunities should be required, with specific descriptions necessary only if and to the extent that different processes are used to identify different significant sustainability-related risks and opportunities.

Metrics and Targets

62. Almost all respondents supported the metrics and targets disclosure requirements. They suggested that the ISSB considers how metrics and targets would be used where measures are at an early stage of development and data availability and quality varies. A few respondents suggested a phased approach to the introduction of metrics to allow for capacity building.

63. Many preparers commented on the potential challenges of applying the metrics and targets disclosure requirements as proposed in [draft] S1 and the associated challenges of ensuring that metrics and targets are capable of being assured. On the other hand, many users suggested that metrics and targets requirements should be as detailed as possible to ensure comparability and consistency.

Question 5—Reporting entity

Question 5(a)—The same reporting entity as the related financial statements

64. Almost all respondents agreed with the proposals that sustainability-related financial information should be required for the same reporting entity as the related financial statements. However, many stated that further guidance was needed to clarify the requirements.

65. Respondents said preparing sustainability-related financial information for the same reporting entity as the related financial statements may present challenges, including:

    (a) some respondents asked for clarification about whether sustainability-related risks and opportunities should be considered at the level of the group or each individual entity for a consolidated group. They said that assessing sustainability-related risks and opportunities at group level may not be suitable in some types of businesses, such as conglomerates.

    (b) a few respondents pointed out that the treatment for consolidation may also be subject to differing local GAAP requirements.

    (c) many respondents asked for clarification on the information required on sustainability-related risks and opportunities arising from an entity's associates and joint ventures. They said that the wording 'investments it controls' (paragraph 40 of [draft] S1) used to describe investments in associates and joint ventures is unclear.

Question 5(b)—Information relating to activities, interactions and relationships, and to the use of resources along an entity's value chain

66. Respondents provided mixed feedback on whether 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, is clear and capable of consistent application.

67. Many respondents supported the principle that the scope of disclosure requirements should include activities, interactions and relationships, and extend to the use of resources along an entity's value chain. However, respondents said that they anticipated challenges in applying the proposed requirements, including:

    (a) most respondents, including many preparers, accounting professionals and audit firms, said that this requirement was not sufficiently clear and they asked for further guidance. They said that the scope of reporting on value chain activities could be very broad, and without further guidance this requirement could produce disclosures of widely varying scope. For example, some preparers said they were unclear on the extent to which upstream and downstream activities should be reported and which tiers of value chain partners should be included.

    (b) many preparers said that it would be difficult and potentially costly to report on activities in their value chain that they do not control. Respondents said that the requirement for preparers to report on of third-party activities could be burdensome and compromise comparability. Some preparers from the financial industry said that providing a complete set of information from their value chain would be challenging.

    (c) some respondents expressed concerns about that the reliability of information obtained from their value chain and they said that this would create challenges for the process of assurance.

68. Some respondents suggested that [draft] S1 should provide guidance on determining the scope of disclosures on their value chain activities. A few respondents suggested that the scope should be limited to activities over which a preparer has influence or control.

Question 5(c)—Identifying the related financial statements

69. Almost all respondents agreed with the proposed requirements for identifying the related financial statements. Many respondents said that this requirement was essential to ensure transparency and connectivity with the financial statements.

70. However, some respondents asked whether this is an additional requirement given that [draft] S1 states that sustainability-related financial information should be disclosed as part of an entity's general purpose financial reporting as proposed in paragraph 72 of [draft] S1.

Question 6—Connected information

Question 6(a)—Connectivity between various sustainability-related risks and opportunities

71. Most respondents emphasised the importance of connectivity between various sustainability-related risks and opportunities. However, many respondents commented on the challenges associated with the practical application of the proposed requirements, including:

   (a) most respondents said that they would welcome further illustrative guidance and examples, with many preparers requesting greater clarity on determining whether they have met this requirement. A few respondents emphasised the usefulness of providing a variety of illustrative examples, referring to the breadth of examples in IFRS 10 *Consolidated Financial Statements* and IFRS 15 *Revenue from Contracts with Customers*.

   (b) many preparers asked for greater clarity on determining what constitutes sufficiently connected information. A few respondents emphasised the usefulness of specific guidance for identifying connected information.

   (c) some respondents emphasised the importance of integrated reporting to avoid reporting in silos and to support entities in providing connected information. A few respondents emphasised the need for illustrative guidance on integrated reporting, particularly for entities in jurisdictions that are not familiar with the concept of integrated reporting.

   (d) a few respondents mentioned that the associated guidance in Basis for Conclusions on [draft] S1 (paragraphs BC54–BC57) should be brought into the proposals in [draft] S1.

   (e) a few respondents highlighted that due to the complexity associated with connected information, assurance of this information is likely to be extensively qualified. A few respondents questioned whether credible assurance of this information would be possible.

   (f) a few respondents noted potential risks for preparers when disclosing connected information. This included revealing commercially sensitive information when describing 'trade-offs' or exposing themselves to legal challenges, especially regarding forward-looking information.

   (g) a few respondents suggested that the ISSB work in collaboration with data providers to streamline citations and digital tagging to enable connectivity though digitisation.

72. Respondents also provided some suggestions to provide greater clarity on the proposed requirements on connected information. These suggestions include:

(a) some respondents emphasised the importance of connectivity between sustainability-related financial disclosures and management commentary. They highlighted the importance of working with the IASB. A few respondents suggested aligning the concept of connected information in [draft] S1 with the concept of 'coherence' in the IASB's Exposure Draft *Management Commentary Practice Statement*.

(b) a few respondents suggested ways to enhance the meaning and status of 'connected information'. Some suggested that connected information could alternatively be included as a feature of 'understandability' in the qualitative characteristics presented in Appendix C of [draft] S1. A few respondents emphasised that connected information should form part of an architecture between IFRS Sustainability Disclosure Standards and IFRS Accounting Standards, representing a general feature applicable across all disclosures in an entity's general purpose financial reporting.

(c) a few respondents suggested that 'trade-offs' are removed as a specific disclosure requirement but maintained as part of the governance process disclosure.

(d) a few respondents suggested that when providing connected information, an entity should be required to explain the basis on which connectivity is assessed, for example, the extent to which sustainability-related risks and opportunities from the entity's value chain are included in the assessment.

Question 6(b)—Connectivity between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements

73. Most respondents agreed that sustainability-related financial information should be connected with information in general purpose financial reporting, including the financial statements. However, a few preparers commented that the proposed requirements on connected information may be particularly onerous and said that they could result in duplication. Many asked for illustrative guidance and more clarification on how these requirements should be applied and how to make and disclose the connections between sustainability-related financial information and other information in general purpose financial reporting, including the financial statements.

74. Some respondents noted that some of the proposed requirements related to connectivity could present challenges for assurance, including when assessing the reliability of information.

75. A few respondents requested confirmation that disclosure of connected information between sustainability-related financial information and the financial statements does not replace the need for adequate reflection of sustainability-related risks and opportunities in the financial statements where recognition and measurement criteria are met.

Question 7—Fair presentation

Question 7(a)—Fair presentation of sustainability-related risks and opportunities

76. Most respondents agreed that the proposals regarding fair presentation, including the aggregation of information, were clear. However, some respondents said that they would welcome further guidance regarding the aggregation of information.

77. A few respondents noted that the qualitative nature of some sustainability-related financial disclosures and the amount of subjectivity involved in preparing such disclosures would also likely have an impact on consistency and comparability.

Question 7(b)—Sources of guidance to identify sustainability-related risks and opportunities

78. Many respondents agreed with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures in the absence of applicable IFRS Sustainability Disclosure Standards. They said that they supported the ISSB's approach of building on established sustainability standards and frameworks, including the role that existing standards and frameworks, such as the SASB Standards and CDSB Framework application guidance, can serve in helping to comply with the proposed requirements in [draft] S1.

79. Some respondents, including many users, emphasised the importance of an industry-based approach to identifying sustainability-related risks and opportunities. Many of these respondents supported the SASB Standards as an important resource in identifying sustainability-related risks and opportunities and related disclosures, while further commenting that the [draft] S1 should provide greater clarity on the role of the SASB Standards to improve comparability of disclosures and reduce reporting burdens. Other respondents stated that the disclosure topics and metrics in the SASB Standards require further field testing and due process to ensure that they are relevant across all jurisdictions.

80. Some preparers said that they anticipated challenges in applying the proposed requirements, including:

(a) some respondents asked for greater clarity on the words 'shall consider' in paragraphs 51 and 54 of [draft] S1. They said that they were unclear whether all listed sources of guidance should be consulted. Questions were also raised about the extent to which management should apply its judgement when considering the sources of guidance provided in paragraphs 51 and 54 of [draft] S1 and also whether entities could prepare their own metrics. A few respondents also asked whether the list of resources is intended to be a hierarchy and, if so, to clarify the list as such.

(b) a few respondents expressed concerns that, in the absence of IFRS Sustainability Disclosure Standards, the resources listed in paragraphs 51 and 54 are too broad. They said that this could potentially lead to a lack of comparable disclosures, with entities using differing methods to identify sustainability-related risks and opportunities.

(c) a few respondents, expressed concerns particularly on the requirements to consider '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 'the sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies' which they said were too broad.

(d) a few respondents also expressed concerns with the references to standards and frameworks developed prior to the establishment of the ISSB (including the SASB Standards and the CDSB Framework application guidance for water- and biodiversity-related disclosures) or by external organisations. These concerns centred around the lack of oversight of such resources given their development outside of the ISSB's formal due process.

81. Respondents provided some suggestions to help address potential challenges in applying the proposed requirements. These suggestions include:

(a) of those respondents asking for greater clarity per paragraph 79(a), a few suggested that the language in paragraphs 51 and 54 of [draft] S1 be revised to state that an entity ‘may consider’ to clarify the status of the sources of guidance provided as non-mandatory guidance. A few respondents also noted that language in paragraph 55 of [draft] S1 appeared to indicate that application, rather than consideration, of the SASB Standards was a requirement.

(b) some respondents, including prepares and public interest groups, suggested that the list of resources be expanded to include additional sources of guidance, including multi-stakeholder sustainability standards, such as the GRI Standards and the ESRS.

(c) a few respondents suggested that [draft] S1 should include a requirement for entities to disclose their approach to identifying sustainability-related risks and opportunities, including the non-mandatory guidance consulted in that process.

Question 8—Materiality

Question 8(a)—Definition and application of materiality

82. Respondents provided mixed feedback on whether the definition and application of materiality is clear in the context of sustainability-related financial information.

83. Many respondents were supportive of the proposals on materiality because:

(a) many respondents agreed with the ISSB’s approach to adopt the definition of materiality from the IASB’s *Conceptual Framework*. Many of these respondents supported an entity-specific assessment of materiality and the principle that only material information should be provided.

(b) some respondents, particularly preparers and users, expressed support for the approach that entities are responsible for assessing materiality and that management should use its judgment when assessing materiality.

84. However, many respondents also said that they anticipated challenges associated with the application of materiality in the context of sustainability-related financial information, including:

(a) some respondents said that although the definition of materiality from the IASB’s *Conceptual Framework* has been replicated in paragraph 56 of [draft] S1, the concept has been adapted in paragraph 57 of [draft] S1 for application to sustainability-related financial disclosures. Accordingly, paragraph BC71 of the Basis for Conclusions on [draft] S1 states that, ‘Materiality judgments about sustainability-related financial information will differ from those for general purpose financial statements’. Some respondents expressed concerns about the adaptation of materiality and suggested focussing judgements on information reasonably expected to influence the decisions of primary users and removing references to the assessment of an entity’s enterprise value made in paragraph 57 of [draft] S1.

(b) some respondents, including users, noted potential differences between the scope of information which affects the assessment of enterprise value and the breadth of information that they would monitor in practice. They said information that may not affect user’s assessment of enterprise value may affect their overall decision making.

(c) some respondents, suggested that the ISSB should add an additional requirement for the disclosure of information about the process applied by entities for assessing the materiality of information on sustainability-related risks and opportunities.

(d) some respondents requested greater clarity on the interaction and reconciliation of the definition of materiality with other sustainability standards and frameworks, and raised concerns that a lack of interoperability could result in additional reporting burden on entities, confusion for users and challenges for assurance providers.

Question 8(b)—Breadth of sustainability-related risks and opportunities relevant to an entity's enterprise value

85. Respondents provided mixed feedback on whether the proposed definition and application of materiality is likely to capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time.

86. Most of the respondents suggested that without further clarification and guidance, there could be varying and subjective interpretations made by preparers to assess the breadth of sustainability-related risks and opportunities relevant to an entity's enterprise value. They said that this could have impact on the consistency and comparability of sustainability-related financial disclosures. Most respondents suggested that further clarification and clearer guidance be provided on the items mentioned in Question 1, 2 and 8(a), to reduce the amount of subjective judgement and interpretation used and to help ensure the breadth of reporting captures decision-useful information for the primary users.

87. Some of these respondents expressed concerns that the ISSB's proposed definition of materiality and the focus on enterprise value could potentially be too narrow to capture the breadth of information that is relevant and decision useful for users.

Question 8(c)—Illustrative guidance for identifying material sustainability-related financial information

88. Many respondents agreed that the Illustrative Guidance was useful for identifying material sustainability related financial information. However, most of the respondents suggested that further guidance is needed.

89. Respondents provided some suggestions to help provide greater clarity and support consistency on the definition and application of materiality, including:

(a) many respondents suggested building on the Illustrative Guidance noting that there is no established practice in applying materiality judgements to forward-looking sustainability-related financial information.

(b) many respondents suggested providing additional examples to clarify the application of materiality.

(c) a few respondents suggested that the ISSB considers developing a practice statement on the application of materiality for sustainability-related financial disclosure

(d) a few respondents suggested amending or modifying IFRS Practice Statement 2 *Making Materiality Judgments* to include materiality assessments for sustainability-related financial disclosures.

Question 8(d)—Relief from disclosing information prohibited by local laws and regulations

90. Almost all respondents agreed with the proposal to relieve an entity from disclosing information when prohibited by local laws or regulations. However, many respondents recommended that any

omissions and the associated reasons should be explained for completeness. Some respondents called for more guidance on the requirement and/or examples illustrating when omissions might be valid and how they should be identified in sustainability-related financial disclosure. Some cautioned the ISSB to be aware of how the exception for prohibited information might lead to incomplete or misleading disclosures.

91. A few respondents disagreed with the proposal and expressed concerns about compliance and comparability. Respondents observed that IFRS Accounting Standards contain no such allowance for local laws or regulations and expressed concerns that this provision will reduce comparability.

Question 9—Frequency of reporting

92. Most respondents agreed with the proposal that sustainability-related financial disclosures be provided for the same time as the financial statements. Respondents said that disclosing information for the same period at the same time as the financial statements will likely provide users with a coherent, holistic, and connected picture of an entity's performance and its sustainability-related risks and opportunities, which will enable them to make more informed capital allocation decisions.

93. While most respondents agreed with the proposed requirements on the reporting period, many of these respondents qualified their response by noting several challenges associated with providing sustainability-related financial disclosures at the same time as the financial statements. These challenges included the following:

(a) some respondents said that the simultaneous provision of sustainability-related financial disclosures and the financial statements would potentially increase the reporting burden in the first years of application. They said that considerable time is required to collect and aggregate data, especially when consolidating data from subsidiaries and third-party data providers. They also expressed concerns about under-developed internal data collection systems and procedures, and reliance on assumptions and estimates which could affect the level of assurance.

(b) a few respondents expressed concerns about potential incompatibility of the proposed requirements with existing jurisdictional requirements, especially regarding existing greenhouse gas (GHG) emissions reporting obligations. A few respondents noted existing jurisdictional regulations that prescribe specific timing for entities to report their GHG emissions. For example, one respondent noted that the Australian National Greenhouse and Energy Reporting obligation has an annual deadline of 31 October. They said this may create a mismatch with the reporting period of sustainability-related financial disclosures.

94. Some respondents provided suggestions for addressing the practical challenges associated with meeting the proposed requirements, including:

(a) some respondents suggested a staggered approach which could include different reporting periods or a delay in the disclosure of sustainability-related information. They suggested allowing delay in the publication of sustainability-related financial disclosures between three months to one year from the related financial statements.

(b) some respondents suggested time-bound transitional arrangements to the effective date of the proposed requirements on the timing of reporting (ie only required aligned timing of this reporting at a date later than the overall effective date of [draft] S1) to enable the necessary development of robust data systems and internal controls.

Question 10—Location of information

Question 10(a)—Location of information

95. Most respondents supported the proposals about the location of sustainability-related financial disclosures. Reasons for support from respondents included:

    (a) many respondents said that the proposal is in line with the proposals on reporting entity, frequency of reporting and connected information.

    (b) many respondents said that the proposal would support the robust preparation of sustainability-related financial information using the same or similar governance and controls that are used for financial statements and would be subject to the same level of oversight by the entity's board and/or senior management.

    (c) many respondents supported reporting not being limited to one specific location, which would limit an entity's ability to communicate in an efficient and coherent manner and allow appropriate jurisdictional flexibility.

96. However, many respondents said that the proposed requirements on location may create potential challenges, including:

    (a) some respondents expressed concerns that the proposals could lead to lengthy reports, an overload of information for users, and difficulty in understanding what has changed from period to period. Some respondents also noted that a lack of specificity on the location of information could result in variations of practice and reduce comparability.

    (b) some respondents sought greater clarity on what is meant by, and the scope of, 'general purpose financial reporting'. They said that challenges may occur in determining which documents are considered part of general purpose financial reporting and requested further clarification on which other locations–aside from financial statements and management commentary–form part of the general purpose financial reporting. Some respondents said that they interpreted the proposals to mean that sustainability-related financial disclosures should be included only in the financial statements.

    (c) some respondents requested greater flexibility on the location of information in line with concerns on their ability to report at the same time as financial reporting (see Question 9, paragraphs 92–94). A few respondents said that the proposed requirement on location may create additional challenge to the proposed requirement on the frequency of reporting when there are multiple documents that include sustainability-related financial disclosures that must be disclosed at the same time as the financial statements.

    (d) a few respondents said that climate-related financial disclosures can already be found in locations outside general purpose financial reporting. They said that entities chose to do so, in part to avoid litigation risk, and they suggested that location of sustainability-related financial disclosures should not be limited to general purpose financial reporting.

    (e) a few respondents said that sustainability-related financial disclosures should be located in a standalone report as they were of the view that the assumptions behind and the content of sustainability-related financial disclosures are different from financial reporting, as the former contains more forward-looking and qualitative information.

    (f) a few respondents requested further guidance or examples on what is meant by 'clearly identifiable and not obscured' when information is prepared using both IFRS Sustainability Disclosure Standards and other requirements including jurisdictional reporting requirements.

Guidance or examples to illustrate when disclosures may obscure sustainability-related financial information was also requested by a few respondents.

97. Many respondents suggested that the ISSB should be clearer on the preferred location of information, whilst not mandating this to allow for jurisdictional flexibility. A few suggested this could occur through guidance. Some respondents suggested that management commentary should be the preferred location of information to facilitate connectivity with other information located in general purpose financial reporting. A few respondents noted that the definition for 'general purpose financial reporting' in Appendix A of [draft] S1 does not refer to management commentary.

98. Some respondents also requested clarification on the location of information for preparers that do not need to publicly disclose general purpose financial statements, requesting greater flexibility on location when using IFRS Sustainability Disclosures Standards, as it could hinder jurisdictional adoption and disincentivise voluntary adoption if compliance is only possible alongside the financial statements.

Question 10(b)—Jurisdiction-specific challenges

99. Almost all respondents said that they were unaware of any jurisdiction-specific requirements that would make it difficult for an entity to provide information required by [draft] S1.

100. A few respondents said that that if proposed requirements were incorporated into existing laws and regulations, potential conflicts between the proposed requirements and existing provisions would need to be considered.

101. Some users said that they preferred sustainability-related financial information to be in the same location regardless of jurisdiction to provide comparability, but they noted that jurisdictional requirements might preclude this and that strict prescriptions on the location of information might limit global adoption. In general, these users still supported flexibility in location of disclosures within general purpose financial reporting.

Question 10(c)—Cross-referencing

102. Most respondents agreed 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.

103. Many respondents said that reporting in different locations with incorporation by cross-reference should be encouraged as it is cost effective for preparers, allows preparers to adapt to jurisdictional requirements, and reduces reporting duplication. It was noted that some preparers already use cross-referencing in their narrative reporting.

104. Some respondents, particularly users, said that relying excessively on cross-referencing may cause material sustainability-related financial information to not be disclosed in general purpose financial reporting and result in incoherent and obscured disclosures. To reduce this risk, suggestions included:

(a) many respondents proposed that material information should be included in general purpose financial reporting, with additional disclosure located outside general purpose financial reporting, including contextual, supplementary, and static information that applies across multiple years and thus does not need to be repeated annually;

(b) some respondents suggested identifying core information that should be included in the general purpose financial reporting and allowing other information to be disclosed elsewhere;

(c) some respondents said that cross-referencing should be allowed on a limited basis, where it would be more effective if located elsewhere, and agreed that it should be easily identified and should not obscure reporting as proposed in paragraph 75 of [draft] S1;

(d) some respondents said that cross-referencing should be a short-term option, but reporting should be in one location beyond an initial period;

(e) some respondents said that cross-referencing should only be allowed when necessary to satisfy local requirements;

(f) some respondents said that cross-referencing should be limited to various parts of the general purpose financial reporting and not to separate reports outside the general purpose financial reporting; and

(g) some respondents suggested creating a requirement to disclose why information has been disclosed elsewhere if it is not presented as part of the same package of documents as the financial statements to encourage reporting in one location.

105. Many respondents requested guidance from the ISSB on effective cross-referencing. Some respondents asked for greater clarity on the meaning of 'available on the same terms' and 'at the same time', while a few asked for greater clarity on the meaning of 'another location', whether this was within the general purpose financial reporting package or outside, such as on an entity's website. A few respondents suggested that cross-referencing should be extended to allow preparers to have greater flexibility on reporting on the corporate website or a standalone sustainability report.

106. From an assurance perspective, some respondents said that cross-referencing may create potential challenges in defining the scope of an assurance engagement. A few respondents noted that this could make it difficult for users to understand which reports (or even which parts of a report) have been subject to assurance. A few users emphasised that cross-referred information should be verifiable.

107. Some respondents also noted that the ISSB should ensure cross-referencing can be read as part of the ISSB's work on digital reporting to mitigate potential concerns around accessibility (see Question 15, paragraphs 132–138).

Question 10(d)—Integrated disclosures

108. Most respondents said that it is 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.

109. Most respondents supported paragraph 78 of [draft] S1 which encourages integrated disclosures, especially where relevant sustainability-related risks and opportunities are managed with the same approach and/or in an integrated way. However, some respondents stated that different sustainability-related risks and opportunities may be managed by different teams which would make integrated disclosures challenging in practice (see Questions 6a, paragraphs 71–72).

110. Some respondents recommended that the ISSB emphasises and further clarifies the proposed requirement in order to limit unnecessary duplication and support integrated disclosures. Some suggested that paragraph 78 of [draft] S1 could be clarified to state that unnecessary duplication should only be avoided for disclosures that are the same across different sustainability-related risks and opportunities. They said that overall governance, strategy and risks management, and metrics and targets should be clearly understandable as well as topic specific approaches. They expressed

concerns that the lack of clarity would encourage high-level disclosures that do not provide material information on specific sustainability-related risks and opportunities.

111. Some respondents emphasised the need for balance between integrated disclosures and the potential of obscuring material information. A few respondents were unclear on the meaning of 'unnecessary' as well as 'integrated', which was understood in a different way in the context of the International <IR> Framework.

Question 11—Comparative information, sources of estimation and outcome uncertainty, and errors

Question 11(a) and (b)—General features adapted from IAS 1 and IAS 8

112. Respondents' feedback to Questions 11(a) and 11(b) was similar. For conciseness, the responses to both questions have been combined.

113. Most respondents agreed that the general features have been adapted appropriately into the proposals. Most respondents supported the principle of providing comparative information for previous periods and the proposal that entities should disclose a revised metric in its comparatives if it has a better measure of a metric.

114. However, respondents said that the application of the proposed requirements may create challenges, including:

(a) *complexity of updating estimates for previous periods*: Many respondents referred to the complexities and onerous administrative burdens of restating estimated information for previous periods and either objected to or invited the ISSB to reconsider the requirement to restate and/ or update estimated information;

(b) *decision-usefulness of updated estimates*: A few respondents asked whether the restatements of estimated information add decision-useful information when sustainability-related financial information is, by definition, often estimated. Some respondents also noted that retrospective adjustment of estimated information does not align with IAS 8 which requires a change in estimate to be reported in the current period and prospectively;

(c) *distinguishing effects of new information available before and after the reporting date*: Some respondents objected to restatements where additional information becomes available after the previous reporting date and call for prospective rather than retrospective adjustments in this case. A few suggested adapting IAS 10 *Events after the Reporting Period*, for events after the reporting period clarifying the distinction between 'adjusting' and 'non-adjusting' events with respect to sustainability-related financial disclosures and specifying how the related information should be provided;

(d) *distinguishing requirements relating to errors and estimates more clearly*: A few respondents said that there is insufficient distinction between addressing prior period errors and adjusting estimates and that this leads to confusion about what to restate;

(e) *questions about what to restate and in what circumstances*: A few respondents called for greater clarity on whether restatements should include narrative and metrics and targets. A few said that paragraph 64 of [draft] S1 (providing updated estimates) is not clear unless read with paragraph BC82 of the Basis for Conclusions on [draft] S1 which explains that all changes in estimate and corrections of errors in previously reported information should be corrected. A few noted that paragraph BC83 of the Basis for Conclusions on [draft] S1 suggests that restatements are required only for material changes in estimates or material errors. They suggested that this is clarified in the text of [draft] S1; and

(f) *support for impracticability exception*: Many respondents welcomed the relief in paragraph 65 of [draft] S1, meaning relief for disclosures to state where it is impracticable to adjust one or more prior periods to achieve comparability with the current period, but some requested guidance on the definition of impracticability with at least one respondent suggesting a clarification along the lines of paragraph 5 of IAS 8.

Question 11(c)—Consistent use of financial data and assumptions used in the financial statements to the extent possible

115. Most respondents agreed with the proposal that financial data and assumptions within sustainability-related financial disclosures should be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible. A few respondents supported the use of the language 'to the extent possible' in paragraph 80 of [draft] S1 as it recognises that full consistency is not in possible in all cases given the longer time horizons and wider assumptions used to sustainability-related financial disclosure. However, a few said that the language 'to the extent possible' is open to interpretation and should be further clarified.

116. A few respondents called for more linkages between related parts of [draft] S1 on estimates and errors, for example:

(a) paragraph 34 of [draft] S1 states that if a metric or target is redefined or replaced, an entity shall provide restated comparative figures unless it is impracticable to do so. A few respondents noted that this may relate to paragraphs 63–65 of [draft] S1 which provide more detailed requirements on the disclosure of comparative information; and

(b) paragraph 84 of [draft] S1 requires entities to correct material prior period errors by restating the comparative amounts unless impracticable to do so, whereas paragraph 64 of [draft] S1 requires updated estimates for comparative information without reference to assessment of materiality.

Question 12—Statement of compliance

117. Most respondents agreed with the proposal to require entities to include an explicit and unqualified statement that it has complied with all of the requirements of applicable IFRS Sustainability Disclosure Standards.

118. Many respondents recommended that the ISSB consider expanding the statement of compliance to require entities to include their rationale for non-compliance in instances in which local law or regulation was prohibiting them from disclosing particular information. Many respondents said that providing and qualifying this information is important both from a compliance and assurance perspective as well as for comparability across jurisdictions.

119. Some respondents asked for greater clarity on the extent to which full compliance with the IFRS Sustainability Disclosure Standards may be influenced by whether a phased or gradual implementation approach. They suggested that the ISSB considers amending the statement of compliance to accommodate for such exceptions, or issue further guidance during the first phase of adoption and implementation.

Question 13—Effective date

Question 13(a)—Setting the effective date

120. Most respondents provided suggestions on the effective date of [draft], including:

    (a) a few respondents suggested that [draft] S1 should be effective as soon as possible or within one year after the final standard being issued;

    (b) most respondents suggested an effective date of two or more years; and

    (c) a few respondents suggested an effective date of three or more years.

121. Respondents commented on the importance of allowing sufficient time to comply with the proposed requirements, including:

    (a) many preparers said that it will take considerable preparation to apply the proposals. They said that this may include creating or adjusting data collection systems and processes, internal control systems and procedures, and developing technical skills and expertise; and

    (b) many users acknowledged the importance of allowing entities sufficient time to develop high-quality sustainability-related financial disclosures.

122. Almost all respondents agreed with the option of early application. A few preparers said that they can apply the proposals immediately. A few users called for earlier effective dates, noting that the proposed requirements build on well-established standards and frameworks.

123. Many respondents, including users, encouraged the ISSB to continue to pursue an ambitious timeline in issuing the final standards with a view to secure adoption by local jurisdictions as soon as possible. Many also commented on the urgency of creating a global baseline of sustainability-related financial disclosures given similar proposals developed by the European Financial Reporting Advisory Group (EFRAG) and the U.S. Securities and Exchange Commission (U.S. SEC). Many respondents, including European preparers, suggested that the ISSB considers aligning the effective date of the proposals with that of the EU Corporate Sustainability Reporting Directive.

124. Most respondents also suggested that the ISSB considers a phased approach to effective date, meaning requiring some parts of the proposals to come into effect before others or different types of entities to apply the requirements at different times. Some respondents also commented on whether the proposed effective date for [draft] S2 should be earlier or later than that proposed for [draft] S1. These comments are discussed in the Agenda Paper 4A *Climate-related Disclosures—Summary of comments*.

Question 13(b)—Relief from disclosing comparatives in the first year of application

125. Almost all respondents agreed with the proposed relief from disclosing comparatives in the first year of application of the proposed requirements. Almost all respondents agreed that the proposed relief would facilitate an earlier effective date.

126. Most preparers stated that there would be challenges associated with disclosing comparative data in the first year of application. A few preparers asked for the relief to be extended beyond the first year of application, stating that providing comparative data may be challenging when a new metric is introduced in subsequent years, beyond the first year of application.

127. Most users acknowledged the challenges associated with disclosing comparative data in the first year of application. However, they emphasised the importance of comparative data and encouraged the provision of such information when feasible. They said that comparative data may be available for preparers which have previously provided similar information required by IFRS Sustainability Disclosure Standards under local laws and regulations and/or on a voluntary basis.

Question 14—Global baseline

128. Almost all respondents agreed with, and strongly welcomed, the development of IFRS Sustainability Disclosure Standards as a comprehensive global baseline of sustainability-related financial information for the global capital markets.

129. Almost all respondents supported the use of well-established standards and frameworks, including the TCFD recommendations, as the basis for the proposals. Some respondents, including regulators, stressed the importance of the TCFD recommendations which have been endorsed in many jurisdictions globally. Most preparers stated the importance of continuing to provide disclosures based on standards and frameworks which are already in place. Many users welcomed the ISSB bringing together existing standards and frameworks to better meet their information needs.

130. Most respondents commented on the need for interoperability with jurisdictional initiatives and other sustainability-related standards, including:

(a) almost all European preparers stressed the importance of interoperability with the EFRAG's proposals to minimise reporting burdens and complexity. Almost all US preparers stressed the importance of interoperability with the U.S. SEC's proposals. Many preparers from jurisdictions outside of Europe and the US expressed concerns about potential duplication of requirements and 'double reporting' should they be subject to IFRS Sustainability Disclosure Standards and the EFRAG's and/ or U.S. SEC's requirements in the future. Many users expressed concerns about the implications of divergent standards on comparability and consistency of sustainability-related financial disclosures.

(b) many respondents welcomed the IFRS Foundation's establishment of the Jurisdictional Working Group and the Sustainability Standards Advisory Forum. However, many respondents pointed to key differences in concepts, terminologies, and definitions between the ISSB's proposals and jurisdictional initiatives, including the EFRAG's and the U.S. SEC's proposals. Some respondents also asked for clarification on how the proposed requirements will fit with existing local laws and regulations, such as listing rules.

(c) many respondents emphasised the importance of interoperability with multi-stakeholder standards, particularly the GRI. They welcomed the collaboration agreement with the GRI, and encouraged the ISSB to continue to work closely with the GRI. Many preparers, who are adopters of the GRI Standards, asked for clarification on how they will interact the ISSB's proposals. Many users also said that some information that is primarily intended for multi-stakeholder audience may also be relevant for them.

131. Respondents also commented on the potential challenges of adopting the IFRS Sustainability Disclosure Standards as a global baseline, including:

(a) many respondents, including from Asia-Oceania region, commented on the positioning of the proposals as a global baseline. They said that proposals may be challenging to implement in emerging economies where the level of sustainability disclosures is relatively low.

(b) a few respondents said that the proposals set out higher reporting expectations even for entities that have already been providing sustainability disclosures under local laws and regulations and/ or on a voluntary basis.

(c) a few respondents said that providing disclosures on significant sustainability-related risks and opportunities beyond climate remains challenging and they encouraged the ISSB to move quickly to address other sustainability-related risks and opportunities.

Question 15—Digital reporting

132. Almost all respondents supported the ISSB's plans on the digital reporting of sustainability-related financial information prepared in accordance with the IFRS Sustainability Disclosure Standards. Many users mentioned the benefits of digital reporting, such as timely and cost-effective access to data.

133. Many respondents, including preparers, accounting professionals, audit firms and accounting standard-setters, emphasised the importance of phasing in the development of a taxonomy and digital reporting following the finalisation of [draft] S1.

134. Some respondents questioned the usefulness of digitally tagging qualitative information and whether this information would be comparable, as discussed in Question 7(a) (see paragraphs 76–77). A few respondents also questioned how digital tagging would interact with assurance, especially when assurance requirements may vary.

135. Many respondents emphasised the importance of interoperability of the IFRS Sustainability Disclosure Taxonomy with any parallel development of digital reporting in different jurisdictions to avoid excessive reporting burden and complexity. Some respondents emphasised the importance of working together with national accounting standard setters and jurisdiction-specific institutions in creating a high-quality global digital data ecosystem. A few respondents emphasised the importance of explaining the relationship between the EU digital taxonomy and ISSB digital reporting.

136. Some respondents emphasised the importance in the alignment of definitions and terminology to facilitate comparability via digital reporting. Due to the overlap in sustainability-related risks and opportunities, a few respondents emphasised the importance of the IFRS Sustainability Disclosure Taxonomy architecture to reflect the interconnected nature of sustainability-related risks and opportunities.

137. A few respondents emphasised the costs associated with digital reporting, which included implementation, resourcing and time required to tag information, such as connected information within the general purpose financial reporting. Some respondents, including users, said that they anticipated challenges in comparability will remain despite of digital reporting due to the qualitative nature of some sustainability-related financial disclosures.

138. Some respondents emphasised the importance of collaborating with the IASB in developing a proposed digital IFRS Sustainability Disclosure Taxonomy. Other respondents stressed the importance flexibility in the digital reporting technology, allowing other technologies to read and interact with the information and facilitate the cross referencing of information. A few respondents emphasised the benefits of using the Extensible Business Reporting Language (XBRL) technology.

Question 16—Costs, benefits and likely effects

Question 16(a)—Likely implementation costs and likely benefits

139. Almost all preparers said that the costs of implementing the proposals were likely to be substantial, citing the costs of developing and implementing systems for reporting and internal controls on data, which would be new for many preparers. Some respondents also said that personnel costs were likely to be substantial, as preparers would have to source the appropriate talent, many for the first time, to manage data collection and disclosure. Some respondents said that the costs associated with assurance should also be factored into the proposals.

140. Some respondents provided comments on whether the likely implementation costs would outweigh the likely benefits, and almost all of these respondents said that over time the benefits would likely outweigh the costs. Some of these respondents said that applying the standards would likely lead to lower costs of capital and a better functioning market over time. Many respondents supported a phased implementation as a way of managing the implementation costs.

141. Many respondents expressed that implementation costs were likely to be lower if the ISSB could facilitate the interoperability of its proposals with jurisdictional initiatives, including with proposals currently developed by the EFRAG and the U.S. SEC. A few respondents noted that they expected costs to be lower for those already using well-established standards and frameworks, including the TCFD recommendations, the SASB Standards, or the GRI Standards. In contrast, many respondents said that the costs would be relatively high for smaller entities and preparers with minimal experience on preparing sustainability-related financial disclosures.

142. Some respondents expressed concerns that the proposed requirements were either too extensive or too detailed. They emphasised the principle of proportionate cost and benefit in setting out the proposals. Some respondents said that further analyses of the costs and benefits of the proposal are necessary. Some respondents suggested that the ISSB conduct further outreach with market participants to understand this and some suggested that the ISSB should conduct field testing of the proposals in various jurisdictions to better understand how costs might be different across jurisdictions.

Question 16(b)—Likely ongoing costs

143. Many preparers expressed concerns about potentially high ongoing application costs. Many of these respondents noted that costs were likely to decrease over time, as preparers set up appropriate systems and become familiar with the disclosure requirements over time. However, some respondents argued that costs were unlikely to decline after first-time implementation, pointing out that costs, such as for personnel and assurance, are likely to remain unchanged and perhaps even increase over time.

144. Some respondents suggested that the ISSB continuously evaluate and ensure interoperability with jurisdictional initiatives and other sustainability-related standards over time to minimise likely ongoing costs. A few suggested that the ISSB should conduct continuous monitoring of the application of the proposals in various jurisdictions to understand the ongoing application costs over time.

Question 17—Other comments

145. Question 17 was an open question and therefore the responses were highly varied.

146. Many respondents commented on the upcoming ISSB consultation on agenda priorities and the expected development of future standards, most of which called for standards on additional sustainability-related risks and opportunities, including broader environmental and social matters. A few respondents requested additional information about the complete architecture of the standards so as to better understand how the standards are expected to be implemented.

147. Many respondents raised concerns about confidentiality, commercially sensitive information, and litigation risk. Some respondents requested flexible provisions that would allow preparers to omit information that is considered confidential or sensitive. Some respondents emphasised the importance of 'safe harbour' provisions and suggested that the ISSB considers this concern when working with jurisdictions.

148. Similar to the responses for Question 1(c) (see paragraphs 34–37) many respondents commented on the overall structure of [draft] S1, specifically regarding the conceptual nature of some of the elements and the scalability and proportionality of the standard. Some respondents suggested the standard could be improved by streamlining the contents or splitting the standard into different component parts.

149. A few respondents suggested additional requirements to describe the nature of the data used in disclosure. These suggestions focused on issues regarding the availability or quality of data, especially when this data relies on assumptions and estimations.

150. Another common theme expressed by respondents was the need for additional support in application of the standards. A few respondents suggested that the ISSB should consider a first-time application approach allowing exceptions and exemptions for initial application equivalent to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. A few respondents suggested the establishment of a Transition Resource Group, similar to that used during the development of IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 17 *Insurance Contracts*.

151. A few respondents commented on the suitability of the requirements for smaller entities and some suggested the need for additional guidance or a specific standard for smaller entities similar to the *IFRS for SMEs* Accounting Standard.

Questions for the ISSB

152. The staff presents the following questions for the ISSB.

Questions for the ISSB
1. Does the ISSB have any questions on the feedback summarised in this paper?
2. Is there any information provided that is unclear?
3. What other comments does the ISSB have on the feedback received on [draft] S1?

Appendix—Questions in [draft] S1

Questions for respondents

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? (b) Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not? (c) Is it clear how the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards, including the [draft] IFRS S2 *Climate-related Disclosures*? Why or why not? If not, what aspects of the proposals are unclear? (d) Do you agree that the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposals? If not, what approach do you suggest and why?

Question 2—Objective

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

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

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

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

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

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

Question 3—Scope

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?

Question 4—Core content

The Exposure Draft includes proposals that entities disclose information that enables primary users to assess enterprise value. The information required would represent core aspects of the way in which an entity operates.

This approach reflects stakeholder feedback on key requirements for success in the Trustees' 2020 consultation on sustainability reporting, and builds upon the well-established work of the TCFD.

Governance

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

> to enable the primary users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage significant sustainability-related risks and opportunities.

Strategy

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

> to enable users of general purpose financial reporting to understand an entity's strategy for addressing significant sustainability-related risks and opportunities.

Risk management

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on risk management would be:

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

Metrics and targets

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

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

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

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

Question 5—Reporting entity
The Exposure Draft proposes that sustainability-related financial information would be required to be provided for the same reporting entity as the related general purpose financial statements. The Exposure Draft proposals would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Such risks and opportunities relate to activities, interactions and relationships and use of resources along its value chain such as: • its employment practices and those of its suppliers, wastage related to the packaging of the products it sells, or events that could disrupt its supply chain; • the assets it controls (such as a production facility that relies on scarce water resources); • investments it controls, including investments in associates and joint ventures (such as financing a greenhouse gas-emitting activity through a joint venture); and • sources of finance. The Exposure Draft also proposes that an entity disclose the financial statements to which sustainability-related financial disclosures relate. (a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why? (b) Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why? (c) Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?

Question 6—Connected information
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?

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

Question 8—Materiality
The Exposure Draft defines material information in alignment with the definition in IASB's *Conceptual Framework for General Purpose Financial Reporting* and IAS 1. Information 'is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity'. However, the materiality judgements will vary because the nature of sustainability-related financial information is different to information included in financial statements. Whether information is material also needs to be assessed in relation to enterprise value. Material sustainability-related financial information disclosed by an entity may change from one reporting period to another as circumstances and assumptions change, and as expectations from the primary users of reporting change. Therefore, an entity would be required to use judgement to identify what is material, and materiality judgements are reassessed at each reporting date. The Exposure Draft proposes that even if a specific IFRS Sustainability Disclosure Standard contained specific disclosure requirements, an entity would need not to provide that disclosure if the resulting information was not material. Equally, when the specific requirements would be insufficient to meet users' information needs, an entity would be required to consider whether to disclose additional information. This approach is consistent with the requirements of IAS 1. The Exposure Draft also proposes that an entity need not disclose information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information. In such a case, an entity shall identify the type of information not disclosed and explain the source of the restriction. (a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not? (b) Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not? (c) Is the Exposure Draft and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why or why not? If not, what additional guidance is needed and why? (d) Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?

Question 9—Frequency of reporting
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?

Question 10—Location of information
The Exposure Draft proposes that an entity be required to disclose information required by the IFRS Sustainability Disclosure Standards as part of its general purpose financial reporting—ie as part of the same package of reporting that is targeted at investors and other providers of financial capital. However, the Exposure Draft deliberately avoids requiring the information to be provided in a particular location within the general purpose financial reporting so as not to limit an entity's ability to communicate information in an effective and coherent manner, and to prevent conflicts with specific jurisdictional regulatory requirements on general purpose financial reporting. The proposal permits an entity to disclose information required by an IFRS Sustainability Disclosure Standard in the same location as information disclosed to meet other requirements, such as information required by regulators. However, the entity would be required to ensure that the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information. Information required by an IFRS Sustainability Disclosure Standard could also be included by cross-reference, provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced. For example, information required by an IFRS Sustainability Disclosure Standard could be disclosed in the related financial statements. The Exposure Draft also proposes that when IFRS Sustainability Disclosure Standards require a disclosure of common items of information, an entity shall avoid unnecessary duplication. (a) Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not? (b) Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location? (c) Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced? Why or why not? (d) Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why or why not?

Question 11—Comparative information, sources of estimation and outcome uncertainty, and errors

The Exposure Draft sets out proposed requirements for comparative information, sources of estimation and outcome uncertainty, and errors. These proposals are based on corresponding concepts for financial statements contained in IAS 1 and IAS 8. However, rather than requiring a change in estimate to be reported as part of the current period disclosures, the Exposure Draft proposes that comparative information which reflects updated estimates be disclosed, except when this would be impracticable—ie the comparatives would be restated to reflect the better estimate.

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

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

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

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

Question 12—Statement of compliance

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?

Question 13—Effective date

The Exposure Draft proposes allowing entities to apply the Standard before the effective date to be set by the ISSB. It also proposes relief from the requirement to present comparative information in the first year the requirements would be applied to facilitate timely application of the Standard.

(a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.

(b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?

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?

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

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

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