FINANCIAL REPORTING COUNCIL OF NIGERIA

July 28, 2022

Emmanuel Faber,
Chair,
International Sustainability Standards Board
Canary Wharf
London E14 4HD UK

Dear Mr. Faber,

The Financial Reporting Council of Nigeria values the opportunity to comment on the International Standards Board's (ISSB) Exposure Draft (EDs): *FRS 1 General Requirements for Disclosure of Sustainability-related Financial Information* and *IFRS S2 Climate-related Disclosures,* the Financial Reporting Council of Nigeria submit her response as stated below.

To this effect, the Council, in collaboration with Growing Business Foundation, Afrikairos, Adviseers, Nigeria Integrated Reporting Committee and IFRS Foundation held two separate consultative events with about 500 relevant stakeholders to gain insight and feedback on the Exposure Drafts and the requirements therein. The Council further partnered with Association of Chartered Certified Accountants (ACCA), Africa Advocacy Program (AAP), ToroNet, GBF, Adviseers and Afrikairos to host another consultative event specifically targeted at Small and Medium Entities (SMEs) with about 166 business owners and finance leads in attendance to gain their particular perspectives which we consider critical as SMEs in Nigeria contribute 48% of national GDP, account for 96% of businesses and 84% of employment[1].

[1] Source: https://www.pwc.com/ng/en/events/nigeria-sme-survey.html

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About the Financial Reporting Council of Nigeria: The Council is a Federal Government regulatory agency, under the supervision of the Federal Ministry of Industry, Trade and Investment and was established by the Financial Reporting Council of Nigeria Act, No. 6, 2011 (the FRC Act).

The FRC Nigeria is responsible for, among other things:

(a) developing and publishing accounting and financial reporting standards to be observed in the preparation of financial statements of Public Interest Entities (PIEs);
(b) reviewing, promoting and enforcing compliance with the accounting and financial reporting standards adopted by the Council;
(c) maintaining a register of professional accountants and other professionals engaged in the financial reporting process;
(d) monitoring compliance with the reporting requirements specified in the adopted code of corporate governance;
(e) monitoring and promoting education, research and training in the fields of accounting, auditing, financial reporting and corporate governance;
(f) reviewing financial statements and reports of Public Interest Entities; and
(g) enforcing and approving enforcement of compliance with accounting, auditing, corporate governance and financial reporting standards in Nigeria.
(h) advise the Federal Government on matters relating to accounting and financial reporting standards.
(i) specify, in the accounting and financial reporting standards, the minimum requirements for recognition, measurement, presentation and disclosure in annual financial statements, group annual financial statements or other financial reports

which every public interest entity shall comply with, in the preparation of financial statements and reports.

OBJECTS OF THE COUNCIL

The objects of the Council as set out in section 11 of the FRC Act includes to:

(a) protect investors and other stakeholders interest;

(b) give guidance to, and harmonize activities of relevant professional, institutional and regulatory bodies in Nigeria on issues relating to financial reporting and corporate governance;

(c) ensure good corporate governance practices in the public and private sectors of the Nigerian economy; and

(d) ensure accuracy and reliability of financial reports and corporate disclosures, pursuant to the various laws and regulations currently in existence.

Our main comments, incorporating outreach with our membership, on the ISSB proposals are set out below and detailed comments to the questions in the ED are set in Appendix A and B respectively.

As a result of the open consultations, which included representation from the accounting and audit profession, Chief Finance Officers (CFOs), Chief Sustainability Officers (CSO), relevant regulatory bodies including the Securities and Exchange Commission (SEC), Central Bank of Nigeria (CBN), and Business Owners amongst others, the following feedback and recommendations on the ISSB proposals are set out below. Detailed comments to the ISSB specific questions in the ED are set in Appendix A and B respectively.

Main Comments

We support the development of a single-set of high-quality principle-based global baseline standards for sustainability disclosures as outlined by the ISSB within the IFRS Foundation. We agree with the Board's underlying objective to provide users with decision-useful information about sustainability related risks and opportunities on an entity.

We also provide some additional general comments, as expressed by stakeholders in Nigeria during our outreach, in relation to the proposals:

1. For SMEs to effectively comply with the general requirements and enhance the understanding of the requirements of the standards, there is a compelling and urgent need for ISSB to provide additional practical educational material to supplement the final standards (including the illustrative examples and basis of conclusions) once published. This will ensure a robust implementation for the sustainability standards by all entities and will further help reduce the cost of implementation, which will lessen the burden on SMEs in particular.

2. Furthermore, specific consideration should be given to SMEs and emerging economy entities to simplify the disclosure requirements, and further consider unintended consequences given their unique socio-economic conditions (*see the section under Other Comments for IFRS S1 and IFRS S2 relating to emerging economies and SMEs*).

3. The objectives established in the two EDs: "to require an entity to disclose information about its exposure to significant sustainability-related risks and opportunities to its primary users" is strongly supported as this will enable users to assess how those risks and opportunities affect an entity's enterprise value.

4. We support both the IFRS accounting standards and the proposed *IFRS S1* and *IFRS S2* standards, which are only applicable to material items.

5. The implementation complexity and costs anticipated for affected entities to comply with the *IFRS S1* and *IFRS S2* standards will necessitate a sufficiently long implementation and adoption timeframe, we encourage the Board to carefully consider that.

6. We welcome the ISSB's inclusion of industry-specific requirements based on the work of the Sustainability Accounting Standards Board (SASB) into the proposals alongside the cross-sector standards. The SASB metrics have been found to be of value to investors. However, we recognise that in some jurisdictions, Nigeria inclusive, companies are more familiar with the Global Reporting Initiative framework, therefore continuous education and enlightenment will be required for the reporting entities to fully embrace the requirements of the industry specific disclosures. Furthermore, including the referenced requirements in the standards will enhance understanding and reduce inefficiency created by consulting the related materials held outside of the IFRS S1 and IFRS S2 standards.

7. The ISSB's approach to developing the sustainability standards is modelled after IFRS Accounting Standards which have been widely adopted in Nigeria. Therefore, many preparers are already familiar with the proposed structure and approach within IFRS Sustainability Standards. However, because of lack of standardisation in ESG reporting, companies have adopted different frameworks in reporting its sustainability practices. In Nigeria, some companies have adopted or based their current disclosures on the existing frameworks and standards, including the TCFD recommendations and the

Global Reporting Initiatives (GRI) Standards. In that regard, the explicit provision in the proposals that preparers may use other recognised standards as the basis for disclosures when there is not currently an IFRS Sustainability Disclosure Standard (IFRS SDS), though helpful, will require clear hierarchy guidance and, ultimately, harmonization to ensure comparability.

8. We understand the need for prioritizing the issuance of a standard on climate-related disclosures however, consideration is needed to reflect the real trade-offs amongst the ESG metrics, particularly acute in the Africa region between environment and social metrics. The ISSB is therefore urged to consider including this aspect on its agenda, as a matter of urgency. We strongly encourage a social-related disclosure project that will address the concerns surfacing in emerging economies. This will provide an additional benefit of creating stronger support by these economies in the activities of ISSB and thus enhance local acceptance and the willingness to implement. For example, disclosures on social related risks which are primarily qualitative in nature may be prioritised in developing countries above environmental –related risks which can be reported in clear quantitative terms, in most cases. Another example is there is no or very little reference to the Paris agreements and United Nations Sustainable Development Goals.

9. The requirement with respect to disclosures as stated in the exposure drafts to a large extent addresses the key concerns of many stakeholders such as:

   9.1 Making sustainability reporting comparable

   9.2 Reporting an organisation's assessment on climate-related matters and the associated risks and opportunities

   9.3 Reporting an entity’s financial position and financial performance; (a) the value, timing, and certainty of the entity’s future cash flows over the short, medium and long term (and, therefore, an assessment of enterprise value by users of general-purpose financial reporting); and (b) the entity's response to climate-related risks and opportunities through its strategy and business model

9.4 Reporting material information about all significant sustainability related risks and opportunities to which they are exposed.

9.5 A solution to the "Alphabet Soup Conundrum" by streamlining the numerous reporting standards.

10. The implementation costs and complexity anticipated for affected entities to comply with IFRS S1 & IFRS S2 will demand a sufficiently long implementation time frame to which we encourage the Board to factor in when deciding on the effective dates of the final standards.

11. Finally, we trust that you will find these comments useful and helpful in finalizing the standards. We therefore appreciate the ISSB for the audacious efforts in developing these Exposure Drafts and we will continue to support and encourage the Board in its effort to make these global baseline standards within the not too distant future.

Yours sincerely,

Amb. Shuaibu Adamu Ahmed
Executive Secretary/CEO

Appendix A – IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*

Question 1—Overall approach

1. (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?
2. (b) Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?
3. (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?
4. (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?

FRC RESPONSE

The Exposure Draft unambiguously 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.

We agree with the objective of developing a comprehensive set of Sustainability Standards under which an entity can report, to its primary users, decision-useful information for assessing enterprise value. We also agree with the strategy of having an overarching standard (*IFRS S1*) which clarifies a common approach and the reporting framework within which topical-specific standards will anchor, including *IFRS S2 Climate- related Disclosures*.

We encourage the ISSB to, as expeditiously as is reasonable, develop further standards which leverage and build upon existing standards and frameworks published by other standards setters. In this regard, we encourage the ISSB to leverage the agenda consultation process to identify future topics, and the priority of those topics.

We agree IFRS S1 plainly states that an entity would need to identify and disclose material information about all sustainability risks and opportunities to which it is exposed. However, unless ISSB issues other sustainability related topics, there is the tendency to limit the disclosures to only climate-related topics. To reduce confusion and avoid doubt, we believe that there is urgent need for the ISSB to give specific definition of "sustainability-related risks and opportunities". We note the statement in paragraph 9 but believe that it is too broad and open to different interpretations. We urge the ISSB to consider providing guidance on how to identify significant sustainability-related risks and opportunities, as well as how to assess and define "significant" in relation to risk and opportunities.

Question 2—Objective (paragraphs 1–7)

1. (a) Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?
2. (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?

FRC Response

(a) Largely, the objective of disclosing sustainability-related information is clear.

(b) As specified in our response to Question 1 (a), we believe that the term sustainability should be clearly defined to avoid any doubt. This we believe, will enhance the understanding of sustainability-related financial information.

The ED does not elaborate a definition for the term sustainability, which is an integral part of the term "sustainability-related financial information". This will help entities understand the scope and range of considerations they should be including in their assessment of sustainability-related risks and opportunities.

We would encourage the ISSB to bring forth the content in BC27 and BC28 into the body of the IFRS S1 standard to increase its prominence and assist entities in assessing how and where to present information (either in a separate financial report and sustainability report, or in an integrated report).

It is imperative to recognize that users seeking sustainability related information is much wider than investors and lenders, this requires reflection since the ISSB's objective of being a harmonized global standard setter for sustainability standards.

The existing requirements stipulated in IFRS Conceptual Framework for Financial Reporting and the Objective of Management Commentary both align in principle with the objective of developing expectations about "the amount, timing and uncertainty of future cash flows".

Question 3—Scope (paragraphs 8–10)

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

FRC Response

We agree that it can be applied with any jurisdiction's GAAP. However, there is a concern over the use of IFRS Accounting Standards language that may not necessarily be applicable/ present in jurisdictional GAAPs. Furthermore, we envisaged difficulties to arise in aligning the data with XBRL under different jurisdictional GAAP.

Question 4—Core content (paragraphs 11–35)

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

FRC Response

a) We are pleased to note that the objectives are clear and adequately defined. We identify that properly applying materiality is vital to providing both relevant and proportionate information to users to aid in their decision- making needs.
b) Generally, we believe that disclosure requirements for governance, strategy, risk management and metrics are clear. We also believe that many entities will be able to leverage and extend existing disclosures in their annual financial reporting for governance structures and processes relating to sustainability-related risks and opportunities. However, as explained in the response question 17, additional reflection is needed for SMEs.

We support the consistency between financial reporting and sustainability reporting that par. 22 describes.

Question 5—Reporting entity (paragraphs 37–41)

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

(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? 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

FRC RESPONSE

We agree with the statement that sustainability information should be prepared for the same entity as financial information – this stipulates the explicit link between the two sources of information. However, we urge the ISSB to consider a simplified disclosure framework for SMEs. The proposed disclosures about the value chain could be onerous and costly to obtain – a disproportionate burden for SMEs, and for medium enterprises in emerging economies. The ISSB should clarify how far down the value chain such reporting is required – direct relationships are manageable through contractual clauses however this ability diminishes as the value chain moves beyond the first tier.

Question 6—Connected information (paragraphs 42–44)

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

FRC Response

(a) We agree with the requirement and believe that the examples in par. 44 are helpful to connect financial information to sustainability risks and opportunities. This will aid decision-usefulness for users.
(b) Though the information is interconnected, the connection, however, is expected to involve time lags. For instance, a climate risk may take a prominent position in the sustainability related disclosures, however, may not yet meet the IAS 37 definition of a provision for financial reporting purposes. This is because of the forward-looking nature of sustainability-related risks and opportunities; the mismatch may limit the usefulness of information which the ISSB should consider addressing.

Question 7—Fair presentation (paragraphs 45–55)

(a) Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not?
(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. Paragraph

FRC Response

(a) We agree that the requirement to present information about sustainability risks and opportunities is clear and is also consistent with existing requirements under financial reporting. In addition, aggregation of the information, where appropriate, will ensure information is more user-friendly.
Companies will need additional guidance to assist them in identifying material risks, amongst the extensive list of potential risks with varying degrees of likelihood and impact, to make it user relevant.

(b) We agree with the sources of guidance to identify sustainability-related risks and opportunities as well as the related disclosures described in paragraph 51. However, it is our view that the additional considerations as referenced in paragraph 51 (a-d) would be more relevant in the absence of an IFRS Sustainability Disclosure Standard (i.e. included as part of paragraph 53) as this list in its current position could result in users finding themselves having to make considerations that are far too broad. Since the the ISSB is believed to have aligned with the IIASB in issuing principle-based standards therefore the use of the term "**shall** consider" may be interpreted as rule or an outright requirement and not guidance.
Furthermore, it is imperative to consider abridging the range of sources into digestible and relevant content within the standard itself, otherwise this may create both a significant resource burden on entities themselves as well as users to understand and contextualize the disclosures.

The standard requires that the disclosures are reported at the reporting entity level but did not state how this may be considered for multijurisdictional entities where sustainability risks and opportunities are typically managed at a group level rather than an individual subsidiary level.

Question 8 - Materiality (paragraphs 56-62)

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

FRC Response:

We agree with the general principle behind the use of the terms 'significant' and 'material'. We understand this as being a two-step process whereby the entity identifies significant sustainability-related risks and opportunities (for example, those matters that the entity's board has assessed as significant) and then considers the information relating to those matters that are material to enterprise value. However, we consider that further explanation of the distinction between 'significant sustainability-related risks and opportunities' and 'disclosure of material information' would be helpful to ensure the most important information is disclosed. We also consider that it would be helpful to clarify how preparers might comply with the standard when they are yet to address the matter through any aspect of their governance, strategy, risk management, or metrics or targets. For example, it could be emphasized that material information about a significant sustainability-related matter could include a statement that a policy or measure on a matter assessed as significant by the entity is not yet developed, along with a timeframe in which the entity will prepare and report on it.

We recommend that the proposals further clarify the interaction between a company's impacts on people, the planet and the economy and on enterprise value. We consider this was more explicit in the prototype developed by the TRWG. Allied to this, we recommend that the Illustrative Guidance is expanded to be clearer on how a company might go about identifying material information about significant sustainability-related matters. For example, a company may start by considering the relevant sustainability matters and its related impacts in relation to people, planet and the economy. It might then identify those matters that are relevant to enterprise value and the related material information. The prototype included content on 'nested and dynamic' materiality, following the work of the 'Group of 5', and this could be re-instated and elaborated in these proposals.

Yes, we support the relief where local laws or regulations prohibit an entity from disclosing specific sustainability information, because a failure to grant the relief would result in the entity being unable to declare compliance with the IFRS S1 (or IFRS S2) standard itself which could produce unintended consequences with access to sustainable capital, or capital markets in time more broadly. This could be particularly punitive to responsible entities in emerging markets.

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

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

FRC Response:

Yes, we generally agree with the simultaneous disclosure requirement particularly given the explicit connectivity between financial and sustainability information. Obviously, an absent succinct disclosure requirement to produce both reports simultaneously may lead to some entities releasing their information later than is presently the case with their financial reporting. The audit/assurance providers would have larger scope audits within (in theory) the same time as they have now for financial reporting information alone, this needs specific consideration within the final standard.

Question 10 - Location of information (paragraphs 72-78)

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

FRC Response:

We consider that aligning financial and sustainability reporting, as set out in the proposals, is an important ambition that responds to the expectations of investors to understand the connections between sustainability and financial information and will further support the full integration of sustainability matters into the company's governance, strategy and operations. However, there may be need to incorporate flexibility in the provisions to allow for jurisdictional peculiarities. We believe it is important that the ED specifies that sustainability information should be included within general purpose financial reporting, but provides flexibility in the location, as it helps to minimise duplication and accommodates different jurisdictional requirements.

We agree that being able to cross-reference disclosures to other publicly available documents is necessary to ensure comprehension, avoid inconsistencies, and potentially avoid duplicative work, however such a strategy would also increase complexity and effort for user discovery and understanding. The dual disclosure timing requirement for sustainability and financial reporting raises genuine prospects of moving towards Integrated Reporting (IR). The IR objectives align well with the dual principal intent of the IASB and ISSB reporting standards to provide decision-useful information to users. The IR indicates:

"The International Integrated Reporting Framework is used to accelerate the adoption of integrated reporting across the world with an aim to:

- Improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital

- Promote a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organization to create value over time
- Enhance accountability and stewardship for the broad base of capitals (financial, manufactured,
  intellectual, human, social and relationship, and natural) and promote understanding of their independencies
- Support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term."

We therefore see opportunities of leveraging the work of the Value Reporting Foundation in this regard.

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

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

FRC Response

a) The general features and assumptions of financial data are, we consider, appropriately considered, and reflect the proposed standard. We strongly support that sustainability data, and its underlying assumptions must be consistent with its financial reporting.
b) The requirement to continually revise comparatives may be confusing to users especially were such are not supported with adequate contextual narratives. Consistent with the Primary Financial Statements, we therefore propose that where one metric is substituted for another, management would need to explain why the new metric is a better one than that previously used.

Question 12 - Statement of compliance (paragraphs 91-92)

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?

FRC Response

We consider having a compliance statement with the IFRS Sustainability Disclosure Standards as necessary and therefore support that an entity should provide a statement of compliance with IFRS Sustainability Disclosure Standards where such compliance has been achieved. This management compliance standard would align with similar requirements under IFRS, IPSAS, Sarbanes-Oxley and equivalent regulatory requirements around the world.

We consider the disclosure exemption in paragraph 92 as appropriate, where there is a prohibition under Local laws and regulations, as this will encourage both an inclusive and supportive approach for preparers as the countries within which they operate develop national regulatory requirements on sustainability matters. Additionally, an explicit exemption may need to be included where it relates to commercial confidentiality such as employment policies or practices of suppliers (paragraph 40), which could fall into this category.

Question 13 - Effective date

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?

FRC Response

a) We propose that before setting an implementation date, the ISSB should further consider the jurisdictional readiness, since most of the jurisdictions are at different stages in their sustainability reporting journey. Whilst many entities around the globe have been providing either GRI, TCFD information, many more have not done so, and will need time to 'catch up'. To this effect therefore, we further propose that the ISSB may wish to consider adopting the IASB's standard 3-year implementation period between the issuance of a new standard and the first reporting year under said standard with early adopters encouraged.

Attention should be given to the additional guidance entities will need to identify, assess, and report on non-climate related risks and opportunities. This will help entities develop and embed the required new processes to integrate these assessments effectively and efficiently into their business operation.

We consider that both standards (IFRS S1 and IFRS S2) should have an identical effective date because the requirements and guidance in S1 will assist with the disclosures given in respect of S2.

b) We agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application.

Question 14 - Global baseline

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?

FRC Response

We agree with the 'global baseline' approach adopted by the ISSB. This, we believe, will aid in the efficient and effective adoption of minimal reporting around the world, because national or regional standard-setters and regulators are more likely to align with the ISSB's standards in respect of the scope of those standards. It provides these same stakeholders with the option to extend or build upon the ISSB baseline of standards.

The baseline approach will also assist in managing, and minimizing, the actual costs of implementation for preparers and analysis costs for users. We note that the proposed standards will be of considerable benefit to users and to preparers in terms of formalizing and systematizing their approach to sustainability reporting matters.

We therefore recommend that the ISSB should actively engage with and probably provide support to other regulators and standard setters globally to continue working towards harmonization of sustainability standards and/or developing interoperability between the various standards as a step towards driving down the cost of data management and reporting on sustainability matters.

Question 17 - Other comments

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

FRC Response

Emerging Economies

We are pleased to provide some peculiar comments from relevant stakeholders especially as they concern emerging economies and their entities using Nigeria as a typical of emerging economic, and therefore is a useful example to understand the unique challenges in your deliberations towards final international sustainability standards.

Challenging Priorities

There is obvious concern over capacity to seamlessly implement the "additional reporting burden" even where some are still in the process of adopting and implementing IFRS Financial Accounting Standards. However, we believe that by providing additional guidance, educational materials and massive capacity building to be supported by ISSB will aid in the implementation of the IFRS Sustainability Standards.

Transitional Provisions

Stakeholders expressed considerable concern on the transition period as it was noted that the proposed standard is silent of the transitional provisions. We therefore encourage the ISSB to take this into consideration finalising the standard.

Reference to SASB and TCFD

We note with serious concern the reference to SASB Standards and the TCFD Framework, without including the referenced provisions in the proposed standard is seen as contradictory to the objective of achieving consistency in sustainability reporting. We feel that this objective would be better served if the IFRS Sustainability Standards are stand alone and should not require preparers to cross reference to other standards and frameworks. This, we believe, will assist in the reduction of both cost and burden of implementing the standards. We therefore urge that the ISSB should extract the referenced provisions in the identified frameworks and include same in the proposed standard.

Scalability

Most comments from the SMEs sector referenced the IASB's IFRS for SMEs and proposed the scalability of this standard for smaller entities. We therefore encourage the ISSB to take this into serious consideration while finalizing the standard. This is critical in respect of enterprise value and business chain terms in the standard.

TAX RELATED DISCLOSURES

There has been widespread international call for more transparency by multinational companies with respect to their tax payments and tax policies. Governments, non-governmental organizations, investors and the public are demanding companies to publish their tax policies and prepare public annual tax reports outlining their contributions to the societies in which they operate in form of direct and indirect taxes and how it compares to other expense and profit items. This call has increased since COVID-19 pandemic almost brought the world economy to a standstill. There is more focus on tax revenues, with increased scrutiny on tax planning structures and government tax incentives.

The Global Reporting Initiative organization ('GRI') launched a new global reporting standard —GRI 207: Tax 2019 ('GRI 207') in 2019, in view of the above. GRI 207 was developed in recognition of the vital role that tax contributions have on sustainable development, and in response to widespread stakeholder demands for tax transparency.

The standard is 'virtually mandatory' for some sectors such as mining because of requirements imposed on members by some international organizations such as the International Council on Mining and Metals and their 'performance expectations' of members to comply with the GRI standards, however, it is voluntary for most other sectors. Specifically, GRI 207 requires companies that have elected to endorse GRI Standards and identified tax as a 'material topic' to disclose its management approach to tax in its sustainability report. This means that companies, other than mining companies, may elect to report on its tax impact only where they deem tax to be a 'material topic'. Unfortunately, what is deemed 'material' is not clearly defined in the

GRI Standards.

The ESG-based approach to tax reporting should be more than publishingdata; it should include Tax Impact Reporting (TIR) which will draw a nexus to the overall impact of the tax contributions to the development of the society in which a company operates. The key core metric of a TIR is similar to the specific metrics for tax reporting published in above referenced WEF paper. If tax transparency under the ESG agenda is about trust, then TIR is a narrative on how a company's tax footprint is contributing to achieving sustainable and inclusive growth in the community they operate.

From the perspective of public tax transparency, the key core metric of TIR is 'total tax paid', i.e., the total amount of tax borne by the disclosing company, including corporate income taxes, VAT and other sales taxes, employer-paid payroll taxes, and other taxes and levies to various government agencies that constitute costs to the company. The metrics can also be expanded to include other 'additional tax remitted' such as total tax collected by the company on behalf of other taxpayers and remitted to the relevant tax authorities in Nigeria.

Taxes in Nigeria represent only about 6% of the country's Gross Domestic Product (GDP). We have over the years relied significantly on oil revenues as the primary source of Government funding which is unsustainable. Therefore, there is a need to improve collection from taxes if Government is expected to continue to meet its obligations to an ever growing populace. Improved transparency in current collection may be a first step to achieving this objective. Consequently, it is imperative that we evolve a framework which includes TIR in any sustainability reporting introduced.

Specific Recommendations

1. We propose convergence to the sustainability standards over time with the maximum transition time possible once standards are finalised.
2. We urge propose a simplified application for SMEs that do not have exchange-traded equity or debt (similar to IFRS for SMEs). One approach, which is already well established, is reporting on the SDGs. UNCTAD published a *Guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals*.
3. We further propose that the ISSB include the Just Transition principles into IFRS S2 allowing emerging economy entities allowing them to contextualise their sustainability impacting decisions.

Appendix B – IFRS S2 Climate-related Disclosures

Question 1 - Objective of the Exposure Draft

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

b) Does the objective focus on the information that would enable users of general-purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?

c) Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?

FRC Response

a) Yes, we agree with the objectives of the ED which are clearly stated in paragraphs 1 & 2, in particular "to require an entity to disclose information about its exposure to significant climate-related risks and opportunities", to users, thereby enabling them to assess how specified risks and opportunities impact the entity's enterprise value.

b) Yes, the objective concentrates on the information that would enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value.

c) Yes, the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1. However, the scale of industry and type of business operation differ in countries, and it should be captured in future standards. The clarity on the adoption of SASB must be clear in order to align with one of the objectives of ISSB to make sustainability reporting comparable. Additionally, ISSB should consider all areas of sustainability due to different regional and national priorities. For example, disclosures on social related risks which are majorly qualitative in nature should be prioritized in developing countries above environmental – risks which can be reported in clear quantitative terms in most cases.

Question 2 - Governance

Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?

Response

Yes.

The proposed additional disclosures will give users more transparency around the governance and management of climate risks within the business model and its operation.

We note that a kind of duplication with the provision of IFRS S1 and would have loved specific disclosure requirements to IFRS 2 to avoid unnecessary repetition. It would therefore require clarification of paragraph 18 of the ED ("an entity shall avoid duplication"). An entity may satisfy the requirement with information that is already present in many annual reports. In such cases, cross referencing requirements could be a useful approach to avoid duplicative disclosures. We believe that most entities will be able to adapt (i.e.: leverage and extend) their existing disclosures of governance structures and processes to incorporate the requirements for sustainability reporting. To this effect, we propose that the ISSB include a statement that, wherever possible, existing disclosures should be used as a basis for climate related and other sustainability related disclosures so that information is provided only once.

Question 3 - Identification of climate-related risks and opportunities
a) Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?
b) Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?
Response
The proposal is sufficiently clear. However, we propose that ISSB should provide a clear definition of "significance" in order to avoid inappropriate application of judgement.
Furthermore, as stated in question 2, the requirement to disclose the impact of climate change on the entity's strategy and business model presumes that the entity's business model information is disclosed, however, this is not an explicit requirement in IFRS S1 or IFRS S2.
We are therefore worried that the industry-related disclosures within the SASB standards that are referenced in the ISSB sustainability standards have not gone through the appropriate level of due-process as is required for mandatory financial or sustainability standards.

Question 4 - Concentrations of climate-related risks and opportunities in an entity's value chain
a) Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not?

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

Response

We strongly agree that the proposed disclosure requirements provide entities the opportunity to disclose the effects of risks and opportunities on its business model and value chain(s). We propose that paragraph 12 should be split to provide appropriate information required to for understanding of the requirements for business model and value chain are separate though they may be linked.

However, we propose that the requirements relating to the value chain should be explicitly stated that only disclosures that directly impact the entity's business model should be provided. We are concerned that obtaining information as it relates to the value chain may be burdensome, especially for SMEs. We therefore urge the ISSB to reconsider the use of the word "shall" in paragraph 12 and rather replace that with "may."

(b) We agree with the proposal requiring an entity to disclose information that enables users of general purpose financial reporting to understand its assessment of the current and anticipated effects of significant climate-related risks and opportunities on its business model. We propose that this information should be qualitative but to be complemented with quantitative information to the extent possible

Questions 5

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

Yes, we agree with the proposed disclosure requirements for transition plans. However, we propose that this demands to be sector specific as opposed to a general application. We note the reference made to transition risks but we are concerned that this differs with physical and adaptation risks. However, we note that the TCFD already acknowledges the differences between transition and adaptation risks. As these are different, we therefore propose additional separate disclosures around physical and adaptation risks.

Furthermore, we note with concern that "strategy" and "business model" are used interchangeably. It is obvious that there is a clear difference between the two terms drawing from IIRC IR framework and Practice Statement 1- Management Commentary. Also, we observed a seeming duplication in para 13 which focuses on and 23 on climate related targets. Para 13 seems to concentrate on Transition plans and carbon offsets one of the targets while para 23 appears wider. We therefore recommend a hamornisation of the two paragraphs (13 & 23).

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

We do not seem to have additional disclosures related to transition plans that are necessary but believe that attention should be given to our comments in (5a) above

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

We believe that the proposed carbon offset disclosures will enable users of general purpose financial reporting to understand an entity's approach to emissions reduction, the role played by carbon offsets and the credibility of those carbon offsets.

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

We think that the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets.

Question 6 - Current and anticipated effects

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

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

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

Response

We broadly agree with the disclosures, however we propose that the ISSB should consider some practical issues that may impair the disclosures:

a) Unless the disclosure is qualitative/narrative based, affording the information could be a complex process and a lack of data may impact the relevance and reliability of the disclosures.
b) Difficulty in quantifying the impact of climate on specific items, mostly when there are other factors at play. For example, an entity may not practically be able to differentiate the impact of one specific factor from another.

Question 7 – Climate resilience

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

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

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

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

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

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

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

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

Response

The inputs and assumptions used to perform the required analysis are likely to vary considerably between entities, potentially limiting the usefulness of the information disclosed. Additionally, as noted previously, we believe entities need to be given adequate time to transition and develop the ability to perform the analysis even if they consider such risks to be relatively insignificant compared to others. The exemptive position in paragraph 15 to use alternative methods if an entity is "unable" to prepare scenario analysis is helpful, however, it may be a high hurdle to satisfy and demonstrate appropriateness of its use to auditors and regulators. The ISSB comments in BC89 about the challenges and its acknowledgement that several industries lack the experience of applying scenario analysis, the Board may wish to reconsider the conditions attached to an entity being permitted to using an alternative approach.

Question 8 - Risk management

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

Response

We agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities as the objective is clear. However, we note that its implementation may be challenging as most stakeholders stressed on the competition risk involved as well as possible litigation such disclosures may result.

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

a) The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with

the seven proposed cross industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?
b) Are there any additional cross-industry metric categories related to climate related risks and opportunities that would be useful to facilitate cross-industry comparisons and assessments of enterprise value (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful to users of general-purpose financial reporting.
c) Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?
d) Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3-expressed in CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH4) separately from nitrous oxide (NO2))?
e) Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for:
(i) the consolidated entity; and
(ii) for any associates, joint ventures, unconsolidated subsidiaries and affiliates?
Why or why not?
f) Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?

Response

We agree with the principle of providing cross-industry disclosures around certain climate risks, which will be beneficial to users. However, to the extent that an entity is not already using these disclosures to manage its response to climate change, it will need sufficient time to develop the necessary processes in advance of the effective date of the Standard.

At this time, we cannot comment on which climate risks would be appropriate to mandatorily disclose. One observation is that a large amount of data is required to be obtained, processed and structured to fulfil the requirement and all but the largest entities may struggle to meet it.

We would add that paragraphs 21 (b) to (e) may be more appropriately disclosed when considered with paragraph 14, rather than cross-industry.

Question 10 - Targets

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

Response

We agree with the proposed disclosure about climate-related targets and note with delight that entities are given the opportunity to improve their disclosures as and when more information are available.

Question 11 - Industry-based requirements

a) Do you agree with the approach taken to revising the SASB Standards to improve the international applicability, including that it will enable entities to apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why?
b) Do you agree with the proposed amendments that are intended to improve the international
applicability of a subset of industry disclosure requirements? If not, why not?
c) Do you agree that the proposed amendments will enable an entity that has used the relevant
SASB Standards in prior periods to continue to provide information consistent with the equivalent disclosures in prior periods? If not, why not?

The second set of proposed changes relative to existing SASB Standards address emerging consensus on the measurement and disclosure of financed or facilitated emissions in the financial sector. To address this,
the Exposure Draft proposes adding disclosure topics and associated metrics in four industries: commercial banks, investment banks, insurance and asset management. The proposed requirements relate to the
lending, underwriting and/or investment activities that finance or facilitate emissions. The proposal builds on the GHG Protocol Corporate Value Chain (Scope 3) Standard which includes guidance on calculating indirect emissions resulting from Category 15 (investments).
Paragraphs BC149-BC172 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals for financed or facilitated emissions.
d) Do you agree with the proposed industry-based disclosure requirements for financed and facilitated emissions, or would the cross-industry requirement to disclose Scope 3 emissions (which includes Category 15: Investments) facilitate adequate disclosure? Why or why not?
e) Do you agree with the industries classified as 'carbon-related' in the proposals for commercial banks and insurance entities? Why or why not? Are there other industries you would include in this classification? If so, why?
f) Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?
g) Do you agree with the proposals to require disclosure of the methodology used to calculate financed emissions? If not, what would you suggest and why?
h) Do you agree that an entity be required to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions without the ISSB prescribing a more specific methodology (such as that of the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry)? If you don't agree, what methodology would you suggest and why?
i) In the proposal for entities in the asset management and custody activities industry, does the disclosure of financed emissions associated with total assets under management provide useful information for the assessment of the entity's indirect transition risk exposure? Why or why not?
Overall, the proposed industry-based approach acknowledges that climate-related risks and opportunities tend to manifest differently in relation to an entity's business model, the underlying economic activities in which it is engaged and the natural resources upon which its business depends or which its activities affect. This affects the

assessment of enterprise value. The Exposure Draft thus incorporates industry-based requirements derived from the SASB Standards.

The SASB Standards were developed by an independent standard-setting board through a rigorous and open due process over nearly 10 years with the aim of enabling entities to communicate sustainability information relevant to assessments of enterprise value to investors in a cost-effective manner. The

outcomes of that process identify and define the sustainability-related risks and opportunities (disclosure topics) most likely to have a significant effect on the enterprise value of an entity in a given industry.

Further, they set out standardised measures to help investors assess an entity's performance on the topic.

Paragraphs BC123-BC129 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals related to the industry-based disclosure requirements. While the industry-based requirements in Appendix B are an integral part of the Exposure Draft, forming part of its requirements, it is noted that the requirements can also inform the fulfilment of other requirements in the Exposure Draft, such as the identification of significant climate-related risks and opportunities (see paragraphs BC49-BC52).

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

you suggest and why?

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

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

Response

We believe that these disclosure requirements are too broad, lengthy, and prescriptive for an entity that operates across more than one industry. We also note the previous comments in question 3 regarding due process regarding industry related disclosures.

Question 12 - Costs, benefits and likely effects

Paragraphs BC46-BC48 of the Basis for Conclusions set out the commitment to ensure that implementing the Exposure Draft proposals appropriately balances costs and benefits.

a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?
b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?
c) Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?

Response
We envisage that the costs of meeting these disclosures will be prohibitive. We propose that the ISSB clarifies that where risks and opportunities caused by a particular factor, such as climate change, are less significant or insignificant, entities should adapt and reduce the disclosures commensurately.

Question 13 - Verifiability and enforceability
Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.

Response
We envisage challenges for the audit of this information. Many of the disclosures require wide-ranging estimation and will be subject to detailed review which could easily become disputed as they would be based on the entity's own data and expectations. To this effect therefore, there would likely be a lack of consistent external, observable data.

Question 14 - Effective date

a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS SI General Requirements for Disclosure of Sustainability-related Financial Information? Why?
b) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft.
c) Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an

entity's strategy?) If so, which requirements could be applied earlier, and do you believe that some requirements in the Exposure Draft should
be required to be applied earlier than others?

Response

We propose that the two standards should have same effective date though the disclosures are extensive and prescriptive. While recognising that there is an urgent need from investors for this information, we maintain the tradition of the IASB of about 3 years with early adopters encouraged. This we believe will afford enough time enlightenment and capacity building where necessary.

We note that not all entities currently prepare climate related disclosures, under any framework, meaning that they will have a significant amount of work to do to meet the proposed requirements.

Question 15 - Digital reporting

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

Response

We opt not to comment on this for now.

Question 16 – Global baseline

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

Response

We support the 'global baseline' approach adopted by the ISSB. This will assist in the efficient and effective adoption of minimal reporting around the world, because national or regional standard-setters and regulators are more likely to accept the ISSB's standards in respect of the scope of those standards. It provides these same stakeholders with the option to extend or build upon the ISSB baseline of standards.

Question 17 – Other comments

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

Response

We propose that the ISSB issue a more simplified standard for implementation by SMEs as similar with IFRS for SME. We further recommend a minimum period of three years from the period the document is finalized for its effectiveness.