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2022-07-27

International Sustainability Standards Board
Columbus Building
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London, E13 4HD
England
commentletters@ifrs.org

Dear ISSB,

Futurepast: Inc. is pleased to comment on the IFRS Sustainability Exposure Draft, S2: Climate-related Disclosures. Futurepast is a consultancy based in the United States with personnel located in several countries from North America to Europe and Asia.

Futurepast's specialty is accounting for greenhouse gas emissions. Our company motto, a service mark registered with the U.S. Patent and Trademark Office, is "We count carbon." Futurepast operates a validation/verification body in addition to a consultancy practice. Our verification body is organized in accordance with ISO 14065:2020, *Requirements for bodies validating and verifying environmental information*. Our validation and verification engagement are performed in accordance with ISO 14064-3, *Greenhouse gases—Specification with guidance for the verification and validation of greenhouse gas statements*.

As requested, Futurepast is addressing questions raised in the exposure draft. Our answers are limited to those matters where we believe Futurepast has the most relevant information or perspective to offer.

Question 1

Futurepast agrees with the objective that has been established for the Exposure Draft. The rate of disclosures from publicly traded companies overall is still low and the lack of complete reporting by all companies is an indication that the urgency of the climate crisis is not yet fully acknowledged. We believe the information in the exposure draft is important for investors and should be disclosed. We suggest that the text remain as stated as it aligns with decision-useful climate-related information that management and boards of directors should be monitoring.

Question 2

Futurepast agrees with the proposed disclosure requirements for governance processes, controls and procedures. Top management must be engaged with climate-related information as the proposed requirements make clear.

Question 3

Futurepast agrees with the requirements to identify climate-related risks and opportunities and for the most part (see our answer to Question 13) believes the exposure draft expresses them in clear and verifiable language. Executives and board members who have previously considered the guidance of the Task force on Climate-related Financial Disclosures and other voluntary reporting standards will recognize these requirements and their pertinence to their industry sector.

We support the standardization of industry-specific metrics as these have been assembled in SASB standards. This approach builds upon work already done in a variety of industry sectors and will reduce duplication and inconsistent reporting requirements for entities.

Question 4

Futurepast supports the paragraph 12 and paragraph 12(a) text. We agree with the use the word "significant" which is also used in ISO Guide 84:2020, *Guidelines for addressing climate change in standards*. We support the text in paragraph 12(b) without change.

Question 5

Futurepast strongly supports the proposed disclosure requirements for transition plans. Reporting entities need to move beyond the quantification of their emissions to specific plans for reducing them.

We believe the S2 standard has adequately specified the nature of disclosures associated with transition planning. Entities will rely on other sources of information, such as ISO 14090, *Adaptation to climate change—Principles, requirements and guidelines*, and ISO 14091, *Adaptation to climate change—Guidelines on vulnerability, impacts and risk assessment*, to analyze their risks and finalize transition plans. The disclosure requirements in S2 paragraph 13 are presented in an open-ended manner ("information about . . .") that necessarily leaves open to the entity the amount of detail that it will provide. Investors and other stakeholders will be able to judge the direction of movement—or not—over subsequent years as entities update their information and make it more specific and detailed.

Paragraph 13(b)(iii) requires entities to disclose important information to investors about carbon offsets. Standards in this area are still evolving. For example, ISO is developing ISO 14068, *Carbon neutrality*, which is scheduled for publication in 2023. The UN's International Civil Aviation Organization defined principles for carbon offsets that are eligible for use in their Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). Voluntary organizations have formed to develop principles and guidelines for assessing the quality and integrity of carbon offsets. We believe the disclosure requirements in this paragraph of S2 will require entities to consider issues associated with carbon offsets and to explain their policies and actions with respect to them.

Futurepast does not express an opinion on the costs preparers of disclosures will incur with respect to their plans to reduce emissions. Failure to mitigate greenhouse gas emissions will only lead to disastrous impacts on our shared planet and for entities, the risk of stranded assets and technological obsolescence.

Question 9

Futurepast supports the reporting by entities of their greenhouse gas emissions.

c) We disagree in 21(a)(i) that measurement of emissions should be limited to the Greenhouse Gas Protocol Corporate Standard. An International Standard, ISO 14064 Part 1 (2018), *Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals*, is equally valid for reporting purposes and should be accepted as the basis for reporting along with the GHG Protocol.

   We note that you have acknowledged in BC112 that ISO 14064 Part 1 (2018) is a widely used standard for quantification of GHG emissions today. We also note that ISO 14064-1:2018 recommends a reporting format that will look familiar to people who are accustomed to reading organizational balance sheets. The ISO standard proposes line-item classification (assets = removals, liabilities = emissions, shareholder equity = storage). In addition, ISO demonstrates how to properly report and disclose carbon financial instruments understanding that they are not necessarily fungible units with the inventory accounting of emissions or with themselves (e.g., renewable energy certificate (RECs) measured in kWh and Offsets measured in tCO_2e). These instruments can be included in a GHG inventory report because they may affect stakeholders' decisions.

d) Futurepast believes that entities should be required to disclose scope 1 and scope 2 emissions on a disaggregated basis according to the respective contributions of the seven GHGs. We believe that allowing entities to report aggregated GHG emissions as CO_2e may mask opportunities for improvement by not identifying emissions at the facility level that may deviate from the entity's mean on important gases such as methane or HFCs. Reporting by each GHG has been common practice for the last 20 years and should not be abandoned now.

   We do not hold the same view on scope 3 emissions as entities may have difficulty obtaining disaggregated GHG data from suppliers and the data may be of low quality or lack verifiability.

e) Futurepast recommends that entities should report scope 1 and scope 2 emissions separately at the consolidated entity level. We also believe that entities should address GHG emissions in the same way that they treat financial reporting for associates, joint ventures, unconsolidated subsidiaries and affiliates.

f) Futurepast supports including absolute gross scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality.

Question 12

a) Futurepast believes that the costs of quantifying GHG emissions and obtaining assurance on the results is a necessary cost of business in the climate crisis the world is currently in. Having broad access to this information across sectors will surely help investors make more informed decisions. Having this information at the organizational level will help businesses plan their transition to a low-carbon economy. Businesses that don't gather the information needed to make informed decisions on decarbonization are likely to be left behind by competitors who do.

Question 13

Paragraph 21(a)(vi)(1)-(4) describes an entity's obligation to disclose upstream and downstream emissions. We support this reporting. However, we point out that not all scope 3 emissions will pass the test of "verifiability." Some scope 3 emissions cannot be verified because the information is provided by a supplying entity. Absent an engagement with the supplier, a verifier of upstream emissions may not be able to obtain sufficient and appropriate evidence to reach a conclusion about the fair presentation of the emissions. We suggest that the ISSB permit the use of Agreed-Upon Procedures in this case. With respect to downstream emissions, these may be projected and should therefore be subject to validation of the assumptions, limitations and methods that generated them. ISO 14064-3:2019, the most widely used standard for greenhouse gas verification and validation, includes requirements and guidance for dealing with the variety of challenges that scope 3 emissions pose to bodies performing assurance engagements. Bodies performing verification and validation should be encouraged to follow the provisions of this document.

Thank you for the opportunity to submit comments.

Kind regards,

John C. Shideler, PhD