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Response to ISSB draft sustainability disclosure standards IFRS1 and IFRS2
From Morningstar Inc. and Morningstar Sustainalytics

Submitted by email to commentletters@ifrs.org
29th July 2022

Executive summary

Morningstar welcomes the opportunity to comment on the ISSB draft standards. Sustainable investing and understanding sustainable business practices are integral to Morningstar's mission of empowering investor success. In our response to the Proposed Rule, we draw from our experience evaluating environmental, social, and governance, or ESG, risks associated with equity issuers and pooled funds as well as our status as a Nasdaq listed equity issuer. Through our Sustainalytics subsidiary, we track ESG data for individual companies and supply investors with ESG research and data, including the industry's first sustainability rating for funds, a global sustainable index family, and a large span of portfolio analytics that includes carbon metrics and product involvement data.

We welcome the progress made by ISSB and believe the standard is on the right track. A base level of standardized, consistent and comprehensive sustainability information is a critical minimum requirement for investors to be fully informed in their investment decision-making and necessary to provide guidance to issuers/corporates. We particularly support the fact the standard follows the TCFD structure/definitions and the reference to existing standards such SASB.

While the overall architecture appears to be sound, we believe some clarifications are needed to avoid inconsistent and incomplete disclosure:

- **Clarity: refine wording/definitions (IFRS1):**
    - The standard uses multiple terms interchangeably (useful, sufficient, significant, material). We believe the text should be polished to avoid interpretation issues. The standard should refrain from using words which are not defined. This comment is particularly relevant for the "objective" section but not only; the rest of the standard should also observe the same wording rigor.
    - We would also recommend clarifying definitions and different expectations regarding the disclosures as related to "significant sustainability-related risk and opportunity"; "sustainability-related financial information"; and "sustainability-related financial disclosures". Our current interpretation is that related "significant sustainability-related risk and opportunity" are the broad set of risks of opportunities for the purpose of the materiality assessment. If this is the case, we would suggest defining "significant sustainability-related risk and opportunity" as follows: "an environmental, social or governance risk or opportunity that could potentially have a material negative or positive impact on the enterprise value." We find that the nuance between sustainability-related financial information and sustainability-related financial disclosure does not add a lot and is rather confusing.
    - Enterprise value: paragraph 5 and annex B seems to offer a different definition of 'enterprise value'. We would suggest incorporating the definition in annex B at the beginning of paragraph 5 to avoid any confusion.

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- **Comparability: confirm a global baseline for sector-specific quantitative reporting on top of qualitative information (IFRS1)**: Investors are best served by consistency and standardisation in metrics being reported. Although cross-sectorial reporting is increasingly needed (e.g. GHG emissions), standardising sector specific disclosures where most materiality presumptions would be made in the sector-specific standards should be the main priority. Under the draft standard the materiality assessment is very much at the discretion of issuers, which can lead issuers to pick and choose Key Performance Indicators (KPIs). While we acknowledge that firm specific elements should be reflected and that some flexibility is required given that materiality is a dynamic concept, ISSB should set a minimum level of standardisation and set of indicators to ensure comparability of information for issuers from the same (sub)sector. It's unclear to us if ISSB is asking issuers to report on SASB metrics. One interpretation made under a webinar involving ISSB was that SASB and other standards would be the framework to identify sustainability risks and opportunities and that from that basis issuers could pick and choose what is material to the enterprise value. SASB, already based on a financial materiality assessment, identifies KPIs for (sub)sectors. We would therefore argue that the issuers should at minimum follow the SASB quantitative metrics (identified under industry standards). This would not only increase comparability of companies' performance for investors, but also, from an issuer perspective, facilitate the actual reporting process and dialogue with investors.

- **Recognise the dynamic nature of materiality: impact versus financial materiality (IFRS1):** While we believe that ISSB should initially focus on financial materiality, we also recognise that it does not respond to all the needs of investors. Investors are increasingly interested in sustainability issues which affect a broad range of stakeholders as these are the most likely to in turn affect enterprise value. There is a diversified pool of investors who seek to allocate capital to create measurable environmental and social impacts. Impact investors in particular may want to know the sustainability impact of a firm alongside financial materiality. Further, there is a growing retail investment market where individuals are being more inclined to think of ESG investing as a way to invest according to their personal values, rather than from a risk perspective. The focus on double materiality is also being driven by regulation. In 2023, asset managers in the EU will have to report on Principal Adverse Impacts indicators (PAIs) at the entity level. The EU SFDR also demands that a financial product seeking a sustainable investment does not harm significantly (DNHS) other sustainable objectives. In the short-term and in the context of this first sustainability standard, ISSB should at least acknowledge the dynamic nature of materiality: sustainability risks that a company assesses not to be material can change in response to stakeholder pressure, consumer and investor expectations, regulation and technological progress. We would also suggest that companies provide a clear rationale supporting their materiality judgment supporting disclosure on top of mandatory SASB-inspired quantitative disclosure. In the medium-term, the ISSB should create standards that encompass sustainability impacts beyond scope 1-3 emissions, setting out a roadmap, including timelines, for this next stage of work.

- **Cross-sectorial disclosure: Scope 1/2/3 emissions (IFRS2)**: In light of the above, we recognise that certain data points are now needed by investors regardless of sectorial financial material assessment. We therefore agree that Scope 1 and Scope 2 GHG emissions should be disclosed by all preparers. For Scope 3, we would argue that disclosure be required by companies which cite specific scope 3 emissions-reduction targets and for companies whose emissions are material according to the SASB standards.

- **Focus: Expand Transition Plan Disclosure (IFRS2):** We recommend furthering disclosure that allows evaluation of company preparedness to execute climate transition ambitions, including temperature alignment with international agreements, the ability to sustain needed transition investments in the event of volatile or recessionary periods. Expanding on the information that a company would typically disclose for a capital markets day or medium-term plan would be helpful, with the understanding that this forward-looking information may be subject to safe harbor provisions.

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Should you wish to discuss these and other comments, please do not hesitate to contact either of us as indicated below:

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Sincerely,

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IFRS 1

Exposure Draft on IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (S1)

Questions	**Responses**
Overall approach	
Q1(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?	Yes, but at the same time, under this draft standard, the materiality assessment is still very much at the discretion of issuers. We need a global baseline for what is deemed material information. We believe the SASB metrics already based on financial materiality should offer a minimum level of quantitative reporting.
Q1(b) Do you agree that the proposed requirements set out in the ED meet its proposed objective (para 1)? Why/why not?	Broadly speaking we understand the objective and we agree with it**.** However we find the draft standard somewhat confusing as it uses multiple terms interchangeably (useful, sufficient, significant, material). We believe the text should be polished to avoid interpretation issues. The standard should refrain from using words which are not defined. This comment is particularly relevant for the "objective" section but not only; the rest of the standard should also observe the same wording rigor.
Q1(c) Is it clear how the proposed requirements set out in the ED would be applied together with other IFRS Sustainability Disclosure Standards, INCLUDING THE [DRAFT] IFRS s2 Climate-related Disclosures? Why/why not? If not, what aspects of the proposal are unclear?	Yes, but the following clarification could be used to avoid any doubt: "other IFRS Sustainability Disclosure Standards ***such as IFRS s2 on Climate-related Disclosures***." In light of EFRAG's draft standards, we encourage the ISSB to develop specific Environmental, Social and Governance standards beyond the Climate-related disclosures and building on FRS S1 General Requirements for Disclosure of Sustainability-related Financial Information.
Q1(d) Do you agree that the requirements proposed in the ED would provide a suitable basis for auditors and regulators to determine whether an entity has complied	We advocate for assurance to help enforce standards and build confidence in sustainability information. Bearing in mind cost for issuers and also the current state of ESG maturity we recommend a progressive approach, starting with a focus on an identified set of core metrics across the full range of sustainability factors that are material to enterprise value creation. We also

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with the proposal? If not, what approach do you suggest and why?	are comfortable with an acknowledgement that companies should use them on a comply or explain basis.
Objective	
Q2(a) Is the proposed objective of disclosing sustainability-related financial information clear? Why/why not?	Yes, but we believe it would be cleared to state that **material** sustainability-related information should be disclosed. We find that the nuance between sustainability-related financial information and sustainability-related financial disclosure does not add a lot and is rather confusing. On the other hand, it would help to define the concept of sustainable risk and opportunities which is quoted as part of the sustainability-related financial information'. A simple way to define sustainable-related risks and opportunities could be: "an environmental, social or governance risks that could potentially have a material negative or positive impact on the enterprise value." Paragraph 5 and annex B seems to offer a different definition of 'enterprise value'. We would suggest to incorporate the definition in annex B at the beginning of paragraph 5 to avoid any confusion.
Q2(b) Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why/why not? If not, do you have any suggestions for improving the definition to make it clearer?	
Core Content	
Q4(a) Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why/why not?	We welcome the fact that disclosure objectives align with the TCFD framework. The TCFD framework is effective both in terms of depth and breadth as it calls for sophisticated examination of risks. TCFD disclosure requirements align well with the needs of sustainability ratings providers, asset managers, and institutional investors, and they bring focus to best practices for disclosures on strategy, governance, scenario analysis, and metrics and targets.
Q4(b) Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why/why not?	

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	However under the draft standard the materiality assessment is very much at the discretion of issuers, which can lead issuers to pick and choose Key Performance Indicators (KPIs). While we acknowledge that firm specific elements should be reflected and that some flexibility is required given that materiality is a dynamic concept, ISSB should set a minimum level of standardisation and set of indicators to ensure comparability of information for issuers from the same (sub)sector. It's unclear to us if ISSB is asking issuers to report on SASB metrics. One interpretation made under a webinar involving ISSB was that SASB and other standards would be the framework to identify sustainability risks and opportunities and that from that basis issuers could pick and choose what is material to the enterprise value. SASB, already based on a financial materiality assessment, identifies KPIs for (sub)sectors. We would therefore argue that the issuers should at minimum follow the SASB quantitative metrics (identified under industry standards). This would not only increase comparability of companies' performance for investors, but also, from an issuer perspective, facilitate the actual reporting process and dialogue with investors. **Amendment suggested:** *"28. Metrics shall* ***include those identified under the industry-based SASB Standards****, those defined in any other applicable IFRS Sustainability Disclosure Standard, metrics identified from the other sources identified in paragraph 54 and metrics developed by an entity itself."*
Reporting entity	
Q5(a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?	Yes, but we believe further guidance is needed on the value chain. While we recognise implementation challenges and the need for sectorial guidance, we are, in context of this cross-cutting standard, in favour of a broad definition of the value chain including notably consumers and both direct and indirect suppliers (tier 1 and tier 2).
Connected information	
Q6(a). Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?	We see the need for further guidance to assist companies understand how to achieve connectivity.

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Fair presentation	
Q7(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? Q7(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 ED.	Investors are best served by consistency and standardisation in metrics being reported. Although cross-sectorial reporting is increasingly needed (e.g. GHG emissions), standardising sector specific disclosures where most materiality presumptions would be made in the sector-specific standards should be the main priority. Under the draft standard the materiality assessment is very much at the discretion of issuers, which can lead issuers to pick and choose Key Performance Indicators (KPIs). While we acknowledge that firm specific elements should be reflected and that some flexibility is required given that materiality is a dynamic concept, ISSB should set a minimum level of standardisation and set of indicators to ensure comparability of information for issuers from the same (sub)sector. It's unclear to us if ISSB is asking issuers to report on SASB metrics. One interpretation made under a webinar involving ISSB was that SASB and other standards would be the framework to identify sustainability risks and opportunities and that from that basis issuers could pick and choose what is material to the enterprise value. SASB, already based on a financial materiality assessment, identifies KPIs for (sub)sectors. We would therefore argue that the issuers should at minimum follow the SASB quantitative metrics (identified under industry standards). This would not only increase comparability of companies' performance for investors, but also, from an issuer perspective, facilitate the actual reporting process and dialogue with investors.
Materiality	
8(a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why/why not? 8(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/why not? 8(d) Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the ED	While we believe that ISSB should initially focus on financial materiality, we also recognise that it does not respond to all the needs of investors. Investors are increasingly interested in sustainability issues which affect a broad range of stakeholders as these are the most likely to in turn affect enterprise value. There is a diversified pool of investors who seek to allocate capital to create measurable environmental and social impacts. Impact investors in particular may want to know the sustainability impact of a firm alongside financial materiality. Further, there is a growing retail investment market where individuals are being more inclined to think of ESG investing as a way to invest according to their personal values, rather than from a risk perspective. The focus on double materiality is also being driven by regulation. There is a diversifying pool of investors who seek to allocate capital to create measurable In 2023, asset managers in the EU will have to report on Principal Adverse Impacts indicators (PAIs) at the entity level. The EU SFDR also demands that a financial product seeking a sustainable investment does not harm significantly (DNHS) other sustainable objectives. In the short-term and in the context of this first sustainability standard, ISSB should at least acknowledge the dynamic nature of materiality: sustainability risks that a company

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Questions	**Responses**
if local laws or regulations prohibit the entity from disclosing that information? Why/why not? If not, why?	assesses not to be material can change in response to stakeholder pressure, consumer and investor expectations, regulation and technological progress. We would also suggest that companies provide a clear rationale supporting their materiality judgment supporting disclosure on top of mandatory SASB-inspired quantitative disclosure. In the medium-term, the ISSB should create standards that encompass sustainability impacts beyond scope 1-3 emissions, setting out a roadmap, including timelines, for this next stage of work. **Amendment proposed:** An entity shall ***explain how*** they apply judgement to identify material sustainability-related financial information. Materiality judgements shall be reassessed at each reporting date to take account of changed circumstances and assumptions. **Materiality is a dynamic concept as primary users expectations evolve in response to pressure from other stakeholders, regulation and technological progress.**
Frequency of reporting	
Q9. 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 statement to which they relate? Why/why not?	Yes, we agree that sustainability-related financial disclosures are to be provided at the same time as the financial statement to which they relate.
Location of information	
Q10(a) Do you agree with the proposals about the location of sustainability-related financial disclosures? Why/why not?	We are agnostic on the location/separation of the sustainability-related financial disclosures.
Comparative information, sources of estimation and outcome uncertainty, and errors	

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Q11(a) Have these general features been adapted appropriately into the proposals? If not, what should be changed?	We agree that provided they come with full transparency and clear methodological explanation, the use of estimates improves upon no disclosure at all. The key is indeed to ensure that estimates are accurately described and explained for each metric disclosed.
Q11(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?	To the extent possible, it would be helpful to have revised metrics based on evolved techniques and data. This should be at the discretion of the preparing entity.
Q11(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?	Yes, absolutely consistency is key hence our proposal to make reporting against SASB metrics mandatory and not subject to firms' own materiality assessments.
Statement of compliance	
Q12 Do you agree with this proposal? Why/why not? If not, what would you suggest and why?	We are not sure that it is necessary given that local regulators are expected to endorse the standard and make it part of their corpus of legislation.
Effective Date	
Q13(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.	Investors already need this information to comply with their own regulatory obligations and commitments (eg SFDR in the EU, FCA climate reporting requirement in the UK, Application of the climate-related risks requirements under the Fund Manager Code of Conduct (FMCC) in Hong-Kong…). The effective date should therefore be as early as possible. We call local regulators to swiftly endorse the standard and make it part of their corpus of legislation.
Q13(b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?	Rather than relief, the use of estimates should be allowed (this is already the case under the current draft).

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Questions	**Responses**
Global baseline	
Preamble: The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards. Q14. 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?	Asset owners and asset managers invest globally. They absolutely need some international convergence to be able to report meaningful aggregated information to end-users. We therefore fully support a global approach to the development of sustainability disclosure standards and are supportive of the ISSB as the global body to issue these standards. The goal should be a base level of standardized, consistent and comprehensive sustainability information as a critical minimum requirement for investors to be fully informed in their investment decision-making and necessary to provide guidance to issuers/corporates. The standard should strike the right balance between firm-specific information and standardised information. We believe the TCFD framework allow issuers to tailor qualitative information while SASB metrics will ensure a global baseline for quantitative information. We note the many initiatives reporting initiatives already underway and encourages that the ISSB work closely with these initiatives with a view towards simplifying reporting and controlling costs.

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IFRS 2

ISSB ED S2 – climate related disclosures

Questions	**Responses**
Objective	
Q1.Do you agree with the objective that has been established for the Exposure Draft? Why or why not?	Yes, we broadly agree and support the objective of the exposure draft. However we would recommend for the objective section to be more forward looking by adding that it should support users in understanding the company's transition-related risks and opportunities associated specifically with a 1.5 °C world (e.g. net zero) and related mitigation plan under different economic scenarios.
Governance	
Q2. Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities?	In general, the TCFD framework is an effective standardized framework that brings focus to best practices for disclosures on strategy, governance, scenario analysis, and metrics and targets. In this proposed guidance, the ISSB is recommending added measures, and the requirement on disclosure of Board member skills and competencies, which we welcome. We encourage that governance disclosure extend on a voluntary basis to climate-related policy positions, and/or reports on policy positions of membership associations. In addition, it may be helpful to request a description of the board structure, as these may differ across, and sometimes within, countries, and voluntary summary disclosure of climate related priorities at the board level for the reporting period in question. A diagram or explanation of oversight and communication will help understand how different management expertise at the company supports and informs the board, including enterprise risk management, which has a rapidly evolving role in addressing climate risks.
Identification of climate-related risks and opportunities	
Q3.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	The proposed requirement to identify climate-related risks and opportunities are clear at a high level. The industry specific disclosure topics are a good starting resource in the identification of risks and opportunities, and will be enhanced by ongoing efforts ensure that SASB metrics and standards are applicable globally. It would be helpful to understand further how and if social impact elements under SASB Standards will be integrated into climate-related guidance as represented by the SASB Climate Risk Technical Bulletin (e.g. affordability of water or electricity). To the extent that it is possible, more specification around materiality would also be helpful.

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Questions	Responses
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?	
Concentrations of climate-related risks and opportunities in an entity's value chain	
Q4.Paragraphs BC66–BC68 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals. (a) Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not? (b) Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?	We concur that recognizing value chain disclosure and accountability are becoming an investor expectation and corresponds to the TCFD's goals of documenting risks and opportunities. Transparency can aid companies in reducing emissions across their value chain and help investors in understanding a company's progress, while allowing for more effective resilience and planning tied to physical risk. With respect to paragraphs BC66-BC68, we encourage disclosure of quantitative data, where possible, to support reporting on the concentration of climate-related risks and opportunities, including geographically-specific information. We further encourage disclosure of quantified and narrative information on how companies work with their value chains to reduce or avoid upstream and/or downstream emissions.
Transition plans and carbon offsets	
Q5.Paragraphs BC71–BC85 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals. (a) Do you agree with the proposed disclosure requirements for transition plans? Why or why not? (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. (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? (d) Do you think the	We support the proposed disclosure requirements of transition plans and emphasize disclosure of the temperature pathway that plans reflect, the costs to realize said plans, and the preparedness of companies to execute transition plans, including during periods of economic stress or volatility. With respect to Paragraph 13 (a) (ii) and Paragraphs 14 (b) and (c), expanding on the information that a company would typically disclose for a capital markets day or medium/term plan would be helpful, including the company's expected leverage ratio(s) under the business plan. Costs may potentially be presented in a format akin to the emissions reduction chart illustrated under EFRAG ED ESRS-E1, AG 30. We support the proposed disclosure on the role carbon offsets play in overall strategy to reduce net carbon emissions. Quantification of the offset would be helpful, as well as any other significant factors necessary for users to understand the credibility and integrity of the offsets (for example, assumptions about the permanence of the carbon offset). Relative to Paragraph 13 (b) (iii), disclosure of a company's process for monitoring offsets and

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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?	mitigating risks of reduced impact on emissions reductions (such as forest land exposure to wildfires) would be useful as well.
Current and anticipated effects	
Q6. Paragraphs BC96–BC100 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals. (a) Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not? (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 effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?	We support the proposal to require preparers to provide quantitative information on current and anticipated climate risks and opportunities and to provide qualitative information only if they are unable to do so. We furthermore concur that disclosure should be required for the current and anticipated effects of climate-related risks and opportunities on and entity's financial performance for the reported period and over the short-, medium- and long term, in order to compare resilience preparedness between peer companies. In this context, we recommend for transition risk and physical risk to be disclosed separately, and that a narrative be required to discuss the method behind determining material risks or opportunities. Furthermore, we encourage disclosure of any scenario analysis and underlying assumptions.
Climate resilience	
Q7. Paragraphs BC86–BC95 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals. (a) Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why	We view scenario analysis as an important analytical tool. Where a preparer chooses to use scenario analysis, it should describe the actual and potential impact of its material climate-related risks on its strategy, business model, and outlook. Effective scenario analysis will allow investors to 1) better assess the impact of climate-related risks on a registrant's

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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…More…	business and consolidated financial statements, and 2) decide whether to support the resilience of the registrant's strategy, governance, and business model. Therefore we believe that some preparers should utilize scenario analysis in their climate-related disclosures. We concur that, if a company is unable to perform climate related scenario analysis, alternate methods or techniques can be applied, albeit information on efforts and timelines to integrate scenario analysis would be helpful. We recommend the use of more than one scenario, with one scenario being a worst case, so that the registrant discloses a range of potential risks and possible strategies to adapt. It is helpful for companies to specify separately which scenarios they applied to evaluate transition and physical risk and pathways.
Risk management	
Q8. Paragraphs BC101–BC104 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals. Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?	We concur with the recommended process in the Exposure Draft, with a few recommendations: For BC 102, it would be helpful for companies to disclose if they rely on third parties for risk assessments, and if so, who these parties are. Over time this may also allow for identification of risks from potential concentration in third-party providers, and ensuring that the appropriate oversight bodies or mechanisms are in place to govern third party providers. With respect to BC 103 (a), it may be helpful to understand which departments participated in the process, as companies shift from more siloed to integrative approaches. As for BC 103 (b), guidance on materiality would be helpful.
Cross industry metric categories and GHG emissions	
Q9.Paragraphs BC105–BC118 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals. (a) The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their	We concur with the seven categories and their application to assessing enterprise value, recommending further practical guidance for purposes of consistency. We recommend following the GHG Protocol as a recognized global standard to define Scope 1, Scope 2 and Scope 3, with disclosure required if a company should follows organizational boundaries that vary from those of the GHG Protocol. Disaggregation of gasses could provide added transparency on climate issues and actions that industry level (e.g. with

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usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?.....More….	respect to methane). Specification on how emissions are reported for joint ventures and unconsolidated entities would be helpful.
Q9 (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?	Yes, if materiality assessment is backed by a standard such as SASB.
Q10. 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?	We support the proposed disclosure with a few observations. We recommend that companies specify the temperature pathway of their targets, to crystalize what the alignment with international agreements implies. Discussion is encouraged by a company on both absolute emissions and emissions intensity, even if targets are not set for both. Expansion plans could potentially outpace gains from emissions intensity reductions, while economic contractions could temporarily signal absolute reduction emissions, while disguising a lack of progress in managing emissions intensity. Understanding how a company navigates these considerations would be helpful to evaluating transition preparedness. For the avoidance of doubt, we recommend that progress against targets is tracked and disclosed annually.
Industry-based requirements	
Q11. 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?	The examples under BC130-BC148 demonstrate efforts by SASB to modify standards for global use. Further modifications may or may not be required once these standards are implemented in practice.

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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?	With respect to the financial sector under BC149-BC172, it will helpful to require separate disclosure of financed emissions vs. facilitated emissions, especially for Investment Banking and Brokerage sector. It would be of interest to have disclosure on the proportion of financed emissions that support climate mitigation and adaptation. This could be presented in monetary terms.
Verifiability and enforceability	
Q13.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.	As verification expands, the quality of the verifications and verifiers and assurers becomes ever more important. Furthermore, it would be helpful to understand or track oversight bodies that monitor or audit the verifying or assuring entities, and guidance on published results of such audits. Further clarity is especially requested regarding the oversight of physical risk verifiers or assurers.
Effective Date	
Q14 (a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information? Why?	We believe the effective date of the Exposure Draft should be consistent with the effective date of the General Requirements Exposure Draft.
Q14 (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.	Investors already need this information to comply with their own regulatory obligations and commitments (eg SFDR in the EU, FCA climate reporting requirement in the UK, Application of the climate-related risks requirements under the Fund Manager Code of Conduct (FMCC) in Hong-Kong…). The effective date should therefore be as early as possible. We call local regulators to swiftly endorse the standard and make it part of their corpus of legislation.
Global baseline	
Q16. Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the	Asset owners and asset managers invest globally. They absolutely need some international convergence to be able to report meaningful aggregated information to end-users. We

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Questions	Responses
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?	therefore fully support a global approach to the development of sustainability disclosure standards and are supportive of the ISSB as the global body to issue these standards. The goal should be a base level of standardized, consistent and comprehensive sustainability information as a critical minimum requirement for investors to be fully informed in their investment decision-making and necessary to provide guidance to issuers/corporates. The standard should strike the right balance between firm-specific information and standardised information. We note the many initiatives reporting initiatives already underway and encourages that the ISSB work closely with these initiatives with a view towards simplifying reporting and controlling costs.