QBE Insurance Group Limited 28 008 485 014
Level 18, 388 George St, Sydney NSW 2000 Australia
GPO Box 82, Sydney NSW 2001 Australia
Tel: +61 2 9375 4444
www.qbe.com

15 July 2022

Emmanuel Faber
Chair
International Sustainability Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD, UK

Dear Mr Faber

QBE Submission: ISSB [Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and [Draft] IFRS S2 *Climate-related Disclosures*

QBE Insurance Group Limited (QBE) is an Australian-based public company listed on the Australian Securities Exchange. QBE is Australia's largest international insurance and reinsurance company with operations in 27 countries and territories. We are also one of the top 25 global general insurers and reinsurers as measured by net earned premium.

We strongly support the aims and objectives of the United Nations Sustainable Development Goals (SDGs) which seek to address the world's most urgent economic, environmental and social challenges. As a universal agreement to work towards a better and more sustainable future, the SDGs closely align with our purpose – *enabling a more resilient future*.

QBE currently applies the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in preparing climate-related disclosures in the Annual Report and prepares a Sustainability Report annually in accordance with the Global Reporting Initiative Standards.

In a complex and evolving area of external reporting, we support the establishment of the ISSB and its leadership in the development of a comprehensive global baseline of sustainability disclosures to enable consistent and comparable information for the capital markets. We also support the strategy of building on existing sustainability reporting frameworks such as the TCFD in the development of standards. It would be beneficial for there to be one sustainability reporting regime that applies internationally to enable comparability between entities.

We welcome the opportunity to comment on the first two draft standards issued by the ISSB.

Overall comments

We recommend that the ISSB adopt a phased approach for the inclusion of new disclosures, including requiring qualitative information in the short term with a view to introducing more quantitative information over time. This would allow industries and governments to develop methodologies that support consistent and comparable disclosures (for instance, consistent climate scenarios), and for Australian entities to develop data and reporting systems that generate robust, reliable, and assurable information for disclosure (including access to reliable and timely Scope 3 emissions data).

We support disclosure of industry-based information as it will be crucial in achieving consistent and comparable reporting. However, in our view, the disclosures proposed in Appendix B of [Draft] IFRS S2 require review and extensive additional consultation with a broader group of stakeholders (e.g. via field testing). Further consideration is required around the extent to which the requirements provide useful information that meet the disclosure objectives, and the appropriateness of the requirements considering commercial sensitivities. In the meantime, we recommend the ISSB include industry-based information as non-mandatory guidance.

The period between the issue of the final standards and their mandatory application date should be at least three years to enable preparers to develop and test data and information and systems, as well as obtain relevant assurance needed to facilitate making the relevant disclosures.

Other comments

- We support the view that sustainability standards should be a separate suite of standards from IFRS Standards. We also support sustainability-related disclosures being presented separately from general purpose financial statements as the materiality and audit considerations are different.

  The requirements should be clear and practical to implement – for example there needs to be an acknowledgement that, in reporting on the impacts on sustainable behaviours, insurance contracts can have incentives that impact on behaviour in disparate ways (as noted in our response to [Draft] IFRS S2, Q11 on industry-based requirements). Product features that incentivise health, safety and environmentally responsible actions and/or behaviours will be difficult to analyse as they cannot easily be measured
- The requirements should have greater regard for potential commercial sensitivities, particularly in respect of quantitative disclosures related to climate resilience and forward-looking metrics. Local jurisdictional requirements may also affect the adoption of the ISSB standards. For instance, the Australian Corporations Act requires that the representation with respect to a future matter must be based on reasonable grounds, or else would be deemed to be misleading. This presents liability risk as disclosures about future events are inherently uncertain.
- It is important to maintain a focus on materiality and an appropriate balance between the value of disclosures relative to the costs of preparing them. The drivers of value across different organisations, industries etc., are very different and broad requirements may not reflect value drivers in all cases and could become onerous.
- We note there are significant challenges in monitoring and measuring matters such as 'incurred emissions' and information on the 'value chain' and that these areas are evolving. While we agree with the aim of driving consistency of reporting around a broader range of sustainability risks, more experience will need to be gained by entities in monitoring and measuring these risks.

The Attachment to this letter outline QBE's feedback on the draft standards.

Should the ISSB have any questions or would like to meet to discuss these comments further, please contact Rachel Poo, Head of Group Statutory Reporting & Accounting Policy at rachel.poo@qbe.com.

Yours sincerely

Inder Singh
Group Chief Financial Officer

* Attachments

Attachment – QBE's feedback on [Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*

Question 1 – overall approach

> **ISSB:** The Exposure Draft sets out overall requirements with the objective of disclosing sustainability-related financial information that is useful to the primary users of the entity's general purpose financial reporting when they assess the entity's enterprise value and decide whether to provide resources to it.
>
> Proposals in the Exposure Draft would require an entity to disclose material information about all of the **significant sustainability-related risks and opportunities** to which it is exposed. The assessment of materiality shall be made in the context of the information necessary for **users of general purpose financial reporting to assess enterprise value.**
>
> *(a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer?*
>
> *(b) Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?*
>
> *(c) Is it clear how the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards, including the [draft] IFRS S2 Climate-related Disclosures? Why or why not? If not, what aspects of the proposals are unclear?*
>
> *(d) Do you agree that the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposals? If not, what approach do you suggest and why?*

'Sustainability' definition

1.1 QBE notes that the Basis for Conclusions to the draft Standard refers to the Brundtland Report's definition of 'sustainable development' and to the UN's definitions of sustainability, its sustainable development goals and international policy pronouncements [BC30]. However, QBE recommends that the ISSB consider:

(a) including a definition of 'sustainability' in the Standard itself for the sake of clarity and, in this regard, we note that both the SASB and GRI adopt the Brundtland Report definition: "meeting the needs of the present without compromising the ability of future generations to meet their own needs"; and/or

(b) providing a non-exhaustive list of matters that would be expected to fall within the bounds of sustainable development.

Materiality

1.2 The overall approach, and other parts of the proposals, refer to requiring an entity to "disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed".

1.3 Financial statement materiality is the subject of an IASB Practice Statement and customary practices have developed for determining materiality in general purpose financial reporting.

1.4 In the event that the ISSB proceeds on the basis of an investor (primary user) focus for materiality, QBE considers this would not preclude entities from disclosing information that may only be material to a broader group of stakeholders (double materiality). [Draft] IFRS S1.BC77 alludes to this, but we consider that it would be helpful for the ISSB to make this clear in the body of the standard.

1.5 The Illustrative Guidance on [Draft] IFRS S1 relating to implementing materiality judgements largely mirrors [Draft] IFRS S1.40. However, the Basis for Conclusions to [Draft] IFRS S1 appears to take a broad perspective, as noted in [Draft] IFRS S1.BC69 [emphasis added] "The proposals in the Exposure Draft would require that a complete depiction of sustainability-related financial information include material information about **all significant sustainability-related risks and opportunities."**

1.6 QBE considers that the ISSB needs to clarify whether materiality has a financial focus or is intended to be much broader and to reflect that message consistently across the Standards, the Basis for Conclusions and the Illustrative Examples. We appreciate that materiality has both quantitative and qualitative aspects in financial reporting, but the emphasis is generally on the quantitative aspect. It seems likely that more emphasis would need to be placed on the qualitative aspect for sustainability reporting.

1.7 The proposals also refer to an entity disclosing: "material information about all of the significant sustainability-related risks and opportunities to which it is exposed" ([Draft] IFRS S1.2 and 50). We suggest removing 'all of' because there are many aspects that affect enterprise value in financial and non-financial terms and these words might imply that they override the use of 'materiality' and 'significance'.

Industry standards as part of the overall approach

1.8 In March 2022,[1] the ISSB noted that it plans to build upon the SASB Standards and to embed SASB's industry-based standards development approach into the ISSB's standards development process.

1.9 It would be useful for the ISSB to clarify whether SASB industry-based standards are expected to be incorporated into ISSB standards for the long term or whether the ISSB will eventually produce its own industry-based standards using SASB's approach and possibly using SASB standards as a starting point. In the event that applying the ISSB's standards highlights a need for revisions to the existing SASB industry-based standards, it would be helpful to know the planned avenues for addressing stakeholders' concerns – whether the SASB is expected to update its standards or the ISSB will take on that role.

1.10 QBE recommends that, prior to the incorporation of SASB standards, the ISSB needs to review the SASB metrics and disclosures for relevance and consistency with the objectives of IFRS S1, and appropriateness in light of the cost and effort to produce them and commercial sensitivities, which includes avoiding penalising entities for their innovation. The ISSB should consider phasing them in and possibly issuing them initially as guidance, rather than requirements, at least until practice is sufficiently developed. Avoiding commercial sensitivities can, for example, help prevent entities being penalised for being innovative.

Auditors and regulators

1.11 QBE notes that, compared to historical financial information, sustainability disclosures would generally involve the application of a greater level of judgement. QBE considers the form of the proposed requirements would provide a suitable basis for auditors and regulators to determine compliance, but that auditors and regulators would probably need to develop new and modified methodologies that are designed to accommodate the level of judgement that will need to be applied by preparers.

[1] IFRS - ISSB communicates plans to build on SASB's industry-based Standards and leverage SASB's industry-based approach to standards development

Question 2 – objective

> **ISSB:** Enterprise value reflects expectations of the amount, timing and uncertainty of future cash flows over the short, medium and long term and the value of those cash flows in the light of the entity's risk profile, and its access to finance and cost of capital. Information that is essential for assessing the enterprise value of an entity includes information in an entity's financial statements and sustainability-related financial information.
>
> The Exposure Draft focuses on information about significant sustainability-related risks and opportunities that can reasonably be expected to have an effect on an entity's enterprise value.
>
> *(a) Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?*
>
> *(b) Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why or why not? If not, do you have any suggestions for improving the definition to make it clearer?*

2.1 QBE considers that the definition provided for 'sustainability-related financial information' is relatively clear, but that it could be further strengthened by providing examples.

2.2 Knowledge-based assets are referred to in the objective and paragraph 6; however, the term is not defined. It would be useful to understand whether it relates to risk-solutions and/or public-facing resources supported by the entity.

2.3 QBE assumes that the ISSB's intention for its standards to help bring about comparability of sustainability reporting over time and across different entities. However, the language in paragraph 7 ["is comparable with … the sustainability-related financial information from other entities"] is unclear – it might [wrongly] imply that comparability is achieved by following what other entities are doing, rather than applying the Standards.

Question 3 – scope

> **ISSB:** Proposals in the Exposure Draft would apply to the preparation and disclosure of sustainability-related financial information in accordance with IFRS Sustainability Disclosure Standards. Sustainability-related risks and opportunities that cannot reasonably be expected to affect users' assessments of the entity's enterprise value are outside the scope of sustainability-related financial disclosures.
>
> The Exposure Draft proposals were developed to be applied by entities preparing their general purpose financial statements with any jurisdiction's GAAP (so with IFRS Accounting Standards or other GAAP).
>
> *Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?*

3.1. QBE agrees that the proposals could be used by entities that prepare their general purpose financial statements in accordance with IFRS or a GAAP other than IFRS. Risks and opportunities would often not be expressed in monetary terms; however, to the extent that the disclosures might be represented in monetary amounts, there may be differences in the timing and amounts of measures used [for example, measures of intangible assets that are more restrictive than IAS 38]. For the sake of comparability, it might be relevant to seek to have any such differences disclosed.

3.2 QBE notes there is, in theory, an overlap between standards issued within particular jurisdictions, such as the European Sustainability Standards and the ISSB standards. We would presume that, under the current regulatory framework, jurisdictions' standards would likely take priority such that, for example, the European Sustainability Standards would take precedence over the ISSB standards in European jurisdictions. QBE supports having international consistency and, to the extent feasible, supports the ISSB working towards convergence of sustainability standards and jurisdictional requirements.

3.3 QBE welcomes the formation of the Working Group to enhance compatibility between global baseline and jurisdictional initiatives and that it is planned to establish a Sustainability Standards Advisory Forum. In that context, we note that many major jurisdictions are represented.

3.4 QBE considers that it will be important to ensure that there is formal engagement with other jurisdictional representatives and standard setters that are not currently represented by the working group in order to help avoid any current or possible future incompatibilities that might complicate the application of the requirements.

Question 4 – core content

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

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

Governance

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

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

Strategy

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

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

Risk management

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

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

Metrics and targets

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

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

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

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

General comments

4.1 In general, QBE considers the section is well expressed, particularly in relation to the metrics, targets and risk management processes. QBE supports the ISSB building upon the work of the TCFD.

Time horizons

4.2 Reference is made [paragraph 16] to short-, medium- and long-term time horizons, which are not defined and are, therefore, subject to judgement by the reporting entity. In general, QBE considers this is appropriate because it would provide each entity with the flexibility to determine relevant timelines to apply for its businesses. However, we are interested in knowing whether it is envisaged that, at some stage, industry-specific ISSB standards would be issued that might address in more detail the timeframes that could be relevant for particular types of businesses.

Resilience

4.3 QBE appreciates that paragraph 23 is effectively a high-level requirement regarding disclosures that demonstrate an entity's capacity to adjust to the uncertainties arising from significant sustainability-related risks and paragraph 24 explains that other IFRS Sustainability Disclosure Standards will specify the type of information an entity is required to disclose.

4.4 In our view, that means, while individual entities might be able to identify the relevant risks to its own business(es), it would be difficult to achieve comparability across entities by applying paragraph 23 of S1 on sustainability resilience . Accordingly, QBE considers there should be an explicit acknowledgement in the draft Standard that achieving comparability across entities by complying with paragraph 23 is only likely to be feasible once other specific ISSB Standards have been finalised.

Risk management

4.5 QBE considers the level of detail of information sought in paragraph 26(b) in IFRS S1 about data sources, parameters and assumptions is excessive. While a materiality assessment might reduce the need for disclosure, in many cases, there would be agreements in place with vendors and other third parties that prohibit disclosures of this nature as it pertains to intellectual property – or such disclosures might be seen as inappropriate endorsements of particular sources.

Metrics and targets

4.6 In paragraph 13(c), we consider that further guidance is needed to achieve comparability across entities for disclosures about how the body ensures appropriate skills and competencies are available to oversee strategies designed to respond to sustainability-related risks and opportunities. It would be helpful for the ISSB to provide further information about the types of skills and competencies that might be expected to be required in assessing a broad range of sustainability related risks and opportunities, perhaps by industry. To fully assess sustainability related risks and opportunities, an entity may need a broad set of knowledge/skills from environmentalists, scientists, actuaries, insurance underwriting and assessment, etc.

4.7 In the context of paragraphs 15(b), 17 and 20(b), it is not clear the extent to which QBE would need to disclose how sustainability-related risks affect the full value chain or whether the disclosures are a step back from this level of disclosure. It would be feasible to provide descriptions of how sustainability-related risks affect value chains for key lines of business. However, this may reduce competition across the sector. QBE considers that it may not be relevant or necessary to provide a concentration breakdown by geographical area, facilities, types of assets, inputs, outputs or distribution channels in the context of insurance and assumes the granularity of disclosure would be a matter for judgement, based on materiality. QBE notes that it may be potentially misleading to provide such a breakdown because it would typically be impracticable to provide a fair presentation of information about concentrations of risks.

4.8 If the proposed requirements for a concentration breakdown were to be retained, we recommend adding words to the effect of ", where it is practicable to provide a fair presentation of that information and where the process of reporting avoids unnecessary adverse legal and economic implications."

4.9 In paragraph 26(b)(i), reference is made to quantitative thresholds for sustainability-related risks. QBE suggests that it be made clear this is simply an example of how the requirements might be met because quantitative thresholds would often be employed in identifying multiple risks in an insurance context and it could be difficult to isolate a quantitative threshold relating to sustainability-related risks. Specified scenarios may improve comparability.

4.10 QBE suggests that the requirements in paragraph 26(b)(iii) could be made non-mandatory or entities could be permitted to not disclose specific parameters provided they present reasons for non-disclosure, such as commercial sensitivity. Alternatively, entities could be permitted to not disclose specific parameters provided they disclose a 'confidence score' for their risk management.

4.11 In paragraph 34, for the sake of clarity and for consistency with paragraph 27, QBE suggests that the references to 'changes' be to 'significant changes' – otherwise, the explanations are likely to become overly complex. Similar to 'materiality', the term 'significant' should be defined.

Question 5 – reporting entity

ISSB: The Exposure Draft proposes that sustainability-related financial information would be required to be provided for the same reporting entity as the related general purpose financial statements.

The Exposure Draft proposals would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Such risks and opportunities relate to activities, interactions and relationships and use of resources along its value chain such as:

- its employment practices and those of its suppliers, wastage related to the packaging of the products it sells, or events that could disrupt its supply chain;
- the assets it controls (such as a production facility that relies on scarce water resources);
- investments it controls, including investments in associates and joint ventures (such as financing a greenhouse gas-emitting activity through a joint venture); and
- sources of finance.

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

(b) Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?

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

Alignment of subject entity

5.1 QBE agrees that sustainability-related financial information should be required to be provided for the same reporting entity as the related general purpose financial statements. This will facilitate linkages between the sustainability-related financial information and other financial and supporting information provided in compliance with IFRS Standards. It would also ordinarily be consistent with an entity's annual report provided to stakeholders.

5.2 While there is demand for sustainability-related disclosures from all entities, in balancing the costs and benefits of disclosure, the requirements should only be applicable to the consolidated financial statements.

Value chain

5.3 We note that there are significant challenges in monitoring the 'value chain'. Accordingly, in disclosing information about all significant sustainability-related risks and opportunities to which QBE is exposed, it may not be feasible to provide the information identified in paragraph 40 along the whole value chain. QBE suggests that this disclosure should be subject to a 'practicability' override and the reference to 'all' should be deleted in the context of identifying the relevant significant sustainability-related risks and opportunities. It is important to maintain a focus on materiality and an appropriate balance between the value of disclosures relative to the costs of preparing them. The drivers of value across different organisations, industries etc., are very different and broad requirements may not reflect value drivers in all cases, could become onerous and may not be relevant to users of general purpose financial statements.

5.4 Given that the proposed requirement is very broad, guidance is needed on how to assess and report significant sustainability-related risks and opportunities across a value chain in a consistent manner across entities, probably by major industry sector.

Question 6 – connected information

ISSB: The Exposure Draft proposes that an entity be required to provide users of general purpose financial reporting with information that enables them to assess the connections between (a) various sustainability-related risks and opportunities; (b) the governance, strategy and risk management related to those risks and opportunities, along with metrics and targets; and (c) sustainability-related risks and opportunities and other information in general purpose financial reporting, including the financial statements.

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

(b) Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?

6.1 Based on the proposals in paragraphs 42 to 44, the intention is that entities disclose information that helps explain to users the ways in which various sustainability-related risks and opportunities and financial statement disclosures are connected. QBE agrees with the proposed requirements and considers them to be sufficiently clear.

Question 7 – fair presentation

ISSB: The Exposure Draft proposes that a complete set of sustainability-related financial disclosures would be required to present fairly the sustainability-related risks and opportunities to which an entity is exposed. Fair presentation would require the **faithful representation** of sustainability-related risks and opportunities in accordance with the proposed principles set out in the Exposure Draft. Applying IFRS Sustainability Disclosure Standards, with additional disclosure when necessary, is presumed to result in sustainability-related financial disclosures that achieve a fair presentation.

To identify disclosures, including metrics, that are likely to be helpful in assessing how sustainability-related risks and opportunities to which it is exposed could affect its enterprise value, an entity would apply the relevant IFRS Sustainability Disclosure Standards. In the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk and opportunity, an entity shall use its judgement in identifying disclosures that (a) are relevant to the decision-making needs of users of general purpose financial reporting; (b) faithfully represent the entity's risks and opportunities in relation to the specific sustainability-related risk or opportunity; and (c) are neutral. In making that judgement, entities would consider the same sources identified in the preceding paragraph, to the extent that they do not conflict with an IFRS Sustainability Disclosure Standard.

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

(b) Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the Exposure Draft.

Conceptual context for faithful representation

7.1 QBE is concerned that there is insufficient flexibility within the notion of 'faithful representation', particularly the reference to 'complete', as expressed in the proposals and the requirement is to report on 'significant' sustainability-related risks. We note that paragraph 45 refers only to 'sustainability-related' risks, and fair presentation refers to 'relevant' information and not 'significant' information.

7.2 We note that the IASB's *Conceptual Framework for Financial Reporting* explains at paragraph 2.13: "*To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error. Of course, perfection is seldom, if ever, achievable. The Board's objective is to maximise those qualities to the extent possible*". Paragraph 2.14 goes on to say: "*A complete depiction includes all information necessary for a user to understand the phenomenon being depicted, …*".

7.3 Accordingly, in a general purpose financial reporting context, it is acknowledged that, in practical terms, an imperfect level of 'faithful representation' is typically the best that can be achieved. QBE considers it would be helpful to provide background on faithful representation in the Sustainability Standards similar to that in the IASB's *Conceptual Framework for Financial Reporting*. There could be benefit in establishing a conceptual framework for sustainability reporting. We consider this would help place the requirements in context.

Inter-action with other bodies' standards

7.4 QBE notes that paragraph 54 could be interpreted in a number of different ways:

- entities have the flexibility to continue disclosing (at least) what they currently disclose in complying with GRI and other standards (QBE follows GRI standards for sustainability reporting); or
- entities may have to comply with GRI and also other standards such as SASB, European sustainability standards etc.; or
- entities should refer to all other available sustainability standards when considering the disclosures being proposed by the ISSB.

7.5 Based on paragraph 53, other bodies' standards sustainability standards can be applied provided they are "are relevant to the decision-making needs of users" and "faithfully represent the entity's risks and opportunities in relation to the specific sustainability-related risk or opportunity". QBE notes that, ideally, all entities would be applying the same standards internationally and, as noted in our covering letter, we urge the ISSB to aim for international convergence to enable comparability across reporting entities. In the meantime, QBE suggests that it would be clearer if paragraph 54 were amended to explicitly permit entities to follow other recognised bodies' (e.g. GRI) standards provided that they do not conflict with the IFRS Sustainability disclosure standards.

Question 8 – materiality

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

Guidance

8.1 The principle-based guidance provided on materiality is reasonable at this stage of the project; however, it is quite brief relative to the TCFD guidance. There is a suitable acknowledgement that entity-specific and industry-specific factors will affect the manner in which materiality is applied. At a later stage, once entities have gained more experience with the requirements, more specific guidance on applying materiality may be useful to help facilitate comparability.

8.2 In the event that the ISSB proceeds on the basis of an investor (primary user) focus for materiality, QBE considers this would not preclude entities from disclosing information that may only be material to a broader group of stakeholders (double materiality) and considers that it would be helpful for the ISSB to make that clear.

Local prohibitions

8.3 QBE agrees that relief should be provided when there are local prohibitions on reporting information. We note that this could reduce comparability and recommend that, if the absence of the information is material because it relates to a significant risk or opportunity, disclosure should be made that information has been omitted due to local regulation.

Comparative information

8.4 The impact of the paragraph 64 requirements relating to comparative information on the application of materiality and emphasis on disclosure of significant matters is not clear – for example, whether current period information that is not material/significant would need to be disclosed if the comparative information is material/significant. QBE considers that current assessments of materiality and significance should override the comparative information requirements. Accordingly, information that is not material to the current period should not be the subject of disclosure for the comparative period.

Question 9 – frequency of reporting

> **ISSB:** The Exposure Draft proposes that an entity be required to report its sustainability related financial disclosures at the same time as its related financial statements, and the sustainability-related financial disclosures shall be for the same reporting period as the financial statements.
>
> *Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not?*

Timing of reporting

9.1 QBE notes that timelines for conventional general purpose financial reporting are typically the same for QBE's current sustainability reporting. However, it would be challenging to make the breadth of sustainability-related information proposed by the ISSB available at the same time as general purpose financial reports, particularly with respect to quantitative information and the information more generally about Scope 3 emissions, which would be heavily reliant on third party data and would often not be available within a reasonable timeframe. Accordingly, QBE considers that the ISSB should acknowledge that it may not be realistic to require an entity to report its sustainability related financial disclosures at the same time as its related financial statements.

Periods for which information is reported

9.2 QBE supports aligning the periods for which conventional financial and sustainability-related financial disclosures are reported.

9.3 QBE's current practice is to report each calendar year on sustainability-related disclosures in our Group Sustainability Report and the TCFD disclosures within our Group annual report, consistent with our financial reporting under IFRS Standards. QBE also reports half-year information applying IFRS Standards and, consistent with IAS 34 *Interim Financial Reporting*, the interim information is a condensed version of the information reported annually. QBE does not publish these sustainability-related disclosures for the half-year.

9.4 QBE notes that IAS 34 does not require interim financial reports, and QBE's obligations arise from being listed on the Australian Securities Exchange. Instead, IAS 34 provides minimum reporting requirements that need to be met in order for an entity to claim that its interim financial statements are prepared in accordance with IFRS Standards.

9.5 QBE supports the general discussion of frequency of reporting in [Draft] IFRS S1 and considers that sustainability-related disclosures should not be required to be reported more frequently than once a year, based on cost/benefit considerations. The information can be burdensome to source, collate and analyse, while the appetite for more than annual sustainability-related disclosures is unclear. Typically, there are worthwhile changes and progress to report in respect of sustainability-related information based on an annual cycle.

Question 10 – location of information

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

10.1 QBE supports the proposals to provide flexibility around the location of sustainability disclosures, including the use of cross-referencing, which would help avoid duplication.

(a) We note by way of analogy that the Australian Securities Exchange's corporate governance disclosures can be presented either in an entity's annual report or on its website provided they are clearly cross-referenced from the annual report and presented and centrally located on, or accessible from, a 'corporate governance' website landing page.

(b) We also note that permitting material to be included via cross-reference would allow for a stand-alone document to contain detailed scenario analysis information which might apply across multiple years and, therefore, need not be repeated annually.

10.2 QBE notes that, consistent with our comment above on 'Timing of reporting', in terms of cross-referencing, it would be challenging to make the breadth of sustainability-related information proposed by the ISSB available at the same time as general purpose financial reports – please refer to paragraph 9.1 above. Consideration should be given to a phased implementation of the standards to support achieving concurrent timing of financial and sustainability reporting to allow entities the ability to develop systems that enable this objective.

10.3 QBE agrees it is clear entities are not required to make separate disclosures on individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures.

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

ISSB: The Exposure Draft sets out proposed requirements for comparative information, sources of estimation and outcome uncertainty, and errors. These proposals are based on corresponding concepts for financial statements contained in IAS 1 and IAS 8.

However, rather than requiring a change in estimate to be reported as part of the current period disclosures, the Exposure Draft proposes that comparative information which reflects updated estimates be disclosed, except when this would be impracticable —ie the comparatives would be restated to reflect the better estimate.

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

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

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

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

11.1 QBE agrees with departing from the accounting notion of adjusting for changes in estimates in the current period to restating comparative changes in estimates for sustainability information, except where it is impracticable. If an entity improves its methodology and/or metrics in the current period, comparative periods should be restated to allow for a more meaningful comparison. The entity's accountability for changing estimates for sustainability information should be the subject of disclosures, akin to those applying to changes in accounting policies, and informing users about why the changes provide more meaningful information.

11.2 QBE considers the paragraph 80 requirement that, when sustainability-related financial disclosures include financial data and assumptions they should be consistent with the corresponding financial data and assumptions in the entity's financial statements should be to the extent 'practicable' [rather than 'possible']. We consider the 'possible' hurdle might impose unnecessary restrictions on an entity.

11.3 QBE notes there are some sustainability-related risks and opportunities that can be deemed significant to stakeholders that may not have immediate material financial impacts because the assumptions used in determining the financial impacts would be different from those used for the financial statements. The financial impact may be long-term. For example, this may apply to Culture, Employee Retention, Human Rights and Modern Slavery, Diversity and Inclusion, Affordability and Accessibility etc.

Question 12 – Statement of compliance

ISSB: The Exposure Draft proposes that for an entity to claim compliance with IFRS Sustainability Disclosure Standards, it would be required to comply with the proposals in the Exposure Draft and all of the requirements of applicable IFRS Sustainability Disclosure Standards. Furthermore, the entity would be required to include an explicit and unqualified statement that it has complied with all of these requirements.

The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from

> disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards.
>
> *Do you agree with this proposal? Why or why not? If not, what would you suggest and why?*

12.1 QBE agrees with the proposed approach and notes it is consistent with the application and compliance regime for IFRS Standards in Australia and other IFRS jurisdictions.

12.2 QBE considers that the ISSB should also acknowledge that some entities will seek to phase in their application of the ISSB's standards and that there should be some recognition of their efforts in the statement of compliance. For example, entities not in full compliance could be encouraged to explain their level of compliance, including identifying those areas in which they remain non-compliant.

12.3 Please also note our comments in respect of [Draft] ISSB S2, Q13 in respect of verifiability and assurance, which is related to achieving compliance assurance.

12.4 If the ISSB's focus is only on full compliance, it could be difficult to obtain any form of 'sign off' from senior management in the short to medium term when measures, methodologies and disclosures are evolving. The same would be true for obtaining any form of external assurance.

Question 13 – Effective date

> **ISSB:** The Exposure Draft proposes allowing entities to apply the Standard before the effective date to be set by the ISSB. It also proposes relief from the requirement to present comparative information in the first year the requirements would be applied to facilitate timely application of the Standard.
>
> *(a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.*
>
> *(b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?*

13.1 QBE considers that developing and issuing the [Draft] standards should be completed as soon as feasible. The earlier the standards are released, the sooner that work can commence to achieve greater consistency in this area of reporting. QBE notes that, as entities apply the standards, we will inevitably become aware of possible gaps and amendments that will need to be addressed, but that it is important to have the standards available to drive this process.

13.2 QBE supports the application of the proposals with **at least** a three-year gap between the final Standards and the commencement date, subject to:

- our comments on other matters raised in the Exposures Drafts that would involve making some proposed requirements non-mandatory and removing others;
- staging the requirements such that more time is provided to implement the more difficult disclosure requirements;
- in some cases, deferring requirements that would only be able to be implemented reliably once practice develops, which could include information on climate resilience and scenario analysis.

13.3 QBE considers that its support for a minimum three-year gap between the issue of the ISSB standards and their application would balance the need for urgent action with the need to help ensure that entities have time to produce quality information. In particular, QBE considers that three years or more is appropriate for the following reasons.

- Achieving compliance is expected to involve developing, changing and testing information systems needed to facilitate making the relevant disclosures. This would be similar to the implementation of a complex new or revised IFRS, which normally have a reasonably long period between issue date and application date. For example, IFRS 17 was originally issued in 2017 with an operative date of January 2021, which was subsequently changed to January 2023 on the release of a revised IFRS 17 in 2020. The potential data and system needs that would be required by IFRS S1 and IFRS S2 would be at least as complex and time-consuming to implement for many entities as IFRS 17 has been for insurers.
- Ample time is needed to accumulate the relevant data and gain experience in its use and analysis in order to produce publishable disclosures. Trying to truncate this process could lead to unreliable information, which in some cases might expose entities to litigation.
- Positions on scenario analysis by the industry are only in their early stages of development and are expected to need considerable time to take shape and achieve comparability. While the issue of the standards might give impetus to these developments, the process would need to be subject to wide-ranging consultation.
- While some businesses will have experience with sustainability-related disclosures, others will not and the level of maturity of an entity's business could impact on the time needed to implement the disclosures.
- Ensuring that the information systems and output can be subject to a relevant level of assurance is also expected to extend the time needed to implement the disclosures.
- The skills and resources needed to implement the changes are in short supply and that situation is not expected to improve in the medium term. The longer the gap between final Standards and commencement, the more effectively the relevant resources can be allocated across the market.
- The ISSB could specifically encourage early adoption for those entities that are best-placed to implement the requirements. QBE considers that there are multiple market incentives that are likely to encourage entities to early adopt. These include published benchmarking and scoring of entities, for example, by the CPD in respect of TCFD disclosures, which can influence the decisions of investors.

13.4 In theory, the commencement dates of IFRS S1 and IFRS S2 would ideally be the same. However, the need for disclosures around climate-related risks and opportunities is more urgent. Accordingly, consideration could be given to using staged application dates, which would provide entities with the opportunity to implement the Standards in a phased approach.

13.5 In the event that the requirements are more stringent than QBE has recommended, and/or that staging is not implemented, the time gap between the final Standards and the effective date would need to be longer to enable entities to design and implement data and reporting solutions to comply with the requirements in a robust and reliable manner.

13.6 QBE agrees with not mandating comparative information in the first year of application.

Question 14 – Global baseline

> **ISSB:** IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value.
>
> Other stakeholders are also interested in the effects of sustainability-related risks and opportunities. Those needs may be met by requirements set by others, including regulators and jurisdictions. The ISSB intends

that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

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

14.1 QBE notes that for the ISSB's standards to be a global baseline they will need to accommodate industry guidance from other sources, at least until the ISSB builds upon the SASB Standards and embeds SASB's industry based standards development approach into the ISSB's standards development process. Several industry bodies, for example, in the extractives industry, have existing guidelines and others are in development in the financial sector.

Question 15 – Digital reporting

ISSB: The ISSB plans to prioritise enabling digital consumption of sustainability-related financial information prepared in accordance with IFRS Sustainability Disclosure Standards from the outset of its work. The primary benefit of digital consumption as compared to paper-based consumption is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S2 Climate-related Disclosures Standards are the sources for the Taxonomy.

It is intended that a staff draft of the Taxonomy will be published shortly after the release of the Exposure Draft, accompanied by a staff paper which will include an overview of the essential proposals for the Taxonomy. At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation.

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

15.1 In principle, QBE supports initiatives to enable digital reporting. However, we note that cost-benefit considerations have meant digital reporting of general purpose financial statements has not gained traction in Australia. This seems largely due to the disconnect between the information used to manage lines of business versus the information that needs to be reported to comply with IFRS Standards. It may also be due to a lack of comprehensive industry-based extensions to the IFRS taxonomy.

15.2 QBE considers that the ISSB's focus should be on setting high-quality and consistent standards and working to have them widely accepted. This should help underpin the demand for digital reporting.

Question 16 – Costs, benefits and likely effects

ISSB: The ISSB is committed to ensuring that implementing the Exposure Draft proposals appropriately balances costs and benefits.

(a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?

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

16.1 The costs associated with establishing reliable data and information systems required to implement the proposals are expected to be substantial. Accordingly, ample time needs to be allowed to develop sound relevant disclosure requirements to help ensure they are not subject to frequent change that would create further costs.

Question 17 – Other comments

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

17.1 QBE considers that many of the defined terms could be clarified through the use of examples that would help illustrate their intended meaning. This would not include 'materiality', which is highly entity-specific and not conducive to being explained via examples.

17.2 The definition of 'Enterprise value' refers to the sum of the value of the entity's equity (market capitalisation) and the value of the entity's net debt. We consider it would be helpful to provide some explanation for the definition in the context of the primary users of sustainability information, including why the ISSB regards the definition as capturing the relevant value for those users. We note for example, that some measures of enterprise value specifically identify cash.

Conceptual Framework

17.3 QBE notes that [Draft] IFRS S1 includes proposals for definitions and requirements that are consistent with the IASB's *Conceptual Framework for Financial Reporting*. However, we note that there would be merit in considering whether there should be a separate, but still consistent, conceptual framework for sustainability reporting. Such a framework would be the natural home for additional guidance that might be needed to explain concepts that have been primarily developed for use in financial reporting that are now to be applied in a sustainability context. For example, as we note in responding to Q7 above, it would be helpful to provide background on 'faithful representation' in the Sustainability Standards similar to that in the IASB's *Conceptual Framework for Financial Reporting*.

Attachment – QBE's feedback on [Draft] IFRS S2 *Climate-related Disclosures*

Question 1 – Objective

> **ISSB:** Paragraph 1 of the Exposure Draft sets out the proposed objective: an entity is required to disclose information about its exposure to climate-related risks and opportunities, enabling users of an entity's general purpose financial reporting:
>
> - to assess the effects of climate-related risks and opportunities on the entity's enterprise value;
> - to understand how the entity's use of resources, and corresponding inputs, activities, outputs and outcomes support the entity's response to and strategy for managing its climate-related risks and opportunities; and
> - to evaluate the entity's ability to adapt its planning, business model and operations to climate-related risks and opportunities.
>
> *(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?*

1.1 QBE supports the proposed objective. There is a global demand for an international reporting standard with standardised disclosure of climate-related risks and opportunities that would allow the entity's stakeholders make an informed assessment of the impact of these risks and opportunities on the entity's enterprise value.

1.2 QBE considers that the objective has a suitable focus on information that would highlight the effects of climate-related risks and opportunities on 'enterprise value' and how the entity manages the risks and opportunities through its planning, business model and operations.

1.3 Please refer to the comments below in respect of whether the proposed requirements meet the objectives of the Exposure Draft.

Question 2 – Governance

> **ISSB:** The Exposure Draft's proposed governance disclosure requirements are based on the recommendations of the TCFD, but the Exposure Draft proposes more detailed disclosure on some aspects of climate-related governance and management in order to meet the information needs of users of general purpose financial reporting. For example, the Exposure Draft proposes a requirement for preparers to disclose how the governance body's responsibilities for climate-related risks and opportunities are reflected in the entity's terms of reference, board mandates and other related policies.
>
> The related TCFD's recommendations are to: describe the board's oversight of climate related risks and opportunities and management's role in assessing and managing climate-related risks and opportunities.
>
> Paragraphs BC57–BC63 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.
>
> *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?*

2.1 We particularly note the proposed requirement for preparers to disclose how the governance body's responsibilities for climate-related risks and opportunities are reflected in the entity's terms of reference, board mandates and other related policies. The level of detail expected is not clear.

However, QBE suggests that the information should be relatively high level to avoid having administrative details obscuring more useful information.

Existing governance structures

2.2 In respect of disclosing information about the governance body or bodies with oversight of climate-related risks and opportunities, and a description of management's role regarding climate-related risks and opportunities, we note that the ISSB should be cognisant of the various national structures that might be in place.

2.3 QBE notes, for example, that Australian regulated entities, including insurers, are expected to be subject to the requirements of the Financial Accountability Regime [FAR]. Among other things, the FAR provides the foundation for the overall approach to governance at a whole-of-entity level. Once an effective sustainability governance structure has been laid out, and reaches a stable state, QBE considers that entities should use that overall approach to drive accountability, including in respect of climate-related risks and opportunities.

2.4 QBE considers that paragraph 5(e) which refers to disclosing: "how the body and its committees consider climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions, and its risk management policies, including any assessment of trade-offs and analysis of sensitivity to uncertainty that may be required" would not be practical to apply. Few, if any, decisions are made solely as a result of climate risk and it would be difficult to isolate the climate-related deliberations from the deliberations on, for example, market risks and opportunities, strategic direction, and profitability. In addition, those deliberations are typically commercially sensitive. We also doubt that this level of detail is warranted to provide users with insights in assessing whether an organisation is identifying and managing its response to climate risks and opportunities.

2.5 QBE agrees that some sustainability performance metrics can be included in renumeration policies such as short term emissions reduction targets. However, QBE also notes it would be challenging to incorporate other long-term climate related risks and opportunities in renumeration policies due to their uncertainty and the fact they often involve 20-30-year targets, which are longer than the tenor of existing board members and senior management.

Question 3 – Identification of climate-related risks and opportunities

ISSB: Paragraph 9 of the Exposure Draft proposes that an entity be required to identify and disclose a description of **significant** climate-related risks and opportunities and the time horizon over which each could reasonably be expected to affect its business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term. In identifying the significant climate-related risks and opportunities described in paragraph 9(a), an entity would be required to refer to the disclosure topics defined in the industry disclosure requirements (Appendix B).

Paragraphs BC64–BC65 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(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?

3.1 QBE considers that paragraph 8(d) which refers to an entity disclosing: "the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term—including how climate-related risks and opportunities are included in the entity's financial planning" would not be practical to apply. Few, if any, financial statement impacts can be attributed solely to climate risks and opportunities and it would be difficult to isolate them from financial impacts of other factors, for example, changes in general market conditions, and changes in strategic direction. In addition, such information would generally be commercially sensitive. We also doubt that this level of detail could be reliably determined so as to provide users with insights in assessing the likely future impacts of climate risks and opportunities on an entity's financial position, financial performance and cash flows.

3.2 QBE considers the disclosure proposed in paragraph 9 of the Exposure draft is clear and the industry specific disclosure guidance is a useful guide in identifying significant climate related risks and opportunities both for physical and transition risks. We note that the insurance industry guidance [B17] should remain 'guidance' and not be mandatory as there is a need to accommodate the various circumstances of insurers. However, it would be useful for the ISSB to specifically provide principle-based guidance that describes/defines short, medium and long term timeframes in the Standard, that entities could use as a starting point to overlay their own contexts in different industries, to help ensure comparability across entities/industries.

3.3 To assist implementation, it would be useful to provide practical guidance on the relevant timeframes, for example, to identify whether they are intended to relate to:

- the entity's planning cycle;
- the entity's product lifecycle; and/or
- the effects of estimated climate impacts on the entity/industry.

3.4 For the insurance industry, QBE considers that the requirements for disclosure around particular metrics in IFRS S2 B17 Insurance industry-based disclosure requirements could be commercially sensitive and greater emphasis should be placed on qualitative information to help overcome this concern.

3.5 In the event that the commercial sensitivities around quantitative metrics can be overcome, there is a need for further clarifications, including the following:

- The amount of monetary losses attributable to insurance payouts from modelled and non-modelled natural catastrophe should be limited in some manner, for example, to the catastrophes estimated to pose the top 10 monetary losses.
- The gross exposure to carbon-related industry needs clarification, including whether it is intended that gross exposure is measured in terms of premium written, premium revenue for a period, some measure of exposure to claims or a combination of factors.

3.6 A number of the disclosures are both gross and net of reinsurance. We note that, for example, in respect of weather-related natural catastrophes, an entity would report the probable maximum loss amount on gross and net of 'catastrophe reinsurance'. QBE considers it should be clarified whether this relates to both excess of loss reinsurance and risks mitigated through quota share arrangements.

Transition risk exposure

3.7 QBE has concerns about the proposed disclosure in IFRS S2 B17 Insurance industry for *each industry by asset class of: absolute gross emissions and intensity emissions split by Scope 1, 2 and 3*.

- The ISSB should specify that this disclosure relates to attributed 'financed emissions' only.

- The benefits of splitting the financed emissions by Scope 1, 2 and 3 is not clear. In practice, entities typically disclose financed emissions as a single emissions figure by asset class.
- Methodologies for measuring Scope 3 emissions are evolving and the current methodology on financed emissions includes Scope 1 and 2 emissions only. The ISSB should explicitly permit an entity to provide explanatory disclosure in respect of Scope 3 financed emissions. We would therefore recommend a 'phased-in' approach is adopted, commencing with voluntary disclosure, in respect of Scope 3 emissions when:
    - they are significant in respect of entities in which QBE might invest;
    - the data allows for a fair presentation of financed emissions over time; and
    - the process of reporting avoids unnecessary adverse legal and economic implications.

3.8 QBE considers it would be helpful for the ISSB to identify acceptable emission intensity denominators, such as enterprise value including cash and/or revenues.

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

ISSB: Paragraph 12 of the Exposure Draft proposes requiring disclosures that are designed to enable users of general purpose financial reporting to understand the effects of significant climate-related risks and opportunities on an entity's business model, including in its value chain. The disclosure requirements seek to balance measurement challenges (for example, with respect to physical risks and the availability of reliable, geographically-specific information) with the information necessary for users to understand the effects of significant climate-related risks and opportunities in an entity's value chain.

As a result, the Exposure Draft includes proposals for qualitative disclosure requirements about the current and anticipated effects of significant climate-related risks and opportunities on an entity's value chain. The proposals would also require an entity to disclose where in an entity's value chain significant climate-related risks and opportunities are concentrated.

[Paragraphs BC66–BC68]

(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?

Most significant risks/opportunities

4.1 QBE supports qualitative disclosure of significant climate related risks and opportunities on the entity's business model and value chain. However, we are concerned about the possible extent of quantitative disclosures since climate related risks and opportunities can have long term unknown impacts for a large and complex entity and analysing a full value chain is a major task. The extent to which this is feasible would depend on obtaining reliable information from third party suppliers many of which do not publish their emissions profile, particularly unlisted entities and smaller entities. QBE considers that the ISSB should:

- explicitly permit an entity to report on a phased approach;
- consider noting that, in applying materiality, an entity may disclose information about significant climate related risks and opportunities on an entity's value chain for only the most significant risks/opportunities – for example the top three risks/opportunities.

Concentration of risks/opportunities

4.2 QBE supports requiring disclosure around where in an entity's value chain significant climate-related risks and opportunities are concentrated and notes that the proposals refer to examples, such as geographical areas, facilities or types of assets, inputs, outputs or distribution channels. While not ruling out the disclosure of quantitative information in the short term, at this stage, QBE considers that the ISSB should explicitly permit solely qualitative disclosure of an entity's concentration of climate related risks and opportunities. QBE appreciates that the aim is to have both quantitative and qualitative disclosures, but considers that practice needs to evolve. The ISSB can flag that quantitative disclosures might be mandated in the medium to long term, which would encourage entities to develop quantitative metrics.

4.3 Practice may develop around quantitative disclosures on the concentration of risks/opportunities in the longer term but, until that time, QBE considers that mandating them would be onerous and of limited value to users because they are likely to lack consistency across and within most industries.

Question 5—Transition plans and carbon offsets

ISSB: Disclosing an entity's transition plan towards a lower-carbon economy is important for enabling users of general purpose financial reporting to assess the entity's current and planned responses to the decarbonisation-related risks and opportunities that can reasonably be expected to affect its enterprise value.

Paragraph 13 of the Exposure Draft proposes a range of disclosures about an entity's transition plans. The Exposure Draft proposes requiring disclosure of information to enable users of general purpose financial reporting to understand the effects of climate related risks and opportunities on an entity's strategy and decision-making, including its transition plans. This includes information about how it plans to achieve any climate-related targets that it has set (this includes information about the use of carbon offsets); its plans and critical assumptions for legacy assets; and quantitative and qualitative information about the progress of plans previously disclosed by the entity.

An entity's reliance on carbon offsets, how the offsets it uses are generated, and the credibility and integrity of the scheme from which the entity obtains the offsets have implications for the entity's enterprise value over the short, medium and long term.

The Exposure Draft therefore includes disclosure requirements about the use of carbon offsets in achieving an entity's emissions targets. This proposal reflects the need for users of general purpose financial reporting to understand an entity's plan for reducing emissions, the role played by carbon offsets and the quality of those offsets.

The Exposure Draft proposes that entities disclose information about the basis of the offsets' carbon removal (nature- or technology-based) and the third-party verification or certification scheme for the offsets. Carbon offsets can be based on avoided emissions.

Avoided emissions are the potential lower future emissions of a product, service or project when compared to a situation where the product, service or project did not exist, or when it is compared to a baseline. Avoided-emission approaches in an entity's climate-related strategy are complementary to, but fundamentally different from, the entity's emission-inventory accounting and emission-reduction transition targets. The Exposure Draft therefore proposes to include a requirement for entities to disclose whether the carbon offset amount achieved is through carbon removal or emission avoidance.

The Exposure Draft also proposes that an entity disclose any other significant factors necessary for users of general purpose financial reporting to understand the credibility of the offsets used by the entity such as information about assumptions of the permanence of the offsets.

(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 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?*

Planned basis for meeting targets

5.1 Paragraph 20(d) would require disclosure of targets set by the entity to mitigate or adapt to climate-related risks or maximise climate-related opportunities. Paragraph 13(b)(ii) would require disclosure of the amount of the entity's emission target to be achieved through emission reduction within the entity's value chain. It may be clearer to locate the requirements relating to targets in the one section of the final standard for ease of reference.

Planned use of carbon offsets

5.2 Paragraph 13(b)(iii) would require disclosure of the intended use of carbon offsets in achieving emissions targets. QBE recommends that the ISSB consider separately identifying carbon offsets disclosure based on whether they are:

- carbon offsets already purchased; or
- carbon offsets/removal/avoided emissions.

5.3 For purchased carbon offsets, the entity could, for example, disclose details related to third-party offset verification or certification schemes. For emissions reduction targets in which the target year could be in 2030 or 2050, an entity could disclose how it plans to use carbon offsets/removal to achieve its targets (such as a net zero emissions target).

5.4 However, QBE notes that it would not ordinarily be possible for an entity to disclose in its current plan for 2030/2050 its planned use of nature based or technological carbon removals due to the under-developed nature of those markets. The wording in paragraph 13(b) implies quantitative measures and QBE considers it should be acknowledged by the ISSB that this might not be feasible in the context of the proposed requirements of paragraph 13(b)(iii)(3).

Definitions

5.5 QBE recommends that the ISSB seek to harmonise the relevant definitions (carbon credits, carbon offsets, removals, emission avoided, avoided emissions and negative emissions) and its requirements with the Science Based Targets Initiative [SBTi] guidance. Avoided emissions has been proposed as a metric for tracking progress on climate solution financing but is still not widely viewed as a credible option for science-based net-zero targets. QBE therefore questions the relevance of disclosures about avoided emissions.

Question 6 – Current and anticipated effects

ISSB: The Exposure Draft proposes requirements for an entity to disclose information about the anticipated future effects of significant climate-related risks and opportunities. The Exposure Draft proposes that, if such information is provided quantitatively, it can be expressed as a single amount or as a range. Disclosing a range enables an entity to communicate the significant variance of potential outcomes associated with the monetised effect for an entity; whereas if the outcome is more certain, a single value may be more appropriate.

The TCFD's 2021 status report identified the disclosure of anticipated financial effects of climate-related risks and opportunities using the TCFD Recommendations as an area with little disclosure. Challenges include: difficulties of organisational alignment, data, risk evaluation and the attribution of effects in financial accounts; longer time horizons associated with climate-related risks and opportunities compared with business horizons; and securing approval to disclose the results publicly. Disclosing the financial effects of climate-related risks and opportunities is further complicated when an entity provides specific information about the effects of climate-related risks and opportunities on the entity. The financial effects could be due to a combination of other sustainability-related risks and opportunities and not separable for the purposes of climate-related disclosure (for example, if the value of an asset is considered to be at risk it may be difficult to separately identify the effect of climate on the value of the asset in isolation from other risks).

Similar concerns were raised by members of the TRWG in the development of the climate-related disclosure prototype following conversations with some preparers. The difficulty of providing single-point estimates due to the level of uncertainty regarding both climate outcomes and the effect of those outcomes on a particular entity was also highlighted. As a result, the proposals in the Exposure Draft seek to balance these challenges with the provision of information for investors about how climate-related issues affect an entity's financial position and financial performance currently and over the short, medium and long term by allowing anticipated monetary effects to be disclosed as a range or a point estimate.

The Exposure Draft proposes that an entity be required to disclose the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term—including how climate-related risks and opportunities are included in the entity's financial planning (paragraph 14). The requirements also seek to address potential measurement challenges by requiring disclosure of quantitative information unless an entity is unable to provide the information quantitatively, in which case it shall be provided qualitatively.

(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?

Effects of climate-related risks and opportunities – quantitative/qualitative

6.1 QBE is supportive of permitting an entity to provide qualitative disclosure if it is unable to provide quantitative information [including scenario analysis] on the anticipated effects of climate-related risks and opportunities.

6.2 In terms of quantitative disclosures, QBE also supports being able to present a range instead of a single value on the basis that there is often uncertainty around the future effects of climate related risks and opportunities.

6.3 It would generally be very difficult, and often not feasible, to specifically identify the impacts of climate on the various components of the business, including for an insurer, the impacts on claims, investments, and new product development given the long term nature of climate impacts.

Anticipated financial effects on reporting – short, medium and long term

6.4 QBE considers that, while entities will be anticipating the financial effects of climate-related risks and opportunities on their business plans, it is unlikely to be feasible to report quantitatively on the anticipated financial effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term. Accordingly, we support the proposal to allow entities to report qualitatively if they are unable to report quantitatively. Projecting financial effects quantitatively more generally is subject to significant judgement and would not ordinarily be reported in general purpose financial statements.

6.5 Materials made public via analyst briefings often include various limited-scope financial projections that are typically subject to substantial qualifications. Projecting particular components of financial effects that are attributable to climate-related factors would necessarily involve a high level of judgement and mean that reliable quantitative information is difficult to achieve. This would particularly be the case beyond the short term.

6.6 We note that the ISSB should consider the context in which entities might usefully make quantitative disclosures, such as with substantial qualifications about the assumptions that needed to be made to underpin estimates and methodologies. Local jurisdictional requirements may also affect the adoption of the ISSB standards. For instance, the Australian Corporations Act requires that the representation with respect to a future matter must be based on reasonable grounds, or else would be deemed to be misleading. This presents liability risk as disclosures about future events are inherently uncertain.

6.6 Even ranges of quantitative information would be difficult to provide in a relevant form. The ranges may need to be so wide as to not be useful.

6.7 QBE expects it would generally be feasible to provide qualitative information on the anticipated financial effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term. We appreciate that, as models progress and entities gain more experience in applying the requirements, competitive market pressures from investors will encourage greater use of quantitative measures.

Question 7 – Climate resilience

ISSB: Paragraph 15 of the Exposure Draft includes requirements related to an entity's analysis of the resilience of its strategy to climate-related risks.

These requirements focus on:

- what the results of the analysis, such as impacts on the entity's decisions and performance, should enable users to understand; and
- whether the analysis has been conducted using:
  - climate-related scenario analysis; or
  - an alternative technique.

The Exposure Draft proposes that an entity be required to use climate-related scenario analysis to assess its climate resilience unless it is unable to do so. If an entity is unable to use climate-related scenario analysis, it shall use an alternative method or technique to assess its climate resilience.

Therefore, the proposed requirements are designed to accommodate alternative approaches to resilience assessment, such as qualitative analysis, single-point forecasts, sensitivity analysis and stress tests. This approach would provide preparers, including smaller entities, with relief, recognising that formal scenario analysis and related disclosure can be resource intensive, represents an iterative learning process, and may take multiple planning cycles to achieve. The Exposure Draft proposes that when an entity uses an approach other than scenario analysis, it discloses similar information to that generated by scenario analysis to provide investors with the information they need to understand the approach used and the key underlying assumptions and parameters associated with the approach and associated implications for the entity's resilience over the short, medium and long term.

It is, however, recommended that scenario analysis for significant climate-related risks (and opportunities) should become the preferred option to meet the information needs of users to understand the resilience of an entity's strategy to significant-climate related risks. As a result, the Exposure Draft proposes that entities that are unable to conduct climate-related scenario analysis provide an explanation of why this analysis was not conducted. Consideration was also given to whether climate-related scenario analysis should be required by all entities with a later effective date than other proposals in the Exposure Draft.

(a) *Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?*

(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(c) 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?*

Climate resilience

7.1 QBE considers that it should made explicit that the requirements in paragraph 15(a) would be subject to there being no breach of commercial sensitivities as they have the potential to go above and beyond the relevant recommendations of the TCFD. These 'additional' disclosures in any detailed form are potentially commercially sensitive and not always quantifiable. In particular, the paragraph 15(a)(iii) disclosure regarding an entity's capacity to adjust or adapt its strategy and business to climate would be challenging to project, and would typically be something that organisations are reluctant to communicate publicly. This reluctance could be particularly acute in respect of forward-looking information that can be the subject scrutiny under consumer and other laws in some jurisdictions, such as Australia.

Scenario analysis

7.2 Positions on scenario analysis by industry are only in their early stages of development and are expected to need considerable time to take shape. While the issue of the standards might give impetus to these developments, the process would need to be subject to wide-ranging consultation with the affected industries. QBE considers that the standards will need to accommodate situations in which the techniques are being continually developed and refined.

7.3 QBE would support the use of alternative assessments if scenario analysis is not available or not applicable for an entity. Undertaking detailed scenario analysis is not applicable or achievable for all entities and should not be mandated.

7.4 QBE notes that scenario analysis is often conducted but not annually. Accordingly, guidance from the ISSB on the way(s) in which a standing analysis would be disclosed/referenced would be of use, particularly all the additional information in relation to the parameters.

Question 8 – Risk management

ISSB: An objective of the Exposure Draft is to require an entity to provide information about its exposure to climate-related risks and opportunities, to enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on the entity's enterprise value. Such disclosures include information for users to understand the process, or processes, that an entity uses to identify, assess and manage not only climate-related risks, but also climate-related opportunities.

Paragraphs 16 and 17 of the Exposure Draft would extend the remit of disclosures about risk management beyond the TCFD Recommendations, which currently only focus on climate-related risks. This proposal reflects **both the view that risks and opportunities** can relate to or result from the same source of uncertainty, as well as the evolution of common practice in risk management, which increasingly includes opportunities in processes for identification, assessment, prioritisation and response.

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?

8.1 While appreciating that the disclosures are subject to an overall materiality assessment, QBE considers that disclosures about risk management should focus only on the most significant risks/opportunities – for example the top three material risks/opportunities. This would be consistent with the approach adopted by the CDP.

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

ISSB: The Exposure Draft thus proposes seven cross-industry metric categories that all entities would be required to disclose:

(i) greenhouse gas (GHG) emissions on an absolute basis and on an intensity basis;

(ii) transition risks;

(iii) physical risks;

(iv) climate-related opportunities;

(v) capital deployment towards climate-related risks and opportunities;

(vi) internal carbon prices; and

(vii) the percentage of executive management remuneration that is linked to climate-related considerations.

The Exposure Draft proposes that the GHG Protocol be applied to measure GHG emissions.

To facilitate comparability despite the varied approaches allowed in the GHG Protocol, the Exposure Draft proposes that an entity shall disclose:

- separately Scope 1 and Scope 2 emissions, for:
  - the consolidated accounting group (the parent and its subsidiaries);
  - the associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group; and

- the approach it used to include emissions for associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group (for example, the equity share or operational control method in the GHG Protocol Corporate Standard).

For Scope 3 emissions, the Exposure Draft proposes that:

- an entity shall include upstream and downstream emissions in its measure of Scope 3 emissions;
- an entity shall disclose an explanation of the activities included within its measure of Scope 3 emissions, to enable users of general purpose financial reporting to understand which Scope 3 emissions have been included in, or excluded from, those reported;
- if the entity includes emissions information provided by entities in its value chain in its measure of Scope 3 greenhouse gas emissions, it shall explain the basis for that measurement; and
- if the entity excludes those greenhouse gas emissions, it shall state the reason for omitting them, for example, because it is unable to obtain a faithful measure.

Aside from the GHG emissions category, the other cross-industry metric categories are defined broadly in the Exposure Draft. However, the Exposure Draft includes nonmandatory Illustrative Guidance for each cross-industry metric category to guide entities. [S2 – para 19-21]

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 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?*

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

GHG Protocol

9.1 QBE agrees with using the GHG Protocol be applied to measure GHG emissions, including the seven proposed cross-industry metric categories. This is on the basis that the GHG Protocol is currently the most widely used basis.

9.2 We would also support consideration being given to other industry-specific methodologies for Category 15 emissions, which is applicable to investors and companies that provide financial services.

9.3 QBE also suggests that, for an insurer, emissions associated with insurance should be disclosed separately from Financed Emissions. If they are aggregated, the emissions would be double counted. We noted that Insurance-Associated Emissions are only disclosed as a sub-category to Scope 3 Category 15 as there is no other logical place to locate them under the GHG Protocol.

Aggregation/disaggregation

9.4 QBE agrees that emissions should be aggregated and be expressed in CO^2 equivalents.

9.5 QBE considers that Scope 1, 2 and 3 emissions should only need to be disaggregated by constituent greenhouse gas when these relevant constituent emissions sources are material.

Group versus entities associated with the Group

9.6 QBE considers it would be reasonable to require separate disclosure of Scope 1 and 2 emissions for the consolidated entity versus associates, joint ventures, unconsolidated subsidiaries and affiliates, which is aligned with the GHG Protocol and regulatory requirements in various jurisdictions. However, QBE also considers that separate disclosure for associates, joint ventures, unconsolidated subsidiaries and affiliates should only be needed when they are material to the Group based on a measure such as Group net assets. Under the GHG Protocol, which focuses on operational control as opposed to financial control, QBE does not separately disclose information for associates and joint ventures as they are not material to the Group.

9.7 QBE also notes the potential need for relief from separate disclosure of information for associates and joint ventures when the investee does not have access to relevant information about Scope 1 and 2 emissions.

Absolute gross Scope 3 emissions

9.8 QBE considers that the net disclosure of Scope 3 emissions should be permitted. While entities should endeavour to collect information on a gross basis, allowing net disclosure is particularly important because Scope 3 emissions reflect the emissions within the value chain, and suppliers within that chain may be able to offset their emissions and provide customers with net information.

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?

10.1 QBE agrees with the proposed disclosure about climate-related targets on the basis that setting and disclosing performance towards science-based climate-related targets is a core element of a climate transition plan and supports the assessment of an entity's alignment to the goals of the Paris Agreement.

10.2 QBE considers the proposed definition of 'latest international agreement on climate change' is sufficiently clear. We also note that, in the event there is a change to the latest agreement, the ISSB should undertake to provide a relevant transition period, which would depend on the significance of the changes, to allow entities to adapt to any impacts of the changes on the disclosures that would need to be provided under ISSB standards.

Question 11 – Industry-based requirements

The Exposure Draft proposes industry-based disclosure requirements in Appendix B that address significant sustainability-related risks and opportunities related to climate change.

The proposed industry-based disclosure requirements are largely unchanged from the equivalent requirements in the SASB Standards. The first set of proposed changes address the international applicability of a subset of metrics that cited jurisdiction-specific regulations or standards. In this case, the Exposure Draft proposes amendments (relative to the SASB Standards) to include references to international standards and definitions or, where appropriate, jurisdictional equivalents.

Paragraphs BC130–BC148 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals to improve the international applicability of the 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?*

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?*

Paragraphs BC123–BC129 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals related to the industry-based disclosure requirements.

(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?*

Control of standards

11.1 In general terms, QBE concurs with the ISSB's proposed approach of leveraging third-party content, such as the SASB industry-based standards for the reasons outlined in the Basis for Conclusions to [Draft] IFRS S2, while also flagging that there may be a need for further review and consultation around applying specific industry-based standards. However, the Basis for Conclusions does not fully explain the planned way forward for the ISSB on using these standards. In particular, QBE is concerned that, since the ISSB does not control the third-party content, committing to the ISSB standards would, by default, also mean committing to other content that may change without necessarily being the subject of an appropriate due process.

11.2 It would not generally be regarded as acceptable for accounting standards setters to require entities to comply with materials over which the standard setter does not have control.

QBE focus on B17 – Insurance

11.3 The focus for QBE is [Draft] IFRS S2 Climate-related Disclosures *Appendix B Industry-based disclosure requirements Volume B17—Insurance*.

Low carbon technology

11.4 QBE considers that Appendix B should include a definition for 'low carbon technology'. Otherwise, there is likely to be high level of inconsistency in the manner in which disaggregated premium disclosures are made.

Unit of account

11.5 The units of account used by insurers would generally involve the aggregation of individual contracts into groups and/or portfolios or higher levels of aggregation. QBE considers that the levels of disclosure required should match the aggregations used in the relevant circumstances. For example, reinsurance might be purchased to manage risks for a whole portfolio of contracts or multiple portfolios.

11.6 QBE notes that a single portfolio of contracts might, for example, contain a mix of contracts with customers still operating high emission energy networks and energy companies that are investing in low carbon technologies. It would currently be impracticable to make separate disclosures by policy in these circumstances. The ISSB should acknowledge that it may only be feasible to develop more disaggregated disclosures once management information systems are more geared towards producing climate-related information, which would often be beyond the disaggregations required for general purpose financial reporting.

Policies designed to incentivise behaviour

11.7 The 'Industry description' notes that "Insurance companies, through their products, can also create a form of moral hazard, lowering incentives to improve underlying behaviour and performance, and thus contributing to sustainability impacts." QBE considers that this touches on a broader dilemma for setting sustainability disclosure standards for insurers without properly acknowledging that dilemma.

11.8 Insurers are naturally attempting to design contracts that incentivise low-risk behaviours as a strategy for reducing claims. In some cases, this would coincide with attempting to incentivise more sustainable behaviours and in others it would not.

11.9 In the case of contract incentives designed to encourage low-risk behaviours that also have the effect of encouraging more sustainable behaviours – it is not clear whether these should be claimed as being policies designed to incentivise more sustainable behaviours. For example, 'fire mitigation endorsements' seek to reduce the risk of wildfire spreading – the aim is to require the insured to maintain property to avoid a build-up of ignitable material, but the impetus behind the clause is risk management and not 'environmental'. Another example would be climate change exclusions that seek to clarify coverage, as opposed to encouraging environmentally-responsible behaviour.

11.10 The same issue arises in respect of the contrasting cases of risk-mitigation clauses that might encourage less sustainable behaviours. For example, it might be logical for insurers to price insurance for electric vehicles at a higher rate than for conventional vehicles, again on the basis that, while they might have fewer breakdowns, they require more specialist repair when they do break down. Similarly, 'green' buildings might attract a higher insurance risk premium due to increased fire risks from solar panels and electric vehicle charging stations.

11.11 QBE considers that entities should use their best endeavours to isolate information about encouraging low-risk behaviours and more sustainable behaviours. However, we note that, until sufficient research has been conducted into the impacts of the relationship between encouraging low-risk behaviours and encouraging more sustainable behaviours in an insurance context, there needs to be an acknowledgement that sustainability disclosures relating to incentivising behaviours is problematic for the industry.

Commentary/discussion versus analysis

11.12 A number of the disclosures relate to the manner in which contracts might incentivise health, safety, and/or environmentally responsible actions or behaviours. QBE notes that it may be difficult to measure incentivisation of responsible behaviour and the long-term consideration of this behaviour – for example, whether behaviours are intended to be modified only in the short term [say, for the duration of a contract/portfolio] or the long-term. In an insurance industry context, this type of information would need to be built into the underwriting process, which is not generally the case at present. Enhancing the underwriting process to enable the relevant information to be prepared would be a long-term exercise.

11.13 QBE considers that, while commentary/discussion would be appropriate, analysis could be very challenging. It would, for example, be impracticable measure/track behaviour based on offering customer a discount to insure a 'green home' to incentivise energy-saving behaviours. Accordingly, QBE recommends removing the proposed requirement for analysis.

11.14 QBE considers that paragraphs 1 and 2 under 'Metrics' should not be mandated in the absence of a much clearer and narrower framework. Paragraph 1 refers to 'pricing structures' in policies to incentivise health, safety, and/or environmentally responsible actions or behaviours. This would appear to potentially involve a very broad range of matters. The implications would vary across the range of commercial insurance lines. 'Green' products (relating to renewables) may have associated technology risk and therefore would be priced accordingly – that is, there would typically be an upwards price implication, not downwards. Similarly, 'safety' on an employer liability product would be a more significant factor than on a financial lines policy.

11.15 For the near term, QBE suggests that this proposed disclosure be encouraged and not mandated. As practice and underwriting and management systems develop and the users become more knowledgeable, the content and mandatory status of the disclosures could be reviewed.

Quantitative disclosure

11.16 QBE supports the non-mandatory status of the paragraph 3 quantitative disclosures on the basis that there are practical and commercial issues with disclosing this granular detail of numbers of policies containing specific clauses, and/or disclosing premiums derived from policies incentivising healthy/safe/environmentally friendly actions absent a much clearer definition of what is included in scope. The level of detail being sought appears disproportionate to the value or understanding it would add for users. For example, the number of policies in force, by segment [(1) property and casualty, (2) life, (3) assumed reinsurance] would not give a user an understanding of the size of the contracts or the exposures that would be associated with them.

11.17 QBE considers the qualitative disclosures would need to explain the context because, it would be very difficult for insurers to measure influence (paragraph 3.3) as they do not have holistic oversight of policyholder behaviours. For example, at face value, it might seem appropriate to offer lower premiums for insuring an electric vehicle than a conventional internal combustion engine vehicle. However, it would be impractical for the insurer to know whether the electricity used in the electric vehicle has been generated from renewable or fossil fuels. The qualitative disclosures provided would need to avoid implying that incentives have been provided for more sustainable behaviours when, in reality, that is not the case.

11.18 Insurers would also face barriers to obtaining relevant information on policyholder behaviours. For example, data protection/privacy laws could mean the relevant information is not available for reporting information on insurance contracts designed to reward weight-loss behaviours related to health insurance policies.

Physical risk exposure

11.19 Paragraph 5 would require disclosure of probable maximum loss by 'relevant geographic regions'. This raises a number of concerns for QBE, including the following;

(a) Probable maximum loss by geographic regions is unlikely to be useful information without substantial context regarding how those risks are managed. Consideration could be given to alternative disclosures, for example, qualitative information about concentrations of risk by particular climate-affected regions.

(b) QBE considers it would only be feasible to provide information about probable maximum loss by geographic regions when the relevant regions coincide with portfolio level disclosure. QBE notes there would be commercial sensitivities around disclosing probable maximum loss at a lower level of aggregation.

11.20 In disclosing monetary losses attributable to insurance payouts, QBE has strong preference for presenting that information using the top 5 modelled and non-modelled events, based on management's view of material events. QBE considers this provides more useful information than classifying disclosures by 'modelled' and 'non-modelled' events.

11.21 The impacts of non-modelled risks are much less likely to be readily available disaggregated by geographic segment/region. QBE recommends that this level of disaggregation should not be required.

11.22 Paragraph 6 would require reporting of the policy losses and benefits expenses on a gross and net of catastrophe reinsurance basis. QBE considers that, in some relatively common circumstances, it could be impracticable to report on a net basis because reinsurance can be at an aggregate level – for example, Group-wide excess of loss reinsurance. It may be particularly difficult to identify reinsurance recoveries that would relate to particular risks or events because, for example, multiple events across multiple portfolios interact in affecting the levels of claims recoveries.

11.23 QBE considers it is relevant and practical to provide a description of its approach to incorporating environmental risks into the underwriting process and the management of firm-level risks and capital adequacy. However, it may not be practicable to provide an analysis of that process and QBE recommends removing this proposed requirement.

11.24 It is proposed that "benefits and claims incurred shall be **disclosed** in accordance with IFRS 17 *Insurance Contracts*". Since the disclosure requirements of IFRS 17 are very different from those proposed in the Appendix, QBE considers that it should be made clear that this is intended to mean that claims incurred are '**measured**' using IFRS 17. If that is not the ISSB's intention, the ISSB would need to be clear in identifying the relevant basis for measurement.

Premiums written

11.25 Appendix B requires a number of disclosures in respect of 'premiums written' or 'net premiums written'. QBE notes that these terms are widely understood in the general insurance industry. However, written premium is not a notion or metric that appears in IFRS 17 *Insurance Contracts*.

11.26 Given that aspects of IFRS 17 will change the notion of premium revenue for general purpose financial reporting purposes [such as treating loss portfolio transfers as revenue-producing transactions], to avoid any confusion with the requirements of IFRS 17, it may be helpful for the ISSB to acknowledge the role of conventional industry practice in determining written premium.

Outputs of catastrophe models

11.27 QBE considers the proposed requirement in paragraph 6 that an entity describe how outputs of catastrophe models inform its underwriting decisions may be commercially sensitive to some insurers because it would underpin pricing of insurance contracts issued and reinsurance contracts held. It would put some entities disclosing this information at a competitive disadvantage to other entities that are either not making the disclosures or are able to make them at a level of aggregation that is less commercially sensitive.

11.28 QBE strongly recommends the removal of paragraph 6.1 and its replacement with a principle-based requirement about disclosing the manner in which outputs of catastrophe modelling inform an insurer's underwriting decisions and risk management via reinsurance contracts held. We also note that the ISSB could consider disclosure of 'data scoring' that would allow users to assess the data quality from the scenario/catastrophe modelling for ease of comparison across entities.

Other requirements

11.29 QBE is not aware of 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.

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?*

12.1 QBE considers that implementing the proposals would add significantly to the costs currently incurred in providing sustainability information. We also note that the cost-benefit assessment would differ for different types of entities. QBE response is in the context of the sustainability standards only being applicable to the consolidated financial statements of publicly-listed entities and any large emitters that are unlisted, with 'large' being determined by local jurisdictions, initially.

12.2 QBE considers many of the proposals are likely to be justifiable on cost-benefit grounds. However, our comments above indicate areas in which QBE considers the benefits would not outweigh the costs associated with preparing the information. In particular for the insurance industry, the following disclosures are not considered justifiable on cost-benefit grounds:

- discussion and analysis of products that incentivise health, safety and environmentally responsible behaviours – please see out comments in response to [Draft] IFRS S2, Q11 above;
- disclosure requirements beyond TCFD requirements and disclosure of commercially sensitive data related to climate metrics; including, in particular, climate resilience – please see out comments in response to [Draft] IFRS S2, Q7 above
- quantifying disclosures around climate resilience as it would not be useful information given the level of judgement and uncertainty/estimation involved and the likely lack of comparability of disclosures between entities.

Question 13 – Verifiability and enforceability

Paragraphs C21–24 of [draft] IFRS S1 *General Requirements for Disclosure of Sustainability related Financial Information* describes verifiability as one of the enhancing qualitative characteristics of sustainability-related financial information. Verifiability helps give investors and creditors confidence that information is complete, neutral and accurate. Verifiable information is more useful to investors and creditors than information that is not verifiable.

Information is verifiable if it is possible to corroborate either the information itself or the inputs used to derive it. Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation.

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.

13.1 QBE considers that the disclosures most likely to pose challenges in terms of verification and assurance would be:

- scenario analysis for short, medium and long term timeframes;

- modelled and non-modelled natural catastrophes as every model would have its own assumptions and limitations;
- industry disclosure specifically related to discussion of products that incentivise health, safety and environmentally responsible actions/behaviours – please refer to QBE's responses to Q11.

Question 14 – Effective date

> Exposure Draft, it is proposed that an entity is not required to disclose comparative information in the first period of application.
>
> This could pose challenges for preparers, given that the Exposure Draft proposes disclosure requirements for climate-related risks and opportunities, which are a subset of those sustainability-related risks and opportunities. Therefore, the requirements included in [draft] IFRS S1 *General Requirements for Disclosure of Sustainability related Financial Information* could take longer to implement.
>
> Paragraphs BC190–BC194 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.
>
> *(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?*
>
> *(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?*

14.1 QBE supports the application of the proposals with **at least** a three-year gap between the final Standards and the commencement date, subject to:

- our comments on other matters raised in the Exposures Drafts that would involve making some proposed requirements non-mandatory and removing others;
- staging the requirements such that more time is provided to implement the more difficult disclosure requirements;
- in some cases, deferring requirements that would only be able to be implemented reliably once practice develops, which could include information on climate resilience and scenario analysis.

14.2 QBE considers that three years [or more] is reasonable for the following reasons.

- While QBE has been reporting in respect of the TCFD requirements for four years, the ISSB proposals would be step up and achieving compliance is expected to involve developing, changing and testing information systems needed to facilitate making the relevant disclosures. This would be similar to the implementation of a complex new or revised IFRS, which normally have a reasonably long period between issue date and application date. For example, IFRS 17 was originally issued in 2017 with an operative date of January 2021, which was subsequently changed to January 2023 on the release of a revised IFRS 17 in 2020. The potential data and system needs that would be required by IFRS S1 and IFRS S2 would be at least as complex and time-consuming to implement for many entities as IFRS 17 has been for insurers.

- Positions on scenario analysis by industry are only in their early stages of development and are expected to need considerable time to take shape. While the issue of the standards might give impetus to these developments, the process would need to be subject to wide-ranging consultation.
- While some businesses will have experience with sustainability-related disclosures, others will not and the level of maturity of an entity's business could impact on the time needed to implement the disclosures.
- Ensuring that the information systems and output can be subject to a relevant level of assurance is also expected to extend the time needed to implement the disclosures.
- The skills and resources needed to implement the changes are in short supply and that situation is not expected to improve in the medium term. The longer the gap between final Standards and commencement, the more effectively the relevant resources can be allocated across the market.
- The ISSB could specifically encourage early adoption for those entities that are best-placed to implement the requirements. QBE notes that there are multiple market incentives that are likely to encourage entities to early adopt. These include published benchmarking and scoring of entities, for example, by the CPD in respect of TCFD disclosures, which can influence the decisions of investors.

14.3 In theory, the commencement dates of IFRS S1 and IFRS S2 would ideally be the same. However, the need for ISSB involvement in disclosures around climate-related risks and opportunities is more urgent. Accordingly, consideration could be given to using staged application dates, which would provide entities with the opportunity to implement the Standards in a phased approach.

Question 15 – Digital reporting

The ISSB plans to prioritise enabling digital consumption of sustainability-related financial information prepared in accordance with IFRS Sustainability Disclosure Standards from the outset of its work. The primary benefit of digital consumption of sustainability-related financial information, as compared to paper-based consumption, is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* Standards are the sources for the Taxonomy.

It is intended that a staff draft of the Taxonomy will be published shortly after the release of the Exposure Draft, accompanied by a staff paper which will include an overview of the essential proposals for the Taxonomy. At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation.

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

15.1 In principle, QBE supports initiatives to enable digital reporting. However, we note that cost-benefit considerations have meant digital reporting of general purpose financial statements has not gained traction in Australia. This seems largely due to the disconnect between the information used to manage lines of business versus the information that needs to be reported to comply with IFRS Standards. It may also be due to a lack of comprehensive industry-based extensions to the IFRS taxonomy.

15.2 QBE considers that the ISSB's focus should be on setting high-quality and consistent standards and working to have them widely accepted. This should help underpin the demand for digital reporting.

Question 16 – Global baseline

IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value.

Other stakeholders are also interested in the effects of climate change. 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?

16.1 QBE has no comment on Q16.