About you

AY-2. Are you responding as an individual, or on behalf of an organisation?

- Organisation

AY-3. Please provide the name of the organisation you are responding on behalf of:

Rainforest Action Network

Question 1—Objective of the Exposure

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.

Paragraphs BC21–BC22 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

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

- Broadly Disagree

01-AR. Please explain your answer:

While the three objectives laid out in Paragraph 1 of the Exposure Draft are relevant to better assess the exposure of financial institutions to climate-related risks they are not sufficient to fully account for these risks. Indeed, the specificities of climate-related risks have been amply discussed by regulators that notably underlined that these risks are characterized by a wide-ranging impact, cumulative effects, and a major uncertainty. As the landmark “Green Swan” report underlines, merely transposing the approach used for financial risks to climate-related risks does not ensure the proper measurement, management or mitigation of these new risks (See: Patrick Bolton and al, The Green Swan Central banking and sustainability in the age of climate change, BIS, 2020). Considering the specificities of climate-related risks requires to look at the impact of companies’ activities on the climate and environment and to mitigate this impact in a “precautionary approach” (See: Hugues Chenet and all, “Climate change and radical uncertainty: Towards a precautionary approach to financial policy”, Ecological Economics, 2020). These risks equally apply to people.

The overall objective defined in Paragraph 1 ignores “double materiality” - based on a definition incorporating impact materiality. As explained above, failing to consider the impact of companies’ activities on the environment - and the people who live on and depend on it - and thus to help mitigate this impact - could result in an accumulation of climate-related risks. Furthermore, by focusing solely on financial materiality the ISSB’s framework will already be one step behind best practices in the financial market. It will notably fail to align with the expectations set out by EU regulators and legislators (See: EU Commission, Strategy for Financing the Transition to a Sustainable Economy, 2021).

As the climate crisis exacerbates, this is driving public and private expectations of companies and the financial sector to act on climate change impacts. This is driving the call for improved disclosure standards which deliver precise and reliable data and information on climate impacts. As currently outlined, ISSB’s standard would likely fail to provide the information the financial sector needs and become rapidly outdated. A focus on impacts is needed to future-proof the ISSB standards.

An additional point here is the diversity of the financial sector itself, in considering who is the reader of a general-purpose financial statement and their perception of what is material or will influence their choices. Even if a company that is causing environmental, climate and human rights harms believes that these are not financially material to its own enterprise value - this does not guarantee that these issues are not financially material to its investors. ISSB’s use and definition of these terms risk being soon obsolete. According to data compiled by Stand.earth over 1500 institutions have made full, partial or specific divestment commitments of at least $40.5 trillion on climate related issues alone. This doesn’t extend to divestments of interrelated issues such as Indigenous peoples’ rights which lack such systematic assessment of divestment commitments. Many of these institutions have some form of public purpose or accountability in their mandate - such as faith-based organizations, education institutions, governments or pension funds that manage the retirement savings of everyday people. As investors their assessment of financial risk, opportunity cost, value of their brand, anticipated costs of reputational risk and risk appetite for untested low carbon business models likely interact with their broader social purpose and accountabilities to everyday people. Over the last decade we have seen a massive overhaul in public interest in the financial sector in many countries and how its choices impact the economic and social realities of our lives. Just as the lives of the public and everyday people are changing, so are the expectations of how their households, local governments and civic organizations enlist money that helps, or harms, the world.

As the IPCC’s work shows, finance must play a key role in the transition. The IPCC underlines that investments are three to six times smaller than what they should be to limit global warming to below 2C, while new fossil fuel investment should be avoided. To enable financial institutions to mitigate climate change and consider the IPCC’s conclusions, the ISSB must integrate double materiality.

01-BP. (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?

- Broadly Disagree

01-BR. Please explain your answer:

The object does not 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.

As outlined in the answer to question a, the objective is insufficient to consider the full range and impact of climate-related risks.

Further, two main weaknesses can be identified when it comes to the users of financial reporting:

The ISSB wants to provide users of the reporting with more information on how the company integrates climate-related risks and manages them. However, its objective does not provide a clear benchmark for this. Financial institutions need to be able to assess if a company contributes to achieve the goals of the Paris Agreement or not, as well as interim targets such as to halt deforestation. This need is significantly strengthened by the fact that many financial institutions are adopting their own climate alignment or carbon neutrality pledges; or pledges related to specific climate-risk industries such as deforestation. Any information disclosed must be compared with what is necessary to limit global warming to 1.5C, if it is not, it will be largely meaningless information for investors.

The ISSB does not require companies which part of their activities and revenues are most exposed to climate-related risks. While largely imperfect, the first stress tests conducted by central banks and regulatory authorities all confirmed that climate risks were highly concentrated in a few high-emitting sectors (See: ECB, Financial Stability Review, 2021). These sectors regroup most of the assets that are likely to become stranded in the short-middle term and any new investment in these activities can be deemed highly risky. These sectors are also some of the most likely to be excluded by financial institutions looking to improve their practices. The ISSB should require specific disclosure on these activities, especially for new fossil fuel investment (See: Paul Schreiber, “WEO 2021: The three principles for financial institutions”, Reclaim Finance, 2022), for industries most closely linked to the threats and killings of environmental human rights defenders or the destruction of natural carbon sinks such as forests or peatlands.

The draft fails to acknowledge the intertwined nature of human rights and climate risks and impacts. This is needed to ensure that a company does not simply externalize its emissions - for example, by relocating from a forested area onto occupied Indigenous lands, forcibly evicting peoples who may then be required to clear forest to re-establish new homes. Human rights abuses, such as illegitimate land acquisitions or threats to environmental defenders, are often the first step for a company seeking to establish environmentally damaging activities that are not supported by local people. This is increasingly understood, with respect for land tenure rights particularly identified in international agreements and scientific research.

It should be noted that alignment with a 1.5C trajectory can reduce both physical risk - by contributing to mitigating climate change - and transition risk - by anticipating key changes and aligning the business models. It is also key to assess whether a company is taking advantage of the opportunities it identified. It is therefore fully coherent with the logic explained in BC23-27.

01-CP. (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?

- Broadly Disagree

01-CR. Please explain your answer:

As explained in our answers to questions and b, the disclosure requirements set out in the Exposure Draft do not meet the objectives described in paragraph 1.

Providing the above-mentioned elements, we recommend:

Adopting a comprehensive approach to climate-related risk disclosures:

The ISSB adds as general objectives in Paragraph 1: “to assess the effects of a company’s activity on the environment and climate - incorporating related impacts on human rights” and “to understand how the entity’s use of corresponding inputs, activities, outputs and outcomes aligns or not align with the objective to keep global warming below 1.5C.”

The ISSB modifies the scope of the proposal by adding to Paragraph 3 a(c) after the (b): “climate-related impacts and effects of the entity’s activity - including related human rights impacts.”

The ISSB rephrases (c) in Paragraph 1 as follows: “to evaluate the entity’s ability to adapt its planning, business model and operations to align with a trajectory that keeps global warming below 1.5C - including related human rights measures.”

2. Providing strong indicators to measure and compare climate-related risks and resilience:

The ISSB must ensure that the contribution of the companies to limiting global warming to 1.5C is easy to evaluate. The only way to do this is to require companies to report their aligning with a 1.5C trajectory and key indicators extracted from such a trajectory. Companies must also disclose what trajectories they are using and what are the underlying hypotheses. To improve comparability - as BC31 aims - the ISSB should restrict the use of scenarios to so-called 1.5 scenarios with low/no overshoot and limited volumes of negative emissions.

The ISSB requires companies to clearly identify the part of their businesses related to highly emitting activities, especially activities linked to fossil fuels, and the planned investments in these activities. This can be translated into a new objective in Paragraph 1: “to assess the entity’s exposure to highly emitting activities, its planned investment in these activities and any plans to reduce or increase this exposure”

Question 2—Governance
Paragraphs 4 and 5 of the Exposure Draft propose that an entity be required to disclose information that enables users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities. To achieve this objective, the Exposure Draft proposes that an entity be required to disclose information about the governance body or bodies (which can include a board, committee or equivalent body charged with governance) with oversight of climate-related risks and opportunities, and a description of management's role regarding climate-related risks and opportunities.

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.

02-AP. 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?

- Broadly Disagree

02-AR. Please explain your answer:

First of all, in matters of governance, we wish to express concern regarding the governance structure of the ISSB itself. According to the IFRS Foundation Constitution, the ISSB membership shall be composed of three members each from the Asia-Oceania region, Europe, the Americas, and four members appointed from any area - but only one member from Africa.

It is not clear to us which criteria have been used to calculate these proportions. However, we are of the firm opinion that geographical balance cannot be achieved by assigning only one member from Africa, a continent of over 1.2 billion people and home to several of the world's fastest-growing economies. The governance lacks a geographic breakdown that illustrates the complexities and realities of corporate presence, mergers and acquisitions, and supply chains. The lack of specificity could also lead to significant overrepresentation (for example, three members from the Americas could easily emanate from only one country). We would suggest a further breakdown that represents economic clusters, such as CARICOM, ASEAN and EAC. This would ensure a truly inclusive, and therefore trustworthy, set of global baseline standards.

ISSB should also ensure that rights holders have a meaningful role in its decision-making, either through appointing additional representatives to the board itself or a parallel structure. By 'rights holder' we refer to those whose human rights are most likely to be affected by adverse climate activities by business or who have been at the forefront of climate leadership. Arguably, it is those on the frontlines of the climate crisis who have most invested in shifting the trillions of dollars in financing that is driving the climate and nature crisis, and the human rights abuses that often underpin it.

The expertise of rights holders is often systematically overlooked - despite Indigenous Peoples, rural women, peasants, youth organizations and land and environmental defenders being thought leaders at the forefront of local and national leadership on environmental issues. Rights holders also have extensive expertise in being able to test reporting and sustainability proposals against real-world cases and experience in order to identify which are likely to be effective or not. They are often at the forefront of new movements and social expectations which eventually translate to the financial sector although their intellectual contribution is often overlooked or erased. The IPCC, alongside others, have increasingly recognised the critical importance of rights holders in climate-related efforts. Rights holders have played a critical role in setting new expectations of business, including the financial sector. This includes the evolution of the IFC Performance Standards, the Equator Principles, the development of new national and international law, leading divestment efforts and pushing new frontiers in legal liabilities through legal casework and similar mechanisms.

We consider diverse, balanced representation in the ISSB's composition to be an essential component in guaranteeing its credibility, and by extension that of the Exposure Drafts themselves. We would therefore encourage the IFRS to a) clarify the existing methodology used for appointments; b) modify the seat allocations to be more geographically diverse; and c) create a mechanism to ensure adequate representation of rights holder expertise and views in core decision-making structures, such as the board.

Returning to the governance disclosures proposed in the ISSB draft: while we think the proposed disclosure requirements for governance processes, controls and procedures are relevant, they remain insufficient on four dimensions:

The requirements lack any reference to international climate objectives, i.e. limiting global warming to 1.5C - including limiting the destruction and degradation of natural carbon sinks. Therefore, the standard does not allow users to understand if/how the persons responsible for overseeing climate-related risks at the company consider the alignment of the company with these objectives.

The requirements do not ensure that the person responsible for climate-related risks do not have a conflict of interest that would hamper their ability to manage and mitigate them. For example, somebody who may also sit on the board of an oil and gas company.
The requirements do not cover how grievances, complaints or allegations regarding the company's activities relevant to climate, and related human rights issues, are disclosed or addressed. Complaints are a highly salient source of information, capturing a third party's view that a company's claims may not line up in practice.
The requirements do not cover a company's engagement on climate policy and inter-related policies; through its own direct activities or through groups it is a part of, such as industry groups. Research has shown that companies regularly undertake influencing positions which are in contradiction to its stated climate commitments and strategies.
Understanding a company's efforts to influence policies is critical to counteract misleading or inaccurate claims. This information is also of interest to investors and the public at large.
Therefore we suggest:
To rephrase Paragraph 5(f) as follows: "how the body and its committees oversee the setting of targets related to significant climate-related risks and opportunities, monitor progress towards them (see paragraphs 23-24) , including whether and how related performance metrics are included in remuneration policies (see paragraph 21 (g)), and compares them with the steps needed to contribute to limit global warming to 1.5 C; and"
To added a sentence after Paragraph 5 (b): "how the entity prevents conflict of interest in the body responsible for climate-related risks and opportunities;"
To add a sentence after Paragraph 5 (g) (h): "how the entity publicly communicates and responds to specific grievances, complaints or allegations raised against it regarding activities that can be construed as relevant to its climate risks and impacts, including related human rights."
Providing an additional point that creates a requirement for a company to publicly disclose its policy positions taken on climate and relevant policy issues - including through member groups it is a part of; and to disclose its activities to seek to influence policy.
As underlined in our answer to question 1, the whole framework fails to consider the impact of the entity's activity on climate and the environment - including related human rights impacts, and this critical flaw is logically repeated in the governance requirements.

Question 3—Identification of climate-related risks and opportunities
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.

03-AP. (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?
N/A

03-AR. Please explain your answer:
N/A

03-BP. (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?

- Broadly Disagree

03-BR. Please explain your answer:

Climate-related risks and opportunities are intrinsically linked to affected communities, particularly Indigenous peoples. Indigenous peoples represent approximately 5-6% of the global population, but account for 30-40% of the documented killings of land and environmental defenders each year as shown by data compiled by NGO Global Witness. Marginalized peoples, including Indigenous peoples, are at greatest risk for having their lands and waters threatened by high-risk industries, and often have also been the fiercest defenders of nature. Similarly, the targeting of Indigenous lands and waters by industries such as renewable energy projects, energy transition minerals, biofuels and carbon offsetting schemes.

The current exposure draft contains language on Indigenous peoples only in relation to the Pulp & Paper Products industry-standard and makes no reference to a company's due diligence approach to Indigenous rights. This is despite full or partial commitments on aspects of Indigenous rights, such as Free, Prior and Informed Consent (FPIC), long being incorporated into international environmental and human rights standards, including the major sector standards of land-based industries at highest risk for carbon emissions and other nature-related harms (see Shona Hawkes, Consent is everybody's business: Why banks need to act on Free, Prior and Informed Consent, Oxfam International, 2019).

Under international law, Indigenous Peoples have a right to consent, or withhold their consent, for activities on their land and territories - articulated as Free, Prior and Informed Consent (FPIC). It is also best practice for FPIC to be required of all affected communities. As such, the current standard is already obsolete by failing to take into account the human rights impacts of actions that cause, or which are intended to address, climate change and the associated risks. Failure to respect the rights of affected communities and Indigenous rights is not only morally abhorrent, it will also put investors at risk of costly delays, suspension of projects, and lawsuits, which may all impact a business' model, strategy and cash flows, its access to finance and its cost of capital over the short, medium or long term.

We recommend ISSB to align with EFRAG and GRI which both contain disclosures on Indigenous rights.

We also strongly recommend that it aligns with provisions to support tenure rights more broadly, including FPIC as a best practice, across a range of industries.

We recommend ISSB include industry-specific disclosures on Indigenous rights - and support for FPIC more broadly, in standards including on (1) Financials, (2) Food and Beverage, (3) Extractives and Minerals Processing, (4) Infrastructure, (5) Renewable Resources and Alternate Energy.

As such, the proposed industry standards do not provide users of general-purpose financial reporting with sufficient information to assess enterprise value and whether to provide economic resources to an entity.

We are alarmed that ISSB has failed to identify Indigenous rights in proposed standards, given the widespread uptake of Indigenous rights, as well as land tenure aspects of FPIC more broadly, in a host of standards over the last two decades as well as in international and national law. We believe this reflects our earlier point raised on the need to ensure diversity of voices, including the voices of rights holders, in ISSB's decision-making structures.

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

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 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

04-AP. (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?

N/A

04-AR. Please explain your answer:

N/A

04-BP. (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?

N/A

04-BR. Please explain your answer:
N/A

Question 5—Transition plans and carbon offsets
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.

Paragraphs BC71–BC85 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

05-AP. (a) Do you agree with the proposed disclosure requirements for transition plans? Why or why not?
- Broadly Disagree

05-AR. Please explain your answer:

The proposed requirements for transition plans lack any reference to international climate goals. Therefore, the information disclosed won't allow general-purpose users to assess the alignment of companies with these goals, and notably with the goal to limit global warming at 1.5C.

As transition plans imply scaling down - and even phasing out - high emitting activities and scaling-up low carbon alternatives, the requirements should include specific elements on companies' plans to replace their high-carbon activities, including a clear timeline. This should especially be the case for activities responsible for a large share of global emissions, such as fossil fuel production and power generation, as well as those at highest-risk to the rights of environmental human rights defenders, and natural carbon sinks, such as forests and peatlands.

ISSB should also provide an option to account for a small, but growing, call for businesses to address their historical carbon emissions which may represent shifting social expectations as part of the forces of transition.

Therefore, several changes should be made:

The first sentence of Paragraph 13 should be reworded as follows: "An entity shall disclose information that enables users of general-purpose financial reporting to understand the effects of significant climate-related risks and opportunities on its strategy and decision-making, including its transition plans and how these plans related to the latest international climate agreements and climate science."

A sentence should be added to Paragraph 13 (b) after (ii): "how these targets relate to the latest international climate agreements and climate science, and best practice for safeguarding the rights of environmental human rights defenders."

A sentence should be added to Paragraph 13 (a) (i) after (3): "(4) information on the increase of reduction of the entity exposure to high carbon activities, include the planned capex in infrastructure related to these activities, a list of new infrastructure projects and related decommissioning plans."

An additional sentence should be added "An entity shall disclose whether its transition plan or other activities include addressing its historical carbon emissions."

c/d. Four main factors significantly impair the ability of general-purpose users of financial reporting to assess the soundness and credibility of offsets:

Avoided emissions must be excluded:

First and foremost, avoided emissions must not be considered in carbon offsets. Avoided emissions are not considered in carbon neutrality targets and clearly banned for all the serious target setting initiatives like the SBTi. Avoided emissions is merely the claim that the company did not emit as much emissions as it would have under a "business as usual" scenario. It is difficult - if not impossible - to prove and does not result in emission reductions. For example, an oil and gas company producing new fuel for plans with some carbon captured would count the volume of carbon emissions captured as "avoided" while these emissions still end up in the atmosphere once the fuel is burned by plans. A sentence should be added after the first sentence of Paragraph 13 (b) (iii): "Avoided emissions cannot be considered in emissions targets."

Offsets must not be used to rationalize 'replacing' emissions reductions.

3. Disclosures must include due diligence with respect to Indigenous peoples and local communities:

Forest and land-based so-called 'carbon offset' programs have an extensively-documented history of enabling or perpetuating violations of the rights of Indigenous peoples and local communities who live in the areas targeted for offset programs.

Ensuring this requires adding a new point immediately following Paragraph 13 (b) (iii) (3) as follows: "the registry project ID, or if not available, sufficient information to identify the specific project from which claimed offsets are sourced, the geolocation of the project, identifying by name any Indigenous peoples and local communities in the area where offset programs are operating as well as any additional steps taken to ensure respect for their rights."

05-BP. (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.

- Yes

05-BR. Please explain your answer:

As outlined in the previous answer, several changes should be made:

The first sentence of Paragraph 13 should be reworded as follows: “An entity shall disclose information that enables users of general-purpose financial reporting to understand the effects of significant climate-related risks and opportunities on its strategy and decision-making, including its transition plans and how these plans related to the latest international climate agreements and climate science.”

A sentence should be added to Paragraph 13 (b) after (ii): “how these targets relate to the latest international climate agreements and climate science, and best practice for safeguarding the rights of environmental human rights defenders.”

A sentence should be added to Paragraph 13 (a) (i) after (3): “(4) information on the increase of reduction of the entity exposure to high carbon activities, include the planned capex in infrastructure related to these activities, a list of new infrastructure projects and related decommissioning plans.”

An additional sentence should be added “An entity shall disclose whether its transition plan or other activities include addressing its historical carbon emissions.”

05-CP. (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?

- Broadly Disagree

05-CR. Please explain your answer:

Three factors significantly impair the assessment of offset claims:

1. So-called 'avoided' emissions must be excluded.

First and foremost, avoided emissions must not be considered in carbon offsets. Avoided emissions are not considered in carbon neutrality targets and clearly banned for all the serious target setting initiatives like the SBTi. Avoided emissions is merely the claim that the company did not emit as much emissions as it would have under a “business as usual” scenario. It is difficult - if not impossible - to prove and does not result in emission reductions. For example, an oil and gas company producing new fuel for plans with some carbon captured would count the volume of carbon emissions captured as “avoided” while these emissions still end up in the atmosphere once the fuel is burned by plans. A sentence should be added after the first sentence of Paragraph 13 (b) (iii): “Avoided emissions cannot be considered in emissions targets.”

2. Offsets must not be used to rationalize ‘replacing’ emissions reductions.

3. Disclosures must include due diligence with respect to Indigenous peoples and local communities:

Forest and land-based so-called ‘carbon offset’ programs have an extensively-documented history of enabling or perpetuating violations of the rights of Indigenous peoples and local communities who live in the areas targeted for offset programs.

Ensuring this requires adding a new point immediately following Paragraph 13 (b) (iii) (3) as follows: “the registry project ID, or if not available, sufficient information to identify the specific project from which claimed offsets are sourced, the geolocation of the project, identifying by name any Indigenous peoples and local communities in the area where offset programs are operating as well as any additional steps taken to ensure respect for their rights.”

05-DP. (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?

- Broadly Disagree

05-DR. Please explain your answer:

The points raised in the previous answer are also relevant here, to repeat:
Three factors significantly impair the assessment of offset claims:
1. So-called 'avoided' emissions must be excluded.
First and foremost, avoided emissions must not be considered in carbon offsets. Avoided emissions are not considered in carbon neutrality targets and clearly banned for all the serious target setting initiatives like the SBTi. Avoided emissions is merely the claim that the company did not emit as much emissions as it would have under a “business as usual” scenario. It is difficult - if not impossible - to prove and does not result in emission reductions. For example, an oil and gas company producing new fuel for plans with some carbon captured would count the volume of carbon emissions captured as “avoided” while these emissions still end up in the atmosphere once the fuel is burned by plans. A sentence should be added after the first sentence of Paragraph 13 (b) (iii): “Avoided emissions cannot be considered in emissions targets.”
2. Offsets must not be used to rationalize ‘replacing’ emissions reductions.
3. Disclosures must include due diligence with respect to Indigenous peoples and local communities:
Forest and land-based so-called ‘carbon offset’ programs have an extensively-documented history of enabling or perpetuating violations of the rights of Indigenous peoples and local communities who live in the areas targeted for offset programs.
Ensuring this requires adding a new point immediately following Paragraph 13 (b) (iii) (3) as follows: “the registry project ID, or if not available, sufficient information to identify the specific project from which claimed offsets are sourced, the geolocation of the project, identifying by name any Indigenous peoples and local communities in the area where offset programs are operating as well as any additional steps taken to ensure respect for their rights.”

Question 6—Current and anticipated effects

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.

Paragraphs BC96–BC100 of the Basis for Conclusions describe the reasoning behind the Exposure Draft’s proposals.

06-AP. (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?

- Other

06-AR. Please explain your answer:

Note - the discussion in the preamble to this question speaks to the relevance of the earlier points outlined on requiring reporting on climate impacts (and related human rights impacts).

06-BP. (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?
N/A

06-BR. Please explain your answer:
N/A

06-CP. (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?
N/A

06-CR. Please explain your answer:
N/A

Question 7—Climate resilience

The likelihood, magnitude and timing of climate-related risks and opportunities affecting an entity are often complex and uncertain. As a result, users of general purpose financial reporting need to understand the resilience of an entity's strategy (including its business model) to climate change, factoring in the associated uncertainties. Paragraph 15 of the Exposure Draft therefore 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.

Scenario analysis is becoming increasingly well established as a tool to help entities and investors understand the potential effects of climate change on business models, strategies, financial performance and financial position. The work of the TCFD showed that investors have sought to understand the assumptions used in scenario analysis, and how an entity's findings from the analysis inform its strategy and risk-management decisions and plans. The TCFD also found that investors want to understand what the outcomes indicate about the resilience of the entity's strategy, business model and future cash flows to a range of future climate scenarios (including whether the entity has used a scenario aligned with the latest international agreement on climate change). Corporate board committees (notably audit and risk) are also increasingly requesting entity-specific climate-related risks to be included in risk mapping with scenarios reflecting different climate outcomes and the severity of their effects.

Although scenario analysis is a widely accepted process, its application to climate-related matters in business, particularly at an individual entity level, and its application across sectors is still evolving. Some sectors, such as extractives and minerals processing, have used climate-related scenario analysis for many years; others, such as consumer goods or technology and communications, are just beginning to explore applying climate-related scenario analysis to their businesses.

Many entities use scenario analysis in risk management for other purposes. Where robust data and practices have developed, entities thus have the analytical capacity to undertake scenario analysis. However, at this time the application of climate-related scenario analysis for entities is still developing.

Preparers raised other challenges and concerns associated with climate-related scenario analysis, including: the speculative nature of the information that scenario analysis generates, potential legal liability associated with disclosure (or miscommunication) of such information, data availability and disclosure of confidential information about an entity's strategy. Nonetheless, by prompting the consideration of a range of possible outcomes and explicitly incorporating multiple variables, scenario analysis provides valuable information and perspectives as inputs to an entity's strategic decision-making and risk-management processes. Accordingly, information about an entity's scenario analysis of significant climate-related risks is important for users in assessing enterprise value.

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.

Requiring disclosure of information about climate-related scenario analysis as the only tool to assess an entity's climate resilience may be considered a challenging request from the perspective of a number of preparers at this time—particularly in some sectors. 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 disclose 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.

Paragraphs BC86–BC95 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

07-AP. (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?

- Broadly Disagree

07-AR. Please explain your answer:

As explained in our answer to question 1, users need information on the climate impact of companies to understand the impact of climate - and here climate resilience - of companies. The overall standard should be revised to integrate that need.
Additionally, as previously noted, understanding the extent to which human rights factors have been incorporated into a company's analysis are also highly salient. This, for example, is important to understand how resilient a company's strategies are to avoiding social conflict or pursuing activities which are not supported by local people which presents an opportunity cost for more sound alternatives.

(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.

07-BiP.
(i) Do you agree with this proposal? Why or why not?

- Other

07-BiR. Please explain your answer:

As per the point raised in question 1 if an entity is failing to report, and allow public scrutiny of, its climate impacts today to ensure they are accurate and reliable, this also has flow-on effects on the capacity to ensure the quality of future projections through scenario analysis.
Allowing entities to use alternative methods could reduce comparability between entities and increase the quality gaps between different disclosures.

07-BiiP. (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?

- Broadly Agree

07-BiiR. Please explain your answer:

At the absolute minimum this is needed to help mitigate the risk that entities will use such a clause to evade using climate-related scenario analysis.

07-BiiiR.
(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?

N/A

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

- Broadly Disagree

07-CR. Please explain your answer:

The proposed disclosures provide insufficient elements on the type of scenario used. To assess climate-related risks, companies need to use at least two types of scenarios:
A scenario aligned with a 1.5C trajectory with low/no overshoot and limited CDR, to measure the risks in a scenario were the transition aligned manner;
A scenario of high global warming, to measure the risks in a "business as usual" scenario.
The disclosures should explicitly require companies to use such scenarios, with additional scenarios being used on a voluntary basis.
If such a requirement is necessary, the standard should also require companies to precisely disclose: (i) the warming temperature in the scenarios used (ii) the level of CDR in the scenarios used (iii) any other major characteristics of the scenario used, notably regarding socio-economic assumptions.
This requires rephrasing:
Paragraph 15 (b) (i) (8) as follows: "the warming temperature of each scenario used and whether the entity has used, among its scenarios, a scenario aligned with the latest international agreement on climate change;"
Paragraph 15 (b) (i) (8) as follows: "assumptions about the way the transition to a lower carbon economy will affect the entity, including policy assumptions for the jurisdictions in which the entity operations; assumptions about macroeconomic trends; reliance on negative emissions; demand changes; energy usage and mix; and technology."
And adding an additional sentence between Paragraph 15 (a) (i) and 15 (b) (ii): "to what extent human rights have been considered in the analysis"
However, it should also be noted that if a company is not reporting, and allow scrutiny of, its climate impacts today this also has flow-on impacts for the quality of scenario analysis.

07-DP. (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?

- Broadly Disagree

07-DR. Please explain your answer:

To mitigate the potential negative effect of allowing alternative methods mentioned in b, the standard should at the very least require alternative methods to provide information specifically dealing with the identification of risks: (i) high-emitting activities; (ii) in activities in areas especially prone to extreme climate weather events and/or climate-related disruptions; (iii) in activities subject to climate-policy changes.
A sentence should be added after Paragraph 15 (b) (ii) (1): "an explanation of how the method accurately reflects the potential high risks related to high carbon activities, activities located in areas prone to extreme climate weather events and/or disruptions and, activities concerned by climate-policy changes."

07-EP. (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?

N/A

07-ER. Please explain your answer:

N/A

Question 8—Risk management
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.

08-AP. 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?
N/A

08-AR. Please explain your answer:
N/A

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

The Exposure Draft proposes incorporating the TCFD's concept of cross-industry metric categories with the aim of improving the comparability of disclosures across reporting entities regardless of industry. The proposals in the Exposure Draft would require an entity to disclose these metrics and metric categories irrespective of its particular industry or sector (subject to materiality). In proposing these requirements, the TCFD's criteria were considered. These criteria were designed to identify metrics and metric categories that are:

- indicative of basic aspects and drivers of climate-related risks and opportunities;
- useful for understanding how an entity is managing its climate-related risks and opportunities;
- widely requested by climate reporting frameworks, lenders, investors, insurance underwriters and regional and national disclosure requirements; and
- important for estimating the financial effects of climate change on entities.

The Exposure Draft thus proposes seven cross-industry metric categories that all entities would be required to disclose: greenhouse gas (GHG) emissions on an absolute basis and on an intensity basis; transition risks; physical risks; climate-related opportunities; capital deployment towards climate-related risks and opportunities; internal carbon prices; and 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.

The GHG Protocol allows varied approaches to be taken to determine which emissions an entity includes in the calculation of Scope 1, 2 and 3—including for example, how the emissions of unconsolidated entities such as associates are included. This means that the way in which information is provided about an entity's investments in other entities in their financial statements may not align with how its GHG emissions are calculated. It also means that two entities with identical investments in other entities could report different GHG emissions in relation to those investments by virtue of choices made in applying the GHG Protocol.

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).

The disclosure of Scope 3 GHG emissions involves a number of challenges, including those related to data availability, use of estimates, calculation methodologies and other sources of uncertainty. However, despite these challenges, the disclosure of GHG emissions, including Scope 3 emissions, is becoming more common and the quality of the information provided across all sectors and jurisdictions is improving. This development reflects an increasing recognition that Scope 3 emissions are an important component of investment-risk analysis because, for most entities, they represent by far the largest portion of an entity's carbon footprint.

Entities in many industries face risks and opportunities related to activities that drive Scope 3 emissions both up and down the value chain. For example, they may need to address evolving and increasingly stringent energy efficiency standards through product design (a transition risk) or seek to capture growing demand for energy-efficient products or seek to enable or incentivise upstream emissions reduction (climate opportunities). In combination with industry metrics related to these specific drivers of risk and opportunity, Scope 3 data can help users evaluate the extent to which an entity is adapting to the transition to a lower-carbon economy. Thus, information about Scope 3 GHG emissions enables entities and their investors to identify the most significant GHG reduction opportunities across an entity's entire value chain, informing strategic and operational decisions regarding relevant inputs, activities and outputs.

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 non-mandatory Illustrative Guidance for each cross-industry metric category to guide entities.

Paragraphs BC105–BC118 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

09-AP. (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?

- Broadly Agree

09-AR. Please explain your answer:

We especially underline our agreeance with the relevance of requiring disclosure of GHG emissions on all scopes (1/2/3) and in both emissions and intensity.
We also note for particular climate harms, such as deforestation and forest degradation, lax monitoring by companies of their supply or investment chains means that they may fail to identify if harmful and emitting activities have occurred. Similarly, many instances have arisen where companies' disclosure of climate strategies or plans have proved misleading. For this reason, we stress the importance of supplementary information that can be verified at investor level.
Paragraph 20 could add two additional sentences:
(e) "whether an entity has publicly disclosed company-specific or project-specific exclusion lists or exit lists"
(f) "in an entity in a prior reporting year(s), has inaccurately reported emissions and failed to identify specific emissions/emitting activities - with particular attention to those that were to have been excluded under a company's existing policies and strategies."

09-BP. (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.

N/A

09-BR. Please explain your answer:

N/A

09-CP. (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?

- Broadly Agree

09-CR. Please explain your answer:

We agree that entities should use the GHG Protocol. To ensure quality and comparability, not other methodology should be in use.

09-DP. (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))?

- Broadly Agree

09-DR. Please explain your answer:

We agree with the requirements to provide an aggregation of all seven greenhouse gasses for Scope 1, Scope 2, and Scope 3 but also underline that the disclosures on Scope 1, Scope 2 and Scope 3 emissions should be disaggregated by greenhouse gas. While an aggregated measure is needed to compare companies and provide a simple indicator that measures overall climate impact, several greenhouse gasses must be reduced much faster than carbon dioxide. For example, methane emissions must fall by at least 75% in the energy sector by 2030 according to the IEA (See: IEA, World Energy Outlook 2021, October 2021).

09-EP. (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?

N/A

09-ER. Please explain your answer:

N/A

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

- Broadly Agree

09-FR. Please explain your answer:

Scope 3 emissions make up a large share of emissions of many companies and the overwhelming majority of these emissions in some sectors like finance or fossil fuel production. It is essential scope 3 emissions are reported. Entities should be required to estimate what share of scope 3 emissions are not considered and explain how they will better report these emissions in future.

Paragraph 21 (vi) (4) could be rephrased: “if the entity excludes those greenhouse gas emissions in paragraph 21(a) (vi) (3), it shall state the reason for omitting them, for example, because it is unable to obtain a faithful measure, provide a general estimate of the volume of emissions excluded and explain how they will work to include these emissions in the future.”

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.

010-AP. (a) Do you agree with the proposed disclosure about climate-related targets? Why or why not?

- Broadly Disagree

010-AR. Please explain your answer:

The proposed disclosure should be supplemented with a requirement to disclose any steps and procedure the company plans in case it misses its targets and/or milestones.
(j) could be added to paragraph 23: "(j) any measures or procedures to be implemented if the target of the related milestones are not reached."

010-BP. (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?

- Broadly Disagree

010-BR. Please explain your answer:

The proposed definition for 'latest international agreement on climate change' is insufficient. While referring to international agreements is relevant, the agreements themselves do not provide clear targets that can be easily compared to company targets. They set broad general goals, but these goals often need to be translated in concrete milestones.
Therefore, the standard should require companies to compare targets to the latest scientific evidence on limiting global warming to 1.5C. This should notably mean using the IPCC AR6 report - and future reports - as key elements. Indeed, the C1 pathways in the IPCC report - so-called I.5C no/low overshoot pathway that provide a 50% to limit global warming to 1.5C and a 90% to limit it to 2C or below - give various elements that companies can use to assess how their targets compare to international agreements.
This important change can be implemented by explicitly linking the latest climate agreements to the IPCC's 1.5C no/low overshoot scenarios. (e) of Paragraph 23 could also be rephrased as follows: "how the target compares with those created in the latest international agreement on climate change and to the latest scientific elements underpinning these targets, and whether it has been validated by a third party."
Additionally, we identify that the global biodiversity framework currently under negotiation will set 2030 and 2050 targets. We advise ISSB to consult experts specifically on how the climate-biodiversity nexus may interact in the future of science-based and macroeconomic scenario planning, and ensure that these considerations are reflected.

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. Because the requirements are industry-based, only a subset will apply to a particular entity. The requirements have been derived from the SASB Standards. This is consistent with the responses to the Trustees' 2020 consultation on sustainability that recommended that the ISSB build upon existing sustainability standards and frameworks. This approach is also consistent with the TRWG's climate-related disclosure prototype.

The proposed industry-based disclosure requirements are largely unchanged from the equivalent requirements in the SASB Standards. However, the requirements included in the Exposure Draft include some targeted amendments relative to the existing SASB Standards. The proposed enhancements have been developed since the publication of the TRWG's climate-related disclosure prototype.

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.

011-AP. (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?

- Broadly Disagree

011-AR. Please explain your answer:

Similar to issues flagged under the 'governance' section, SASB has similarly centred industry voices based on financially material risk.
They have not substantively engaged rights holders, local organizations and others in decision-making - despite these groups being the most likely effected by adverse climate, nature and human rights impacts, including the victims of corporate-led harms.
This results in SASB undermining industry standards that, while still flawed, have developed through genuine multi-stakeholder initiatives. For example, SASB standards such as those on commercial banks doesn't mention human rights at all, and agricultural products fails to mention key human rights such as the right of Indigenous peoples to Free, Prior and Informed Consent, and as a best practice for other affected communities. This is despite FPIC being mainstreamed in a vast array of standards and frameworks (see Shona Hawkes, 'Consent is everybody's business: Why banks must act on free, prior and informed consent, Oxfam International, 2019) operating across geographies and industries.
This has also emerged from recognition that, as well as being morally abhorrent, issues such as land-related human rights abuses do, and can, create material risk for businesses.
By contrast, GRI requires human rights reporting as a Universal Standard - applying to all reporting - and aligns this with the UN Guiding Principles on Business and Human Rights.

011-B.
(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?

Please select which industries you would like to comment on. If you would like to comment on all industries select 'All industries'.

N/A

If you do not see comment boxes for all of the industries you selected, please move to the next page(s) to view.

011-CP. (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?

N/A

011-CR. Please explain your answer:
N/A

The second set of proposed changes relative to existing SASB Standards address emerging consensus on the measurement and disclosure of financed or facilitated emissions in the financial sector. To address this, the Exposure Draft proposes adding disclosure topics and associated metrics in four industries: commercial banks, investment banks, insurance and asset management. The proposed requirements relate to the lending, underwriting and/or investment activities that finance or facilitate emissions. The proposal builds on the GHG Protocol Corporate Value Chain (Scope 3) Standard which includes guidance on calculating indirect emissions resulting from Category 15 (investments).

Paragraphs BC149–BC172 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals for financed or facilitated emissions.

011-D.
(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?

Please select which industries you would like to comment on. If you would like to comment on all industries select 'All industries'.
N/A

011-EP. (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?
N/A

011-ER. Please explain your answer:
N/A

011-FP. (f) Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?
N/A

011-FR. Please explain your answer:
N/A

011-GP. (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?
N/A

011-GR. Please explain your answer:
N/A

011-HP. (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?
N/A

011-HR. Please explain your answer:
N/A

011-IP. (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?
N/A

011-IR. Please explain your answer:
N/A

Overall, the proposed industry-based approach acknowledges that climate-related risks and opportunities tend to manifest differently in relation to an entity's business model, the underlying economic activities in which it is engaged and the natural resources upon which its business depends or which its activities affect. This affects the assessment of enterprise value. The Exposure Draft thus incorporates industry-based requirements derived from the SASB Standards.

The SASB Standards were developed by an independent standard-setting board through a rigorous and open due process over nearly 10 years with the aim of enabling entities to communicate sustainability information relevant to assessments of enterprise value to investors in a cost-effective manner. The outcomes of that process identify and define the sustainability-related risks and opportunities (disclosure topics) most likely to have a significant effect on the enterprise value of an entity in a given industry. Further, they set out standardised measures to help investors assess an entity's performance on the topic.

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

While the industry-based requirements in Appendix B are an integral part of the Exposure Draft, forming part of its requirements, it is noted that the requirements can also inform the fulfilment of other requirements in the Exposure Draft, such as the identification of significant climate-related risks and opportunities (see paragraphs BC49–BC52).

011-JP. (j) Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why?
N/A

011-IR. Please explain your answer:
N/A

011-KP. (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.
N/A

011-KR. Please explain your answer:
N/A

011-LP. (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?
N/A

011-LR. Please explain your answer:
N/A

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.

012-AR. (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?
N/A

012-BR. (b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?
N/A

012-CP. (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?
N/A

012-CR. Please explain your answer:
N/A

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.

013-AP. 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.
N/A

013-AR. Please explain your answer:
N/A

Question 14—Effective date
Because the Exposure Draft is building upon sustainability-related and integrated reporting frameworks used by some entities, some may be able to apply a retrospective approach to provide comparative information in the first year of application. However, it is acknowledged that entities will vary in their ability to use a retrospective approach.

Acknowledging this situation and to facilitate timely application of the proposals in the Exposure Draft, it is proposed that an entity is not required to disclose comparative information in the first period of application.

[Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* requires entities to disclose all material information about sustainability-related risks and opportunities. It is intended that [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* be applied in conjunction with the Exposure Draft. 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.

014-AP. (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?
N/A

014-AR. Please explain your answer:

N/A

014-BR. (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.

N/A

014-CP. (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?

N/A

014-CR. Please explain your answer:

N/A

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.

015-AR. 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)?

N/A

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.

016-AP. 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?

- Yes

016-AR. Please explain your answer:

As explained in our answer to question 1, the exposure draft fails to consider the climate impact of entities, and therefore does not provide a sufficient basis to assess climate-related risks.
The standard will fall behind best practices in the financial market and ignores the need to swiftly ramp up climate finance, as underlined by the IPCC (See: IPCC AR6).
To be used as a global baseline, the standard should be revised to integrate double materiality - where the definition of 'double materiality' includes impact materiality.
Similarly, the standard must acknowledge the intertwined nature of climate outcomes and human rights, playing particular attention to the rights of Indigenous peoples.

Question 17—Other comments

017-AR. Do you have any other comments on the proposals set out in the Exposure Draft?
N/A