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To: International Sustainability Standards Board   By electronic submission

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Standard Chartered's response to exposure drafts IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 - Climate-related Disclosures

Standard Chartered ('**SC Group**' or '**the Bank**') supports the International Sustainability Standards Board's ('**ISSB**') initiative and thanks the ISSB for its work to publish its Exposure Drafts in a timely manner to move towards a global baseline. We welcome the opportunity to comment on those Exposure Drafts covering sustainability ('**S1**') and climate-related ('**S2**') disclosures. SC Group has been publishing climate-related disclosures on a voluntary basis since 2018 based on the Task Force on Climate-related Financial Disclosures' ("**TCFD**") recommendations, gaining valuable experience and insight in the process. The Bank agrees with the need to set a comprehensive global baseline of sustainability disclosures and supports a wide adoption in terms of jurisdictions and entities in scope: comprehensive, trustworthy and comparable sustainability disclosures are necessary to scale up sustainable finance and further enhance sustainability/ climate risks management.

We provide answers to both consultations' questions in Annex S1 and S2 of this letter, but our key high-level comments and recommendation are:

- Propose a 24-month implementation period following the adoption of the final S1 and S2 standards. We note however that full compliance will be a moving target given the evolving nature of the topic and the development of further specific standards. We expect the overall accuracy of the disclosures to improve over time driven by improvements in data availability and refinement in methodologies
- Support transparency as the key mechanism to ensure accountability of disclosures preparers and to meet the standards' objective of comparability while data gap and methodological issues are being addressed
- Provide additional clarity on key elements within the S1 and S2 standards. The transition from a current practice of disclosure on a best-efforts basis against voluntary standards towards a landscape of comply or explain under a mandatory regime will be a significant step-change which requires clear reference points to support verification and assurance activities
- Encourage the ISSB to collaborate with relevant agencies at all levels to reduce the risk of significant deviations in local implementation and to promote the adoption of mutual recognition / substitute compliance regimes between jurisdictions and between different standards. The viewpoint of emerging markets should be taken into account and additional flexibility on the date to full compliance for emerging markets should be considered
- Develop and publish a roadmap of ISSB's future work products, including the possible integration of existing and emerging market standards under the ISSB framework as well as the development of further specific sustainability-related disclosures requirements

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- Recommend that industry specific disclosures based on the Sustainability Accounting Standards Board ('SASB') be on a principals and best-efforts basis. Organisations should be providing relevant disclosure within the construct of materiality to users of disclosures

We have contributed to industry's responses coordinated by UK Finance, the Association for Financial Markets in Europe and the International Institute of Finance. In this response, we focus on areas of particular relevance to the Bank.

We would be pleased to discuss the contents of this letter, and related matters, with you or your representatives at your convenience.

Sincerely,

Paul Chambers
Group Financial Controller

Farisa Zarin
Global Head, Group Public & Regulatory Affairs

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ANNEX – S1

Question 1—Overall approach

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?

The Bank acknowledges the importance of disclosure regarding sustainability matters. We see IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information ('**S1**') as the overarching framework setting high level principles and guidance on sustainability disclosures under which specific disclosure standards will fit. We assume that the finalisation of S1 is not a carte blanche to develop further specific disclosures standards. Sustainability is an extremely wide concept, and it might not be advisable or possible to develop specific disclosures standards for each constituent of sustainability. Therefore, it will be critical for the International Sustainability Board Standards ('**ISSB**') to assess the feasibility and suitability of any future specific disclosure's standards, in close collaboration with stakeholders. This is very critical given that the current S1 draft does not provide a definition of 'sustainability' and what is or could be included under that term from the ISSB's perspective.

We note that S1 paragraph 2 currently requests 'material information about all of the sustainability-related risks and opportunities to which the entity is exposed'. We would propose instead that material information should be disclosed for the material sustainability-related risks and opportunities to which the entity is exposed.

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?

As mentioned above, it is clear that S1 is intended to provide the overarching framework under which specific standards, such as S2, will be developed. We would recommend keeping the content of S1 very focused, setting the principles, describing those principles, and providing some examples for sustainability-related disclosures. Details and specifics should be left to the specific standards. That approach would minimise potential inconsistencies between standards.

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?

SC Group welcomes the ISSB approach of leveraging on and consolidating existing disclosures recommendation/ standards such as the Task Force for Climate-related Financial Disclosures ('**TCFD**') as the basis for the ISSB standards. In addition to promoting interoperability of various framework, this approach has the benefit of using market-tested disclosures while likely supporting efficiency in implementation for early adopters. However, references to several existing frameworks also creates some challenges around navigation and ease of application of S1. Currently, the S1 specifically points to IFRS and Sustainability Accounting Standards Board ('**SASB**') standards, both comprehensive sets of requirements, as well as to "other standard setting bodies". This raises questions on alignment and full consistency between various standards in their current and future versions. A comprehensive, in-depth reconciliation and compatibility assessment of key market standards has not been conducted to date to our knowledge. While inconsistencies and differences in key standards may not be major concern under voluntary-best-effort disclosure regimes, those will become points of focus under a mandatory disclosure regime subject to third-party verification/ review and/ or when sustainable disclosures are subject to internal/ external audits.

The potential inclusion of other standards within the ISSB framework will pose similar challenges. For instance, we know that the Global Reporting Initiative ('**GRI**') and the ISSB signed a Memorandum of Understanding in March 2022, committing the two organisations to seeking to coordinate work programmes and standard-setting activities. SC Group supports coordination as a key principle for the development of effective and efficient standards. However, stakeholders would benefit from further clarity on the intention of the ISSB vis-à-vis GRI standards and ultimate objective of the collaboration. Again, this would ensure that preparers have visibility on expectations and can therefore get comfort around their compliance ability.

We would suggest that the integration of 'other standard-setting bodies'' frameworks into the ISSB follows a pre-defined process including a cost-benefit analysis of the inclusion of new standards, a thorough assessment of consistency and compatibility between ISSB and the new standards under consideration and consultation(s) of stakeholders on draft updated ISSB standards. Sufficient implementation time should be given, including phase-in if necessary. The ISSB and the other relevant standard-setting body should collaborate with a view to establish mutual recognition of their respective framework subject to appropriate oversight by a third party. This approach encourages early adoption and therefore the overall state of readiness of the preparers.

Finally, we found that definition or further guidance on some of the key terms would be needed before the standards offer a suitable basis for audit and regulatory oversights. As mentioned before, the term sustainability is not defined under S1, which may result in different interpretation in local adoptions and implementations. Time horizons such as short, medium and long term are left to the reporting entity, which may hamper the comparability objective. There is also not much guidance on 'resilience' which can take many forms: operational, financial, reputational, etc.

Question 2—Objective (paragraphs 1–7)

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

SC Group welcomes the attempt by ISSB to develop and establish "Generally Accepted Sustainability Reporting Principles (GASP)" in this section. Principles driven reporting is a cornerstone of IFRS disclosures which the Bank supports. The section could be reworded "Objective and Reporting Principles of disclosing sustainability-related financial information".

In addition to renaming the section as suggested above, we would recommend splitting the section into two: the first listing the objectives and reporting principles succinctly; the second providing detailed guidance on those. That would help with clarity and ensure that systematic and consistent guidance is provided for each objective and reporting principles, which is currently not the case. We also note that some reporting principles have dedicated sections later in S1 without being covered under the 'Objective" section, which is confusing. We would be happy to discuss detailed recommendations if needed.

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?

We commented that 'sustainability' is not defined in S1, which by extension prevents stakeholders to have a complete and clear understanding of the scope of 'sustainability-related financial information'.

Consistent with our answer to a) of this question, we feel that the content of the 'Objective' section is not always aligned between the various objectives. For instance, paragraph 6 reads more as additional guidance rather than the description of 'sustainability-related financial information'.
We would be happy to discuss detailed recommendations if needed.

Question 3—Scope (paragraphs 8–10)

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

SC Group supports a wide adoption of the proposed disclosure standards and therefore agrees with not restricting the use of the standards to IFRS reporting entities. The lack of relevant, consistent and comparable data is widely acknowledged by market participants, regulators and other stakeholders as a key impediment to scaling up sustainable finance and further enhancing sustainability risk management practices. A wide adoption of the proposed standards could significantly address this concern if jurisdictions limit the number of deviations in local implementation. There is a risk that adopting jurisdictions introduce material deviations to the final standards, which could work against the key policy objectives of the ISSB standards.

We think those paragraphs could gain in clarity by introducing a distinction between 'scope' and 'eligibility' for entities to reflect the different possible outcomes and situations following the finalisation of the S1. In-scope and eligibility criteria may indeed differ. E.g., some entities in jurisdictions adopting and mandating S1-based disclosures requirements would be considered 'in-scope' entities. Other entities may be 'out-of-scope' but still adopt the standards on a voluntary basis, being 'eligible'.

Finally, one may consider that paragraph 9 would fit better under the 'Objective' section as an additional paragraph to complement paragraph 2.

Question 4—Core content (paragraphs 11–35)

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

As per our answer to Question 2, consistency and clarity of S1 and between S1 and specific standards would improve by adopting a systemic and rigorous presentation approach along the line of (1) objective and reporting principles; (2) detailed guidance followed by (3) some examples.

We also noted that some of the languages suggest a possible hierarchy between some of the disclosure objectives such as risk management and strategy, where S1 places risk identification before the formulation of a strategy for instance. This should be clarified and potentially lead to re-ordering of the section in the final S1, with risk management section preceding the strategy section.

Finally, a review of the key terms for consistency would be welcome to ensure that differences are purposeful and not accidental, e.g., it is unclear whether materiality is applied differently for different objectives as S1 uses 'sustainability-related risks and opportunities' or '*significant* sustainability-related risks and opportunities.'

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

We would make the following recommendations to improve the appropriateness of the requirements:

- Include under paragraph 13 a requirement to refer to the Corporate Governance Code (if any) the entity is following; this would serve the GASP of cross-entity comparability; reference to an acknowledged Governance Code that covers sufficiently sustainability-related matters could also exempt an entity from disclosing the details under 13 (a) - (g);
- Change the wording of paragraph 13: "... *an entity shall disclose information about the governance body or bodies with oversight of sustainability-related risks and opportunities, and information about management's role in ~~those~~ Governance-focused processes...";*
- Clarify the content of paragraph 17. It is worded with some broad examples for risk sources and interdependencies and leaves similar examples on opportunities out. Overall, it does not help to provide further clarification when read in conjunction with paragraph 16 and contains duplicates to paragraph 20;
- Define and set a delineation of "value chain" should be provided (for example, is it limited to the immediate suppliers, or would an entity be expected to go further upstream). Also refer to our comments under Question 5, b;
- Recommend under paragraph 28 for reporting entities to highlight conflicting metrics and to disclose unbiased additional information to guide the user in his interpretation;
- Recommend under paragraph 32 for reporting entities to disclose suitable benchmarks based on industry practices to evaluate the target against;
- Refer to paragraphs 44-55 of the 'Fair Representation' section under paragraph 35

Question 5—Reporting entity (paragraphs 37–41)

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

The Bank agrees with the content of these paragraphs but think S1 would gain in clarity if most of the content was consolidated under an augmented sub-section called ‘Financial Statement, Financial Positions, Financial Performance and Cash Flows’. This would make for easier navigation with IFRS Accounting standards or other GAAP.

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?

The Bank agrees with extending the analysis of risks and opportunities along the value chain. This should, however, be done in a gradual manner given current data and methodologies limitations. Promoting a consistent application will also require further clarifications to limit the range of interpretations to acceptable outcomes.

First, it would be important for instance to provide some guidance on whether only assets or resources owned by the reporting entity are part of the value chain analysis. Or should assets and resources controlled by the reporting entity be part of the value chain analysis. what about assets and resources where the entity is the primary beneficiary.

Second, clarifications and further guidance on ‘interactions and relationships’ would be required to drive consistency. Would ‘relationships’ be limited to contractual relationships. Would there be any threshold set to define what would constitute a material interactions or relationships.

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

We agree and have no additional comments.

Question 6—Connected information

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?

We agree that connectedness/Interrelatedness is a key reporting principle and welcome its inclusion into S1. We would recommend reflecting the two types of connectedness implied under paragraph 42 in the structure of the section to further improve its usefulness. The first dimension refers and would expand on connectedness between the various elements of sustainability disclosures (e.g., strategy, targets and metrics). The second dimension refers and would expand on connectedness between sustainability-related disclosures and financial statements.

We would also recommend clarifying expectations on the nature of explanation to be provided on connectedness, and whether those expectations would evolve over time. Guidance on whether qualitative analysis would be sufficient or not. This would help reporting entities to assess compliance.

Question 7—Fair presentation (paragraphs 45–55)

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

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

The 'Fair presentation' section is clear but would require further work as we believe its does not address all key elements of fair presentation and could be better aligned with IFRS Accounting standards. Some of the elements to be addressed would include "substance over form", "true and fair view", "period-end reporting", the requirement not to conceal, obscure or mislead through wording or structuring of content, and a recommended minimum reporting structure / format.

This section also makes references to other standards such as SASB, which, as commented before, can create challenges in terms of navigation for reporting entities to fully assess compliance.

Question 8—Materiality (paragraphs 56–62)

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

b) Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why 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?

The Bank acknowledges and supports the intent of the S1 to establish alignment and inter-operability with IFRS. However, further clarification is needed on how the definition of materiality adopted from recent revisions to IFRS is being applied specifically for the purpose of sustainability-related information. S1 takes an overall view on materiality regarding the whole disclosure report ("to enable users to assess an entity's enterprise value") and does not provide further guidance on the specific materiality of individual disclosure elements (such as Governance, Strategy, Risk Management, Metrics). The Bank also would like some clarity on the concept of materiality in IAS 1 as it compares to sustainability and considering the impact of the environment (for climate) as a whole (double materiality). We support the IAS 1 materiality being the impact on users and believes

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this principal should be sufficient as a consideration of information to include in the financial statements, whilst providing clear and concise information without clutter for users.

Applying materiality to “activities, interactions and relationships and the use of resources along the value chain” requires further guidance as such assessment cannot be derived from the typical assessment of materiality in the context of a financial statement for an entity. The scope of such activities, interactions and relationships would need to be properly delineated.

Paragraph 57 expands on the scope of items for consideration by including risks and opportunities of high impact but low probability; this appears to deviate from Financial Reporting Standards where a reasonably high probability for materialization is required to justify inclusion in the report.

Paragraph 59 allows the entity to apply judgment in identifying material information; further guidance could be provided by adding that “the judgment should be applied as a sufficiently qualified third party / outsider would be expected to apply it” and that the judgment made should be evidence-based and traceable.

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?

The waiver clause to forego disclosure where local regulatory restrictions require to do so may be helpful for entities facing such conditions. A sufficient safeguard provided for by the Standard seems to be that the information and the restricting regulation need to be disclosed.

Question 9—Frequency of reporting (paragraphs 66–71)

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

Question 10—Location of information (paragraphs 72–78)

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

Yes.

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?

No comments.

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?

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No comments.

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?

No comments.

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

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

No comments.

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?

Yes.

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

Yes, but S1 should acknowledge and allow for a prioritised approach for implementation given the broad topics coverage. Consideration should be given to data availability and connectivity to financial reports when selecting specific Environmental and Social factors for disclosures to ensure comparability.

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

Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

Refer to our answer to Question 1.

Question 13—Effective date

a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.

We believe that a 24-month implementation period would be reasonable for reporting entities to start disclosing as per the S1 an S2. Voluntary adoption may be applied. However, given the data and methodological challenges, which are ever more acute for emerging markets where we operate, we would expect reporting entities to gradually work toward full compliance even post commencement date. Transparency should be the key mechanism to ensure accountability and provide users of the disclosures with the necessary information. In practical term, we would assume that reporting entities provide a roadmap to full compliance, including key next steps and milestones, as part of their sustainability disclosures. This could include the gradual roll out of sector specific disclosures under the SASB standards and key considerations for prioritisation.

To avoid confusion, we would recommend a 24-month implementation period excluding SASB related disclosures, with reporting entities gradually adding SASB to their disclosures while providing transparency to users on the roadmap.

b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?

Yes that would be a sensible approach.

Question 14—Global baseline

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

Refer to our answer to Question 1, d.

We also encourage the IFRS to engage with the relevant agencies across many jurisdictions, including emerging markets. It is critical that the standards and their implementation recognised the additional challenges in emerging markets where the sustainability data gap is larger than in developed markets. The IFRS could leverage on the existing Emerging Economies Group (‘**EEG**’) created in 2011, which could expand its mandate beyond IFRS Accounting standard to cover ISSB standards. Although the membership is limited to 12 emerging market represented only, the EEG could form the basis for collecting feedback from those markets, understand their challenges and ensure minimal deviation from the standards when locally adopted. The EEG could then collect feedback from a boarder basis of emerging markets. The IFRS may also benefit from targeted reach out sessions with Central Banks and regulators to discuss challenges faced by financial institutions in implementing the standards; engaging with the Network of Central Banks and Supervisors for Greening the Financial System (‘**NGFS**’) could be effective and efficient given the large memberships.

Question 15—Digital reporting

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

The ISSB should explore promoting the use of Inline XBRL.

Question 16—Costs, benefits and likely effects

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?

We have answered this question through comments to other questions included in the consultation.

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

We have answered this question through comments to other questions included in the consultation.

Question 17—Other comments

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

No comments.

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ANNEX – S2

Question 1—Objective of the Exposure Draft

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

The objective to require an entity to disclose information about its significant Climate related risks and opportunities (R&O) and potential impact on the organisations enterprise value is clear.

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?

Whilst we agree with the proposed objectives of the Exposure Draft, we note that some of the requirements are more comprehensive than the TCFD's recommendations, in terms of breadth and depth of disclosure. We would welcome more clarity on some of the requirements, including of the definition of "significant" exposure to climate-related risks and opportunities, and the definition of an entity's "enterprise value". Examples on enterprise value would be welcome.

Question 2—Governance

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

We agree with these proposals which are aligned to TCFD and in place at SC Group, which has been reporting based on TCFD recommendations since 2018 on a voluntary basis.

Question 3—Identification of climate-related risks and opportunities

a) Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?

These requirements are clear, and currently identified and monitored by our Risk function. It is acknowledged that many of these risks are over a longer-term time horizon rather than the balances on our balance sheet. (Current vs risks out to 2050). We would therefore recommend S2 to acknowledge that the impact in the shorter term is limited.

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?

The current assessment of the climate risk impact is still challenged by uncertainty in the timing in which the risks are likely to materialise, and the unavailability of data for the assessment which necessitates usage of approximations. As such, the Exposure Draft requirement to disclose the effects of climate-related risks over the short, medium and long-term will need to be clearly defined, so as to enable comparability across firms' disclosures, and understanding of assumptions used in the assessment.

We also welcome definition on the terms used, specifically:

- "Value chain": the extent/scope to which entities are required to assess their value chain as this can be very broad and wide-ranging. A materiality lens will help in the assessment.
- Assessment of "climate resilience" of strategy

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

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

We generally agree, noting that 'significant' vs 'material' is a bit contentious, but considering the material risk and opportunities to the entities business is key. The impact on the business model and value chain will evolve over time, hence whilst the impact will be small in the near team this will evolved and become increasingly larger over the longer team. As mentioned above, further guidance on the extent/ scope of the 'value chain' would be welcome given that the complexity and depth of some companies' supply chains could pose reporting challenges.

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?

Agree with a qualitative approach, due to limited impact in the short term. For example the impact on a Banks Expected Credit Loss ('**ECL**') will be marginal in the near to medium term but may increase in the longer term.

Question 5—Transition plans and carbon offsets

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

Yes we agree with the transition plan disclosures, but note that the industry is still working on a framework to assess characteristics of a good and credible transition plan, as evidenced by the recent draft publications by the Glasgow Financial Alliance for Net Zero ('**GFANZ**') or the consultation by the UK Transition Plan Task Force. Telling the Net Zero story in a manner which is fair, balance and understandable whilst being clear and concise for users to understand is key. The impact of carbon offsets on the journey (if any) should form part of that short and narrative.

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.

Refer to above.

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

Refer to above.

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?

Refer to above.

Question 6—Current and anticipated effects

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

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

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

We agree that generally accepted methodologies should be established before the quantitative disclosures on climate-related risks are required, which would also facilitate better comparability and verifiability of the disclosures across firms.

As noted above, the impact of climate impacts on the balance sheet and financial performance will evolve over time and is more prevalent in the longer term and less impactful in the nearer term. As such materiality is key in disclosing quantitative information in the near term.

Question 7—Climate resilience

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?

We generally agree.

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?

Yes, we generally agree and provide already scenario analysis, noting that this will evolve over time. The ISSB also needs to acknowledge that firms are at different levels in implementing climate scenario analysis, and the methodology as well as data available for the analysis will vary across firms. In addition, assumptions, risk drivers and modelling approaches used in the scenario analysis can often be complex, but should be clearly explained to facilitate assessing the resilience of a company.

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

See our comments above.

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?

See our comments above.

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?

Both firm-wide awareness and understanding, as well as capabilities around climate-related scenario analysis are still being progressively developed. Further, any results of climate scenario-analysis should be interpreted with caution, in particular the assumptions of the scenarios, risk drivers and limitations in modelling capabilities can be complex and should be clearly understood by the users.

Climate resilience should be seen within the broad context of materiality and will evolve over time, adequate caveats and description of key judgements and estimates is key in describing these scenario analyses over a 30-year time horizon. Consistency of scenarios across simpler organisations will also be welcome to drive consistency.

Question 8—Risk management

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

We agree and SC has been reporting based on TCFD recommendations since 2018 on a voluntary basis.

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

a) The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?

Agree and support consistency of reporting.

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.

The impact (or lack thereof) on the near-term balance sheet could be useful to readers for Banks, for example impact on ECL and the loan book noting the shorter-term maturity of loan books vs the longer term Climate risks and opportunities.

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?

Yes agree, GHG protocol or another industry recognised and adopted protocol that evolves with time.

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))?

Aggregation is supported to provide a clear, consistent and uncluttered view to users.

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
iii. affiliates? Why or why not?

Yes at the consolidated entity level. This may evolve over time, but without control over Associates or JV's this may be difficult to enforce, especially if the associate or JV is in a jurisdiction that does not enforce carbon disclosures. Further of the associate is a bank for instance, there would be a double count of GHG emissions facilitated or financed by both the association/JV and the Investor.

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?

We agree with the proposed disclosure of absolute and intensity-based emission metrics, consistent with wider industry-based disclosure requirements for financed and facilitated emissions which are built on PCAF methodology.
It should be noted that entities should provide these disclosures as they obtain the information which may be over time, whilst committing to a reasonable timeline. Therefore, the standards should acknowledge and consider that the information will evolve and improve over time and materiality is key to address meaningful disclosure.

At SC Group, we support an approach based on IFRS 8 – Operating Segment through the eye of senior management: this serves as a good proxy to materiality in that if information is presented to a Management Team ('**MT**') / Chief Operating Decision maker ('**CODM**'), it is material.

Question 10—Targets

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

Yes we agree, see the answer in f) above.

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?

Yes, we agree to keep this open to a principal as the agreements may change over time. Consistence is key in this disclosure requirement.

Question 11—Industry-based requirements

a) Do you agree with the approach taken to revising the SASB Standards to improve the international applicability, including that it will enable entities to apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why?

SC understands the need for consistency, however we consider the Cross-industry metric categories and greenhouse gas emissions, Transition plans, Climate Resilience and Targets to be sufficient to provide the principals within which entities can tell their climate story. The SASB disclosures are very rules based and specific which the fear that these obscure the key principals and messages the Bank is trying to portray. Materiality will be key for these disclosures, but the concern is having to perform a materiality assessment every time a specific SASB disclosure is provided. If the SASB disclosures are to be retained, SC would strongly prefer these are done on a voluntary basis.

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?

Refer to our response above.

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?

Refer to our response above.

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?

Refer to our response above.

f) Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?

Refer to our response above.

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?

Refer to our response above.

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?

We agree, this is already covered in the ISSB transition plan disclosures.

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?

No comments.

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

Refer to our response above.

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.

No, the ISSB standards (excluding SASB are sufficient).

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?

Refer to our response above.

Question 12—Costs, benefits and likely effects

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?

The ISSB costs are manageable, SASB if full implementation is required will be significant.

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?

Question 13—Verifiability and enforceability

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

Refer to our answer to Question 9 f.

Question 14—Effective date

a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information? Why?

Yes, please refer to our prior answer on effective date for S1.

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.

24-month, please refer to our prior answer on effective date for S1 for more details.

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

Yes, please refer to our prior answer on effective date for S1.

d) Draft should be required to be applied earlier than others?

No comments.

Question 15—Digital reporting

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

No comments.

Question 16—Global baseline

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

Please refer to our prior answer on global baseline for S1.

Question 17—Other comments

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

No comments.