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:

Global Risk Institute in Financial Services

Question 1—Overall approach

The Exposure Draft sets out overall requirements with the objective of disclosing sustainability-related financial information that is useful to the primary users of the entity's general purpose financial reporting when they assess the entity's enterprise value and decide whether to provide resources to it.

Proposals in the Exposure Draft would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. The assessment of materiality shall be made in the context of the information necessary for users of general purpose financial reporting to assess enterprise value.

01-AP. (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?

- Broadly Agree

01-AR. Please explain your answer:

Yes. It's clearly stated in the Fair Presentation section that an entity is expected to provide additional disclosures when compliance with specific requirements in the IFRS Sustainability Disclosure Standards are insufficient and that an entity shall consider non-conflicting requirements released by other standard-setting bodies, and even use their best judgment when they identify relevant and neutral disclosures in the absence of a specific IFRS Sustainability Disclosure Standard on a material issue.

01-BP. (b) Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?

- Broadly Agree

01-BR. Please explain your answer:

Broadly agree for 2 main reasons. Firstly, in the absence of a unified definition of materiality, entities need more structured and rigorous principles and standards to determine and assess significant sustainability-related risks. It's recommended for entities to assess the materiality of various sustainability risks and build a matrix to show the horizon, propensity, and severity of each ESG risk. Further IFRS guidance on the scope of key ESG risks for specific industries helps entities focus on the material sustainability-related risks that are most relevant to them.

Secondly, disclosure requirements and standards on the strong linkages between the four pillars recommended by TCFD would allow entities to report governance, risk management, strategy, and metrics and targets in a more integrated fashion. For example, the expectation for entities to assess sustainability-related risk and opportunities through metrics; specify achievable, realistic, and timely targets through climate-related risk and opportunity assessment; draw conclusions about strategy and business plan from scenario analysis; continuously report performance and achievement back to the governance level to quickly adjust strategy and response, if necessary, etc. When the functions of the 4 pillars are integrated, can they be most effective.

01-CP. (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?

- Broadly Disagree

01-CR. Please explain your answer:

More clarification or discussion is needed on the reporting location, timing, and the effective date of the [draft] IFRS S2 versus S1, whether S2 is expected to be provided in the same location as S1 or they can be interwoven as long as the connections are clear enough for report users to draw implications from the disclosures. Clarification is needed on whether assurance is needed for both the general disclosures and climate-related disclosures. In addition, more guidance is needed on how entities should avoid unnecessary duplication and redundancy.

01-DP. (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?

- Other

01-DR. Please explain your answer:

(No answer from GRI here)

Question 2—Objective (paragraphs 1–7)
The Exposure Draft sets out proposed requirements for entities to disclose sustainability-related financial information that provides a sufficient basis for the primary users of the information to assess the implications of sustainability-related risks and opportunities on an entity's enterprise value.

Enterprise value reflects expectations of the amount, timing and uncertainty of future cash flows over the short, medium and long term and the value of those cash flows in the light of the entity's risk profile, and its access to finance and cost of capital. Information that is essential for assessing the enterprise value of an entity includes information in an entity's financial statements and sustainability-related financial information.

Sustainability-related financial information is broader than information reported in the financial statements that influences the assessment of enterprise value by the primary users. An entity is required to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Sustainability-related financial information should, therefore, include information about the entity's governance of and strategy for addressing sustainability-related risks and opportunities and about decisions made by the entity that could result in future inflows and outflows that have not yet met the criteria for recognition in the related financial statements. Sustainability-related financial information also depicts the reputation, performance and prospects of the entity as a consequence of actions it has undertaken, such as its relationships with, and impacts and dependencies on, people, the planet and the economy, or about the entity's development of knowledge-based assets.

The Exposure Draft focuses on information about significant sustainability-related risks and opportunities that can reasonably be expected to have an effect on an entity's enterprise value.

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

- Broadly Disagree

02-AR. Please explain your answer:

Not clear enough, see answer (b) below for explanation.

02-BP. (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?

- Broadly Disagree

02-BR. Please explain your answer:

Not clear enough. Enterprise value includes in its calculation the market capitalization of a company but also short-term and long-term debt as well as any cash on the company's balance sheet. However, non-financial performance/achievement, such as change in strategy taking sustainability risks into account, enhanced governance, and others will also add future value to the firm. Climate-related information that has not been captured in the financial result could be disclosed through a forward-looking perspective so it is assessable by report users, and thus should be considered as a part of the definition of sustainability-related financial information in Appendix A, as well as the objective of [draft] IFRS S1.

Question 3—Scope (paragraphs 8–10)
Proposals in the Exposure Draft would apply to the preparation and disclosure of sustainability-related financial information in accordance with IFRS Sustainability Disclosure Standards. Sustainability-related risks and opportunities that cannot reasonably be expected to affect users' assessments of the entity's enterprise value are outside the scope of sustainability-related financial disclosures.

The Exposure Draft proposals were developed to be applied by entities preparing their general purpose financial statements with any jurisdiction's GAAP (so with IFRS Accounting Standards or other GAAP).

03-AP. 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?

- Broadly Agree

03-AR. Please explain your answer:

Yes. Jurisdictions can consider creating guidance for applying the IFRS Sustainability Disclosure Standards, could collaborate with IFRS to bridge the gap, or map the sustainability-related factors for GAAP users.

Question 4—Core content (paragraphs 11–35)

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

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

Governance

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

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

Strategy

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

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

Risk management

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

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

Metrics and targets

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

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

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

- Broadly Agree

04-AR. Please explain your answer:

It's clear, except for the use of "enterprise value" to explain the objective of paragraphs 11-35. The 4 pillars are of great importance to enable primary report users to understand firms' exposures, approaches, readiness, and efforts to transition to a lower-carbon economy. However, some of the information required by the Exposure Draft such as sustainability-related governance or climate risk management may not end up being captured by a firm's enterprise value, which makes this term not comprehensive enough to cover all the potential objectives of the above paragraphs.

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

- Broadly Agree

04-BR. Please explain your answer:

Somewhat appropriate. Many firms committed to net-zero GHG emissions without a clear pathway to net-zero or positioning their total portfolios with regard to the transition to a lower-carbon economy. Given the large exposure to carbon-intensive activities or sectors for these firms, the closer it gets to the target deadline, the higher the risk of green-washing. In this regard, metrics should be calculated before firms set their targets to make sure that targets are realistic, achievable, and timely.

Nearly 300 financial institutions globally have adopted PCAF as the methodology of accounting for carbon-related assets. The standardization of such a method would result in ease of comparison of reported information by primary users. Those firms that adopt other methods should disclose their own methodology, assumptions, limitations, and the reason they are not using PCAF.

Question 5—Reporting entity (paragraphs 37–41)

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

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

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

The Exposure Draft also proposes that an entity disclose the financial statements to which sustainability-related financial disclosures relate.

05-AP. (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?

- Broadly Agree

05-AR. Please explain your answer:

N/A

05-BP. (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?

- Other

05-BR. Please explain your answer:

Further guidance on reporting boundary in the context of sustainability risk and opportunity would be welcomed for materiality determination and assessment. Value chain risk covers a wide range of resources, activities, and participants, all of which vary widely across different industry sectors. More guidance or standardization by industry sector can clarify the focus and direction of value chain-related risk disclosure and encourage comparability within sectors.

According to the IFRS, intercorporate investments can be classified into 5 main categories, including 1) investments in financial assets, 2) investments in associates, 3) joint ventures, 4) business combinations, and 5) special purpose and variable interest entities. The standards require different methods to account for the impact of intercorporate investments on financial statements and ratios. To ensure consistency, reporting boundaries in the context of sustainability risks and opportunities should be aligned with the IFRS's classification of intercorporate investments and their corresponding reporting requirements.

Defining these reporting boundaries would then facilitate entities reporting as reflective of the company's actual power or control. IFRS expansion of disclosure guidance for these five forms of ownership in the sustainability context would be welcomed for materiality determination and assessment, as well as mitigating the potential for double-counting and improving comparability.

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

- Broadly Agree

05-CR. Please explain your answer:

Yes. The cash flow generated from firms' sustainability-related investment, financing, and operating activities can be linked to the cash flow statement to demonstrate entities' solvency and liquidity over time. Asset value changes due to sustainability-related factors can be captured in balance sheets, and entities' capability to conduct business in a sustainable and profitable manner can be tracked on their income statements. If sustainability-related risks and opportunities are assessed to ultimately be built into the capital adequacy/buffer, then they should be transferred into financial language and mapped into the financial statements.

Connecting sustainability-related risks and opportunities to financial statements can provide a clear picture of the rationale behind the scene, and portray a more complete decision-chain, which helps primary users to understand entities' risks exposure, their efforts, the results, and the connections between them.

Question 6—Connected information (paragraphs 42–44)

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

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

- Broadly Agree

06-AR. Please explain your answer:

It's somewhat clear. More guidance or explanation is needed with regard to the establishment of linkages between the four pillars. For example, how to assess risk and opportunities through the use of reported metrics; how to specify achievable, realistic, and timely targets through sustainability-related risk and opportunity assessment; how to draw conclusions about strategy and business plan from scenario analysis; how to continuously report performance and achievement back to governance level to quickly adjust strategy and response, if necessary, etc.

06-BP. (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?

- Broadly Agree

06-BR. Please explain your answer:

Yes. Identifying and explaining connections between sustainability-related risks and opportunities and information in general-purpose financial reporting is essential as it encourages reporting firms to assess the integrated financial impact of sustainability-related risks, and ensure that sustainability-related assumptions are aligned with overall financial assumptions.

Question 7—Fair presentation (paragraphs 45–55)
The Exposure Draft proposes that a complete set of sustainability-related financial disclosures would be required to present fairly the sustainability-related risks and opportunities to which an entity is exposed. Fair presentation would require the faithful representation of sustainability-related risks and opportunities in accordance with the proposed principles set out in the Exposure Draft. Applying IFRS Sustainability Disclosure Standards, with additional disclosure when necessary, is presumed to result in sustainability-related financial disclosures that achieve a fair presentation.

To identify significant sustainability-related risks and opportunities, an entity would apply IFRS Sustainability Disclosure Standards. In addition to IFRS Sustainability Disclosure Standards to identify sustainability-related risks and opportunities, the entity shall consider the disclosure topics in the industry-based SASB Standards, the ISSB's non-mandatory guidance (such as the CDSB Framework application guidance for water- and biodiversity-related disclosures), the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting, and sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies.

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

07-AP. (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?

- Broadly Agree

07-AR. Please explain your answer:

Yes, it's clear. In the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk and/or opportunity, an entity shall be guided to use its best judgment to faithfully present sustainability-related risks and opportunities that are relevant to the decision-making needs of users of general purpose financial reporting and shall be provided with the alternative application guidance designed by other standard-setters to the extent that these alternatives do not conflict with an IFRS Sustainability Disclosure Standard.

07-BP. (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.

- Broadly Agree

07-BR. Please explain your answer:

N/A

Question 8—Materiality (paragraphs 56–62)
The Exposure Draft defines material information in alignment with the definition in IASB's *Conceptual Framework for General Purpose Financial Reporting* and IAS 1. Information 'is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity'.

However, the materiality judgements will vary because the nature of sustainability-related financial information is different to information included in financial statements. Whether information is material also needs to be assessed in relation to enterprise value.

Material sustainability-related financial information disclosed by an entity may change from one reporting period to another as circumstances and assumptions change, and as expectations from the primary users of reporting change. Therefore, an entity would be required to use judgement to identify what is material, and materiality judgements are reassessed at each reporting date. The Exposure Draft proposes that even if a specific IFRS Sustainability Disclosure Standard contained specific disclosure requirements, an entity would need not to provide that disclosure if the resulting information was not material. Equally, when the specific requirements would be insufficient to meet users' information needs, an entity would be required to consider whether to disclose additional information. This approach is consistent with the requirements of IAS 1.

The Exposure Draft also proposes that an entity need not disclose information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information. In such a case, an entity shall identify the type of information not disclosed and explain the source of the restriction.

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

- Broadly Agree

08-AR. Please explain your answer:

Yes. The definition of materiality in paragraphs 56-62 is clear in the sense that it's not too broad or too narrow in concept/scope, and meanwhile, it captures the importance of materiality determination for investment decisions. In addition to that, more rigorous principle-based standards, and sectoral-specific definitions/applications of materiality in the context of sustainability-related financial information would further support entities in their ability to identify and focus on the material sustainability risks that are most relevant to them.

08-BP. (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?

- Broadly Agree

08-BR. Please explain your answer:

Broadly agree. It's worth noting that some sustainability-related risks and opportunities may not be presently or directly reflected in firms' enterprise value, but are still material to firms and need to be disclosed. The materiality of sustainability-related risks and opportunities change over time and are subject to the reporting entity's judgment. To ensure the reliability and credibility of disclosed information, sustainability-related risks and opportunities should be assessed or updated periodically, and any changes are required to be disclosed and highlighted in the next reporting cycle.

08-CP. (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?

- Broadly Disagree

08-CR. Please explain your answer:

In general, it's helpful for identifying material sustainability-related financial information and it illustrates other sources of information that can be used to fulfill the requirements of the [draft] S1 Standard.

More clarification on the IG9 of Illustrative Guidance is needed as it seems to conflict with paragraph 92, Statement of Compliance of [draft] S1, which relieves an entity from disclosing information otherwise required by IFRS Sustainability Disclosure Standard if local law or regulations prohibit the entity from disclosing that information, and the relief is not prevented from asserting compliance with the IFRS Sustainability Disclosure Standard. However, IG9 in Illustrative Guidance withdraws the rights of an entity to state compliance with those standards, even if local laws and regulations permit it to do so.

In this regard, more clarification is needed on whether an entity can claim compliance with IFRS Sustainability Disclosure Standard if its local laws and regulations prevent it from disclosing, and it identifies the type of information not disclosed and explains the source of the restriction.

08-DP. (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?

- Broadly Agree

08-DR. Please explain your answer:

Yes. The IFRS standard does not exhaust all the possible situations, and in the cases where the local law gives entities relief from reporting material information, the statement of not disclosing along with the reason should be reported, and the substitute or alternative information should be disclosed instead to convey the right information to investors. Entities that comply with their applicable local laws by not disclosing material information should not be considered in violation of the IFRS disclosure standard.

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

The Exposure Draft proposes that an entity be required to report its sustainability-related financial disclosures at the same time as its related financial statements, and the sustainability-related financial disclosures shall be for the same reporting period as the financial statements.

09-AP. 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?

- Broadly Agree

09-AR. Please explain your answer:

Yes. Disclosing sustainability-related financial disclosure at the same time as the financial statements can more clearly show the correlation between the two reports, and whether the assumptions are consistent, allowing investors to make comparisons between different companies and make investment decisions that incorporate not only financial performance but also sustainability-related factors.

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

The Exposure Draft proposes that an entity be required to disclose information required by the IFRS Sustainability Disclosure Standards as part of its general purpose financial reporting—ie as part of the same package of reporting that is targeted at investors and other providers of financial capital.

However, the Exposure Draft deliberately avoids requiring the information to be provided in a particular location within the general purpose financial reporting so as not to limit an entity's ability to communicate information in an effective and coherent manner, and to prevent conflicts with specific jurisdictional regulatory requirements on general purpose financial reporting.

The proposal permits an entity to disclose information required by an IFRS Sustainability Disclosure Standard in the same location as information disclosed to meet other requirements, such as information required by regulators. However, the entity would be required to ensure that the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information.

Information required by an IFRS Sustainability Disclosure Standard could also be included by cross-reference, provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced. For example, information required by an IFRS Sustainability Disclosure Standard could be disclosed in the related financial statements.

The Exposure Draft also proposes that when IFRS Sustainability Disclosure Standards require a disclosure of common items of information, an entity shall avoid unnecessary duplication.

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

- Broadly Agree

010-AR. Please explain your answer:

Yes. Disclosing sustainability-related financial information as part of a general-purpose financial reporting package can improve the credibility of the disclosed information and the relevance of assumptions made in the general financial reports, and encourage the engagement of the board of directors in overseeing and approving the sustainability-related financial disclosure.

010-BP. (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

010-BR. Please explain your answer:

N/A

010-CP. (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 crossreferenced? Why or why not?

- Broadly Agree

010-CR. Please explain your answer:

Generally agree, but current trends in cross-referencing need to be improved for the needs of investors. Based on our tracking of climate-related financial disclosures by 32 financial institutions in Canada, firms that used a cross-reference approach usually demonstrated a relatively weaker correlation between the four pillars, and were more likely to disclose broader sustainability information (for a wider audience), or general information aggregated at the company level, which lacks the materiality and specificity needed for financial analysis.

010-DP. (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?

- Broadly Agree

010-DR. Please explain your answer:

Yes. Due to the high correlation between governance, strategy, and risk management for individual sustainability-related risks and opportunities, they should be analyzed in conjunction with each other and disclosed in the same location for the ease of primary users. In instances where there is a lower correlation between issues and/or they are managed differently, entities may need to disclose on each aspect.

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

The Exposure Draft sets out proposed requirements for comparative information, sources of estimation and outcome uncertainty, and errors. These proposals are based on corresponding concepts for financial statements contained in IAS 1 and IAS 8. However, rather than requiring a change in estimate to be reported as part of the current period disclosures, the Exposure Draft proposes that comparative information which reflects updated estimates be disclosed, except when this would be impracticable —ie the comparatives would be restated to reflect the better estimate.

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

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

- Broadly Agree

011-AR. Please explain your answer:

N/A

011-BP. (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?

- Broadly Agree

011-BR. Please explain your answer:

N/A

011-CP. (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?

- Broadly Agree

011-CR. Please explain your answer:

N/A

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

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

The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards.

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

- Broadly Agree

012-AR. Please explain your answer:

Agree with the need for a reporting entity to comply with all of the requirements, and for the entity to state it has complied with all the requirements in order to be recognized as being in compliance. Several versions of an acceptable ‘explicit and unqualified statement’ could be provided by IFRS as guidance or examples to ensure standardization and clarity.

If ISSB intends that sustainability-related disclosure requirements by other jurisdictions could build on the comprehensive global baseline established by the IFRS, then it should take into account potential conflicts between local laws of different jurisdictions. When local law relieves an entity from disclosing certain information that is otherwise considered material to IFRS, firms should comply with the applicable local laws and not be prohibited from claiming compliance with the IFRS standard. Taking local laws as a priority, and allowing the co-existence of local laws and international sustainability standards can help different jurisdictions to build their sustainability-related disclosure requirements on the IFRS standards and consolidates IFRS standard as a global baseline.

Question 13—Effective date (Appendix B)

The Exposure Draft proposes allowing entities to apply the Standard before the effective date to be set by the ISSB. It also proposes relief from the requirement to present comparative information in the first year the requirements would be applied to facilitate timely application of the Standard.

013-AR. (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.

Firms that have voluntarily reported sustainability-related financial information in alignment with TCFD and/or SASB should take up IFRS standards within 1 year, and implement them in the next reporting cycle. Large listed multi-national firms should have 2 years, and for those SMEs (as defined by each nation/authority), should be given a 5-year period to fully implement the IFRS standards with partial compliance milestones by year 3.

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

- Broadly Agree

013-AR. Please explain your answer:

N/A

Question 14—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 sustainability-related risks and opportunities. Those needs may be met by requirements set by others, including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

014-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

014-AR. Please explain your answer:

Yes. There are 3 aspects of the Exposure Draft that would limit the ability of IFRS Sustainability Disclosure Standards to be used as a global baseline. First of all, consistency is needed in both Exposure Draft and related Illustrative Guidance on entities' rights to claim compliance with IFRS standards in the cases when local laws relieve firms from disclosing material information defined by IFRS. Secondly, proposed boundaries of material information need to be wide enough to make sure that it lies beyond fully or partially owned entities to reflect the entire value chain and to support materiality determination and assessment. In the absence of a unified definition of materiality, entities need more structured and rigorous principles and standards to determine and assess the significant sustainability-related risks. Lastly, more guidance and standardization by industry/sector can clarify the focus and direction of value chain disclosure to improve comparability.

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 as compared to paper-based consumption is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S2 *Climate-related Disclosures* Standards are the sources for the Taxonomy.

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

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)?

The digital tagging system should maximize the interface with existing reporting software and reporting platforms, and digital languages used (such as XBRL) to ease the flow of information within the company and to its stakeholders. Tagging qualitative information digitally can be challenging and can significantly expand the amount of metrics that entities need to report on, qualitative disclosures should be designed in the first place with digitization in mind.

Question 16—Costs, benefits and likely effects

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

016-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?

Implementing the proposals will require external costs for auditing and assurance, while other costs will be reflected in increased FTE time and other internal investments in systems and software. However, the benefit of implementing these proposals overweigh the costs. At the company level, sustainability-related disclosure allows the company better understand its current risk exposure. From investors' point of view, such information supports their informed investment decisions. From the perspective of the entire market, more information transparency can ensure that products reflect sustainability-related factors, and are more accurately priced, thereby increasing market confidence, and avoiding systematic risks. In addition, failure to comply with increasingly stringent regulatory requirements could potentially result in higher legal fees and non-compliance fees than the total costs of implementation.

GR16B. (b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

No

Question 17—Other comments

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

No