German Insurance Association

IFRS S2 – der Fragebogen ist identisch mit dem Online-Fragebogen des ISSB.

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Question 1—Objective of the Exposure

Paragraph 1 of the Exposure Draft sets out the proposed objective: an entity is required to disclose information about its exposure to climate-related risks and opportunities, enabling users of an entity's general purpose financial reporting:

- to assess the effects of climate-related risks and opportunities on the entity's enterprise value;
- to understand how the entity's use of resources, and corresponding inputs, activities, outputs and outcomes support the entity's response to and strategy for managing its climate-related risks and opportunities; and
- to evaluate the entity's ability to adapt its planning, business model and operations to climate-related risks and opportunities.

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

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

Broadly Agree / Broadly Disagree / Other

Please explain your answer: While we generally agree with the objective that has been established for the ED, the objective does not currently seem to cover the investor's perspective in its entirety. Indeed, the objective seems to primarily target impacts with concrete/immediate financial impacts. However, from an investor's point of view, the inside-out view (on impact materiality) helps to capture investors' information demands more in their entirety: it should be assessed and made clear if and how an entity's sustainability related impacts are sufficiently reflected in enterprise value considerations. As already outlined in our response on Q2a on the Exposure Draft of IFRS S1, investors are increasingly interested in the impacts of companies, irrespective of concrete/immediate financial effects, already today, but likely even more so going forward, meaning that they need this information to "decide whether to provide resources to the entity", which is one part of the General Requirement ED's objective (par. 1), but which does not seem to be reflected in the Climate ED's objective.

(b) Does the objective focus on the information that would enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: In our view, the objective would primarily enable users of general purpose financial reporting to assess first-tier effects of climate-related risks and opportunities on enterprise value. However, as outlined in our response to question (a), the objective would not fully cover investors' information demands in their entirety. Investors are increasingly interested in impacts with second-tier effects on enterprise as well as impacts that may affect investment decision-making, irrespective of concrete/immediate financial effects 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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: While the disclosure requirements set out in the ED meet the objective of the Climate ED as regards impacts with first-tier effects on enterprise value, investors would not receive all the climate-related information that they need to steer their own sustainability approaches and ambitions. As outlined in our response to question (b), investors also need information on inside-out climate impacts and how investee companies intend to address these impacts.

More generally, focussing on the connection between the IFRS S1 ED and the IFRS S2 ED, we would like to highlight the following: while we fully support the principles-based approach in IFRS S1 ED, a balance has to be found between principles and rules in IFRS S2 ED. In practice, for some aspects of the IFRS S2 ED, rules and specific guidance are needed to ensure comparability and clarity. This applies to risks and opportunities, financial effects (current and anticipated), carbon offsets, climate resilience disclosures, targets, progress on targets and metrics. This is needed from the preparer perspective (to have clarity on methodologies) and especially essential from the user perspective since otherwise the data will not be comparable at the end.

Question 2—Governance

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

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

Paragraphs BC57–BC63 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

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

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We generally agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities. However, we strongly recommend for the ISSB to explicitly mention the link to remuneration in par. 5(b).

Question 3—Identification of climate-related risks and opportunities

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

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

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: While a principles-based approach should be pursued where possible in the IFRS S2 ED as well, there are various areas for which we deem (further) specific guidance as indispensable to both ensure clarity for preparers and comparability for users. This applies, among others, to the guidance on the identification of climate-related risks and opportunities. Indeed, the requirements to identify and to disclose a description of significant climate-related risks and opportunities may be too high-level to ensure consistent application. Therefore, we recommend for the ISSB to develop further guidance. Disclosure on climate-related risk should be standardized/comparable as much as possible.

For example, it is not fully clear whether companies would be required to only apply S2 to identify significant climate-related risks and opportunities for the purpose of par. 9 or whether S1 shall be applied as well. While par. 10 of the Climate ED would only require companies to refer to the industry-specific disclosure requirements to identify significant climate-related risks and opportunities, par. 19 of the General Requirements ED would require companies to apply par. 51, namely, to consider the relevant IFRS Sustainability Disclosure Standards (but not only its respective industry-specific disclosure requirements) and further sources (beyond the relevant IFRS SDS). While we fully agree that companies shall not be required to consider sources beyond the relevant IFRS SDS, where available, for a specific topic (e.g., no consideration of sources beyond the Climate ED to identify significant climate-related risks and opportunities), it is not clear why they shall only consider the industry-specific disclosure requirements (as suggested in par. 10).

Besides this, TCFD recommendations on the "strategy chapter" mainly focus on risks & opportunities. A description of the overall climate strategy of a reporting entity is not intended, although it is useful for understanding the subsequent chapters on Strategy, Risk Management and Metrics & Targets. This shortcoming could be remedied with respective recommendations from the ISSB to disclose the overall climate strategy of an entity.

Also, further guidance on the definition of “significant (…) risks and opportunities” is needed, regarding the difference between “significant” and “material” (cf. our response to Question 8 (a) on IFRS S1 ED).

(b) Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We generally agree but would recommend for the ISSB to explore whether there is a need to add further dimensions that are not industry-specific such as geography. Also, as outlined in our response to question (a), it is not clear why companies shall only consider the industry-specific disclosure requirements (as suggested in par. 10) and not the cross-industry requirements.

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

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

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

Paragraphs BC66–BC68 of the Basis for Conclusions describe the reasoning behind the Exposure Draft’s proposals.

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: While we generally 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, clarity is needed on how the value chain is defined for the financial sector and how the concept / requirement shall be applied (cf. our response to Question 5 (b) on the IFRS S1 ED).

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We generally agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative in a first step. However, we recommend for the ISSB to elaborate on and explore how such qualitative disclosures could be underpinned with quantitative disclosures in the future as part of its workplan. Also, par. 12(b) should not pre-empt companies from disclosing a quantitative assessment in addition, if the information fulfils the qualitative characteristics of information as outlined in the General Requirements ED.

Question 5—Transition plans and carbon offsets

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

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

An entity's reliance on carbon offsets, how the offsets it uses are generated, and the credibility and integrity of the scheme from which the entity obtains the offsets have implications for the entity's enterprise value over the short, medium and long term. The Exposure Draft therefore includes disclosure requirements about the use of carbon offsets in achieving an entity's emissions targets. This proposal reflects the need for users of general purpose financial reporting to understand an entity's plan for reducing emissions, the role played by carbon offsets and the quality of those offsets.

The Exposure Draft proposes that entities disclose information about the basis of the offsets' carbon removal (nature- or technology-based) and the third-party verification or certification scheme for the offsets. Carbon offsets can be based on avoided emissions. Avoided emissions are the potential lower future emissions of a product, service or project when compared to a situation where the product, service or project did not exist, or when it is compared to a baseline. Avoided-emission approaches in an entity's climate-related strategy are complementary to, but fundamentally different from, the entity's emission-inventory accounting and emission-reduction transition targets. The Exposure Draft therefore proposes to include a requirement for entities to disclose whether the carbon offset amount achieved is through carbon removal or emission avoidance.

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

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

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

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We accept the proposed disclosure requirements for transition plans. Information on companies' transition pathways is absolutely essential to achieve the objective of the General Requirements ED and the Climate ED and is clearly one of users' most fundamental information demands when it comes to climate-related reporting. However, while a principles-based approach should be pursued where possible in IFRS S2 ED as well (cf. our response to Question 1 (c) and 3 (a) above), the requirements proposed for transition plans seem to be too generic and high-level to ensure consistent application.

(b) Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.

Yes / No / Other

Please explain your answer: All the proposed disclosure requirements for transition plans under par. 13 are necessary and expected to result in decision-useful information. It is essential for the disclosures to be sufficiently granular.

However, it seems like the proposed requirements would only capture transition plan-related disclosures regarding outside-in impacts, namely impacts on the business model and strategy as a consequence of climate-related aspects (mainly risks, see below). However, investors also need information on how investee companies intend to address their inside-out climate impacts as part of their transition plan disclosures. This may have financial effects due to reputation or investors may just have specific sustainability preferences and want to check whether the investee behaves in line with those. Therefore, such information must be disclosed under S2, otherwise, S2 is not able to capture investors' information demands in their entirety, which would significantly decrease the relevance of the global baseline.

Also, it seems like the proposed requirements would mainly capture transition plan-related disclosures regarding climate-related risks. We suggest using more neutral descriptions (at least in par. 13(a)(i)(1) and (2)) or to extend par. 13 and refer equally to opportunities as well.

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

Broadly Agree / Broadly Disagree / Other

Please explain your answer: Similar to our response to question (a) we believe that the IFRS S2 needs to walk the fine line between a principles-based approach that supports a building block approach while at the same time be sufficiently clear to ensure consistent application.

(d) Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: Generally, we believe that 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, subject to the concerns mentioned in our response to question (c).

Question 6—Current and anticipated effects

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

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

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

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

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

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We generally 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 particular, we support quantitative disclosure requirements for such effects where methods and data are available in a sufficiently standardised way. However, we have concerns relating to quantifying the anticipated financial effects of climate related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term. Further guidance is needed to ensure clarity for and consistent application by preparers (e.g., relevant indicators, gross vs. net assessment and presentation). To this end, likely, further work on methodologies is needed over the next years.

Therefore, we welcome that the ISSB foresees an option for qualitative disclosure where entities are unable to provide quantitative information. However, we recommend for the ISSB to include more specific guidance as to when an entity would be considered as unable to provide quantitative information. Namely, we believe that a too unspecific "comply or explain" requirement would likely disincentivize companies from providing quantitative information, even in cases in which this may be possible.

In the mid to long term, the ISSB should (further) encourage quantitative disclosures, at least for current effects:

- For current effects, the rebuttable presumption should at some point be that the provision of quantitative information is feasible, at least in ranges. Indeed, quantifying these effects is already evolving practice and is not only necessary for reporting, but also for risk management and internal steering purposes. At least for current effects, purely qualitative disclosure should then only (be allowed to) be made in exceptional cases, in which providing quantitative information is considered impossible and should additionally (need to) be well justified. However, qualitative information will clearly remain of high importance for contextualisation. However, the requirements regarding quantification of current and anticipated effects need further guidance regarding scope and indicators (e.g. SEC requires such information at 1% impact per FS item, how would this be assessed according to ISSB, gross vs. net assessment, etc.)
- A different timeline may need to apply for anticipated effects and it should be assessed in detail whether and under which circumstances quantitative disclosures can indeed be required or whether the option to disclose qualitative disclosures should be retained.

However, we deem it as essential that the option to disclose ranges is retained even in the long term. Companies should not be forced to provide point estimates, especially not for anticipated effects. This would also take into account the following aspects:

- There are interlinkages between different ESG matters that have a common impact and therefore cannot be clearly separated.
- Anticipated effects are subject to uncertainty.
- For S and G, but also for the remaining E themes, estimates are likely to become much more challenging.

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We generally 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, subject to consideration of our above concern as relates to quantifying these effects over the short, medium and long term at this stage and based on the currently proposed guidance (please refer to our response to question (a)).Besides this, in our view while the proposed disclosure requirements would capture (financial) effects of decarbonization, they would not capture information on the actual underlying drivers of decarbonization. Also, further/more specific guidance is needed on how exactly carbon accounting should be done. Likewise, it would be helpful if the ISSB provided recommendations on the different tools and models that can support the achievement of long-term climate-related targets (e.g., portfolio alignment tools). Disclosures around these drive convergence in the market.

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: While we generally 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, it seems difficult to quantify these effects over the short, medium and long term and in isolation, at least based on the current proposals and at this stage. Therefore, we fully agree with the ISSB's proposal to also allow for the disclosure of ranges or, if impossible, qualitative information for anticipated effects (please refer to our comment/proposed response to question (a)).

Also, further clarity on the scope of par. 8(d) is needed. Namely, while par. 8(d) and par. 14 suggest that "the anticipated effects over the short, medium and long term" shall be disclosed regarding the financial position, financial performance and cash flows, par. 14(c) and (d) only refer to the financial position and financial performance (and not cash flows), respectively. We suggest to clarify whether this applies for cash flows as well.

Question 7—Climate resilience

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

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

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

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

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

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

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

Requiring disclosure of information about climate-related scenario analysis as the only tool to assess an entity's climate resilience may be considered a challenging request from the perspective of a number of preparers at this time—particularly in some sectors. Therefore, the proposed requirements are designed to accommodate alternative approaches to resilience assessment, such as qualitative analysis, single-point forecasts, sensitivity analysis and stress tests. This approach would provide preparers, including smaller entities, with relief, recognising that formal scenario analysis and related disclosure can be resource intensive, represents an iterative learning process, and may take multiple planning cycles to achieve. The Exposure Draft proposes that when an entity uses an approach other than scenario analysis, it disclose similar information to that generated by scenario analysis to provide investors with the information they need to understand the approach used and the key underlying assumptions and parameters associated with the approach and associated implications for the entity's resilience over the short, medium and long term.

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

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

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

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We understand that the items listed in par. 15(a) reflect what users need to know about the climate resilience of an entity's strategy. This information on companies' climate resilience is essential to achieve the objective of the General Requirements ED and the Climate ED and is one of users' most fundamental information demands when it comes to climate-related reporting. However, reinsurers should not be required to disclose information, practices, or assumptions that are proprietary and/ or business sensitive in terms of scenario analysis.

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: While we appreciate that the ISSB acknowledges that a variety of approaches will be required or are at least helpful to arrive at meaningful analysis and disclosures, it is worthwhile emphasizing that, eventually, the approach yielding the most material information is preferred, thereby avoiding cherry-picking.

ii. Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We fully agree that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy shall be required to disclose the reason why. However, in addition, guidance is needed on when a company would be deemed as unable to use climate-related scenario analysis to assess the climate resilience of its strategy and/or under which circumstances this would be expected, as, otherwise, this might be considered as an easy-to-circumvent "comply or explain" approach. At least in the medium term, the rebuttable presumption should be that climate scenario analysis is feasible. Climate scenario analysis is already widely established and strongly evolving practice and is not only necessary/valuable for reporting, but also for risk management and internal steering purposes.

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?

Your answer: From our point of view all entities should be treated equally with regards to disclosure requirements. Mandatory application of climate-related scenario analysis, at least in the medium term, could be helpful, as such disclosures are highly decision-useful across industries.

However, the reporting requirements could currently suggest that if a company performs and discloses on its climate-related scenario analysis, par. 15(b)(ii) does by default not apply. However, par. 15(b)(i) should not pre-empt companies from disclosing further information, e.g., on stress tests, if deemed material. They can be decision-useful with regards to climate risks (physical, transition, and litigation risks), also in addition to information on climate scenario analysis.

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

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We understand the proposed disclosures about an entity's climate-related scenario analysis. All the proposed disclosure requirements for climate scenario analysis under par. 15(b)(i) are necessary and expected to result in decision-useful information. Indeed, it is essential for the disclosures to be sufficiently granular.
However, the ISSB must adequately take into account potential confidentiality issues, when specifying granularity. For example, we recommend to the ISSB to undertake further assessments as regards its proposals on climate scenario analysis to ensure that companies are not required to disclose confidential/business-sensitive information, considering sectors' specificities. This is particularly relevant for the reinsurance business.

(d) Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We generally agree with the proposed disclosure about alternative techniques. However, there should be a certain default/minimum of what is expected in terms of disclosure, and then recommendations of additional information can be provided:

- For example, there are many tools that one can apply, from stress testing to temperature modelling. There needs to be a recommendation by the ISSB on the (most) widely accepted frameworks and models. Otherwise, the disclosure requirement will not be applied consistently and thereby significantly obstruct data comparability.
- Also, there are different climate-related scenarios that are of relevance and should be considered; we recommend for the ISSB to specify that the scenarios should be both region- and sector-specific.

- In general full transparency is needed on the approach taken to integrate climate scenarios and how assumptions are built.

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: 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. At the same time the ISSB must take due account of any potential confidentiality issues, when specifying granularity.

Question 8—Risk management

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

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

Paragraphs BC101–BC104 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We generally 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. However, we recommend for the ISSB to consider the following: It is not clear what par. 17(b) ("for risk management purposes") would cover as compared and in addition to par. 17(a).

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

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

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

The Exposure Draft thus proposes seven cross-industry metric categories that all entities would be required to disclose: greenhouse gas (GHG) emissions on an absolute basis and on an intensity basis; transition risks; physical risks; climate-related opportunities; capital deployment towards climate-related risks and opportunities; internal carbon prices; and the percentage of executive management remuneration that is linked to climate-related considerations. The Exposure Draft proposes that the GHG Protocol be applied to measure GHG emissions.

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

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

- separately Scope 1 and Scope 2 emissions, for:
  - the consolidated accounting group (the parent and its subsidiaries);
  - the associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group; and
- the approach it used to include emissions for associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group (for example, the equity share or operational control method in the GHG Protocol Corporate Standard).

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

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

For Scope 3 emissions, the Exposure Draft proposes that:

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

Aside from the GHG emissions category, the other cross-industry metric categories are defined broadly in the Exposure Draft. However, the Exposure Draft includes non-mandatory Illustrative Guidance for each cross-industry metric category to guide entities.

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

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

Broadly Agree / Broadly Disagree / Other

Please explain your answer: Apart from the disclosures "b" and "c" on "amount and percentage of assets and business activities vulnerable to transition/physical risks", for which more specific guidance/a clear definition is needed, we 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. It is absolutely essential that requirements with cross-industry relevance are indeed located in the cross-industry/main section of the standard and not "parked" in industry-specific requirements. Therefore, we strongly welcome the ISSB's proposal for a mandatory cross-industry Scope 3 GHG emissions disclosure in addition to Scope 1 and Scope 2 GHG emissions disclosures. Regarding the above mentioned disclosures "b", "c" and "d", a standardised definition should be provided on what is understood in terms of "vulnerable to". Further, the term used for the quantitative indicator on remuneration ("linked to climate-related considerations") in par. 21(g)(ii) is too vague. We suggest for this requirement to be further specified, while taking due consideration of potential interlinkages with jurisdictional requirements on setting remuneration.

We appreciate the approach based on international reporting standards like TCFD. Comparability and consistency of the reporting KPIs are important. Especially for the computation of material physical and transition risks a more detailed specification is required. The regulation should clarify before becoming effective, whether the use of ESG data points from ESG data provider based on their own research is allowed or whether only data points published by the undertakings should be applied (this is a lesson learned from the EU Taxonomy Regulation).

(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.

Yes / No / Other

Please explain your answer: As regards par. 21(a)(i)(ii), we recommend for the ISSB to require the disclosure of the GHG intensity expressed as metric tonnes of CO2 equivalent in both physical and economic output (where applicable, e.g., CO2 equivalent per tons of steel produced).

(c) Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions as it is internationally accepted and well established in practice. However, the question remains whether the reported data from different undertakings will be comparable, for specification reference to further industry-specific guidance should be included in Appendix B.

(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 CO_2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH_4) separately from nitrous oxide (NO_2))?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: As all GHG significantly harm our climate, we agree with the aggregated provision of the GHG without single distinction. However, respective requirements should form part of the sector-specific requirements where relevant. For example, oil and gas companies should be required to disclose splits as regards methane.

(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. or any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: Disclosure should follow the same principles that are used for financial reporting. The disclosure should only apply at group level and not for "associates, joint ventures, unconsolidated companies". Data unavailability and lack of control regarding emission reduction measures are further arguments for not disclosing Scope 1 and Scope 2 emissions for "ii. any associates, joint ventures, unconsolidated subsidiaries and affiliates". Besides this, we do not think that the splits would be used by users.

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

Broadly Agree / Broadly Disagree / Other

Please explain your answer: From an investor's point of view, we strongly support the ISSB's proposal for a mandatory cross-industry Scope 3 GHG emissions disclosure. This information is not only material across virtually all sectors, but also absolutely essential for users to dive into different industries and understand a companies' consolidation approach when calculating its GHG emissions. However, a clear methodology is necessary to ensure comparability. Besides this, an obligation to publish the methodology used to calculate scope 3 emissions should be considered.

For Scope 3 we suggest, that the ISSB should (at least) require the disclosure of companies' Scope 3 GHG emissions separated by upstream/downstream (as per par. 21(a)(vi)(1)), separated by category (as per par. 21(a)(vi)(2)), separated by GHG, and where material a split of the emissions in estimated/measured/assured.

Question 10—Targets

Paragraph 23 of the Exposure Draft proposes that an entity be required to disclose information about its emission-reduction targets, including the objective of the target (for example, mitigation, adaptation or conformance with sector or science-based initiatives), as well as information about how the entity's targets compare with those prescribed in the latest international agreement on climate change.

The 'latest international agreement on climate change' is defined as the latest agreement between members of the United Nations Framework Convention on Climate Change (UNFCCC). The agreements made under the UNFCCC set norms and targets for a reduction in greenhouse gases. At the time of publication of the Exposure Draft, the latest such agreement is the Paris Agreement (April 2016); its signatories agreed to limit global warming to well below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit warming to 1.5 degrees Celsius above pre-industrial levels. Until the Paris Agreement is replaced, the effect of the proposals in the Exposure Draft is that an entity is required to reference the targets set out in the Paris Agreement when disclosing whether or to what degree its own targets compare to the targets in the Paris Agreement.

Paragraphs BC119–BC122 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

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

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We generally agree with the proposed disclosure about climate-related targets and support a holistic reporting oriented towards the four core contents of the well-established TCFD recommendations: Governance, Strategy, Risk Management, Metrics and Targets (cf. to our response on IFRS S1 ED Question 4 (a)). However, we strongly recommend for the ISSB to also include disclosure requirements regarding:

- the scenarios applied when setting a target;
- the target scope (i.e., Scope 1, 2 or 3 in case of GHG emissions-related targets);
- any assumptions made in target-setting.

(b) Do you think the proposed definition of 'latest international agreement on climate change' is sufficiently clear? If not, what would you suggest and why?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: While the proposed definition of "latest international agreement on climate change" in the above paragraph included as part of "Question 10 - Targets" is deemed sufficiently clear, we think the proposed definition included in the exposure draft under "Appendix A: Defined Terms" is insufficient as it does not name the latest agreement in question and it leads to a wide scope interpretation. It would be of great value to users of the future standard if the standard-setter were to include and update the specific agreement referenced by the term.

Furthermore, from an investor's point of view, we also do not consider the definition as sufficiently ambitious. Rather, more ambitious targets need to be set in line with a 1.5 degree decarbonization pathway.

Question 11— Industry-based requirements

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

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

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

Paragraphs BC130–BC148 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals to improve the international applicability of the industry-based requirements.

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

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We support the approach to improve international applicability to enable undertakings to apply the requirements regardless of jurisdiction.

Furthermore, we fully support the ISSB's intention of leveraging the industry-based standards by SASB as the most well-established industry-based investor-focused reporting initiative. However, we welcome that addressing international applicability of the SASB standards is also mentioned as a priority going forward and shall form part of the ISSB's initial work plan as the SASB standards have a US focus and in-depth assessments per industry are needed. We strongly urge the ISSB to ensure practicability through, e.g., dedicated outreaches to industries in this context. Besides this, we would like to highlight that an appropriate balance between principles and concrete rules needs to be found under the conditions that

- these are indeed relevant for the entire industry and
- these do not trigger disclosure, unless material.

(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?

Insurance: We fully agree with the proposed amendments that were made to the insurance-specific and asset management-specific disclosure requirements. However, the amendments resulted in two references to IFRS 17 in the Appendix for insurance. If the IFRS SDSs are to be applied by non-IFRS preparers, references to IFRS 17 are not suitable, especially for this complex standard, so that either another reference size or a fallback solution would be required here with regard to non-IFRS users. Specific remarks:

FN-IN-1. (1):
We appreciate the use of GICS instead of NAICS.

For financial institutions the reason for omission is lack of transparency regarding GHG emissions of investees as ESG data provider are not providing relevant information. The reporting requirement can only lead to comparability if all financial institutions source their reporting on high-quality available data.

As regards the newly added insurance-specific and asset management-specific disclosure requirements (i.e. on transition risk exposure), please refer to our responses to the following questions.

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: /

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

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

GDV German Insurance Association

(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?

Insurance (2 new metrics): We fully agree with the proposed industry-based disclosure requirements for financed and facilitated emissions, subject to consideration of the concerns outlined in the following questions. However, it is important to highlight that there are differences between financed emissions and insurance-associated/insured emissions, hence measurement of Scope 3 emissions in an underwriting portfolio may (need to) be based on a different approach than that for an investment portfolio. The insurance industry is partnering with the Net Zero Insurance Alliance and PCAF on getting clarity on the appropriate GHG accounting method to measure insured emissions.

As to Scope 3 GHG emissions by investors, it is essential that only Scope 1 and Scope 2 GHG emissions of investees need to be considered at this stage. At some point, conceptually, it would, in our view, make sense to also consider Scope 3 GHG emissions of investees (despite the issue of double counting). However, such a requirement should only be imposed as soon as data availability (namely, of actual reported data by investees) is significantly increased, which can only be achieved via mandatory reporting requirements on Scope 1, 2 and 3 for investee companies in a first step, further underscoring the strong need for mandatory Scope 3 disclosures across industries.

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We do not agree with the industries classified as "carbon-related" in the proposals for insurance entities (par. 1.4.1) as the list is not sufficiently discriminatory. For example, it lists utilities, which could, however, be all-renewable. Instead, we strongly recommend for the ISSB to define sectors with ISIC/NACE and precise the framing to "usually carbon-related", as almost any industry is related to GHG.

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

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We fully agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions as both indicators are highly decision-useful.

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: An obligation to publish the methodology used to calculate scope 3 emissions should be considered as minimum requirement. Further. alignment with other regulatory requirements needs to be ensured.

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: An appropriate balance between principles and concrete rules needs to be found under the conditions that

- these are indeed relevant for the entire industry and
- these do not trigger disclosure, unless material.

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: /

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

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

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

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

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

Broadly Agree / Broadly Disagree / Other

Please explain your answer: While we appreciate the attempt to standardise and harmonise, we have concerns regarding data availability and the high degree of interpretation. Regarding data availability, it is essential that only Scope 1 and 2 emissions related to investments need to be considered (cf. our response on (d). To tackle the high degree of interpretation, an appropriate balance between principles and concrete rules (cf. our response on (a) and (h) could be helpful.

If the ISSB decides to include industry-based requirements in the IFRS S2, we would have the following comments regarding the industry-specific requirements for insurance outlined in the Appendix B17:

- Table 1: "low carbon technology" is an undefined term which could include renewable energy, blue hydrogen as well as "clean coal". This should be specified.
- Table 1 + p. 17f.: "carbon-related industry" is an undefined term; almost any industry is related to greenhouse gases. This should be specified.

- Carbon is first of all a periodic element, which refers to carbon dioxide. If the item shall refer to greenhouse gases, this should be specified.
- The sector list on p. 17 is not sufficiently discriminatory; it lists, for instance, utilities, which could be all-renewable. Instead, the Climate ED should define sectors with ISIC/NACE and precise the framing to “usually carbon-related”.

(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.

Yes / No / Other

Please explain your answer: As regards the insurance-specific disclosure requirements, we do not consider there to be a need to add further industry-based requirements beyond those proposed by the ISSB in the Climate ED. As regards the asset management-specific disclosure requirements, asset managers should be required to provide the same splits as insurers (please refer to our response to question (i)). It is not clear why a different approach should apply for proprietary vs. third-party investments.

(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?

Yes / No / Other

Please explain your answer: We generally agree with the industry classification to establish the applicability of the industry-based disclosure requirements. However, we strongly recommend for the ISSB to include a mapping to NACE sectors as this would foster compatibility and interoperability with the EU’s regulatory framework.

Question 12—Costs, benefits and likely effects

Paragraphs BC46–BC48 of the Basis for Conclusions set out the commitment to ensure that implementing the Exposure Draft proposals appropriately balances costs and benefits.

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

Your answer: We refer to our response on Question 16 (a) on the Exposure Draft of IFRS S1.

In addition, the disclosure topics and metrics proposed in the draft are both broad and highly detailed. They include large parts of the TCFD recommendations and SASB reporting requirements. It remains unclear what the selection benefit of the ISSB standard is in focusing on the criteria that are most important to investors. If the detailed [Draft] IFRS S2 Climate-related Disclosures Appendix B Industry-based disclosure requirements become mandatory reporting requirements at this very granular level, the reporting burden for some companies will likely increase while at the same time the benefits are difficult to be estimated by these companies.

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

Your answer: We refer to our response on Question 16 (b) on the Exposure Draft of IFRS S1.

Depending on the current maturity of reporting, the interpretation of scope 3 emissions can be difficult if a financial undertaking 1 is invested in a financial undertaking 2 and financial undertaking 2 is also invested in financial undertaking 1. There is a high model risk for computing GHG emissions, but also physical and transition risks for non-standardised assets like infrastructure assets, property and so on. At the same time there are very high efforts needed for the computation of the KPIs of these asset classes. We would therefore suggest that in a first step the complex KPIs should be limited to standardised assets like listed shares and bonds.

Overall, besides the costs for ongoing application, the key challenge to mitigate costs and entail benefits (for EU preparers) is ensuring acceptance by the EU and incorporation in the EU regulatory framework.

(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?

Yes / No / Other

Please explain your answer: In our view, the Climate ED does not include disclosure requirements for which the benefits would not outweigh the costs associated with preparing that information.

Question 13—Verifiability and enforceability

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

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

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

Yes / No / Other

Please explain your answer: As regards audit, we have a concern about the Climate ED's proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities. Depending on how prescriptive the methodology will be (please refer to our response to question 6), this could be challenging for auditors to verify. Accordingly, appropriate audit proof processes must be established.

Other than this, the requirements proposed in the Climate ED would provide a suitable basis for auditors and regulators to determine whether a company has complied with the proposals, and we do not see any (further) challenges for verification and enforcement.

Question 14—Effective date

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

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

[Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information requires entities to disclose all material information about sustainability-related risks and opportunities. It is intended that [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information be applied in conjunction with the Exposure Draft. This could pose challenges for preparers, given that the Exposure Draft proposes disclosure requirements for climate-related risks and opportunities, which are a subset of those sustainability-related risks and opportunities. Therefore, the requirements included in [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information could take longer to implement.

Paragraphs BC190–BC194 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(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?

Earlier / Later / The same as

Please explain your answer: The effective date of the IFRS S1 General Requirements ED should be aligned with the effective date of the IFRS S2 Climate ED, cf. our response to question 13 (a) on IFRS S1 ED.

(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.

Your answer: We refer to our response on Question 13 (a) on the Exposure Draft of IFRS S1.

(c) Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: The simultaneous introduction is reasonable due to its interlocking. Added value of a phased-in approach within IFRS S2 ED is to be assessed critically.

Question 15—Digital reporting

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

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

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

Your answer: We refer to our response on Question 15 on the Exposure Draft of IFRS S1. In Addition, to be able to make short-term progress on digitization, we recommend for the ISSB to focus on the metrics and targets section of the Climate ED first, as a structured and machine-readable reporting format would be particularly valuable for climate-related performance measures, targets and progress reporting. We suggest recommending to the ISSB to launch its work on digitization as regards these aspects as quickly as possible.

Question 16—Global baseline

IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of climate change. Those needs may be met by requirements set by others including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

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

Yes / No / Other

Please explain your answer: We refer to our response on Question 14 on the Exposure Draft of IFRS S1.

Question 17—Other comments

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

Your answer: Financial companies have closely collaborated and proactively engaged in (joint) industry initiatives over the last years and, in this context, committed to, for example, ambitious net-zero targets, on which they need to ensure transparency (e.g., Net-Zero Asset Owner Alliance). We recommend for the ISSB to assess how to cater to information demands by investors as regards such industry and public engagements/commitments so as to enhance the relevance of the ISSB's global baseline for financial companies both from a preparer and user perspective.