BNP PARIBAS RESPONSE TO ISSB CONSULTATION – Exposure Draft S1

General Requirements for Disclosure of Sustainability-related Financial Information

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.

(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?

We support that IFRS S1 clarifies that the ultimate goal is to cover all sustainability related risks and opportunities (ESG) and not only climate. We support that the first priority is climate. As regards other risks, the disclosure should remain voluntary (eg. Current work by TNFD) as long as the subject is not mature enough to allow the development of a IFRS standard.

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

Yes, we agree that IFRS S1 proposed requirements focus on information that is useful to the primary users of the entity's general purpose financial reporting when they assess the entity's enterprise value.

We would welcome further clarification that impact of entities on people, planet and the economy is indeed relevant for investors to assess the entity's enterprise value over the short, medium and long term.

We also welcome that IFRS S1 requires an entity to disclose climate related information only to the extent that it is material information. We also welcome that the assessment of materiality shall be made by the preparer rather than based on fixed thresholds.

We strongly believe that the introduction of quality insurance process is essential for the credibility and comparability of the ESG related disclosures.

However, we have several observations in relation to concepts and requirements set out in this Exposure draft, which are developed in the rest of our response.

(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?*

Yes, it is 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.

(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?*

We agree that explicit global standards are essential for the credibility and comparability of disclosures. Obviously, this goal will be reached only to the extent that ISSB standards are adopted by all jurisdictions. A strong commitment by national authorities, notably those involved in the working group of jurisdictional representatives to establish dialogue for enhanced compatibility between global baseline and jurisdictional initiatives, would provide market participants comfort and visibility as they are faced with considerable investments.

Therefore, monitoring implementation and providing transparency on potential deviations should be a key role of ISSB, in a similar fashion as the BCBS Regulatory Compliance Assessment Process (RCAP).

While the national regulators involved in ensuring compliance with disclosure standards are typically market authorities, we insist that the banking sector is also subject to risk related disclosure requirement under the Basel Pillar 3 framework. Therefore, it will be essential to ensure full alignment between IFRS Standards and BCBS requirements.

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.

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

We welcome that ISSB recognizes in §6 that sustainability-related financial information is broader than information reported in the financial statements and could include "…(c) information about the entity's reputation, performance and prospects as a consequence of the actions it has undertaken, such as its relationships with people, the planet and the economy, and its impacts and dependencies on them…"

We welcome that the ISSB approach, even if not completely equivalent with the explicit "double materiality" standard, implemented in the European Corporate Sustainable Reporting Directive, through the European Financial Reporting Advisory Council (Efrag) Standards, clearly includes corporate impacts on people, planet and the economy, as they are recognized as investor-relevant information.

It is important to recognize that broadly diversified investors use corporate disclosures for a variety of purposes, including to evaluate portfolio and economy-wide systemic risks, not solely risks to enterprise value. Without an explicit requirement to disclose certain key external impacts, investors, policymakers – and issuers – will remain inadequately equipped to mitigate the most significant financial risks we face. This is why, for example, we support the U.S. Securities and Exchange Commission proposal to mandate Scope 1 and 2 GHG emissions disclosures, but asked them to go further and mandate Scope 3 emissions for all large issuers.

A company's impacts to nature, for example, will not always create foreseeable risk to that company, but may exacerbate the systemic risk of nature loss, which affects all companies. The complexity and severity of this systemic risk is entirely lost by placing enterprise value – as opposed to biosphere integrity - at the center of concern.

By further way of example, Scope 3 GHG emissions constitute the bulk of total global GHG emissions. The analysis to translate an individual company's Scope 3 emissions into risk to the emitting company, however, is complex and dependent upon numerous assumptions and uncertainties outside the company's control. Most companies will therefore conclude that their own Scope 3 emissions are 'not material' and certainly not a threat to enterprise value. Broadly diversified investors, however, need this information to mitigate the systemic risk of climate change, regardless of how emissions might impact individual emitters. Impacts to nature are even more difficult to evaluate at the level of a single company but may pose investor relevant risks at sector/country/portfolio level.

We fully support comments by ISSB vice chair Sue Lloyd, in May 2022, on the 'double materiality' emphasizing that "On the whole, companies with very high greenhouse gas emissions are likely to be subject to regulatory action and may see customers not wanting to buy their products in favour of greener options... We're interested in impacts insofar as they affect enterprise value – and it's often the case that when there is an impact [of the company on the environment] it does affect enterprise value…There is overlap."

Our point of attention is that, while ISSB does require the disclosure of the impacts on people, planet and the economy, the requirement is narrowed only if this information is needed by 'primary users' to assess the implications of sustainability-related risks and opportunities on an entity's enterprise value. This 'implicit' approach may introduce significant room for interpretation by jurisdictions, companies and auditors to decide whether or not 'primary users' need this information. The "overlap" noted above, is, in many cases, either unrecognized by an individual company or subject to too many future uncertainties to warrant disclosure. The examples are too numerous to list, ranging from GHG emissions to pesticide use to use of forced labor. Companies have consistently determined that these external impacts are not material.

The assumption that the primary users are solely interested in evaluating impacts to enterprise value is incorrect.[1] The proliferation of investment vehicles – passive and active – that purport to assess or influence corporate impacts on society and the environment should make this clear.[2] Other legitimate uses for this information, beyond assessing enterprise value, include stewardship efforts, including proxy voting, and norm-based exclusions.

As the U.S. Securities and Exchange Commission recently wrote: "[W]e understand investors often employ diversified strategies, and therefore do not necessarily consider risk and return of a particular security in isolation but also in terms of the security's effect on the portfolio as a whole, which requires comparable data across registrants." (Proposed rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors (sec.gov).

To be clear, when evaluating and seeking to mitigate systemic risk, impact information produced by issuers is valuable – and material – regardless of its ultimate impact to any individual company's enterprise value. In short, the Exposure Draft does not fully address the needs of broadly diversified investors to mitigate systemic risk. There are several aspects implicit to systemic risk that are important to note in this context: One company's impacts may impair another company's dependencies. Systemic risk is a collective action problem, where the whole is greater than the sum of its parts. Each company's disclosures of 'material' EV-related risks and opportunities will not add up to the full accounting necessary to allow the markets to manage or mitigate systemic risk.

Further, broadly diversified global companies may be able to create significant harm that never crosses the threshold of financial materiality. Investors carry all of these impacts. Without a full inventory of impacts, we cannot assess which are the most significant, where they are coming from, etc. Without this information, we cannot hope to reverse the systemic risk of nature loss, climate change or even child labor. This also means that we cannot hope to mitigate the most significant financial risks to our clients.

We recommend ISSB to frame standards related to impacts, by introducing for instance specific time horizons in the definition of the short, medium and long term horizons when assessing an entity's enterprise value, for instance 1 year, 1-5 years and over 5 years.

Finally, it would also be useful if ISSB could provide a clear view on the frontier between the financial reporting and the sustainability reporting. EFRAG clearly stated that the sustainability reporting provides information beyond what is already taken into account in financial statements. The reason for that is to avoid any confusion as, in the case the impact is very probable, it maybe already included in financial statements. This frontier is not clear in ISSB standards and could lead to misinterpretation and final misalignment between standards.

(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?

The definition of "sustainability-related financial information" as set out in Appendix A is the following: "Information that gives insight into sustainability-related risks and opportunities that affect enterprise value, providing a sufficient basis for users of general purpose financial reporting to assess the resources and relationships on which an entity's business model and strategy for sustaining and

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[1] See, e.g., Lukomnik and Hawley, Moving Beyond Modern Portfolio Theory: Investing that Matters (Routledge, 2021), Moving Beyond Modern Portfolio Theory (beyondmpt.com)

[2] To cite one example, BNP Paribas Asset Management just announced SDG Fundamentals, the product of a partnership with Danish fintech Matter - a dataset that provides a detailed, conservative analysis of how the revenues of more than 53 000 companies align with the UN Sustainable Development Goals. Why it is essential that we close the SDG data gap, and how it can be done - Investors' Corner (bnpparibas-am.com)

developing that model depend." In addition, "the total value of an entity is the sum of the value of the entity's equity (market capitalization) and the value of the entity's net debt and reflects expectations of the amount, timing and uncertainty of future cash flows over the short, medium and long term and the value attributed to those cash flows (reflecting the cost of capital)."

We can support the reference to Entreprise Value, to the extent that it is clarified that market capitalization and future cashflows over the short/medium/long term may be impacted positively or negatively by the market perception of the ESG performance of the company.

A strict interpretation of Entreprise Value, based on pure single materiality, would be too narrow, as it would not capture ESG related changes in consumer behaviors, market shares, brand value, investor preferences… that are likely to impact companies' performance and therefore Entreprise Value over time.

For some entities, this could be reflected in their share price and others this could be reflected in their cost of funding over the short, medium and long term.

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).

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?

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) not only could, but also should use the proposals in the Exposure Draft. This is the only way to achieve truly global ESG disclosure standards, responding to growing investor expectations, allowing comparability and fostering global ESG capital flows. Therefore, it is essential that in any ISSB work, there is no implicit or explicit reference to IFRS accounting standards.

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."

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

Yes, the disclosure objectives for governance, strategy, risk management and metrics and targets are clear, appropriately defined and well aligned with TCFD 2021.

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

Yes, the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective.

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.

(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?

Yes, we fully agree that the sustainability-related financial information should be required to be provided for the same reporting entity as for the related financial statements.

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

The 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, is clear. However, companies face operational challenges to gather the information on the whole value chain.

That's why we would propose to align the value chain with the one defined in the European Corporate Sustainability Due Diligence Directive, which is limited, for the regulated financial sector, to the activities of the clients receiving loans, credits and other financial services. Households and SMEs are also excluded from the value chain defined by the CSDD.

We believe it is essential that stakeholders of a corporate be able to make a clear distinction between, on the one hand, the portion of the value chain on which a corporate has a strong leverage and for which it could be liable (i.e. our first proposed segment of the value chain) and, on the other hand, the rest of the value chain on which the corporate has no leverage and for which it should not be held accountable. Corporates need some time (years) before being able to change or relocate part of their value chain.

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

No response

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) the governance, strategy and risk management related to those risks and opportunities, along with metrics and targets; and (c) sustainability-related risks and opportunities and other information in general purpose financial reporting, including the financial statements.

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

Yes, the requirement on the need for connectivity between various sustainability-related risks and opportunities is clear.

(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?

Yes. We 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. They are the same as those proposed by EFRAG.

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.

(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?

We agree with the general principle that entities have to disclose all their risks and opportunities to which they are exposed, as it is already the case in IFRS standards.

We believe that the proposal to fairly present the sustainability-related risks and opportunities to which the entity is exposed for climate objectives is clear, given it is accompanied by a dedicated exposure draft providing robust definitions and clear requirements.

However, we believe that the proposal to fairly present the sustainability-related risks and opportunities to which the entity is exposed for non-climate objectives, is not clear. We understand that a company is expected to use the existing standards (SASB, CDSB…) but also its judgement. However, this approach will raise many implementation challenges on one hand, and a suspicion of green washing on the other hand (as the high quality of the data cannot be guaranteed).

We propose that ISSB clarify that it has the intention to develop Sustainability Standards in the future for the other environmental objectives (biodiversity, pollution, water and marine resources and circular economy), social objectives and governance objectives, and when. IFRS Sustainability Standards related to biodiversity should be developed only once the TNFD recommendations are finalized. Meanwhile, till the finalization of all the IFRS Sustainability Standards, it is absolutely key that the focus should be on climate (phase-in approach) and for the other objectives, a safe harbour (based on a "best effort" basis) should be explicitly included in IFRS S1.

For the General Requirements in IFRS S1 and the Climate standards in IFRS S2, it is also key that a 2-3 years safe harbor is introduced, in the same way as when the IFRS financial standards were implemented.

(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.

Regarding the sectoral SASB standards, we are quite concerned that they remain US centric. We welcome that ISSB has implemented a jurisdictional working group to ensure a co-construction approach for the definition of the international standards. We support sectoral standards be enriched and amended to be usable and interoperable in many jurisdictions, based on existing international sectoral norms and standards (such as ISO and others).

The ISSB framework points issuers to various standard setters and their peers, but investors and other sustainability experts have been encouraging companies to undertake meaningful stakeholder engagement for decades. This form of due diligence does not appear to be included in the Exposure Draft's recommendations. Disclosures that address concerns raised by other stakeholders are often relevant to investors since those concerns may ultimately represent a risk to issuers that fail to address them. Voting results on shareholder proposals can be instructive here, as they include very strong and consistent support for policies, procedures, and reporting on a wide range of sustainability impacts, such as details of how the company will achieve net-zero emissions across its operations, reduce its scope 3 emissions, or set emissions reductions targets, as well as details of how lobbying activity aligns with the goals of the Paris Agreement.

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.

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

The Exposure Draft definition of materiality, including impact, as directly correlated to the Entreprise Value, may be interpreted in various ways, including a narrow approach and therefore create comparability issues. ISSB proposes that material sustainability-related financial information provides insights into factors that could reasonably be expected to influence primary users' assessments of an entity's enterprise value. The information relates to activities, interactions and relationships and to the use of resources along the entity's value chain if it could influence the assessment primary users make of its enterprise value. This definition appears, in context, to set a fairly high bar, as "low probability, high impact" events may not meet the standard, unless aggregated with others (cf. §82).

By contrast, the U.S. approach is conceptually much broader. The U.S. Supreme Court held that a fact is material if there is: "a substantial likelihood that the ... fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available," also stated as "an omitted fact is material if there is a substantial likelihood that a reasonable shareholder would consider it important in deciding how to vote."

We recommend that the ISSB clarifies materiality beyond what is deemed to be "financially" material from an accounting standpoint, or relative to enterprise value, given that materiality should always be grounded in what is important to investors. This may include factors that are important and useful to investor decision-making, including proxy voting, corporate engagement, compliance with international norms (e.g., UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises), national regulations, and client mandates – which may include decisions not to finance activities that may be profitable in the short-term, but in the long-term may produce severe harm to the company itself, society, or the environment. A narrow focus on "financial materiality" prevents investors from receiving the information they need to manage external harms (i.e., "negative externalities" or harm created by companies to third parties), including those that contribute to systemic risks (i.e. threats to financial stability, to the stability of communities, governments, and to key life-support systems such as the climate and biosphere).

Further, we believe that certain industry-specific sustainability metrics should simply be required, regardless of a materiality assessment, including Scope 1 and 2 GHG emissions, and Scope 3 for large entities.

(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?

No response

(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?
No response

(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?

No response

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.

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?

We believe that, for operational issues, financial entities should benefit with one year gap between their sustainability-related financial disclosures and the sustainability-related financial disclosures from their customers. Indeed, financial entities need time to collect, validate and consolidate the sustainability-related financial disclosures from their clients. This one-year gap is all the more key that many financial institutions, like BNP Paribas, publish their reporting twice a year (with an intermediate information as of June position).

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.

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

Yes, we agree with the proposals about the location of sustainability-related financial disclosures. They respond to the need to validate the information and avoid greenwashing.(b) Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location?

(c) Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced? Why or why not?

No response

(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?

This is made clear in the Exposure Draft.

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.

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

We believe that the implementation of these standard will be burdensome and time consuming, that's why we believe a relief from disclosing comparatives in the first two-three year of application would be necessary.

(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?

No response

(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?

No response

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.

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

We agree on Exposure Draft proposal for an entity to claim compliance with IFRS Sustainability Disclosure Standards.

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.

(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.

No response

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

Yes, we agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application, but we believe that this relief should be extended to 2-3 years.

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.

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?

We welcome IFRS Sustainability Disclosure Standards intention 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.

ISSB should create a framework to permit a streamlined, outcomes-based substituted compliance regime to allow a subsidiary located in one jurisdiction to rely on home country disclosure requirements, and to allow multinational companies to comply with agreed upon international standards, to minimize potential conflicts of law and compliance challenges, and provide consistent disclosures for investors.

In order IFRS Sustainability Disclosure Standards to be a global baseline, we believe that ISSB should in a nutshell (cf. details above):

- further clarify that impacts of entities on people, planet and the economy is indeed relevant for investors to assess the entity's enterprise value over the short, medium and long term;
- frame standards related to impacts, by introducing for instance specific time horizons in the definition of the short, medium and long term horizons when assessing an entity's enterprise value, for instance 1 year, 1-5 years and over 5 years;
- clearly separate the disclosure related to the customers / suppliers with which you have a direct relationship / contract / leverage (excluding retail) from the other indirect counterparts in the value chain;
- clarify it has the intention to develop Sustainability Standards in the future for the other environmental objectives (biodiversity, pollution, water and marine resources and circular economy), social objectives and governance objectives, and when;
- focus in priority on climate objective and general principles;
- continue to improve sectoral standards to be usable and interoperable in many jurisdictions (SASB still too US centric) and based on existing international sectoral norms and standards;
- clarify the definition of materiality, including impact, as directly correlated to the Entreprise Value, may be interpreted in various ways, including a narrow approach and therefore create comparability issues;
- ensure that definitions and formats are exactly the same across jurisdictions in order to avoid cumbersome overlap and comparability issues.

For that purpose, we welcome the ISSB announcement on 27 April 2022 that ISSB has established a working group to enhance compatibility between global baseline and jurisdictional initiatives. We also believe that ISSB Board composition (geography, industry) is also key to ensure convergence between ISSB standards and jurisdictional regulations.

Lastly, once the standards finalized, it would be very useful that ISSB sets up a sort of bi-annual monitoring tool of their implementation in order to provide transparency on potential deviations, in a similar fashion as the BCBS Regulatory Compliance Assessment Process (RCAP).

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.

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)?

We fully recognize the benefit of digital consumption and we welcome ISSB focus on sustainability-related financial information digitalisation. However, we believe that the first priority is that companies have time to stabilize their mandatory extra-financial reporting which will be very demanding. The technical developments for digitalisation (inevitably time consuming) could only be run in a second step.

Question 16—Costs, benefits and likely effects

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

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

No response

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

No response

Question 17—Other comments

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

No response