BNP PARIBAS

EU Transparency Register Identification Number: 78787381113-69 29 July 2022

BNP PARIBAS RESPONSE TO ISSB CONSULTATION – Exposure Draft S2

CLIMATE– related Disclosures

Question 1—Objective of the Exposure

Draft 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?

Cf. BNP Paribas answer to Question 2 (a) to IFRS S1 for more details.

We agree with the objective that has been established for the Exposure Draft.

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…"

However, 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.

(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?

Cf. BNP Paribas answer to Question 2 (b) to IFRS S1 for more details. 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.

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(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?

Yes, we believe the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1, as they are based on 2021 TCFD recommendations.

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?

Yes, we agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities.

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?

Cf. BNP Paribas answer to Question 8 to IFRS S1 for more details.

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.

(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?

Cf. BNP Paribas answer to Question 7 to IFRS S1 for more details.

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 the Global Reporting Initiative).

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?

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,

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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, relocate part of their value chain.

(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?

Yes, we agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative.

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?

We welcome that ISSB proposes that a company be required to disclose (§23) (i) how the target compares with those created in the latest international agreement on climate change, and (ii) whether the entity has used among its scenarios a scenario aligned with the latest international agreement on climate change in its resilience assessment (§15).

We welcome also the fact that Question 10 notes that the latest such agreement is the Paris Agreement (April 2016) and that 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.

In this vein, we believe that a company should disclose how its transition plans refers to the latest international agreement on climate change. However, in order to foster comparability, we propose that IFRS S2 should require undertakings to disclose their reference scenario including with reference to relevant national and sectoral pathways.

We also believe that ISSB should define more specifically the Transition Plans for financial institutions, which need to be different from the non-financial corporate ones. Indeed, the specificity of financial institutions is that they have exposures to all industry and retail sectors. As the analysis of the transition for each sector needs a lot of work, we recommend, for financing institutions, limiting, at least at the beginning, the scope of the transition plan to the most carbon high-emitting sectors, as listed by NZBA for instance, and not to cover the whole balance sheet. We also propose to exclude sovereigns and retail customers in a first step.

For financial institutions, we also propose to limit the alignment of GHG emission reduction targets to 1.5°only to scope 1 and scope 2 only and to complement this information with portfolio alignment targets. We propose to define the calculation of the scope 3 of the financed emissions by the financial institutions as the sum of scope 1 and scope 2 of their customers, in order to avoid double counting. This approach will be consistent with NZBA related disclosures

(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.

We fully agree that a transition plan for climate change mitigation is a main component of the climate-related disclosure framework. It is proposed in the ISSB, EFRAG and SEC consultations. We applaud the ISSB's proposed disclosure requirements for transition plans, including information about changes the entity is making in strategy and resource allocation to address the risks and opportunities, information about direct and indirect adaptation and mitigation efforts, targets and progress. However, we believe that IFRS S2 would be very usefully complemented with disclosures on locked-in emissions and an explanation of the decarbonisation levers. In addition, ISSB should require both a gross and net GHG emissions targets (with a clear distinction between the different ways to reduce carbon emissions) in order to provide transparency on the degree to which the company relies on carbon offsets, carbon removals and carbon avoided.

Firstly, we welcome that legacy assets, in § 13 (a) (i) (1), are a component of transition plans, including strategies to manage carbon energy- and water-intensive operations, and to decommission carbon- energy- and water-intensive assets. However, we believe that the disclosure of "assets that have remained on an entity's statement of financial position for a long period of time and have since become obsolete or have lost nearly all their initial value' is not sufficient. We propose that ISSB instead includes locked-in emissions in the transition plans, as defined by EFRAG in ESRS E1 as 'estimates of future GHG emissions that are likely to be caused by an undertaking's key assets or products sold

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within their operating lifetime'. This is broader than legacy assets, as it also encompasses decommissioned or sold assets.

Disclosures regarding locked-in emissions have been detailed by EFRAG, for instance, in Application Guidelines AG3:

(a) the cumulative locked-in GHG emissions associated with key assets from the reporting year until 2030 and 2050 in tCO2eq, calculated as the sum of estimated Scope 1 and 2 GHG emissions of active and firmly planned key assets over their operating lifetime. Key assets are owned or controlled, existing or planned assets (such as stationary or mobile installations, facilities, and equipment) that are significant direct and energy indirect GHG emission sources. Firmly planned key assets are those that the undertaking will, with high probability, deploy within the next five years.

(b) the cumulative locked-in GHG emissions associated with the direct use-phase GHG emissions of sold products in tCO2eq, calculated as the sales volume of products in the reporting year multiplied by the sum of estimated direct use-phase GHG emissions over their expected lifetime. This requirement only applies if the undertaking has identified the Scope 3 category "use of sold products" as significant (ESRS E1 Disclosure Requirement 9 and AG48);

(c) critical assumptions made for the calculation of the locked-in GHG emissions from key assets and products;

(d) an explanation on if and how the locked-in GHG emission can jeopardise the achievement of GHG emission reduction targets and drive transition risk; and

(e) an explanation of the plans to manage, i.e., to transform, decommission or phase out, GHG- and energy-intensive assets and products.

In addition, a split depending on the type of locked-in emissions (sale, decommissioning…) for carbon high emitting sectors would be very helpful.

Secondly, we encourage ISSB to enrich transition plans by detailing the direct adaptation and mitigation efforts in § 13 (a) (i) (2) with the explanation of the expected quantitative contributions from different decarbonisation levers to the achievement of the GHG emission reduction targets (such as those proposed by EFRAG: energy or material efficiency and consumption reduction, fuel switching, use of renewable energy or product and process change, phase-out or substitution).

Thirdly, ISSB should require both a gross and net GHG emissions targets (with a clear distinction between the different ways to reduce carbon emissions) in order to provide transparency on the degree to which the company relies on carbon offsets, carbon removals and carbon avoided.

(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?

We think indeed that carbon offset disclosures will enable users to understand an entity's approach to reducing emissions. However, we have two concerns regarding the ISSB proposal.

First, we do not agree with ISSB's proposal to use carbon offsets for the definition of the level of GHG emissions reduction targets. All companies, whatever the jurisdiction, should disclose gross and net GHG emissions reduction targets. The disclosure should also detail the different types of carbon offsets. ISSB and EFRAG are both aligned with the GHG protocol on scope 1,2 and 3 inventory, which does not include carbon offsets. From our perspective, carbon offsets should only be included in the definition of net zero targets, as proposed by EFRAG.

Second, we do not agree with the inclusion of avoided emissions in the definition of carbon offsets. We recommend that avoided emissions should be excluded from this definition, as their nature is completely different. They should be reported in a separate, optional disclosure.

(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?

We think indeed that carbon offset disclosures will enable users to understand an entity's approach to reducing emissions.

We do not agree with ISSB's proposal to use carbon offsets for the definition of the level of GHG emissions reduction targets. All companies, whatever the jurisdiction, should disclose gross and net GHG emissions reduction targets. The disclosure should also detail the different types of carbon offsets. ISSB and EFRAG are both aligned with the GHG protocol on scope 1,2 and 3 inventory, which does not include carbon offsets. From our perspective, carbon offsets should only be included in the definition of net zero targets, as proposed by EFRAG.

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.

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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?

Yes, we 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. For this disclosure, entities will be however limited by restrictions on confidential and sensitive information.

(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?

No response

(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?

No response

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 climaterelated 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.

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

We agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy, except for (iii)(1). Indeed this article mentions the entity's capacity to adjust or adapt its strategy and business model over the short, medium and long term to climate developments in terms of the availability of, and flexibility in, existing financial resources, including capital, to address climate-related risks, and/or to be redirected to take advantage of climate-related opportunities.

We believe that capital should be excluded from the list of items that users need to understand about the climate resilience of an entity's strategy, when the company is a financial institution. Indeed, Financial institutions are not in the driving seat of the technological investments, and their capital adequacy follows specific rules defined by prudential regulators.

We agree with ISSB that users need to understand (2) the ability to redeploy, repurpose, upgrade or decommission existing assets and (3) of the effect of current or planned investments in climate related mitigation, adaptation or opportunities for climate resilience for non financial corporates.

(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?

Yes, we agree if an entity is unable to perform climate related scenario analysis, that it can use alternative methods or techniques.

(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?

Yes, 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.

(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?

Requirements in 14c(c) should be removed. Cf. our answer to Question 6.

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

Yes, we agree with the proposed disclosures about an entity's climate-related scenario analysis

(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?

In order to ensure comparability within a sector, ISSB may consider harmonizing those technics at sector level within the sector-based standards. For example, in the case of the financial industry the scenario to assess the resilience should be provided by NGFS.

(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?

The analysis of the resilience to the climate change is unavoidable given its impact on future Entreprise Value.

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?

We agree that ISSB standard rely on 2021 TCFD recommendations on risk management, and remains principle based. As regards banks, risk management disclosure will be defined in BCBS and jurisdictions Pillar 3 framework.

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

The Exposure Draft proposes incorporating the TCFD's concept of cross-industry metrics and 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:

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• 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 nonmandatory 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?

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. However, we believe that some scope adjustment and additional information would be very useful for 'primary users'.

Regarding Scope 1 and 2 GHG emissions, we propose to limit their calculation to the consolidated accounting group (the parent and its subsidiaries) to be aligned with the same consolidated scope as financial disclosure. The separate calculation of Scope 1 and 2 GHG emissions for the associates, joint ventures, unconsolidated subsidiaries or affiliates will raise huge operational challenges and potential double counting.

We believe that Scope 2 GHG emissions should encompass more details, with a split between market-based and location-based as proposed by EFRAG. The location-based method quantifies Scope 2 GHG emissions based on average energy generation emission factors for defined locations, including local, subnational, or national boundaries (GHG Protocol, "Scope 2 Guidance", Glossary, 2015). The market-based method quantifies Scope 2 GHG emissions based on GHG emissions emitted by the generators from which the reporter contractually purchases electricity bundled with instruments, or unbundled instruments on their own (GHG Protocol, "Scope 2 Guidance", Glossary, 2015).

Regarding Scope 3 GHG emissions, we welcome the inclusion of scope 3 GHG emissions in the list of cross-sectoral metrics, as recommended by TCFD. Indeed, this information is essential for financial institutions to assess the climate related risks of their customers. In order to ensure comparability, ISSB should ensure harmonization of scope 3 methodologies. For financial institutions, we recommend the use of PCAF and, in a phased-in approach, the disclosure of financed emissions for financial institutions based on the sum of Scope 1 plus Scope 2 of their customers (as in NZBA methodologies).

Regarding Transition risks, we welcome ISSB's recognition of the operational challenges to calculate the amount and percentage of activities vulnerable to transition risks, and the fact that it does not provide prescriptive standards; however, we believe that the definition of "stranded assets" should be clarified in order to disclose the share not already provisioned in the financial statements.

Classification : Internal

In a similar way, we welcome ISSB's recognition of the operational challenges to calculate the amount and percentage of activities vulnerable to Physical risks and the fact that it does not provide prescriptive standards.

Regarding Climate-related opportunities metrics, we currently disclose the proportion of assets and/or operating, investing or financing activities aligned towards climate-related opportunities, based on key categories of commonly accepted opportunities; we also disclose absolute amounts of different KPIs (financing of renewables, Green Bonds, assets under management in SRI funds for example). The key challenge in this disclosure is to avoid having to report on sensitive and/or confidential information.

The metric "Amount of expenditure or capital investment deployed toward climate risks and opportunities" is not relevant for financial institutions to reflect their vulnerability to climate risks or their contribution to the transition or to sustainable activities. These are only relevant for non-financial undertakings. Instead, portfolio temperature alignment indicators and the forward-looking credit portfolio alignment pathways need to be incorporated into the framework.

We have no specific comment on Internal carbon prices related metrics.

We have no specific comment on the proposal to disclose the percentage of executive management remuneration that is linked to climate-related considerations.

(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.

No

(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?

Cf. the answer in (a)

(d) Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3— expressed in CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH4) separately from nitrous oxide (NO2))?

We agree it makes sense that non-financial companies should disclosure Scope 1, Scope 2 and Scope 3 emissions on a disaggregated basis, by constituent greenhouse gas…following for instance the focus of COP 26 on methane.

However, for financial institutions, we believe that they should be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3, because their main emissions are indirect emissions, and therefore banks have no lever on the mix of constituents.

(e) Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for:

(i) the consolidated entity; and

(ii) for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not?

Classification : Internal

No. Please refer to our answer in question (a). We recommend calculating them only at the level of the consolidated entity, as for financial disclosures.

(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?

Yes, we agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, not subject to materiality.

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?

As detailed in question 5, we do not agree with ISSB's proposal to use carbon offsets, carbon removals and carbon emissions avoided for the definition of the level of GHG emissions reduction targets. All companies, whatever the jurisdiction, should disclose gross and net GHG emissions reduction targets. The disclosure should also detail the different types of carbon offsets. ISSB and EFRAG are both aligned with the GHG protocol on scope 1,2 and 3 inventory, which does not include carbon offsets. From our perspective, carbon offsets should only be included in the definition of net zero targets, as proposed by EFRAG.

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

Yes, the proposed definition of 'latest international agreement on climate change' is sufficiently clear

Question 11—Industry-based requirements

Classification : Internal

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?

SASB seems quite US-centric, so we propose IFRS to co-construct international standards with other jurisdictions, notably those involved in the ISSB working group of jurisdictional representatives to establish dialogue for enhanced compatibility between global baseline and jurisdictional initiatives.

(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?

No answer

(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?

No 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).

Classification : Internal

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

(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?

No answer

(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?

No answer

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

No answer

(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?

No answer

(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?

Yes we 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

(i) In the proposal for entities in the asset management and custody activities industry, does the disclosure of financed emissions associated with total assets under management provide useful information for the assessment of the entity's indirect transition risk exposure? Why or why not?

No 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?

No answer

(k) Are there any additional industry-based requirements that address climate-related risks and opportunities that are necessary to enable users of general purpose financial reporting to assess enterprise value (or are some proposed that are not)? If so, please describe those disclosures and explain why they are or are not necessary.

No answer

(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?

No answer

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?

No answer

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

No answer

Classification : Internal

(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?

No answer

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.

We welcome ISSB requirements in terms of verifiability and enforceability.

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 Sustainabilityrelated 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?

Classification : Internal

We believe that the effective date of the Climate related Exposure Draft should be the same as that of General Requirements.

We also propose 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).

(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.

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 (relief period) is introduced, in the same way as when the IFRS financial standards were implemented.

(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?

We believe that a need for phase-in should be recognized for the implementation of transition plans for financial institutions. Indeed, credit institutions finance all the sectors of the economy. As the analysis of the transition at sector level needs a lot of work, we recommend limiting, at least at the beginning, the scope of the transition plan to the most carbon high-emitting sectors, and not to cover the whole balance sheet.

We believe that ISSB should define more specifically the Transition Plans for financial institutions, which need be different from the non-financial corporate ones. For financial institutions, we propose to limit the alignment of GHG emission reduction targets to scope 1 and scope 2 only. This information could be complemented with voluntary sectoral portfolio alignment targets, such as those committed through the NZBA initiative.

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)?

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—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?

We welcome IFRS Climate related 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.

We encourage ISSB to 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 Climate related 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;
- 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;
- 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;
- enrich transition plans with locked in emissions and decarbonization levers, as proposed by EFRAG;

Classification : Internal

- recognize the need for progressive implementation of transition plans for the financial institutions, starting with the most carbon emitting sectors;
- require GHG emissions reduction targets gross of carbon offsets, carbon removals and carbon emissions avoided, to ensure comparability across jurisdictions;
- ensure that definitions and formats are exactly the same across jurisdictions in order to avoid cumbersome overlap and comparability issues;
- remove from public disclosure strategic, sensitive and confidential information and risks undermining the level playing field between companies (cf §14c)

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 17—Other comments

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

No response

Classification : Internal