July 26, 2022

IFRS Foundation – ISSB
Columbus Building
7 Westferry Circus
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London E14 4HD, UK

By e-mail: commentletters@ifrs.org

Re: Exposure Draft – IFRS S2, Climate-related Disclosures

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 21,000 CPAs in public practice, industry, government and education, welcomes the opportunity to respond to the above-captioned exposure draft.

The NYSSCPA's Sustainability Accounting and Reporting and International Accounting and Auditing Committees deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Sustainability Accounting and Reporting Committee Vice Chair Timothy Coville at (516) 650-6028 or International Accounting and Auditing Committee chair Richard C. Jones at (516) 463-6990 or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Lynne M. Fuentes CPA

Lynne M. Fuentes
President

Attachment

NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

EXPOSURE DRAFT – IFRS S2, CLIMATE-RELATED DISCLOSURES

July 26, 2022

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New York State Society of Certified Public Accountants

Comments on

Exposure Draft – IFRS S2, Climate-related Disclosures

The New York State Society of Certified Public Accountants (NYSSCPA or Society) welcomes the opportunity to respond to the International Sustainability Standards Board (ISSB)invitation to comment on its Exposure Draft, IFRS S2—Climate-related Disclosures (Exposure Draft).

Our responses to the questions for comment presented in the Exposure Draft follow.

Responses to Questions

Question 1 (a) – Objective of the Exposure Draft: Do you agree with the objective that has been established for the Exposure Draft? Why or why not?

Response: Yes. We agree that an entity must disclose its climate-related risks and opportunities. The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) has led the way on climate disclosures, and their framework is now the de facto international climate standard. This Exposure Draft is based upon the four core elements[1] of the TCFD and all its recommendation.

Question 1(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?

Response: Yes. The Exposure Draft contains all the information that is required under the TCFD Framework and Greenhouse Gas (GHG) Protocol which are widely adopted climate disclosures by public companies and supported by many investors and capital market participants.

Question 1(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?

Response: Yes. The disclosure requirements are very comprehensive and based upon the four core elements and 11 recommended disclosures published by the TCFD. [2] [3]

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[1] "Recommendations of the Task Force on Climate-related Financial Disclosures," TCFD, June 2017, p.V, accessed on May 20, 2022 at: https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf.

[2] "Comparison [Draft] IFRS S2 Climate-related Disclosures with the TCFD Recommendations," IFRS Foundation, March 2022, p. 2, accessed on May 20, 2022 at: disclosures/comparison-draft-ifrs-s2-climate-related-disclosures-with-the-tcfd-recommendations.pdf.

[3] "Recommendations of the Task Force on Climate-related Financial Disclosures," TCFD, June 2017, p.14,

Question 2 – Governance: Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?

Response: Yes. Our rationale is that the Exposure Draft's proposed governance disclosure requirements are based upon the TCFD framework. In addition, it contains "additional specificity in the Exposure Draft that is in line with TCFD recommendations." [4]

Question 3(a) – Identification of climate-related risks and opportunities: Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?

Response: Yes. The requirements are consistent with the TCFD Framework. Therefore, we agree with these requirements and believe they are sufficiently clear.

Question 3(b)(i): 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?

Response: Yes. The industry requirements are based upon the Sustainability Accounting Standards Board (SASB) standards which have been widely adopted. The SASB standards have demonstrated that each industry has certain material sustainability risks and opportunities; these include climate as well. Therefore, we support the disclosure topics defined in the industry requirements in Appendix B.

Question 3(b)(ii): Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not?

Response: Yes. As the SASB industry standards have improved relevance and comparability with companies in the same industry, so will the disclosure topics defined in Appendix B.

Question 3(b)(iii): Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?

Response: None that came to our attention.

Question 4(a) – Concentrations of climate-related risks and opportunities in an entity's value chain: 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?

Response: Yes. An entity's value chain may expose the entity to far more significant climate-related risks and opportunities than its own operations. For example, the entity's top supplier may

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[4] "Comparison [Draft] IFRS S2 Climate-related Disclosures with the TCFD Recommendations," IFRS Foundation, March 2022, p. 3, accessed on May 20, 2022 at: disclosures/comparison-draft-ifrs-s2-climate-related-disclosures-with-the-tcfd-recommendations.pdf.

emit far more carbon emissions than the entity itself. Therefore, we agree that an entity must disclose the significant climate risks and opportunities pertaining to its value chain.

Question 4(b): Do you agree that the disclosures 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?

Response: Yes. With respect to the entity's value chain, we agree that qualitative disclosures are sufficient to describe the concentration of climate-related risks and opportunities because this will ease the measurement burden and the excessive costs for preparers.

Question 5(a) – Transition plans and carbon offsets: Do you agree with the proposed disclosure requirements for transition plans? Why or why not?

Response: Yes. Many investors are demanding that public companies disclose their plans to achieve net zero emissions. The Glasgow Financial Alliance for Net Zero (GFANZ) is a large international financial alliance that is demanding public companies achieve net zero emissions by 2050 in line with the Paris Climate Accord. Therefore, we support the proposed disclosure requirements for transition plans.

Question 5(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.

Response: Yes. First, in compliance with the GFANZ commitments and the United Nations Race to Zero, a pledge must be made by the entity's governance body in charge of climate oversight stating that: the organization will "reach net-zero GHG [emissions] as soon as possible, and by mid-century at the latest, in line with global efforts to limit warming to 1.5 degrees C."[5] In addition, the entity must show their transition plans to achieve net zero GHG emissions, including Scope 3 emissions, along with an interim target to achieve a 50% reduction in current GHG emissions by 2030.[6]

Question 5(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?

Response: Yes. We believe the Exposure Draft requires sufficient and relevant data to assess the role played by carbon offsets and their credibility. Paragraph 13(b) of the Exposure Draft requires detailed information pertaining to an entity's use of carbon offsets, such as: whether the carbon offsets are certified by a third party, whether they will be nature-based or technology based, and whether the offsets will be through carbon removal or emission avoidance. Such detailed information will enable users to understand an entity's carbon offset disclosures and their associated climate-related risks and opportunities.

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[5] "The Glasgow Financial Alliance for Net Zero: Our progress and plan towards a net-zero global economy," November 2021, p. 27, accessed on May 23, 2022 at: https://www.gfanzero.com/progress-report/.
[6] Ibid.

Question 5(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?

Response: Yes. Our rationale is based upon the following assumption: "The ISSB is committed to ensuring that the application of its proposals, as set out in the Exposure Draft, appropriately balances costs and benefits." That is, the ISSB aims to develop standards that, when applied, result in benefits that justify the cost of implementation and ongoing application" (Paragraph BC46 of the Basis for Conclusion).

Question 6(a) – Current and anticipated effects: 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?

Response: Yes. We agree with the recommendation to provide a single number or range of quantified impacts as recommended.

With respect to disclosing qualitative information if there is a lack of quantitative figures, we appreciate the principles-based approach to provide companies flexibility in meeting the disclosure requirement. However, to ensure that information useful to financial statement users is consistently provided, we recommend that additional precision be provided relative to paragraph14(d) where projected impacts are assessed.

Users of general-purpose financial reporting will have better capability to assess the impact to enterprise value if certain minimum requirements are established for qualitative disclosures. Information such as disclosing how much of a company's assets have a high, medium or low level of susceptibility to physical or transition risk can better assist with enterprise value assessments. Disclosures of asset sensitivity to these risks would not necessitate the complexity in quantifying likelihood and impact of future climate risk related events, but would still provide users a degree of insight on where pockets of climate risk sensitive assets exist in an organization. Additionally, qualitative disclosures should incorporate the reputational and downstream financial impacts of not making a pledge to reduce Scope 1, 2 and 3 emissions or impact of not meeting pledged commitments to reduce emissions.

Question 6(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?

Response: Yes. The disclosure of climate-related impacts for the reporting period would be beneficial to financial statement users to ascertain the proportion of current statement impacts that are directly attributable to climate related impacts.

Question 6(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?

Response: Yes. We agree with the principles outlined in requiring institutions to contemplate the short, medium and long term impacts to performance that climate-related risks may pose.

While we support the principles outlined in the proposal, we recommend that the ISSB consider whether the quantification of projected impacts be recognized as a contra asset in the form of a climate loss reserve to reflect management's estimates of expected future loss events that will emerge as a consequence of climate related risks.

Under the conservatism principles of accounting, where events are probable and quantifiable, the financial statements should recognize a loss event reserve. Determining the impact to a company's enterprise value through the recognition of a climate risk loss reserve (or contra asset) would produce more accurate, useful and comparable financial statements as company management is best able to produce the most accurate quantification of the expected impacts to their enterprise value.

Question 7(a) – Climate resilience: 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?

Response: Yes. We agree with the principles outlined as an appropriate reflection of what users need to understand about climate resilience. As with our response to question 6(c), we recommend that the ISSB consider whether the quantification of impacts should be recognized as a contra asset in the form of a climate loss reserve to reflect management's estimates of the probable and estimable expected future loss events that will emerge as a consequence of climate-related risks.

Question 7(b): The Exposure Draft proposes that if an entity is unable to perform climate related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy.

(i) Do you agree with this proposal? Why or why not?
(ii) Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not?
(iii) Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience. If mandatory application were required, would this affect your response to Question 14(c) and if so, why?

Response: Yes. We agree with the principles outlined as an appropriate reflection of what users need to understand about climate resilience. No further comment.

Question 7(c): Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?

Response: Yes. Providing information and transparency to the scenario inputs, assumptions and other factors utilized by management will provide appropriate insights to increase the usefulness to users of general-purpose financial reporting.

Question 7(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?

Response: Yes. Providing information and transparency to alternative techniques utilized by management will provide appropriate insights to increase the usefulness to users of general-purpose financial reporting.

Question 7(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?

Response: Yes. The Exposure Draft recognizes that implementing climate-related scenario analysis can be costly and time consuming. Therefore, it has offered a relief by offering entities an alternative technique. This is especially useful for smaller entities.

Question 8 – Risk management: 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?

Response: Yes. We agree with the proposed disclosure requirements. As with our response to question 6(c), we recommend that the ISSB consider whether the quantification of impacts should be recognized as a contra asset in the form of a climate loss reserve to reflect management's estimates of the probable and estimable expected future loss events that will emerge as a consequence of climate related risks.

Question 9(a) – Cross Industry metric categories and greenhouse gas emissions: 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?

Response: We agree with the first five cross industry metric categories as directly relevant measurements of the organization related risks and opportunities for industry and cross industry comparison. We do not see the relevance or cross industry comparability of internal carbon pricing or remuneration although those should be general disclosures of operation of the business model or regulatory framework relevant to specific issuers.

Question 9(b): Are there 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.

Response: Yes. This section should include additional metrics related to 1) enterprise value measurement deriving from positive or negative climate justice and equity effects of company and value chain operations on underprivileged communities where the company has significant operations; and 2) additional metrics related to overall executive, management and work force deployment practices and contractor/subcontractor utilization and fair transition practices. Both are critical measures to uniformly monitor to assure a just transition of economic activities.

Question 9(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?

Response: Yes. We agree that entities should be required to use the GHG Protocol to define and measure emissions. We agree the Protocol provides a uniform standard; it has been in existence for almost twenty years and provides a fundamental emphasis on the most serious direct and indirect aspects of the climate crisis, carbon emission and related emissions that foster carbon emissions.

Question 9(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))?

Response: Yes. We agree that emissions should be aggregated and expressed in CO2 equivalent for Scope 1, Scope 2 and Scope 3 emissions. Our rationale is that this is consistent with the TCFD.

Question 9(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?

Response: Yes. We agree with the statement in BC 114 that the GHG Protocol Standard allows various approaches to determine which emissions are included in the calculations of Scope 1, 2 and 3 by an entity, including, for example, how the emissions of unconsolidated entities such as associates are included. The Exposure Draft guidance should facilitate comparability despite the varied approaches allowed in the GHG Protocol.

Question 9(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?

Response: Yes. The inclusion of Scope 3 emissions can represent a significant metric of the issuers total carbon footprint, and disclosure is important to enable users of general purpose financial reporting to understand which activities or categories have been included or excluded in the entity’s Scope 3 emissions (See BC 116 (b)).

We note that there is an inconsistency with respect to Scope 3 emissions in the Exposure Draft; specifically, Question 9(f) states that Scope 3 emissions are "subject to materiality," while paragraph 21(a) states that "Scope 3 emission disclosure is required"[7] and *not subject to materiality*. We agree that Scope 3 emissions should be subject to materiality in the first reporting year.

Question 10(a) – Targets: Do you agree with the proposed disclosure about climate related targets? Why or why not?

Response: Yes. We agree with the proposed disclosures based on the rationale in BC 119 and BC120 and the definitions provided in BC 121 establishing the UN Framework Convention on Climate Change (UNFCC) as the appropriate globally focused group to establish the definitions, norms and targets for emissions and other climate change metrics disclosures.

Question 10(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?

Response: Yes. We agree that the definition is sufficiently clear in the text of the Exposure Draft (par. 23(e) and definitions p.46 of S2). We suggest the Proposed Disclosure Standard direct the ISSB to notify issuers and reissue the standard as necessary based on approved future international framework conventions established by the UNFCCC.

Question 11(a) – Industry-based requirement: 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?

Response: Yes. We agree with the approach taken to revise the SASB Standards to improve international applicability. The ISSB should review the ability of entities to apply the requirements regardless of jurisdiction.

Question 11(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?

Response: Yes. We agree with "Revision Approach 1—to revise by referring to an internationally applicable standard, definition or calculation method" (paragraph BC 133(a)). We also agree with "Revision Approach 3—to revise otherwise by referring to jurisdictional requirements in the absence of an internationally applicable standard, definition or calculation methodology" (paragraph BC 133(c)). For example, the U.S. Energy Star program, consistent with similar programs in China and Europe.

[7] Comparison [Draft] IFRS S2 Climate-related Disclosures with the TCFD Recommendations," IFRS Foundation, March 2022, p. 7, accessed on May 20, 2022 at: disclosures/comparison-draft-ifrs-s2-climate-related-disclosures-with-the-tcfd-recommendations.pdf.

We do not agree with "Revision Approach 2—to revise by providing a general definition in the absence of an internationally applicable standard, definition or calculation methodology" (paragraph BC 133(b)). Our rationale is that we do not agree with the example given of Revision Approach 2, in paragraph BC 137, which defines "renewable fuel." The US Renewable Fuel Standard (RFS) is not acceptable to many environmentalists since the conversion of land crops to biomass fuel releases captured carbon from the soil (Aaron Smith, UCDavis.edu discovered that the land that was converted due to the RFS (ethanol mandate) "released a lot of carbon.").

Question 11(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?

Response: Yes. We agree with the rationale provided in BC that the overwhelming majority of the SASB industry metrics do not require any changes to improve their international applicability. It is estimated that only 10% would have to change. Regardless, as noted in our response in 11(b) above, we do not agree with the proposed definition in "renewable fuel;" a restatement would be required if non-qualified biofuels were used in the metric in a prior year.

Question 11(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?

Response: No. We do not agree with the proposed industry-based disclosure requirements for financed and facilitated emissions. We believe the cross-industry metric to disclose Scope 3 emissions (which includes Category 15 Investments) facilitates adequate disclosure. Our rationale is that this would avoid the perception of possible duplication of emissions reported by the entity seeking financing, insurance, etc.

Question 11(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?

Response: No. We do not agree because of possible overlap in emissions quantification discussed above in 11(d). For example, how will accounting for carbon emissions by banks, insurance companies, and investment companies be reconciled with their clients' emission data? However, we believe the ISSB should consider whether or not crypto and bitcoin mining operations should be included as a "carbon-producing" industry because of the significant carbon related to fossil fuel energy that may be used in their operations.

Question 11(f): Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?

Response: Yes. This is consistent with the cross-industry metrics of Scope 1, Scope 2, and Scope 3.

Question 11(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?

Response: Yes, we agree that the disclosure of the methodology used is important to the users understanding.

Question 11(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?

Response: Yes. We agree that entities should be required to use the GHG Protocol Corporate Value Chain (Scope 3) Standards. These Standards provide a methodology that can be used to account for and report emissions from companies of all sectors globally.[8]

Question 11(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?

Response: Yes. We agree that the disclosure is useful for the assessment of the entity's indirect climate risk and transition risk. Due to the emergency of the climate crisis, it is in the public and investor interest to begin these measurements and assessments as soon as possible.

Question 11(j): Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why?

Response: Yes. Based upon the IFRS Trustees' 2020 consultation, the investor community as well as IOSCO are demanding that the ISSB develop industry-based requirements. In addition, the SASB industry standards identify the material sustainability-related risks and opportunities for entities operating within the same industry. Due to the urgency of the climate crisis, we believe the cross-industry metrics in this Exposure Draft should take priority during the initial implementation period.

Question 11(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.

Response: No. There are none that came to our attention.

Question 11(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

[8] See: https://ghgprotocol.org > scope-3-standard.

industry descriptions that define the activities to which the requirements will apply? Why or why not? If not, what do you suggest and why?

Response: Yes. Crypto mining activities involving fossil fuel electricity generation should be closely monitored as they require significant electricity usage.

Question 12(a) – Costs, benefits and likely effects: 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 analyzing the likely effects of these proposals?

Response: We believe significant benefits and lower costs will accrue to issuers and improved understanding by report users through increased cooperation between the Global Reporting Initiative (GRI) and the ISSB consistent with their recent memorandum of understanding.

Question 12(b): Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

Response: We believe that the ISSB should seek to obtain feedback from preparers and users on best practices for reporting on this Exposure Draft. Then, the ISSB should publish annual guidance in line with what the TCFD prepares annually.

Question 12(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?

Response: We are not aware of any.

Question 13 – Verifiability and enforceability: Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.

Response: Yes. Guidelines for "facilitated emissions" in the financial sector should be provided to issuers.

Question 14(a) – Effective date: 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?

Response: We believe that both the IFRS S1 and this Exposure Draft should be issued concurrently. This climate standard should be given priority in implementation due to the recent issuance of the US Securities and Exchange Commission proposed rule on climate disclosures (SEC Proposed Rule) and IOSCO demanding that climate disclosures are a priority.

Question 14(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.

Response: In giving a US perspective, we believe the effective date must have a phase-in period which mirrors the SEC Proposed Rule as follows:

- Large entities: "Fiscal year 2023 (filed in 2024)"[9]
- Mid-size entities: "Fiscal year 2024 (filed in 2025)"[10]
- Small entities: "Fiscal year 2025 (filed in 2026)."[11]

For explanatory purposes, it is assumed that this Exposure Draft and the SEC Proposed Rule will be issued at the end of 2022, and that entities have a December 31st fiscal year.[12]

Question 14(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?

Response: Yes. The cross-industry metrics should be applied earlier than the industry-based requirements. In addition, the Scope 3 emissions should be subject to materiality and have a phase-in period which mirrors the SEC Proposed Rule, as follows:

- Large entities: "Fiscal year 2024 (filed in 2025)"[13]
- Mid-size entities: "Fiscal year 2025 (filed in 2026)"[14]
- Small entities: "Exempted"[15]

Question 15 – Digital reporting: Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

Response: Yes. The first suggestion is primarily around the prioritization of the tagging of the disclosures between 1) more easily identifiable metrics, 2) metrics requiring infrastructure development, and 3) narratives which could be integrated or embedded within varied sections of the financial document and to allow for a more inclusive participation in these Standards. The second suggestion is around allowing for initial participation with and without electronic tagging. An initial survey of XBRL service and software providers indicates that they are very aware of the ISSB initiatives and interested in providing these services. It is likely that the new disclosure standards will create an intense demand and competition for these services, driving up costs and prohibiting entry by smaller organizations. It is suggested that digital reporting be 1) phased in and 2) that special programs be created for smaller organizations to have access and at commercially reasonable costs.

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[9] Fact Sheet, "Enhancement and Standardization of Climate-Related Disclosures," U.S. Securities and Exchange Commission, March 21, 2022.
[10] Ibid.
[11] Ibid.
[12] Ibid.
[13] Ibid.
[14] Ibid.
[15] Ibid.

Question 16 – Global baseline: Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

Response: Yes. The intended goal could be limited by several factors, primarily 1) the expertise needed to properly develop the disclosures and 2) the users' ability to understand and use the information as intended. In addition, the infrastructure of service providers needed to deliver the needed information required is evolving and may only be able to service the largest of organizations, leaving small and middle organizations at a disadvantage. Access to these services may also vary by jurisdiction. A staggered implementation is suggested, as discussed in questions 14 and 17, to allow small and mid-size entities to participate.

Question 17—Other comments: Do you have any other comments on the proposals set out in the Exposure Draft?

Response: Yes, as follows:

a) Due to the emergency of the climate crisis and the apparent failure to meet the Paris Climate Accord, the heads of public companies should consider making a pledge to transition their company to net zero carbon emissions by 2050, along with an interim pledge to reduce their entity's carbon emissions by 50% by 2030, consistent with membership in the GFANZ Alliance and the UN's Race to Net Zero. We believe this pledge will help reduce climate-related risks and enhance opportunities as discussed in question 6.

b) When the ISSB and IASB take up the task of implementing the Integrated Reporting Framework – which will connect financial reporting with sustainability reporting – priority should be given to: 1) aligning the concepts of Sustainability Reporting and the Six Capitals with the annual impairment testing of Goodwill and Intangible Assets, and the application of short-term, mid-term and long-term risk assignments, and 2) aligning the concepts of Sustainability with Going Concern assessments and disclosures.