27 July 2022

Mr. Emmanuel Faber
Chair,
International Sustainability Standards Board

Dear Mr. Faber,

RE: Consultation on the ISSB Exposure Draft on IFRS S2 Climate-Related Disclosures

In response to the ISSB's request to comment on the Exposure Draft on IFRS S2 Climate-Related Disclosures, I am pleased to submit on behalf of the International Actuarial Association (IAA) our comments and recommendations.

These comments have been prepared by the IAA Insurance Accounting Committee.

If you wish to discuss any of our feedback, please do not hesitate to contact Derek Wright Chair of the IAA's Insurance Accounting Committee, via the IAA Secretariat.

Yours sincerely,

Roseanne Harris
President

Attachment: IAA Comments

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The International Actuarial Association

The International Actuarial Association (IAA) represents the global actuarial profession. Our seventy-four Full Member actuarial associations, listed in Appendix A, represent more than 95% of all actuaries practising in over 115 countries around the world. The IAA promotes high standards of actuarial professionalism across the globe and serves as the voice of the actuarial profession when dealing with international bodies on matters falling within or likely to have an impact upon the areas of expertise of actuaries.

The Insurance Accounting Committee (IAC) of the International Actuarial Association is pleased to respond to a request from the ISSB to comment on the Exposure Draft on IFRS S2 Climate-related Disclosures. The response was prepared by a special Task Force appointed for the purpose by the Insurance Accounting Committee. The members of this Task Force are listed in Appendix B.

This response has been approved by the IAC constitutes a formal view of the IAA.

Our comments are as follows:

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?

Yes, the International Association of Actuaries (IAA) agrees with the objectives.

(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?

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Yes, the objectives focus on the relevant information.

(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?

The IAA believes that there is a risk that the lack of standardized requirements could lead to a lack of comparability in the disclosures.

However, there is a risk that requiring specific measures which may not evolve will result in the standard needing to be revised frequently.

Therefore, the IAA believes the standard may wish to reference evolving standardized measures generically, so as to increase comparability without being too prescriptive.

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, in general the IAA believes this information will be useful. The TCFD high level requirements are a good start. The extra information that paragraph 5 sets out seems to be more granular than is required for disclosures around other risks in the financial statements. For example, what is expected by "how that body's responsibilities for climate related risks and opportunities are reflected in the entity's terms of reference, board mandates and other related policies"? Additionally, in such an evolving practice area as climate reporting, a key area of governance should be to apply proper model governance and disclose information about how model governance is managed by the entity. The actuarial profession has significant experience with *model governance, and we would be happy to help further develop guidance for this as relates to climate modeling and reporting. The IAA's International Standard of Actuarial Practice 1 on General Actuarial Practice (ISAP1) can be used as a model approach.*

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?

The IAA believes the proposed requirements are clear,

(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?

The IAA believes that although the requirements are clear, there may be challenges in complying with them due to the inter-related nature of climate risk on many other risks. The Board may want to consider altering the requirements to significant known climate-related risks, or to providing a standardized list of risks or risk categories which would lead to more comparability of disclosures.

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.

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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 IAA does not agree with qualitative disclosures that are based on significance. What may be significant is too subjective a requirement across the entire value chain of a company. For general purpose financial reporting, the IAA would prefer to see a higher burden for disclosure. This could be set as impact being "material", or "reasonably possible" or "more likely than not".

(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?

At the current time the IAA believes it should be qualitative only when looking across the value chain for areas that are not in the control of the company. Providing 'what if' scenarios in a quantitative fashion, will lead to an unnecessary burden on reporters with volumes of information indecipherable by users of the financial statements. As ways of benchmarking are developed that are more reliable, it may be possible to expand the scope of these disclosures to a more quantitative measure in time.

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.

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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?

The IAA agrees with the requirements, since the level of detail will allow users of the financial statements to understand how the entity is planning on reducing emissions and will be able to use the information to form its own assessment on the "goodness" of that transition plan.

(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.

For 13 (b)/(c), the IAA believes actionable steps should be set out that help the reader understand how the transition plan is achievable. For 13 (b) (ii) interim targets, or a minimum frequency should be proposed. E.g., every 10 years to 2050.

(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?

The IAA agrees, as per the response to 5(a) above.

(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?

The IAA partially agrees. As additional technology or nature-based solutions are developed, having two simple categories may not be sufficiently granular to give information on efficiency and permanence of carbon offsets. E.g., short-term low quality forest based offsets vs. longer term wetland based blue carbon offsets.

Question 6—Current and anticipated effects

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

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

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

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

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

(a) Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?

The IAA agrees with this requirement, since having quantitative information where available will almost always be preferable to only qualitative, unless of course the disclosures vary so much that they are not comparable.

(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?

The IAA agrees with the requirements, since they relate to current period reporting, there should be minimal "guesswork" around the quantifications. It is possible that a climate event in a current period could result in a degree of disruption in the economic environment and separating the impacts of the two may be a challenge, but these challenges can be noted in the disclosure itself.

(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?

The IAA agrees with the requirements, although the ISSB providing proposed climate risk categories or specific stress scenarios around these risks may lead to more uniformity and comparability of disclosures.

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.

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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 discloses similar information to that generated by scenario analysis to provide investors with the information they need to understand the approach used and the key underlying assumptions and parameters associated with the approach and associated implications for the entity's resilience over the short, medium, and long term.

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

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

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

The IAA generally agrees, although 15(a)(ii) mentions the significant areas of uncertainty considered as part of scenario analysis. This could be more explicit, calling out data, assumption, model, and methodology uncertainties.

(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, however, the IAA is limiting its response to the sectors with which it has familiarity, namely insurance, asset managers and pensions funds, and therefore agrees that scenario analysis should be used to assess the climate resilience of its strategy.

(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?

As with 7(bi) above, the IAA believes that the financial services sector should be able to perform scenario analysis and should disclose the reasons if it is unable.

(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?

14(c) discusses early adoption of disclosure requirements. If a Company is ready to disclose information on Stress and Scenario testing, or already does so as part of TCFD, the Climate Resilience disclosure requirement could be applied earlier. However, the IAA does not believe that this should be required to be applied earlier than other disclosure requirements given the complexity associated with scenario analysis.

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

15 (b)(i)(7) refers to inputs used in the analysis. However, this section appears confused between scope of risks/business areas, and details of the inputs. Separate sections should be considered for scope of analysis, and inputs used.

Additional requirements could include more information about modelling approaches. E.g., whether third party models, or in-house models have been used, and an assessment of why these models are appropriate. As discussed in the response to Question 2 above, we are willing to assist with guidance related to model governance.

(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?

The IAA believes this is unnecessary for companies in the financial services sector.

(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?

Yes, the IAA believes the capabilities exist and the costs to implement scenario testing are not overly burdensome to the financial services sector.

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?

While some of this information at a reasonable level of disclosure may provide useful information to users of the financial statements, other information is duplicative. Paragraph 17a is unnecessary as the beginning of paragraph 17b and paragraph 17c are sufficient when it comes to risk management. The overall requirements being just for climate related risks seems potentially unduly constrained and limited as there would be value in the users of the financial statements understanding this information at a reasonable level for all material risks. The IAA believes that paragraph 17(b)(i) might be extremely difficult to comply with. In many cases only high level and qualitative assessment might be possible and even such assessments would be substituted by appropriate scenario analysis.

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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

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jurisdictions is improving. This development reflects an increasing recognition that Scope 3 emissions are an important component of investment-risk analysis because, for most entities, they represent by far the largest portion of an entity's carbon footprint.

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

For Scope 3 emissions, the Exposure Draft proposes that:

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

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

Paragraphs BC105–BC118 of the Basis for Conclusions describe the reasoning behind

the Exposure Draft's proposals.

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

The IAA agrees with the seven cross-industry metric categories, although, as detailed in the IAA responses to question 11, there may be industry specific challenges related to the requirement to disclose GHG on an intensity basis, since the measure of intensity will vary significantly across the insurance/asset management and pension sectors at a minimum. The ISSB may wish to further consider this particular measure so as to confirm the goal of comparability

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across sectors is achieved. The IAA would be happy to assist in the development of measures that will promote comparability.

(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.

None that the IAA has identified.

(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?

As discussed above, the IAA's responses are limited to the insurance / asset management / pension industries and accordingly, comments to this item are included in Q11 below.

(d) Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3— expressed in CO_2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH_4) separately from nitrous oxide (NO_2))?

Given the IAA's focus is on financial services, we have no particular expertise enabling us to respond to this question.

(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?

The IAA agrees that entities should separately disclose Scope 1 and 2 emissions for the consolidated entity. For any investments that are not consolidated, the Scope 1 and 2 emissions disclosures should be similar to those required for other investments. If the level of investment rises to the point where control is exerted, the investment will be consolidated and the required level of GHG disclosures will increase accordingly.

(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?

The IAA agrees with this disclosure, since for many entities, Scope 3 emissions will be the largest portion of their emissions and such, at a glance, information will be helpful for investors in those cases. Although we concede that the figures will likely be difficult to compare initially, the emergence of common practices will aid in comparability over time.

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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?

No, the IAA believes companies should only disclose progress against these climate related targets if they have a material impact on the Company's business. To do otherwise creates an unnecessary burden of disclosure for no benefit for the user of the financial statements.

(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?

The IAA believes this definition could be a problematic if there is no transition period between international agreements or if international agreements begin to break down given the nature of this topic.

Question 11—Industry-based requirement

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?

We broadly agree with the approach of revising the SASB Standards.

However, the IAA notes that the industry-based approach raises the potential for inconsistency between entities that are of a similar nature, but happen to fall into different industries and inconsistency with IASB standards that are based on the nature of particular transactions not specific industries.

Insurers are of particular note. They provide insurance services to their customers which can raise specific climate change issues. They may also offer products that provide asset management services to their customers, which suggests that they should be treated in the same way as asset managers for that part of their business, and they own assets to support their insurance liabilities.

The IAA notes that there is no appendix for asset owners, including pension funds. We assume that is because the SASB doesn't have an equivalent standard for asset owners. However, we note that there is TFCD guidance. It would seem that coverage of asset owners should be considered in future versions of the standard, and the treatment of insurers as asset owners should be consistent with that.

(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?

The IAA observes that the proposed amendments are minor and mainly remove references to US legislation, so would seem to improve international applicability.

However, the industry distinction on p. 155 of Appendix B17 Insurance between traditional and non-traditional insurance appears to be outdated and probably US centric. The IAA notes that annuities would be considered a traditional insurance product in many jurisdictions, although variable annuities would be considered non-traditional.

The IAA notes that health insurance is excluded from Appendix B17 and dealt with under a Managed Care Appendix (although B17 still refers to the SASB standard rather than the relevant Appendix to this standard). Managed Care is a very US centric term and health

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insurers in some jurisdictions may be more appropriately treated like other insurers rather than as US managed care providers.

The IAA suggests that it is worth considering the definition of an insurer set out in IFRS 17, to enhance consistency with financial reporting. We note that IFRS 17 sets standards for financial reporting on insurance contracts, which as noted above is a subset of the activities of an insurer.

The IAA also suggests that the SASB content could be improved by additional classification of insurance activities into:

1) *Insurance of climate-related items, where the transferred risk, and hence the insurance service, is not climate-related (e.g., car accident insurance).*
2) *Insurance that could create a moral hazard, because insurance is easier or cheaper than eliminating or minimizing a climate risk (e.g., possible pollution after leakage). On the other hand, we believe that insurance has added value when a certain risk remains (at present) unavoidable.*
3) *Insurance that promotes climate actions, by rewarding positive behavior or mitigating to the insurer any emerging risk when undertaking positive action, as exemplified by what seems to be suggested by:*
    a. *the "energy savings warranties" on p. 162 of B17; or*
    b. *by incentivizing responsible behavior as mentioned on p.161 of B17*

Furthermore, the proposal of policy count for an activity measure for the insurance industry does not capture activity well. It may be reasonable for a company that only writes personal lines insurance such as policies covering personal vehicles and homes. However, most insurance companies do not and may write a mix of personal, commercial and reinsurance covers. Therefore, activity in the sense of providing insurance is not well defined by policy counts as the level of insurance protection can vary significantly between contracts based on the risks insured and the limits of coverage provided. Earned or written premium are the metrics that are used globally to measure activity during a period, and we would recommend any disclosures leverage those data points as they are already captured in insurers' financial statements.

(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?

The IAA observes that the B17 appendix on Insurance is largely based on the SASB Standard, so that current users of SASB will have no difficulty with the proposed ISSB standards. Please note however the IAA suggestions to make descriptive text in B17 less US centric and to require more disclosure about the insurance underwriting process.

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

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metrics in four industries: commercial banks, investment banks, insurance and asset management. The proposed requirements relate to the lending, underwriting and/or investment activities that finance or facilitate emissions. The proposal builds on the GHG Protocol Corporate Value Chain (Scope 3) Standard which includes guidance on calculating indirect emissions resulting from Category 15 (investments).

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

(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?

The IAA supports industry-based disclosure of financed emissions, where possible, consistent with TCFD guidance. There are some challenges in producing this information, which is why current guidance says where possible, but we note that the proposed standard allows for estimates, which work can be done on to improve over time.

The business models of financial institutions are different to other entities, so industry-based disclosure is appropriate. Without setting out further requirements it would not be clear what the unit of economic output is for different types of financial institutions. As a result, we are of the view that the cross-industry requirements alone would facilitate consistent and hence adequate disclosure.

For clarity of disclosures, the IAA suggests that Scope 3 financed or facilitated emissions related to portfolios managed on behalf of third parties should be disclosed separately from any Scope 3 emission on assets owned by a particular entity or otherwise related to their value chain. There is an argument that double counting will arise if the asset owners of the asset under management (AUM) also disclose the same emissions information.

For insurers, we note that the section on transition risk exposure in Appendix B17 refers to loan commitments and derivatives, which may be relevant for a bank rather than an insurer. The only reference to premiums appears to be noting that premium revenue will be invested to meet claims.

Transition risk exposures for insurers could relate to either their investments or their insurance liabilities. If the ISSB wishes to include insurance specific disclosures an insurance specific definition of "facilitated emissions" would be appropriate and the metrics in the Transition Risk Exposure section could be reframed to cover insurance exposures.

Otherwise, as noted above, insurance entities can be considered as both asset owners (investing on their own behalf) and asset managers. As there is no appendix for asset owners, we looked to the disclosures for asset managers to test the consistency of the requirements for insurers.

Notwithstanding the comments above, the requirements seem to be aimed at banks rather than insurers, if an insurer attempted to apply these requirements to its investment portfolio it would go significantly further than the requirements placed on asset managers, in particular the requirement to disclose exposure to particular industries in its investments and to make *disclosures separately by asset class. Appendix B15 does not propose to require that level of detail from asset managers.*

(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?

Further to the IAA answer to question on 11 (d) the IAA does not have feedback on the industries classified as 'carbon-related'. However, the IAA repeats its concerns that the proposals for insurers' investment portfolios go significantly further than the requirements for asset managers and do not consider insurance liabilities.

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

The IAA agrees with the proposed requirements of absolute and intensity based financed emissions.

Disclosure of absolute emissions facilitates the calculation of total financed emissions across industries. However, absolute emissions have less meaning at an individual organisation level where the total of assets under management (AUM) will be the largest factor in the disclosed level of absolute emissions. Hence changes in the level of absolute emissions year to year could simply be as a result of changes in AUM rather than any indication of changes in climate risk in the organization's portfolios, which is something that intensity measures correct for.

Developing measures of intensity that allow for cross industry comparisons from year to year or between organisations will be important. As offered previously in this response the IAA welcomes the opportunity to assist the ISSB with developing insurance and asset specific intensity factors that will allow for comparability.

(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?

Yes, the IAA agrees with the proposals to disclose the methodology used to calculate financed emissions. We note that organizations need to determine a methodology, and hence, there will be differences in approach that may be a factor in comparison between organizations.

(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?

The IAA supports the ISSB position that requiring a current methodology that may become out of date is not appropriate and support the idea that there should be room for change as better approaches emerge.

The IAA notes that the PCAF standard is limited in the types of investments that it provides guidance on, for example it does not include guidance on sovereigns. So, it appears that it would not provide a complete methodology.

However, the IAA is of the view that simply cross-referencing the GHG Protocol to provide the definition of financed emissions makes the ISSB standard less complete. We understand that in asset management scope 3 emissions in the GHG Protocol are the scope 1 and 2 emissions from the organisations the asset manager is investing in. It would be clearer to set that out as the ISSB's expectations, if that is the case, in the ISSB standard and refer to the GHG Protocol for further guidance.

(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?

For the asset management industry, financed emissions provides some indication of transition risk. An asset manager that has relatively higher exposures may need to make greater adjustments to their approach than other managers.

However, as an absolute measure it has less meaning than a unit measure such as intensity. The IAA disagrees with the comments in BC 171 that a WACI type measure provides less decision useful information. That measure will only be reflective of the entire market if that is how a particular manager chooses to invest. The IAA would expect a manager that is more conscious of climate-related risks to have a lower intensity measure.

While the IAA agrees that the costs may outweigh the benefits of a more detailed breakdown, preparers of these statements could voluntarily provide such a breakdown if they believed that it provided users with useful information. We note above it appears that the proposal is that insurers will be required to provide this information where asset managers are not.

In addition, on transition risk exposure for asset managers, other information, like holdings (particularly illiquid holdings) in entities with significant transition risks, may be more useful. The IAA are not arguing for the inclusion of additional measures at this point but it may be appropriate to consider including these measures in future work plans.

For investments made by the insurance industry, the IAA refers to its comments in the answer to question 11 (d) and the distinction between investment activities on behalf of customers and on the insurer's own behalf.

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

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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?

The IAA agrees that climate-related risks and opportunities will tend to manifest differently in different industries, as evidenced by its comments here on insurance and asset management, and hence industry-based requirements are useful.

However, paragraph 20 requires disclosure of both the cross-industry metrics and the industry specific metrics. As noted, above in the case of insurance and asset management it is not clear what the "unit of physical of economic output" is. The emission intensity metrics proposed for asset management and insurance are more relevant and generally accepted units of measure.

In addition, as noted above, while the SASB Standards provide a useful base for these requirements further work may be required to ensure that they are clear in an international context.

The IAA also has the following suggestions on specific points in the B17 insurance appendix:

- *"Topic summary" on "physical risk exposure" (page 163 "higher than expected claims");*
    - *General insurance contracts are often on a one-year basis so that medium and long-term trends are being mitigated by updating the premium accordingly.*
    - *Instead, one could argue that insurers are in a position to extrapolate current trends and different scenarios in order to assess and comment on:*
        - *The likely evolution of insurance prices, assuming that insurers will indeed be able to reprice their products to remain profitable, and*
        - *Resulting from this, the likelihood that certain climate-related risks will no longer be insurable in the future*
- *p163 GN-IN-450a.1. item2: all suggested events remain very rare and by definition unlikely to happen in the medium-term. The IAA believes it is more useful to disclose the probable maximum loss (PML) of a more frequent event (like 1 in 5 or 1 in 10) in order to track the evolution of that PML (for good or bad) over time and to inform stakeholders on what could actually happen on the medium term.*

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- *Related to the previous, we believe there should not only be adequate disclosure of severe events (CAT), but equally attention should go to the "non-modelled CAT", focussing on both their severity and frequency.*

(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.

For insurers, the IAA refers to its answer to question 11(b) and the suggested distinction between insurance that is connected to a risk transfer that is independent of, or either negatively or positively affecting climate risk and policyholder behaviour.

As noted in the response to question 11(a) asset owners have not been set industry specific requirements and there may be other industries that would benefit from industry specific coverage. We would suggest that this is added to future work plans.

In the response to question 11(i) there may be other information on transition risks that would be relevant to users of financial statements prepared by asset managers. We would not suggest additional disclosures at this point, but rather that this is considered in future work plans as practice evolves.

(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?

As noted across the responses in question 11, insurers undertake a number of different activities that in some cases is the same as activities undertaken by certain other financial institutions. Care should be taken to ensure that the requirements for the same activities are the same regardless of the industry, specifically around asset management and ownership by insurers.

The IAA is also of the view that consideration should be given to insurance specific activities in the transition risk disclosures in Appendix B17.

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?

The IAA agrees that these disclosures will be valuable to investors, providing that they can be comparably and equitably applied. It may be that the disclosures need to be implemented by waves, where direct emissions are disclosed for a time, followed by indirect emissions, so that the former may be used for purposes of the latter.

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

The IAA has no comments at this time.

(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 such requirements have been noted unless commented above.

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.

Certain Scope 3 requirements both upstream or downstream from the core business of a company may present challenges in terms of verification. The IFRS Foundation's Constitution objectives include the "provision of high-quality, transparent and comparable information in financial statements and in sustainability disclosures that is useful to investors and other participants in the world's capital markets in making economic decisions". Items required under scope 3 such as purchased goods and services, and end-of-life treatment of sold products may not provide useful information and may be mostly out of the control of the company attempting to disclosure the information. Therefore, the IAA recommends a more limited disclosure under scope 3 requirements, limited to those that are in the control of the preparer (such as employee business travel) and can be reliably determined.

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.

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

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

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

(a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*? Why?

The IAA does not believe the effective date of this standard should be before the effective date for the general requirements in IFRS S1. Many companies in many jurisdictions may find this standard a significant burden and will require time to implement it. However, some may already disclose similar information so perhaps early adoption can be permitted.

(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.

The IAA believes 2-4 years would be needed by larger companies to develop reasonable disclosures that would comply with the standard. Many organizations will need to capture the data, build processes to process the data and develop estimates where appropriate. They also need to systemize this in order to meet strict financial reporting deadlines and put appropriate governance around it. For smaller companies there may be a need to have an even greater timeline. The ISSB may wish to consider a phased implementation timeline where Scopes 1 & 2 are disclosed in 2 years, followed by scope 3 in the third year, to allow companies time to absorb publicly available scope 1 and 2 data which they will utilize for their scope 3 disclosures.

(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?

While feasible, it would paint an incomplete picture. Instead, the IAA would encourage early adoption by those who have similar information being produced today.

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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)?

The IAA does not believe it is appropriate to respond to this question, given the IAA's field of expertise.

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?

The IAA has no comment on this question. However, as the IAA has previously mentioned we have concerns about certain scope 3 items that are not in the control of the preparer. Any information produced in these areas will have a large degree of uncertainty to them and be difficult to verify. They may also lead to double counting by outside parties when comparing between companies.

Question 17—Other comments

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

The IAA supported the formation of the ISSB and supports the development of a global standard for climate related disclosures. The IAA believes such a standard needs to be principles based and produce disclosures that provide consistent, reliable, and material information that is comparable across companies. This draft standard can be improved as we believe it is overly prescriptive in some areas and certain scope 3 requirements are likely to produce unreliable information that is not comparable between entities.

These opportunities for improvement are likely due to the urgency and the speed at which these standards were developed. We would recommend that the ISSB pare back the standard to focus less on the metrics which cannot be reliably measured at this time. A slimmer standard that can more readily be implemented would shorten the time till the effective date of the standard. The standard can always be revised in the future to include additional items as this space evolves and the ISSB doesn't need to try to capture everything in this first version.

Throughout this response we have offered to assist the ISSB with industry specific and model governance related input. Consistent with the Memorandum of Understanding with the IFRS Foundation, the IAA can assist the ISSB in helping to make the standard one that produces relevant, reliable information for investors. The IAA appreciate the urgency with which these standards need to be issued and are available to assist at your request.

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Appendix A

Full Member Associations of the IAA (74 members)

July 2022

Argentina	Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires
Australia	Actuaries Institute Australia
Austria	Aktuarvereinigung Österreichs (AVÖ)
Belgique	Institut des Actuaires en Belgique
Bosnia and Herzegovina	Aktuarsko Drustvo U Bosni I Hercegovini
Brazil	Instituto Brasileiro de Atuária (IBA)
Bulgaria	Bulgarian Actuarial Society
Canada	Canadian Institute of Actuaries/Institut Canadien des Actuaires
Caribbean	Caribbean Actuarial Association
Central America	Asociación Centroamericana de Actuarios (ACEA)
China	China Association of Actuaries
Chinese Taipei	Actuarial Institute of Chinese Taipei
Colombia	Asociación Colombiana de Actuarios
Côte D'Ivoire	Institut des Actuaires de Côte d'Ivoire
Croatia	Hrvatsko Aktuarsko Drustvo
Cyprus	Cyprus Association of Actuaries
Czech Republic	Ceská Spolecnost Aktuárù
Denmark	Den Danske Aktuarforening
Ecuador	Ecuadorian Actuarial Association
Egypt	Egyptian Society of Actuaries
Estonia	Eesti Aktuaaride Liit
Finland	Suomen Aktuaariyhdistys
France	Institut des Actuaires
Germany	Deutsche Aktuarvereinigung e. V. (DAV)
Ghana	Actuarial Society of Ghana
Greece	Hellenic Actuarial Society
Hong Kong	Actuarial Society of Hong Kong
Hungary	Magyar Aktuárius Társaság
Iceland	Félag Islenskra Tryggingastærðfræðinga
India	Institute of Actuaries of India
Indonesia	Persatuan Aktuaris Indonesia
Ireland	Society of Actuaries in Ireland
Israel	Israel Association of Actuaries
Italy	Istituto Italiano degli Attuari and Ordine degli Attuari
Japan	Institute of Actuaries of Japan
Japan	Japanese Society of Certified Pension Actuaries

Kazakhstan	Actuarial Society of Kazakhstan
Kenya	The Actuarial Society of Kenya
Latvia	Latvijas Aktuaru Asociacija
Lebanon	Lebanese Association of Actuaries
Lithuania	Lietuvos Aktuaru Draugija
Malaysia	Persatuan Aktuari Malaysia
Mexico	Colegio Nacional de Actuarios A. C.
Morocco	Association Marocaine des Actuaires
Netherlands	Het Koninklijk Actuarieel Genootschap
New Zealand	New Zealand Society of Actuaries
Nigeria	Nigeria Actuarial Society
North Macedonia	Macedonian Actuarial Association
Norway	Den Norske Aktuarforening
Pakistan	Pakistan Society of Actuaries
Philippines	Actuarial Society of the Philippines
Poland	Polskie Stowarzyszenie Aktuariuszy
Portugal	Instituto dos Actuários Portugueses
Romania	Asociatia Romana de Actuariat
Russia	Russian Guild of Actuaries
Serbia	Udruzenje Aktuara Srbije
Singapore	Singapore Actuarial Society
Slovakia	Slovenska Spolocnost Aktuarov
Slovenia	Slovensko Aktuarsko Drustvo
South Africa	Actuarial Society of South Africa
South Korea	Institute of Actuaries of Korea
Spain	Col.legi d'Actuaris de Catalunya
Spain	Instituto de Actuarios Españoles
Sri Lanka	Actuarial Association of Sri Lanka
Sweden	Svenska Aktuarieföreningen
Switzerland	Association Suisse des Actuaires
Thailand	Society of Actuaries of Thailand
Turkey	Actuarial Society of Turkey
United Kingdom	Association of Consulting Actuaries Limited
United Kingdom	Institute and Faculty of Actuaries
United States	American Society of Enrolled Actuaries
United States	Conference of Consulting Actuaries
United States	Casualty Actuarial Society
United States	Society of Actuaries

Appendix B

Members of the Task Force appointed by the Insurance Accounting Committee

Derek Wright (Task Force lead and Chair of the IAA Insurance Accounting Committee)
Tamsin Abbey (UK)
Brendan Counsell (Australia)
Nicholas Dexter (UK)
Timothy Furlan (Australia)
Gabor Hanak (Hungary, Chair IAA Climate Risk Task Force)
Gareth Kennedy (US)
James Mercer (UK)
Kurt Lambrechts (Belgium)
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