Insurance Council
of Australia

15 July 2022

**Australian Accounting Standards Board**
**Level 20, 500 Collins Street**
**Melbourne, VIC 3000**
**Australia**

**Submitted via comment letter:** https://aasb.gov.au/current-projects/open-for-comment/

Dear Australian Accounting Standards Board (AASB),

## Comment Letter: [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and [Draft] IFRS S2 Climate Related Disclosures (Exposure Draft 321)

The Insurance Council of Australia (ICA) is the representative body for the general insurance industry of Australia. The ICA represents approximately 95% of private sector general insurers. As a foundational component of the Australian economy the general insurance industry employs approximately 60,000 people, generates gross written premium of $59.2 billion per annum and on average pays out $148.7 million in claims each working day ($38.8 billion per year).

We commend the AASB on the publication of its Exposure Draft 321 to develop a separate suite of sustainability reporting standards. We recognise that the standards are an important next step for consolidating financial-related sustainability disclosures and welcome the opportunity to comment. We note that any standards developed will operate alongside existing Australian Accounting Standards, using the International Sustainability Standards Board (ISSB) Exposure Drafts on IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information ([Draft] IFRS S1) and IFRS S2 Climate-related Disclosure ([Draft] IFRS S2) as a starting point.

Our submission draws on the consolidated feedback of the Insurance Council's members and focuses on issues and implementation concerns about the ISSB Exposure Drafts to inform any possible future development of separate AASB sustainability standards in Australia. These are set out below, with specific responses to the consultation questions raised by the AASB included within **Attachment A**. Responses to the questions posed by the ISSB for [Draft] IFRS S1 and [Draft] IFRS S2 are included in **Attachment B and C** respectively. Some members will also provide their own separate submission.

We also endorse the Australian Voice submission that collectively represents the voice of peak professional, industry and investor bodies in Australia representing leading business and finance professionals who have come together to prepare a joint submission to the AASB.

### Globally consistent, consolidated framework

We welcome the consolidation of existing standards such as the Climate Disclosure Standards Board (CDSB) and Value Reporting Foundation (VRF) into one overarching ISSB framework and recommend that the ISSB provide guidance on how emerging standards such as the Taskforce for Nature-Related Financial Disclosures will be accommodated over time as practices continue to evolve. While a memorandum of understanding exists between the Global Reporting Framework (GRI) and ISSB, further clarity is required regarding the scope of materiality assessment under ISSB and its relationship to GRI requirements, as discussed below.

ISSB could also form agreements with key independent data and indices organisations such as the Carbon Disclosure Project (CDP), Dow Jones Sustainability Index (DJSI), Sustainalytics and MSCI, for

Insurance Council of Australia

example, to streamline citation and digital tagging of disclosures, reducing the reporting burden while delivering better disclosures and sustainability outcomes.

Interoperability of the ISSB Exposure Drafts with local laws and regulations will be important to ensure that organisations such as the AASB can leverage the disclosure requirements and apply them within a national context. Notably, New Zealand requires mandatory reporting in accordance with the Taskforce on Climate-related Financial Disclosures (TCFD), aligned to [Draft] IFRS S2 requirements and the AASB should aim to harmonise approaches across jurisdictions where possible, noting many members have operations across both Australia and New Zealand.

## Reporting boundaries

There are significant challenges disclosing all significant sustainability-related risks and opportunities across the insurance value chain due to a current lack of measurement methodologies and data collection processes. Despite this, sustainability risks and opportunities in an insurer's value chain are likely to be significant (i.e., investment and underwriting) and disclosing this information will be important to manage issues and avoid greenwashing claims.

We recommend that a phased approach to reporting in accordance with [Draft] IFRS S2 be used to allow time for entities to develop measurement methodologies and data collection processes. A materiality threshold should also apply, for example omitting subsidiaries and joint ventures if they do not comprise a material part of activities within the reporting entity's financial or operational control. There are particular complexities regarding joint ventures and the degree of operational control parent companies have to enable emissions reduction. AASB guidance would be welcomed to assist in the standardisation of approach to joint ventures, noting the application of a materiality threshold.

## Materiality

We do not agree with the inclusion of sustainability-related financial disclosures in an entity's general purpose financial reporting as the scope of disclosures required is unclear. We note that paragraph 1 of the [Draft] IFRS S1 requires disclosure of sustainability-related financial information relevant only to enterprise value. However, paragraph 2 of the [Draft] IFRS S1 also requires disclosure of "all significant related risks and opportunities". This suggests that broader non-financial disclosures are also required, consistent with the approach taken under the GRI. Clarity should be provided on the scope of disclosures required, and alignment with GRI requirements including aligning to upcoming refreshed guidance from GRI on undertaking materiality assessments.

Any AASB sustainability standards should clarify the scope of materiality assessment required. If both financial and non-financial materiality assessment is required, sustainability standards should be located in the management disclosure section of the annual report, rather than the general-purpose financial report.

## Emissions reporting

There are methodology and data gaps which prevent the accurate measurement and reporting of some Scope 3 greenhouse gas (GHG) emissions across underwriting portfolios, supply chains and some investment asset classes (i.e. sovereign bonds, exchange traded funds, derivatives etc.). Some of these gaps are set to be addressed over the next few years through the Partnership for Carbon Accounting Financials (PCAF) and the Net-Zero Insurance Alliance (NZIA). Requiring the disclosure of Scope 3 GHG emissions in the near-term could impose significant costs, particularly on smaller entities that do not have the requisite resources or capabilities. Therefore, we recommend a phased approach for these disclosures to support entities in improving disclosures whilst accounting for initial data unavailability.

Insurance Council of Australia

Any AASB sustainability standards should also require the disclosure of Scope 3 GHG emissions as required under [Draft] IFRS S2. This is consistent with the requirements of the GHG Corporate Standard and an important disclosure for insurers given that significant sustainability risks and opportunities are likely to occur in investment and underwriting portfolios (i.e. Scope 3 value chain emissions).

### Metrics and data

We welcome the opportunity to internationalise the Sustainability Accounting Standards Board (SASB) metrics and note that some adjustments to [Draft] IFRS S2 metrics may be required to accommodate Australian jurisdictional requirements. We also recommend conducting field testing on industry specific metrics across regions to understand their applicability and usefulness to users of the general-purpose financial statements. We note the following concerns about proposed metrics for insurers (Appendix B, Volume B17 – Insurance):

- Policies Designed to Incentivise Responsible Behaviour: Product features that incentivise health, safety and environmentally responsible actions and/or behaviours will be difficult to analyse as they cannot easily be measured. We also recommend that policies include wider ESG factors such as governance, code of conduct and privacy training.
- Physical Risk Exposure: Further clarity is needed on measuring monetary losses attributable to insurance payouts from modelled natural catastrophes. The metric overlaps with business-as-usual capital management, reinsurance requirements and pricing and further direction should be provided to ensure that disclosures provide useful additional information on the financial effects of climate change
- Transitional Risk Exposure:
  - Disclosing gross-exposure to carbon related industries should be accompanied by a transition plan to communicate the actions that an entity is taking to transition to a lower carbon economy, despite existing exposures
  - It is unclear why there is a requirement to disclose Scope 1 and 2 financed emissions as the definition of financed emissions is limited to Scope 3 emissions only (i.e., loans, underwriting, investments, and any other forms of financial services

Supply chain emissions are a large portion of insurer's overall emissions. Cross-industry metrics for the measurement of the emissions across an insurer's supply chain and building the literacy of suppliers to take action to decarbonise their operations should also be included as a valuable addition to supporting the insurance sector to decarbonise.

### Effective date

Any effective date should be reasonable in allowing time for companies to develop measurement methodologies, data collection processes and adequate resourcing. Feedback from members indicated that an effective date should be a minimum of two years from the release of the final ISSB standards, depending on the size and capability of the entity disclosing.

Early adoption of the standards should however be encouraged noting urgent action is required to transition to a sustainable economy and limit the impacts of global warming. The ISSB and AASB also have important roles to play in educating organisations on disclosing in accordance with the proposed standards. We note that the TCFD provided a similar role upon the release of its recommendations and maintains a resources database named the TCFD Knowledge Hub.

Insurance Council of Australia

We trust that our initial observations are of assistance. If you have any questions or comments in relation to our submission please contact Alix Pearce, Senior Advisor Climate Action: apearce@insurancecouncil.com.au.

Yours sincerely

**Andrew Hall**
Executive Director and CEO

## ATTACHMENT A: RESPONSE TO AASB EXPOSURE DRAFT 321 QUESTIONS

| Question | ICA Response |
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| **Part A: Matters for comment relating to specific proposals in Exposure Draft on [Draft] IFRS S1** | |
| A1. Exposure Draft on [Draft] IFRS S1 is proposing that entities be required to disclose information that is material and gives insight into an entity's sustainability-related risks and opportunities that affect enterprise value. Is focusing on an entity's enterprise value the most appropriate approach when considering sustainability-related financial reporting? If not, what approach do you suggest and why? | Focusing on enterprise value is an important approach when considering sustainability-related financial reporting, and will likely create both costs and opportunities for essential industries that are more exposed to short-term climate impacts (i.e. insurance, agriculture).<br><br>It is unclear however whether the definition of 'materiality' in [Draft] IFRS S1 also requires disclosure of broader non-financial information. We note that [para 1] of the [Draft] IFRS S1 requires disclosure of sustainability-related financial information relevant only to enterprise value. However, [para 2] of the [Draft] IFRS S1 also requires disclosure of "all significant related risks and opportunities". This suggests that broader non-financial disclosures are also required, consistent with the approach taken under the GRI. Clarity should be provided on the scope of disclosures required, and alignment with GRI requirements. See also response at C8 below. |
| **Part B: Matters for comment relating to specific proposals in Exposure Draft on [Draft] IFRS S2** | |
| B1. To comply with the proposals in Exposure Draft on [Draft] IFRS S2 an entity would be required to disclose its Scope 3 greenhouse gas (GHG) emissions in addition to its Scope 1 and 2 GHG emissions. Do you agree that Australian entities should be required to disclose their Scope 3 GHG emissions in addition to their Scope 1 and Scope 2 GHG emissions? If not, what changes do you suggest and why? | Yes, subject to a materiality threshold and the effective date should allow time for methodologies to be developed and data collected. This is particularly relevant for smaller entities that do not yet have the requisite resourcing.<br><br>Specific guidance should also be developed to support a common methodology for the measurement of the emissions across an insurer's supply chain and to build the literacy of suppliers to take action to decarbonise their operations. Supply chain emissions are a large portion of insurer's overall emissions, and this guidance (with supporting metrics) would be very valuable in supporting the insurance sector to decarbonise. |

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| B2. To comply with the proposals related to GHG emissions disclosures in Exposure Draft on [Draft] IFRS S2 an entity would be required to apply the Greenhouse Gas Corporate (GHGC) Standard. Do you agree that Australian entities should be required to apply the GHGC Standard given existing GHG emissions legislation and guidance in place for Australian entities (for example, the NGER Act, NGER (Measurement) Determination 2008 and related guidance)? | Agree. The GHGC Standard is the leading international standard for GHG emissions disclosures and supports harmonisation across jurisdictions.<br><br>Existing GHG emissions legislation in Australia applies to entities that exceed energy and greenhouse gas thresholds so smaller industries have not historically been required to report emissions and are not familiar with legislative requirements. |
| B3. Are the proposed industry-based disclosure requirements in Appendix B to Exposure Draft on [Draft] IFRS S2 relevant for Australian industries and sectors? If not, what changes do you suggest and why? | While SASB metrics are a good source of industry metrics, some adjustments may be required to accommodate Australian jurisdictional requirements. We also recommend conducting field testing on industry specific metrics across regions to understand their applicability and usefulness to users of the general-purpose financial statements, and the availability of data to disclose. We note the following concerns about proposed metrics for insurers (Appendix B, Volume B17 – Insurance):<br>• Policies Designed to Incentivise Responsible Behaviour: Product features that incentivise health, safety and environmentally responsible actions and/or behaviours will be difficult to analyse as they cannot easily be measured. We also recommend that policies include wider ESG factors such as governance, code of conduct and privacy training.<br>• Physical Risk Exposure: Further clarity is needed on measuring monetary losses attributable to insurance payouts from modelled natural catastrophes. The metric overlaps with business-as-usual capital management, reinsurance requirements and pricing and further direction should be provided to ensure that disclosures provide useful additional information on the financial effects of climate change.<br>• Transitional Risk Exposure:<br>    ○ Disclosing gross-exposure to carbon related industries should be accompanied by a transition plan to communicate the actions that an entity is taking to transition to a lower carbon economy, despite existing exposures<br>    ○ It is unclear why there is a requirement to disclose Scope 1 and 2 financed emissions as the definition of financed emissions is limited to Scope 3 emissions only (i.e., loans, underwriting, investments, and any other forms of financial services)<br>See also response to B1 regarding supply chain guidance. |

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| B4. Are there any Australian-specific climate-related matters that the AASB should consider incorporating into the requirements proposed in Exposure Draft on [Draft] IFRS S2? For example, given the Exposure Draft on [Draft] IFRS S2 is the starting point for the AASB's work on climate-related financial disclosure, should there be additional reporting requirements for Australian entities? If so, what additional reporting requirements should be required and why? | No. [Draft] IFRS S2 proposes a comprehensive approach to reporting on climate-related measures in Australia. |
| **Part C: Matters for comment relating to both Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2** | |
| C1. Which Australian entities should be expected to apply the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 and why? Specifically:<br>a. should the proposals be intended for all for-profit entities in Australia or only to a subset of for-profit entities? and<br>b. should relief from specific aspects of the proposals be permitted for some entities for which the proposals are deemed burdensome (for example, Scope 3 GHG emissions and scientific and scenario analyses)? If so, which entities and why? | The Exposure Drafts could apply to only large listed for-profit Australian entities initially, however we recommend that a phased approach be used to allow time for smaller entities to develop measurement methodologies and data collection processes, as per our response to B1 above.<br><br>A materiality threshold should also apply, for example omitting subsidiaries and joint ventures if they do not comprise a material part of activities within the reporting entity's financial or operational control. Subsidiaries should also be allowed to leverage on the sustainability disclosures at parent company consolidated level.<br><br>As an indication of appropriate materiality thresholds, we note:<br>• The ASFI Roadmap recommended the ASX 300 and financial institutions with more than $100 million in consolidated annual revenue to report in line with the TCFD recommendations.<br>• In New Zealand, financial institutions with assets of more than $1 billion and listed issuers with a market price or quoted debt in excess of $60 million are required to produce climate-related disclosures. |
| C2. Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2? | Forward-looking statements as envisaged by the Exposure Drafts may give rise to liability for misleading and deceptive disclosures. Standard wording for a disclaimer should also be included for uncertainty in information disclosed to avoid legal risks associated with material misstatement, noting there is an increasing duty for companies to disclose sustainability risks and opportunities. For example, potential liability exists for misleading and |

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| | deceptive disclosure under s1041H of the Corporations Act 2001 and s18 of the Australian Consumer Law. |
| C3. Do the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 align with existing or anticipated requirements, guidance or practice in Australia? If not:<br>a. please explain the key differences that may arise from applying the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 and the impact of any such differences; and<br>b. do you suggest any changes to the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2? | Yes, the Exposure Drafts broadly align with existing or anticipated requirements, guidance or practice in Australia. We recommend that the AASB align with the Exposure Drafts and not exceed international requirements.<br><br>Sustainability disclosure is voluntary in Australia. Despite this, the Australian Securities Exchange (ASX) Corporate Governance Principles provide guidance on practices for ASX listed entities. Principle 7.4 of the ASX Corporate Governance Principles recommends that listed entities disclose any material exposures to environmental or social risks and how it manages or intends to manage those risks. The Australian Securities and Investments Commission's (ASIC) Regulatory Guide 247: Effective disclosure in an operating and financial review (RG 247) recommends disclosure in accordance with integrated reporting or sustainability reporting.<br><br>The Australian Prudential and Regulatory Authority (APRA) and ASIC have provided guidance on the expectations for financial institutions to identify, manage and respond to climate-related risks. APRA's Prudential Practice Guide CPG 229 Climate Change Financial Risks (CPG229) requires climate scenario and vulnerability assessments, aligned to the approach taken in [draft] IFRS S2. ASIC's RG 247 also recommends disclosure in accordance with the TCFD,<br><br>These requirements are broadly aligned with the requirements of the Exposure Drafts, however the Exposure Drafts are likely to increase expectations on companies in Australia to disclosure sustainability risks and opportunities relating to the assessment of enterprise value in greater detail than has occurred previously. The key difference in applying the Exposure Draft requirements in Australia, is that it will require disclosure of information on scope 3 GHG emissions. See response to B1 above. |

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| | Notably, New Zealand requires mandatory reporting in accordance with the TCFD, aligned to [draft] IFRS S2 requirements. We note this given that many of our members operate in both New Zealand and Australia.<br><br>No changes to the Exposure Drafts are proposed on the basis of the above, subject to allowances referred to in C2 above. |
| C4. Would the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 result in useful information for primary users of general purpose financial reports? | Yes |
| C5. Do the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 create any auditing or assurance challenges? | Yes, clearer definitions of "sustainability-related financial information" and "materiality" would support assessment of compliance. See responses to C8 below. |
| C6. When should the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 be made effective in Australia and why? | Any effective date should provide reasonable time for entities to prepare and disclose, and align to any jurisdictional specific requirements (i.e., the publication of any AASB sustainability reporting standards). Feedback from members indicated that an effective date should be a minimum of two years from the release of the final ISSB standards, depending on the size and capability of the entity disclosing.<br><br>Early adoption of the standards should however be encouraged noting urgent action is required to transition to a sustainable economy and limit the impacts of global warming. The ISSB and AASB also have important roles to play in educating organisations on disclosing in accordance with the proposed standards. We note that the TCFD provided a similar role upon the release of its recommendations and maintains a resources database named the TCFD Knowledge Hub.<br><br>See also response to C1 above. |
| C7. Should the effective date of the proposals in Exposure Draft on [Draft] IFRS S1 be consistent with, or set for a date after, the effective date of the proposals in Exposure Draft on [Draft] IFRS S2? If so, why? | Both standards should be effective from the same date. |

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| C8. Would any wording or terminology introduced in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 be difficult to understand? If yes, what changes do you suggest and why? | Yes, there is some uncertainty in terminology and scope of information required to be disclosed to assess enterprise value.<br><br>A clearer definition of "sustainability" and perhaps a non-exhaustive list of sustainability matters would be a useful guide to entities. For example, the Sustainability Accounting Standards Board (SASB) refers to the definition of sustainability as follows:<br><br>*"The SASB's use of the term "sustainability" refers to corporate activities that maintain or enhance the ability of the company to create value over the long term. Sustainability accounting reflects the governance and management of a company's environmental and social impacts arising from production of goods and services, as well as its governance and management of the environmental and social capitals necessary to create long-term value. The SASB also refers to sustainability as "ESG" (environmental, social, and governance), though traditional corporate governance issues such as board composition are not included within the scope of the SASB's standards-setting activities."*<br><br>Clarity should be provided on whether the above definition applies to [Draft] IFRS S1 given that SASB is now part of the VRF and ISSB.<br><br>The requirement to disclose "material" information about all of the "significant" sustainability-related risks and opportunities suggests that a "double-materiality" approach is required whereby disclosures must be financial and non-financial. Greater clarity on the scope of materiality, and its alignment to the double-materiality approach is required.<br><br>See also response to A1 above in relation to the definition of materiality.<br><br>Guidance is required on whether transition plans should support the transition to a low-carbon economy more broadly (aligned to Nationally Determined Contributions and implied decarbonisation pathways) or company specific targets with clear transparency on assumed decarbonisation trajectories. We recommend that transition plans align to broader jurisdictional requirements and the Paris Agreement, but that early |

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| | achievement of targets and increased ambition be encouraged, noting that urgent action is required to facilitate an orderly transition to a low carbon economy. |
| C9. Unless already provided in response to specific matters for comment A1 to C8 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2? | There is a need for harmonisation across jurisdictions so we welcome these standards, with the opinion they will benefit greater transparency of the potential financial impacts to an organisation's ESG risks and opportunities, as well as accelerating the adoption of consistent, comprehensive sustainability-related disclosures.<br><br>There will be significant financial costs of implementation for some organisations in terms of the collection and disclosure of robust, consistent, and reliable industry-specific information. A phased approach is therefore required. |
| **Part D: Matters for comment relating to the AASB's proposed approach** | |
| D1. Do you agree with the AASB's proposed approach to developing sustainability-related financial reporting requirements as a separate suite of standards? As an alternative model, the AASB would value comments as to whether sustainability-related financial reporting requirements should be developed as part of existing Australian Accounting Standards. The alternative model would result in sustainability-related financial disclosures forming part of an entity's general purpose financial statements. | Yes, we are supportive of the separate suite of standards. |
| D2. Are the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 in the best interests of the Australian economy? | Yes, the Exposure Drafts will result in greater transparency in related risks and opportunities and will benefit investors and the future economy. However, implementation should be a phased approach to allow effective transition to greater disclosure. |

## ATTACHMENT B: RESPONSE TO [DRAFT] IFRS S1

| Question | Insurance Council Response |
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| **Question 1 – Overall approach** | |
| A2. Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer? | Yes. |
| A3. Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not? | Yes, there is some uncertainty in terminology and scope of information required to be disclosed to assess enterprise value and decide whether to provide resources to the entity.<br><br>In particular, the requirement to disclose "material" information about all of the "significant" sustainability-related risks and opportunities creates uncertainty around the materiality test to be applied to disclosures. The relationship between disclosures under the Exposure Draft and GRI also requires clarification, particularly with respect to the scope of materiality. See responses to Q2b and Q8a below for further information. |
| A4. Is it clear how the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards, including the [Draft] IFRS S2 Climate-related Disclosures? Why or why not? If not, what aspects of the proposals are unclear? | Yes, the Exposure Draft is clear that general requirements must be complied with through providing more specific information under each IFRS Sustainability Disclosure Standard, or other standards if no IFRS Sustainability Disclosure Standard exists for the relevant material sustainability risk or opportunity. |
| A5. Do you agree that the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposals? If not, what approach do you suggest and why? | No, clearer definitions of "sustainability-related financial information" and "materiality" would support assessment of compliance. See responses to Q2b and Q8a below for further information. |

| Question 2 – Objective (paragraphs 1-7) | |
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| B5. Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not? | Yes, the objective of disclosing sustainability-related financial information is clearly set out at [paragraph 2] namely providing information that is, *“useful to the primary users of general-purpose financial reporting when they assess enterprise value and decide whether to provide resources to the entity.”* |
| B6. Is the definition of ‘sustainability-related financial information’ clear (see Appendix A)? Why or why not? If not, do you have any suggestions for improving the definition to make it clearer? | No, clarity on the definition of “sustainability” and perhaps a non-exhaustive list of sustainability matters would be a useful guide to entities.<br><br>For example, the Sustainability Accounting Standards Board (SASB) refers to the definition of sustainability as follows:<br><br>*“The SASB’s use of the term “sustainability” refers to corporate activities that maintain or enhance the ability of the company to create value over the long term. Sustainability accounting reflects the governance and management of a company’s environmental and social impacts arising from production of goods and services, as well as its governance and management of the environmental and social capitals necessary to create long-term value. The SASB also refers to sustainability as “ESG” (environmental, social, and governance), though traditional corporate governance issues such as board composition are not included within the scope of the SASB’s standards-setting activities.”*<br><br>Clarity should be provided on whether the above definition applies to [Draft] IFRS S1 given that SASB is now part of the VRF and ISSB. |
| **Question 3 – Scope (paragraphs 8-10)** | |
| C10. Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction’s GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not? | Yes, however each jurisdiction will need to provide guidance that proposals in the Exposure Draft could be used in accordance with its GAAP requirements. We note that Australia already adopts the IFRS Accounting standards, so we see no issue from an Australian perspective. |

| Question 4 – Core content (paragraphs 11-35) | |
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| D3. Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why or why not? | Yes, the disclosure objectives are clearly and appropriately defined, aligned to the recommendations of the TCFD. The Insurance Council agrees with using the TCFD recommendations framework as a basis for the disclosure objectives. |
| D4. Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not? | Yes, however some disclosure requirements include commercially sensitive information, which may inhibit disclosure unless certain uncertainty and protection measures are included. |
| **Question 5 – Reporting entity (paragraphs 37-41)** | |
| a. Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why? | Yes, we agree. |
| b. Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why? | Yes, however a phased approach is required to allow time for companies to develop measurement methodologies, data collection processes and adequate resourcing. A materiality threshold should also apply, for example omitting subsidiaries and joint ventures if they do not comprise a material part of activities within the reporting entity's financial or operational control. There are particular complexities regarding joint ventures and the degree of operational control parent companies have to then enable emissions reduction. Additional guidance would be welcomed to assist in the standardisation of approach to joint ventures, noting the application of a materiality threshold.<br><br>Examples of how sustainability-related risks and opportunities effect value chains by key industry (manufacturing, extracting, financial services etc.) would also be useful. |
| c. Do you agree with the proposed requirement for identifying the related financial statements? Why or why not? | Yes, we agree with [para 38]: *"An entity shall disclose the financial statements to which the sustainability-related financial disclosures relate",* because it will make it easier for investors and other users of general-purpose financial reporting to navigate the reporting landscape of entities. |

| Question 6 – Connected information (paragraphs 42-44) | |
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| a. Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not? | Yes, the requirement for connectivity is clear. Although [para 44] provides some examples, it would be beneficial to have more guidance on how this connectivity is to be achieved. Additionally, the ISSB could agree with other sustainability reporting standards (such as the GRI, United Nations (UN) Principles for Responsible Banking and UN Principles for Responsible Investing) that where elements are reported under the ISSB framework, they don't need to be duplicated in other reports (e.g., the GRI report).<br><br>ISSB could also form agreements with key independent data and indices organisations such as the CDP, DJSI, Sustainalytics and MSCI, for example, to streamline citation and digital tagging of disclosures. This digital capability will reduce the reporting burden and ensure organisations remain focused on delivering better sustainability outcomes. |
| b. Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why? | No, we do not agree with the inclusion of sustainability-related financial disclosures in an entity's general purpose financial reporting as the scope of disclosures required is unclear (see Q10a). However, if sustainability-related reporting is to be included in financial reporting it is important for these connections to be highlighted so investors can clearly identify areas of risk and opportunity for the entity, as well as increasing transparency of reporting. |
| **Question 7 – Fair representation (paragraphs 45-55)** | |
| a. Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not? | The proposal to present fairly is clear, including the requirements for aggregation. We agree with the statements around aggregation as it allows more transparency into the data, hence allowing more appropriate decision making relevant to the risks and opportunities a company faces. (As we understand it, a company with high climate risk in one location and low climate risk in another location would not comply with the standards if they stated an overall climate risk of moderate)<br><br>Disclosure requirements in the proposal be should standalone and not rely on other external frameworks such as the CDSB, creating issues for |

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| | compliance and assurance. The wording 'entity shall consider' should be amended to reflect that consideration of the frameworks is optional (i.e., 'entity may consider') and only for the purposes of providing additional guidance on identifying sustainability risks and opportunities. |
| b. Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the Exposure Draft. | We do not entirely agree with the section on 'Identifying sustainability-related risks and opportunities and disclosures'. As per [para 50], *"This [draft] Standard requires an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed (see paragraph 2)."* The wording indicates that both financial and non-financial disclosures are required, i.e. broader than enterprise value. This needs to be clarified.<br><br>In [para 51] and [para 52], S1 points to the IFRS Sustainability Disclosure Standards as the source of disclosure topics. However, the standard also refers to other frameworks for identifying relevant disclosure topics. In particular, [para 51] states *"In addition to IFRS Sustainability Disclosure Standards, an entity shall consider … "*. This does not appear to be a consolidation of sustainability standards, as the ISSB claims to be targeting, but rather a re-direction. The standards require entities to consider all sources of guidance, thus not making sustainability reporting any easier. We would prefer the standards to provide their own guiding lists on disclosure topics (which may draw from SASB etc), or to provide the sources of guidance as a recommendation rather than a requirement. |
| **Question 8 – Materiality (paragraphs 56-62)** | |
| a. Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not? | No, the definition of materiality is not clear. [Para 1] requires disclosure of sustainability-related financial information relevant only to enterprise value. However, [para 2] requires disclosure of "all significant related risks and opportunities". This suggests that broader non-financial disclosures are also required, consistent with the approach taken under the GRI. Clarity should be provided on the scope of disclosures required, and alignment with GRI requirements. This includes aligning to upcoming refreshed guidance from GRI on how to undertake materiality assessments. |

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| b. Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not? | No, as per [para 60], an entity need not provide a specific disclosure if the information resulting from that disclosure is not material. We consider disclosure of material information is appropriate, rather than the entire breadth of sustainability-related risks and opportunities. |
| c. Is the Exposure Draft and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why or why not? If not, what additional guidance is needed and why? | Yes, it is useful, however more guidance on identifying material sustainability-related financial topics would be welcomed. This could include a non-exhaustive list of sustainability matters, with recognition that sustainability materiality is much more qualitative than financial materiality. |
| d. Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why? | Yes. It is necessary to allow companies to report in a manner that is not inconsistent with local laws and entities should *"identify the type of information not disclosed and explain the source of the restriction"* [para 62] to enable assurance over non-disclosure. Additionally, market forces are likely to encourage increased transparency of disclosures, and this will (slowly) drive changes in local legislation. |

**Question 9 – Frequency of reporting (paragraphs 66-71)**

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| a. Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not? | Yes, we agree that *"An entity shall report its sustainability-related financial disclosures at the same time as its related financial statements and the sustainability-related financial disclosures shall be for the same reporting period as the financial statements"* [para 66]. This is important in giving the standards the credibility. Initially there does, however, need to be an allowance for variation dependent upon data availability (see Q13). |

**Question 10 – Location of information (paragraphs 72-78)**

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| a. Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not? | No, we do not agree with the inclusion of sustainability-related financial disclosures in an entity's *"general purpose financial reporting"* [para 72] as the scope of information to be disclosed is unclear. See response at Q8a. |
| b. Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location? | No. |

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| c. Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general-purpose financial reporting on the same terms and at the same time as the information to which it is cross referenced? Why or why not? | See Q10a above. |
| d. Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why or why not? | Yes, [para 78] is clear and the included example aids understanding. |
| **Question 11 – Comparative information, sources of estimation and outcome uncertainty, and errors (paragraphs 63-65, 79-83 and 84-90)** | |
| a. Have these general features been adapted appropriately into the proposals? If not, what should be changed? | Yes, regarding [para 63], clarity on the provision of 'uncertainty' is required to encourage entities to disclose despite the fact that calculation methodologies are not yet standardised and data quality/completeness remains low, for example some Scope 3 greenhouse gas (GHG) emissions (e.g. finance/underwriting and value chain). Clarity on disclosing levels and ranges of uncertainty, will support uptake, consistent and the establishment of best practice. |
| b. Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives? | See Q11a above. |
| c. Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied? | N/A |
| **Question 12 – Statement of compliance (paragraphs 91-92)** | |
| a. Do you agree with this proposal? Why or why not? If not, what would you suggest and why? | Yes, we agree with the inclusion of *"an explicit and unqualified statement of compliance"* [para 91]. This is standard practice, with other sustainability frameworks, such as GRI, allowing companies to claim their |

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| | reports have been prepared in accordance with these frameworks. Such a statement would also provide a high-level indication of the comprehensiveness of an organisations' sustainability reporting. However, allowances and a phased approach should be used for uncertainty in information disclosed to avoid legal risks associated with material misstatement.<br><br>However, standardised wording for a disclaimer should be included in the statement of compliance to allow for the inherent uncertainties and assumptions that are used by companies when reporting on forward looking measures, such as climate risk and financial performance. This is also to limit exposure of disclosing organisations in Australia to potential liability for misleading and deceptive disclosure under Australian Law (for example s1041H of the Corporations Act 2001 and s18 of the Australian Consumer Law). |
| **Question 13 – Effective date (Appendix B)** | |
| a. When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others. | The Insurance Council proposes that both standards should be effective from the same date. However, the effective date should be a minimum of two years from the release of the final ISSB standards to allow companies time to develop measurement methodologies, data collection processes and adequate resourcing, particularly where smaller companies have limited capabilities. Early adoption of the standards should be encouraged, noting urgent action is required to facilitate the orderly transition of the financial system to a sustainable economy.<br><br>The ISSB also has an important role to play in educating organisations on disclosing in accordance with the proposed standards. We note that the TCFD provided a similar role upon the release of its recommendations and maintains a resources database named the TCFD Knowledge Hub. |
| b. Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not? | Yes, we agree. |
| **Question 14 – Global baseline** | |

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| a. 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? | While SASB metrics are a good source of industry metrics, some adjustments may be required to meet the needs of multiple jurisdictions. See our submission in response to [Draft] IFRS S2 Climate-related Disclosures Standards (**[Draft] IFRS S2**) for further details. |

**Question 15 – Digital reporting**

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| a. Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)? | We are supportive of digital reporting and would further suggest linkage with external ESG assessments. For example, there is an opportunity to harmonise ISSB-aligned reports with CDP, DJSI, Sustainalytics and MSCI (etc.) questionnaires by using digital tagging. This would reduce the volume of sustainability reporting and improve consistency across various reporting frameworks. |

**Question 16 – Costs, benefits and likely effects**

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| 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? | There is a need for harmonisation across jurisdictions so we welcome these standards, with the opinion they will benefit greater transparency of the potential financial impacts to an organisation's sustainability risks and opportunities, as well as accelerating the adoption of consistent, comprehensive sustainability-related disclosures.<br><br>There will be significant financial costs of implementation for some organisations in terms of the collection and disclosure of robust, consistent, and reliable industry-specific information, as well as costs more specific to the [Draft] IFRS S2 like obtaining climate related scenario analysis. A phased approach is therefore required (see Q13 above). |
| b. Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider? | See Q16a above. |
| **Question 17 – Other comments** | |
| a. Do you have any other comments on the proposals set out in the Exposure Draft? | There is a risk that compliance with the ISSB standards, when combined with financial reporting, will lead to long reports that have limited value for |

preparers, investors and assurers. As such, consideration should be given to the expected length and depth of an ISSB Standard-aligned report, ensuring concise and efficient transfer of sustainability information.

## ATTACHMENT C: RESPONSE TO [DRAFT] IFRS S2

| Question | Insurance Council Response |
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| **Question 1 – Objective of the Exposure Draft (paragraph 1)** | |
| A6. Do you agree with the objective that has been established for the Exposure Draft? Why or why not? | Yes, we agree with the objective to require entities to disclose information about their exposure to significant climate-related risks and opportunities, enabling users of an entity's general purpose financial reporting. |
| A7. 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? | Yes. |
| A8. Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why? | Yes, subject to any adjustments of SASB metrics that may be required to meet the requirements of multiple jurisdictions (Appendix B, Volume B17 - Insurance). |
| **Question 2 – Governance (paragraphs 4-5)** | |
| B7. Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not? | Yes, we agree. The disclosure requirements on governance build upon the TCFD recommendations which we agree with using as a basis for the disclosures. |
| **Question 3 – Identification of climate-related risks and opportunities (paragraph 9)** | |
| C11. Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not? | Yes. However, further clarity is required regarding the following wording, *"an entity shall disclose…. the effects of significant climate-related risks and opportunities on its financial position, financial performance, and cash flows"* (para 8). In particular, whether disclosures should include all 'climate-related' impacts that have occurred (i.e. all weather events) or |

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| | just those that can be attributed to climate change itself, noting the latter will be challenging to calculate.<br><br>Additionally, the requirements may not be capable of consistent application as financial information may be commercially sensitive and not feasible to disclose without certain uncertainty and protection measures. |
| C12. 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? | Yes, noting our response at Q1c above. |
| **Question 4 – Concentrations of climate-related risks and opportunities in an entity's value chain (paragraph 12)** | |
| D5. 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? | Yes, however there are practical challenges associated with a lack of data and methodologies for assessing climate-related risks and opportunities across an insurance entity's business model and value chain, including measuring emissions and conducting scenario analysis over investment and underwriting portfolios and supply chains.<br><br>Compliance will also be more difficult for smaller entities who do not yet have the requisite resourcing. We recommend a phased approach to implementation to allow time for entities to develop measurement methodologies and data collection processes. |
| D6. Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why? | Yes, but only if it is unable to provide quantitative information [para 14]. |
| **Question 5 – Transition plans and carbon offsets (paragraph 13)** | |
| d. Do you agree with the proposed disclosure requirements for transition plans? Why or why not? | Yes, however many companies already have transition plans in place (e.g. net zero roadmaps, portfolio decarbonisation strategies etc.), and a |

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| | phased approach could be used to allow companies time to amend plans to meet the disclosure requirements of [Draft] IFRS S2.<br><br>Guidance is required on whether transition plans should support the transition to a low-carbon economy more broadly (aligned to Nationally Determined Contributions and implied decarbonisation pathways) or company specific targets with clear transparency on assumed decarbonisation trajectories. We recommend that transition plans align to broader jurisdictional requirements and the Paris Agreement, but that early achievement of targets and increased ambition be encouraged, noting that urgent action is required to facilitate an orderly transition to a low carbon economy. |
| e. 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. | No. |
| f. 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? | Yes, the proposed carbon offset disclosures will support comprehensive and transparent disclosure of how entities carbon offsets will add credibility to carbon market practices, avoiding risks associated with greenwashing. |
| g. 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? | Yes, we note that in accordance with the mitigation hierarchy for the insurance sector, emissions should be avoided or reduced before they are offset. The costs associated with disclosure are therefore likely to be minimised. |
| **Question 6 – Current and anticipated effects (paragraph 14)** | |
| c. Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not? | Yes. |

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| d. 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? | Yes, where information is available. We also recommend that an allowance be made for ranges of uncertainty in disclosure, to support uptake, consistent and the establishment of best practice. |
| e. Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why? | No, subject to further guidance on how such information could be reliably measured. Standardised wording for a disclaimer should also be included to allow for inherent uncertainty in information disclosed to avoid legal risks associated with material misstatement. |
| **Question 7 – Climate resilience (paragraph 15)** | |
| c. 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? | No, further clarity is needed on whether climate scenario outcomes are expected to be linked to the financial statements. For example, climate scenario outcomes may result in contingency planning and reserving that would impact the balance sheet. |
| d. 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.<br>(i) Do you agree with this proposal? Why or why not?<br>(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?<br>(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? | Yes, however a phased approach should be included to allow entities time to prepare for the detailed scenario analysis requirements. Guidance should also be provided on preferred climate scenarios aligned to the TCFD and embedded in [Draft] IFRS S2, noting that the proposed standard builds upon the recommendations of the TCFD. |
| e. Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not? | Yes, as per Q7b above. |
| f. Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis | Yes. |

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| | and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not? | |
| g. | 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, as per Q7b above. |
| **Question 8 – Risk management (paragraphs 16-18)** | | |
| e. | 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? | Yes. |
| **Question 9 – Cross-industry metric categories and greenhouse gas emissions (paragraphs 19-22)** | | |
| b. | 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? | Yes, cross-industry metric categories are useful to encourage harmonisation across different sectors globally.<br><br>However, a materiality threshold should be applied to disclosure in accordance with metrics and flexibility should be afforded where metrics and data are not yet available, for example financed emissions across all investment asset classes (i.e. sovereign debt) and underwriting portfolios, which are currently under development by PCAF.<br><br>Specific guidance should also be developed to support a common methodology for the measurement of the emissions across an insurer's supply chain and to build the literacy of suppliers to take action to decarbonise their operations. Supply chain emissions are a large portion of insurer's overall emissions, and this guidance (with supporting metrics) would be very valuable in supporting the insurance sector to decarbonise. |
| c. | 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 | See response to Q9a above regarding supply chain guidance and metrics. |

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| 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. | |
| d. 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? | Yes, the GHG Protocol is the leading international standard for GHG emissions measurement and supports harmonisation across jurisdictions. |
| e. 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))? | Yes, aggregation of GHGs into $CO_2$ equivalent makes reporting and comparing more straightforward. |
| f. Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for:<br>(i) the consolidated entity; and<br>(ii) for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not? | Only for the consolidated entity.<br><br>Disclosing Scope 1 and 2 emissions information on associates, joint ventures, unconsolidated subsidiaries and affiliates requires reporting on a financial control / equity share basis. This is a significant departure from the current practice and the reporting options available under the GHG Protocol. We recommend this information be disclosed as part of Scope 3 emissions for the entity, consistent with existing GHG Protocol requirements. There are complexities regarding joint ventures and the degree of operational control parent companies have to direct emissions reduction. Additional guidance would be welcomed to assist in the standardisation of approach to joint ventures. |
| g. Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why? | Yes, subject to a materiality threshold and the effective date should allow time for methodologies to be developed and data collected. This is particularly relevant for smaller entities who do not yet have the requisite resourcing. |
| **Question 10 – Targets (Paragraph 23)** | |
| e. Do you agree with the proposed disclosure about climate-related targets? Why or why not? | Yes. |

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| f. Do you think the proposed definition of 'latest international agreement on climate change' is sufficiently clear? If not, what would you suggest and why? | Yes. |
| **Question 11 – Industry-based requirements (Appendix B, Volume B17)** | |
| d. 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? | Yes, however some adjustments to metrics included in [Draft] IFRS S2 may be required to accommodate the needs of multiple jurisdictions. We also recommend conducting field testing on industry specific metrics across regions to understand their applicability and usefulness to users of the general-purpose financial statements, and whether disclosers have sufficient data to report, similar to the approach taken with PCAF standards.<br><br>We note the following concerns about proposed metrics for insurers (Appendix B, Volume B17 – Insurance):<br>• Policies Designed to Incentivise Responsible Behaviour: Product features that incentivise health, safety and environmentally responsible actions and/or behaviours will be difficult to analyse as they cannot easily be measured. We also recommend that policies include wider ESG factors such as governance, code of conduct and privacy training.<br>• Physical Risk Exposure: Further clarity is needed on measuring monetary losses attributable to insurance payouts from modelled natural catastrophes. There is currently no differentiation between the future climate change component and existing natural catastrophes. The metric overlaps significantly with business-as-usual capital management, reinsurance requirements and pricing and will be challenging to implement in a manner that provides useful additional information on the financial effects of climate change.<br>• Transitional Risk Exposure:<br>  ○ Disclosing gross-exposure to carbon related industries should be accompanied by a transition plan to demonstrate the full picture of an entity's transition journey to a lower carbon economy |

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| | ○ The requirement to disclose Scope 1 and 2 financed emissions is unclear as financed emissions are defined as indirect, Scope 3 emissions that can be related to loans, underwriting, investments, and any other forms of financial services (i.e. excluding Scope 1 and 2 emissions) |
| e. 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? | See response to Q11a above. |
| f. 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? | Yes, however see response to Q11a above. |
| g. 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? | Yes, the requirements will improve transparency and, in time, consistency of approach. However, methodologies are still under development and compliance should be optional until the relevant methodologies are established. |
| h. 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? | Yes, we agree with the list of carbon-related industries in Appendix B, Volume B17 – Insurance. However, there are other industries such as agriculture and animal farming that are carbon-related and should be included in the list. |
| i. Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not? | Yes, we agree. This is standard practice. |
| j. 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? | See response to Q11d above. |
| k. 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 | See response to Q11d above. |

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| | Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry)? If you don't agree, what methodology would you suggest and why? | |
| l. | 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? | See response to Q11d above. |
| m. | Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why? | Yes, subject to response to Q9a and Q11a above. |
| n. | Are there any additional industry-based requirements that address climate-related risks and opportunities that are necessary to enable users of general purpose financial reporting to assess enterprise value (or are some proposed that are not)? If so, please describe those disclosures and explain why they are or are not necessary. | Yes, see response to Q9a above. |
| o. | 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? | The Insurance industry description should be rephrased to better reflect the insurance business model and specificities, i.e. to include re-insurance and the development of new insurance products (Appendix B, Volume B17 - Insurance). |
| **Question 12 – Costs, benefits and likely effects (Paragraphs BC46–BC48 of the Basis for Conclusions)** | | |
| b. | 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? | There is a need for harmonisation across jurisdictions so we welcome these standards, with the opinion they will benefit greater transparency of the potential financial impacts to an organisation's ESG risks and opportunities, as well as accelerating the adoption of consistent, comprehensive sustainability-related disclosures.<br><br>There will be significant financial costs of implementation for some entities in terms of the collection and disclosure of robust, consistent and reliable industry-specific information. Any effective date should therefore provide reasonable time for entities to prepare and disclose. |

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| c. Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider? | See Q12a above. |
| d. 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? | For many entities, Scope 3 financed emissions methodologies are not fully developed. Thus, enforcing the disclosure of Scope 3 emissions in the near-term could impose significant costs, particularly on smaller entities that do not have the requisite resources. Recognising that there is investor demand for greater transparency, we recommend a phased approach to support entities in improving disclosures whilst accounting for initial data unavailability (see Q14). |
| **Question 13 – Verifiability and enforceability (Paragraphs C21–24, S1)** | |
| c. 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. | There are significant challenges associated with assurance of scenario models and Scope 3 emissions, given the quantum of inputs, level of estimation and variability in assumptions. |
| **Question 14 – Effective date (BC190–BC194 of the Basis for Conclusions)** | |
| b. 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? | Both Exposure Drafts should be effective from the same date. |
| c. 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. | Any effective date should provide reasonable time for entities to prepare and disclose. Feedback from members indicated that an effective date should be a minimum of two years from the release of the final ISSB standards, depending on the size and capability of the entity disclosing. See also response to Q9f above.<br><br>Early adoption of the standards should however be encouraged noting urgent action is required to transition to a sustainable economy and limit the impacts of global warming. The ISSB also has an important role to play in educating organisations on disclosing in accordance with the proposed standards. We note that the TCFD provided a similar role upon the release of its recommendations and maintains a resources database named the TCFD Knowledge Hub. |

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| d. 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? | Governance and strategy could potentially be disclosed earlier than the other requirements, but the primary reason for implementing this would be to allow companies time to develop methodologies for reporting and data collection. Our members have expressed concern for meeting the metrics and targets requirements (particularly with respect to Scope 3 emissions), so a phased disclosure approach for these may assist in increasing compliance with [Draft] IFRS S2. |

**Question 15 – Digital reporting**

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| b. Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)? | We are supportive of digital reporting and would further suggest linkage with external climate assessments. For example, there is an opportunity to harmonise ISSB-aligned reports with Carbon Disclosure Project (CDP) questionnaires by using digital tagging. This would reduce the volume of climate reporting and improve consistency across various reporting frameworks. |

**Question 16 – Global baseline**

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| c. 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? | While SASB metrics are a good source of industry metrics, some adjustments may be required to meet the needs of multiple jurisdictions. See responses to Q1c and Q11a above. |

**Question 17 – Other comments**

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|---|---|
| b. Do you have any other comments on the proposals set out in the Exposure Draft? | There is a risk that compliance with the ISSB standards, when combined with financial reporting, will lead to long reports that have limited value for preparers, investors and assurers. As such, consideration should be given to the expected length and depth of an ISSB Standard-aligned report, ensuring concise and efficient transfer of sustainability information. |