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Dear Mr. Emmanuel Faber and the International Sustainability Standards Board,

BSR is a global business network dedicated to advancing just and sustainable business working with our 300+ member companies and other partners from our offices in Europe, North America, and Asia. Corporate measurement and disclosure of sustainability performance is essential to achieving a just and sustainable world, which is BSR's mission.

BSR provides this letter in response to the IFRS S2 Climate-related Disclosures, drawing upon over 30 years of experience working with BSR member companies on just and sustainable business. Our point of view is anchored in BSR's hands-on experience in supporting companies to implement globally accepted standards and advance sustainability within companies. I had the privilege of serving on the Boards of the International Integrated Reporting Council and the Value Reporting Foundation, and have advocated for a strong, global framework for reporting and disclosure that advances progress towards a just and sustainable global economy.

BSR commends the ISSB for developing a draft standard that will serve as the global baseline for climate-related financial disclosures.

While BSR encourages standard setting across all sustainability topics, we acknowledge that some standard setting bodies and jurisdictions have adopted a 'climate-first approach' to sustainability disclosures, and we support this prioritization, assuming that rapid development and deployment of a comprehensive set of guidance follows. We are also encouraged by the effort to build upon the work of the Task Force on Climate-related Financial Disclosures (TCFD), and other internationally-recognized frameworks and standards, such as the Sustainability Accounting Standards Board (SASB) and Greenhouse Gas (GHG) Protocol, among others. We encourage standard setting bodies and jurisdictions to work jointly toward a harmonized reporting landscape that meets the needs of investors, companies, and a wide range of other stakeholder groups.

BSR encourages the ISSB to publish a final climate-related financial disclosure standard that:

- 1. Includes universal disclosure requirements necessary for producing decision-useful climate-related financial information across industries.** BSR supports the

breadth of disclosure topics included in the Climate Exposure Draft, including the seven TCFD-aligned cross-industry metrics (Question 9a). BSR emphasizes that comprehensive climate-related financial disclosures must include:

- a. Information on Scope 1, 2, and 3 emissions that is aligned with the methodologies of the GHG Protocol (Question 9c), as GHG emissions across the value chain can lead to significant transition risks for a company, and are considered by many to be one of the most important ways to achieve alignment with the Paris Agreement. Given that some methodologies are evolving, such as that for measuring Scope 3 emissions, the ISSB should direct companies to additional guidance that may aid disclosure as they are developed;
- b. The use of climate scenario analysis as a tool to identify and assess climate-related risks and opportunities, and to assess companies' resilience to climate change, as recommended by the TCFD. Alternative assessment techniques should only be used when companies cannot perform scenario analysis, and they should disclose the reason why they rely on an alternative approach (Question 7b); and
- c. Transition plans, to assess how companies intends to limit the effect of physical and transition risks (Question 5a). Given that guidance on effective Climate Transition Action Plans is evolving, the ISSB should remain flexible on the key elements of a transition plan that companies should disclose.

2. **Is closely aligned with the TCFD recommendations and jurisdictional requirements.** Some jurisdictions, including the United States and European Union, have used the TCFD recommendations as the foundation upon which to build their draft rules and standards for climate-related financial disclosures, and some jurisdictions are establishing it as a legal requirement. By adopting a common framework, these jurisdictions are helpfully reinforcing reporting systems where best practice is already established and maintaining the close alignment that is essential for comparability of disclosures, interoperability among reporting requirements, and efficient reporting by companies.

The Climate Exposure Draft proposes that companies disclose detailed information on governance that goes beyond the TCFD recommendations. Since divergence from the TCFD recommendations may reduce harmonization across jurisdictional requirements and increase the reporting burden on companies, BSR encourages the ISSB to maintain close alignment with the TCFD recommendations, include additional topics of disclosure only when deemed necessary to fill significant gaps, and clearly highlight the elements of the Standard that require detail that go beyond the TCFD recommendations.

3. **Relies on existing industry-based requirements for climate-related disclosures that may be sector-specific.** The Climate Exposure Draft proposes that companies disclose all financially material climate-related information and that materiality be assessed at a level of specific disclosure topics. Given the breadth of the ISSB Standards, a framework that narrows the list of potentially material disclosures reduces the effort required by companies when assessing materiality, and industry-based requirements serve this purpose well. For this reason, BSR strongly supports the ISSB's proposal to include

industry-based requirements (Appendix B) that are derived from the widely utilized Sustainability Accounting Standards Board (SASB) Standards.

BSR also supports the ISSB's proposal that companies refer to the disclosure topics defined in the industry-based requirements to identify the significant climate-related risk and opportunities (Question 9b). In many cases, climate-related risks and opportunities may be industry-specific and providing this framework may ease a company's efforts in having to consider the full range of potential risk and opportunities that may not be significant.

While the ISSB and some jurisdictions have adopted a climate-first approach, we believe that standard setters must not stop at climate, and support efforts by the ISSB to develop additional topic-specific standards to ensure comprehensive guidance as soon as possible. We believe that each topic standard should be accompanied by industry-based requirements derived from existing SASB Standards, against which many companies already disclose.

- 4. Requires climate-related financial information to be verifiable, even when significant uncertainty exists.** Verifiability is a prerequisite to information being decision useful for investors, and for this reason BSR supports requirements for the verifiability of climate-related financial information, even for disclosures (such as Scope 3 emissions) that require challenging data collection (Question 13). While the absolute accuracy of data may not always be possible, BSR supports the ISSB's approach of asking companies to provide substantiating information, such as methodologies and assumptions used to produce the disclosed information, thereby increasing its reliability and value to investors. BSR believes that perfect should not be the enemy of the good when it comes to improving the disclosure landscape. We also believe that guidance can and should be provided to ensure that litigation risks are mitigated by language that acknowledges relevant uncertainty.

For some disclosures—particularly those that are critical for investors and other stakeholders and that feature more established collection methodologies—the ISSB should propose that companies seek third-party assurance. Such a requirement would improve the robustness and reliability of critical data, ensuring that it is treated with the same level of importance as financial information.

- 5. Follows a clear and structured compliance timeline.** Given that the General Requirements and Climate Exposure Drafts were developed in parallel, have common topics of disclosure, and would produce much needed reliable and comparable information, BSR believes that the effective date for the two Standards should be the same (Question 14a). To allow companies to prepare to meet disclosure requirements, BSR encourages the ISSB to provide greater clarity on standard development and compliance timelines, including when the Board plans to release final General Requirements and Climate Standards and their effective date. Depending on the effective date, the ISSB should consider a phased-in compliance for disclosure topics that may present difficulties for companies or where methodologies are evolving, such as with Scope 3 emissions disclosures.

As the ISSB develops additional issue-specific standards, BSR suggests that the Board adopts a standardized approach to incorporate new standards and a timeline for

compliance (e.g., X years after the Standard in question is finalized), including guidance on how to build on standards that have already taken effect, in order to provide clarity on reporting structure and avoid duplicated information.

BSR welcomes and supports the ISSB's efforts to develop a global baseline for climate-related financial disclosures, and supports further harmonization in the reporting landscape, especially as different jurisdictions around the world launch their own climate change disclosure standards. We encourage the ISSB to release a final standard that reflects a comprehensive set of key elements of climate-related financial disclosure, is aligned with broadly recognized reporting frameworks and standards and jurisdictional requirements, and meets the needs of investors and stakeholders for reliable and comparable information.

Sincerely,

Aron Cramer

President and CEO

BSR