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Emmanuel Faber
Chair, International Sustainability Standards Board (ISSB)

Ref: Feedback on Exposure draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures

The Asia Investor Group on Climate Change (AIGCC) welcomes the opportunity to comment on the General Requirements Exposure Draft and the Climate Exposure Draft published by the International Sustainability Standards Board in March 2022.

AIGCC members include over 60 Asian and international institutional investors active in 11 markets with over USD 36 trillion funds under management. AIGCC is also a network partner of the Investor Agenda, a coalition of seven investor groups - AIGCC, Ceres, Institutional Investors Group on Climate Change (IIGCC), Investor Group on Climate Change (IGCC), CDP, Principles for Responsible Investment (PRI) and UNEP Finance Initiative, working collaboratively on accelerating investor action towards a net-zero emissions economy, as well as the Asia network partner supporting the Paris Aligned Investor Initiative and the Net Zero Asset Managers Initiative.

AIGCC supports the development of consistent sustainability reporting standards globally. While several markets have implemented mandatory disclosure standards, including many major Asian markets, there is some level of fragmentation in the standards that are being implemented. It is important now more than ever to develop a comprehensive and globally interoperable standard for sustainability reporting. Further delays in developing a global standard for sustainability disclosures will result in increasing costs, risks for the investment community as well as reporting entities operating internationally, and ultimately result in difficulties to give effect to the much-needed sustainability transition.

AIGCC strongly supports the work of the ISSB, and the collaboration set up between the ISSB and the Global Reporting Initiative (GRI) to ensure good international convergence on globally accepted sustainability disclosure standards. We support the alignment of the ISSB exposure draft on climate disclosures with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations since the TCFD recommendations have already been accepted and mandated across several major Asian and global markets. We also appreciate ISSB's efforts to form a working group of jurisdictional representatives to help work closely with regional governments and regulators on implementation and standardisation of disclosure standards across regions.

With this overview in mind, we have the following high-level comments on the General Requirements Exposure Draft and the Climate Exposure Draft published by ISSB in March 2022:

Firstly, the exposure drafts should be as precise as possible regarding the scope of information related to sustainability and climate that is being targeted by the standards by further clarifying definitions and explaining differences between the terms used in the draft relating to the scope such as 'significant', 'materiality', etc. Subjective interpretation of these terms could result in disclosure documents with varying levels of information resulting ultimately in a failure to develop a standard that is able to elicit the required extent of essential information from reporting entities.

Secondly, linking the information disclosure on impacts of company on people, planet, environment, and economy as it relates to enterprise value alone, will be seen as inadequate by several stakeholders. Disclosure standards should aim to keep up with the growing information needs of stakeholders that will rely on these sustainability disclosures to make important decisions regarding investments, regulations, compliance, etc. Easy access to the necessary information pertaining to the direct impact of corporates on the people, planet and environment would facilitate faster alleviation of these risks and address related climate concerns. Investors in Asia are increasingly expecting companies to adopt a double materiality approach regarding assessing materiality for information disclosure.¹ Several investors have mandates that are more holistic, extending beyond creating financial value alone and will therefore need access to various kinds of non-financial data regarding the impact of the business on the environment and society to make crucial decisions to support sustainability and the net zero transition.

We support that ISSB has adopted a 'building block' approach to sustainability standards with the IFRS standards forming the baseline building block through a common global baseline for climate-related disclosures beyond which other reporting structures that mandate further disclosure requirements can operate as well. We recommend that ISSB works closely with GRI and other bodies that are responsible for reporting standards with a double materiality approach, to ensure seamless interoperability of the ISSB standards with these other reporting structures. Also recognising that it may take some time for sustainability standards to reach global consensus regarding its scope, content, and applicability, we recommend that the reporting entities incorporate a broad stakeholder engagement process as a first step towards developing an information disclosure document to ensure information matters that are significant to relevant stakeholders are not overlooked in the final disclosure report.

¹ See Responsible Investor article on 'Almost half of Japanese investors call for double materiality approach in disclosures – survey' (February 2022) [here](#).

Disclosure standards in other jurisdictions include the double materiality factor - for example, the European Financial Reporting Advisory Group's draft [European Sustainability Reporting Standards for the Corporate Sustainability Reporting Directive](#) incorporate disclosure obligations that include entities' impacts on nature, society, and the climate. Going one step further, the [Corporate Sustainability Due Diligence Directive](#) which operates alongside the Corporate Sustainability Reporting Directive and requires companies to integrate ESG due diligence into all their corporate policies, which must be updated annually. This includes identification of adverse human and environmental impacts in the operation of the company, its subsidiaries and throughout its value chain and then creation of preventive action plans with clear timeline. ISSB should aim to use its influence and position to encourage regulators to progress towards such standards for measuring and enabling action on preventing and mitigating impacts to nature, society, and climate.

Thirdly, investors' priority would be to have access to information as soon as possible, to facilitate investor action. As several reporting entities have expressed concern regarding their ability to accurately provide forward-looking information, including undertaking scenario analysis to the extent they are able, it is crucial that they are provided with the required guidance and tools to be able to comply with these requirements. ISSB should work to aggregate service providers and data experts that will be able to assist reporting entities with these reporting requirements. More broadly, while these asks may be seen as challenging for certain entities, it is crucial that the disclosure requirements do not hold them back from undertaking the reporting process under the prescribed standard. While scenario analysis should continue to remain the preferred option to understand the resilience of an entity's strategy to assess impacts of climate risks, there should be some level of flexibility built in for a fixed transition term as companies adjust, such as alternative methods or other options.

Fourthly, efforts are underway to provide more clarity on how the current implemented disclosure standards differ across jurisdictions, specifically for the benefit of international investors and corporates. While implementing the ISSB standards, to facilitate faster and easier implementation, the ISSB should aim to elaborate upon how the approach of the ISSB standards compares and overlap with other sustainability disclosure frameworks that are widely used in each market.

Fifthly, as recommended by the other [Investor Agenda](#) network partners as well, we recommend that the ISSB incorporates within the climate disclosure requirements, the disclosure indicators established by the Climate Action 100+ Net Zero Company Benchmark² and recommended disclosures under the Paris Aligned Investment Initiatives' Net Zero

² See Climate Action 100+ Net Zero Company Benchmark [here](#); more details available [here](#).



Investment Framework³ and the Investor Agenda's Investor Climate Action Plans expectations ladder.⁴

In conclusion, AIGCC warmly welcomes the ISSB Exposure Drafts IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures as leap forward in ensuring transparent and reliable disclosure of sustainability and climate-related information.

Please do reach out to us for any further clarification or assistance that we may provide. We look forward to continued engagement in development of the disclosure standards.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Rebecca Mikula Wright".

Rebecca Mikula Wright
CEO, Asia Investor Group on Climate Change (AIGCC)

About the Asia Investor Group on Climate Change

The Asia Investor Group on Climate Change (AIGCC) is an initiative to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and net zero investing. AIGCC members come from 11 different markets in Asia and internationally and include asset owners and managers with a combined AUM of over US\$35.8 trillion. <https://www.aigcc.net/>

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³ See Paris Aligned Investment Initiatives' Net Zero Investment Framework [here](#).

⁴ See Investor Climate Action Plans expectations ladder [here](#); guidance available [here](#).