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Dear ISSB colleagues,

Exposure Draft: IFRS S2 Climate-related Disclosures

We welcome the opportunity to respond to your Exposure Draft: IFRS S2 Climate-related disclosures.

The Quoted Companies Alliance *Accounting, Auditing and Financial Reporting Expert Group* has examined the proposals and advised on this response from the viewpoint of small and mid-sized quoted companies. A list of Expert Group members can be found in Appendix A.

If you would like to discuss our response in more detail, please do let us know.

Yours sincerely,

Tim Ward
Chief Executive

Q1 Objective of the Exposure Draft

a) **Do you agree with the objective that has been established for the Exposure Draft? Why or why not?**
b) **Does the objective focus on the information that would enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?**
c) **Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?**

Overall, we support the objective of the Exposure Draft. Small and mid-sized quoted companies will benefit from a clear standard setting out global baseline disclosures to address the growing investor demands for climate-related financial disclosures.

That being said, the overall objective suggests entities are to disclose information about significant climate-related risks and opportunities. However, there are also a number of disclosure requirements in the Exposure Draft which seem to be mandatory for all entities, such as the cross-industry metric categories. This might generate some confusion and it would be beneficial to clearly indicate any disclosures which are required as part of a global baseline set of disclosures or to help address comparability regardless of whether that information relates to risks and opportunities identified as significant by the entity.

In addition, and as stated in our response to the Exposure Draft IFRS S1, we believe that further clarification is needed around the definitions for key terms "significant" risks and opportunities and "enterprise value".

We welcome the approach of basing the disclosures on TCFD which some entities are already familiar with. Where there are differences or changes from TCFD, these should be clearly explained so that entities currently using TCFD can understand the nature of any change required.

Q2 Governance

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

We have some concerns over the effectiveness and usefulness of the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities. The disclosures are based on the TCFD governance disclosures, but require entities to disclose additional, more granular details, such as around the terms of reference and skills and competencies of the governance body with oversight over climate-related risks and opportunities.

We recognise that the intention behind this is to draw out further insight about the nature and extent of governance over climate-related matters. However, requiring the suggested level of disclosure for all types of sustainability risks may result in a large amount of boilerplate and checklist type disclosure that does not give meaningful information to investors about key governance actions and outcomes. For example, entities may establish and disclose different areas of sustainability risks so as to be able to comply with the disclosure requirement.

As climate and other sustainability risks evolve and change over time, it would seem more appropriate to highlight key current period developments in governance. The suggested items could be listed instead as examples of information for entities to consider disclosing where relevant to an understanding of governance. Smaller entities, in particular, are less likely than larger ones to have separate governance teams and processes devoted to individual areas of sustainability risks. These entities are much more likely to adopt an integrated approach to governance and risk management over all business and sustainability risks. While the Exposure Draft acknowledges that entities should avoid duplication and should provide integrated disclosures, it would be helpful to provide illustrative examples for different ways of providing integrated disclosures that still meet the disclosure requirements and still enable smaller entities to communicate that they have suitable governance measures in place.

Regarding the interaction between Exposure Drafts S1 and S2, there is clearly significant duplication between S1 and the more specific governance (and other) disclosure requirements in S2. This is particularly in relation to climate-related risks and opportunities. It would be helpful to companies if S2 (and any other subsequent thematic IFRS Sustainability Disclosure Standards) could distinguish more clearly between the general requirements in S1 that are duplicated in S2 and anything more specific or detailed in S2.

Without this distinction, it may be difficult and time consuming for companies to refer to multiple standards, particularly if they seek to prepare integrated disclosures. Many smaller entities would adopt this integrated approach to disclosures on governance and risk management across sustainability risks.

Q3 Identification of climate-related risks and opportunities

a) **Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?**
b) **Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?**

The identification of climate-related risks and opportunities forms part of the Strategy pillar disclosures, which we believe could be better clarified by ensuring it is captured in the Strategy disclosure objective. As currently drafted, the objective has been changed from the objective under the TCFD and now focusses on the entity's strategy for addressing climate-related risks and opportunities. Under the TCFD the objective also covers the identification of such risks and opportunities and the impact of those on the business. It is not clear why the ISSB objective differs from the TCFD in this way.

Moreover, there are extensive and granular disclosure requirements about the financial effects of climate-related risks and opportunities. In practice, it may be difficult for entities to isolate the financial effects of climate-related risks from other business and sustainability risks. This is an area where further guidance may be required so that entities understand how they should capture this information.

Further, the overall approach to the S1 and S2 Exposure Drafts suggests the focus should be on disclosing sustainability/climate-related risks and opportunities that have been identified as significant by the entity and are being prioritised for risk management purposes. Yet, the requirement in paragraph 10 mandates for entities to refer to the disclosure topics defined in the Appendix B (industry-based disclosure requirements) in identifying their significant climate-related risks and opportunities seems inconsistent with this concept and unnecessary and paragraph 11 requires reference to both the cross-industry and industry-based metrics in preparing disclosures. Appendix B contains very useful information, but it should be sufficient to provide this as guidance available for entities to consider when identifying their climate-related risks and opportunities, and the related disclosures. If the mandatory requirement is to remain, then there should be a clear distinction between those risks and disclosures that are significant as identified by the entity and any others disclosed due to the requirements of the standards, or for comparability.

The TCFD framework includes additional useful guidance to help entities in the identification of climate related risks and opportunities, including tables of risks and opportunities set out in categories with examples of their potential financial impacts. It would be helpful if the ISSB could provide similar guidance as part of the package of standards and guidance. The currently drafted definitions of physical and transition risks are quite brief and should be expanded on.

Q4 Concentrations of climate-related risks and opportunities in an entity's value chain

a) **Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not?**
b) **Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?**

Yes – we agree that disclosures about the effects of significant climate-related risks and opportunities should include information about the effects on and entity's business model and value chain. However, assessing effects on the value chain will be particularly difficult for smaller entities and they may struggle to produce quantitative information. With this in mind, qualitative information should be allowed, with entities explaining the process applied to determine and assess their value chain (including any limitations/restrictions) and any concentrations.

The disclosure requirement in paragraph 12(b) about concentrations in the value chain is not very clear about the types of concentration or nature of information an entity should disclose. Some application guidance and/or illustrative examples would be very helpful in this area.

Q5 Transition plans and carbon offsets

a) **Do you agree with the proposed disclosure requirements for transition plans? Why or why not?**
b) **Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.**
c) **Do you think the proposed carbon offset disclosures will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?**
d) **Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?**

Yes – we agree that disclosure about transition plans are useful for investors and other users of this information. However, the proposed disclosures are extensive, and more guidance, illustrative examples and clearer definitions may be required. For example, the terms 'resource allocation', 'legacy assets' and 'indirect and direct mitigation efforts' may not be clearly understood or consistently interpreted.

Many companies, including smaller companies, are not at a very advanced stage in producing any transition plans, they are unlikely to be in the position to provide much disclosure in this area about changes and actions. For such entities the focus should be on describing the entity's progress in its transition planning journey, including disclosure of any key developments or changes in plans during the period.

Furthermore, progress with transition plans may also depend on the jurisdiction and the extent of local guidance and regulatory requirements, so disclosure about the jurisdictional context would make these disclosures more understandable.

Finally, the disclosure requirements on carbon emissions targets and carbon offsets seem to be appropriate and will help investors understand the types of carbon offsetting schemes used. Additionally, it would be helpful if entities disclose the cost of carbon offsets if they are material. The proposed standard could also specify that carbon emissions are not the only relevant target for transition plans relating to climate change and entities should develop similar disclosures about other significant targets. For example, water availability and usage could be very important to some entities and is also directly relevant to physical and transition risks of climate change.

Q6 Current and anticipated effects

- **a) Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?**
- **b) Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?**
- **c) Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?**

Yes – we agree that the disclosure of financial effects could be useful to investors, including quantitative information where entities are able to provide it. Many entities, however, and in particular, smaller entities, may not be able to provide the type of quantitative information suggested. The relief intended to be provided by the ability to disclose either a range or a single point estimate, does not help entities in developing the required modelling capabilities. The proposed disclosure requirements in the Exposure Draft in relation to the current, and in particular, anticipated effects of climate-related risks and opportunities appear to be too extensive and complex for many entities to realistically be able to produce, with this also potentially having an impact on the reliability of information.

Very few entities will be able to isolate the financial effects of the climate from other sustainability and business risks and there are no requirements to report on anticipated effects of any other business risks so without further detailed guidance about the types of models required, it is unlikely that many entities will be able to do this or produce reliable information. Again, smaller entities typically do not yet have the models or skills to develop the suggested information. Given this is an evolving area, it would be more realistic to set the proposed disclosures as examples of information to disclose where possible. As a starting point, it would be more appropriate to require entities to provide more basic qualitative disclosure about potential (and actual if known) financial effects in areas such as revenue/costs, asset values etc.

Where it is stated in the Exposure Draft that "an entity shall disclose quantitative information unless it is unable to do so", further clarity is needed. Additional clarity should be provided around the circumstances when it would be appropriate to say that an entity is unable to disclose quantitative information if the expectation of quantitative information is to remain in the standard.

Q7 Climate resilience

a) **Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?**
b) **The Exposure Draft proposes that if an entity is unable to perform climate-related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy.**
   i. **Do you agree with this proposal? Why or why not?**
   ii. **Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not?**
   iii. **Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why?**
c) **Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?**
d) **Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?**
e) **Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?**

Yes – we agree that the items listed in paragraph 15(a) are relevant and reflect what users need to know about the climate resilience of an entity's strategy. That being said, developing the capacity to adapt will be challenging and it is not overly clear whether entities will be able to disclose meaningful information about the availability of finance and capital, especially in the medium to long-term.

Regarding when an entity is unable to perform climate-related scenario analysis, we believe that further clarity is needed about what "unable to do so" means in this context. It is important to stress, however, that we welcome the option for entities to use alternative approaches. The Basis for Conclusions (94) states that alternative approaches could include a qualitative assessment, single point forecasts, sensitivity analysis and stress tests. This will help to provide effective relief for companies, and in particular, smaller companies, who are not yet in a position to perform climate-related scenario analysis. While we welcome this, we feel more clarity is needed. For instance, it should be described, in the Exposure Draft, what the acceptable circumstances are for an entity to disclose as reasons why they need to use an alternative method and still be able to state compliance with the Standard overall.

Furthermore, and while we believe that scenario analysis should be encouraged, performing this type of analysis will not be realistic for many smaller entities who lack the capabilities and resources. The ISSB has not provided any practical guidance on how entities should conduct these assessments as part of the Exposure Draft. There are also many concerns about the difficulties in developing assumptions about policy effects, the uncertainty of information produced and disclosing commercially sensitive information about strategy. Since the ISSB has identified and acknowledged a number of alternative methods that could be applied instead to assess climate resilience, entities should be given the option to determine and disclose the approach taken to assess climate resilience at least until a time when scenario analysis has become more established across sectors and more guidance/capabilities exist.

We do not agree that the proposed disclosures appropriately balance the costs and benefits of climate resilience disclosures. In particular, where an entity does not consider climate-related risks to be very significant, it should be for the entity itself to decide whether the cost of performing scenario analysis is warranted. Even where an entity does have the capacity to perform scenario analysis, it may deem that an alternative technique is more appropriate in some circumstances.

It would also be helpful to have some preliminary indication of how the ISSB envisages climate-related scenario analysis to interact with other sustainability risks and whether scenario-analysis is likely to be required for other thematic IFRS Sustainability Disclosure Standards so that entities can start to plan to develop suitable models. S1.24 notes that each standard will specify when scenario analysis shall be used in disclosures about resilience to specific sustainability-related risks.

Q8 Risk management

Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?

Yes – we agree with aligning the requirements with TCFD and including opportunities in addition to risks as many entities do identify and consider climate-related risks and opportunities together as part of their risk management processes. We would, however, reiterate our comments made under Question 2 regarding the risk of boilerplate disclosures that focus extensively on processes more than current period actions and outcomes, potential duplication between S1 and S2 and that smaller entities are likely to have an integrated approach to climate-related risk management with other sustainability and business risks.

Q9 Cross-industry metric categories and greenhouse gas emissions

a) **The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?**
b) **Are there any additional cross-industry metric categories related to climate-related risks and opportunities that would be useful to facilitate cross-industry comparisons and assessments of**

enterprise value (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful to users of general purpose financial reporting.

c) **Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?**
d) **Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3— expressed in CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH4) separately from nitrous oxide (NO2))?**
e) **Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for:**
    i. **the consolidated entity; and**
    ii. **for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not?**
f) **Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?**

Yes – we support the inclusion of cross-industry metrics as a means of improving the comparability of climate-related disclosures. The set of metrics will provide a useful starting point for many entities, including smaller entities, in developing climate-related metrics.

Further clarity should be provided on how materiality should be applied and how this interacts with the overall approach for entities to only disclose material information about significant sustainability-related risks. It is unclear whether it would be possible for an entity to conclude it has not identified any significant climate-related risks or opportunities and for that to be a reason not to provide any/some of the cross-industry metrics disclosures. Similarly, whether an entity can conclude that an individual cross-industry metric does not provide material information about an identified significant climate-related risk, and on what basis, is not clear. If this is not possible, there may be a risk that entities will develop a tick-box compliance approach to these metrics resulting in metric disclosures that are not relevant to the entity's risks and opportunities.

Regarding the GHG Protocol, and while it is widely used and mandating its use may support the comparability of disclosures, it is not subject to the ISSB's due process. As such, it would be better to encourage its use, but permit entities to use other methodologies so long as they disclose their approach and explain the reasoning.

We agree with reporting separately on the consolidated entity and associates, joint ventures, unconsolidated entities and affiliates.

Finally, reporting comprehensive Scope 3 emissions for the full value chain should be encouraged but it will be very challenging for many entities to implement, including smaller entities, as they often lack the data, resources and authority to obtain the data to be able to comply with this requirement. It should be possible for those unable to report fully, to disclose why they have not done so. The current wording in para 21(a)(vi)(2)-(4) suggests that some entities may omit these disclosures or exclude some of the value chain emissions but it's not clear if this then results in non-compliance with the standard overall. Alternatively, a phased approach to the implementation of the Scope 3 emissions disclosure requirement could be considered.

Q10 Targets

a) **Do you agree with the proposed disclosure about climate-related targets? Why or why not?**
b) **Do you think the proposed definition of 'latest international agreement on climate change' is sufficiently clear? If not, what would you suggest and why?**

We agree with the proposed disclosures on targets where entities have set such targets. It is important to bear in mind though that smaller entities may not have defined climate-related targets, to the extent envisaged by the disclosure requirements, yet. We are concerned that the disclosure requirements could encourage some entities to set targets to address the disclosure requirements when such targets may be more aspirational than realistically achievable.

Q11 Industry-based requirements

a) **Do you agree with the approach taken to revising the SASB Standards to improve the international applicability, including that it will enable entities to apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why?**
b) **Do you agree with the proposed amendments that are intended to improve the international applicability of a subset of industry disclosure requirements? If not, why not?**
c) **Do you agree that the proposed amendments will enable an entity that has used the relevant SASB Standards in prior periods to continue to provide information consistent with the equivalent disclosures in prior periods? If not, why not?**
d) **Do you agree with the proposed industry-based disclosure requirements for financed and facilitated emissions, or would the cross-industry requirement to disclose Scope 3 emissions (which includes Category 15: Investments) facilitate adequate disclosure? Why or why not?**
e) **Do you agree with the industries classified as 'carbon-related' in the proposals for commercial banks and insurance entities? Why or why not? Are there other industries you would include in this classification? If so, why?**
f) **Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?**
g) **Do you agree with the proposals to require disclosure of the methodology used to calculate financed emissions? If not, what would you suggest and why?**
h) **Do you agree that an entity be required to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions without the ISSB prescribing a more specific methodology (such as that of the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry)? If you don't agree, what methodology would you suggest and why?**
i) **In the proposal for entities in the asset management and custody activities industry, does the disclosure of financed emissions associated with total assets under management provide useful information for the assessment of the entity's indirect transition risk exposure? Why or why not?**
j) **Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why?**
k) **Are there any additional industry-based requirements that address climate-related risks and opportunities that are necessary to enable users of general purpose financial reporting to assess**

enterprise value (or are some proposed that are not)? If so, please describe those disclosures and explain why they are or are not necessary.

l) **In noting that the industry classifications are used to establish the applicability of the industry-based disclosure requirements, do you have any comments or suggestions on the industry descriptions that define the activities to which the requirements will apply? Why or why not? If not, what do you suggest and why?**

We believe that the ISSB should reconsider including the industry-based requirements in Appendix B as non-mandatory guidance and references for entities to refer to in identifying climate-related risks and opportunities and related metrics disclosures, rather than as an integral part of the standard. For smaller entities, substantial resources may be required to ensure they are familiar with Appendix B and to identify the applicable sectors and industries, risks and opportunities, and to produce the specified metrics.

Additionally, while the requirements derive from the SASB standards (which involved the SASB due process over many years) we see it appropriate, due to the extent of the requirements and supporting guidance being such, that they should be subjected to IFRS due process. This would help to ensure that they are capable of being applied internationally and that they produce information that is currently useful to investors globally. The interaction of different sustainability risks also needs to be fully considered so that entities will not be expected to change their metrices once other IFRS Sustainability Disclosure Standards are introduced.

Q12 Costs, benefits and likely effects

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?**
b) **Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?**
c) **Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?**

The benefits of implementing the proposals will be maximised if the objective of global baseline disclosures is achieved and entities do not need to comply with multiple different sustainability and climate disclosure requirements globally.

In terms of costs, we believe that several proposals have the potential to result in situations where the costs outweigh the benefits. We have referred to these in our answers to the questions above, but in particular, could relate to the requirements for disclosing current and anticipated effects, scenario analysis and the mandatory status of Appendix B.

The costs could be better managed if more of a “comply or explain” approach is permitted, and if some of the more onerous requirements (such as those stated above) are phased in. Costs are also likely to be particularly high in the initial year(s) of adoption as entities familiarise themselves with the requirements and develop the capacity to comply with them. These familiarisation costs will be amplified for entities with limited previous climate-related reporting experience.

Q13 Verifiability and enforceability

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

We have no comments.

Q14 Effective date

a) **Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information? Why?**
b) **When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft.**
c) **Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?**

Entities will require sufficient time to be able to adhere to the requirements and the extensive number of new disclosures included in the standards. The workload will include addressing data collection, systems, processes and controls, and we believe entities will need several years to be fully compliant with this new type of reporting. Furthermore, smaller entities might need more time and a phased approach or the introduction of different aspects of the requirements would help them better adapt to the standards.

In light of this, some of the more challenging disclosure requirements, such as in relation to Scope 3 emissions, current and anticipated financial impacts, scenario analysis, and metrics and targets, could be phased in. Governance, risk management, disclosure of identified risks and opportunities under Strategy and disclosure of some initial metrics, including scope 1 and 2 GHG emissions would be more feasible for a greater number of entities to apply initially. Generally, it may be possible to provide qualitative disclosures first, to be followed by quantitative disclosures at a later stage.

We would also like to mention that there are arguments for requiring S2 before S1, given that climate change has been identified as an initial priority, and that many jurisdictions already have some disclosure requirements in this area (such as TCFD). However, as the two Exposure Drafts are designed to work together, it may be the best approach to implement them together.

Q15 Digital reporting

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

We believe that a digital taxonomy would benefit all entities in due course, however, we think it may be more appropriate to prioritise the efforts and resources of the ISSB into finalising the standards and observing how entities go about adopting them in order to facilitate the development of an accurate taxonomy and digital reporting.

Q16 Global baseline

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

We believe that the idea of providing a global baseline may be challenging. Our primary concern lies on the fact that some aspects of the proposal will be too demanding for some entities. This is especially true for smaller entities as the global baseline might require a level that is too high for them to comply with.

Q17 Other comments

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

We have no comments.

Appendix A

The Quoted Companies Alliance *Accounting, Auditing and Financial Reporting Expert Group*

Rochelle Duffy (Chair)	PKF Littlejohn LLP
Elisa Noble (Deputy Chair)	BDO LLP
Edward Beale	Western Selection PLC
Matthew Brazier	Invesco Asset Management Limited
Anna Hicks	Saffery Champness LLP
Mark Hodgkins	Trackwise Designs PLC
Michael Hunt	ReNeuron Group PLC
Clive Lovett	Bilby PLC
Laura Mott	Haysmacintyre
Giles Mullins	Grant Thornton UK LLP
James Nayler	Mazars LLP
Matthew Stallabrass	Crowe UK LLP
Tom Stock	Haysmacintyre
Helena Watson	KPMG LLP