GDV German Insurance Association

IFRS S1 – der Fragebogen ist identisch mit dem [Online-Fragebogen des ISSB]()

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GDV German Insurance Association

Question 1—Overall approach

The Exposure Draft sets out overall requirements with the objective of disclosing sustainability-related financial information that is useful to the primary users of the entity's general purpose financial reporting when they assess the entity's enterprise value and decide whether to provide resources to it.

Proposals in the Exposure Draft would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. The assessment of materiality shall be made in the context of the information necessary for users of general purpose financial reporting to assess enterprise value.

a) 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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: Yes, generally we agree that it is sufficiently clear that an entity would be required to identify and disclose material information about all 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. However, a definition of sustainability-related risks and opportunities would make the ISSB expectations clearer (see our answer on Q2b). To serve as a global baseline with other disclosure initiatives (e.g. the European CSRD) a consistent definition would be recommended (see our answer on Q14).

b) Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: Yes, generally we agree that the proposed requirements set out in the ED meet its proposed objective, assuming that the concept of materiality will be:

- broadly understood, i.e., with the aim to capture investors' information demands in their full scope; and

- precisely defined, to ensure a uniform understanding as well as consistent application.

As it is currently drafted, it does not become sufficiently clear whether the ISSB indeed intends to cover investors‘ information needs in their entirety or only regarding information with first-tier, i.e. concrete/immediate effects on enterprise value. The latter would not be sufficient to achieve the objective as set out in par. 1 of the ED. The questions on materiality, general approach and objective are strongly connected.

Besides this, we wonder why two terms ‘primary users’ and ‘users’ being used interchangeably, with the same meaning. For clarity only one term should be used.

c) 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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: Yes, generally we agree that it is sufficiently 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. Nevertheless, a clarification within the first section “objective” could increase the comprehensibility of interdependencies and connections to other IFRS Sustainability Disclosure Standards, including the IFRS S2 Climate-related Disclosures. The following could be added in the IFRS S1: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information applies to the disclosure of sustainability-related financial information, unless another IFRS Sustainability Disclosure Standard specifies the type of information an entity is required to disclose. Besides this, it specifies general principles which apply to all topic-specific Sustainability Disclosure Standards.

d) 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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: At this stage, it is difficult to predict whether the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity is compliant with the proposals. Overall, the approach and structure seem well suited to achieve this objective. Over time, it will become easier as the Topical Standards are added as this will increase standardization and comparability and reduce the burden on (and risk for) companies to go through all the different sources to check which additional disclosure topics may need to be covered and how. This also applies for auditors and regulators, when concluding whether the requirements have been fulfilled appropriately (which will likely be challenging and time-consuming as the assessment, including the materiality and qualitative information characteristics, will be entity- and context-specific). In our opinion, a best-effort principle needs to apply to companies to mitigate legal liability risks, at least during a transitional phase. In the steady state, we don't see specific issues and would expect that the ISSB framework will be as well-suited as the IFRS framework. However, (full) auditability and enforceability would only be possible where IFRS Sustainability Disclosure Standards are applied, i.e. regarding the requirement for preparers to consider additional sources beyond the IFRS Sustainability Disclosure Standards, this is not (fully) feasible.

Question 2—Objective (paragraphs 1–7)

The Exposure Draft sets out proposed requirements for entities to disclose sustainability-related financial information that provides a sufficient basis for the primary users of the information to assess the implications of sustainability-related risks and opportunities on an entity's enterprise value.

Enterprise value reflects expectations of the amount, timing and uncertainty of future cash flows over the short, medium and long term and the value of those cash flows in the light of the entity's risk profile, and its access to finance and cost of capital. Information that is essential for assessing the enterprise value of an entity includes information in an entity's financial statements and sustainability-related financial information.

Sustainability-related financial information is broader than information reported in the financial statements that influences the assessment of enterprise value by the primary users. An entity is required to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Sustainability-related financial information should, therefore, include information about the entity's governance of and strategy for addressing sustainability-related risks and opportunities and about decisions made by the entity that could result in future inflows and outflows that have not yet met the criteria for recognition in the related financial statements. Sustainability-related financial information also depicts the reputation, performance and prospects of the entity as a consequence of actions it has undertaken, such as its relationships with, and impacts and dependencies on, people, the planet and the economy, or about the entity's development of knowledge-based assets.

The Exposure Draft focuses on information about significant sustainability-related risks and opportunities that can reasonably be expected to have an effect on an entity's enterprise value.

(a) Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: The objective is generally clear. However, 'information necessary for users of general purpose financial reporting to assess enterprise value' may be interpreted and applied differently in terms of scope/breadth. While we acknowledge that the ISSB intends to focus on the investor perspective and does not intend to cover the broader, multi-stakeholder-focused European materiality perspective, we would like to emphasize that the two views are strongly intertwined and very difficult to disentangle; further guidance would likely help to ensure consistent application.

Furthermore, we deem it as absolutely essential that the ISSB's materiality concept is generally broadly defined, i.e., with the aim to capture investors' information demands in their entirety, which does not currently become sufficiently clear. Otherwise, the ED's objective, which is "to require an entity to disclose information about its significant sustainability-related risks and opportunities 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" (par. 1), cannot be achieved. Indeed, decisions on „whether to provide resources to the entity" may not always/only/directly relate to enterprise value. Rather, such decisions may, for example, be based on sustainability preferences. Even if such impacts may not (yet) have a first-tier effect on enterprise value, where a sufficiently large group of investors is interested in them and changes its investment decision-making based on them, they elicit a second-tier effect.

(b) 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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We agree that an approach is needed that is intentionally broad to reflect that the information relevant to assessing enterprise value will change over time (see paragraph BC 27).

In order to support a common global understanding, it might be worthwhile to define sustainability in the standard itself. While we understand that disclosure topics will be set out in the IFRS Sustainability Disclosure Standards and that it may be too early to go into more detail, a high-level definition of the areas of sustainability (E, S, G) may help to create a common understanding that overall, sustainability-related financial information would be expected to relate to one or more of these three areas. Par. 6(b) does, e.g., not specify that there needs to be a link to ESG. Our concern stems from the fact that some stakeholders seem to consider sustainability reporting as an outlet for any kind of information not reflected in financial reporting, where 'sustainable' is instead interpreted as 'long-term'.

Question 3—Scope (paragraphs 8–10)

Proposals in the Exposure Draft would apply to the preparation and disclosure of sustainability-related financial information in accordance with IFRS Sustainability Disclosure Standards. Sustainability-related risks and opportunities that cannot reasonably be expected to affect users' assessments of the entity's enterprise value are outside the scope of sustainability-related financial disclosures.

The Exposure Draft proposals were developed to be applied by entities preparing their general purpose financial statements with any jurisdiction's GAAP (so with IFRS Accounting Standards or other GAAP).

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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer:

Firstly, we generally agree and strongly support the ISSB's intention for the IFRS Sustainability Disclosure Standards to be designed in a way to be applicable independently and in isolation from both IFRS and local GAAP. This approach would likely enhance the number of jurisdictions adopting the Standards as well as the scope of companies to which this could apply (e. g. including private companies) and may incentivize voluntary reporting. Potential issues could arise due to:

- the required location in the general purpose financial statements where companies are not obligated to disclose financial statements at this stage; and
- the principle of connected information where companies are not obligated to disclose financial statements at this stage or where the principles of local GAAP differ.

In any case, to enhance global relevance and acceptance, compliance must also be possible where companies are not required to disclose financial information.

Secondly, regarding the scope definition, we understand that the ISSB focusses on disclosing sustainability-related financial information that provides a sufficient basis for the primary users to assess the implications of sustainability-related risks and opportunities on an entity's enterprise value.

However, for German insurance undertakings, we do not expect there to be a meaningful difference between what is commonly referred to as "double materiality" and the concept proposed by the ISSB given the arguments stated above on investors' interests. Hence, we see potential if the ISSB leverages its formal cooperation with the GRI. This corporation has potential to achieve interoperable building blocks for multi-stakeholder reporting, where the building blocks can be applied separately, but also jointly, if both investors and broader stakeholders shall be addressed. Besides this and in any case, we urge the ISSB to increase its effort together with EFRAG to foster alignment and compatibility / interoperability of ISSB and European Standards (see more in our response to Q14).

Question 4—Core content (paragraphs 11–35)

The Exposure Draft includes proposals that entities disclose information that enables primary users to assess enterprise value. The information required would represent core aspects of the way in which an entity operates.

This approach reflects stakeholder feedback on key requirements for success in the Trustees' 2020 consultation on sustainability reporting, and builds upon the well established work of the TCFD.

Governance

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on governance would be:

> to enable the primary users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage significant sustainability-related risks and opportunities.

Strategy

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on strategy would be:

> to enable users of general purpose financial reporting to understand an entity's strategy for addressing significant sustainability-related risks and opportunities.

Risk management

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on risk management would be:

> to enable the users of general purpose financial reporting to understand the process, or processes, by which sustainability-related risks and opportunities are identified, assessed and managed. These disclosures shall also enable users to assess whether those processes are integrated into the entity's overall risk management processes and to evaluate the entity's overall risk profile and risk management processes.

Metrics and targets

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on metrics and targets would be:

> to enable users of general purpose financial reporting to understand how an entity measures, monitors and manages its significant sustainability-related risks and opportunities. These disclosures shall enable users to

understand how the entity assesses its performance, including progress towards the targets it has set.

(a) Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why or why not?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: Generally, yes. We highly welcome the ISSB's approach to build on existing relevant and well-established sustainability reporting guidance as well as its commitment to collaborate with relevant organizations, initiatives and jurisdictions, including the various efforts it has already undertaken with respect to consolidation. This is essential for achieving a timely progress, which is crucial given the urgency of ESG matters but also leverages synergies to the highest possible degree. Therefore, we strongly support the proposed structure, which builds on the well-established work of the TCFD, not only for climate but also the other sustainability topics. However, we would like to highlight that the requirement of para. 16 (b) / para. 18 to define short-, medium- and long-term time horizon individually differs significantly from the approach chosen for the ESRS in which short- medium- and time-horizons are uniformly defined. We urge EFRAG and the ISSB to align the requirement on time horizon as differences in such a fundamental principle materially impede interoperability. In our view, a principles-based approach with illustrative examples, e.g. guidance on which aspects need to be taken into account (e.g. company's own planning horizon, sector specificities, product lifecycles, etc.), would be most suitable. Based on this, undertakings could be required to disclose how it defines short-, medium and long-term time horizons individually and to explain how these definitions are linked to the entity's strategic planning horizons and capital allocation plans, as proposed by IFRS Sustainability Reporting Exposure Draft IFRS S1 para. 16 (b).

In view of para. 24, it would be helpful and appreciated if the mentioned other IFRS Sustainability Disclosure Standards would include further guidance regarding the reporting on scenario analysis by taking into account the sensible data in the insurance business. The guidance should be aligned with disclosure requirements as defined by the ESRS.

Moreover, it would be appreciated if the reporting requirements regarding the core aspects of governance, strategy, risk management, metrics and targets would be defined in the overarching standard

IFRS S1 and duplication in the further IFRS Sustainability Disclosure Standards is avoided. The topic-specific standards should only include topic-specific add-ons and specifications, especially for the metrics and targets section.

(b) Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We consider the disclosure requirements for governance, strategy, risk management and targets to be appropriate to their disclosure objective as they are sufficiently clearly defined and suitable for the disclosure objective and support this principles-based approach in S1 as this seems necessary to be applicable for all topic-specific standards and ESG topics.

Regarding strategy, par. 22 (a), (c) and (d), while we fully support that information on current and anticipated financial effects shall be provided, it should be taken into account that quantitative disclosures can only be provided where methods and data are available in a sufficiently standardised way. Also, further guidance needs to be included in the topic-specific IFRS Sustainability Disclosure Standards for each sustainability (sub-)topic, incl. in S2.

Regarding metrics and targets, the definitions for metrics are rather vague and need more specification to provide investors with consistent and comparable information. This should be included in the topic-specific standards as relevant.

Question 5—Reporting entity (paragraphs 37–41)

The Exposure Draft proposes that sustainability-related financial information would be required to be provided for the same reporting entity as the related general purpose financial statements.

The Exposure Draft proposals would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Such risks and opportunities relate to activities, interactions and relationships and use of resources along its value chain such as:

- its employment practices and those of its suppliers, wastage related to the packaging of the products it sells, or events that could disrupt its supply chain;
- the assets it controls (such as a production facility that relies on scarce water resources);
- investments it controls, including investments in associates and joint ventures (such as financing a greenhouse gas-emitting activity through a joint venture); and
- sources of finance.

The Exposure Draft also proposes that an entity disclose the financial statements to which sustainability-related financial disclosures relate.

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: Yes, we fully agree and support that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements (consolidated level).

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer:
We understand and appreciate that the ISSB intends to require companies to not only look at and report on their own operations but also on the value chain and sustainability-related risks and opportunities therein. However, clarity is needed on how the value chain is defined for the financial sector and how the concept / requirement shall be applied.

A look-through to (all) investees, clients and policyholders for all disclosures clearly needs to be avoided given the significant implications for reporting and challenges related to data availability. This would also:
- be consistent with financial reporting;
- mitigate information overload;
- avoid confusing users by reporting from different perspectives;

- avoid double-counting from an aggregate economic perspective; and
- mitigate concerns regarding data availability issues and the respective need for estimations, judgment, and safeguards.

To adequately account for the specificities of financial companies' business models, additional sector-specific disclosure requirements should be defined that would require financial companies to provide certain sustainability-related information regarding their portfolios, like for example investment or underwriting policies, the extent to which ESG considerations feed into the investment or underwriting decision-making and engagement process with investees or policyholders, and respective due diligence processes implemented. Based on this information, a look through to all investees, policyholders and clients for all disclosures would in most cases not be needed.

Besides this, selected proposals for disclosure requirements would (already) require a look-through, which is supported – e.g. Scope 3 GHG emissions. Also, controlled investments would anyway be part of the consolidation scope and joint ventures / associates should be considered as part of the value chain, however, equal detail should not be required for all (other) investments. Besides this, a split by consolidated entity vs. joint ventures / associates cannot generally be supported as such information is not necessarily material.
Furthermore, it is critical to align the EU (esp. CSRD) and ISSB approach / understanding regarding the value chain. Differences in such a fundamental key concept of sustainability reporting would clearly significantly harm interoperability and render the establishment of an equivalence mechanism (endorsement by EU / incorporation by EFRAG) much more difficult. It is essential to have a clear definition of activities, interactions and relationships. For example, it is crucial to have one standard valid in all regulations (e.g., in the EU Taxonomy, NACE codes are used to define activities; SASB is based on NAICS; in other contexts GICS are applied). Besides this, safeguards, such as best-effort principles, should be implemented.

(c) Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: Yes, we generally agree with the proposed requirement for identifying the related financial statements as it enhances usability.

Question 6—Connected information (paragraphs 42–44)

The Exposure Draft proposes that an entity be required to provide users of general purpose financial reporting with information that enables them to assess the connections between (a) various sustainability-related risks and opportunities; (b) between the governance, strategy and risk management related to those risks and opportunities, along with metrics and targets; and (c) sustainability-related risks and opportunities and other information in general purpose financial reporting, including the financial statements.

(a) Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We fully support the general feature of connected information as it is crucial for users to understand interactions of sustainability-related risks (e.g., social implications from green transition) and interactions between financial statements and sustainability-related financial disclosures. However, where companies are not obligated to report under IFRS (or local GAAP), it might be difficult to (fully) comply with the principle of connected information as regards the second dimension (please refer to our response to question 3).

Besides this, we strongly recommend to clarify in par. 43 that averse knock-on effects and harmful side effects of specific impacts and decisions shall be made transparent as well. While the example in par. 44(b) suggests this, it should, in our view, be more strongly reflected as we consider this a fundamental element of connectivity. Indeed, any governance-related matters may have an impact on environmental or social matters as well (either enabling or hindering). Also, environmental impacts are strongly intertwined both among each other and with social impacts.

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We agree on the need to provide the connected information mentioned above. However, we would rather consider "connected information" as a principle rather than a requirement that applies generally and across all topic-specific IFRS SDSs. Accordingly, we would like to suggest clarifying that par. 42 only results in additional disclosure requirements in those instances in which supplementary information is needed (after applying all IFRS SDSs), but neither generally nor in a separate section or in a specific format. At best, the IFRS SDSs will be designed in a way that connected information is in as many cases as possible disclosed by complying with the disclosure requirements of the IFRS SDSs implicitly/automatically (such as under par. 8(d) of the Climate ED), especially, but not only where companies choose a fully integrated disclosure format. We do not see any issues with compliance for our sector (or German preparers); in case of any relevant differences that may reduce (perceived) connectivity, they shall be outlined and explained. The principles-based approach also facilitates the building blocks approach as it mitigates concerns regarding issues across jurisdictions.

Question 7—Fair presentation (paragraphs 45–55)

The Exposure Draft proposes that a complete set of sustainability-related financial disclosures would be required to present fairly the sustainability-related risks and opportunities to which an entity is exposed. Fair presentation would require the faithful representation of sustainability-related risks and opportunities in accordance with the proposed principles set out in the Exposure Draft. Applying IFRS Sustainability Disclosure Standards, with additional disclosure when necessary, is presumed to result in sustainability-related financial disclosures that achieve a fair presentation.

To identify significant sustainability-related risks and opportunities, an entity would apply IFRS Sustainability Disclosure Standards. In addition to IFRS Sustainability Disclosure Standards to identify sustainability-related risks and opportunities, the entity shall consider the disclosure topics in the industry-based SASB Standards, the ISSB's non-mandatory guidance (such as the CDSB Framework application guidance for water- and biodiversity-related disclosures), the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting, and sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies.

To identify disclosures, including metrics, that are likely to be helpful in assessing how sustainability-related risks and opportunities to which it is exposed could affect its enterprise value, an entity would apply the relevant IFRS Sustainability Disclosure Standards. In the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk and opportunity, an entity shall use its judgement in identifying disclosures that (a) are relevant to the decision-making needs of users of general purpose financial reporting; (b) faithfully represent the entity's risks and opportunities in relation to the specific sustainability-related risk or opportunity; and (c) are neutral. In making that judgement, entities would consider the same sources identified in the preceding paragraph, to the extent that they do not conflict with an IFRS Sustainability Disclosure Standard.

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We highly welcome the principles-based approach as management is best positioned to make a meaningful assessment about what level of disaggregation is necessary and useful for users. Overall, we believe that the rebuttable assumption is that consolidated information at group-level is sufficient, acknowledging that in exceptional cases more granularity may be needed, for example at region- or country-level, site- or product-level. As an exception from this, in many cases, a segment-level view (based on segments as defined under IFRS 8 for IFRS preparers) may be valuable for users. At the same time, for requirements with regards to aggregation, further specification would enhance comparability.

(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.

Broadly Agree / Broadly Disagree / Other

Please explain your answer: Yes, we agree, as guidance is needed in this relatively new field of sustainability reporting. However, as mentioned in question 1, there will be limitations on (full) auditability and enforceability. Furthermore, particular safeguards in terms of best effort should apply for the disclosure topics other than climate, i.e., companies should not be exposed to legal risks for not having disclosed under another framework.

In addition, we have the following comments:

- The international applicability of the sources must be ensured and should form part of the ISSB's initial work plan.
- Furthermore, in our view, under par. 51(c), even proposals by standard-setters not focusing only on investors' information demands, such as the GRI standards and the standards under development at the EU level, may represent a valuable source. Indeed, they do not (solely) target investors, however, this does not mean that they only prescribe disclosures that are not material for investors. Instead, they may be included because they are material for other stakeholders and investors. Also, some disclosures may indeed "only" be material for other stakeholders for some companies while being material for investors and enterprise value for other companies.
- Further, companies should consider insights from their engagement with users of general purpose financial statements.
- Also, while we generally agree with the procedure as outlined in par. 52 and 53, it is unclear why the sources presented under par. 51 shall only be used as guidance on which sustainability-related risks and opportunities may need to be reported on, but not as guidance on disclosures related to those risks and opportunities (in the absence of an IFRS Sustainability Disclosure Standard). The criteria outlined in par. 53 could be applied to those in analogy. Indeed, par. 54 suggests that such guidance should be used for metrics (only), but not disclosures (in general). Furthermore, a reference to market-led, science-based and government-endorsed frameworks (e.g. TCFD and TNFD) should be considered.

Question 8—Materiality (paragraphs 56–62)

The Exposure Draft defines material information in alignment with the definition in IASB's Conceptual Framework for General Purpose Financial Reporting and IAS 1. Information 'is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity'.

However, the materiality judgements will vary because the nature of sustainability-related financial information is different to information included in financial statements. Whether information is material also needs to be assessed in relation to enterprise value.

Material sustainability-related financial information disclosed by an entity may change from one reporting period to another as circumstances and assumptions change, and as expectations from the primary users of reporting change. Therefore, an entity would be required to use judgement to identify what is material, and materiality judgements are reassessed at each reporting date. The Exposure Draft proposes that even if a specific IFRS Sustainability Disclosure Standard contained specific disclosure requirements, an entity would need not to provide that disclosure if the resulting information was not material. Equally, when the specific requirements would be insufficient to meet users' information needs, an entity would be required to consider whether to disclose additional information. This approach is consistent with the requirements of IAS 1.

The Exposure Draft also proposes that an entity need not disclose information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information. In such a case, an entity shall identify the type of information not disclosed and explain the source of the restriction.

(a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We refer to our answer to Q2a, in which we argue that we deem it as absolutely essential that the ISSB's materiality concept is generally broadly defined, i.e., with the aim to capture investors' information demands in their entirety, which does not currently become sufficiently clear.

In addition, to make the intended concept even clearer, we would strongly suggest that the ISSB adds 'negative examples', namely examples of impacts on the planet and people ('inside-out view') that would not be deemed as material by the ISSB. Otherwise, we believe there is a high risk of inconsistent application, and the decisions will require significant judgment. Besides concrete examples, potentially, a corresponding Practice Statement could be developed for this, similar to the one on financial materiality, or the existing Practice Statement could be expanded to include sustainability aspects. Another solution to further specify the intended outcome and enable consistent application within a specific sector or across sectors would be to require reporting on the process for identification of material sustainability-related financial information in relation to enterprise value.

Further, regarding definitions it might also be worthwhile for the ISSB to define „significant" when speaking of „significant" risks and opportunities and to explain the difference between significant and material. As currently drafted, the impression could be that "significant" is an additional layer of materiality that would lead to a limited set of disclosures (i.e. rather than disclosure of all material information) which – from a user perspective – cannot not be supported. Also, further guidance on the definition of enterprise value (e.g., role of possible monetarization) might be valuable.

Another aspect that could be clarified is the link between the materiality concept and the requirement to cover the short-, medium- and long-term time horizon. This could ensure that a dynamic materiality perspective is used, requiring the disclosure of at least all inside-out impacts that may elicit material second-tier effects on enterprise value in the future (which would ensure a broad view).

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We highly welcome that the concept is aligned as much as possible with the materiality concept under IFRS. We highly welcome 1) that it is clarified that information, that could be relevant to the assessment of enterprise value, is broader than information reported in the financial statements and 2) that this includes information about a company's impacts and dependencies on people, the planet and the economy when relevant to the assessment of the company's enterprise value. However, as stated in our response to Q3, we do not expect there to be a meaningful difference between what is commonly referred to as "double materiality" and the concept proposed by the ISSB. While focussing on investors' needs, the ISSB should consider the investors' information demands in their entirety. In our view, this goes beyond what is often considered as the "outside-in" view as investors are themselves interested in many „inside-out" impacts – already today, but likely even more so in the future.

Besides this, we welcome the ongoing close cooperation between the ISSB and GRI as this could be a valuable way to achieve a building blocks approach where the ISSB covers investors' information demands (at best in their entirety, as outlined above) while GRI covers remaining information demands by broad stakeholders.

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: Generally, we think the Exposure Draft and related Illustrative Guidance are useful for identifying material sustainability-related financial information. However, they would be even more useful if concrete examples were added. Besides this, the most relevant information should be included in the standard itself. Currently uncertainties remain, e.g., what is intended by: “This guidance accompanies, but is not part of, [draft] IFRS S1. It illustrates aspects of [draft] IFRS S1 but is not intended to provide an interpretation.”

It remains unclear where the technical protocols can be found [IG19: Each of these metrics is supported by technical protocols that provide detailed guidance on definitions, scope, accounting, compilation and disclosure].

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We fully agree with this approach as it allows to cover a broad range of topics and matters and to pursue an ambitious approach in this respect, without requiring to take into account different jurisdictions’ legal specificities and restrictions. Also, this fits the pursued building blocks approach and is likely to increase global relevance and acceptance.

Question 9—Frequency of reporting (paragraphs 66–71)

The Exposure Draft proposes that an entity be required to 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.

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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We fully agree that the sustainability-related financial disclosures should be required to be provided at the same time as the financial statements to which they relate. In particular, if a common understanding exists that both types of information are necessary and equally important to understand a company's development, performance and position, it seems indispensable that both types of information are made publicly available at the same point in time, also given that they are strongly interlinked and that interconnectivity is, thus, key. Besides this, we support that annual reporting is proposed as an obligation, to report on half-year or even quarterly basis can hardly be justified from a cost-benefit perspective.

Question 10—Location of information (paragraphs 72–78)

The Exposure Draft proposes that an entity be required to disclose information required by the IFRS Sustainability Disclosure Standards as part of its general purpose financial reporting—ie as part of the same package of reporting that is targeted at investors and other providers of financial capital.

However, the Exposure Draft deliberately avoids requiring the information to be provided in a particular location within the general purpose financial reporting so as not to limit an entity's ability to communicate information in an effective and coherent manner, and to prevent conflicts with specific jurisdictional regulatory requirements on general purpose financial reporting.

The proposal permits an entity to disclose information required by an IFRS Sustainability Disclosure Standard in the same location as information disclosed to meet other requirements, such as information required by regulators. However, the entity would be required to ensure that the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information.

Information required by an IFRS Sustainability Disclosure Standard could also 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. For example, information required by an IFRS Sustainability Disclosure Standard could be disclosed in the related financial statements.

The Exposure Draft also proposes that when IFRS Sustainability Disclosure Standards require a disclosure of common items of information, an entity shall avoid unnecessary duplication.

(a) Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We support the proposal that purely financial and sustainability-related financial information shall be part of the general purpose financial statements. This would foster interconnectivity and contribute to the harmonization of how the two types of information are reported. In our view, this would also help clarify the status of sustainability-related financial information - which is or should be as high as the status attached to purely financial information, and increase trust in the reliability of sustainability-related financial information. While we support that the ISSB encourages integrated reporting, both within sustainability information and between sustainability information and financial information, we regret that this is not fully possibly according to European legislation (CSRD). Having this in mind, it is essential for EFRAG and the ISSB to work together on how this inconsistency shall be dealt with by preparers to still allow for compliance with the ISSB global baseline when complying with the ESRS (at best).

(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?

Yes / No / Other

Please explain your answer: Clarification is needed as regards the location for companies that do not (need to) publicly disclose general purpose financial statements. For example, as per the current European CSRD, not all companies that will be required to provide sustainability information are currently publishing general purpose financial statements.

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We fully support the ISSB's proposal on cross-referencing, also to reduce potential issues with jurisdictional adoption and facilitate the building blocks approach, but especially as this is the best way to account for the fact that each company's idiosyncratic context requires a customized disclosure strategy. Tagging would mitigate potential concerns regarding (easy) accessibility.

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We fully support that entities are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way and believe that this becomes clear from par. 78. Instead of repeating the principle in the Topical Standards (such as in IFRS S2), it could potentially be strengthened in IFRS S1 by, e.g., explicitly adding a) further examples on where this is expected and b) a clarification that this principle applies across sustainability topics and matters.

Question 11—Comparative information, sources of estimation and outcome uncertainty, and errors (paragraphs 63–65, 79–83 and 84–90)

The Exposure Draft sets out proposed requirements for comparative information, sources of estimation and outcome uncertainty, and errors. These proposals are based on corresponding concepts for financial statements contained in IAS 1 and IAS 8. However, rather than requiring a change in estimate to be reported as part of the current period disclosures, the Exposure Draft proposes that comparative information which reflects updated estimates be disclosed, except when this would be impracticable —ie the comparatives would be restated to reflect the better estimate.

The Exposure Draft also includes a proposed requirement 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.

(a) Have these general features been adapted appropriately into the proposals? If not, what should be changed?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: Generally, yes. Overall, we highly welcome the high degree of alignment with the IFRS financial reporting framework, which has proven to be a successful framework, as this fosters interconnectivity with financial reporting and leverages previous efforts. Further, it reduces complexity for preparers and users who have collected experience with IFRS over many years.

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We agree that if a company has a better measure of a metric reported in the prior year, it should disclose the revised metric in its comparatives, as par. 65 allows for exemptions. In this regard, we would propose the following change: "When it is impracticable **considering a best-effort approach** to adjust comparative information for one or more prior periods, an entity shall disclose that fact."
As regards par. 65, however, from an investor's point of view, we suggest to nonetheless require information on a) why the comparative information should have been changed, even if computing new data is impracticable and b) the likely impact that the revision would have had (via a qualitative/narrative disclosure or a range estimate).

(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?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: In general, we agree. However, there might be difficulties as connectivity may not be achievable as regards all reported information. In case of concerns that some data points may be perceived as inconsistent (given different underlying assumptions as prescribed by e.g. IFRS Accounting Standards vs. IFRS SDSs), complementary narrative disclosures should be provided and should be sufficient.

Question 12—Statement of compliance (paragraphs 91–92)

The Exposure Draft proposes that for an entity to claim compliance with IFRS Sustainability Disclosure Standards, it would be required to comply with the proposals in the Exposure Draft and all of the requirements of applicable IFRS Sustainability Disclosure Standards. Furthermore, the entity would be required to include an explicit and unqualified statement that it has complied with all of these requirements.

The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards.

Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: We fully agree with this proposal, subject to consideration of our above concerns in relation to connected information (please refer to our response to questions 3 and 6) and location (please refer to our response to question 10).

Question 13—Effective date (Appendix B)

The Exposure Draft proposes allowing entities to apply the Standard before the effective date to be set by the ISSB. It also proposes relief from the requirement to present comparative information in the first year the requirements would be applied to facilitate timely application of the Standard.

(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.

Your answer: From the view of an investor, given the urgent need for globally consistent and comparable sustainability-related data, we recommend to the ISSB to pursue an ambitious timeline. At the same time, the ISSB must ensure an appropriate due process to avoid achieving pace at the expense of quality.

Regarding the scope and in view of broad diversity of the German insurance market companies should at least have 18 months to prepare for the reporting (e.g. publication on 30 June 2023, effective for FY 2024, , and publication of sustainability report in 2025). Furthermore, given the complex and jurisdiction-specific sustainability reporting landscape, we fully support that earlier application shall be allowed and deem this as essential.

(b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?

Broadly Agree / Broadly Disagree / Other

Please explain your answer: Yes, we fully agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application.

Question 14—Global baseline

IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of sustainability-related risks and opportunities. Those needs may be met by requirements set by others, including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

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

Yes / No / Other

Please explain your answer: We are convinced that the ISSB has the potential and is in a position to stop the process of global fragmentation in the field of sustainability reporting. The ISSB is indeed capable of providing a global baseline to achieve the same understanding of sustainability reporting worldwide and to obtain standardised, consistent, and comparable sustainability information that focuses on relevant information. Therefore, from the beginning, **we generally supported the ISSB's global sustainability reporting baseline** as a basis for a building blocks approach, where jurisdictions and regional standard-setters can develop complementary requirements to address their (policy) specificities.

However, we are concerned about facing a significant gap between the ISSB's global baseline and the EU's ambitions, given the fact that the concept of materiality in the field of sustainability reporting is already defined by the European Union by its broader materiality concept. The EU does not limit its materiality perspective to what is material for investors to assess enterprise value, but also requires embracing the inside-out view (on impact materiality). This concept is already widely applied by certain large European companies. Moreover, according to the legislative proposal of the European Commission on the Corporate Sustainability Reporting Directive (CSRD), the scope of the CSRD will be extended to all large companies, listed SMEs, and third-country issuers. These companies will have to apply the broader European materiality concept. Furthermore, as already explained in Q2a, from an investor's point of view, many inside-out impacts are also of high relevance, so that the ISSB's materiality concept should be sufficiently broad. This is necessary to avoid that the gap between the ISSB and EU standards (partly) arises with view to investors (rather than only for broader stakeholders). If the ISSB does not fully address investors' information demands, it risks achieving a lower level of global acceptance and relevance.

Therefore, it is essential that both the ISSB and the EU COM / EU standard-setter work on **a reasonable level of alignment / compatibility of their standards**. It should be achieved, inter alia, by close dialogue to prevent a situation in which EU preparers are required to report under both standards to, on the one hand, comply with EU law and, on the other hand, respond to market expectations. The

ISSB and EFRAG should urgently develop a collaboration model that enables global alignment and connect EFRAG's work with the ISSB's agenda.

Irrespective of the degree of overlap / actual alignment, ensuring a sound basis for interoperability with existing and upcoming sustainability reporting standards developed by national and regional standard-setters worldwide is absolutely essential.

Question 15—Digital reporting

The ISSB plans to prioritise enabling digital consumption of sustainability-related financial information prepared in accordance with IFRS Sustainability Disclosure Standards from the outset of its work. The primary benefit of digital consumption as compared to paper-based consumption is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S2 Climate-related Disclosures Standards are the sources for the Taxonomy.

It is intended that a staff draft of the Taxonomy will be published shortly after the release of the Exposure Draft, accompanied by a staff paper which will include an overview of the essential proposals for the Taxonomy. At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation.

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

Your answer: To ensure compatibility with the EU reporting landscape, on the one hand, and to contribute to global availability and accessibility of data more generally, on the other hand, we would strongly support if the ISSB would develop a digital taxonomy in parallel to the development of the IFRS Sustainability Disclosure Standards from the beginning. In our view, this is essential to establish an efficient and standardised global reporting regime. We are fully convinced that this would not only be beneficial for EU companies to comply with their disclosure requirements and report in as well as extract data from the European Single Access Point (ESAP), but also be of interest globally given that the demand for sustainability information is steadily increasing worldwide and across stakeholders.

In detail: We would like to highlight that there are already existing EU initiatives on data digitisation. A crucial initiative is the establishment of the ESAP. With the CSRD, the EU has initiated a phase-in process in which already published corporate financial and sustainability information will be digitised. With the CSRD and the establishment of the ESAP, all sustainability information will be available via the ESAP. We would like to urge the ISSB and the European Commission to stay in a close (technical) dialogue to drive forward together the digital reporting field in which the requirements are compatible with the IFRS Sustainability Disclosure Standards and the EU Sustainability Reporting Standards.

Question 16—Costs, benefits and likely effects

The ISSB is committed to ensuring that implementing the Exposure Draft proposals appropriately balances costs and benefits.

(a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?

Your answer: In our view, the key challenge to mitigate costs and entail benefits is ensuring acceptance by the EU and incorporation in the EU regulatory framework. This essentially applies to the US in analogy. In our view, the key risk is that EU preparers may otherwise be required to report under (potentially non-complementary) standards to comply with EU (or other) law and ISSB standards to meet (global) market demand. Also, the ISSB would risk its standards not being accepted as a global baseline if the EU goes its own way. Therefore, we urge the ISSB to do anything to avoid such a scenario. Otherwise, the costs would be significant, both for preparers and users. Only global acceptance can prevent those costs from arising.

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

Your answer: As to the operating implications, significant one-off implementation cost and effort for setting up the IT systems and processes as well as for the respective analysis, quality assurance and audit procedures on an ongoing basis will incur, especially for companies that do not prepare sustainability information at this stage or that do so just to a limited extent. Nonetheless, in general reporting on sustainability-related risks and opportunities plays an important role in shaping sustainability transformation and thereby gives benefits for users of general purpose financial statements, who clearly and urgently need globally available sustainability-related financial information that is of high quality, comparability and reliability. However, from our perspective a reasonable cost-benefit ratio should guide decisions regarding reporting requirements. This moreover includes a reporting that is fully compatible and as much as possible aligned with those intended by other standard-setters (e.g. EFRAG).

Question 17—Other comments

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

Your answer: We would like to highlight the need for close cooperation between the ISSB and the IASB. This will help to create a common understanding about what the comprehensive baseline regarding ESG matters is, to which reporting entities it would refer to and which reporting design might be set up. In this regard we specifically believe that the IASB' ongoing work on the review and update of the Practice Statement on management commentary is the most suitable project where both Boards could and should cooperate very closely when the IASB's work progresses to ensure an overall consistent corporate reporting on ESG matters.

Besides this, as sustainability reporting is not as mature as financial reporting, we would like to highlight the need to ensure that the proposed reporting requirements are practicable, proportionate and feasible.