Deutsches Rechnungslegungs Standards Committee e.V.

Accounting Standards Committee of Germany

DRSC

ASCG • Joachimsthaler Str. 34 • 10719 Berlin

Mr Emmanuel Faber
Chair of the
International Sustainability Standards Board
c/o IFRS Foundation
Columbus Building, 7 Westferry Circus,
Canary Wharf,

London E14 4HD

Sustainability Reporting Technical Committee

Phone: +49 (0)30 206412-12

E-Mail: info@drsc.de

Berlin, 29 July 2022

Dear Emmanuel,

ISSB Exposure Draft ED/2022/S1 *General Requirements for Disclosure of Sustainability-related Financial Information*

On behalf of the Accounting Standards Committee of Germany (ASCG) we are writing to comment on the Exposure Drafts ED/2022/S1 *General Requirements for Disclosure of Sustainability-related Financial Information* issued for consultation by the ISSB on 31 March 2022 (herein referred to as 'ED').

The ASCG's Sustainability Reporting Technical Committee strongly supports the ISSB's mission to develop Sustainability Disclosure Standards designed to provide a global baseline in support of individual jurisdictions/regions who want to establish sustainability reporting requirements. We highly welcome the IFRS Foundation's initiative to consolidate existing standard-setting activities and initiatives and ISSB's work to establish a common set of internationally accepted high-quality Sustainability Disclosure Standards. From a German / European perspective the compatibility with the EU standard-setting work on corporate sustainability reporting is of utmost importance. In this respect, we strongly encourage the ISSB to work closely together with National Standard Setters and the other relevant institutions. The ASCG does not only promote the global baseline approach at a national level but also is a key supporter in the European context.

We see clear benefits in building the IFRS Sustainability Disclosure Standards on the existing and widely acknowledged structure of the Task force on Climate-related Financial Disclosures (TCFD), i.e., to make explicit reference to the requirements on governance, strategy, risk management, and metrics and targets. In our view, this is an important component for the alignment of IFRS Sustainability Disclosure Standards with other international developments, such as the proposed SEC disclosure requirements.

The objective of the ED is to "disclose material information on all of the sustainability-related risks and opportunities." In general, we support this objective. However, the ED remains vague as to what is meant by the term "sustainability". In addition, the ED includes a general reference to various pronouncements by standard-setting bodies that an entity should consider in the absence of a specific IFRS Sustainability Disclosure Standard. As a consequence of the concept of the ED the entire ESG spectrum is up for discussion here. In this regard, we find the sustainability disclosure requirements contained in the ED challenging. We encourage the ISSB to describe in more detail which sustainability matters it considers to be obligatory. Furthermore, we recommend a phased-in approach and a clarification that the list of authoritative sources should be outlined as sources of guidance that can be used on a voluntary basis.

We also see potential for improvement by undertaking a deeper analysis of the so-called financial and impact materiality as well as determining existing overlaps. This is an important prerequisite for the intended global baseline and the building blocks approach. The definition of interfaces to the information needs of other stakeholder groups beyond the global baseline would enable national/reginal jurisdictions to use the IFRS Sustainability Disclosure Standards as a "nucleus" and to build on them without redundancies. Also, we believe that the consideration of impacts is an essential part of sustainability reporting. We therefore consider it important to address the relationship between sustainability-related risks and opportunities on the one hand and impacts on the other. In this regard, we suggest explicitly addressing rebound effects. By addressing the interrelationship of impacts (inside out) and their financial implications, the conceptual basis and understandability of the IFRS Sustainability Disclosure Standards could be enhanced. A stronger emphasis on the importance of impacts for the reporting of sustainability-related risks and opportunities will most likely also significantly increase the acceptance of the IFRS Sustainability Disclosure Standards by broader stakeholder groups. At the same time, relevance for investors will increase significantly if at least rebound effects from impacts are covered as well.

To enhance the future relevance of IFRS Sustainability Disclosure Standards without neglecting the IFRS Foundation's focus on capital markets we also encourage the ISSB to consider the information needs of impact investors in more detail. Their focus is not necessarily on the enterprise value alone, but on an investor-specific investment strategy / investor-specific investment objective. Also, investment decisions made based on sustainability preferences can have second-tier effects on enterprise value.

Further, we deem it necessary to include additional guidance and examples on the application of the materiality definition to promote a consistent application of the materiality concept, which is a challenging task especially for the first-time application by preparers and auditors. In this regard, we suggest expanding the IFRS Practice Statement “Making Materiality Judgements”, to include a holistic and integrated reporting approach. Alternatively, a comparable Practice Statement could be developed for Sustainability information or – more generally – for information in the Management Commentary. To foster the integrated reporting, we encourage a close cooperation with the IASB. The work on the Project “Management Commentary” should be continued jointly. After all, topics such as governance can only be dealt with in an integrated manner. In this regard we appreciate the joint commitment by the IASB and ISSB to work together to agree on how to build on and integrate the VRF’s Integrated Reporting Framework into their standard setting projects and requirements.

We fully support that entities are encouraged to integrated reporting, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way. In this respect, we also consider the requirements on connected information to be of great importance. However, an integrated approach may emerge as a fundamental conceptual difference from the European Sustainability Reporting Standards (ESRS). Therefore, we would highly welcome if the ISSB work together with EFRAG to provide EU preparers with guidance on whether and how the two approaches (which differ significantly in terms of integration options) are interoperable.

Our other comments and detailed responses to the questions raised in the ED are laid out in the appendix to this letter. If you would like to discuss our comments further, please do not hesitate to contact us.

Yours sincerely,

Georg Lanfermann

President

Appendix – Answers to the questions in the ED

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?

The ED clearly states 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. If such risks and opportunities are not (yet) addressed by a specific IFRS Sustainability Disclosure Standard the list of sources in par. 51 provides an appropriate basis for identifying further risks and opportunities that are subject to sustainability reporting and the following par. 53-54 provide helpful guidance to identify disclosures, including metrics, about these further risks and opportunities.

However, the ED remains vague as to what is meant by the term "sustainability". In so far, the entire ESG spectrum is up for discussion, and it remains undefined which sustainability-related matters are required to be reported according to the ED. As the spectrum of possible sustainability-related matters is quite extensive we recommend providing a definition of "sustainability" and a clarification as to which matters IFRS Sustainability Disclosure Standards (current and future standards) intend to cover. Insofar it seems also very vague to merely include a list of additional sources for companies to adhere to while the scope of "sustainability" reporting is not yet defined by the ISSB.

In this regard, we also consider it necessary to revise the definition of "sustainability-related financial information" contained in Appendix A. Appendix A contains a second definition of "sustainability-related financial disclosures". The purpose of this distinction as well as the slightly different wording is not plausible and should be explained or revised.

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

The ED states that the proposed objective 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) and that “A reporting entity shall disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed […]” (par. 2).

As already stated above, more clarity is desired on the term “sustainability-related”. Furthermore, additional clarity is needed on the definition of “significant” risks and opportunities. The ISSB should lay out how significance is defined / understood in the context of IFRS Sustainability Disclosure Standards and how it should be assessed by the entities. How is significance to be distinguished from material? A common understanding of these terms is necessary for a consistent and comparable application of the proposed requirements and thus to meet the proposed objective.

To further promote consistent and comparable application of the requirements and the determination of material information, we also recommend including more guidance on implementation issues. Also, the guidance should expand to the statements about qualitative characteristics of useful sustainability-related financial information in Appendix C. This guidance should also give more weight to the implementation of these qualitative characteristics.

(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?*

Since the overall context of IFRS Sustainability Disclosure Standards is still unclear and undefined and the architecture of the IFRS Sustainability Disclosure Standards is still to be determined, it is at this stage quite difficult to evaluate how the proposed requirements in this ED would be applied together with other IFRS Sustainability Disclosure Standards. However, experience in the development of the European Sustainability Reporting Standards has shown that it could be useful to differentiate between so-called cross-cutting disclosures and topic specific disclosures. This distinction is also already indicated in par. 78 of the ED. Therefore, we propose to differentiate between

(a) a standard that addresses the conceptual foundations (including the current requirements on the general features as laid out in the ED),
(b) a standard that describes the core content (including the current requirements on the core content as laid out in the ED) and
(c) other standards that supplement the core content standard with topic specific requirements (e.g., ED IFRS S2 in relation to climate-related disclosures).

(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?*

In general, verifiability of sustainability-related financial information is determined by its different characteristics (e.g., quantitative vs. qualitative, historical vs. forward looking, outside, observable information vs. information based on the management's view). Considerable differences compared to existing corporate reporting will arise, especially regarding the forward-looking nature of the information. To ensure the understandability, accuracy, and verifiability of the information, we consider supplementary guidelines for the preparation and disclosure of forward-looking information to be beneficial. Therefore, the ISSB should include such guidelines – comparable to the IASB's Practice Statement "Making Materiality Judgements" – as one of its potential future activities in its upcoming agenda consultation.

Regarding the above-mentioned absence of a definition of "sustainability" and lack of a clarification which matters IFRS Sustainability Disclosure Standards intend to cover we furthermore consider an assessment by auditors or regulators regarding the completeness of the disclosures to be a major challenge. For example, how are auditors or regulators supposed to evaluate whether companies have sufficiently considered the list of additional frameworks as provided in par. 51? What is the ISSB's expectation regarding the consideration of or compliance with additional frameworks?

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?

In general, the proposed objective of the ED is clear. The ISSB focuses on the information needs of primary users of general-purpose financial reporting and hence on sustainability-related risks and opportunities that affect the assessment of the enterprise value. In our view, the proposed description of the objective in par. 1-7 could be improved by going into more detail on the relation between sustainability-related risks and opportunities on the one hand and sustainability-related financial information on the other hand. From a process perspective, par. 51 initially requires an identification of the sustainability-related risks and opportunities and then, in accordance with par. 53, the disclosures for these risks and opportunities are to be determined. However, the description of sustainability-related information in par. 6 goes beyond risk and opportunities. Again, the incomprehensible differentiation between sustainability-related information and sustainability-related disclosures in Appendix A limits clarity. The ISSB should clarify the difference between information and disclosures. In our view, the Standard should not establish an artificial differentiation between disclosures on the one side and information on the other side. These terms seem interchangeable and therefore two definitions do not add to clarity but create redundancy.

Furthermore, the sustainability-related information in par. 6 should be set in relation to the sustainability-related risks and opportunities to be reported on in accordance with par. 1 and 2.

On a more detailed note, we suggest deleting the reference on "knowledge-based assets" in par. 6 (d) or to set it in a particular relation to the objective (disclose of sustainability-related risks and opportunities). In our view, this issue should be mainly addressed in the context of better information on intangibles.

The ED largely leaves out the importance of impacts. They are only mentioned sporadically in the proposals (see e.g., par. 6 (c)). However, impacts have a considerable connection to risk and opportunities (rebound effects). Sustainability reporting regularly focuses on the disclosure of these impacts. The Scope 1, 2 and 3 emissions are a prominent example. We encourage the ISSB to further examine the role of impacts in sustainability-related financial disclosures and its possible contribution to meet the ED's objective. Otherwise, provided sustainability-related financial information may not be sufficient to address investors' information needs, which would reduce the global baseline's relevance for the targeted primary users.

(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?

As stated above, we believe that a definition of sustainability-related information is needed. Firstly, the ISSB should clarify what is meant by "sustainability". Otherwise, wide-ranging interpretations are on the table, which limit consistent application and comparability.

Secondly, the ISSB should examine whether the differentiation between sustainability-related financial information and sustainability-related financial disclosure is necessary and to what extent the differences in the definitions are justified.

Thirdly, the definitions in Appendix A should be aligned with the standard text. Par. 6 indicates a wider understanding of sustainability-related financial information.

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?

In general, we agree. However, sustainability-related financial information must be integrated in a comprehensive (narrative) corporate reporting. So far, narrative and governance reporting is primarily determined by jurisdiction-specific requirements. In this respect, national specific requirements may well play a role in the application and interpretation of IFRS Sustainability Disclosure Standards.

In this context – and considering that the aim should be a single comprehensive, integrated (narrative) corporate reporting – the further development of the Practice Statement 1 "Management Commentary" is of particular significance. The current revision should take up the latest developments in sustainability reporting and the project should be continued as a joint project of IASB and ISSB. The Management Commentary already refers to risks and opportunities and requires extensive reporting on these, and should therefore be aligned with the reporting of risks and opportunities in accordance with the IFRS Sustainability Disclosure Standards.

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?*

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

Governance: According to the ED the objective of sustainability-related financial disclosures on governance is to enable users to understand the governance processes, controls and procedures used to monitor and manage sustainability-related risks and opportunities (par. 12). Hence, an entity shall disclose various governance related information with respect to sustainability-related risks and opportunities. The ED also lays out that governance is the processes, controls and procedures used to monitor and manage an entity. In the ED governance is depicted as the basis from which other aspects, like strategy, risk management, metrics, and targets derive.

We agree with this view of governance as the basis for a well-functioning business organization. We therefore find governance-related information essential to understand the entity's approach to sustainability matters and to understand the level of integration of these matters into the overall structure and organization of the entity.

Strategy: Information on the strategy is closely related to the description of the business model. However, the latter is not subject of the ED. It is therefore unclear how certain requirements, cf. e.g., par. 15 (b), can be meaningfully implemented without the necessary context. This requires a closer coordination between the requirements in the Management Commentary and the requirements in the ED. We suggest including a reference to the relevant section in the Management Commentary Practice Statement or explicit requirements regarding disclosures on the business model within the ED.

Risk Management: We agree with the proposed disclosure requirements for risk management and welcome the alignment with the TCFD recommendations. Further, in our view it is appropriate to extend the reporting requirements to include opportunities because risks and opportunities should be treated in an equal manner. The German Commercial Code as well as the German Accounting Standards No. 20 on Group Management Reporting contain similar requirements. A biased focus on risks only will result in an incomplete depiction of the factors that could affect the entity's ability to create value an generate cash flow in the future.

However, we ask the ISSB to consider the consistency of the requirements. Does par. 26 (b) repeat par. 26 (a) (i) and does par. 26 (c) repeat par. 26 (a) (ii) only with more detail? Are the disclosures required in par. 26 (b) (iii) and (iv) for risks not transferable to opportunities? We recognise that, in practice, risk reporting is often more developed than reporting on opportunities. Nevertheless, this does not justify why information about input parameters and information about changed processes are not required for the reporting on opportunities. We suggest that the differences between risk and opportunity management be examined in detail and, depending on the result, separate requirements be defined if necessary.

Metrics and Targets: Par. 28 states: Metrics shall include those (1) defined in any other applicable IFRS Sustainability Disclosure Standards, (2) metrics identified from other sources listed in par. 54 and (3) metrics developed by an entity itself. We agree that an entity should include metrics defined in any other applicable IFRS Sustainability Disclosure Standards. In relation to metrics identified from other sources listed in par. 54 we take the view that these metrics can be but do not necessarily have to be considered. They should not be mandatory. We wonder how the ISSB would otherwise ensure that these metrics in the pronouncements of other standard setters are relevant, meaningful and necessary in view of the ISSB's approach to sustainability reporting. Also, the requirements that this reference in par. 54 is based on will likely change over time. The ISSB would have to ensure that the revised requirements are still in line with the ISSB's approach. With respect to metrics developed by an entity itself we suggest considering the intense debate on alternative performance measures in financial reporting to evaluate if the results of the discussion are transferable to sustainability reporting.

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?

We support the reference to the same reporting entity as the related general purpose financial statements. However, we encourage the ISSB to distinguish between the "reporting entity" and "reporting boundaries" in more detail. In our view, the reporting boundaries for sustainability reporting go well beyond the reporting entity. This is because the reporting entity is always determined following the control principle (independent of the reporting topic), whereas the sustainability reporting *boundaries* extend to activities, interactions and relationships of the reporting entity. This includes reporting on activities along the value chain, as already appropriately addressed in ED par. 40. However, the reporting entity does not necessarily have control over all entities of the value chain. Therefore, providing information relating to value chains is one of the major challenges in sustainability reporting. Since gathering information across an entity's (extensive) value chain can be difficult we propose a risk-based approach. The entity thereby focuses on significant risks regarding governance, environmental and social aspects along the value chain.

(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?

As mentioned above, we believe that more clarity can be achieved by differentiating between reporting entities and reporting boundaries.

Further, we support that the ISSB intends to require companies to not only look at and report on their own operations, but also the sustainability-related risks and opportunities alongside the value chain. This approach seems to be aligned with what the EU Commission envisages in terms of scope for the Corporate Sustainability Reporting Directive (CSRD). However, clarity is needed on what the value chain encompasses across different sectors, depending on their specificities, especially where parts of the value chain are particularly extensive. Look-through requirements need to be limited to a subset of key KPIs and disclosures to ensure feasibility, taking into data availability issues.

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

We agree. Since a comprehensive and integrated reporting is desirable, this is a necessary requirement. In this regard we suggest linking par. 38 to par. 72.

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) 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?

(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?

We strongly support the reporting requirements on connected information as support integrated reporting. It enables a connected, holistic and cohesive corporate reporting and comprehensive understanding of the entity's business. However, we would like to highlight the complexity of an integrated reporting concept. In this regard, we recommend additional illustrated guidance for prepares and on a more fundamental note: we expect in particular further work on the development of the necessary foundations. An important step was the joint commitment by the IASB and ISSB to work together to agree on how to build on and integrate the VRF's Integrated Reporting Framework into their standard setting projects and requirements. This work should continue to be pursued as soon as possible. Also, we would highly welcome if the ISSB collaborates with EFRAG to provide EU preparers with guidance on whether and how the two approaches (which differ significantly in terms of integration options) are interoperable.

The question emphasises three categories of connectivity: (a) connections between various sustainability-related risks and opportunities, (b) connections 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. These three categories provide a clear understanding on the ISSB's approach to connectivity. They should therefore also be clearly stated in paragraph 42. Since category (c) also relates to connections to the Management Commentary, the reference to "financial statements" contained in par. 42 is too narrow. Here, in analogy to the text above, the reference should be made to "other information in general purpose financial reporting".

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?

(b)	*Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the Exposure Draft.*

We generally agree. Fair presentation is a well-established general concept in the IFRS framework and its inclusion in the ED as a general feature is coherent. However, the list of authoritative sources for the identification of significant risk and opportunities and the related disclosure requirements (par. 51 - 54) is broad and open-ended. This broad and open-ended wording and references create challenges for compliance and assurance as we have already noted in our answer to question 1. Furthermore, we recommend that the list of authoritative sources should be referenced to as sources of guidance that can be used. However, if the expectation is that all listed resources are to be reviewed and considered, then it is necessary to create a hierarchy of these resources, i.e. which ones are to be considered first and with priority. In our view, additional guidance is needed to support entities in their stakeholder engagement process to determine significant sustainability-related risks and opportunities and when making their judgments in identifying disclosures.

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?*

In our view, the definition of materiality does not provide a sufficiently clear understanding of the ISSB's concept of materiality and the resulting implications for the application of this concept by companies. The ISSB should clarify how companies are supposed to apply this materiality concept. It would be desirable to have in place clarifications for sustainability information comparable to the IFRS Practice Statement "Making Materiality Judgements" for financial information in the context of financial statements.

On a conceptual note, we believe that Appendix A "Defined Terms" should contain definitions of risk and opportunities as well as of the terms material and significant. We realise that the standard consistently uses the terms "significant sustainability-related risks and opportunities" and "material sustainability-related financial information." This use of the particular terms "significant" and "material" should be better explained.

In our opinion, insufficient consideration is given to impacts. We acknowledge the focus of the IFRS Foundation and the ISSB on investors as the primary user group as well as the focus on capital markets. Impacts, however, also constitute an essential element within the financial materiality. They are also an essential element of sustainability matters. Discussions on the interaction of risks and opportunities on the one hand and impacts on the other could make the concept of materiality much more comprehensible. The extent of impacts is regularly a crucial element of reporting on sustainability aspects and often impacts also form part of regulatory reporting requirements. We would like to refer to the prominent example of significant CO_2 emissions where Scope 1, 2 and 3 data have to be reported.

In addition, a clear definition of the overlap between financial and impact materiality could enhance IFRS Sustainability Disclosure Standards to fulfil their function as a global baseline. The ISSB's key objective to consolidate and harmonise existing frameworks requires clarity about how the ISSB standards interact and overlap with broader sustainability disclosure frameworks, such as the Global Reporting Initiative (GRI). Please see our comments on question 14.

Furthermore, we would like to encourage the ISSB to consider the information needs of impact investors in more detail. Their focus is not necessarily on the enterprise value alone, but on an investor-specific investment strategy / investor-specific objective. We believe that a broader scope of the IFRS Sustainability Disclosure Standards would significantly enhance its future relevance without abandoning the IFRS Foundation's focus on capital markets. Finally, it would significantly enhance the acceptance of these Standards across all stakeholder groups. At the same time, relevance for investors will increase significantly if at least rebound effects from impacts are covered as well.

(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?*

Please see our comments under sub-question a).

(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?*

As mentioned above, we consider the concept of materiality to not be sufficiently clear and, in addition to a conceptual improvement, we also see the need for additional guidance to ensure consistent application. A revision and extension of the IFRS Practice Statement "Making Materiality Judgements" or an individual Practice Statement on materiality for sustainability information would be possible options here. To achieve the widest possible conceptual interlinkage between financial and sustainability reporting and with the aim of a holistic corporate reporting, we prefer a revision and extension of the existing Practice Statement.

(d) Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?

Yes, we 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.

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?

In general, we agree that an entity be required to report its sustainability-related financial disclosures at the same time as its related financial statements. Especially against the background of integrated reporting, this is preferable and in the interest of the primary users of general-purpose financial reporting.

Many companies are already subject to jurisdictional requirements regarding sustainability disclosures and publication deadlines. In this respect, the CSRD determines the disclosure requirements for a large number of German companies and sustainability information must be published in the management report at the same time as the financial reports.

The ISSB could, however, consider a phased-in approach for its constituents in view of the considerable efforts needed for the preparation of sustainability information, especially in the introductory phase. Allowing a later publication of sustainability information compared to the financial statements gives companies the opportunity to better use their resources over time. More time to respond to new data requirements also improves the quality of data.

When considering a phased-in approach, the ISSB should consider the target groups of its standards and their specific characteristics. As noted in question 16, in our view the inclusion of proportionality and scalability are important features for establishing a global baseline which is applied by many companies of different sizes. And a phased-in-approach regarding the degree of detail per topic would be in line with the desire for proportionality and reliefs, particularly for smaller companies.

Also, we agree that sustainability-related financial disclosures shall be for the same reporting period as the financial statements. This is already the case for financial statements and existing narrative reporting obligations. After all, sustainability-related metrics are often related to financial measures such as turnover or expenses. Different reporting periods would lead to non-meaningful information, would impede achieving connected information and would result in unnecessary administrative burdens for reporting entities. Therefore, the requirement that the reporting period have to be the same is in our view indispensable.

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?

We agree with the proposal that the entities being required to disclose information required by IFRS Sustainability Disclosure Standards as part of its general purpose financial statements. The incorporation of these reporting process into the existing infrastructure for the preparation of general purpose financial statements will have a positive impact on the preparation of and quality of ESG data.

Further, we acknowledge that the ISSB considers the applicability of IFRS Sustainability Disclosure Standards in different jurisdictions and that the ED therefore 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, due to the considerable connection with the Management Commentary in terms of content (e.g., reporting about risks and opportunities, forecast reporting / reporting on expected developments, etc.) we strongly support the view that the ED should highlight the Management Commentary as the preferred location for sustainability-related financial information while other locations are not ruled out depending on the needs of particular jurisdictions.

(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?

At present we are not aware of any current jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the ED despite the proposals on location. We strongly support the idea of a global baseline in the European context where this issue plays a role in the context of the development of ESRS. We want the IFRS Sustainability Standard information to be clearly identifiable.

(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?

We agree. Allowing cross-referencing avoids redundancies and information overload and thus, in general, contributes to a better understandability of sustainability reports. However, cross-references might also limit the understandability of sustainability reports. We made this experience when evaluating non-financial statements for a research study. Here, it proved to be useful that reports at least contained a table showing where the information is placed within the general purpose financial reporting or in other sources.
Regarding comprehensible sustainability reports we recommend references to sources outside general purpose financial reporting only for contextual and supplementary information.
On an editorial note: Regarding the wording in par. 75, we suggest that the condition for cross-references ("provided that the information is available […] on the same terms") be concretised as to which aspects this shall include. Examples of important aspects are the assurance level of the sustainability-related information that is referred to, the accessibility of the information and the digitisation / availability in a machine-readable format.

(d) Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why or why not?

Yes, par. 78 make this sufficiently clear. We also agree that entities should not be required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities as this is not reasonable for a coherent report on sustainability matters. As stated in our answer to question 1 (c) the ED should describe the core content and cross-cutting issues; other IFRS Sustainability Disclosure Standards should supplement the core content with topic-specific requirements (e.g., ED IFRS S2 in relation to climate-related disclosures). Corporate (sustainability) reporting should follow this structure and distinguish between cross-cutting information and topic-specific information.

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?

We agree with these concepts as laid out in the ED. In detail, we suggest that the reference to impracticable (ED IFRS S1.65, 84, 88) be more specific. Otherwise, the interpretation of the term is up to the preparers and auditors, which makes a consistent application difficult.

(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?

We also agree that an entity should provide revised metrics for the comparative period if that is possible (e.g., sufficient data were collected for the previous year etc.). We find it important that changes to the comparative information will be clearly stated. As mentioned in para 64 (a) entities should be required to provide the amount disclosed in the previous period as well as the revised comparable amount.

(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?

Yes, we agree with these proposals.

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?

We agree. However, the requirements for the statement of compliance probably fits better within the disclosure requirements regarding the core content than within the disclosure requirements about the general features.

We further recommend that (at least in the initial phase) the statement of compliance will be pronounced as a comply or explain statement as to report on all sustainability-related risks and opportunities at once is challenging. In this respect, the German Corporate Governance Code could be used as a blueprint. Especially in the first years of application flexibility should be given.

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.

As many German companies fall under the European Corporate Sustainability Reporting Directive (CSRD), the initial or extended application of sustainability reporting is primarily determined by the application of the ESRS. Therefore, the main question for German companies will be to which extent their ESRS reporting is consistent with the requirements in the IFRS Sustainability Disclosure Standards.

In general, we would like to emphasise that the expected considerable implementation costs (cf. our answer to question 16) must be weighed against the increasing demand for sustainability information. A period of at two or three years should be provided between the publication of an IFRS Sustainability Disclosure Standard and its mandatory first-time application. More complex issues and issues that require the implementation of entire new reporting systems to collect data and control systems to ensure data quality require longer periods. Earlier voluntary application should be possible.

Based on the experience of companies that already report on specific sustainable topics (e.g., TCFD), a phased-in approach to give entities time to set up new reporting and control systems seems advisable. Reporting on all sustainability-related risks and opportunities at once, as in the ED required, seems to us to be quite challenging, even for companies that already report on sustainability issues.

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

Yes, we agree. The proposed relief from disclosing comparatives is reasonable.

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?

We strongly support ISSB's mission to create a global baseline and are committed to ISSB's building blocks approach. In this respect, improvements to the general features – as also discussed in our previous answers – are recommended. Common grounds and differences to other frameworks and jurisdiction-specific requirements must be evident through a clear framing of the conceptual principles and reporting requirements. Overlapping areas – such as the overlap of financial- and impact-related material information – must be well defined. This forms the prerequisite for different jurisdictions to use the IFRS Sustainability Disclosure Standards as a nucleus and to establish specific requirements based on it.

The ISSB's key objective to consolidate and harmonise existing frameworks by creating a comprehensive global baseline also requires clarity about how the ISSB standards interact and overlap with broader sustainability disclosure frameworks, such as the Global Reporting Initiative (GRI). In this regard we welcome ISSB's and GRI's update on ongoing collaboration which envisages "the development of a full articulation of the ways in which standards developed by GRI and ISSB respectively are complementary or diverge, together with explanations."

The need for well identified interfaces between the IFRS Sustainability Disclosure Standards on the one hand and other frameworks and jurisdiction-specific requirements on the other is also obvious, for example, in par. 74. It requires: *"An entity might 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. The entity shall ensure that the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information*."

As stated in our answer to question 8, we encourage the ISSB to consider the role of impacts for the reporting of sustainability-related risks and opportunities in more detail and to explicitly discuss rebound effects. In our view, a stronger emphasis on the role of impacts not only contributes to more clarity for reporting requirements about sustainability-related risks and opportunities but would also improve the acceptance of IFRS Sustainability Disclosure Standards by broader stakeholder groups as well as investors as common information needs would be emphasised and addressed.

Finally, we would like to repeat our request that the ISSB should also consider the information needs for impact investing, which does not focus on the enterprise value only. We believe that such a broadening of the scope of the IFRS Sustainability Disclosure Standards would significantly enhance their future relevance without abandoning the IFRS Foundation's focus on capital markets.

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)?

Digitisation is of utmost importance for a cost-efficient use of information. Hence, we support the activities of the ISSB for the digitisation of reporting and appreciate the consultation of the staff draft of the IFRS Sustainability Disclosure Taxonomy published in May 2022.

To achieve the ISSB's global baseline, however, it is not enough to align with the content but also with the digital taxonomy for reporting. That means that here, too, a harmonisation with existing national and jurisdiction-specific initiatives, such as the legislative proposal for an European Single Access Point (ESAP), is necessary.

In this respect, the focus on a taxonomy for the IFRS Sustainability Disclosure Standards might be too narrow and needs to be broadened to include further consideration of the digital environment. We encourage the ISSB also in relation to this aspect to collaborate with national standard setters and jurisdiction-specific institutions and to play an active role in creating a high-quality digital data ecosystem.

For detailed comments on the challenges of digitising narrative information (e.g., policies, transition plans, methods, assumptions) we refer to our answer to question 15 of the ED IFRS S2.

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?

We have not undertaken a detailed analysis of the costs and benefits of the individual requirements contained in the ED. However, we anticipate high costs in certain areas, such as the implementation of new reporting structures for data collection in addition to the establishment of the necessary internal controls and governance mechanism. Also, assurance costs will increase. As particularly complex and therefore costly we evaluate reporting along an entity's value chain.

As previously mentioned, we consider reporting on <u>all</u> sustainability-related risks and opportunities at once to be extensive and thus also burdensome. Therefore, we recommend that the ISSB discuss in more detail a phased in approach regarding the degree of detail per topic to give entities sufficient time to set up new reporting and control systems. Also, the ISSB should discuss more thoroughly proportionality and scalability of the reporting requirements contained in the ED. Doing so limits the (implementation) costs.

In terms of benefits, it makes a difference whether one focuses exclusively on the benefits for enhanced investment decisions and efficient capital markets or whether one also includes positive effects regarding the transformation towards a sustainable economic system. As stated in our answer to question 8, financial- and impact-related material information overlap. Further, investors do not only use the information to optimise their portfolios from a financial perspective, but also to conduct impact investments. Therefore, the question arises as to the definition of benefits.

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

In this regard, we would like to emphasize again the need for the successful implementation of a widely accepted global baseline to decrease these “costs of ongoing application” addressed in this question. Considerable ongoing costs arise if the global baseline approach cannot be filled with life and, in addition to the application of IFRS Sustainability Disclosure Standards, deviating jurisdiction-specific requirements must be applied. We refer to our answer to question 14 and again encourage the ISSB to closely collaborate with national standard setters and other relevant institutions to make the global baseline approach a success.

Furthermore, due to the dynamic developments in this area, ongoing costs are to be expected because of probable adjustments (e.g., adjustments of assumptions and methodologies). Here the requirements for the adjustment of previous year's data and information have a considerable influence on the ongoing costs.

Question 17 – Other comments

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

We suggest that the practical feasibility of the ED’s content be investigated through field tests.