International Sustainability Standards Board (ISSB)

Columbus Building

7 Westferry Circus

Canary Wharf, London E14 4HD

United Kingdom

27 July 2022

IFRS Sustainability Standards Exposure Drafts – DWS Comment Letter

Dear Mr Faber, dear Ms Lloyd,

DWS welcomes the development of the International Sustainability Standards Board (ISSB) Exposure Drafts (ED) and the opportunity to provide comments. Our submission refers to the following consultation documents: IFRS S1 "*General Requirements for Disclosure of Sustainability-related Financial Information*", IFRS S2 "*Climate-related Disclosures*" and Appendix B Industry-based disclosure requirements "*Volume B15–Asset Management & Custody Activities*".

With € 833 bn[1] in assets under management across major asset classes and approximately 3,600 employees worldwide, DWS is one of the largest asset managers in Europe in the retail and institutional markets. As a global asset manager, with 24 branches domiciled across all regions including 14 branches in EMEA, nine in the Americas and one in Asia Pacific and as preparers of an integrated report, we have a clear preference for a standard that allows for disclosing sustainability related information which is consistent and comparable across different jurisdictions and markets.

The importance of global alignment

Despite the growing importance of sustainability disclosures, the existing fragmentation of the reporting landscape creates difficulties and uncertainties in collecting and publishing comprehensive and comparable sustainability data. The variety of sustainability standards, frameworks, and definitions together with numerous different indicators and metrics create further challenges for companies to focus their efforts on strategic and meaningful disclosures. That is why we support the mandate of the IFRS cross-jurisdictional working group to align global sustainability reporting requirements. We also urge the ISSB to ensure continued

[1] as of 30 June 2022

DWS Group GmbH & Co. KGaA
first name surname
123 Sample street
12345 Sample town
Germany

T +49 (0) 69 910-00000
F +49 (0) 69 910-00000
M +49 (0) 171 01234567
E firstname.surname@dws.com
www.dws.com

coordination and cooperation with jurisdictional authorities to prevent further regulatory fragmentation. In addition, we recommend promoting proactive harmonization of the different sustainability disclosure requirements and their associated concepts and definitions, particularly as they relate to the frequency of reporting, assurance, metrics & targets, structure, materiality and effective date.

The need for double materiality and going beyond climate

While there are merits in an enterprise value approach, the single materiality / climate change focus is clearly falling short of what is needed to provide effective and comprehensive disclosures to meet the objectives outlined in art 2 (a) of the IFRS Foundation Constitution[2].

At a practical level, please consider how investors can take important investment decisions and how capital markets can work effectively if standards ignore the impact that economic and financial capital has on society and the environment. Without a commonly accepted standard based on double materiality, we will need to continue to spend significant time and resources in assessing these impacts on environment and society resulting in potentially higher costs for sustainable investors and capital misallocation.

Our analysis suggests that a more ambitious approach is possible.

DWS conducted research[3] that demonstrates that it is possible to price the impact that economic activities have on the environment and the potential impact if such costs were to be internalised. We also conducted research that demonstrates the strong links between climate and other risks[4] (Ocean, Freshwater and Forestry).

Examining climate without consideration of other risks will also not suffice to satisfy the requirements of the EU Taxonomy Regulation, the ECB guide on climate-related and environmental risks, or the upcoming SEC rules on disclosures on ESG investment practices.

The collaboration with GRI and discussions with EFRAG indicate an acknowledgement by the ISSB of the importance of impact materiality. Hence, we urge the ISSB to commit to an acceleration of efforts to incorporate impact materiality into the standards through intensive engagement with EFRAG to devise a workable double materiality concept. This is a significant opportunity to address the fragmentation of reporting standards and develop a truly comprehensive "*gold standard*" for sustainability reporting. Without this the needs of both investors and other stakeholders will not be met.

---

[2] We refer to the part that highlights that ISSB is responsible for developing a set of sustainability disclosure standards that are 'intended to result in the provision of high-quality, transparent and comparable information in financial statements and in sustainability disclosures that is useful to investors and other participants in the world's capital markets in making economic decisions.'

[3] New analysis shows value at risk from negative water impacts in apparel and meat industries - Valuing Water Initiative

[4] DWS Research institute (October 2021) Oceans & Climate: Exploring the nexus https://www.dws.com/en-gb/insights/global-research-institute/oceans-climate-exploring-the-nexus/

Supporting simplification and leveraging other frameworks

We strongly encourage the ISSB's engagement in constructive dialogues with other sustainability-reporting standard-setters to promote the concept of simplification and consolidation. As a Europe-domiciled organisation, we would particularly urge the ISSB to pursue consistency with the work of the EFRAG on the European Sustainability Reporting Standards (ESRS).

DWS supports the ISSB objective to develop a comprehensive global baseline for sustainability disclosures, while building upon existing international frameworks, such as the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB) (assuming these are revised for international usage) and the requirements and definitions of the International Accounting Standards Board's (IASB) Conceptual Framework for Financial Reporting (IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors)*.

As a global company, DWS needs universally aligned sustainability reporting requirements allowing for a streamlined and comprehensive process that reduces the reporting burden, while leading to the development of a single integrated report which meets the multiple information needs of our stakeholders.

General comments on S1 and S2

We would like to highlight the following technical aspects of the respective ED, which are detailed in the DWS response below.

<u>IFRS S1 "*General Requirements for Disclosure of Sustainability-related Financial Information*"</u>

Progressing towards a workable double materiality concept

As highlighted above, we note with concern that the ISSB materiality concept and definition are not consistent with the European "*double materiality*" approach, which hinders comparability between companies operating inside and outside the EU as well as how sustainability issues affect the company and vice versa. We recommend that the ISSB focus on double materiality reporting of sustainability from the onset and should work with EFRAG to devise a workable double materiality concept (or at a minimum ensure compatibility). In practice, this would mean a set of sustainability reporting standards which are science based, incorporate double materiality and capture a broad range of sustainability issues such as inequality, human rights, water risks, biodiversity loss and climate. In our view, the Science Based Targets initiative (SBTi) provides the optimal blend of accounting for financial analysis, backed by scientific verification. This is essential given investors' demands and their commitments to net zero targets.

Clarification required for enterprise value and other terminology

While we welcome the intention of the IFRS Foundation to provide a standard disclosure of sustainability-related financial information that would help primary users of general-purpose financial information to assess an entity's enterprise value, it is unclear what factors impact such value according to IFRS S1. A clear explanation of the financial materiality concept would be appreciated, including a description of the difference between its meaning in accounting and its use in relation to sustainability reporting. More guidance is also needed on how to assess impacts on financial statements and on enterprise value, as well as how to define material topics.

We would like to highlight the lack of clarity and the need for more precise description of the following terms and aspects which are part of IFRS S1:

- The use of the term "*significant*" is not clear and leaves an opportunity for interpretation. We suggest that the IFRS S1 standard should align this definition with the ESRS 1 "*General principles*", where the terms "*significant*" and "*material*" have the same meaning when referring to impacts, risks and opportunities. Alternatively, the ISSB should provide further explanation on the difference between "*significant*" and "*material*" as well as guidance on the methodology for identifying significant risks and opportunities.

- There is a need to define more clearly what is considered short, medium, and long "*time horizon*" and we therefore suggest alignment with ESRS 1 "*General principles*", where short-term is one year, medium-term is two to five years and long-term is more than five years. However, the standard should provide flexibility to deviate from the baseline with appropriate justification.

- We recommend the inclusion of clear criteria for identification of disclosure topics, which should be described in the IFRS S1 standard, without referring to other existing standards, frameworks and peer sustainability reporting as currently presented in IFRS S1, paragraph 51 (a-d), on page 32. We believe that the current approach is inconsistent with the ISSB's overall ambition to create a uniform standard as it creates conditions for companies to choose from different standards/frameworks and thus result in incomparable reports.

- There is a need for more detailed guidance in cases of absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk or opportunity as the currently presented text in IFRS S1, paragraph 53, on page 33, creates conditions and encourages disclosure inconsistency.

- We recommend inclusion of a definition for the term "*supply chain*" which underlines the difference with the term "*value chain*" defined in Appendix A, on page 41.

- We encourage the ISSB to supplement the sustainability reporting standards with a transition timetable to support preparers in the implementation of the standard after its adoption together with guidance around implementation timelines. In this context, we support an effective date which is at least 24 months before the end of the reporting period.

- We would like to propose additional wording in C10 definition, on page 44, where "*To be a faithful representation, a depiction would be complete, neutral and free from error* ***to the best of the preparer's knowledge***", this is particularly relevant given the reliance on estimates/uncertain data and forward-looking information.

- We would require clarification if the entity is required to provide explanation in cases when quantitative information for financial position, financial performance and cash flows is not available.

The importance of appropriate assurance standards

We encourage the ISSB's engagement with international organisations such as the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) to ensure that the ISSB standards are suitable to facilitate independent sustainability disclosures assurance. It is crucial that difficulties associated with assurance of uncertain and forward-looking information within the entity's sustainability report are considered and addressed appropriately.

For further comments on the IFRS S1, please refer to the DWS survey responses included in Appendix 1.

IFRS S2 "*Climate-related Disclosures*"

Disclosures on climate related targets

We encourage the ISSB to request entities to disclose alignment (or non-alignment) of their climate-related targets with approved scientific approaches and methodologies, such as the SBTi as we believe that only scientifically sound targets can provide effective and meaningful emissions reduction.

Scope 3 emissions disclosure

The ISSB should allow sufficient time for data collection and disclosure of Scope 3 emissions, considering the sourcing complexity. In addition, we strongly support the "*safe harbour*" principle included in the Climate-Related Disclosures proposed by the US Securities and

Exchange Commission. We consider the "*safe harbour*" provisions key to address challenges associated with disclosures relying on difficult to obtain and/or uncertain information.

To see further comments on the IFRS S2, please refer to the DWS survey responses included in Appendix 2.

<u>Appendix B15 *"Industry based disclosure requirements: Asset Management and Custody Activities"*</u>

We appreciate ISSB's approach of establishing industry-specific disclosure topics and indicators as it helps users of sustainability information to better understand and compare entities with similar characteristics.

We support metric disclosures and scenario analysis for asset managers not only at a corporate level but also at a product level. In addition, we suggest inclusion of reporting requirements for the Weighted Average Carbon Intensity (WACI) and other carbon footprint measures recommended by TCFD. Therefore, we suggest that the metrics and targets section in Appendix B15 is aligned with the Supplemental Guidance for Asset Managers featured in the latest TCFD update[5] published in October 2021.

Finally, we note that under FN-AC-410a.3, paragraph 4, there is only a reference to E and S issues, leaving out the Governance aspects. Given the importance of Governance as underlying for sustainable changes in E and S, we would also suggest an appropriate reference to G issues in the text.

We remain at your disposal if you would like to discuss our response bilaterally or in a broader stakeholder consultation format.

Sincerely yours,

DWS Group GmbH & Co. KGaA

Darren Hackett, Group Controller	Francesco Curto, Global Head of Research	Stefan Marx, Head of Public Affairs and Regulatory Strategy

[5] Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures: https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf

Appendix 1 – Responses to selected survey questions related to IFRS S1

- ***Question 5–Reporting entity (paragraphs 37–41)***

Question: 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?

Response: We agree that sustainability-related financial information should be required for the same reporting entity as the related financial statements in order to ensure consistency between financial and sustainability information.

However, we do not support collection of granular information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources from associates due to challenges with data availability. It is also important to consider the timing of data availability along the value chain for disclosures consisting of data from associates, therefore a phased approach would be the preferred option.

- ***Question 9–Frequency of reporting (paragraphs 66–71)***

Question: 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?

Response: As a preparer of an Integrated Report, we highly appreciate the requirement to provide the sustainability-related financial disclosures at the same time as the financial statements. However, we would appreciate if the ISSB could clearly recommend disclosure on an annual basis given the complexity in data collection related to some sustainability information.

- ***Question 10–Location of information (paragraphs 72–78)***

Question: Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not?

Response: Location of information is always a critical topic and as such, we very much appreciate the proposal 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. In addition, we are pleased to see that requirements like "*clearly identifiable and not obscured by that additional information*", as well as the option of cross-referencing has been mentioned. On jurisdiction-specific requirements, especially EFRAG/CSRD and DRS national requirements might come into play but as both are not yet

Partnership limited by shares, domiciled in Frankfurt am Main, Germany
HRB No. 111128, Frankfurt am Main Local Court
Chairman of the Supervisory Board: Karl von Rohr
General Partner: DWS Management GmbH
VAT Identification Number: DE 316 852 292

finalised it is difficult to decide on whether they might create issues, however we would appreciate better alignment with jurisdictional requirements.

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

Question: Have these general features been adapted appropriately into the proposals? If not, what should be changed?

Response: ISSB should adopt the Integrated Reporting approach, we appreciate the link to IAS 1 and IAS 8 and the consistency with corresponding financial data and assumptions used in the entity's financial statements, to the extent possible.

- ***Question 13–Effective date (Appendix B)***

Question: 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.

Response: The effective date should be at least 24 months after the adoption of the final standards. However, the exact timeline would be subject to the exact details, level of details needed and the level of alignment between different (also regional) requirements and implementation. It would be appreciated if this aspect is linked to other jurisdictional requirements for reporting (e.g. EFRAG timeline).

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

Response: We agree with the proposed relief from disclosing comparatives in the first year of application.

- ***Question 15–Digital reporting***

Question: 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)?

Response: We appreciate the digital reporting approach but would recommend linking with other digital formats like ESEF as already applicable for EU-regulated markets issuers from 1 Jan 2020.

Appendix 2 – Responses to selected survey questions related to IFRS S2

- ***Question 2 - Governance***

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

Response: We broadly agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities. However, the final standards should provide more granular details, especially on the linkage of executive management remuneration with the climate indicators coupled with specific focus on aligning company lobbying policies and practices aligned to the goals of the Paris Agreement.

Companies should define:

- What the targets are linked to executive management remuneration, and
- What performance level must be achieved before any reward or bonus is paid.

- ***Question 3–Identification of climate-related risks and opportunities***

Question: Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?

Response: While the proposal would help in the identification and disclosure of significant climate related risks and opportunities, it should be strengthened by setting out more granular consistent information, like identification and disclosure on physical climate risks across the entire value chain including in term of location, register of assets, value of assets, exposure to type of risks, contribution to revenue, potential impacts, and mitigation strategies.

As preparers, we would request the ISSB to provide clear overview of the disclosure requirements presented in a concise manner, as described in the EU Guidelines on reporting climate-related information[6] (pages 19-25).

Question: Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any

[6] Guidelines on reporting climate-related information: https://ec.europa.eu/finance/docs/policy/190618-climate-related-information-reporting-guidelines_en.pdf

additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?

Response: We broadly agree, however, industry requirements are largely stemming from the SASB framework. It should be made explicit that given the evolving ESG landscape, there could be additional topics of importance (dynamic materiality) which can be disclosed subject to materiality assessment. We also note that in a few sectors SASB is mainly focused on transition risk, hence it is important to include material transition risks in the disclosure.

- ***Question 4–Concentrations of climate-related risks and opportunities in an entity's value chain***

Question: Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not?

Response: BC66 highlights, "*However, that does not mean an entity has to provide information about all of the climate-related risks and opportunities affecting the entity's value chain.... The information that the Exposure Draft would require an entity to provide is limited to that which enables users of general purpose financial reporting to assess an entity's enterprise value–so the impact arising from the value chain needs to be relevant to this assessment– and the information provided is that which is material.*"

We broadly agree. However, we are of the opinion that there should be more transparency around

(a) The standard should specify the process for assessing materiality[7] and define the materiality threshold;
(b) details on the percentage of value chain (boundary) covered by the entity; and
(c) details of significant climate-related risks and opportunities at associates, joint ventures and other non-consolidated investments level.

Question: Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?

Response: We do not agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative. We are concerned that disclosure could be too high-level and boilerplate. If specific disclosure objectives are to be effective, they

[7] The proposals are based on the same concept of materiality that applies under IFRS Accounting Standards.

need to be supported by clear and granular explanations of what information users want and how and when that information is used.

For example, the ISSB in the BC67 highlights relevant quantitative disclosures related to physical climate-related risk that may create measurement challenges for preparers. However, the lack of asset-level information (e.g., industrial plants, real estate, etc.) can lead to large errors in the estimation of climate physical risk because risk varies highly with geolocation and type of assets.

Related to material physical risk, the ISSB should emphasise that the entities should seek disclosure on

(a) a methodology to decompose the revenues of the firm into business lines and business units in order to estimate the relative contribution of physical assets;

(b) a methodology to quantify the exposure of geo-localised assets to climate physical risks, considering both acute and chronic shocks.

Overall, we would prefer an approach that sets out specific disclosure objectives with a list of disclosures (mix of qualitative and quantitative) that are required if they are considered material to users of the financial statement.

- ***Question 5 - Transition plans and carbon offsets***

Question: Do you agree with the proposed disclosure requirements for transition plans? Why or why not?

Response: The proposal broadly revolves around the effects of significant climate related risks and opportunities on the entity including its transition plan. This undermines the ability of users to evaluate company's ambition in addressing climate change, and the actions they are taking to support the transition. An enhanced disclosure can include the benchmark or sectoral decarbonation pathway used, while drafting the transition pathway and reasons for the variation from the pathway. Ideally, the considered pathway should be science based and compatible to 1.5c or Paris Agreement goals.

Furthermore, in the case of operational emissions, it is important to also steer the focus towards science-based methodologies. We would favour the use of the "*SBTi boundary*" concept to determine the disclosure requirements towards achieving operational net zero targets in line with the Paris Agreement. We suggest that the SBTi boundary concept/scope should be applied for the ISSB Standard to avoid asymmetric disclosures under different methodologies and to different bodies.

Question: Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary

Response: As above

Question: Do you think the proposed carbon offset disclosures will enable users of general-purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?

Response: We note that given the variety of standards with regard to offsets, it is of fundamental importance that details are provided about the issuers and the quality assurances of the offsets being purchased. While carbon is emitted in permanence, offsets may only have a limited economic life, resulting in a medium to long term shortfall. Providing details is a must for disclosure.

Furthermore, offsets will be particularly relevant for operational emissions in relation to addressing residual emissions, which are not possible to reduce otherwise. There is a need for global standards for assessing and rating offset measures based on their demonstrated effectiveness of removing emissions from the environment.

- ***Question 6 - Current and anticipated effect***

Question: Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?

Response: We are of the view that the business model of "*high carbon emitting sectors"* will likely be significantly affected by transition risk; hence qualitative information of climate-related risks and opportunities could hamper the ability of the user of financial statements to correctly assess the extent risk.

We view a qualitative approach as a *"first step"* to quantitative analysis and puts organisations on the correct "*path*". The entities should provide a road map and time frame to move from qualitative information to quantitative information on the anticipated effects of climate-related risks and opportunities.

Question: Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?

Response: We disagree that climate-related matters should only be integrated into the front end of the financial statements. The ISSB should specifically seek that climate-related matters are also integrated in the notes to accounts, including relevant accounting policies and key assumptions (viz. Asset life, impairment testing, provision requirement, etc). If climate assumptions are not aligned to the science based 1.5-degree pathway, then the board should explain the pathway adopted and reason for deviations (if any). The entities should also disclose if any changes in the accounting assumptions are made compared to last year.

- ***Question 7 - Climate resilience***

Question: Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?

Response: While the proposal would enable the user of general-purpose financial statements to understand the climate resilience of reporting entities, it could be strengthened to make it more useful and comparable by incorporating the following:

- Conducting scenario analysis for transition and physical risks separately. Currently, the requirement is to state whether scenarios used are associated with physical risk or transition risk [15 (b))(i)(3)]. Further, information on physical risks should be broken down for acute and chronic risks separately.
- 15 (a))(iii)(3) could be modified to include quantitative information on current and planned investments in climate related mitigation, adaptation or opportunities for climate resilience in addition to the effect.

Question: The Exposure Draft proposes that if an entity is unable to perform climate-related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy. Do you agree with this proposal? Why or why not?

Response: Such an approach may make comparability more difficult.

Given the complexity and challenges involved, the proposal of alternative methods provides a decision-useful information for users of reporting and can provide a basis to move towards a more sophisticated, quantitative approach over time. At the same time, we propose the following to enhance accountability:

- In addition to providing an explanation for not conducting scenario analysis, an entity should disclose its plan and the timeline of moving towards a quantitative scenario analysis

- Enforcing the adoption of scenario analysis could be made according to the size of the entity or with a specific timeline.

- ***Question 8 - Risk management***

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

Response: We agree with the approach, it is important that climate-related risk and other sustainability risks are described in an integrated manner. Otherwise, there is a problem of duplication in the disclosure; company internal processes would in any way aim to follow the same integrated principles.

However, the ISSB should ask for more granular level of information, by specifically requesting separate disclosure of risk management processes that an entity uses to identify, assess and manage physical climate risks and opportunities and transition climate risks and opportunities, given the assessment process for physical climate risks and opportunities can be technical and need specific scientific models to run.

- ***Question 9 - Cross-industry metric categories and greenhouse gas emissions***

Question: For Scope 3 emissions, the Exposure Draft proposes that an entity shall include upstream and downstream emissions in its measure of Scope 3 emissions;

Response: We would require more clarity on what is the boundary for collecting data for Scope 3 emissions. It should be considered that for many companies it is difficult to identify where client resources come from and the environmental impact of these organisations. Therefore, this may be difficult for end investors to measure and disclose upstream and downstream Scope 3 emissions.

- ***Question 10 – Targets***

Question: Do you think the proposed definition of 'latest international agreement climate change' is sufficiently clear? If not, what would you suggest and why?

Response: The proposed definition of "*latest international climate change agreement*" is insufficient as it does not go far enough to ensure that targets are underpinned by credible scientific approaches.

- ***Question 11–Industry-based requirements***

Question: Do you agree that an entity be required to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions without the ISSB prescribing a more specific methodology (such as that of the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry)? If you don't agree, what methodology would you suggest and why?

Response: We agree that the entity should use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions, but we think that the methodology around financed emissions must be more prescriptive. Therefore, we would support the ISSB to request the use of more specific methodology such as the Partnership for Carbon Accounting Financials (PCAF) since it is relevant to the asset management industry and provides methodology for specific asset classes.

- ***Question 13—Verifiability and enforceability***

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

Response: Ensuring verifiability and enforceability of the ISSB standards would require a more adaptive assurance approach than the existing standards (e.g. ISAE 3000) which should fit the growing quantification of sustainability disclosures. It is crucial that difficulties associated with the assurance of uncertain and forward-looking information section of the entity's sustainability report are considered and addressed appropriately by the assurance framework.