



July 29, 2022

**International Sustainability
Standards Board (ISSB)**

IFRS Foundation Satellite Office
Opemplatz 14 60313
Frankfurt am Main
Germany

RE: Exposure Draft IFRS S2 *Climate-related Disclosures*

Dear Mr. Emmanuel Faber:

The “Group of Latin American Accounting Standard Setters” – GLASS¹ welcomes the opportunity to comment on the **Exposure Draft IFRS S2 *Climate-related Disclosures*** (the “ED”).

This response summarizes the point of view of the members of the different countries that make up GLASS, which has been prepared in accordance with the following due process.

Due process

The discussions regarding the ED were held within the Standing Committee on Sustainability (the Commission) created in April 2022 for the purpose of analyzing the exposure drafts issued by the International Sustainability Standards Board (ISSB) regarding sustainability-related disclosures. All GLASS members had the opportunity to participate through their representatives, who have proven experience and application of sustainability standards and of International Financial Reporting Standards. The Commission prepared a survey on the ED, based on the questions raised by the document in consultation. Each standard setter represented in the Commission carried out different tasks in their respective countries (for example, surveys, internal working groups, meetings with interest groups, seminars, workshops, and open forums). All the results were summarized, and this summary served as a platform for the discussion process in the Commission.

All the questions of the ED, annexes and related documents were discussed during weekly online meetings. Meetings and seminars on the ED were also attended. In its meetings, the Commission developed a final document based on the consensual responses and the technical points of view of all its members. Finally, the document prepared by the Commission was presented to and approved by the GLASS Board.

¹ The overall objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions with respect to all Exposure Drafts, Requests for Information and Discussion Papers issued by the IASB and the ISSB, in addition to submitting proposals based on regional initiatives. Therefore, GLASS aims to have a single regional voice before the IASB and ISSB. GLASS is constituted by: Argentina (Chairman), Bolivia, Brazil (Vice Chairman), Chile (Board), Colombia (Board), Costa Rica (Board), Dominican Republic, Ecuador, Guatemala, Honduras, Mexico (Board), Panama, Paraguay, Peru (Board), Uruguay (Board) and Venezuela (Board).



Overall Comments

We agree with the content of the standard, understanding that disclosing sustainability-related information represents a significant step toward considering the determination of the value of companies. Notwithstanding this, we would like to emphasize, in line with what was expressed in our comment letter dated December 28, 2020, on the creation of the ISSB, that it is important for investors that the other elements of sustainability are quickly incorporated into the sustainability standards, covering the complete ESG approach (Environmental, Social and Governance). In this sense, we welcome the signing of the memorandum of understanding between the ISSB and the Global Reporting Initiative.

We agree with the 24-month period between issuance and the effective date of the standard for application and also with allowing early application, encouraging companies that already prepare sustainability reports to publish them.

From the analysis carried out, considering that the value chain of listed companies is largely comprised of SMEs, the application of this standard for them (SMEs) can become complex, depending on their organizational structure and financial planning to face the sustainability valuation and disclosure effects.

We understand that the activity of SMEs contributes to climate change and therefore it is necessary that they disclose information in this regard, for which we believe it is convenient to prepare guides that facilitate the process of disclosing their emissions.

In the ED, reference is made to other regulations that are not always translated into Spanish and Portuguese, which could make a comprehensive analysis difficult; for this reason, we support the translation of all standards that are part of or are referenced in the ED. Likewise, it would be important for the ED translation to unify the acronyms in Spanish and English. If the acronym is expressed in English, it should not be translated into Spanish or Portuguese, to not generate confusion or, if it is translated, it is recommended to include the English equivalent with a footnote like: "...for its acronym in English".

Specific comments

Attached please find our specific responses to the questions posed in the ED.

Contact

If you have any questions about our comments, please contact glenif@glenif.org

Sincerely yours,

A handwritten signature in black ink, appearing to read "Jorge José Gil".

Jorge José Gil

Chairman

Group of Latin American Accounting Standard Setters (GLASS)



ANNEX

Responses to the Exposure Draft Questions

Question 1 – Objective of the Exposure Draft

(a) Do you agree with the objective that has been established for the Exposure Draft? Why or why not?

GLASS response

Yes, we agree, it is clearly stated.

(b) Does the objective focus on the information that would enable users of general-purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?

GLASS response

Yes, it is focused to allow assessment of the effects of climate risk on entities.

However, we suggest providing additional guidance and/or illustrative examples on certain areas that generally require higher degrees of judgment. For example, additional guidance could be provided on:

(i) how to determine material information to be disclosed, (ii) how the ISSB expects the sustainability standards to be applied in all jurisdictions taking into account the various regulations in place globally ("building block approach" in ED S1 BC78), and (iii) restricting disclosures in the financial statements to information required or permitted by IFRS accounting standards (or applicable GAAP) in the relevant jurisdiction), among others.

(c) Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?

GLASS response

Yes, we agree, and they meet the described objectives.

Question 2 – Governance

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

GLASS response

Yes, we agree. It is necessary for companies to disclose their governance processes and the procedures used because it is important that they are clearly and broadly disclosed.



Question 3 – Identification of climate-related risks and opportunities

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

GLASS response

Yes, they are clearly stated. The ED uses both "significant" and "material" in the document interchangeably. It may be appropriate to clarify whether preparers should read them as having different or similar meanings. If they are intended to be different, we suggest defining "significant" in Appendix A (since materiality is already defined in ED S1).

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

GLASS response

Yes, we agree.

Having a general criterion is useful for reporting information, although later, by industry, particular risks and opportunities are specified, achieving with these criteria the improvement of comparability.

We found no additional information that could improve relevance and comparability.

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

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

GLASS response

Yes, we agree.

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

GLASS response

Yes, we agree that for the value chain the best pathway is to disclose qualitative information. But we believe that it would be advisable for the reporting entity to disclose both quantitative and qualitative information.



Question 5 – Transition plans and carbon effects

(a) Do you agree with the proposed disclosure requirements for transition plans? Why or why not?

GLASS response

Yes, we agree.

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

GLASS response

We can only mention that the legal requirements of each jurisdiction should be considered.

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

GLASS response

Yes, because the entity should disclose its approach and the comparative information regarding carbon emissions, among other issues, therefore we consider that the information is complete and useful for users.

(d) Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general-purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?

GLASS response

We believe that the proposed carbon offset requirements in general balance costs for preparers, but it should be considered whether SMEs can balance these costs.

The technical restrictions for all companies (large and small) regarding the possibility of hiring specialists to measure carbon emissions and offsets should also be considered.

We believe that in some entities and jurisdictions costs can be excessive and may result in those entities not reporting their effects of climate change on the basis of immateriality.



Question 6 – Current and anticipated effects

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

GLASS response

We agree that to the extent that entities can do so, they provide qualitative information. As quantitative information can be difficult to obtain, companies should have the option to provide qualitative information instead, using a cost/benefit analysis.

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

GLASS response

Yes, we agree that information included must be fully identifiable, although quantitative disclosures should be encouraged, since these allow comparability between companies and jurisdictions over time. Quantitative measures help identify the extent to which a jurisdiction is meeting SDGs.

We encourage that the ISSB be more precise on the definition of current and future data, since it must be considered that the estimates are subject to change.

- (c) Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?

GLASS response

Yes, we agree that it is important to inform in the short, medium and long term.

Question 7 – Climate resilience

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

GLASS response

Yes, we agree because it is left to the needs of each user. However, we recommend that the ISSB define some basic parameters or guidelines prepared by chambers or NGOs according to each user industry.

- (b) The Exposure Draft proposes that if an entity is unable to perform climate-related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy.

- i. Do you agree with this proposal? Why or why not?

GLASS response

Yes, we agree because flexibility is given to industries/entities that are using these analyses for the first time.



- ii. Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not?

GLASS response

Yes, we agree because it is given broad facilities for its preparation.

- iii. Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why?

GLASS response

It should not be required as it will take away the flexibility noted above. One GLASS member believes that an alternative could be to create a voluntary transition time, asking the entities to explain why they are not disclosing a mandatory requirement.

With respect mandatory application, we consider that scenario analysis should be the last alternative to perform.

- (c) Do you agree Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?

GLASS response

Yes, we agree. We believe that if entities use other methods to assess climate resilience, they should clearly explain which method they used and what assumptions (inputs) they used for the model. We believe in flexibility, but being flexible can reduce comparability.

- (d) Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?

GLASS response

Yes, we agree. We suggest that the ISSB develop an example or guide on how entities are going to define stress tests (intensity measures) and clarify what type of methodology is meant by "stress tests".

- (e) Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?

GLASS response

Yes, although SMEs may have difficulties obtaining quality information.

Question 8 – Risk management

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

GLASS response

Yes, we agree because it is important to report how risks are managed.



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

- (a) The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?

GLASS response

Yes, we agree, but regarding the possibility of obtaining information in the case of associated companies and/or joint ventures, it could present difficulties. However, it is important to note that the disclosure of the greenhouse gases emitted by organizations, as well as their offsets, must be carried out considering at least a geographical segmentation, so that situations in which a company pollutes a particular country, for example an emerging country, and offset emissions in a developed market, could be disclosed.

- (b) Are there any additional cross-industry metric categories related to climate-related risks and opportunities that would be useful to facilitate cross-industry comparisons and assessments of enterprise value (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful to users of general-purpose financial reporting.

GLASS response

We consider the established categories of intersectoral parameters to be adequate; however, if any company considers adding an additional category during its practical application, it should be allowed to do so.

- (c) Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?

GLASS response

Yes, because it is the most accepted and worldwide used methodology. Applying the GHG Protocol improves the comparability of the information. We propose that if an entity considers that some other methodology is more representative to measure its GHG emissions, the entity could apply it, but it should consider it as an additional or complementary methodology.

- (d) Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3— expressed in CO₂ equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH₄) separately from nitrous oxide (NO₂))?

GLASS response

Yes, we agree, but if the entity has the breakdown, it should disclose it.

- (e) Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for:
- the consolidated entity; and
 - for any associates, joint ventures, unconsolidated subsidiaries, and affiliates? Why or why not?

GLASS response



Yes, we agree that entities should report separately. Paragraph 21 refers to the different approaches proposed by the GHG Protocol to report the emissions of associates, joint ventures, unconsolidated subsidiaries or affiliates. Additional clarification on approaches like the one in BC 114 should be provided. Additionally, if the entity applies the operating control method it does not account for the emissions of associates, so it might not have a way to present that data separately (because it does not have that information).

- (f) Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?

GLASS response

We would like to emphasize the previous observation in our response to question 5(d) with respect some entities may not report their effects of climate change on the basis of immateriality.

Question 10 – Targets

- (a) Do you agree with the proposed disclosure about climate-related targets? Why or why not?

GLASS response

Yes, because it allows global comparability since they are parameters that are used and accepted worldwide, in addition to the fact that these indicators represent a global reference measure.

- (b) Do you think the proposed definition of ‘latest international agreement on climate change’ is sufficiently clear? If not, what would you suggest and why?

GLASS response

Yes, it is clearly indicated in the glossary.

Question 11 – Industry based requirements

- (a) Do you agree with the approach taken to revising the SASB Standards to improve the international applicability, including that it will enable entities to apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why?

GLASS response

Yes, we agree with the approach. The use of international and not jurisdictional requirements is recommended.

- (b) Do you agree with the proposed amendments that are intended to improve the international applicability of a subset of industry disclosure requirements? If not, why not?

GLASS response

Yes, we agree if the objectives set out in the ED are maintained (Question 1).

- (c) Do you agree that the proposed amendments will enable an entity that has used the relevant SASB Standards in prior periods to continue to provide information consistent with the equivalent disclosures in prior periods? If not, why not?

GLASS response



Yes, we agree as long as the meaning of the standard does not change, because changes are intended to globalize and make the information comparable.

- (d) Do you agree with the proposed industry-based disclosure requirements for financed and facilitated emissions, or would the cross-industry requirement to disclose Scope 3 emissions (which includes Category 15: Investments) facilitate adequate disclosure? Why or why not?

GLASS response

Yes, we agree with the requirement to request information on emissions and that they be disclosed quantitatively and not qualitatively as previously stated.

We believe, from our point of view, that interdisciplinary collaboration with specialists for the determination of emissions is required/mandatory, which implies that entities must dedicate additional resources to comply with the disclosures proposed in the ED.

- (e) Do you agree with the industries classified as ‘carbon-related’ in the proposals for commercial banks and insurance entities? Why or why not? Are there other industries you would include in this classification? If so, why?

GLASS response

Yes, we agree because although they do not have a direct effect, they support projects that do affect climate change.

- (f) Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?

GLASS response

Yes, because they are useful for cross-industry comparison. However, it is relevant to require that companies disclose the reasons why they adopt one or another approach.

- (g) Do you agree with the proposals to require disclosure of the methodology used to calculate financed emissions? If not, what would you suggest and why?

GLASS response

Yes, we agree because knowing the methodology helps to interpret and compare the data.

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

GLASS response

Yes, we agree that the same methodology be used because the GHG protocol is globally known, and other sections of the ED also refer to this methodology. Nevertheless, if other industries also report with another protocol, it should be acceptable.

- (i) In the proposal for entities in the asset management and custody activities industry, does the disclosure of financed emissions associated with total assets under management provide useful information for the assessment of the entity's indirect transition risk exposure? Why or why not?



GLASS response

Yes, we agree because it is useful for assessing the risks of these entities.

- (j) Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why?

GLASS response

Yes, because it is good that there are specific parameters for each industry. We can also say that based on our experience there is a wide adoption of these standards in all GLASS jurisdictions.

- (k) Are there any additional industry-based requirements that address climate related risks and opportunities that are necessary to enable users of general-purpose financial reporting to assess enterprise value (or are some proposed that are not)? If so, please describe those disclosures and explain why they are or are not necessary.

GLASS response

Yes, we agree that there are specific parameters by industry, and if there are other parameters that allow a better understanding of the value of the company, entities could add them in their financial disclosures.

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

GLASS response

If an industry is not represented, we suggest adding a section for “new industries”. These entities should explain why they do not fit in. We propose that the ISSB clarify the process for the inclusion of new industries.

Question 12 – Costs, benefits, and likely effects

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

GLASS response

All information on sustainability implies an added value for companies and investors, but its implementation in SMEs should be considered.

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

GLASS response

In SMEs costs can become a barrier given its organizational structure and financial resources.

- (c) Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?

GLASS response



For certain companies, the analysis of scenarios may not result in benefits greater than the costs of obtaining them, therefore it could be possible for those entities to use the other alternatives proposed in this ED.

Question 13 – Verifiability and enforceability

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

GLASS response

We have not identified requirements that are not possible to verify. It is desirable that proven and widely known indicators be used, because they facilitate the assurance process. Possibly specialist support will be required as provided by professional auditing and regulatory standards.

One GLASS member considers that the forward-looking quantitative information to be disclosed under the ED requires clarification and objective definitions. These generally represent subjective qualitative information that is forward-looking and therefore is not developed based on criteria that meet the preconditions under ISAE 3000 - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (in particular, reliability) for assurance purposes. Therefore, it may not be possible to ensure, for example, whether a forward-looking plan/set of intentions will be met.

Furthermore, for similar reasons, we suggest that contrary to what is currently prescribed by ED S1 paragraph 75, the disclosures presented in the financial statements are restricted to the information required or permitted by IFRS standards (or the applicable GAAP in the relevant jurisdiction), to avoid ordering preparers to present non-GAAP prospective plans or a set of intentions as part of the related financial statements, resulting in possible unexpected consequences.

In several topics of the ED “climate-related risks and opportunities” are identified as a disclosure objective. Regarding verifiability, it seems that this type of information presents challenges to be verified. It might be tied to the inputs used to derive it, but that alone might not be enough to attest that a particular representation is a faithful representation. Additional and more specific guidance on how to compile this type of information could be helpful.



Question 14 – Effective date

- (a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information? Why?

GLASS response

We consider that the effective date should be the same as that of [draft] IFRS S1.

- (b) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft.

GLASS response

We propose there be no less than 24 months between issuance and the effective date of the standard, permitting early application.

- (c) Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier, and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?

GLASS response

It would be advisable to first apply disclosure requirements related to governance y subsequently those related to resilience of an entity's strategy.

Question 15 – Digital reporting

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

GLASS response

We do not see any complications in this regard.

Question 16 – Global baseline

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

GLASS response

We believe that for SMEs determining their resilience would be difficult to implement if they are integrated in the value chain of listed entities.



Question 17 – Other comments

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

GLASS response

The ISSB should consider the costs that for SMEs will represent the implementation of this ED and the difficulties they are going to face to measure and to disclose quantitative information. We believe that with more detailed guides or with simplified disclosures this barrier could be overcome.

We finally recommend that the ISSB should consider in the SASB indicators per industry the possibility of new emerging industries that will provide innovative tools or solutions to combat climate change different/better from those currently defined.