



Grupo Latinoamericano
de Emisores de Normas
de Información Financiera
Group of Latin American
Accounting Standard Setters

July 29, 2022

**International Sustainability
Standards Board (ISSB)**

IFRS Foundation Satellite Office
Opemplatz 14 60313
Frankfurt am Main
Germany

**RE: Consultation Paper: IFRS S1 General Requirements for Disclosure about
Sustainability - Related Financial Information**

Dear Mr. Emmanuel Faber:

The "Group of Latin American Accounting Standard Setters" – GLASS¹ appreciates the opportunity to provide comments on the **Exposure Draft IFRS S1 General Requirements for Disclosures of Sustainability-related Financial Information** (the "ED").

This response summarizes the views of members of the different countries that constitute GLASS, which has been prepared in accordance with the following due process.

Due process

Discussions regarding the ED were held within the Standing Committee on Sustainability (the Committee) created in April 2022 to analyze the International Sustainability Standards Board (ISSB) exposure drafts on sustainability-related disclosures, in which all GLASS member countries had the opportunity to participate through their representatives, who have proven experience in the study and application of sustainability standards and International Financial Reporting Standards. The Committee prepared a survey on the ED, based on the questions raised by the document under consultation. Each standard setter represented on the Committee carried out different tasks in their respective countries (e.g., surveys, internal working groups,

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).



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meetings with stakeholders, seminars, workshops and consultations). All results were summarized, and this summary served as the platform for the discussion process in the Committee.

All points of the document under consultation, annexes and related documents, were discussed during weekly online meetings. Meetings and seminars on the document under consultation were attended. The Commission on its meetings developed a final document based on the consensus responses and technical views of all its members. Finally, the document prepared by the Commission was presented to the GLENIF Board of Directors for discussion and subsequent approval.

General comments

We would like to express our agreement with the regulation, understanding that it is an important step forward to disclose sustainability information to be considered in the determination of the value of companies.

We agree with the 24-month deadline for implementation and also with allowing early implementation, encouraging companies that already produce sustainability reports to publish them.

From the analysis carried out, we suggest the following:

- Regarding the joint application with other standards of information to be disclosed on sustainability-related financial information, it would be desirable to include examples that clarify how to carry out this combination.
- In the point referring to the reporting entity, it would be advisable to specify the concept of "value chain" since it can be interpreted differently depending on the scope of application.
- Likewise, it is necessary to specify the scope of "significant control and influence" and "associated businesses" since these concepts may be different in each country of application, according to existing regulations.
- Regarding the identification and explanation of the connections between risks and opportunities related to sustainability and the information in general purpose



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financial reports, it would be appropriate to include guidelines that facilitate its application.

- Regarding materiality, in section b) of question 8 the phrase “over time” is included, referring to the determination of enterprise value. Greater precision is required.
- Lastly, the Draft Standard makes reference to other regulations that are not always translated into Spanish and Portuguese, which makes a comprehensive analysis difficult, and for this reason, we advocate the translation of all the regulations that are part of or are reference in projects. Likewise, it would be important that the acronyms in Spanish and English are unified in the standard, i.e., if it is expressed in English, such acronym should not be translated into Spanish or Portuguese, in order to avoid confusion or, if it is translated, the English equivalent ("por sus siglas en inglés") should be placed after it.

Specific comments

In addition to the general 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

Yours sincerely,

A handwritten signature in black ink, appearing to read "Jorge José Gil", with a horizontal line underneath.

Jorge José Gil

Chairman

Group of Latin American Accounting Standard Setters (GLASS)



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ANNEX

Question 1—Overall approach

- 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 Draft Standard clearly sets out the requirements and is comprehensive and understandable.

However, as expressed in the Comment Letter sent on December 28, 2020, on the occasion of the consultation on the creation of the ISSB, GLENIF clearly stated its position that the disclosure of information should refer to both sustainability-related risks and opportunities to which the entity is exposed with the ESG approach. We understand that this aspect is covered by the signing of the memorandum between the ISSB and the Global Reporting Initiative.

One GLENIF member says that in some paragraphs, such as paragraph 75, the ED indicates that the sustainability report could be published together with the financial statements; however, there should be no such articulation on the outset. In addition, paragraphs 15(d), 16, 22(c) and 46 give the impression that information is disclosed in the financial statements and is disclosed on a non-GAAP basis.

Sustainability reports sometimes publish guidance. It would be important to be careful with reconciliation to accounting numbers, where applicable.

However, some members also stated that disclosing both sets of information together could be important for some users to clearly understand the corporate report as a whole.

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

Yes, the proposed objective as stated in paragraph 1 is met, mainly because the purpose of a general requirement, such as a conceptual framework, is to present a normative-theoretical disclosure.



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However, we maintain that the sustainability-related financial information alone is not sufficient for determination of the enterprise value of the entity.

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?

It is clear how the proposed requirements would be applied together along other IFRS standards on sustainability disclosures because their interaction is clearly stated.

However, it would be desirable to provide examples that clarify this combination in a practical way.

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?

The proposed requirements present an adequate basis for auditors and regulators to determine compliance with the proposals.

Question 2—Objective

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

The proposed objective is clear. It is correctly stated.

We understand that IFRS S1 is aimed at public entities; however, by mentioning in the objective that significant sustainability-related risks and opportunities that could affect the enterprise value, which is defined as its market value, should be disclosed, we believe that the application of the standard could be complex since it is not easy to determine how the materialization of a risk or an opportunity directly affects such market value; we believe it is easier to determine the impact of such materializations on the entity's cash flows. Therefore, we suggest that the definition of enterprise value include that it is based on the entity's cash flows as stated in paragraph 5 of the ED which recognizes that enterprise value reflects expectations of the amount, timing, and certainty of future cash flows over the short, medium, and long term. We believe that the impact on the entity's cash flows, and not the implications on the entity's market value, should be the focus of the objective of IFRS S1.



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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?

The definition is clear.

Question 3—Scope

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?

We agree that the proposals in the ED could be used with the GAAP of any jurisdiction, as long as they have a conceptual framework compatible with that of IFRS.

One GLENIF member partially agrees that it would be interesting to supplement the scope to demonstrate possible integration between reports, such as a building block approach, from a medium to long-term perspective.

Paragraphs 8-10 could perhaps be supplemented to clarify the scope. It could better reconcile the scope with Appendix A.

The Committee interprets the term "Value Chain" to include those Small and Medium Sized Enterprises (SMEs) that supply the companies that apply this ED, therefore may be required to provide sustainability information. In this case, or also by their own will or by requirement of a regulatory body, SMEs could apply the ED.

For these cases, we include suggestions in question 17.

Question 4—Core content

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

Yes, they are clear and adequately defined mainly because the disclosure of objectives for governance, risks, metrics and strategies are already known to the market due to previous work provided by the TCFD. ISSB draft does not bring any news in this regard.



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

In principle, this aspect (referring to paragraphs 23 and 24 of the PN on resilience) would be difficult to implement for small or medium-sized companies.

Question 5—Reporting entity

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 agree. In relation to paragraph 39 (currency) there should be some clarification on the adjustment to reflect the effects of changes in the purchasing power of currency (IAS 29).

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?

To be more clearly reflected, when referring to "value chain" it would be advisable to specify the scope given by the Standard, as it can be interpreted differently depending on the scope of application. A clear definition of "Value Chain" in the glossary of the Standard may resolve this issue (see answer to question 3 - Scope).

In the definition of Value Chain, we suggest replacing the word "such as" with "for example", which would make it easier to understand.

When referring to "control or significant influence", it would be desirable to specify this in the glossary of the Standard, since this situation may be different in each country of application, in accordance with the applicable GAAP.

The same applies to the scope of "Associated Businesses".

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

It is clear in view of IFRS 12, but there is confusion as to what is stated in (page) paragraph 40. It would be desirable to include what is specified in the Basis and Conclusions regarding this concept.



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Question 6—Connected information

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

It is clear. Connectivity is necessary for stakeholders to have a correct appreciation of the information disclosed.

- 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 agree. We propose adding clarifications on how to explain the connections between risks and opportunities by elaborating, if possible, application guidance.

Question 7—Fair presentation

- 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?

It is clear. We suggest adding the reference to Annex C, points C9 to C15 where this concept is specified.

- 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 ED.

We agree with the sources mentioned. It would be desirable to also include the Global Reporting Initiative Standards, since in this aspect, they are congruent with the requirements of the Draft Standard.

Question 8—Materiality

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



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They are clear. Throughout the introduction we point out the alternatives that may occur in a company that make it necessary to review the materiality in each presentation of the information.

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?

The breadth of risks and opportunities related to sustainability and the establishment of corporate value is captured, taking into account the characteristics of each company.

The phrase "over time" would require further consideration, as it may change depending on the circumstances of each company.

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?

They are useful. It would be desirable to provide non-binding guidance on how to determine materiality, general parameters and some points of reference.

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?

We agree. There is information of sensitive nature that is protected by law and also issues related to production processes, designs, etc.

Consideration should be given not only to exempt cases that are prohibited by laws or regulations, but also to consider confidentiality issues (duly explained) to allow omission.

Question 9—Frequency of reporting
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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?

We agree to the extent that it does not conflict with the regulations of each country. In some Latin American countries, the deadlines for filing financial statements for



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listed companies are short (in the case of Argentina, seventy days from fiscal year's closing). There should be an option for regulators to extend deadlines (for example, companies that must file Form 20-F with the SEC have until April 30, even if their local EEFF are filed earlier).

Question 10— Information location

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

We agree that a predetermined location should not be established. However, sustainability information should be integrated into the financial statements and interconnected through references between both sets of information (financial and sustainability).

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 proposed locations?

We are not aware of any such requirements, except for one jurisdiction where public entities, considering the expanded information, may need to amend local regulations.

c) Do you agree with the proposal that the information required by IFRS Sustainability Disclosures may be included by cross-reference, provided that the information is available to users of general purpose financial information on the same terms and at the same time as the information being cross-referenced? Why yes or why no?

We agree. Cross-referencing is highly recommended.

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

It would be necessary to clarify what is specified in paragraph 78 of the Annex, if possible, with examples.

One GLASS member does not agree with the simultaneous publication of both sets of information, financial statements and sustainability-related financial disclosures.



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Sometimes it is not feasible to publish the sustainability report before or on the same date as the financial statements. In addition, some are accelerated filers and supplementary information to the financial statements, if any, could be published at a later stage.

In fact, it would be relevant not to set a fixed deadline, even to avoid delaying the publication of the financial statements. However, it would be important not to be too disconnected from the date of publication of such financial statements in order to maintain the timelines of the information.

Question 11—Comparative information, sources of estimation and outcome uncertainty, and errors

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

Yes, they are appropriately adapted. In addition, a single metric for all aspects related to sustainability would be very difficult to establish. Unlike financial information, it will be almost impossible to have a common monetary denominator. This will require special attention in defining acceptable metrics for segments/sectors. It is very important that companies contribute to this discussion with clear and objective disclosure of criteria used to measure value/estimates so that comparability is not lost.

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 agree. The exemption to modify comparative information should only be allowed if the retrospective application of the parameters would be impracticable, following the criteria of IAS 8.

One GLENIF member disagrees with the Board's preliminary opinion. We understand that this guidance should be consistent with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. Therefore, changes in estimates should be treated prospectively.

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?



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Are you aware of any circumstances for which this requirement will not be able to be applied?

We agree, but countries in which IAS 29 is applied may have difficulties in presenting this information.

Question 12—Statement of compliance

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

We agree that companies should indicate compliance with IFRS sustainability disclosures, including an explicit and unreserved statement that they have complied with the requirements. We also agree to allow exemptions in the event that local laws or regulations prohibit such disclosure.

Question 13—Effective date

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.

No less than 24 months is proposed, with early application permitted.

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

We agree, recommending and encouraging companies that have the information available to report it.

Question 14—Global baseline

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

We consider relevant what is expressed in the answer to question 4 b).

Question 15—Digital reporting



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

We see no complications in this regard.

Question 16—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?

All information on sustainability implies an added value for companies, but its implementation in small and medium-sized companies should be considered.

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

In small companies, this can be a disadvantage given their organizational structure.

Question 17—Other comments

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

In the event that Small and Medium-Sized Enterprises (SMEs) are part of the value chain of the companies that disclose sustainability information according to the ED, and these companies request sustainability information from SMEs, clarifications on Question 3 (Scope) and Question 4 (Main Content) and illustrative examples on fair presentation and materiality are suggested.

A specific definition or precision is considered necessary in:

- ***Question 5- value chain- control or significant influence- associated businesses;***
- ***Question 6- connections between risks and opportunities;***
- ***Question 8- precision on the expression "Over time";***
- ***Appendix A: Defined terms.***