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EACB Comments on the International Sustainability Standards Board's Exposure Draft IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and Exposure Draft IFRS S2 *Climate-related Disclosures*

The members of the EACB gladly take the opportunity to comment on the International Sustainability Standards Board's (ISSB) Exposure Draft IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (General Requirements Exposure Draft) and Exposure Draft IFRS S2 *Climate-related Disclosures* (Climate Exposure Draft).

The EACB appreciates the fact that the ISSB's General Requirements Exposure Draft and Climate Exposure Draft are set out requirements that are understandable and principle based.

As a general comment, we would like to highlight that the ISSB Exposure Drafts – with the focus on the enterprise value and the risks affecting the enterprise value - lack the definition of double materiality. For example, when there are regional stakeholders and multinational undertakings, it could be that the risk of the enterprise value is not as high as the impact on the regional stakeholders.

IFRS S1 General Requirements Exposure Draft

As regards the General Requirements Exposure Draft, we very much appreciate that in paragraph 46 *"Applying IFRS Sustainability Disclosure Standards, with additional disclosure, when necessary, is presumed to result in sustainability-related financial disclosures that achieve a fair presentation."* the wording *"when necessary"* is used, which leaves the possibility for preparers to judge what is necessary or not.

In reference to the paragraph 60 *"An entity need not provide a specific disclosure that would otherwise be required by an IFRS Sustainability Disclosure Standard if the information resulting from that disclosure is not material. This is the case even if the IFRS Sustainability Disclosure Standard contains a list of specific requirements or describes them as minimum requirements."*, we welcome the materiality approach taken by the ISSB. We appreciate a clear statement that if a specific standard is not relevant for the undertaking, then a company may not deem necessary to provide a specific disclosure.

Further, we also welcome the approach laid down in paragraph 65 stating that *"Sometimes, it is impracticable to adjust comparative information for one or more prior periods to achieve comparability with the current period. For example, data might not have been collected in the prior period(s) in a way that allows either retrospective application of a new definition of a metric or target or retrospective restatement to correct a prior period error, and it may be impracticable to recreate the information. When it is impracticable to adjust comparative*

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information for one or more prior periods, an entity shall disclose that fact." In our opinion, adjusting comparative information for one or more prior periods to achieve comparability with the current period is indeed a practical issue for the reporting entities. Therefore, EACB believes that the approach taken by the ISSB should help increase the practicality.

In addition, when it comes to the issue of cross-referencing of the material information as set out in paragraph 76 *"Material information included by cross-reference becomes part of the complete set of sustainability-related financial disclosures. Information included by cross-reference shall comply with the requirements of IFRS Sustainability Disclosure Standards. For example, it needs to be relevant, representationally faithful, comparable, verifiable, timely and understandable. The bodies or individuals that authorise the general-purpose financial reporting take the same responsibility for the information included by cross-reference as they do for the information include."*, EACB members suggest that a provision should be included to the effect that referencing is only permissible if local law does not prohibit it.

IFRS S2 Climate Exposure Draft

Finally, regarding the paragraph 13 on resources used in the transformation plans and par. 14 on how a company expects its financial position to change over time, including *"(i) its current and committed investment plans and their anticipated effects on its financial position; (ii) its planned sources of funding to implement its strategy"*, we are convinced that these requirements should be optional, as they may contain sensitive information. We are concerned that ISSB proposed requirements will lead entities to disclose sensitive information that will disadvantage them against their international competitors not subjected to such requirements. In nowadays context of economic war, such granular information on the enterprise strategy and transition plan should not be made public since it will create an unfair competitive disadvantage. We would therefore welcome if the ISSB Exposure Drafts introduced an option allowing not to disclose the information that is deemed sensitive by the reporting entity.

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