FACPC Fundação de Apoio ao Comitê de Pronunciamentos Contábeis

July 28, 2022

commentletters@ifrs.org

IFRS Foundation
7 Westfery Circus – Canary Wharf
London E14 4HD
United Kingdom

Reference: Request for Information – Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information.

The Fundação de Apoio ao CPC (FACPC) welcomes the opportunity to respond to the IFRS S1. Currently, FACPC supports the activities of Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee) and of the Comitê Brasileiro de Pronunciamentos de Sustentabilidade - CBPS (Brazilian Sustainability Pronouncements Committee)[1].

We are a standard-setting body engaged in studying, developing, and issuing accounting standards, interpretations, and guidance for Brazilian companies.

FACPC supports the ISSB's efforts to enhance the general requirements for the disclosure of sustainability-related financial information.

If you have any questions about our comments, please do not hesitate to contact us at administrativo@facpc.org.br .

Yours sincerely,

EDISON ARISA PEREIRA:00699003881 Digitally signed by EDISON ARISA PEREIRA:00699003881 Date: 2022.07.29 11:12:34 -03'00'

Fundação de Apoio ao CPC
Edison Arisa
President

Eduardo Flores

Techincal Group of CBPS
Eduardo Flores
Chair

[1]The Brazilian Sustainability Pronouncements Committee (CBPS) is a standard-setting body created by CFC Resolution nº 1.670/22 engaged in the study, development and issuance of sustainability standards, interpretations and guidances for Brazilian companies. Our members are nominated by the following entities: ABRASCA (Brazilian Listed Companies Association), APIMEC (National Association of Capital Market Investment Professionals and Analysts), B3 Brasil, Bolsa, Balcão (Brazilian Stock Exchange and Mercantile & Future Exchange), CFC (Federal Accounting Council), FIPECAFI (Financial and Accounting Research Institute Foundation) and IBRACON (Brazilian Institute of Independent Auditors).

Addressing the Questions

Question 1—Overall approach

The Exposure Draft sets out overall requirements with the objective of disclosing sustainability-related financial information that is useful to the primary users of the entity's general purpose financial reporting when they assess the entity's enterprise value and decide whether to provide resources to it.

Proposals in the Exposure Draft would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. The assessment of materiality shall be made in the context of the information necessary for users of general purpose financial reporting to assess enterprise value.

(a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer?

Response: *In general, the CBPS agrees with the guidelines established by the ED regarding the context of material disclosures, however, some notes were made by its constituent members, which will be covered over the next questions.*

Furthermore, in some paragraphs, such as 75, the ED indicates that the sustainability report could be published together with the financial statements; however, there should not be such a joint at first. Additionally, paragraphs 15(d), 16, 22(c), and 46 give the impression of non-GAAP information disclosures and projections in the financial statements.

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

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

Even considering that is not feasible to release the sustainability reports at the same time as accounting statements, the ISSB should consider the timing of the transition to enforce this simultaneous release.

Furthermore, some members of the CBPS expressed some general issues or concerns to be considered by the ISSB, please find these topics listed below:

(i) *It is a matter of clearly establishing what is part of the financial statements and non-financial statements, mainly because sustainability reports can help to assess the firms' valuation.*

(ii) *Some constituents also mentioned that it is relevant to include in the materiality calculation, even to financial statements, non-financial information, or pre-financial information.*

(iii) *Some participants mentioned that the words risk and benefits must be defined in the exposure draft aiming to clarify future assessments and to mitigate potential misleading regarding that.*

(iv) *Considering a context in which the ISSB will incorporate the SASB's documents and standards, it will be important to segregate this material into more than one public audience to allow the market participants to have adequate timing to comment on these documents.*

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

Response*: The CBPS agrees, mainly because the purpose of a general requirement, such as a conceptual framework, is to present a theoretical-normative disclosure.*

(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?

Response*: the CBPS believes that it is clear how the ED S1 would be applied together with other IFRS Sustainability Disclosure Standards. However, it is a matter to review future terminologies and/or definitions, to ensure that they will be aligned with this ED.*

(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?

Response*: Despite the ISSB indicating that the standards for sustainability disclosure will be developed over time so that the disclosure of relevant information is urgent, the understanding of some CBPS participants is that the disclosure of estimates has a challenging nature, especially within the scope of the assurance of this information.*

In the Brazilian case, the local Securities and Exchange Commission (Comissão de Valores Mobiliários CVM) establishes that forecast information must be accompanied by the methodological bases that gave rise to it. In view of the absence of a standard of comparability of this information, the disclosure of such items may become discouraged.

Question 2—Objective (paragraphs 1–7)

The Exposure Draft sets out proposed requirements for entities to disclose sustainability-related financial information that provides a sufficient basis for the primary users of the information to assess the implications of sustainability-related risks and opportunities on an entity's enterprise value.

Enterprise value reflects expectations of the amount, timing and uncertainty of future cash flows over the short, medium and long term and the value of those cash flows in the light of the entity's risk profile, and its access to finance and cost of capital.
Information that is essential for assessing the enterprise value of an entity includes information in an entity's financial statements and sustainability-related financial information.

Sustainability-related financial information is broader than information reported in the financial statements that influences the assessment of enterprise value by the primary users. An entity is required to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Sustainability related financial information should, therefore, include information about the entity's governance of and strategy for addressing sustainability-related risks and opportunities and about decisions made by the entity that could result in future inflows and outflows that have not yet met the criteria for recognition in the related financial statements. Sustainability-related financial information also depicts the reputation, performance and prospects of the entity as a consequence of actions it has undertaken, such as its relationships with, and impacts and dependencies on, people, the planet and the economy, or about the entity's development of knowledge-based assets.

The Exposure Draft focuses on information about significant sustainability-related risks and opportunities that can reasonably be expected to have an effect on an entity's enterprise value.

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

Response*: The CBPS agrees, mainly because the purpose of a general requirement, such as a conceptual framework, is to present a theoretical-normative disclosure.*

Moreover, it is important to consider that the concept of value might be discretionary, for this reason, it is matter to consider those ethical principles as fundamentals for any kind of disclosure.

(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?

Response*: In general, the CBPS agrees that the definition is clearly presented and did not create misunderstandings among the CBPS participants.*

However, some CBPS members mentioned that in their view all the information financial or pre-financial could be related to sustainability topics. Under this assumption, there is no reason for this kind of segregation. The GRI reports, for example, include several types of financial information.

Some constituents also mentioned that from their perspective, the informational relevance and materiality of the firms' valuation effects should drive what kind of information must be disclosed.

Question 3—Scope (paragraphs 8–10)

Proposals in the Exposure Draft would apply to the preparation and disclosure of sustainability-related financial information in accordance with IFRS Sustainability Disclosure Standards. Sustainability-related risks and opportunities that cannot reasonably be expected to affect users' assessments of the entity's enterprise value are outside the scope of sustainability-related financial disclosures.

The Exposure Draft proposals were developed to be applied by entities preparing their general purpose financial statements with any jurisdiction's GAAP (so with IFRS Accounting Standards or other GAAP).

Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?

Response*: The CBPS agrees in parts, it would be interesting to complement the scope in order to demonstrate the possible integration between the reports, as a building block approach, from a medium-long term perspective.*

Paragraphs 8 to 10 could perhaps be supplemented to make the scope clearer. Could better conciliate to the scope with Appendix A.

Although it is opportune to recall that the ISSB intends to be agnostic, that is, equally applied even in jurisdictions (i.e. USA) where IFRS is not the accounting GAAP.

Furthermore, the enterprise value approach described carries on an implicit distinction between "sustainability factors" and the other operational factors of the business model, in apparent contradiction with the very concept of sustainability, to be integrated into the strategy and management of organizations, including for the evaluation of risks and opportunities.

Something similar to what was done with "quality" in the 1980s. Is this an adequate approach? We understand that all PRE-FINANCIAL items, which are mostly linked to sustainability, and which will be financial at some point in the future, have to be considered, or all this effort will be in vain. In addition, of course, integration in the medium or at least in the long term is a very important issue.

Question 4—Core content (paragraphs 11–35)

The Exposure Draft includes proposals that entities disclose information that enables primary users to assess enterprise value. The information required would represent core aspects of the way in which an entity operates.

This approach reflects stakeholder feedback on key requirements for success in the Trustees' 2020 consultation on sustainability reporting, and builds upon the well-established work of the TCFD.

Governance

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on governance would be:

> to enable the primary users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage significant sustainability-related risks and opportunities.

Strategy

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on strategy would be:

> to enable users of general purpose financial reporting to understand an entity's strategy for addressing significant sustainability-related risks and opportunities.

Risk management

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on risk management would be:

> to enable the users of general purpose financial reporting to understand the process, or processes, by which sustainability-related risks and opportunities are identified, assessed and managed. These disclosures shall also enable users to assess whether those processes are integrated into the entity's overall risk management processes and to evaluate the entity's overall risk profile and risk management processes.

Metrics and targets

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on metrics and targets would be:

> to enable users of general purpose financial reporting to understand how an entity measures, monitors and manages its significant sustainability-related risks and opportunities. These disclosures shall enable users to understand how the entity assesses its performance, including progress towards the targets it has set.

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

Response: *the CBPS agrees that the disclosure objectives are clear and appropriately defined mainly because the disclosure of goals for governance, risks, metrics, and strategies are already known by the market due to prior work provided by TCFD. The ISSB draft does not bring any news in this regard.*

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

***Response**: the CBPS agrees that the disclosure objectives are appropriately stated.*

Question 5—Reporting entity (paragraphs 37–41)

The Exposure Draft proposes that sustainability-related financial information would be required to be provided for the same reporting entity as the related general purpose financial statements.

The Exposure Draft proposals would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Such risks and opportunities relate to activities, interactions and relationships and use of resources along its value chain such as:

• its employment practices and those of its suppliers, wastage related to the packaging of the products it sells, or events that could disrupt its supply chain;

• the assets it controls (such as a production facility that relies on scarce water resources);

• investments it controls, including investments in associates and joint ventures (such as financing a greenhouse gas-emitting activity through a joint venture); and

• sources of finance.

The Exposure Draft also proposes that an entity disclose the financial statements to which sustainability-related financial disclosures relate.

(a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?

***Response**: the CBPS agrees that the reporting entity concept could also be used to perform the disclosure group.*

(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?

***Response**: the CBPS consensus is that the required disclosures may impose substantial challenges to preparers as (a) it could be inaccessible for some entities to obtain information from other firms than non-controlled companies (e.g.: associates and jointly-controlled entities), as well as suppliers and other kinds of firms' intervenients and (b) such information (when obtained), would usually not be subject to the reporting entities internal controls and procedures.*

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

***Response**: the CBPS agrees with the proposed requirement since it is clearly stated.*

However, some CBPS participants mentioned that once again, the way it is being placed requires classification of what is financial information, pre-financial information, and especially what "related to sustainability" means. Does this assume that there is information not related to sustainability?

We have to point out is the degree of difficulty in obtaining information and controlling it from non-controlled companies and in the production chain is enormous and often not feasible.

Question 6—Connected information (paragraphs 42–44)

The Exposure Draft proposes that an entity be required to provide users of general purpose financial reporting with information that enables them to assess the connections between (a) various sustainability-related risks and opportunities; (b) the governance, strategy and risk management related to those risks and opportunities, along with metrics and targets; and (c) sustainability-related risks and opportunities and other information in general purpose financial reporting, including the financial statements.

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

***Response:** the CBPS agrees with the need for connectivity, especially because the reporting elements must be viewed from the angle of connectivity. Isolated, they may seem irrelevant, but the interdependence between them can result in relevant risks/opportunities assessment.*

(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?

***Response:** yes the CBPS agrees, however, it would be interesting if the board members of ISSB and the board members of IASB could interact among themselves to increase the corporate reporting integration.*

Question 7—Fair presentation (paragraphs 45–55)

The Exposure Draft proposes that a complete set of sustainability-related financial disclosures would be required to present fairly the sustainability-related risks and opportunities to which an entity is exposed. Fair presentation would require the faithful representation of sustainability-related risks and opportunities in accordance with the proposed principles set out in the Exposure Draft. Applying IFRS Sustainability Disclosure Standards, with additional disclosure when necessary, is presumed to result in sustainability-related financial disclosures that achieve a fair presentation.

To identify significant sustainability-related risks and opportunities, an entity would apply IFRS Sustainability Disclosure Standards. In addition to IFRS Sustainability Disclosure Standards to identify sustainability-related risks and opportunities, the entity shall consider the disclosure topics in the industry-based SASB Standards, the ISSB's non-mandatory guidance (such as the CDSB Framework application guidance for water- and biodiversity-related disclosures), the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting, and sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies.

To identify disclosures, including metrics, that are likely to be helpful in assessing how sustainability-related risks and opportunities to which it is exposed could affect its enterprise value, an entity would apply the relevant IFRS Sustainability Disclosure Standards. In the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk and opportunity, an entity shall use its judgement in identifying disclosures that (a) are relevant to the decision-making needs of users of general purpose financial reporting; (b) faithfully represent the entity's risks and opportunities in relation to the specific sustainability-related risk or opportunity; and (c) are neutral. In making that judgement, entities would consider the same sources identified in the preceding paragraph, to the extent that they do not conflict with an IFRS Sustainability Disclosure Standard.

(a) Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not?

    Response: *the CBPS understands that it will still be a long way to go until there are criteria and metrics for a fair presentation of sustainability elements. However, it is important that having such a vision is a goal to be pursued from the beginning. The reporting entity shall use the best possible estimate.*

    For the current stage, the CBPS understands that the criteria presented in the document are clear and understandable.

    However, some CBPS participants would like to point out that according to their own viewpoint the fair presentation is not clear, because when it is considered only financial information, it is difficult to know how we are going to include pre-financial information in the evaluation, without information, even if qualitative. In fact, it is possible to try, but it makes the analysis very complex and more error-prone.

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

    Response: *the CBPS agrees since the source of guidance is clear in its purposes.*

Question 8—Materiality (paragraphs 56–62)

The Exposure Draft defines material information in alignment with the definition in IASB's *Conceptual Framework for General Purpose Financial Reporting* and IAS 1. Information 'is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity'.

However, the materiality judgements will vary because the nature of sustainability related financial information is different to information included in financial statements. Whether information is material also needs to be assessed in relation to enterprise value.

Material sustainability-related financial information disclosed by an entity may change from one reporting period to another as circumstances and assumptions change, and as expectations from the primary users of reporting change. Therefore, an entity would be required to use judgement to identify what is material, and materiality judgements are reassessed at each reporting date. The Exposure Draft proposes that even if a specific IFRS Sustainability Disclosure Standard contained specific disclosure requirements, an entity would need not to provide that disclosure if the resulting information was not material. Equally, when the specific requirements would be insufficient to meet users' information needs, an entity would be required to consider whether to disclose additional information. This approach is consistent with the requirements of IAS 1.

The Exposure Draft also proposes that an entity need not disclose information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information. In such a case, an entity shall identify the type of information not disclosed and explain the source of the restriction.

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

__Response__: the CBPS agrees that the application of materiality in the context of sustainability-related financial information is clear since it has been employed in the context of the financial statement IAS 1.

(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?

Response: *the CBPS considers that the proposed definition and application of materiality will capture the purposes mentioned.*

It also matters to highlight that double materiality is not required but allowed (paragraph 61). In this way, such firms prepared to disclose double materiality can do that.

(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?

__Response:__ the CBPS considers that the proposed definition and application of materiality will capture the purposes mentioned.

(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?

__Response:__ the CBPS agrees with the proposal mainly because respect some local laws or regulations.

Question 9—Frequency of reporting (paragraphs 66–71)

The Exposure Draft proposes that an entity be required to report its sustainability-related financial disclosures at the same time as its related financial statements, and the sustainability-related financial disclosures shall be for the same reporting period as the financial statements.

Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not?

__Response__: the CBPS does not agree with the simultaneous release of both sets of information, financial statements, and sustainability-related financial disclosures.

Sometimes it is not feasible to release the sustainability report before or on the same date as the financial statements. Moreover, some are accelerated filers in Brazil, and supplemental information to the financial statements, if any, could be released at a later stage.

Some companies do not have enough controls, training, and experience to guarantee the quality of the information.

In fact, it would be relevant not to establish a fixed term, even so as not to delay the publication of the financial statements. However, it would be important not to disconnect too much from the date of publication of the financial statements in order to maintain the timeliness of the information.

Question 10—Location of information (paragraphs 72–78)

The Exposure Draft proposes that an entity be required to disclose information required by the IFRS Sustainability Disclosure Standards as part of its general purpose financial reporting—ie as part of the same package of reporting that is targeted at investors and other providers of financial capital.

However, the Exposure Draft deliberately avoids requiring the information to be provided in a particular location within the general purpose financial reporting so as not to limit an entity's ability to communicate information in an effective and coherent manner, and to prevent conflicts with specific jurisdictional regulatory requirements on general purpose financial reporting.

The proposal permits an entity to disclose information required by an IFRS Sustainability Disclosure Standard in the same location as information disclosed to meet other requirements, such as information required by regulators. However, the entity would be required to ensure that the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information.

Information required by an IFRS Sustainability Disclosure Standard could also be included by cross-reference, provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced. For example, information required by an IFRS Sustainability Disclosure Standard could be disclosed in the related financial statements.

The Exposure Draft also proposes that when IFRS Sustainability Disclosure Standards require a disclosure of common items of information, an entity shall avoid unnecessary duplication.

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

__Response__: the CBPS members have two views about this proposal: (i) one view is that the sustainability-related financial disclosures must be considered segregated from the financial statements due to the stage of the sustainable information and the difficulty of assure such a set of data; (ii) the second view believes that it is matter to release both sets together to facilitate the integration among the financial and non-financial information.

(b) Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location?

__Response__: the set of financial statements in Brazil is defined in Law 6.404 / 1976, for public companies, to contemplate further information, might need to adjust the law.

(c) Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is crossreferenced? Why or why not?

__Response:__ the CBPS agrees with the cross-reference information.

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

Response: *the CBPS agrees that integrated disclosure matters because it reduces the likelihood of controversial or not aligned information. Integrated reporting is a good example of these benefits.*

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

The Exposure Draft sets out proposed requirements for comparative information, sources of estimation and outcome uncertainty, and errors. These proposals are based on corresponding concepts for financial statements contained in IAS 1 and IAS 8. However, rather than requiring a change in estimate to be reported as part of the current period disclosures, the Exposure Draft proposes that comparative information which reflects updated estimates be disclosed, except when this would be impracticable —ie the comparatives would be restated to reflect the better estimate.

The Exposure Draft also includes a proposed requirement that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements, to the extent possible.

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

Response: *the CBPS agrees that these general features are appropriately into the proposals.*

Besides, hardly it will have a single metric for all aspects related to sustainability. Unlike financial information, it will be nearly 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 collaborate with this debate with clear and objective disclosure of the criteria used to measure value/estimates so that the ability to compare 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?

Response: *the CBPS agrees, however, it would need to be clear that changes in estimates in the sustainability report do not generate a restatement. We do not agree with the Board's preliminary view. We understand that this guidance should be consistent with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. Therefore, in our view, except for the correction of an error from a prior year estimate or retrospectively restatement of a metric due to a change in the measurement policy (similarly to an accounting policy change), 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? Are you aware of any circumstances for which this requirement will not be able to be applied?

***Response:** the CBPS agrees with the need to pursue consistency among the financial and non-financial information.*

Question 12—Statement of compliance (paragraphs 91-92)

The Exposure Draft proposes that for an entity to claim compliance with IFRS Sustainability Disclosure Standards, it would be required to comply with the proposals in the Exposure Draft and all of the requirements of applicable IFRS Sustainability Disclosure Standards. Furthermore, the entity would be required to include an explicit and unqualified statement that it has complied with all of these requirements.

The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards.

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

***Response:** the CBPS agrees with such a proposal. The declaration of conformity brings the commitment of those in charge of the governance of the reporting entity with respect to the reliability of the information.*

Question 13—Effective date (Appendix B)

The Exposure Draft proposes allowing entities to apply the Standard before the effective date to be set by the ISSB. It also proposes relief from the requirement to present comparative information in the first year the requirements would be applied to facilitate timely application of the Standard.

(a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.

***Response:** the CBPS believes that the timeframe could be comparable to the new IFRS for financial statements since it will need some adaptations in terms of internal controls by firms. However, due to the urgency of this information, the timeframe must not be higher than one year.*

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

***Response:** the CBPS agrees with the ISSB providing the proposed relief from disclosing comparatives in the first year of application.*

Question 14—Global baseline

IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of sustainability-related risks and opportunities. Those needs may be met by requirements set by others, including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

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

Response*: the CBPS only wants to highlight the issue prior raised about the timing of releasing the sustainability disclosure simultaneously with financial statements due to the practical effects of this deliberation.*

The CBPS understands that the issue of pre-financial information requires attention. As it is, it is either implied or this information is left out. We understand that the ISSB's role is mainly to deal with pre-financial information and harmonize it with accounting statements pursuing an integrated approach.

Question 15—Digital reporting

The ISSB plans to prioritise enabling digital consumption of sustainability-related financial information prepared in accordance with IFRS Sustainability Disclosure Standards from the outset of its work. The primary benefit of digital consumption as compared to paper-based consumption is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S2 *Climate-related Disclosures* Standards are the sources for the Taxonomy.

It is intended that a staff draft of the Taxonomy will be published shortly after the release of the Exposure Draft, accompanied by a staff paper which will include an overview of the essential proposals for the Taxonomy. At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation.

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

Response: *the CBPS does not further comments related to this question.*

The use of technology will be fundamental to tracking sustainability information to financial information. For this tool to be used, it is essential to establish a taxonomy that allows its digitization. Although it is common for equivalent terms to be muted in different jurisdictions, certain nuances in the meaning/application of these terms can contribute to jurisdictional *fragmentation, minimizing the benefit of a global standard. The ISSB took special care to avoid such a risk.*

Question 16—Costs, benefits and likely effects

The ISSB is committed to ensuring that implementing the Exposure Draft proposals appropriately balances costs and benefits.

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

***Response**: Costs related to controls can, in many cases, be significant. Although the expectation is that the benefits will outweigh the application costs, it is important to observe a balance between costs and benefits.*

However, if a company already has good controls, the need to report sustainability information should not require large investments beyond what is necessary to implement a new organizational culture. If the company does not have such controls, the implementation cost is still justified because the risk of not knowing the effect of externalities generated by the decisions taken can be very high not only for the company but for the planet.

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

***Response**: the CBPS does not have further comments.*

Question 17—Other comments

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

***Response**: Additional comments and suggestions as follows: - Par. 13 and par 71: Should the standard require that the mentioned 'body' or 'bodies', should be the ones authorizing the issuance of the sustainability-related financial report? Should the standard require disclosure of the approval date (similar to IAS 10 – Events after the Reporting Period, par.17)?*

- *Par.23: Please consider whether the standard should be revised to require narrative disclosures of risks and uncertainties (similarly to IAS 1 par 125 – 133), as it would not be expected for reporting entities to state they are not resilient.*

- *Par 31(b): Please consider defining "external-body" in Appendix A*

- *Par. 88: This paragraph seems to indicate a prospective approach for changes in estimates (consistently with IAS 8), as we suggested in our comment to Question 11(b). However, it seems inconsistent with par. 64, which in practice requires the same treatment as correction of errors.*

Furthermore:

(i) *The expression "sources of estimation and outcome uncertainty" could be better addressed and clarified with the inclusion of methodological references used to calculate that.*

(ii) *The different requirements of the regulators where Brazilian shares are traded (e.g. USA, Europe, Brazil) and other organizations that already use different metrics and forms of disclosure are concerned, which ends up creating more work for companies and difficulties in comparison.*

(iii) *Another concern is the rush to publish the standards versus the quality of what is intended, given that we are talking about global standards.*