

São Paulo, July 26th, 2022

International Sustainability Standards Board
Columbus Building
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London, E14 4 HD
United Kingdom
Via email: commentletters@ifrs.org

Dear International Sustainability Standards Board (ISSB)

Draft IFRS S1 General Requirements for Disclosure of Sustainability Related Financial Information; Draft IFRS S2 Climate-related disclosures

Thank you for the opportunity to comment on the two draft standards released by the ISSB on general sustainability-related disclosure requirements (Sustainability Standard) and climate-related disclosure requirements (Climate Standard).

The Brazilian Institute of Corporate Governance (IBGC) welcomes the opportunity to provide a Brazilian corporate governance perspective to this critical global consultation.

The IBGC supports the principle of harmonized sustainability standards under the curatorship of the ISSB and recommends that this consistent approach must be incorporated by all other jurisdictions. Brazilian market players constantly report the need to consolidate existing non-financial reporting frameworks to meet the growing demand from investors for higher quality and comparability. On the companies side, these reports enable trust-building, sustain value, and enhance reputation. They are also a tool that helps organizations to identify possible gaps in management and stimulate changes in internal decision-making processes.

In our opinion, the two draft standards are a strong starting point from which a global baseline can be developed. In the Brazilian context, we recognize that the widespread adoption of these new standards would represent a significant improvement in current reporting practices.

Yours sincerely,

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Addressing the Questions on Draft IFRS S1 General Requirements for Disclosure of Sustainability Related Financial Information

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 IBGC considers that the disclosure objectives for governance, strategy, risk management, and metrics and targets are clear. We support the use of the four pillars set out in the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) as the basis for the core content.

- (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: Yes, but in relation to governance requirements, we would suggest the following improvements:

1. 13 (a): we suggest adding disclosure requirements that go beyond identifying the body or individual responsible for overseeing sustainability-related risks and opportunities. We suggest including information on the composition of this governance body. The Global Reporting Initiative (GRI) disclosure requirements 102-22 on governance cover this in detail and the IFRS Foundation should consider which of this information may be financially relevant to incorporate.
2. 13 (b-g): The wording of paragraph 13 could be improved. Paragraph 13(a) refers to “governance bodies or individuals” responsible for overseeing sustainability-related risks and opportunities. However, 13(b)-(g) refer only to “bodies”. Smaller entities may not have complex governance structures and therefore these matters may be subject to oversight by specific individuals. Therefore, we recommend referencing bodies and individuals throughout the requirements.
3. 13 (d): in addition to the way and frequency with which governance bodies are informed about risks and opportunities related to sustainability, we suggest that it is also a requirement to inform which bodies are informed and whether and with which frequency these topics are part of their discussion agendas.

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 IBGC agrees with the simultaneous release of both sets of information, financial statements, and sustainability-related financial disclosures.