

### **Appendix 3: CSRC’s Detailed Comments on the Exposure Draft of IFRS S2 (Climate-related Disclosures), Appendix B Industry-based disclosure requirements**

1. The metrics of the industry-based disclosure requirements are not well-diversified enough, and many of them are hard to be applicable to emerging markets. Since relevant content of the industry-based disclosure requirements are highly controversial, we suggest postponing the launch of the standard. At the same time, we suggest fully communicating with different jurisdictions and making relevant adjustments to achieve universal adoption of standards. Different metrics should be designed for enterprises at different development stages and of different sizes. In addition, it is suggested to consider the possibility of allowing developing and less developed economies to make disclosures according to industry standards in their jurisdictions. We also suggest that the standard should allow for exemption clauses to be added in its actual implementation, according to the specific situations of industries and enterprises (such as confidentiality issues).

We suggest deleting the metrics irrelevant to climate change-related risks and opportunities (including some activity metrics), so as to improve the pertinence of the scope of the standard and reduce redundancy and mix of information. For example, in the apparel, accessories & footwear industry, metrics such as suppliers’ animal welfare, labor, and human rights practices, which are actually social-related rather than climate-related, are asked to be disclosed in the “social supply chain risks” part.

Similarly, in industries such as alcoholic beverages, food retailers & distributors, non-alcoholic beverages, processed foods, and restaurants under the food & beverage sector, such irrelevant social-dimension metrics are included, too. For example, the alcoholic beverages industry is expected to discuss about social risks including but not limited to effects of workers’ rights on productivity, reputational damage due to human rights issues, and other risks resulting from the social impacts associated with the entity’s supply chain. It is also expected that strategies for mitigating such risks should be disclosed, including supplier training programs on agrochemical application, engagement with suppliers on labor and human rights issues, and maintenance of a supply chain code of conduct. Another example is in the food retailers & distributors industry. The disclosure for this industry includes information related to labor rights and immigration reforms that affect food prices and availability, as well as animal welfare, human rights, or related supply chain incidents that may result in reputational damage.

The requirement for the financial sector also needs further consideration, as entities in this industry are required to disclose its approach to incorporation of environmental, social and governance (ESG) factors in its investment management processes.

Based on above-mentioned concerns, we propose that the industry-based disclosure requirements should be more relevant to climate-related disclosure. Irrelevant disclosure metrics shall be deleted, and, if necessary, could be incorporated into future standards that focus on other aspects of ESG.

3. Concerning the topic of Greenhouse Gas Emissions, we suggest that ISSB should incorporate China Carbon Emission Trade Exchange (CCETE) and relevant statistical and accounting methods, and consider adding the relevant requirements of *China’s Administrative Measures for the Trading*

*of Carbon Emissions Rights and Rules on the Trading of Carbon Emissions Rights* to the examples of “emissions limiting regulations” in the metric of “gross global Scope 1 emissions, percentage covered under emissions limiting regulations” under the topic of Greenhouse Gas Emissions.

4. We suggest ISSB re-assess the authority of some international industry standards such as Green-e Energy National Standard and the Sustainable Apparel Coalitions Higg Brand & Retail Module (BRM), and delete industry standards that are not politically neutral, such as the Better Cotton Initiative. We also suggest deleting requirements such as those related to the Federal Motor Carrier Safety Administration (FMCSA) intervention threshold, which is simply US-specific.