Appendix 2: CSRC's Detailed Comments on the Exposure Draft of IFRS S2 (Climate-related Disclosures)

Question 2—Governance (key question)

Paragraphs 4 and 5 of the Exposure Draft propose that an entity be required to disclose information that enables users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities. To achieve this objective, the Exposure Draft proposes that an entity be required to disclose information about the governance body or bodies (which can include a board, committee or equivalent body charged with governance) with oversight of climate-related risks and opportunities, and a description of management's role regarding climate-related risks and opportunities.

The Exposure Draft's proposed governance disclosure requirements are based on the recommendations of the TCFD, but the Exposure Draft proposes more detailed disclosure on some aspects of climate-related governance and management in order to meet the information needs of users of general purpose financial reporting. For example, the Exposure Draft proposes a requirement for preparers to disclose how the governance body's responsibilities for climate-related risks and opportunities are reflected in the entity's terms of reference, board mandates and other related policies. The related TCFD's recommendations are to: describe the board's oversight of climate-related risks and opportunities and management's role in assessing and managing climate-related risks and opportunities.

Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?

Comments: Basically agree. However, given that the required disclosure in the Exposure Draft is too complex, most companies in developing jurisdictions do not have the knowledge and skills in climate management, and there may be difficulties in funding and staffing, in coordination and integration with existing functional departments, in ensuring relevant institutions' and personnel's capacity in performing duties, and in establishing an effective incentive and restraint mechanism. In addition, some industries are less affected by climate change.

Suggestion: a) de-emphasize subjective judgment and quantitative disclosure requirements and delete the disclosure requirement "how the body and its committees consider climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions, and its risk management policies, including any assessment of trade-offs and analysis of sensitivity to uncertainty that may be required". b) for industries less affected by climate change, the disclosure should be non-mandatory.

Question 3—Identification of climate-related risks and opportunities (key question)

Paragraph 9 of the Exposure Draft proposes that an entity be required to identify and disclose a description of significant climate-related risks and opportunities and the time horizon over which each could reasonably be expected to affect its business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term. In identifying the significant climate-related risks and opportunities described in paragraph 9(a), an entity would be

required to refer to the disclosure topics defined in the industry disclosure requirements (Appendix B).

(a) Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?

Comments: Relatively clear. However, two main difficulties have been identified: a) coping with significant climate-related risks and opportunities may involve various preparation and inputs, which may not be for the sole purpose of addressing significant climate-related risks and opportunities, and thus may be difficult to separate and calculate. b) the test on future cash flows, access to finance and cost of capital involves many assumptions and parameters, and thus the impact can hardly be accurately estimated, and so it is difficult to reasonably predict and quantitatively analyze each risk and opportunity.
Suggestion: a) clarify the identification mechanism of physical risks and the measurement method of relevant metrics. b) clearly define significant risks and opportunities, and how to reasonably predict the effects of risks and opportunities over the short, medium or long term, so as to improve the comparability of relevant data in the same industry.
(b) Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?

Comments: Basically agree. Different industries have different climate-related risks and opportunities. Considering the applicability of disclosure topics will help improve the relevance and comparability of disclosure.

Question 4—Concentrations of climate-related risks and opportunities in an entity's value chain (key question)

Paragraph 12 of the Exposure Draft proposes requiring disclosures that are designed to enable users of general purpose financial reporting to understand the effects of significant climate-related risks and opportunities on an entity's business model, including in its value chain. The disclosure requirements seek to balance measurement challenges (for example, with respect to physical risks and the availability of reliable, geographically-specific information) with the information necessary for users to understand the effects of significant climate-related risks and opportunities in an entity's value chain.

As a result, the Exposure Draft includes proposals for qualitative disclosure requirements about the current and anticipated effects of significant climate-related risks and opportunities on an entity's value chain. The proposals would also require an entity to disclose where in an entity's value chain significant climate-related risks and opportunities are concentrated.

(a) Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not?

Comments: No. The disclosure of the effects of significant climate-related risks and opportunities on an entity's business model and value chain needs to delve deep into every area of daily operation; the evaluation and judgment are highly subjective and uncertain, and it is difficult to ensure the accuracy and integrity of the identification of the effects on the value chain.

(b) Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?

Comments: Basically agree. Relevant effects are difficult to be quantitatively predicted.

Question 5—Transition plans and carbon offsets (key question)

Disclosing an entity's transition plan towards a lower-carbon economy is important for enabling users of general purpose financial reporting to assess the entity's current and planned responses to the decarbonisation-related risks and opportunities that can reasonably be expected to affect its enterprise value.

Paragraph 13 of the Exposure Draft proposes a range of disclosures about an entity's transition plans. The Exposure Draft proposes requiring disclosure of information to enable users of general purpose financial reporting to understand the effects of climate-related risks and opportunities on an entity's strategy and decision-making, including its transition plans. This includes information about how it plans to achieve any climate-related targets that it has set (this includes information about the use of carbon offsets); its plans and critical assumptions for legacy assets; and quantitative and qualitative information about the progress of plans previously disclosed by the entity.

An entity's reliance on carbon offsets, how the offsets it uses are generated, and the credibility and integrity of the scheme from which the entity obtains the offsets have implications for the entity's enterprise value over the short, medium and long term. The Exposure Draft therefore includes disclosure requirements about the use of carbon offsets in achieving an entity's emissions targets. This proposal reflects the need for users of general purpose financial reporting to understand an entity's plan for reducing emissions, the role played by carbon offsets and the quality of those offsets.

The Exposure Draft proposes that entities disclose information about the basis of the offsets' carbon removal (nature- or technology-based) and the third-party verification or certification scheme for the offsets. Carbon offsets can be based on avoided emissions. Avoided emissions are the potential lower future emissions of a product, service or project when compared to a situation where the product, service or project did not exist, or when it is compared to a baseline. Avoided-emission approaches in an entity's climate-related strategy are complementary to, but fundamentally different from, the entity's emission-inventory accounting and emission-reduction transition targets. The Exposure Draft therefore proposes to include a requirement for entities to disclose whether the carbon offset amount achieved is through carbon removal or emission avoidance.

The Exposure Draft also proposes that an entity disclose any other significant factors necessary for

users of general purpose financial reporting to understand the credibility of the offsets used by the entity such as information about assumptions of the permanence of the offsets.

(b) Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.

Comments: Considering that, limited by technology and industry, some companies still needs high-value carbon energy and water resource intensive assets to maintain normal production and operation, we suggest deleting the disclosure requirements relating to "strategies to manage carbon-energy- and water-intensive operations, and to decommission carbon-energy- and water-intensive assets".

(c) Do you think the proposed carbon offset disclosures will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?

Comments: No. First, at present, the emission reduction by carbon offsetting is still in the experimental and initial stage, and there is no consensus on the measurement method and standard of carbon offsets. The calculation results may vary for users from different jurisdictions and organizations. Carbon offsetting has not yet become a mainstream and effective emission reduction method, and its practical effect and reliability are low. Second, whether carbon offsets will help to achieve the emission reduction target and whether it is just "green washing" remain to be discussed.

(d) Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?

Comments: No. The measurement method for carbon offsets is highly professional. The relevant data is difficult to obtain, the cost of disclosure is high, and the benefits of carbon offset disclosure are limited.

Question 6—Current and anticipated effects (key question)

The Exposure Draft proposes requirements for an entity to disclose information about the anticipated future effects of significant climate-related risks and opportunities. The Exposure Draft proposes that, if such information is provided quantitatively, it can be expressed as a single amount or as a range. Disclosing a range enables an entity to communicate the significant variance of potential outcomes associated with the monetised effect for an entity; whereas if the outcome is more certain, a single value may be more appropriate.

The TCFD's 2021 status report identified the disclosure of anticipated financial effects of climate-related risks and opportunities using the TCFD Recommendations as an area with little disclosure. Challenges include: difficulties of organisational alignment, data, risk evaluation and the attribution of effects in financial accounts; longer time horizons associated with

climate-related risks and opportunities compared with business horizons; and securing approval to disclose the results publicly. Disclosing the financial effects of climate-related risks and opportunities is further complicated when an entity provides specific information about the effects of climate-related risks and opportunities on the entity. The financial effects could be due to a combination of other sustainability-related risks and opportunities and not separable for the purposes of climate-related disclosure (for example, if the value of an asset is considered to be at risk it may be difficult to separately identify the effect of climate on the value of the asset in isolation from other risks).

Similar concerns were raised by members of the TRWG in the development of the climate-related disclosure prototype following conversations with some preparers. The difficulty of providing single-point estimates due to the level of uncertainty regarding both climate outcomes and the effect of those outcomes on a particular entity was also highlighted. As a result, the proposals in the Exposure Draft seek to balance these challenges with the provision of information for investors about how climate-related issues affect an entity's financial position and financial performance currently and over the short, medium and long term by allowing anticipated monetary effects to be disclosed as a range or a point estimate.

The Exposure Draft proposes that an entity be required to disclose the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term—including how climate-related risks and opportunities are included in the entity's financial planning (paragraph 14). The requirements also seek to address potential measurement challenges by requiring disclosure of quantitative information unless an entity is unable to provide the information quantitatively, in which case it shall be provided qualitatively.

a) Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?

Comments: Disagree. The main reasons include: a) climate-related risks and opportunities may act on financial information together with other factors, and their influence cannot be separated. b) To reasonably anticipate risks and opportunities, one needs to have a sufficient and objective understanding of entity's every market, and relevant economic and political environment, technological development, climate change trends, competitive products developments, value chain conditions, etc. The entity has difficulties to acquire enough facts and data, and quantitative information is hard to obtain and also highly uncertain. What's more, it is difficult to ensure authenticity, and such information might also involve trade secrets. c) The setting or adjustment of models for climate change is complex and involves many parameters, and the changes in assumptions or parameters require a lot of estimates and judgments. It is difficult to accurately quantify the financial effects of climate change. d) Technological development affects the accuracy of anticipation. The medium and long term estimates may need to be significantly adjusted along with the constant changes in technology and market, which may affect the accuracy of disclosures.

Due to the above reasons, the accuracy of relevant disclosures cannot be guaranteed, which

may mislead users of financial reporting. Therefore, it is recommended to disclose only qualitative information, or disclose typical cases as a supplementary means.

b) Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?

Comments: No. Please refer to the above comments.

(c) Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?

Comments: No. Please refer to the above comments. In addition, the medium and long term effects are more uncertain, the estimation is more difficult, and it is more difficult to ensure the accuracy of relevant information, which may mislead users of financial reporting.

Question 7—Climate resilience (key question)

The likelihood, magnitude and timing of climate-related risks and opportunities affecting an entity are often complex and uncertain. As a result, users of general purpose financial reporting need to understand the resilience of an entity's strategy (including its business model) to climate change, factoring in the associated uncertainties. Paragraph 15 of the Exposure Draft therefore includes requirements related to an entity's analysis of the resilience of its strategy to climate-related risks. These requirements focus on:

• what the results of the analysis, such as impacts on the entity's decisions and performance, should enable users to understand; and

• whether the analysis has been conducted using:

• climate-related scenario analysis; or

• an alternative technique.

Scenario analysis is becoming increasingly well established as a tool to help entities and investors understand the potential effects of climate change on business models, strategies, financial performance and financial position. The work of the TCFD showed that investors have sought to understand the assumptions used in scenario analysis, and how an entity's findings from the analysis inform its strategy and risk management decisions and plans. The TCFD also found that investors want to understand what the outcomes indicate about the resilience of the entity's strategy, business model and future cash flows to a range of future climate scenarios (including whether the entity has used a scenario aligned with the latest international agreement on climate change). Corporate board committees (notably audit and risk) are also increasingly requesting entity-specific climate-related risks to be included in risk mapping with scenarios reflecting different climate outcomes and the severity of their effects.

Although scenario analysis is a widely accepted process, its application to climate-related matters in business, particularly at an individual entity level, and its application across sectors is still evolving. Some sectors, such as extractives and minerals processing, have used climate-related scenario analysis for many years; others, such as consumer goods or technology and

communications, are just beginning to explore applying climate-related scenario analysis to their businesses.

Many entities use scenario analysis in risk management for other purposes. Where robust data and practices have developed, entities thus have the analytical capacity to undertake scenario analysis. However, at this time the application of climate-related scenario analysis for entities is still developing.

Preparers raised other challenges and concerns associated with climate-related scenario analysis, including: the speculative nature of the information that scenario analysis generates, potential legal liability associated with disclosure (or miscommunication) of such information, data availability and disclosure of confidential information about an entity's strategy. Nonetheless, by prompting the consideration of a range of possible outcomes and explicitly incorporating multiple variables, scenario analysis provides valuable information and perspectives as inputs to an entity's strategic decision-making and risk-management processes. Accordingly, information about an entity's scenario analysis of significant climate-related risks is important for users in assessing enterprise value.

The Exposure Draft proposes that an entity be required to use climate-related scenario analysis to assess its climate resilience unless it is unable to do so. If an entity is unable to use climate-related scenario analysis, it shall use an alternative method or technique to assess its climate resilience.

Requiring disclosure of information about climate-related scenario analysis as the only tool to assess an entity's climate resilience may be considered a challenging request from the perspective of a number of preparers at this time—particularly in some sectors. Therefore, the proposed requirements are designed to accommodate alternative approaches to resilience assessment, such as qualitative analysis, single-point forecasts, sensitivity analysis and stress tests. This approach would provide preparers, including smaller entities, with relief, recognising that formal scenario analysis and related disclosure can be resource intensive, represents an iterative learning process, and may take multiple planning cycles to achieve. The Exposure Draft proposes that when an entity uses an approach other than scenario analysis, it disclose similar information to that generated by scenario analysis to provide investors with the information they need to understand the approach used and the key underlying assumptions and parameters associated with the approach and associated implications for the entity's resilience over the short, medium and long term.

It is, however, recommended that scenario analysis for significant climate-related risks (and opportunities) should become the preferred option to meet the information needs of users to understand the resilience of an entity's strategy to significant climate-related risks. As a result, the Exposure Draft proposes that entities that are unable to conduct climate-related scenario analysis provide an explanation of why this analysis was not conducted. Consideration was also given to whether climate-related scenario analysis should be required by all entities with a later effective date than other proposals in the Exposure Draft.

(a) Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?

Comments: Basically agree.

(b) The Exposure Draft proposes that if an entity is unable to perform climate-related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy.

(i) Do you agree with this proposal? Why or why not?

Comments: Basically agree. We recommend qualitative analysis.

(ii) Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not?

Comments: Basically agree.

(iii) Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why?

Comments: No. Scenario analysis should be non-mandatory.

(c) Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?

Comments: No. a) scenario analysis poses great challenges to the integrity of enterprise data sources and the granularity of data. Scenario analysis is based on the availability of huge data, cases and practical experience and involves great analytical difficulty. b) currently, the prevailing established scenario analysis model in the world does not take into account China's national conditions, strategies and regional characteristics. For example, most Chinese enterprises are still in the growth period, so it is necessary to consider the scenario of enterprise production expansion. At present, the internationally prevailing established scenario analysis rarely adopts the production expansion scenario. c) there are differences in the methodologies of scenario analysis models employed by different companies, and the relevance of their output results is not high. Differences in scenario analysis models might finally lead to poor comparability of relevant data in the market.

(d) Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?

Comments: Basically agree. We recommend qualitative analysis.

(e) Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?

Comments: No. Relevant information disclosure is highly professional. Data is difficult to obtain, the cost of information disclosure is high, and benefits are limited.

Question 9—Cross-industry metric categories and greenhouse gas emissions (key question)

The Exposure Draft proposes incorporating the TCFD's concept of cross-industry metrics and metric categories with the aim of improving the comparability of disclosures across reporting entities regardless of industry. The proposals in the Exposure Draft would require an entity to disclose these metrics and metric categories irrespective of its particular industry or sector (subject to materiality). In proposing these requirements, the TCFD's criteria were considered. These criteria were designed to identify metrics and metric categories that are:

• indicative of basic aspects and drivers of climate-related risks and opportunities;

• useful for understanding how an entity is managing its climate-related risks and opportunities;

• widely requested by climate reporting frameworks, lenders, investors, insurance underwriters and regional and national disclosure requirements; and

• important for estimating the financial effects of climate change on entities.

The Exposure Draft thus proposes seven cross-industry metric categories that all entities would be required to disclose: greenhouse gas (GHG) emissions on an absolute basis and on an intensity basis; transition risks; physical risks; climate-related opportunities; capital deployment towards climate-related risks and opportunities; internal carbon prices; and the percentage of executive management remuneration that is linked to climate-related considerations. The Exposure Draft proposes that the GHG Protocol be applied to measure GHG emissions.

The GHG Protocol allows varied approaches to be taken to determine which emissions an entity includes in the calculation of Scope 1, 2 and 3—including for example, how the emissions of unconsolidated entities such as associates are included. This means that the way in which information is provided about an entity's investments in other entities in their financial statements may not align with how its GHG emissions are calculated. It also means that two entities with identical investments in other entities could report different GHG emissions in relation to those investments by virtue of choices made in applying the GHG Protocol.

To facilitate comparability despite the varied approaches allowed in the GHG Protocol, the Exposure Draft proposes that an entity shall disclose:

• separately Scope 1 and Scope 2 emissions, for:

• the consolidated accounting group (the parent and its subsidiaries);

• the associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group; and

• the approach it used to include emissions for associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group (for example, the equity share or operational control method in the GHG Protocol Corporate Standard).

The disclosure of Scope 3 GHG emissions involves a number of challenges, including those related to data availability, use of estimates, calculation methodologies and other sources of uncertainty. However, despite these challenges, the disclosure of GHG emissions, including Scope 3 emissions, is becoming more common and the quality of the information provided across all sectors and jurisdictions is improving. This development reflects an increasing recognition that Scope 3 emissions are an important component of investment-risk analysis because, for most

entities, they represent by far the largest portion of an entity's carbon footprint.

Entities in many industries face risks and opportunities related to activities that drive Scope 3 emissions both up and down the value chain. For example, they may need to address evolving and increasingly stringent energy efficiency standards through product design (a transition risk) or seek to capture growing demand for energy efficient products or seek to enable or incentivise upstream emissions reduction (climate opportunities). In combination with industry metrics related to these specific drivers of risk and opportunity, Scope 3 data can help users evaluate the extent to which an entity is adapting to the transition to a lower-carbon economy. Thus, information about Scope 3 GHG emissions enables entities and their investors to identify the most significant GHG reduction opportunities across an entity's entire value chain, informing strategic and operational decisions regarding relevant inputs, activities and outputs.

For Scope 3 emissions, the Exposure Draft proposes that:

- an entity shall include upstream and downstream emissions in its measure of Scope 3 emissions;

- an entity shall disclose an explanation of the activities included within its measure of Scope 3 emissions, to enable users of general purpose financial reporting to understand which Scope 3 emissions have been included in, or excluded from, those reported;

- if the entity includes emissions information provided by entities in its value chain in its measure of Scope 3 greenhouse gas emissions, it shall explain the basis for that measurement; and

- if the entity excludes those greenhouse gas emissions, it shall state the reason for omitting them, for example, because it is unable to obtain a faithful measure.

Aside from the GHG emissions category, the other cross-industry metric categories are defined broadly in the Exposure Draft. However, the Exposure Draft includes non-mandatory Illustrative Guidance for each cross-industry metric category to guide entities.

a) The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?

Comments: We suggest deleting "internal carbon prices" and "the percentage of executive management remuneration that is linked to climate-related considerations". With regard to internal carbon prices, it is difficult to determine reasonable internal carbon prices. With regard to the percentage of executive management remuneration, executive management remuneration is affected by various factors, so it is difficult to determine the percentage of climate-related considerations in executive management remuneration.

(c) Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?

Comments: No. The measurement method of greenhouse gas emissions in the GHG Protocol is different from that recommended in the reporting guidelines proposed by the National

Development and Reform Commission of China. We suggest allowing other methodologies and further exploring how to coordinate to achieve consistency in different international climate information disclosure standards.

(d) Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3—expressed in CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH4) separately from nitrous oxide (NO2))?

Comments: We agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1 and Scope 2—expressed in CO2 equivalent.

(e) Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for:

(i) the consolidated entity; and

Comments: Yes.

(ii) for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not?

Comments: No. For associates, joint ventures, unconsolidated subsidiaries and affiliates, because the company does not have control over them, it may be difficult to completely, neutrally and accurately identify and describe the material information about all significant sustainability-related risks and opportunities faced by the above-mentioned entities, and the measurement standards of these entities may be different from that of the reporting entity.

(f) Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?

Comments: No. Because Scope 3 involves a large amount of external data and estimation, it is difficult to ensure the accuracy and comparability of the absolute gross Scope 3 emissions. At the current stage, it is challenging for entities to disclose Scope 3 emissions, so we suggest not requiring the disclosure of absolute gross Scope 3 emissions for the time being.

Question 12—Costs, benefits and likely effects (key question)

Paragraphs BC46–BC48 of the Basis for Conclusions set out the commitment to ensure 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?

Comments: The ISSB should consider costs related to professional staffing and training, purchase of testing instruments and equipment, modification of business procedures and information systems, data collection and processing, third-party consultation or assurance, etc.

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

should consider?

Comments: Same as above.

(c) Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?

Comments: Yes. The cost of collecting and processing information is high. It needs a lot of time and money to build relevant models and mechanisms, but the effects of the actual climate change risk on some industries are limited. The investment is only made as required by rules, and might be of limited value to the users of reporting and the development of the company.

Question 13—Verifiability and enforceability (key question)

Paragraphs C21–24 of [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* describes verifiability as one of the enhancing qualitative characteristics of sustainability-related financial information. Verifiability helps give investors and creditors confidence that information is complete, neutral and accurate. Verifiable information is more useful to investors and creditors than information that is not verifiable.

Information is verifiable if it is possible to corroborate either the information itself or the inputs used to derive it. Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation.

Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.

Comments: There are obstacles to verifiability, and we suggest that the sustainability-related disclosures should be verified or certified by auditors or other independent third-party institutions to improve the credibility of the disclosed information.

Question 14—Effective date (key question)

Because the Exposure Draft is building upon sustainability-related and integrated reporting frameworks used by some entities, some may be able to apply a retrospective approach to provide comparative information in the first year of application. However, it is acknowledged that entities will vary in their ability to use a retrospective approach.

Acknowledging this situation and to facilitate timely application of the proposals in the Exposure Draft, it is proposed that an entity is not required to disclose comparative information in the first period of application.

[Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* requires entities to disclose all material information about sustainability-related risks and opportunities. It is intended that [draft] IFRS S1 *General Requirements for Disclosure of*

Sustainability-related Financial Information be applied in conjunction with the Exposure Draft. This could pose challenges for preparers, given that the Exposure Draft proposes disclosure requirements for climate-related risks and opportunities, which are a subset of those sustainability-related risks and opportunities. Therefore, the requirements included in [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* could take longer to implement.

(a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*? Why?

Comments: The effective date of the Exposure Draft should be later than that of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1). The question states that the requirements included in IFRS S1 could take longer to implement. As general requirements for sustainability-related financial information disclosure, IFRS S1 poses great challenges for most companies, and companies generally lack relevant talents, mechanisms, and basic system in the short term. Building corresponding capabilities requires a certain amount of time and investment. We suggest considering the issuance of this Exposure Draft after IFRS S1 has been widely applied.

(b) 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 in the Exposure Draft.

Comments: Considering the diverse development stages and cultures and other factors of different jurisdictions, as well as the actual situation of China, we suggest that the effective date of the ISSB sustainability-related financial information disclosure standard be about 5 years after its issuance so that most companies can make preparations during the transition period.

(c) Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?

Comments: Yes. Entities could apply some of the disclosure requirements included in the Exposure Draft earlier than others. For example, disclosure requirements related to governance could be applied earlier, mainly because the effective implementation of sustainability-related information disclosure requires the support from the board of directors, senior executives and management, as well as the recognition from relevant staff.

Question 17—Other comments (key question)

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

Comments: a) We suggest giving due consideration to both costs and benefits, making disclosure requirements mainly non-mandatory, and reducing the disclosure requirements on quantitative data, and introducing the "comply or explain" principle, so as to meet the practice of companies in different jurisdictions and at different stages of development, and guiding the practice of companies in stages and steps. b) We suggest further refining the

disclosure requirements by reducing subjective judgments, improving the comparability of the disclosed information, and providing best practice for the company to disclose relevant information. c) As the relevant standards and industry classifications in the Exposure Draft may not be applicable to domestic companies, we suggest further enhancing the inclusiveness of relevant standards, accepting the standards commonly used by domestic companies, and clarifying the relevance and overlap between different standards. d) We suggest preparing supporting operational materials to assist the company in disclosing climate-related information, such as public data and models of climate-related scenario analysis.