This document outlines responses provided by Philip Morris International, Inc. to the International Sustainability Standards Board (ISSB) of the IFRS Foundation on July 29, 2022 in response to public consultation on its Exposure Draft on IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information. It should be read in conjunction with a publicly available cover letter co-signed by Emmanuel Babeau, CFO and Jennifer Motles, CSO. Text in blue indicates company responses.

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?

Broadly agree.

We do suggest that the "dependencies and impacts" clause, which is used throughout, be related to the concept of materiality in financial reporting. This gets into the domain of single vs. double materiality as discussed in the European sustainability reporting standards (ESRS) proposals. Most of the major existing voluntary sustainability reporting initiatives are focused on the former. The World Economic Forum / International Business Council (WEF IBC) initiative has a combination of both. Since the Exposure Draft (ED) was issued, the collaboration between the ISSB and GRI has been announced. In order to ensure further harmonization of global standards on sustainability reporting, it would be useful to incorporate the implications of this in the Exposure Draft.

We also note that sub-question (a) says "all" rather than "all significant." it will be important to clean up this language and make it consistent throughout the standards. It will also be important to clarify how "significant" risks is defined and what the threshold would be for companies to deem an ESG-related risk significant enough to report on in the first place (and for auditors to therefore assess completeness). Paragraph BC 40 says "The significance of the risks and opportunities is, therefore, entity-specific and is determined according to the entity's risk management processes and informed by the entity's strategy, objectives and risk appetite. Significant risks are those that an entity prioritizes for management responses." Companies producing regulatory filings such as the 10-K/10-Q are already listing and describing material information on risk factors that meet their entity-specific threshold.

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If a U.S.-listed company that has already performed an integrated risk assessment in which no ESG-related topics met the significance/materiality threshold, would this mean that as long as the risk assessment process is described, the company would not be expected to report against any of the topic-specific standards?

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

Broadly agree.

As noted in the ED, it is built on a solid foundation of the work of other organizations that have developed sustainability reporting framework and standards. As currently conceived, the standards may not be compatible with U.S. concepts of financial materiality. In order to meet its objectives, the ISSB should develop a mechanism for voluntary application of the standards for U.S. listed companies that aligns with disclosure channel expectations of the voluntary disclosure standards these companies currently report against.

(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?

Broadly agree.

How they would be applied together as an ecosystem is intuitive and clear. As additional environmental, social, and industry-specific standards are developed moving forward, it will be crucial for the ISSB to maintain consistency in language and approach.

(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?

Broadly agree.

It may be difficult for auditors to determine the completeness of disclosure (and adherence to the standard) when using “material information on significant risks” as a threshold. What is the basis for their conclusion that all significant risks have been identified and reported against without a more standardized and clarified assessment process or threshold for both companies and auditors to reach their conclusion? It would also be useful to specify any important similarities and differences compared to IFRS for auditors and regulators, particularly if statutory auditors are being tasked with this determination.

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.

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

Broadly agree.

We would note a few recommendations for clarifying and enhancing the standards: (1) While "people, planet and the economy" is a common phrase, there is some ambiguity here between aggregated and local magnitude of various impacts that we would advise clarifying. Depending on the category of people, dependencies can be large and thus material (e.g., employees) while impacts can also be large but not material (e.g., outsourcing functions which create the loss of jobs). In terms of planet, no single entity, however large, is going to have much impact although it can be highly dependent on the state of the planet. But that dependency can be very local. It's a unit of analysis issue here. The aggregate impact of all entities on the planet is large but no single one is that important. In terms of economy, a company's financial performance also depends upon and has an impact on the economy, but again, the impact on the economy of any single company, however large, is very small; and (2) The phrase "impacts and dependencies" which is used throughout could use some clarification, especially as the "impact" terminology may connote the outward impact portion of "double materiality."

(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?

Broadly agree.

The definition would benefit from some clarifications: (1) We would recommend defining "Risk profile" in the Appendix. (2) The definition of "Value chain," in addition to mentioning distribution channels, should include customers. (3) IFRS S2 talks a lot about insurance companies, investment banks, and other intermediaries but these are not listed as primary users. (4) More clarity needs to be provided for the term "connected to the other information in the entity's general purpose financial reporting." (5) We note that BC 25 is a departure from other places that mention "significant sustainability-related risks and opportunities" because BC 25 says "a complete set of sustainability-related information" and defines that as "information that gives insight into sustainability-related risks and opportunities that affect enterprise value." We urge the ISSB to align this phrasing and explanation throughout, and that clearer, more specific guidance and standardization be set out for understanding and applying the significance standard as previously highlighted.

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?

Broadly disagree.

Paragraph 9's language seems to present another new threshold for inclusion of information. BC 25 is a "complete set of sustainability-related financial information" threshold and BC 40 is a "significant sustainability-related risks and opportunities" threshold. The exposure draft, on the other hand, appears to use wording very similar to U.S. Supreme Court rulings stating: "Sustainability-related risks and opportunities that cannot reasonably be expected to affect assessments of an entity's enterprise value by primary users of general purpose financial reporting are outside the scope of this [draft] standard." We also wonder how much variation there is, if any, about the boundaries of the entity for different types of GAAP which may impact global comparability.

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?

Boradly agree.

They are largely aligned with the TCFD, which we commend as it provides a robust and consistent foundation. We do recommend clarifying the term "stakeholder feedback" as stakeholders are typically seen as a broader group that includes, but is not limited to, primary users of financial information.

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

Boradly agree.

The same reasons as in part (a).

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?

Broadly agree.

We agree that registrants should aim to align sustainability-related disclosures with organizational boundaries using the same scope of its consolidated financial statements as proposed where possible.

However, we note that a large portion of data and information needed to assess significant sustainability-related risks and opportunities can fall outside an organization's boundaries, which is not the case for financial reporting. This can limit an organization's access to all the information it needs to fully disclose against the proposed standards in a timely and accurate fashion. In addition, sustainability-related metrics require processes and procedures that are not consistent across entities and differ from financial reporting processes. For example, a reporting entity may not have authority to introduce and implement operating policies and systems (immediately or over the long term) over financially-owned, but not controlled, entities such as certain investments or joint ventures whereby consolidated companies continue to enjoy full or partial independence. Aligning requirements in the standards with the principle of operational control that is well-defined in the guidance of the Greenhouse Gas Protocol would be an appropriate alternative. The standards should allow registrants to report based on these slightly different scope and boundaries as long as any discrepancies between the scope and boundaries of sustainability-related disclosures and broader financial disclosures are explained.

(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?*

Broadly agree.

It would be useful to explain how activities, interactions, and relationships are related to each other and better explain how they are distinct concepts. We have a few questions that could help guide refinements in the standards: Are activities things that occur within the legal boundaries of the entity that don't involve other entities? What is the difference between interactions and relationships? Are customers part of the value chain?

We would also deem it useful to go beyond definitions and provide further clarification on the relationship between strategic purpose and business model as well as between strategy, business model, objectives, and risk appetite. Unlike IFRS S2 there is no "Defined Terms" appendix, which we would recommend adding for clarity purposes.

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

Broadly agree.

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) between 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?*

Broadly agree.

We commend the idea of connected information and there is a useful discussion on connectedness between climate-related topics and financial performance. These are important, but more clarity could be given about the connectedness between sustainability-related risks and opportunities, sustainability-related metrics, and financial performance. There often are trade-offs between sustainability-related topics but sometimes they are mutually reinforcing. We also note that timeframes for these relationships are important. Short-term tradeoffs can achieve long-term benefits.

(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?*

Broadly agree.

We would appreciate more clarity on the distinction being drawn between general purpose financial reporting and financial statements.

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?

Broadly agree.

Using geographical location and geopolitical environment as examples begs the question of business units, particularly when a company is in a range of businesses according to the SASB SICS or undergoing a significant business transformation. There should be clarity that disclosure is only required if it's material to the entire consolidated group, not if it is material to a business unit or geographical location without being material to the entire organization.

This point further highlights the need for interoperability with other jurisdictional regulations such as CSRD in Europe.

(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.*

Broadly agree.

Considering that the GRI was not represented in the Technical Readiness Working Group (TRWG), we would welcome additional language about the relevance of the IFRS Foundation/GRI collaboration that was announced after this Exposure Draft was published. This relationship will be critical moving forward, particularly on alignment on the "inward impact" portion of sustainability-related disclosures.

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?*

Broadly agree.

We believe the definition broadly follows the concept of materiality for financial reporting but note there's a possible nuance in materiality for impact vs. dependencies. We urge the ISSB to ensure alignment between EFRAG and ISSB definitions for the inward impact aspect of materiality.

In addition, paragraph 59 seems to imply a full-fledged annual reboot of the materiality assessment each reporting period, which is not practical and does not follow common practice in the sustainability reporting world whereby materiality helps set priorities to work on in not only the short- but also the medium- and long-term. Periodic assessments also do not follow common practice in financial reporting and regulated filings for U.S. listed companies where materiality determinations are ongoing and not distinct assessments. We would recommend removing this requirement if the disclosure channel is regulated filings for U.S. listed companies to avoid requiring processes at odds with current practice.

Alternatively, we would recommend clarifying this requirement and adjusting it to "periodic" or "when significant organizational changes have occurred" if voluntary application in stand-alone reports is made possible. In the latter instance, the language could also clarify "reporting period" as annually, biannually, quarterly, etc. to avoid discrepancies between reporting practice in different jurisdictions.

(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?*

Broadly agree.

The standard should be explicit as is IFRS S2 that it will not define short-, medium-, and long-term.

(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?

Broadly agree.

We would appreciate for the materiality process itself to be further spelled out and standardized to ensure consistency in application.

(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?

Broadly agree

Even in the absence of requirements preventing disclosure, common practice in some countries is a reluctance to do so in a formal filing document out of concern of litigation. This should be addressed by creating guidance for voluntary application of the standards in jurisdictions where regulation has not yet, or likely will not in the future, mandated the use of the ISSB standards.

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?
Broadly agree.

For users of general purpose financial reporting it would be necessary to have all financially material information published within a reasonable timeframe for it to be considered decision-useful. We would recommend that for U.S.-listed companies, this information be published at the same time as the Proxy Statement which forms part of the management report, as opposed to the same time as the financial statements. Publishing at the same time as the financial statements would require companies to rely more heavily on data assumptions and would make verification of sustainability data challenging.

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?*

Broadly disagree.

It would be helpful to have a clearer definition of "location" as it could be interpreted differently (e.g., referring to core financial statements, notes to financial statements, management commentary section, investor presentations, etc.).

For jurisdictions where disclosures are not mandated, a stand-alone sustainability report being published simultaneously and alongside the annual report, but not necessarily explicitly cross-referenced from the annual report or forming part of the annual report, might be more appropriate. For U.S. listed companies, we recommend that this information be published in a stand-alone report cross-referenced from the Proxy Statement which forms part of the management report, as opposed to the same report as the financial statements. This could potentially avoid complications with local regulations and address concerns around the timeline noted in previous questions.

(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?*

Other.

Even in the absence of regulation explicitly prohibiting disclosure, common practice in some countries is a reluctance to do so in a formal filing document out of concern of litigation.

(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 cross-referenced? Why or why not?*

Other.

Language around cross-referencing might still have similar concerns for auditability and legal liability if it is included in the 10-K. A lower threshold of publishing at the same time and in the same location on the investor relations website would address these concerns.

(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?*

Broadly agree.

There is ambiguity about the meaning of "integrated." Does this mean "merged into one place" or is this a nod to the IIRC? What is the relationship between "integrated" and "interconnected" in this area? The way the term "integrated" is being used with respect to governance, strategy, and risk is rather different than it is in most people's notions of "integrated reporting."

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?*

Broadly agree.

(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?*

Broadly agree.

The entity should provide a clear explanation that it is doing so and why it judges the new measure to be better. We also are wondering if the Exposure Draft clearly defines the difference between "measure" and "metric."

(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?*

Broadly agree.

We do not understand how this could not be the case.

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?

Broadly agree.

Within jurisdictions where these standards become mandated, the statement of compliance as proposed is appropriate. Within jurisdictions where application of these standards will be voluntary, ISSB should consider how companies can be considered in compliance with the standards when not fully meeting all requirements such as disclosure channel.

It is also unclear whether a particular individual or group in the company signs off on this statement and whether an auditor does so if an audit is done.

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.*

There is a difference between when the final standards are published, and when local jurisdictions then mandate it.

For a large, multinational entity such as PMI that is already reporting against a range of voluntary standards, we would need at minimum two full fiscal years after a standard is published to be in a position to voluntarily comply with it. For example, if a standard is published Q4 2022, we would be in a position to publish FY24 data in FY25. This would give time to build up internal capabilities, data collection processes, and internal controls and procedures including any updates to IT systems and software that would be required to be able to present reliable data.

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

Broadly agree.

Companies would need adequate time to prepare data collection processes and internal controls.

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?

Yes.

There are two potential areas that might hinder this ability: (1) How the IFRS Foundation collaborates with EU/EFRAG to ensure a global baseline for the inward impact can actually be met; and (2) The ability or willingness of U.S.-listed companies to disclose this information in regulated filings as discussed in prior responses.

That being said, investor pressure could push U.S.-listed companies and those headquartered in jurisdictions that have not yet adopted the standards in regulation to want to comply with the standards, similar to how many companies currently disclose against SASB Standards on a voluntary basis. If IFRS S1 can be largely used on a voluntary basis, such as through stand-alone sustainability reports, there may be a better n easier opportunity for these companies to disclose consistent, comparable, decision-useful information that would help set the scene for global adoption.

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)?

We would recommend clarification on if and how this is related to digital reporting for the financial statements and how interoperable it will be with EU's digital tagging for ESRS and XBRL for financial reporting in the U.S. A lack of interoperability of standards could create significant practical barriers to the preparation of disclosure documents. We would also propose an implementation timeline, with a limited number of core metrics being required at least at first. Finally, we would propose limiting company-specific tagging to ensure information is comparable across companies and to reduce reporting burden.

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?

The benefits to the primary users of financial statements are clear. The benefits to reporting companies depend on the quality of their sustainability performance. For PMI, the benefits are primarily improved quality and consistency of reporting and comparability with other issuers. Based on our experience, these different considerations can all lead to improved sustainability performance (i.e., competing with other companies on performance rather than methodology, ensuring common understanding across the company including senior management, etc.).

In terms of costs, it depends a lot on how much infrastructure a company already has in place for sustainability reporting. There is also the question of the extent to which software developed based on this standard can lower implementation and operating costs, and the level and ease of interoperability with other emerging regulation.

For companies already voluntarily reporting against GRI and SASB, implementing the ISSB proposals would represent a modest cost in the first year or two of implementation to ensure full alignment but would not represent significant additional ongoing costs or burden. The ongoing costs or burden would, however, largely depend on the level of interoperability between the ISSB proposals, the inward impact focus of the ESRS proposals, and any future regulation beyond climate-related disclosures the U.S. SEC may impose.

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

From a PMI perspective, this would not incur material additional costs since we are already committed to reporting on information that extends beyond the scope of the ISSB proposals on a voluntary basis.

Question 17—Other comments

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

Our general observations will be presented in a public comment letter submitted shortly after our survey responses.

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