



To: International Sustainability Standard Board (ISSB)
Attn: Mr Emmanuel Faber
Chair
IFRS Foundation Satellite Office
Opernplatz 14
60313 Frankfurt am Main
Germany

Our ECO-CORP-22-151

reference:

Subject: ISSB's Exposure Drafts "IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information" and "IFRS S2 Climate-related Disclosures"

Brussels, 29-07-2022

Dear Mr Faber,

Insurance Europe welcomes the opportunity to comment on the Exposure Drafts of the International Sustainability Standards Board (ISSB) covering General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and Climate-related Disclosures (IFRS S2).

As Europe's largest institutional investor, the insurance industry recognises that an international approach to sustainability reporting standards is needed because climate change and the sustainable transition are global issues that deserve a global approach, and also because a global approach would support the reporting activities of insurers, which themselves have a global footprint.

European insurers are convinced that the ISSB is in a position to help avoid global fragmentation and overlapping requirements in the field of sustainability reporting. Hence, European insurers support the ISSB objective of promoting the convergence of national and regional sustainability reporting standards and International Financial Reporting Standards (IFRS) sustainability disclosure standards (SDS) by creating a global baseline that is developed in close dialogue and collaboration with relevant jurisdictions. The ISSB can help achieve the same understanding of sustainability reporting worldwide. This will ultimately reduce compliance costs for reporting companies and improve the comparability and availability of sustainability data and market transparency for investors.

The insurance industry supports the fact that the ISSB's sustainability reporting requirements act as the global baseline, in which jurisdictions and regional standard-setters can develop complementary requirements to address their specific policy characteristics. In view of this, interoperability between the Task Force on Climate-related Financial Disclosures (TCFD) and the ISSB's Exposure Drafts is welcome. It is also indispensable that the ISSB works in close cooperation with other relevant jurisdictions, including the EU, when developing the global baseline for reporting requirements to avoid overlaps and inconsistencies and thus ensure full interoperability. Ultimately, European insurers active in international markets should comply with the ISSB standards by applying European Sustainability Reporting Standards (ESRS), thus avoiding double reporting efforts.

The formation by the ISSB of the Sustainability Standards Advisory Forum to enhance compatibility between the draft IFRS Sustainability Disclosure Standards (the global baseline) and ongoing jurisdictional initiatives on sustainability disclosures is highly welcome in this regard. Irrespective of the degree of overlap/actual alignment, ensuring a sound basis for interoperability with existing and upcoming sustainability reporting standards developed by national and regional standard-setters worldwide is essential.

Insurance Europe would like to stress the following key elements:

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- **Existing frameworks need to form the basis for reporting requirements:** insurers welcome the fact that the ISSB requirements are based on existing key reporting initiatives that have already reached a high level of maturity. In particular, Insurance Europe welcomes the fact that the proposed standards:
 - Build on and closely align with the TCFD recommendations, which form a well-established and widely accepted global framework for climate-related disclosures.
 - Build on the IFRS financial reporting framework, especially in relation to the general features, to allow for the achievement of a high degree of integration and connectivity between financial reporting and sustainability reporting where possible.
 - Leverage the standards of the Sustainability Accounting Standards Board (SASB) as the most well-established, industry-based, investor-focused reporting initiative. However, addressing the international applicability of the SASB standards, which have a US focus, and adapting them to users' information needs, as relevant, should be a priority of the ISSB's workplan.
- **Comparative information:** restatement of comparative information should be made on a best-effort basis and not unduly burden reporting entities.
- **Reporting on forward-looking information:** requirements currently seem unclear, especially in terms of financial position and cash-flow projections. The time horizon for those projections should be clarified too. Cooperation with the EU is necessary to ensure the interoperability and compatibility of IFRS SDS and ESRS requirements.
- **Activity classification:** it is important that the activity classification is compatible with the EU classification system.
- **Value chain:** Insurance Europe welcomes the fact that the ISSB, similarly to the European Financial Reporting Advisory Group (EFRAG), intends to require companies to report on their own operations and their value-chain and sustainability-related risks and the opportunities therein. Both EFRAG and the ISSB seem to propose a similar definition of the value chain, so it is hoped that alignment of such a key concept can be achieved. However, according to the current IFRS Exposure Drafts, undertakings should disclose relevant sustainability risks and opportunities across the whole value chain, which is understood in a very broad sense. While the rationale behind this extensive definition is understood, Insurance Europe believes that it might prove infeasible for undertakings to disclose such information in all cases across the entire value chain; in these cases, the information value would also be limited. In general, taking account of data availability, clarity is needed on how the value chain is defined for the financial sector and how the concept/requirement should be applied. In Insurance Europe's view, the value chain for financial institutions should encompass direct upstream and downstream value-chain partners such as suppliers and business partners, as well as investees and policyholders, however with limited look-through requirements to be supplemented by qualitative sector-specific disclosure requirements. A look-through to (all) investees, clients and policyholders for all disclosures clearly needs to be avoided, given the significant implications for reporting and the challenges related to data availability.
- **Compatibility between ISSB and EU standards:** with the ongoing development of EU sustainability reporting standards, the EU perspective should be highlighted through close dialogue between EFRAG and the ISSB to achieve a reasonable level of alignment, and at least full compatibility and interoperability of reporting standards to avoid a double reporting burden for EU preparers.

We have submitted our more detailed comments on the EDs through the ISSB website. We look forward to having an opportunity to meet with you to discuss the ISSB Sustainability Standards, or any other related matters. In case you have any questions or comments, please do not hesitate to contact me or Philippe Angelis, senior policy advisor (angelis@insuranceeurope.eu).



Yours sincerely,

A handwritten signature in black ink that reads "Olav B. Jones". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Olav Jones
Deputy Director General
Insurance Europe

About Insurance Europe:

Insurance Europe is the European insurance and reinsurance federation. Through its 36 member bodies — the national insurance associations — it represents all types and sizes of insurance and reinsurance undertakings. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers pay out over €1 000bn annually — or €2.8bn a day — in claims, directly employ more than 920 000 people and invest over €10.6trn in the economy.