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Submitted via the IFRS website

Emmanuel Faber
Chair
International Sustainability Standards Board
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Request for information: ISSB Consultation on agenda priorities for the two-year period commencing 2024

Dear Mr Faber:

The International Association of Insurance Supervisors (IAIS) welcomes the opportunity to comment on the Request for Information on Consultation on agenda priorities from the International Sustainability Standards Board (ISSB), issued in May 2023.

As the ISSB works on finalising its consultation on agenda priorities, it may wish to consider the following points:

The ISSB should continue to focus on climate first

The ISSB should prioritise work that will help to support the adoption of the new climate standard and ensure strong linkages between climate disclosures and financial reporting. The IAIS believes that ensuring effective implementation of the climate standard is more important than moving into new areas.

The ISSB should also consider what else needs to be done to deliver effective economy-wide climate disclosures across jurisdictions. The implementation of broad and high-quality climate standards across the economy is important to ensure that insurers have access to the data they need from their counterparties to manage climate risks (eg risks that arise from changes to climate and from the transition to a lower carbon economy).

The linkage between climate disclosures and financial reporting disclosures is important

Users will find it easier to comprehend (and make decisions on) climate disclosures when they understand how these link to the financial statements they are already familiar with. This, in turn, should support the ability of market forces to drive improvements. A strong linkage between disclosures and accounting (and the finance/reporting function) would likely support higher-quality practices and processes for identifying and measuring climate risks. This could benefit the quality of insurers' (and other entities') own disclosures, and support risk management processes. The



strong linkage may also improve the quality of information used for supervisory assessment purposes (if not immediately, then potentially in the future).

Reference can also be made to the [final report on bridging data gaps](#) as issued by the Network for Greening the Financial System (NGFS), which discusses the rationale for regulatory climate disclosures as well as the need to draw linkages between financial and non-financial risk reporting.

The ISSB should support consistent implementation of IFRS S1 and IFRS S2

As insurance supervisors, the majority of IAIS members are not in charge of enforcing general sustainability-related disclosure requirements. However, part of their mandates is to ensure financial stability by closely monitoring the exposure of jurisdictional financial institutions to sustainability risks to assess potential implications for the financial system.

Therefore, the IAIS' main area of focus remains the successful implementation of high-quality disclosures on climate-related risks as climate-related risks are a significant source of financial risk. In that regard, the IAIS agrees that the primary focus of the ISSB should be to support the consistent implementation of IFRS S1 and IFRS S2 and to expand the requirements, in particular to strengthen the required metrics.

As regards the other projects, and acknowledging the fact that the time horizon of the agenda consultation is limited to 2024-2025, the IAIS suggests that the ISSB potentially also focus on the research project on biodiversity. In this respect, in March 2022, the NGFS issued a [report](#) highlighting that biodiversity loss may trigger significant financial losses for businesses through transmission channels similar to climate-related risks. In addition, the ISSB may build on previous work undertaken by the Task Force on nature-related financial disclosures. Finally, such a project could also benefit from the work undertaken by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. The IAIS also notes an interest in a research project on human capital, which could have implications for insurers' culture, governance and conduct of business.

The ISSB should also focus on addressing barriers to broad adoption across the economy

It is important that the ISSB build networks with the legislative and regulatory authorities responsible for endorsing and adopting ISSB standards. These networks will play an important role in enabling effective and consistent implementation globally. The networks will also ensure there are appropriate feedback loops relating to implementation challenges. It will be important for the ISSB to ensure that any barriers to the widespread adoption of ISSB standards are identified and addressed in a timely fashion.

The ISSB should consider a new key message on developing an “ISSB for non-listed entities” (or ISSB for SMEs)

Insurers' climate-related risks will be partly derived from their exposure to entities that may vary in size and corporate form. As such, the IAIS would encourage the ISSB to consider further action to take account of the distinct needs of users of smaller non-listed entity disclosures and the cost to these entities of full ISSB disclosure. Measures that facilitate the broad adoption of disclosures from a wide range of entities may, in turn, help insurers better understand climate risks. It would also likely aid insurers by allowing them to use the disclosures of their counterparties in managing these climate risks. If the ISSB were to develop disclosures specifically for SMEs, it would be important for these entities (from different jurisdictions) to be involved at an early stage, considering their relatively limited awareness, knowledge and resources with respect to these issues at this stage.



Developing ISSB for smaller and non-listed entities would likely reduce inefficiencies for smaller entities. This would also support ISSB standards as the global baseline. It may, however, add to the reporting burden, which would reduce uptake across the economy.

Helping to encourage broad adoption of disclosures through requirements that are specifically designed with smaller firms in mind may in turn help insurers as noted above. We would want this to happen in a way that supports ISSB standards as the global baseline.

This comment letter was prepared on behalf of the IAIS by its Accounting and Auditing Working Group (AAWG) in consultation with IAIS members. If you have further questions regarding this letter, please contact Lydia Kimumwe at the IAIS Secretariat (tel: +41 61 280 8679; email: lydia.kimumwe@bis.org) or Markus Grund, Chair of the AAWG (tel: +49 228 4108 3671; email: markus.grund@bafin.de).

Kind regards,

A handwritten signature in blue ink, appearing to read "Victoria Saporta".

Victoria Saporta
Chair, Executive Committee

A handwritten signature in blue ink, appearing to read "Matt Walker".

Matt Walker
Chair, Policy Development Committee

About the IAIS

The IAIS is a global standard-setting body whose objectives are to promote effective and globally consistent supervision of the insurance industry to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to the maintenance of global financial stability. Its membership includes insurance supervisors from more than 200 jurisdictions. Learn more at www.iaisweb.org.