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commentletters@ifrs.org

**IFRS Foundation**

7 Westferry Circus – Canary Wharf

London E14 4HD

United Kingdom

**Reference: Staff Request for Feedback – Staff Draft of the IFRS Sustainability Disclosure Taxonomy.**

The *Comitê Brasileiro de Pronunciamentos de Sustentabilidade* - CBPS (Brazilian Committee of Sustainability Pronouncements)<sup>1</sup> welcomes the opportunity to respond to the Staff Request for Feedback.

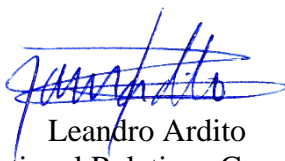
We are a standard-setting body engaged in studying, developing, and issuing sustainability standards, interpretations, and guidance for Brazilian companies.

CBPS supports the ISSB's efforts to enhance the taxonomy of sustainability disclosure.

If you have any questions about our comments, please do not hesitate to contact us at [administrativo@facpc.org.br](mailto:administrativo@facpc.org.br).

Yours sincerely,

Comitê Brasileiro de Pronunciamentos de Sustentabilidade  
Fundação de Apoio ao CPC



Leandro Ardito

International Relations Coordinator



Eduardo Flores

Technical Coordinator

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<sup>1</sup>The Brazilian Committee of Sustainability Pronouncements (CBPS) is a standard-setting body engaged in the study, development and issuance of sustainability standards, interpretations and guidances for Brazilian companies. Our members are nominated by the following entities: ABRASCA (Brazilian Listed Companies Association), APIMEC Brasil (National Association of Capital Market Investment Professionals and Analysts of Brazil), B3 (Brazilian Stock Exchange and Mercantile & Future Exchange), CFC (Federal Accounting Council), FIPECAFI (Financial and Accounting Research Institute Foundation) and IBRACON (Brazilian Institute of Independent Auditors).



Comitê Brasileiro de Pronunciamentos de Sustentabilidade (CBPS)

## Addressing the Questions

### Question 1 – Distinct taxonomy

*Do you agree with the staff recommendation to create a distinct IFRS Sustainability Disclosure Taxonomy separate from the IFRS Accounting Taxonomy? (Paragraphs 1–10).*

*Why or why not? If not, what alternative approach would you suggest and why?*

**Response:** The CBPS agrees with this proposal; although the sustainability reports (ISSB standards disclosures) may be issued together with the set of financial statements, currently, there are two distinct frameworks, following different standards and meeting different metrics, ratios, and information. Therefore, it seems to be appropriate to issue two taxonomy guidelines.

However, it is a matter point to consider a potential integration between financial and pre-financial information in the short-term, mainly to potentialize the ability of this set of information to predict enterprises' value creation.

Some participants consider it is important to clearly specify what the term taxonomy means not to create misinterpretation once this term has been widely used in terms of sustainability.

### Question 2 – Taxonomy grouping

*Do you agree with the staff recommendation to organise the general content of the IFRS Sustainability Disclosure Taxonomy, by both:*

- *IFRS Sustainability Disclosure Standard; and*
- *aspects of core content?*

*Do you agree with the staff recommendation to organise the content in the IFRS Sustainability Disclosure Taxonomy related to industry-based metrics separately and organised by the industry for which they are specified? (Paragraphs 11–30)*

*Why or why not? If not, what alternative approach would you suggest and why?*

**Response:** The CBPS agrees with such a proposal, especially when it relates to grouping by core content as an alternative to the more “traditional” grouping by disclosure which,

in our views, would facilitate the user when tagging disclosures and identifying the most appropriate information in light of users' needs.

Furthermore, grouping information by industry level might be appropriate, considering the specificities of each sector in terms of climate change effects.

However, it is relevant to clarify if this grouping is justified considering the issues raised in paragraph 38 and potentially indicate alternatives to mitigate the disadvantages mentioned.

### **Question 3 — Relationship between the *General Requirements Exposure Draft* and *Climate Exposure Draft* in the Taxonomy**

*Do you agree with the staff recommendation to reflect the proposed disclosure requirements related to each aspect of core content as a separate list of distinct elements (line items) for each of the [draft] IFRS Sustainability Disclosure Standards? (Paragraphs 31–53)*

*Why or why not? If not, what alternative approach would you suggest and why?*

**Response:** The CBPS agrees with this staff recommendation. While this approach may be subject to potential overlap of requirements and potentially lead to duplication of information, we believe that as this approach is consistent with the one applied by the IFRS Accounting Taxonomy, it will facilitate the comprehension and application by users in this initial stage of the IFRS Sustainability Standards, besides also allowing for greater freedom to consider disclosure requirements in other standards in the future that may not be necessarily consistent with positions taken on previously enacted IFRS Sustainability Standards.

### **Question 4—Granularity of narrative information**

*Do you agree with the staff recommendation that, as a principle, distinct taxonomy elements should be created for narrative information that is expected to be both separately understandable to primary users of sustainability-related financial information, and easily identifiable for tagging? (Paragraphs 55–68).*

*Why or why not? If not, should taxonomy elements generally be provided to represent more detailed or less detailed narrative data sets? Why?*

*This principle, applied to the disclosure requirements proposed in the exposure drafts, has resulted in the staff recommending the creation of:*

- *narrow scope narrative elements typically corresponding to disclosures to be provided to meet proposed requirements listed in first-level subparagraphs of the exposure drafts (Paragraph 62)*

- *In which, if any, cases do you think the most detailed taxonomy elements that should be included in the Taxonomy correspond to a different level of the requirements proposed in the two exposure drafts?*
- *wider scope narrative elements corresponding to wider (paragraph level) proposed disclosure objectives and to entire aspects of proposed core content (see paragraph 64 and Appendix D)*
- *In which, if any, cases would additional or alternative narrative elements covering wider disclosures be beneficial?*

**Response:** The CBPS agrees with such recommendation. The narrative information organized could increase both: (i) the reporting comparability and (ii) the viability of capturing and using this information via processing learning tools.

The first level and sub-level organization as proposed by the staff might increase the usability of this textual material allowing users to improve their analysis via natural language processing.

#### **Question 5—Categorical elements**

*Do you agree with the staff recommendation to use categorical elements for narrative disclosures that can be represented as either true or false responses or choices from lists of responses? Why or why not? (Paragraphs 69–81)*

*Do you agree with the staff recommendation to create specific categorical elements and their properties? (See Appendix F) Why or why not? If not, do you think any additional categorical elements are needed and, if so, which ones?*

**Response:** The CBPS agrees with such a proposal; however, it is important not to reduce the sustainability information to a checklist approach.

It is important to highlight that while users (especially investors and analysts) of general-purpose financial reporting have advised in the past of their preference for information that is reported uniformly manner (i.e., in tabular formats or similar to the numerical disclosures in specified footnotes) categorical elements for narrative disclosures would create a challenge for individuals involved in reporting since this approach has not been considered before in IFRS Accounting Taxonomy and could also potentially create issues when further projects involving the integration of financial reporting evolve (for example as the ISSB builds on Integrated Reporting Framework providing connectivity between financial statements and sustainability-related financial disclosures).

Additionally, in our view while additional narrative information could be added to provide context and explanations on the categorical elements as explained by request for feedback, in our views those would be unlikely to be viewed in high regard by the users of the financial statements as that qualitative information and explanations would typically be obscured by a categorization that would be viewed as negative by the users of the information, for example.

In summary, the categorial approach is welcome if it is not reducing the narrative approach of information.

However, some participants agree with the categorial proposal.

### **Question 6—Modelling metrics**

*Do you agree with the staff recommendation to:*

- *create elements, equivalent to those in the SASB Taxonomy, for defined metrics common to IFRS Sustainability Disclosure Standards and SASB Standards in the IFRS Sustainability Disclosure Taxonomy? (Paragraphs 82–94)*

- *model disclosures related to entity-specific metrics and targets using a dimensional approach? (Paragraphs 95–99)*

*Why or why not? If not, what alternative approach would you suggest and why?*

**Response:** The CBPS agrees with the representation proposed by the staff about the metrics, especially because these items could be used as covenants indicators by market participants, and the organization of this set of measures matters.

Furthermore, organizing the metrics by levels, such as industry-based, cross-industry based, and entity-defined is relevant due to the level of enforcement over each set of measures as well as to compare companies across their pairs.

### **Question 7—Representing related information**

*Should the IFRS Sustainability Disclosure Taxonomy include a specific mechanism to capture connections between related pieces of information—for example, connections between sustainability-related financial information and information in the financial statements or connections between pieces of sustainability-related financial information? If you do, are you aware of a mechanism that can be used without imposing undue costs on preparers and users of digital reporting? If so, please explain that mechanism. (Paragraphs 101–110)*

**Response:** The CBPS agrees with the recommendation. Identifying connections among the various pieces of information is meant for users to understand consistencies among



disclosures and accounting impacts on financial statements (e.g., estimates, judgments, measurements, and recognition). However, it is important to clarify what are the particular mechanisms that could be used in that respect.

*Alternatively, do you think that the narrative elements in the staff draft of the IFRS Sustainability Disclosure Taxonomy would adequately capture such connections for users of the information without imposing undue costs for preparers and users of digital reporting? (Paragraph 103).*

**Response:** No. Although that alternative could represent a more straightforward and less costly initiative, it is unlikely that such a procedure would provide users with sufficient detailed information. Furthermore, the CBPS concerns are also related to the greenwashing risks.

#### **Question 8—Connections between reports**

*Do you agree with the staff recommendation that requirements related to cross-references in the IFRS Sustainability Disclosure Taxonomy should not be modelled explicitly? (Paragraphs 111–123)*

*Why or why not? If not, what alternative approach would you suggest and why?*

**Response:** The CBPS comprehends the complexity of connecting reports. However, we would like to recommend the search for a viable alternative mainly because the connection between financial and pre-financial information is a relevant expectation from the users of corporate reports and this lack of integration could make unfeasible this approach.

In the CBPS view, the inexistence of a technological alternative to integrate reports could not be used to avoid the integration of the corporate reports.

#### **Question 9—Similar disclosures in IFRS Accounting Standards and in the [draft] IFRS Sustainability Disclosure Standards**

*Do you agree with the staff recommendation to, in principle, model disclosure requirements of the [draft] IFRS Sustainability Disclosure Standards in the staff draft of the IFRS Sustainability Disclosure Taxonomy in the same way similar disclosure requirements of the IFRS Accounting Standards are modelled in the IFRS Accounting Taxonomy, except for categorical information? (Paragraphs 124–132)*

*Do you agree with the modelling in the staff draft of the IFRS Sustainability Disclosure Taxonomy for disclosures that are similar to their counterparts in the IFRS Accounting Standards? (Appendix G) Are there any other disclosures that are sufficiently similar between those set out in the [draft] IFRS Sustainability Disclosure Standards and those in IFRS Accounting Standards, and for which consistent modelling should be considered?*



**Response:** the CBPS broadly agrees. While we believe that modeling the disclosure requirements in a manner that is consistent with the way disclosures are modeled in IFRS Accounting Taxonomy facilitates the adoption of the Sustainability Standards and benefits future integration among the frameworks, we would like to draw attention to our views on categorical elements as expressed further above on Question 5.

**Question 10—Other comments**

*Do you have any other comments or suggestions on the staff draft of the IFRS Sustainability Disclosure Taxonomy?*

**Response:** The CBPS do not have further comments.