28 July 2022

Emmanuel Faber, ISSB Chair
International Sustainability Standards Board
The IFRS Foundation
Columbus Building, 7 Westferry Circus
Canary Wharf, London E14 4HD
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RE: International Sustainability Standards Board Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and Exposure Draft IFRS S2 Climate-related Disclosures

Barclays is a universal consumer and wholesale bank with global reach, offering products and services across personal, corporate and investment banking, credit cards and wealth management. With over 330 years of history and expertise in banking, Barclays operates in over 40 countries and employs approximately 85,000 people. Barclays moves, lends, invests, and protects money for customers and clients worldwide. In March 2020, we announced our ambition to be a net zero bank by 2050, becoming one of the first banks to do so.

Barclays welcomes the opportunity to comment on the International Sustainability Standards Board (ISSB) Exposure Draft (ED) IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information and ED IFRS S2 "Climate-related Disclosures.

We strongly support the ISSB's objective to develop a comprehensive global baseline of sustainability disclosures. We agree with the IFRS that this approach will play a vital role in building the trust and transparency needed to foster economic stability and contribute to the transformation of sustainable economic, social and environmental systems. A global standard for sustainability and climate-related disclosure is a fundamental component of the international architecture for measurement and management of sustainability risks and opportunities, as part of the transition to net zero. We note that the work to establish a global baseline has been welcomed by the G7, G20, the International Organization of Securities Commissions (IOSCO), the Financial Stability Board and by companies and investors from around the world.

Barclays is also supportive of the formation of a working group of jurisdictional representatives to establish dialogue for enhanced compatibility and interoperability between the ISSB's exposure drafts and ongoing jurisdictional initiatives on sustainability disclosures. We encourage all jurisdictions to lend their backing to the ISSB standards and adopt them as a consistent baseline for sustainability disclosure. We welcomed the UK Government signalling that it will use the ISSB as a "core component" of the Sustainability Disclosure Regulations framework, and the "backbone" of corporate reporting.[1] We hope to see other jurisdictions follow this approach.

We additionally encourage all jurisdictions to consider their own existing legal liability regimes and to be willing to readdress issues of materiality and safe harbours on an interim basis while companies begin to disclose under ISSB standards, in recognition of the current data and methodology limitations.

In more detail, we would recommend that the ISSB takes the following points into consideration as the exposure drafts are further refined following this consultation period:

- It is important that disclosure requirements are proportionate, especially in relation to small and medium-sized enterprises (SMEs) or organisations based in developing nations. The volume and amount of data required is significant, which will have a corresponding burden on firms. It is

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1031805/CCS0821102722-006_Green_Finance_Paper_2021_v6_Web_Accessible.pdf

therefore important that disclosure requirements are focused on those areas that are material to a firm, or that provide critical information to the reporting ecosystem (such as Scope 1 and Scope 2 GHG emissions, which will subsequently enable financial institutions to accurately report their Scope 2 and 3 emissions). This is particularly the case for broader sustainability considerations beyond climate.

- We think it is important for jurisdictions to establish an equivalence or substituted compliance regime for sustainability-related and climate-related disclosures, so that preparers who use IFRS Sustainability Disclosure Standards do not need to produce duplicate disclosures where the informational content is equivalent. It would be helpful for the ISSB, through for instance the jurisdictional working group, to encourage this type of approach to ensure the success and uptake of the final ISSB standards.

- An equivalent understanding of scope, terminology, etc. is needed and we underscore the importance of global alignment around common definitions. We are supportive of the ISSB using the structure of the Task Force on Climate-related Financial Disclosures (TCFD) as a starting point for the development of their standards. However, we would welcome clear definitions on key terms. For instance, the definition of material can be challenging and absence of or imprecise definitions can create challenges in undertaking analysis across supply chains. Additionally, absence of or unclear definitions pose the additional risk of differing interpretations by companies and local regulators attempting to apply the standards, which would ultimately impede the ISSB's mission of setting global standards. More specifically:

    - "Sustainability" is undefined in the sustainability proposal. Guidance on how firms should approach 'sustainability' would be helpful as part of the common framework, noting that certain product level disclosures already use this term.

    - At present, there are different approaches to "materiality" that apply under different global regimes which requires complex analysis when considering disclosures, as well as different definitions and legal interpretations of materiality that apply within the contexts of financial and sustainability reporting. This variation in approach will need further consideration and cross border co-ordination.

- It is also important to highlight that an inconsistent global liability framework may act as an impediment for firms wishing to disclose forward looking climate-related information. For example, in the US there is a safe harbour protecting from strict liability of forward looking statements, which relies on identifying the forward-looking statement as such and accompanying this by an appropriate cautionary legend. This differs from current guidance from the UK's Climate Financial Risk Forum on disclaimer language in climate disclosures, which is that "any disclaimer should accurately reflect the area of concern and should be tested to ensure it is neither too narrow nor too wide."[2] A lack of consistency could dissuade firms from climate (or other sustainability-related)-disclosures as it may give rise to liability risks, particularly in the near term while data and methodologies are still evolving and require reliance on estimates. We would therefore welcome the ISSB working with policymakers to obtain alignment on this critical issue.

- There should be a transition period for less mature elements of sustainability reporting, during which reporting can be provided on a "best effort" basis — e.g. scope 3 / financed emissions while

[2] https://www.fca.org.uk/publication/corporate/climate-financial-risk-forum-guide-2021-disclosures-legal-risk.pdf

data and methodologies are improved. Such a transition period would allow organisations to develop the control frameworks required for the disclosure of verifiable information, avoid confusion for users of disclosures, and reduce liability risk for preparers.

- While not a core focus of the exposure drafts, we consider that mandatory third-party assurance is a critical component for an effective sustainability disclosure framework. Assurance helps enhance the quality and credibility of the information reported by issuers and, in turn, by users of this information, such as financial services firms. In the near term, 'limited' assurance would be the most appropriate, given the current level of maturity in sustainability reporting practices and the capacity of auditing firms. The industry would then build towards 'reasonable' assurance over time as i) data becomes more readily available, ii) accuracy improves, and iii) the control environment matures.

We would be pleased to discuss these points further if helpful.

Yours sincerely,

BARCLAYS