

Questions for consultation – Commerzbank AG

Question 1

Is there a need for a global set of internationally recognised sustainability reporting standards?

(a) If yes, should the IFRS Foundation play a role in setting these standards and expand its standard-setting activities into this area?

(b) If not, what approach should be adopted?

There currently exists a large number of standards and guidelines for the disclosure of sustainability-related information, some of which use very different objectives and metrics. A simplification and streamlining of the sustainability reporting landscape would be helpful. A globally recognized sustainability reporting standard can create transparency and comparability and thus strengthen trust in the reporting company.

In view of increasing globalization and international customer relationships, the provision and processing of sustainability-related information is not a national, but a global challenge. Globally standardized sustainability reporting with comparable ESG information would help us as a bank to evaluate financing requests more systematically and effectively with regard to ESG information. The necessary degree of comparability (e.g. with a view to the methods used to collect non-financial KPIs) is not guaranteed at the moment.

The IFRS Foundation is well positioned to take on the development of an internationally recognized sustainability reporting standard and to build this task up as a parallel work line to the development of global accounting standards. Previous experience with the work of the IASB has proven the great acceptance by national standard setters and supervisors of international standards. Such a consolidation process would also make sense in regard to sustainability reporting standards by the IFRS Foundation.

Question 2

Is the development of a sustainability standards board (SSB) to operate under the governance structure of the IFRS Foundation an appropriate approach to achieving further consistency and global comparability in sustainability reporting?

The establishment of a separate Sustainability Standards Board under the leadership of the IFRS Foundation seems sensible, as on the one hand specific sustainability expertise can be built up and on the other hand it can be based on already tried and tested governance structures. The official connection to the internationally recognized IFRS Foundation could facilitate the cooperation and coordination between the international interest groups affected by sustainability reporting (e.g. governments, regulatory authorities, etc.).

Question 3

Do you have any comment or suggested additions on the requirements for success as listed in paragraph 31 (including on the requirements for achieving a sufficient level of funding and achieving the appropriate level of technical expertise)?

It is important to us to emphasize with regard to p 31 f): The requirements for financial and non-financial reporting must not contradict each other, but without this necessarily leading to integrated reporting.

Already established and internationally recognized recommendations (e.g. TCFD) and methods must be taken into account in order to ensure the broadest possible readiness for use. We are currently - like large parts of the financial sector - making great efforts to follow the recommendations of the TCFD. Also, already applicable and currently developing supervisory requirements / recommendations, e.g. at European level, with regard to the disclosure of non-financial information should be taken into account. Only if this succeeds will an international sustainability reporting standard bring real relief and consolidation for users.

It must also be ensured that the current expertise and developments in the disclosure of sustainability-related / climate-relevant information are continuously incorporated into the work of the SSB.

Question 4

Could the IFRS Foundation use its relationships with stakeholders to aid the adoption and consistent application of SSB standards globally? If so, under what conditions?

It is certainly helpful if the SSB can fall back on the network of the IFRS Foundation in order to benefit from existing contacts and experience. Synergies could also be used here, since those involved in international accounting are likely to be increasingly affected by sustainability-related reporting.

Question 5

How could the IFRS Foundation best build upon and work with the existing initiatives in sustainability reporting to achieve further global consistency?

The commonalities of the various initiatives must be worked out so that the various initiatives accept reporting according to the SSB standards. The requirements of the existing initiatives should be supplemented in such a way that an international standard means a sensible addition with clearly defined benefits and no additional effort for users. An IFRS basic set of standards would be conceivable, supplemented by specific requirements from other standards that serve specific stakeholder groups.

Question 6

How could the IFRS Foundation best build upon and work with the existing jurisdictional initiatives to find a global solution for consistent sustainability reporting?

It would possibly make sense to include national / regional representatives as members of the Monitoring Board (or as trustees) and thus involve them more intensively.

Question 7

If the IFRS Foundation were to establish an SSB, should it initially develop climate-related financial disclosures before potentially broadening its remit into other areas of sustainability reporting?

Due to the current urgency and the public perception of this topic, it certainly makes sense to focus on the development of a climate-related sustainability reporting standard before developing other subject areas. In fact, with TCFD, a global standard for climate-related reporting has already been created (see question 3). Other initiatives, such as the UN Global Compact and GRI, on the other hand, have a much broader focus, which also addresses issues from the social and governance area, as well as questions about corporate ecology and cybersecurity. In addition, there are various national reporting obligations such as the Modern Slavery Act in the UK or the German National Action Plan on Business and Human Rights.

In order to consolidate these existing initiatives in a meaningful way and to meet the demand from investors and other stakeholders, an international sustainability reporting standard should also take these topics into account, at least in the medium term.

Question 8

Should an SSB have a focused definition of climate-related risks or consider broader environmental factors?

Regulatory authorities are currently focusing primarily on disclosing climate-related risks and information, as this is the area of greatest urgency. We can only agree with this approach. From our point of view, a clear and internationally applicable definition of climate-related risks is desirable.

In the longer term, however, the exclusive focus on climate-related risks seems to be too limited. The six environmental goals of the EU taxonomy already indicate that the future focus will not only be on climate risks, but that much more extensive and diverse data on ecological issues will have to be provided. Consequently, we welcome a more extensive consideration / discussion of ecological factors (e.g. biodiversity). In this regard, however, ongoing regulatory requirements should also be observed.

Question 9

Do you agree with the proposed approach to materiality in paragraph 50 that could be taken by the SSB?

No. The idea of double materiality is at the core of the currently applicable and developing sustainability standards and recommendations, especially at the European level, but also of

established international standards such as GRI. The SSB should therefore subscribe to the concept of double materiality in order to represent a useful addition to the existing initiatives and thus added value for users.

Question 10

Should the sustainability information to be disclosed be auditable or subject to external assurance? If not, what different types of assurance would be acceptable for the information disclosed to be reliable and decision-useful?

The vast majority of audited ESG reports today are certified with Limited Assurance. This is preferable to the high effort of a Reasonable Assurance, especially regarding qualitative information and will in our view yield the same validity and quality.

Question 11

Stakeholders are welcome to raise any other comment or relevant matters for our consideration.

1. The existing reporting standards (GRI, CDP, NFRD, TCFD etc.) serve stakeholders beyond the capital market and accordingly set different priorities. We consider a procedure conceivable in which the SSB creates a "lowest common denominator" with a focus on climate and capital market with connectivity to additional national / regional requirements (e.g. double materiality / NFRD + GRI) and voluntary reporting (e.g. on human rights).
2. The stakeholders previously considered in research (Annex B) cover, in our opinion, the corporate sector insufficiently. A stronger involvement of the reporting entities affected by a new standard would be desirable.