

International Sustainability Standards Board
IFRS Foundation
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9 August 2023

Dear Board members,

The International Sustainability Standards Board's (ISSB) Request for Information –
Consultation on Agenda Priorities

Ernst & Young Global Limited, the central coordinating entity of the global EY organisation, welcomes the opportunity to offer its views on the International Sustainability Standards Board's (ISSB) Request for Information – *Consultation on Agenda Priorities*.

We agree with the criteria that the ISSB has identified to use in the assessment of prioritising the sustainability-related reporting issues to add to its work plan. We also generally agree that the ISSB has identified the most important activities that need to be considered for its work plan for the next two years, consisting of both foundational work as well as new research and standard setting. To achieve the right balance among those identified activities and considering the available capacity, we believe that priority needs to be given to supporting the implementation of IFRS S1 and IFRS S2, in order to strengthen the foundation of the ISSB Standards. Achieving high-quality application of these two first ISSB Standards will be fundamental in demonstrating the success of the global baseline in sustainability reporting and will assist in accessing investor support and jurisdictional support for adoption. A successful implementation of IFRS S1 and IFRS S2 will encourage the adoption of the longer-term, broader suite of standards envisaged by the ISSB.

Other than the implementation of the first two standards, developing new research and standard-setting projects is, we believe, essential for the ISSB to include on its work plan. However, given the ISSB's capacity constraints and the importance of supporting the implementation of IFRS S1 and IFRS S2, we recommend that the ISSB does not pursue an overly ambitious agenda of new projects within the next two years. Instead, if the ISSB were to focus its work on two new research and standard-setting projects, this would have the benefit of having a project underway that can be progressed and accelerated if progress slows on the other project, while retaining standard-setting momentum. In developing new research and standard-setting projects, we believe that the continuous communication with other standard setters in other jurisdictions is important for the ISSB to be aligned and to strengthen its desired global baseline in sustainability-related reporting.

With respect to which two projects should be selected, we believe that the topic of biodiversity, ecosystems and ecosystem services and the topic of human capital are the first two in priority. In

terms of the subtopics of the broader sustainability-related topics identified by the ISSB as potential priorities, for the topic of biodiversity, ecosystems and ecosystem services, we believe that the subtopics of water (including freshwater, marine resources and ecosystems use) and pollution (including emissions into air, water and soil) are the highest priorities. Regarding the topic of human capital, we believe that the subtopics of worker wellbeing (including health and safety as well as mental health and benefits) and diversity, equity and inclusion (DEI) are high priority. For the topic of human rights, the subtopics that we believe that are high priority, are workers' rights within the value chain and modern slavery. However, we believe that the sustainability-related risks and opportunities related to all three broader topics differ substantially across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations.

Given the breadth of the topics of biodiversity, ecosystems and ecosystem services and the topic of human capital, as well as the fact that there is a prevailing overlap between issues relevant to human capital and human rights considerations, the ISSB may wish to consider focusing its standard-setting activities (which could include the development of a topic-specific standard) on a specific subtopic/aspect of a broader topic, rather than developing a standard for each of the broader topics of biodiversity, ecosystems and ecosystem services and of human capital. This could be more feasible and effective as a starting point over the initial two-year timeline. Notwithstanding the above, considering that there are risks and opportunities at the nexus of climate and nature as well as the socio-economic aspects (e.g., just transition to a lower-carbon economy), we suggest researching targeted enhancements to those aspects together with the development of new research projects.

With respect to the Integration in reporting project, we believe that the nature of this intended project is not entirely clear yet. Despite the potential significance of such a project, we believe that more research and study will be needed to determine the intention, the content and the ultimate outcome of this project before initiating it. We also note that the Integrated Reporting Framework is available through the IFRS Foundation and is already applied by several entities that incorporate the "integrated" thinking in their financial reports, and it is encouraged by some regulators. Therefore, we believe that focusing on shorter-term sustainability-related projects (as mentioned above) as priority over the next two years would be a more achievable target in terms of capacity, and more aligned with users' urgent needs in sustainability-related disclosures. When developing or amending standards in the next two years the ISSB and the IASB should ensure to continue to coordinate and work together to ensure as much integration as possible.

As noted above, we believe that the RFI addresses the most important activities to be considered in the ISSB's future work plan. While it is evident that developing new sustainability-related topics is likely to take more than two years to complete, we recommend that the ISSB considers publishing a work plan, which would provide a view of its work the next five years and a perspective on the longer term. Moreover, emphasis should be given to field testing of the new standard-setting projects.

Our detailed responses to the questions are set out in the Appendix to this letter. We welcome the opportunity to further discuss this feedback with you at your convenience.

Should you wish to discuss the contents of this letter with us, please contact Michiel van der Lof at the above address or on +31 88 407 1030.

Yours faithfully

Ernst + Young Global Limited

Appendix - Responses to specific questions

Question 1 – Strategic direction and balance of the ISSB’s activities

Paragraphs 18–22 and Table 1 provide an overview of activities within the scope of the ISSB’s work.

(a) From highest to lowest priority, how would you rank the following activities?

- (i) beginning new research and standard-setting projects
- (ii) supporting the implementation of ISSB Standards IFRS S1 and IFRS S2
- (iii) researching targeted enhancements to the ISSB Standards
- (iv) enhancing the Sustainability Accounting Standards Board (SASB) Standards

(b) Please explain the reasons for your ranking order and specify the types of work the ISSB should prioritise within each activity.

(c) Should any other activities be included within the scope of the ISSB’s work? If so, please describe these activities and explain why they are necessary.

Question 1(a):

- Considering the need for a strategic direction and balance of the activities that will form the ISSB’s work plan over the next two years, we would rank the activities identified in this Request for Information (RFI) from the ISSB as follows:
 1. Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2
 2. Beginning new research and standard-setting projects
 3. Enhancing the SASB Standards
 4. Researching targeted enhancements to the ISSB Standards

Question 1(b):

Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2

- Given the fact that global adoption of the IFRS Sustainability Disclosure Standards (or the ISSB Standards) is the ultimate target of the ISSB, we believe that supporting the implementation of IFRS S1 and IFRS S2 should be the ISSB’s highest priority. Such an implementation is expected to have a big impact on general purpose financial reports, since the primary users of those reports require entities to provide high-quality and relevant disclosures that are necessary to inform their investment decisions and are capable of being assured. Achieving the high-quality application of the two first ISSB standards will be fundamental in demonstrating the success of the global baseline in sustainability reporting and will assist in accessing investor support and jurisdictional support for adoption. This will also encourage the adoption of the broader suite of standards envisaged by the ISSB in the long term.

- When new standards are applied for the first time, it is usually a challenging period for entities. That is because many entities around the world do not have extensive experience in providing sustainability-related financial disclosures and therefore, they will need help in implementing the standards. Even for entities that have reported on sustainability-related matters in the past by applying the requirements of other existing sustainability-related frameworks, implementing the requirements of the newly issued standards, IFRS S1 and IFRS S2, will be a challenge. Therefore, robust implementation support as more and more entities adopt IFRS S1 and IFRS S2, will promote consistent reporting and help to avoid unnecessary errors and subsequent restatements.
- We suggest the types of work to be included in the process of supporting the implementation of IFRS S1 and IFRS S2 could cover:
 - Developing practical implementation guidance on the requirements of IFRS S1 and IFRS S2. Recent experience of new accounting standards becoming applicable (e.g., IFRS 15 and IFRS 9) has highlighted the importance of a deep understanding of the requirements to enable appropriate practical application. Identifying areas of ambiguity and providing clarifications on the requirements will encourage and promote consistent application. This can be achieved by, for example, providing educational webcasts/webinars on the specific requirements of the standards, implementation guidance and educational material, to clarify the principles embedded in the sustainability-related disclosures. For example, guidance on how to assess materiality and how to approach scenario analysis.
 - As part of the approach to promote consistency, the importance of interoperability between the ISSB Standards and the other jurisdictional sustainability-related frameworks is crucial for the successful implementation of IFRS S1 and IFRS S2 (and effectively for future ISSB Standards too). To further promote comparability and interoperability, we recommend that the ISSB continues its communication and discussions with the other global standard setters, to make the best use of what has already been developed by other frameworks to the extent that it meets the objective of the ISSB Standards and also to provide clarity about how to navigate among those various requirements. In addition, implementation guidance explaining how recent pronouncements of other standard-setters, including those stated in Appendix C of IFRS S1 (when entities refer to other sources of guidance), would be beneficial especially until such time as the future ISSB Standards, other than for climate, are issued.
 - Monitoring entities' progress in the implementation of IFRS S1 and IFRS S2 and actively engaging with stakeholders in a timely manner by listening to and addressing their concerns around implementation. The establishment of the Transition Implementation Group on IFRS S1 and IFRS S2 could contribute to this activity.

Beginning new research and standard-setting projects

- Commencing new research and standard-setting projects is essential to ensure that the ISSB has a comprehensive set of requirements on its agenda for future standards. However, we believe that starting new research and standard-setting projects should come as a second priority on the list of activities in the ISSB's work plan. In developing new

sustainability-related standards on topics other than climate, continuous communication with other standard setters in other jurisdictions and with primary users is important for the ISSB to be aligned and to strengthen its desired global baseline for sustainability-related reporting.

Enhancing the SASB Standards

- The success of sustainability-related standards is dependent on industry practices and therefore, enhancing the SASB Standards, which are industry-based, will be important for sustainability-related reporting.
- With respect to the types of work the ISSB should prioritise within this project, reviewing the global applicability of the metrics included in the SASB Standards is important, and we acknowledge that this is to be addressed by the ISSB's current internationalisation project, to solve the short-term issue of greater global applicability of the metrics.
- Going forward, however, we note that it may be some time before all the SASB Standards are included in the development of future ISSB Standards (and, therefore, are subject to standard setting due process). Therefore, in the interim, we recommend that the ISSB undertake a review of all of the SASB Standards, considering the feedback they have received from their consultations/outreach with a broad range of stakeholders, with a focus on those in jurisdictions less familiar with SASB Standards. The outcome of this review could help to identify which SASB Standards would benefit from improvements. We would recommend that the ISSB then undertakes a separate project to improve those Standards using recognised due process principles.

Researching targeted enhancements to the ISSB Standards

- Our understanding is that researching targeted enhancements would relate to researching and reviewing specific areas of the issued ISSB Standards and considering whether revisions or refinements may be required to ensure that the information provided to meet the disclosure requirements is relevant and useful. Such research is necessary to understand the need for enhancements of the ISSB Standards and will be critical to advance user experience. However, we believe that the areas that need targeted enhancements (other than those identified in the activity of 'Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2') will become more obvious as implementation of the ISSB Standards progresses and more research is performed. Therefore, although the importance of such an activity is high, we believe that it should be more medium term in timing and could be considered as part of a 'Post Implementation Review' process of the ISSB Standards.
- With respect to the types of work to be considered for this activity, establishing an 'Interpretations Committee' to discuss and make decisions on requirements that need further clarification or interpretation to ensure consistent application of the ISSB Standards worldwide is a process that we would recommend. However, we envisage the setting up of an Interpretations Committee as a medium-term initiative.
- Notwithstanding the above and considering what is described in Table 1 of paragraph 22 of the RFI under this activity with respect to research and consultation activities included in this work (i.e., a) identify risks and opportunities at the nexus of climate and nature as well as those closely associated with socioeconomic aspects such as the just transition to a

lower-carbon economy and b) explore location, -value chain- and industry-based aspects of climate-adjacent risks and opportunities and associated metrics, and of climate-related strategies and transition plans), we recommend researching targeted enhancements on those aspects along with the development of new research projects that we prioritised further above.

Question 1(c):

- We generally believe that the activities that the ISSB has identified as within the scope of its work plan are sufficient. However, we reiterate that we consider the core activity (f) of paragraph 19 in the RFI relating to 'interoperability of the ISSB Standards with other sustainability standards' to be critical. Some types of work for the ISSB to consider, that would come within the scope of interoperability are:
 - To provide clarity on how to navigate the various requirements of the jurisdictional frameworks compared to the ISSB Standards is critical in the context of achieving interoperability. Supporting the gap analysis between the ISSB framework and the frameworks of other major jurisdictions (e.g., Europe, US), would further support interoperability and advance the ISSB's desired 'building block' approach. Developing gap analysis could be an efficient way to analyse the potential differences and enable the ISSB Standards to act as global baseline. This should involve continued communication and discussion with other standard setters to further promote comparability and consistency.
 - To make the best use of what has already been developed in other jurisdictions (to the extent that it aligns with the objective of the ISSB Standards) and has been established by the current market practices and avoid divergent practices and inconsistencies.

Question 2 – Criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan

Paragraphs 23–26 discuss the criteria the ISSB proposes to use when prioritising sustainability-related reporting issues that could be added to its work plan.

(a) Do you think the ISSB has identified the appropriate criteria? Please explain your response.

(b) Should the ISSB consider any other criteria? If so what criteria and why?

Question 2(a):

- We believe that the ISSB has identified the appropriate criteria to use when prioritising sustainability-related reporting issues to add to its work plan. All seven criteria that have been identified in Table 2 of paragraph 24 as well as the criterion of 'interoperability of the ISSB with the work streams of other jurisdictional and voluntary sustainability standard-setters and framework providers' stated in paragraph 26 of the RFI are key in the assessment of sustainability-related matters. Moreover, we agree with the reference to the criteria included in the Third Agenda Consultation of the IASB (as stated in paragraph 26 of the RFI) as we considered those criteria to be useful and relevant for the IASB's agenda

consultation process. Therefore, we are comfortable that the ISSB uses them to determine its agenda priorities. That said, we acknowledge the level of judgement that will be needed for the ISSB to decide which projects to prioritise for its two-year work plan. Therefore, we support the ISSB's view that the relative importance of each criterion is likely to vary depending on the circumstances surrounding each potential project.

- Especially with respect to the 'interoperability' criterion, we encourage the ISSB to work on specific types of activities such as those we mention in our response to Question 1(c).

Question 2(b):

- The additional criteria that we suggest the ISSB considers in assessing the sustainability-reporting matters are the following:
 - Frameworks, legislations or guidelines that relate to sustainability and reference to those can contribute to establishing disclosure practices, tools and metrics that will be globally accepted. An advantage would be the experience with or field-testing of such frameworks, legislations or guidelines (without precluding the benefit of leveraging from those that have only been recently issued or enforced).
 - Laws and regulations that are connected to specific sustainability-related matters (e.g., environmental laws and regulations) and with which entities must comply, as these could impact their businesses and cash flows.
 - Specific disclosure requirements used by rating agencies or investor groups with which entities need to comply. That includes information not disclosed but still used or needed by rating agencies or investors (for which proxies may be used and indirect sources of information - revealing a gap in their disclosure needs).

Question 3 – New research and standard-setting projects that could be added to the ISSB's work plan

Paragraphs 27–38 provide an overview of the ISSB's approach to identifying sustainability-related research and standard setting projects. Appendix A describes each of the proposed projects that could be added to the ISSB's work plan.

(a) Taking into account the ISSB's limited capacity for new projects in its new two-year work plan, should the ISSB prioritise a single project in a concentrated effort to make significant progress on that, or should the ISSB work on more than one project and make more incremental progress on each of them?

(i) If a single project, which one should be prioritised? You may select from the four proposed projects in Appendix A (i.e., Biodiversity, ecosystems and ecosystem services; Human capital; Human rights; Integration in reporting) or suggest another project. Please explain your response.

(ii) If more than one project, which projects should be prioritised and what is the relative level of priority from highest to lowest priority? You may select from the four proposed projects in Appendix A (i.e., Biodiversity, ecosystems and ecosystem services; Human capital; Human rights; Integration in reporting) or suggest another project (or projects). Please explain your response.

Question 3(a):

We believe that the ISSB should give priority to more than one project, rather than a single project. This will allow the ISSB to benefit from having another project underway that can be accelerated if the progress slows on the other project because of unforeseen challenges that will take longer to resolve than anticipated. However, given capacity constraints, we do not suggest that the ISSB should pursue an overly ambitious agenda of new projects over the next two years. Rather, the ISSB should consider progressing two new projects so that it will still be able to build on the momentum and meet users' expectations following the issuance of IFRS S1 and IFRS S2.

Should the ISSB decide to prioritise two projects, we believe that those projects should be:

1. *Biodiversity, ecosystems and ecosystem services* – We believe that this project should be first priority because it meets the assessment criteria identified by the ISSB (stated in paragraphs 23-26 of the RFI). Biodiversity is a topic of high importance as the health of all people depends on the preservation of the natural world. Also, we believe that this topic is of high importance to investors given its connection with climate change and, therefore, a natural complement to the climate standard (IFRS S2). Climate change is a key contributor to, and some would argue the driving force behind, biodiversity loss which makes the urgency of dealing with risks associated with biodiversity of utmost importance. Furthermore, the risks associated with this topic are pervasive across various industries. Also, although still in the development stage, the Taskforce on Nature-related Financial Disclosures (TNFD) is increasingly getting more traction and that could allow for the ISSB to be informed or be a part of the refinement of TNFD.
However, given the breadth of the topic of biodiversity, ecosystems and ecosystem services, the ISSB may wish to consider focusing its standard-setting activities (which could include the development of a topic-specific standard) on a specific subtopic of the broader topic, rather than developing a standard for the entire topic of biodiversity, ecosystems and ecosystem services. This could be more feasible and effective given the initial two-year timeline that the ISSB envisages for its work plan.
2. *Human capital* – We believe that this project should be second in priority because it also meets the assessment criteria identified by the ISSB (stated in paragraphs 23-26 of the RFI). However, we observe a degree of overlap between issues relating to human capital and human rights, which are summarised in our response to Question 5 and 6. For example, human capital issues such as health and safety (which can broadly be understood as including both physical and mental well-being) and ensuring safe labour conditions is inherently linked to other salient topics such as human rights concerns and supply chain transparency, which are of high importance to both investors and other stakeholders. Worker well-being, particularly safety within an entity's own operations as well as across the broader value chain, presents a major focus for organisations and is a risk to investors when managed poorly across many aspects, including regulatory (e.g., fines), reputation, and risk to securing and

retaining talent, as well as a potential failure in legal responsibility and duty of care. Given the overlap highlighted above between issues relevant to human capital and human rights, and the breadth of these sustainability-related topics, the ISSB may wish to consider focusing its standard-setting activities on a specific subtopic of human capital, rather than developing a standard for the entire topic. This could be more feasible and effective given the initial two-year timeline that the ISSB envisages for its work plan.

With respect to the project relating to Integration in reporting, we believe that the nature of this intended project is not entirely understood yet or may mean different things to different people. For example, it could be understood as a project that aims to enhance the connection and coherence among the items of information provided within general purpose financial reports (i.e., information in financial statements and sustainability-related financial disclosures required to comply with the accounting and sustainability related frameworks), and also providing information to primary users in a more concise and consistent way. Also, it could be understood to refer to the development of a framework that will introduce consistent concepts to be incorporated in the entire financial report of an entity, to achieve integration among sustainability reporting, management commentary and financial statements.

Therefore, despite the deemed importance of a project on Integration in reporting, we believe that more research will be needed to determine and describe the intention, the content and the ultimate outcome of this project before it is initiated. This way, the timeframe for the completion of such a project would be better estimated and entities should have a better understanding of what to expect in terms of the impact on their general purpose financial reports. Interoperability with other jurisdictions is vital for this project's success too, since many entities are required to provide information in their financial reports to comply with the requirements of more than one jurisdiction. We also note that the Integrated Reporting Framework is available through the IFRS Foundation and is already applied by several entities that incorporate the integrated thinking in their financial reports, which is encouraged by some regulators.

For the reasons explained above, we believe that focusing on shorter term sustainability-related projects over the next two years, to further develop the ISSB sustainability-related framework and support its establishment as the global baseline should be a more feasible target in terms of capacity and more aligned to meeting users' urgent needs on sustainability-related disclosures. When developing or amending standards in the next two years, the ISSB and the IASB should continue to coordinate and work together to ensure as much integration as possible. Please also refer to our response in Question 7(a).

Question 4 – New research and standard-setting projects that could be added to the ISSB's work plan: Biodiversity, ecosystems and ecosystem services

The research project on biodiversity, ecosystems and ecosystem services is described in paragraphs A3–A14 of Appendix A. Please respond to these questions:

(a) Of the subtopics identified in paragraph A11 (i.e., Freshwater and marine resources and ecosystems use, Land-use and land-use change, Pollution (including emissions into air,

water and soil), Resource exploitation (for example. material sourcing and circular economy), Invasive non-native species), to which would you give the highest priority? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You may also suggest subtopics that have not been specified. To help the ISSB analyse the feedback, where possible, please provide:

(i) a short description of the subtopic (and the associated sustainability-related risks and opportunities); and

(ii) your view on the importance of the subtopic with regard to an entity's sustainability-related risks and opportunities and the usefulness of the related information to investors.

(b) Do you believe that sustainability-related risks and opportunities related to biodiversity, ecosystems and ecosystem services are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will either be (i) substantially different or (ii) substantially the same across different industries, sectors or geographic locations.

(c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard setters and framework providers to expedite the project, while taking into consideration the ISSB's focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A13 should be utilised and prioritised by the ISSB in pursuing the project? Please select as many as applicable.

- The Climate Disclosure Standards Board (CDSB) Framework application guidance for biodiversity and water-related disclosures
- The SASB Standards
- The Integrated Reporting Framework
- The Global Reporting Initiative (GRI) standards (for example. GRI 304 – Biodiversity)
- The Taskforce on Nature-related Financial Disclosures (TNFD)
- The Partnership for Biodiversity Accounting Financials (PBAF)
- The Capitals Coalition
- The Science Based Targets Network
- The European Financial Reporting Advisory Group (EFRAG)
- The European Commission's Align project
- The EU Business and Biodiversity Platform
- The World Benchmarking Alliance

- The United Nations Declaration on the Rights of Indigenous Peoples
- Other – please specify

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You can suggest materials that are not specified. You can suggest as many materials as you deem necessary. To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

Question 4(a):

- Given that the importance of subtopics may differ for each industry and geography, prioritising those subtopics is not a straightforward task. We generally based our prioritisation of subtopics on how urgent and widely applicable these are across sectors, whilst also considering the investors' demand for entities to be more transparent about the extent to which their operations and activities impact those subtopics and, effectively, impact entities' prospects. Moreover, we considered which subtopics are most likely to be subject to regulatory regimes that may cause risks to entities' operations and cash flows. Also, the interconnection with the climate topic covered in IFRS S2 and the existence of mature reporting measures and disclosure practices are additional factors we took into consideration in our ranking. In particular, out of the subtopics of biodiversity, ecosystems and ecosystem services identified by the ISSB, we believe that the highest priority should be given to:

1. *Water (including freshwater, marine resources and ecosystems use):*

Based on the factors mentioned above, we believe that the natural resource of water is likely to be an urgent issue for different reasons across both developed and developing countries. Some entities face a significant risk in their operations with respect to water as the related regulatory requirements in some industries and countries have become stricter in recent years. Users are more and more interested in receiving relevant information from entities, such as that related to compliance and remediation actions. This subtopic is important across various industries and, as an important resource for many of them, it is subject to potential risks and opportunities that vary across industries depending on the location of operations. For example, agricultural companies operating in areas where there is an increased risk of water scarcity may face potential business disruptions and increased costs resulting from the need to import water from other areas.

2. *Pollution (including emissions into air, water and soil):*

Pollution of various forms has a pervasive impact on the health of the natural world, including the health of humans. For example, air quality is negatively impacted by air pollutants such as particulate matter (PM2.5 as referred by the OECD¹) that includes dust, soot and metals which are known to be harmful to physical health. Other forms of pollution such as water and soil pollution negatively impact the ability of ecosystems to function optimally, which in turn, impede the provision of ecosystem services. Consequently, pollution is a top priority in many countries and jurisdictions, which have in place a number of laws and regulations governing industrial and recreational activities to minimize the negative impacts of pollution

¹ Organisation for Economic Co-operation and Development - [Home page - OECD](#)

in its various forms. Additionally, there is a direct linkage with the application of IFRS S1 and IFRS S2 with regards to minimising harmful pollutants, such as reducing GHG emissions from the factories or the discharge of harmful pollutants into the environment, such as through the release/leaching of chemicals into nearby water bodies.

3. *Land-use and land-use change (including deforestation):*

Land use is also a fundamental driver of biodiversity, ecosystems and ecosystem services. Similar to the reasons described for the subtopic of water discussed above, changes in land use are inextricably linked to climate change and can result in elevated exposure to climate-related physical risks – both chronic and acute – such as deforestation resulting in the acceleration of biodiversity loss (chronic risk) as well as increased occurrence and severity of event driven hazards such as floods and wildfires.

- In general, we believe that there is significant variation in how companies define, articulate, and measure their impact on the natural world, including how biodiversity, ecosystems and ecosystem services are understood and/or considered within an entity's operations and broader strategy. For example, the LEAP Approach (Locate, Evaluate, Assess and Prepare) as outlined in the Taskforce of Nature-related Financial Disclosures (TNFD) does not necessarily currently provide clarity on what constitutes a nature-related opportunity, for example, the distinction between whether an opportunity relate to nature (e.g., nature-positive) or is an opportunity directly for entities. As such, focusing on efforts to identify appropriate and consistent approaches and methodologies for how to assess and measure the impacts of human activity on biodiversity, ecosystems and ecosystem services, as well as the related dependencies that entities have with regard to the natural world, could help reduce this variation. The ISSB may, therefore, wish to focus its efforts on activities that could assist with enhancing and/or developing greater global consensus for how to assess impacts on biodiversity, ecosystems and ecosystem services. This would also be an efficient way for the ISSB to leverage work already done at a global level, such as the TNFD, and would also be beneficial to the primary users.

Question 4(b):

- We believe that sustainability-related risks and opportunities related to biodiversity, ecosystems and ecosystem services differ across various business models, economic activities and other common features that characterise participation in an industry, or geographic locations. In our experience, the determination as to whether differences are substantial or not depends on a number of factors. In particular, differences may exist because:
 - *The interdependencies and interaction of business models (and respective value chains) with the natural environment and ecosystems vary according to the specific activities undertaken by entities, such as variation in types of product(s) created and/or service(s) offered. As a result, the level of exposure to various risks and opportunities differs depending on the type of business operations and the extent to which operations are geographically dispersed. That is, there are business activities and operations (e.g., in the mining industry) that rely heavily on disrupting and/or changing natural ecosystems and land use in the exploration,*

extraction and transportation of physical commodities. Also, impacts and dependencies can be either direct or indirect, depending on where in the value chain the impact is. For example, the response of the extractive/agricultural industry, which is impacted directly, will be made more evident and immediate than that of the manufacturing/consumer industry which may be exposed indirectly via its supply chain, depending on product. Moreover, the initiatives taken by entities may be different, e.g., the initiatives of automobile industry to move from gas-powered to electric/hybrid vehicles compared to initiatives of the oil/gas industry.

- *The relevance and reliance of business models and economic activities on the natural environment* may vary and, therefore, risks, e.g., physical risks vary when business is conducted. For example, the core activities in industries such as energy and mining rely on inputs that are derived from the natural world (e.g., oil, gas and mineral deposits). Whereas other business models and economic activities that are more service-oriented in nature, such as the finance sector, are not directly reliant on the natural environment. Also, depending on where reserves are geographically located, the transportation of raw goods also relies heavily on local and global transportation infrastructure such as road and port facilities which can be vulnerable to climate-related physical risks such as floods. On the other hand, the business activities of entities operating in the technology industry are less directly exposed to such risks. Although a computer manufacturer may well rely on the physical outputs/products produced by mining companies (e.g., the use of nickel in circuit board components), technology companies can benefit to a greater extent from being able to diversify their supply chain to mitigate potential risks.
- *Risks and opportunities are location-dependent with different environmental influences.* Regulation risks (e.g., fines/penalties) and adaptability to risks may differ across business models, industries and/or geographies. Regulatory risks are related to the maturity and/or the status of country-specific environmental laws as well as the ability for regulators to enforce environmental laws. The incentive and motivation to comply with the environmental laws and regulations may also differ between developed and developing countries and whether certain nations derive significant economic benefits from exploiting natural resources. For example, some geographies have faced historical decreases in biodiversity, ecosystems and ecosystem services, whereas other geographies are currently facing this problem. In the former, there are opportunities around restoring biodiversity whereas in the latter the focus would be on maintaining (and restoring to the limited extent needed). Moreover, although water scarcity is an issue in many places (e.g., Africa, Australia, Chile, US, Spain), in some geographies (e.g., parts of Africa) there is no suitable drinking water, while others have more sophisticated systems. This can have an impact across businesses, depending on whether entities are based only in one country or operate in multiple countries.

Question 4(c):

- We believe that all resources and organisations listed in the RFI could be leveraged by the ISSB when developing its project on biodiversity, ecosystems and ecosystem services as they provide useful standards and guidance. These resources and organisations create the bridge for the information provided within financial reports, they are known to many entities and are globally accepted. However, those that we think should be a priority are the following:
 1. *The Taskforce on Nature-related Financial Disclosures (TNFD)*: Its structure is based on the concept of TCFD and, effectively, is aligned with the structure of IFRS S1 and IFRS S2. It is the first corporate reporting framework on natural capital and relevant to investors as it is focused on contextualising nature-related risks and opportunities with financial outcomes.
 2. *The Climate Disclosure Standards Board (CDSB) Framework* application guidance for biodiversity and water-related disclosures: It is a credible framework that many entities are already familiar with, which eases implementation. It already forms part of the IFRS Foundation and, therefore, constitutes an existing asset to leverage from and should be enhanced as much as possible.
 3. *The Global Reporting Initiative (GRI) standards (for example, GRI 304 – Biodiversity)*: This is a framework promoting sustainability reporting and connectedness with financial disclosures. It could offer a good baseline for biodiversity-related metrics from a broader materiality sense, which would help with comparability. Although IFRS sustainability reporting standards are aimed primarily at investors, the GRI is likely a good starting point and a key step in any materiality assessment, before adjusting the focus inwards on investor needs.
 4. *The SASB Standards*: These Standards have already been used as a resource to inform IFRS S1 and IFRS S2 and this may help to support consistency in terminology and objectives. Although they are originally US based, they are globally acknowledged and the current project for their internationalisation should contribute to addressing disclosure topics relevant to other jurisdictions. We recommend that any information gathered during the consultation and redeliberations of the Exposure Draft: *Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates* be included in the Agenda Consultation process, because we expect that future refinements of the SASB Standards will be linked to the progression of projects on the ISSB's technical agenda. It would be helpful for the ISSB to know if, for example, there are practical implications for application of the SASB standards and metrics in particular industries and/or jurisdictions, at the same time as the ISSB is deciding on which topic/s to tackle next.
 5. *The European Financial Reporting Advisory Group (EFRAG)*: EFRAG has published European Sustainability Reporting Standards (ESRS) by already considering the above-mentioned resources and organisations in developing those standards. Therefore, it is important to aim for alignment of principles where possible, and to avoid additional divergence in frameworks. This will also promote interoperability with the European jurisdiction.

Question 5 – New research and standard-setting projects that could be added to the ISSB’s work plan: Human capital

The research project on human capital is described in paragraphs A15–A26 of Appendix A. Please respond to the following questions:

(a) Of the subtopics identified in paragraph A22 (i.e., Worker wellbeing (including mental health and benefits), Diversity, equity and inclusion, Employee engagement, Workforce investment, The alternative workforce, Labour conditions in the value chain, Workforce composition and costs), to which would you give the highest priority? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You may also suggest subtopics that have not been specified. To help the ISSB analyse the feedback, where possible, please provide:

(i) a short description of the subtopic (and the associated sustainability-related risks and opportunities); and

(ii) your view on the importance of the subtopic with regard to an entity’s sustainability-related risks and opportunities and the usefulness of the related information to investors.

(b) Do you believe that sustainability-related risks and opportunities related to human capital are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will either be (i) substantially different or (ii) substantially the same across different industries, sectors or geographic locations.

(c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standardsetters and framework providers to expedite the project, while taking into consideration the ISSB’s focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A25 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable.

- The SASB Standards and related research and standard-setting projects
- The CDSB Framework for reporting environmental and social information
- The Integrated Reporting Framework
- The Capitals Coalition
- The International Labour Organization (ILO)
- The European Financial Reporting Advisory Group (EFRAG)
- The Global Reporting Initiative (GRI)
- The US Securities and Exchange Commission

- The World Economic Forum (WEF) International Business Council's core metrics and disclosures on sustainable value creation
- Other—please specify

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You can suggest materials that are not specified. You can suggest as many materials as you deem necessary. To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

Question 5(a):

- As mentioned in our response to Question 3, there is a degree of overlap between certain subtopics identified between the broader topic of human capital and that of human rights. That said, in deciding the prioritisation of the subtopics identified for human capital we considered which are critical in terms of encompassing the majority of risks and opportunities that entities might face. We also considered the subtopics that are key in supporting and driving successful business behaviours and practices that are in line with a modern and evolving workforce. These are the subtopics that we believe attract the most questions and the interest of primary users and certain jurisdictions have developed (e.g., the EU) or contemplating to develop (e.g., the U.S. Securities and Exchange Commission has communicated plans to propose disclosure rules relating to human capital management and corporate board diversity in 2023) standard-setting. A weakness or failure in these aspects is likely to be more immediately impactful for business performance than the other subtopics, albeit they are all important in the longer term. In particular, of the subtopics of human capital identified by the ISSB, we believe that the highest priority should be given to:

1. *Worker wellbeing (including health and safety as well as mental health and benefits):*

Worker wellbeing (which we would expect includes employee health and safety) is critical to productivity, creativity and reduction of costly turnover of workforce, as such, critical to the success of an organisation. This subtopic has a significant impact on entities and covers both traditionally mature reporting (e.g., health and safety metrics such as Loss Time Injury (LTI) rates, absences due to illness) and less mature reporting (e.g., proxy indicators used to assess mental health such as subjective well-being). Satisfaction of employees is widely considered to increase efficiency and productivity. Safety is a major focus for organisations and it constitutes a risk to investors when managed poorly across many facets e.g., regulatory ramifications, reputational damage, risk to securing and retaining talent, as well as presenting a failure in legal responsibility and duty of care. Also, reputational aspects of wellbeing impacts recruitment which may lead to more costs and fewer revenue opportunities.

2. *Diversity, equity and inclusion (DEI):*

DEI should also be an area of primary focus as it is important for the growth of each entity. It reflects an entity's ability to attract and retain talent, develop a business that embraces diversity and a socially responsible way of operating. Most entities are already addressing this area to some extent and, therefore, prioritising an area in which entities

have already invested could help to achieve consistency and comparability in disclosures in the immediate future. Also, DEI is increasingly important for employers due to legislation already requiring disclosure of metrics (e.g., gender pay gaps) for certain entities in many regions (e.g., UK, EU, Japan, US). Such metrics are concrete and measurable which is an important consideration for standard-setting activities. Furthermore, this subtopic, to some extent, addresses worker wellbeing, engagement & investment. We believe that prioritising this subtopic would allow the ISSB to consider the scope of potential standard setting concurrently with understanding the US and EU regulatory perspective on this area.

3. *Labour conditions in the value chain*

Labour conditions cover a broad range of aspects (e.g., working time, remuneration, physical work conditions existing in the workplace, balance of work-life and life outside work). Labour conditions are important as a driver of productivity in any organisation, but also an area in the value chain over which most businesses have the least visibility and least assurance. The conditions under which employees are treated within the borders of an entity as well as within its value chain are fundamental and influence a wider group of entities. There are industries where labour conditions are poor and disclosure about these can drive change, due to the risk of egregious human rights impacts which are regulated in many jurisdictions. Respecting and upholding labour conditions is of critical importance for a sustainable business, as well as an entity's social licence to operate. A failure to do so has the potential to result in human rights violations, thereby negatively impacting an entity's business – including its ability to operate (e.g., potential withdrawal of licence to operate from regulators, the imposition of fines, etc.), not to mention the reputational damage which could lead to staff attrition, consumer boycotts and the inability to attract and/or retain investors, as well as capital.

4. *Employee engagement:*

Employee engagement is another important subtopic but probably as a consequence of the other subtopics. That is, if worker wellbeing is taken care of, the workforce will be engaged. In some industries, employee engagement may encourage creativity, productivity and a committed work force (and therefore, less staff turnover).

- We note that the topics that have been identified by the ISSB are primarily focused on risks. However, we believe that subtopics relating to opportunities would be of high interest for the primary users, such as the subtopic of intellectual capital and performance. Knowing that the IASB is currently working on a research project to review the IFRS Accounting Standard on intangible assets, developing disclosures relating to intellectual capital in the context of the broader topic of human capital (including internally generated intangibles that are not recognised in the financial statements) could be relevant to this IASB project and collaboration between the two boards on this subtopic will be beneficial.

Question 5(b):

- Although we acknowledge that some risks and opportunities would be similar across most industries, we believe that sustainability-related risks and opportunities related to human capital are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations. Such significant differences may exist due to:
 - The level of exposure to various risks and opportunities differs depending on the type of business operations. Some industries are more exposed to health and safety risks given the nature of business activities and the reliance on physical labour (e.g., construction and mining industries) when compared to industries such as professional services.
 - The dependencies and reliance of the business model on human capital (i.e., to what extent the human factor is crucial in a business model). Some industries in developed countries are more reliant on a value chain where there are concerns over human capital aspects such as working conditions. This can cause reputational considerations which can have immediate impacts on performance as well as the value of an entity. Also, some industries are more difficult to automate than others and some entities can more easily outsource labour than others.
 - Geographical location and regional cultural differences. Regionality is a considerable factor as certain risks are more salient in regions where workers are not protected legally to the same extent as other jurisdictions. Labour laws, jurisdictional demographics and politics play a role in informing these metrics. Regulation risks can also impact businesses using alternative work forces. Worker action such as trade union activity may be easier in certain jurisdictions, and the risk of prolonged strikes can be costly for entities.

Question 5(c):

- We believe that all of the resources and organisations listed in the RFI could be leveraged some extent by the ISSB when developing its project on human capital, as they provide useful standards and guidance. However, those we think should be a priority to use are as follows:
 1. *The International Labour Organization (ILO)*: This would provide guidance relevant to labour issues. ILO Conventions and Recommendations, including the ILO International Labour Standards, are well established, globally recognised and have been developed and agreed to by governments, employers and worker organisations. In addition to having been designed and developed with global adoption and application in mind, the ILO regularly monitors and reports on the application of standards in member states that have adopted the standards into national legislation resulting in an extensive and globally diverse repository of best practices and lessons learned which the ISSB could benefit from.
 2. *The SASB Standards* (see reasons provided in Question 4(c))
 3. *The CDSB Framework for reporting environmental and social information* (see reasons provided in Question 4(c))

4. *The Integrated Reporting Framework*: This is an overarching guide to identifying and reporting on the six capitals (one of which is intellectual capital/workforce) and promotes connectivity between financial and non-financial information.
5. *The European Financial Reporting Advisory Group (EFRAG)* (see reasons provided in Question 4(c))
6. *The GRI* (see reasons provided in Question 4(c))

Question 6 – New research and standard-setting projects that could be added to the ISSB’s work plan: Human rights)

The research project on human rights is described in paragraphs A27–A37 of Appendix A. Please respond to these questions:

(a) Within the topic of human rights, are there particular subtopics or issues that you feel should be prioritised in the ISSB’s research? You can suggest as many subtopics or issues as you deem necessary. To help the ISSB analyse the feedback, where possible, please provide:

(i) a short description of the subtopic (and the associated sustainability-related risks and opportunities); and

(ii) your view on the importance of the subtopic with regard to an entity’s sustainability-related risks and opportunities and the usefulness of the related information to investors.

(b) Do you believe that sustainability-related risks and opportunities related to human rights are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will either be (i) substantially different or (ii) substantially the same across different industries, sectors or geographic locations.

(c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard setters and framework providers to expedite the project, while taking into consideration the ISSB’s focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A36 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable.

- The CDSB Framework for reporting environmental and social information
- The SASB Standards
- The Integrated Reporting Framework
- The International Labour Organization

- The UN Guiding Principles on Business and Human Rights and the associated UN Guiding Principles Reporting Framework
- The World Benchmarking Alliance's Corporate Human Rights Benchmark
- The United Nations Declaration on the Rights of Indigenous Peoples
- The cross-industry metrics associated with the WEF International Business Council's dignity and equality theme
- Other—please specify

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You can suggest materials that are not specified. You can suggest as many materials as you deem necessary. To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

Question 6(a):

- The subtopics that we identified within the topic of human rights that we believe should be prioritised in the ISSB's research and are partly covered in paragraph A28 of the RFI, are the following:
 - *Workers' rights within the value chain*: Rights such as payment of wages, for which there are already disclosure practices in place. Several risks could arise when violating such rights (e.g., damage of entities' reputation, withdraw of licence to operate, impose of fines).
 - *Modern slavery*: That includes trafficking in criminal activities, sexual exploitation, domestic slavery or forced labour in several industries (e.g., agriculture, manufacturing).
 - *Product quality and safety*: Manufacturing products that meet customers' health and safety expectations to avoid unintended characteristics of products sold to them that could put their health into risk (e.g., liability, management of recalls and market withdrawals, product testing, chemicals and ingredients management).
 - *Rights of indigenous people*: As defined in the United Nations Declaration on the Rights of Indigenous Peoples
 - *Rights of local communities*: These include potential impacts on local communities such as access to water or land.
 - *Labour conditions*: Similar to the subtopic of human capital described in Question 5, but including aspects of minimising social harms by focusing on working conditions and worker wellbeing
 - *Data privacy*: That includes the intentional use, transfer, or disclosure of sensitive customer data (e.g., including financial information, purchase history, and basic demographic data).
 - *Just transition*: That includes considerations for how a transition to, for example, a low carbon economy will effectively ensure that all of society benefits and not just a few subsets of the economy. The concept of equity in climate change action is reflected in terms of policy development and the creation of new jobs and wealth that is equitable

across all of society (e.g., new jobs that will be created in renewables as a result of transitioning economies to lower carbon profiles).

- However, as we mentioned in our response to Question 3 (and also indicated in the RFI by the ISSB), there is a degree of overlap with certain subtopics identified between the broader topic of human rights and human capital (e.g., labour wages, labour conditions and equality). Moreover, there may be a degree of overlap with certain subtopics of the broader topic of biodiversity, ecosystems and ecosystem services (e.g., access to safe drinking water, pollution by hazardous substances or toxic waste, land use/deforestation), as well as the climate topic covered under IFRS S2 (e.g., just transition). As a result, it may be difficult in some cases to clearly set the boundaries of those subtopics in terms of determining under which broader topic they fall into, regardless of the level of description, clarity, distinction and connection that is provided among those subtopics. As noted in Question 3, given the overlap highlighted above, the ISSB may wish to consider focusing its standard-setting activities (which could include the development of a topic-specific standard) on a specific subtopic/aspect of a broader sustainability-related topic, rather than developing a standard for the broader entire topic in itself.

Question 6(b):

- We believe that the nature of the topic of human rights is, in itself, similar across industries and geographies. However, what significantly differs is the manifestation of human rights issues and the extent to which an entity can adapt, mitigate and remedy them depending on the industry and location that entity operates in. Therefore, the sustainability-related risks and opportunities related to human rights are likely to manifest differently depending on business models, economic activities and other common features that characterise participation in an industry, or geographic locations. Such significant differences may exist due to:
 - Risks relating to human rights might be more prevalent for entities that have a broad global supply chain and their business activities are dependent and rely heavily on the input of labour in the production process of goods and the provision of services. For example, human rights are an important factor for labour-intensive/industrial business models (e.g., if a strike occurs, business activities cannot be carried out and the human rights risk becomes a significant business risk), while in machine-intensive industries, human rights may not be such a high risk. Moreover, the use of informal labour in the production process is another factor to consider, as it is the evolving nature of an entity's supply chain, which might include various suppliers or subcontractors operating in different geographies. Some industries may be more prone to human rights abuses than others (e.g., 'dangerous' industries, such as fishing, mining, etc.).
 - The extent to which business activities contribute to the production of a global commodity/good that is heavily influenced by global supply and demand market forces. For example, industries such as consumer goods that produce garments/apparel can compete in a race to the bottom when it comes to producing mass volumes at a low price. If there is variability in the input costs of required raw materials, such as cotton, cutting costs in terms of payment for physical labour can be particularly prevalent.

- Geopolitics drive many human rights issues and, therefore, business models that are highly diversified globally may bear more risks. Local laws on human rights and their enforcement vary around the globe, and risks are prominent especially in jurisdictions that lack stringent labour regulations or where workers lack the ability and/or mechanisms to secure a remedy for human rights violations. Therefore, entities with operations in jurisdictions where there is a lack of legal and/or regulatory framework to protect human rights are also more susceptible to risks related to human rights. Also, regionality reveals cultural and ethical differences across countries with different views on what constitutes e.g., appropriate minimum age for workers.

Question 6(c):

- We believe that all resources and organisations listed in the RFI could be helpful to some extent for the ISSB to leverage when developing its project on human rights as they provide useful standards and guidance. However, those we think should be a priority to use are as follows:
 1. *The UN Guiding Principles on Business and Human Rights and the associated UN Guiding Principles Reporting Framework*, including the *United Nations Declaration on the Rights of Indigenous Peoples* in relation to the rights of Indigenous Peoples: Collectively, resources developed by the UN are the leading frameworks to consider and disclose upon human rights considerations in the market and promote consistent application and interpretation of human rights and the rights of Indigenous Peoples. Beyond using consistent materials, the UN frameworks are also important as they provide a global baseline which is widely accepted and understood by businesses and governments alike.
 2. *The SASB Standards* (see reasons provided in Question 4(c))
 3. *The CDSB Framework for reporting environmental and social information* (see reasons provided in Question 4(c))
 4. *The Integrated Reporting Framework* (see reasons provided in Question 5(c))
 5. *The International Labour Organization (ILO)* (see reasons provided in Question 5(c))

Question 7 – New research and standard-setting projects that could be added to the ISSB’s work plan: Integration in reporting

The research project on integration in reporting is described in paragraphs A38–A51 of Appendix A. Please respond to the following questions:

(a) The integration in reporting project could be intensive on the ISSB’s resources. While this means it could hinder the pace at which the topical development standards are developed, it could also help realise the full value of the IFRS Foundation’s suite of materials. How would you prioritise advancing the integration in reporting project in relation to the three sustainability-related topics (proposed projects on biodiversity, ecosystems and ecosystem services; human capital; and human rights) as part of the ISSB’s new two-year work plan?

(b) In light of the coordination efforts required, if you think the integration in reporting project should be considered a priority, do you think that it should be advanced as a formal joint project with the IASB, or pursued as an ISSB project (which could still draw on input from the IASB as needed without being a formal joint project)?

(i) If you prefer a formal joint project, please explain how you think this should be conducted and why.

(ii) If you prefer an ISSB project, please explain how you think this should be conducted and why.

(c) In pursuing the project on integration in reporting, do you think the ISSB should build on and incorporate concepts from:

(i) the IASB's Exposure Draft Management Commentary? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.

(ii) the Integrated Reporting Framework? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.

(iii) other sources? If you agree, please describe the source(s) and any particular concepts that you think the ISSB should incorporate in its work.

(d) Do you have any other suggestions for the ISSB if it pursues the project?

Question 7(a):

- Consistent with and for the reasons explained in our response to Question 3(a), we believe that the sustainability-related topics identified by the ISSB need to be considered as high priority so as to proceed with developing standards for other sustainability-topics (other than the climate). We believe that the nature of the intended Integration in reporting project is not entirely understood yet or may mean different things to different people. Despite how important such a project may be, we believe that more research and study will be needed to determine and describe the intention, the content and the ultimate outcome of this project before initiating it.

Question 7(b):

- Further to our response to Question 7(a), we do not believe that Integration in reporting should be a priority at this stage. However, given the potential importance of such a project, we believe that the ISSB should continue its discussions with the IASB and decide jointly on how this project needs to be advanced. As explained in our response to Question 3, the content of this project is not yet entirely understood in the market and, therefore, more research will be needed to determine its specifics. This project could mark a significant shift in reporting and should be conducted in collaboration with both standard setters to gain maximum effect; the IASB can provide insights on the financial reporting perspective and the ISSB on the sustainability-reporting perspective. The ISSB could appropriately reflect the sustainability-related risks and opportunities and how they link to financial

performance, position and planning and, effectively, how sustainability reporting connects with the financial statements and other non-financial reporting. However, since both the ISSB and the IASB aim to deliver useful information to the same group of people (the primary users), decisions affecting financial reports (including sustainability-related financial information and financial statements information) should be made jointly to enable the right bridge between the items of information disclosed and their proper presentation. If the direction of this project is not decided by both the ISSB and the IASB, this may lead to inevitable disconnects in information as neither group might have sufficient insight into the work of the other.

- We trust that the connectivity in processes already established between the ISSB and IASB as well as the connected products (e.g., the requirements in IFRS S1 and IFRS S2 about connected information) are advanced enough to ensure efficiencies in operating together and enable conducting activities to meet the market needs and continue to pursue connectivity in any further standard setting.

Question 7(b)(i):

- We believe that the project on Integration in reporting should not be pursued as a standard setting project, i.e., not being a separate standard because of its overarching nature affecting the entire financial report.
- Research should be conducted on various established frameworks and further work done on consistent principles and practical examples to achieve Integration in reporting. The aim should be to provide primary users with a clear understanding of how sustainability-related reporting, financial statements and the management commentary interrelate. For example, in the UK, there is a 'Financial reporting lab' which brings together participants to research how new requirements have been, or are to be, applied, which may be an approach to explore.

Question 7(c):

- We believe that, in pursuing the project on Integration in reporting, the ISSB should build on and incorporate concepts from both the IASB's Exposure Draft on Management Commentary and the Integrated Reporting Framework.
- With respect to the particular concepts that the ISSB could incorporate in its work, we believe that the following concepts should be of primary focus:
 - Clarification of the location and purpose of an integrated report and guidance to avoid duplication of information among reports/disclosures. To enhance the inter-connectivity of information, there needs to be a better understanding of the location of sustainability-related information and ways of linking with financial information (e.g., guidance on cross-referencing)
- Additional sources that we would suggest the ISSB to consider:
 - Industry and other standard setting bodies' material related to the Integration in reporting
 - EFRAG project on connectivity between financial and sustainability reporting information

Question 8 – Other comments

Do you have any other comments on the ISSB's activities and work plan?

- In general, we believe that the RFI addresses the most important activities that should constitute the ISSB's initial two year work plan. Considering the fact that developing new sustainability-related topics may take longer than two years to complete, we recommend that the ISSB considers publishing a work plan which would set the scene of what it will potentially look like over a five-year period, to provide a perspective on the bigger picture. It would also be beneficial if the ISSB provided regular updates of the status of the projects and the developments in the IFRS Sustainability Disclosure Standards framework.
- Moreover, emphasis should be given to comprehensive field testing of the new standard-setting projects. The fact that IFRS S2 incorporates TCFD, which has been broadly applied means that field testing of the IFRS S2 requirements was not such a priority. However, reporting on other sustainability-related topics is less mature and, therefore, more field testing may be necessary for any proposed disclosure requirements that are to be developed.