



**KPMG IFRG Limited**  
15 Canada Square  
London E14 5GL  
United Kingdom

[reinhard.dotzlaw@kpmgifrg.com](mailto:reinhard.dotzlaw@kpmgifrg.com)

Mr Emmanuel Faber  
International Sustainability Standards Board  
Columbus Building  
7 Westferry Circus  
London  
E14 4HD

Our ref RD/288

01 September 2023

Dear Mr Faber,

**Comment letter on the Request for Information *Consultation on Agenda Priorities***

We appreciate the opportunity to comment on the International Sustainability Standards Board's (ISSB) Request for Information *Consultation on Agenda Priorities*. We have consulted with, and this letter represents the views of, the KPMG network.

We congratulate the ISSB on the publication of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, and the subsequent endorsement of these standards by the International Organization of Securities Commissions (IOSCO). However, we recognise that work is now urgently needed to ensure that the ISSB's key aim of achieving a global baseline of investor-focused sustainability reporting becomes a reality. This requires companies around the world to use the standards, and jurisdictions to adopt them. Our comments throughout this letter are made with that practical consideration in mind.

We recognise the significant challenge that the ISSB has in setting its workplan, even for the two-year period contemplated by this consultation. It is crucial that the ISSB balances the need to make progress on developing additional standards, and at the same time, embedding and building capacity to report on its first standards. All are important and urgent – and must be completed with an overarching lens of maximising interoperability with other existing and emerging frameworks. Despite this, we fully understand the capacity restraints that would require some projects being prioritised over others. In establishing a priority, we believe it is imperative to identify what actions are most urgently needed to support achievement of the ISSB's objectives.

We believe the ISSB's objective to promote the acceptance of IFRS® Sustainability Disclosure Standards as a global baseline will depend on having a full suite of topical standards for global use as soon as possible, as well as a clear framework into which reporting of sustainability-related financial disclosures will fit. In making this suggestion, we note the following.

- The global baseline objective may not be achieved if jurisdictions and companies do not understand the longer-term plans of the ISSB to create a full suite of standards.

- The flexibility to create high-quality topical standards that best meet the needs of primary users and companies in the future may be reduced if companies become accustomed to applying the detailed requirements from other standards before having a clearer understanding of what IFRS Sustainability Disclosure Standards would require.
- The acceptance of IFRS S1 as a framework may also be contingent on companies having access to standards that have been through the due process of the IFRS Foundation. Without this, we note that there is a risk that jurisdictions will solely adopt IFRS S2 or extract elements from IFRS S1 without adopting it in its entirety.

### **Prioritising new projects**

Based on these observations, we encourage the ISSB to prioritise work on topics beyond climate. This includes both working on new topical standards, as well as more immediate implementation guidance or educational materials to support companies to report on climate-adjacent risks and opportunities, such as nature, water and the 'just transition'. It also includes undertaking some work on integration in reporting.

Speed and pragmatism are important in delivering this guidance, and therefore we encourage the ISSB to:

- build topical standards around the structure established by IFRS S1, making use of the work done to create that standard alongside the content of Sustainability Accounting Standards Board (SASB) Standards;
- leverage relationships with other bodies and their resources wherever possible, including Global Reporting Initiative (GRI), European Financial Reporting Advisory Group (EFRAG), the US Securities and Exchange Commission (SEC) and the Taskforce on Nature-related Financial Disclosures (TNFD), amongst others, to build on the work of others – as was so successfully achieved with developing IFRS S1 and IFRS S2;
- limit the scope of the biodiversity project and align with the TNFD to drive efficiency;
- consider social topics in parallel, rather than splitting projects them into human capital and human rights. Approach this project by considering where in the value chain risks or opportunities arise; and
- support the International Accounting Standards Board (IASB) as necessary to ensure the progression and completion of its Management Commentary project in a way that further embeds key elements from the Integrated Reporting Framework.

We suggest that taking these actions – especially simplifying the scope of the biodiversity project and dividing the human capital/human rights projects into manageable pieces – could make the work more achievable. Avoiding disaggregation between human capital and human rights would support interoperability as it would be more consistent with the approach adopted in European Sustainability Reporting

Standards (ESRS) to consider different groups of stakeholders – such as own workforce or workers in the value chain.

### **Supporting implementation of the standards**

The global baseline objective will only become a reality if companies use IFRS S1, IFRS S2 and future standards and guidance materials. We encourage the ISSB to make use of the time before its workplan is finalised to prioritise creating implementation guidance and educational materials explaining its first standards. For example, we support the proposed activities to provide educational materials by the end of 2023 on how to provide disclosures on climate-adjacent topics as part of IFRS S2 (as discussed in the ISSB™ staff paper, AP9 from July 2023). It is however also vital that resources are developed urgently to clearly articulate concepts from IFRS S1, such as explaining the ISSB's approach to materiality and what other fundamental topics mean in practice. We hope that the forthwith formation of the Transition Implementation Group (TIG) will allow interpretative questions to be addressed in a timely way to support adoption of IFRS S1 and IFRS S2.

All such resources need to be developed considering interoperability with other standards as a core feature, clearly explaining where differences arise and their practical implications.

For other activities to support the application of the standards, including capacity building, we encourage the ISSB to leverage its relationships with other parties, including the TIG members. This would reduce the burden for ISSB staff, who can provide oversight over capacity building activities, but focus on developing new technical materials. This could include working with the organisations committed to the IFRS Foundation's Partnership Framework, including KPMG.

### **Enhancing SASB Standards**

As discussed in our comment letter on the [Consultation to Enhance the International Applicability of the SASB Standards](#), our long-term vision is that the content of the SASB Standards can be integrated into the wider suite of IFRS Sustainability Disclosure Standards.

Before this can happen, we:

- recognise the urgent need to address internationalisation of the SASB Standards as a first step, as contemplated by the current narrow-scope project; and
- note the importance of a second step with full due process that goes beyond the initial project, including alignment of the SASB Standards with IFRS S1, further internationalisation activities and work on interoperability with other frameworks.

Beyond the scope of the initial narrow-scope improvement project which should be completed as quickly as possible, we suggest that the update and development of the SASB Standards would be most effectively incorporated into other topical standard-setting projects. This would ensure the consistency and coherence of the SASB-based materials with the structure of IFRS S1 and would enable the experience and

knowledge of the former SASB staff members and their materials to be integrated into the ISSB's materials in the most coherent way.

We also draw your attention to our comments on interoperability with other frameworks included in our comment letter on the Consultation to Enhance the International Applicability of the SASB Standards.

### **Integration in reporting**

Our strong preference is that the ISSB's work on integration in reporting focuses on joint working with the IASB. A practical way to achieve this in the near term would be to support the IASB as it finalises its Management Commentary standard-setting project. Joint working to finalise Management Commentary would address IASB stakeholder feedback received on its consultation in 2021. Given the already advanced stage of the IASB's work, joint working could take a number of forms that need not be resource-intensive for the ISSB.

ISSB involvement in finalising Management Commentary is important given the core role that management commentaries (or MD&As as they are sometimes known) play alongside the financial statements and sustainability-related financial disclosures in an annual report. The ISSB and IASB currently have a unique opportunity to work together on this. The opportunity to collaborate will be lost if the ISSB leaves finalisation of the project entirely to the IASB.

The IASB has already discussed analysis that shows the complementary nature of its Exposure Draft ED/2021/6 *Management Commentary* and the Integrated Reporting Framework, but also suggests there may be further opportunities to embed key integrated reporting notions into the final document. We think building on the IASB's previous work would provide efficient opportunities for the ISSB to share inputs based on its experiences from its sustainability-related standard-setting process.

A second aspect of integration in reporting could be "a corporate reporting framework that integrates disclosure across one or more documents." This would amount to the creation of a comprehensive conceptual framework, which we do not think should be a priority at this time given the progress made in developing IFRS S1 and the current resource constraints and urgency of other activities.

### **Targeted enhancements to IFRS Sustainability Disclosure Standards**

We agree with the ISSB staff's proposals in AP9 from July 2023 that it would not be beneficial to reopen or amend IFRS S2 in advance of its application by companies. We suggest that having a stable platform for IFRS S2 is vital in the early years of application – and reopening the standard before companies have started to apply it would not support this. Convening discussions at the TIG to develop interpretations would be more effective in promoting high-quality climate-related disclosures than seeking to make changes to IFRS S2 at this stage.

Whilst we would prioritise work on the climate-adjacent topics (see our comments on *Prioritising new projects*), we fully support the ISSB's intention to wait to discuss

changes to IFRS S2 itself until companies have had time to road-test and apply it. A post-implementation review and improvement project would be most efficiently and effectively conducted after the timeline contemplated by this consultation, once stakeholders have the benefit of using the standard in practice.

**Conclusion**

Appendix 1 provides more detailed responses to the questions from the consultation.

Please contact Reinhard Dotzlaw at [Reinhard.dotzlaw@kpmgifrg.com](mailto:Reinhard.dotzlaw@kpmgifrg.com) or Mark Vaessen at [Vaessen.Mark@kpmg.nl](mailto:Vaessen.Mark@kpmg.nl) if you wish to discuss any of the issues raised in this letter.

Yours sincerely

*KPMG IFRG Limited*

KPMG IFRG Limited

## Appendix 1: Question responses

### **Question 1: Strategic direction and balance of the ISSB's activities**

(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; and
- (iv) enhancing the Sustainability Accounting Standards Board (SASB) Standards.

We see that both speed and pragmatism are vital during the two years contemplated by the consultation. We suggest that new research and standard-setting projects should be the primary focus of the two-year work plan, alongside work conducted to support the implementation of IFRS S1 and IFRS S2. Both activities are fundamental to the global acceptance of IFRS Sustainability Disclosure Standards by jurisdictions and companies.

- The speed of researching and developing new topical standards is critical to the success of legitimatising a global sustainability reporting baseline and the success of the ISSB. See response to Question 3 for further discussion on specific projects.
- Supporting the implementation of IFRS S1 and IFRS S2 is also fundamental, but we hope that this will be ongoing prior to the ISSB decisions on its future workplan and that key guidance materials will be developed prior to the effective date of IFRS S1 and IFRS S2.

On an ongoing basis, we see that both these activities need to run in parallel, with research and standard-setting projects conducted alongside producing timely guidance materials and a taxonomy that is internationally interoperable. Whilst fundamental to the success of the standards, we do not expect that some activities needed to support the implementation of IFRS S1 and IFRS S2 will be resource intensive (e.g. activities relating to the TIG or engaging with partners), as the ISSB should be able to take a role convening and supervising, allowing staff to focus primarily on other projects.

We recognise that a digital taxonomy is vital for making the information reported accessible. If designed effectively, it can also be a tool to support interoperability of the standards. As such, we encourage the ISSB to continue work to create the IFRS Sustainability Disclosure Standards Taxonomy as quickly as possible. However, we urge the ISSB to focus on developing a practical and consistent approach that will support companies applying IFRS Sustainability Disclosure Standards and other frameworks, without creating undue burden.

We suggest that beyond the narrow-scope project contemplated by the separate consultation, enhancing the SASB Standards should be performed in parallel with other activities. We expect that the initial narrow-scope project will be completed prior to the effective date of the standards and suggest that further work is completed as part of topic-specific research and standard-setting projects, rather than as a separate exercise.

There is a need for guidance for disclosure of climate-adjacent risks and opportunities in non-climate sustainability topics. We support the proposals included in the ISSB staff paper AP9 in July 2023 as being examples of priority educational materials that could be usefully created before the end of 2023 to support companies to apply IFRS S1 and IFRS S2. However, it needs to be made clear how this scope of work interacts with any future topic-specific projects. We agree that the ISSB should not amend IFRS S2 itself within the time period considered by this consultation.

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

No further comment – see response above.

- (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.

We suggest that interoperability with frameworks developed by other standard setters, including EFRAG, the SEC and GRI, should be a key priority embedded in all workstreams. This is necessary to ensure the success of the global baseline concept and achieve a coherent and consistent reporting landscape, without excessive cost and administrative burden for preparers or primary users.

**Question 2: Criteria for assessing sustainability reporting matters that could be added to the ISSB’s work plan**

- (a) Do you think the ISSB has identified the appropriate criteria?

We generally agree with the proposed criteria for assessing the priority of sustainability reporting matters.

We note that although they are good for ranking projects, the criteria do not deal with the allocation of the ISSB’s scarce resources. We therefore encourage the ISSB to consider additional criteria to determine how to prioritise projects with similar characteristics, including urgency and importance, in light of its resource challenges.

We have drafting comments about Criterion 1 – i.e. the importance of the matter to investors. We note that this wording is not consistent with paragraph 5.4 of the Due Process Handbook, which refers to ‘users’. We are not sure why the ISSB has

decided to narrow the user group and focus solely on the needs of investors in assessing the priority of sustainability reporting issues. We would encourage the ISSB to revert to the drafting referring to the needs of primary users.

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

We would also include a criterion relating to whether a project would promote interoperability with other frameworks, due to the importance of this for primary users and the evolving regulatory sustainability reporting environment.

***Question 3: New research and standard-setting 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 or suggest another project.
  - (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 or suggest another project (or projects).

We recommend that the ISSB should work on more than one project and suggest that more than one project can be progressed at the same time.

We suggest that the three topical research projects (biodiversity, ecosystems and ecosystem services, human capital, and human rights) should be considered separately from integration in reporting due to differences in nature, format and structure of the projects.

We have not provided comments on the relative prioritisation between the three topical projects, instead suggesting simplifications to the scope of the biodiversity project and an alternative way to structure the human capital/human rights projects. The aim of these suggestions is to support more rapid progress towards standard setting across the three topic areas. As explained in our response to Question 1, we suggest that it is important for the ISSB to broaden its scope of guidance and standards on other topics as quickly as possible.

We note that as the IASB needs to complete its standard-setting work on Management Commentary in response to consultation feedback, the opportunity for collaboration on an integration in reporting project may be lost if the ISSB does not participate now. As such, whilst we would make this project a high priority, we suggest that by collaborating with the IASB, the resource needs for ISSB staff and



board can be minimised such that this would not be a 'large project' for the ISSB in the near term. See our response to Question 7 for further detail.

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

(a) Of the subtopics identified in paragraph A11, 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.

We find that the proposed scope of the topic and named subtopics is unclear and recommend that the ISSB needs to clarify its planned scope. For example, it is not clear how:

- aspects of topics such as 'pollution' and 'water' that are not related to biodiversity would be captured if these subtopics were selected;
- a research and standard-setting project on the subtopics named would interact with any work performed around climate-adjacent risks relating to nature and the connectivity between climate- and nature-related risks and opportunities; and
- interplay and connectedness with key societal dimensions would be reflected, including, for example, human rights (access to clean water and air), stewardship role, rights and traditional knowledge of Indigenous People and local communities, issues of social justice and equity, and the need for a 'just transition' to a nature-positive and net-zero economy.

We observe that addressing each of the subtopics identified would be a very large project and it is not clear whether or how this would align with other developing standards and frameworks, including the TNFD and ESRS.

For this reason, we would not recommend that the ISSB disaggregates the topic into the named subtopics. Instead, we would recommend that the ISSB consider renaming the research project as 'nature', more closely aligning its scope with the integrated approach of the TNFD. It would then be important to make clear what the final project scope was before starting work.

This approach would best enable the ISSB to leverage the work already performed by the TNFD. Whilst we are aware that the TNFD framework is not yet at the same level of maturity that the Task Force on Climate-related Financial Disclosures (TCFD) framework was when the Technical Readiness Working Group first created the prototype standards that led to IFRS S1 and IFRS S2, we do expect that this approach would be the most efficient way of using the momentum and knowledge built via the TNFD's work.

- (b) Do you believe that sustainability-related risks and opportunities related to this topic 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.

Yes. When reporting on biodiversity, ecosystems and ecosystem services, we observe that the level of disaggregation is particularly important due to the location- or biome-specific nature of many biodiversity-related risks and opportunities. Whilst industry-focused standards such as the SASB Standards provide a useful resource and starting point for considering the different sustainability-related risks and opportunities that may be relevant across different business models and types of activities, we suggest that further guidance is needed specifically for this topic around how to disaggregate or aggregate information appropriately to achieve a fair presentation.

- (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.

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.

We suggest that the ISSB should focus on incorporating and building on the TNFD framework, supplemented by nature-related disclosure topics and metrics from the

SASB Standards and investor-relevant metrics from the proposed updates to GRI 304, as well as using the work performed by EFRAG to create ESRS E4 to the greatest extent possible.

The TNFD framework could be used as a useful starting point for a nature-related standard-setting project. This would enable the ISSB to continue the momentum created by the TNFD, continuing to improve and build on its work beyond the finalisation of the framework recommendations anticipated for September 2023. We believe that a research and standard-setting project could both leverage the work done to date and also be completed in collaboration with the TNFD to ensure that all future improvement efforts are complementary and not competing. Whilst delaying engagement with the TNFD until its final framework has been used more extensively in practice would provide the ISSB with a stronger and more developed starting point, this would not enable the ISSB to have the same influence over the TNFD's development and alignment with IFRS S1.

Key ways that the ISSB could build on the TNFD include:

- considering how to provide connected information and support users to understand the climate/nature nexus;
- disclosing the financial implications of nature-related risks and opportunities; and
- making the topic more accessible and identifying a global baseline of information to report.

We suggest that a future ISSB standard has an opportunity to simplify nature-related reporting, using the TNFD as a foundation. The TNFD is a complex framework to understand and report. To meet the aims of the ISSB, we suggest that the ISSB and/or TNFD would need to provide guidance to make the topic accessible for all global companies, and not solely with reference to complex science.

The SASB Standards should also serve as a key input to the ISSB's project, as they have been for the TNFD. We would recommend that the ISSB update and refine the disclosure topics and related metrics within the SASB Standards that relate to nature as part of the research and standard-setting project.

In addition to the work performed by the TNFD, we recognise the considerable work undertaken in recent years by EFRAG to develop ESRS E4 and GRI to develop the draft updated version of GRI 304. We strongly encourage the ISSB to collaborate with EFRAG and GRI to understand their research findings and incorporate those learnings into the ISSB's project, where they are relevant to the information needs of primary users. Any future standard should be structured to be consistent with IFRS S1, but subject to consistency with IFRS S1, practically aligned to the greatest extent possible with ESRS and GRI. This particularly includes aligning language and definitions to avoid unnecessary confusion around interpretation.

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

- (a) Of the subtopics identified in paragraph A22, 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.

We suggest that it is important for the ISSB to explain how it plans to structure and provide guidance on matters relating to human capital as soon as possible. This is because we observe that:

- foundational activities relating to climate-adjacent topics (including but not limited to matters relating to the ‘just transition’) are critically important, and that these should be connected and compatible with any topic-specific project; and
- there is significant potential for this topic to overlap with others (particularly human rights) and it is currently unclear how projects on each topic would interrelate.

We do not prioritise specific subtopics identified in paragraph A22 due to this significant overlap between human capital, human rights and other topics (e.g. climate).

Where the ISSB wishes to prioritise certain subtopics, this should focus on matters that have a clear connection to value creation and are relevant at an international level. For example, access to a scarce high-quality workforce (regardless of whether directly or indirectly employed) is a critical driver of value for many businesses.

- (b) Do you believe that sustainability-related risks and opportunities related to this topic 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.

Yes. Risks and opportunities will differ significantly across industries and geographic locations due to jurisdictional differences, cultural norms and definitions.

- (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 A25 should be prioritised by the ISSB in pursuing its research? 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 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.

The ISSB should work together with other parties to develop its human capital reporting. We observe that the SEC has indicated the possibility of future human capital disclosure in public company filings, whilst the EU has set out a structure for human capital reporting split between different impact stakeholder groups (e.g. own workforce).

It will be important for the ISSB to monitor developments in Europe, in the US and in other jurisdictions, and where possible work together with those standard setters, to promote interoperability.

The SASB Standards should serve as a key input to the ISSB's project. We would recommend that the ISSB update and refine the disclosure topics and related metrics within the SASB Standards that relate to human capital as part of the research and standard-setting project.

We also recognise the considerable work undertaken in recent years by EFRAG to develop ESRS S1, ESRS S2, ESRS S3 and ESRS S4 as well as GRI on its human capital-related standards. We strongly encourage the ISSB to collaborate with EFRAG and GRI to understand their research findings and incorporate those learnings into the ISSB's project, where they are relevant to the information needs of primary users. Any future standard should be structured and consistent with IFRS S1, but practically aligned to the greatest extent possible with ESRS and GRI. This particularly includes aligning language and definitions to avoid unnecessary confusion around interpretation.

The current proposal for separate research projects on human capital and human rights introduces significant overlap, due to the inherent connectivity between these

topics. One way to reduce this overlap and confusion around the scope of each project would be to focus a social reporting standard on the different factors that give rise to sustainability-related risks and opportunities. This would be likely to be more compatible with the model used in ESRS, whilst avoiding distinguishing between different types of human capital relationships that could have similar risks and opportunities, or subtopics that would overlap with different topics.

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

- (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.

See our response to Question 5a.

- (b) Do you believe that sustainability-related risks and opportunities related to this topic 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.

See our response to Question 5b.

- (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.

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.

See our response to Question 5c.

Further to that, we strongly encourage the ISSB that any future standard should align language with the UN Guiding Principles Reporting Framework where possible, subject to achieving consistency with IFRS S1. It would also be useful to consider the reporting guidance from the related disclosure framework.

As well as interoperability with ESRS, we encourage the ISSB to monitor developments around the EU's Corporate Sustainability Due Diligence Directive (CSDDD), which will include impacts of diversity and human rights.

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

- (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?

Our strong preference is that the ISSB's work on integration in reporting focuses on joint working with the IASB. A practical way to achieve this in the near term would be to support the IASB as it finalises its Management Commentary standard-setting project. Joint working to finalise Management Commentary would address IASB stakeholder feedback received on its consultation in 2021. Given the already advanced stage of the IASB's work, joint working could take a number of forms that need not be resource-intensive for the ISSB.

ISSB involvement in finalising Management Commentary is important given the core role that management commentaries (or MD&As as they are sometimes known) play alongside the financial statements and sustainability-related disclosures in an annual report. The ISSB and IASB currently have a unique opportunity to work together on this. The opportunity to collaborate will be lost if the ISSB leaves finalisation of the project entirely to the IASB.

The IASB has already discussed analysis that shows the complementary nature of its ED Management Commentary and the Integrated Reporting Framework, but also suggests there may be further opportunities to embed key integrated reporting

notions into the final document. In particular, as noted in our comment letter on the IASB's ED Management Commentary, this would include adding a distinct governance reporting component. We think building on the IASB's previous work would provide efficient opportunities for the ISSB to share inputs based on its experiences from sustainability-related standard-setting process.

A second aspect of integration in reporting could be "a corporate reporting framework that integrates disclosure across one or more documents." This would amount to the development of a comprehensive conceptual framework, which we do not think should be a priority at this time given the progress made in developing IFRS S1, the current resource constraints and urgency of other activities.

- (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.

We support coordination with the IASB on the project. A practical way to achieve this in the near term would be to structure the coordination so that the IASB leads the project and the ISSB supports it. The ISSB should explore how to collaborate without requiring full board involvement.

There are clear benefits of both the ISSB and IASB working together given the maturity and capacity of the ISSB to take on such a project on its own. We believe that connected working between the IASB and ISSB should be a prerequisite for any project on integration in reporting.

A jointly endorsed reporting standard or similar should be attractive for jurisdictions looking to establish a fully integrated set of reporting requirements.

- (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.



The ISSB should participate in finalisation of the IASB's Management Commentary project. The ISSB's participation should mean information specified in its detailed standards is consumed in the most effective way. There is also a clear need for a well-designed set of guidance to promote consistency/discipline for these disclosures.

The complementary nature of the Integrated Reporting Framework and Management Commentary ED demonstrates that further opportunity to embed key integrated reporting notions (such as explicit consideration of governance matters) into the final document.

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

Longer term, it would be attractive to pursue a project to develop a comprehensive conceptual framework that should be used as the foundation for future standard-setting work. This would also include alignment of key terms.

Governance performance reporting is important. If not incorporated into the Management Commentary standard-setting project, then this could be undertaken as a separate joint project with the IASB, building on IFRS S1. The joint approach could address governance performance and its impact on creating and protecting enterprise value and future net cash flow.

### **Question 8: Other comments**

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

We understand why the ISSB chose to focus on a two-year work plan, given the fast-moving landscape and developments. However, we would encourage the ISSB to give more clarity beyond the period covered by this workplan around the vision for the structure and components within a full suite of IFRS Sustainability Disclosure Standards. This is needed to give more certainty to companies and jurisdictions deciding how to engage with the ISSB's materials.

For example, stakeholders need to understand the ISSB's strategy for:

- the short- medium- and long-term role of the SASB Standards, both separately from and within the suite of IFRS Sustainability Disclosure Standards;
- the proposed architecture of the suite of IFRS Sustainability Disclosure Standards, including indicative coverage of the suite of standards; and
- potential timelines towards a full set of IFRS Sustainability Disclosure Standards.

Collaboration with other standard setters, including EFRAG, the SEC and GRI, should be core to ISSB activities, for the two-year work plan and beyond.

If certain activities in the proposed two-year workplan are not able to proceed due to resource capacity constraints, the ISSB should consider partnerships other parties to progress these activities.