

AY-2. Are you responding as an individual, or on behalf of an organisation?

- Organisation

AY-3. Please provide the name of the organisation you are responding on behalf of:

Accountancy Europe

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

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

**01-A. (a) From highest to lowest priority, how would you rank the following activities?
Please drag and drop to rank, where 1 is the highest priority and 4 is the lowest priority.**

<i>supporting the implementation of ISSB Standards (IFRS S1 and IFRS S2)</i>	1
<i>beginning new research and standard-setting projects</i>	2
<i>enhancing the Sustainability Accounting Standards Board (SASB) Standards</i>	3
<i>researching targeted enhancements to the ISSB Standards</i>	4

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

Accountancy Europe believes that “beginning new research and standard-setting projects” and “supporting the implementation of ISSB standards (IFRS S1 and IFRS S2)” are equally the most important priorities and activities the ISSB should undertake. Therefore, we strongly suggest the ISSB prioritises these activities equally as number 1 (clarification: Accountancy Europe’s real ranking for both is “1”, however, this was not possible in the survey). We provide our arguments for prioritising work on these activities below.

Prioritising the work on new standards is necessary to advance ISSB’s remit to develop standards for sustainability topics other than climate. In addition, developing other topical standards will progress ISSB’s ambition and goal in developing a global baseline for sustainability reporting, covering a broad spectrum of sustainability topics, not just climate. To this end, we strongly call the ISSB to:

- determine as soon as possible the full list of sustainability topics that it intends to work on
- set out the overall architecture of its standards
- clarify the overall strategy and timetable for its work on other topical standards, including when the respective standards will be published.

These would provide perspective beyond the 2-year period of this agenda consultation.

Moreover, from a European perspective, having other topical standards in addition to climate (IFRS S2) is needed as it serves as a basis for alignment with the European Sustainability Reporting Standards (ESRS). This is important because, on the one hand, the EU’s Corporate Sustainability Reporting Directive (CSRD) requires ESRS to be aligned with IFRS sustainability standards, and on the other hand, the ISSB also aims for convergence with other jurisdictional standards.

Similarly in importance, undertaking work to support the implementation of ISSB standards and to ensure that the standards are adopted widely and are established as the global baseline. Working on this priority is also necessary for the adoption of ISSB standards in different jurisdictions, as endorsed by IOSCO. We believe that a broad application and endorsement of IFRS sustainability standards will solidify and improve the ISSB’s position and resources and may ultimately positively impact its ability to undertake more standard-setting projects.

As a clarification, Accountancy Europe assumes that this activity includes work on how to address the integration of various sustainability topics that are connected to one another.

Considering the two first standards (IFRS S1 and IFRS S2) as an example, within this activity, the ISSB would be looking at how to disclose other sustainability related topics that are impacted by climate change as covered in IFRS S2. Climate affects biodiversity, other environmental and social topics, for which there are not yet related IFRS sustainability topical standards. The ISSB should clarify as part of this activity whether these disclosures should be provided using IFRS S2 (because they stem from climate change) or whether they should be considered separately and disclosed as per IFRS S1. If the former, the ISSB should make the necessary clarifications as part of IFRS S2, and if the latter, the ISSB should consider how to ensure links between these disclosures which in reality stem from other topics).

In addition, from a European perspective, the ISSB should work with EFRAG to align the upcoming ESRS guidance with the ISSB’s standards guidance. EFRAG has been asked to develop such guidance by the European Commission (EC) as a priority after the adoption of first set of ESRS via delegated act on 31 July. ESRS will be mandatory in the EU as per the CSRD, and whilst the ESRS use a “double materiality” perspective, we strongly believe that there is significant common ground with the ISSB’s standards’ materiality approach which would result in similar disclosures in practice (notwithstanding the ones under ESRS which could be out of scope under the IFRS sustainability standards). Alignment in guidance is as important as in the standards per se, to ensure that the practices and operationalisation of both sets of standards are harmonised.

We would also include working on the digital taxonomy as part of this activity, including efforts to align with the ESRS Taxonomy. Ensuring alignment and avoiding discrepancies at taxonomy level is equally as important as doing so at the standard-level in the modern and digitalised corporate reporting playfield.

We have ranked third the work on internationalising SASB due to needing to strike a balance between:

- the requirement in IFRS S1 to require considering SASB standards in determining sustainability risks and opportunities when a topical ISSB standard is not available and
- the transitional provision of “climate first” in the first year of reporting.

Therefore, effectively, this work would only impact the last year of the upcoming two-year workplan of the ISSB.

In addition, based on the European experience, it is paramount to first stabilise sector-agnostic topics, and reach a certain level of maturity in these reports, before adding on further sectorial requirements.

Nonetheless, we strongly believe that it is necessary to internationalise SASB standards and incorporate them in (future) ISSB standards, rather than continuing working on them as a separate resource.

Finally, we have ranked the enhancements on existing ISSB standards last because the standards are not effective yet.

As per a recent ISSB staff paper, we understand that the intention is not to reopen these two standards, but rather provide educational materials. We strongly suggest including these educational materials on the first two standards as part of “supporting the implementation of ISSB Standards (IFRS S1 and IFRS S2)”.

Our rationale in this ranking is that 2-years (period of the workplan following this agenda consultation) may not be enough time to properly identify the necessary enhancements needed to the first standards as the IFRS sustainability standards’ effective date is 1 January 2024. Therefore, the ISSB should first allow time to stakeholders to apply the standards. In the meantime, the ISSB could work with its Transition Implementation Group (TIG) to support the first-time application and evidence where improvements may be needed in the future.

When the time comes to reopen these first two standards, we strongly suggest ISSB collaborates with EFRAG and the EC to ensure maximum alignment with the ESRS. With IFRS S1 and IFRS S2 finalised and the EC having adopted their delegated act with the ESRS, we believe that there is room for future alignment on the remaining differences between the two sets. In the meantime, we continue to strongly call for a “co-signed” interoperability table between the two sets of standards.

01-C. (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.

- No:
We welcome the establishment of the Sustainability Standards TIG and suggest the ISSB also considers setting up a separate structure, similar to IFRIC, to address interpretation issues as well as focus on the post-implementation of IFRS sustainability standards. This would not be a separate activity per se, but would support some of the activities already identified by the ISSB above, particularly the implementation and enhancement of the standards.

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

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

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

- Yes:
Accountancy Europe appreciates and supports that the ISSB’s criteria for assessing sustainability reporting matters are largely inspired by IASB’s criteria.
Nonetheless, when formalising these criteria, we suggest the ISSB clarifies how their application for sustainability standards purposes differs from the IASB’s for accounting standards purposes. Particularly on the first criteria of a matter being important to investors, it is important to clarify that whilst it is the same criteria, the contexts are different between both standard setters.

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

- Yes:
Accountancy Europe suggests considering “interoperability” (with existing/upcoming regional/national standards and requirements in sustainability reporting) as a criterion. “Interoperability” would address both the “human readable” and the “machine readable” dimensions which are equally important in an era of continuous digitalisation of corporate reporting. Aligning standards per se (including guidance) is very useful, but it is also important to align digital taxonomies.
Adding “interoperability” as a criterion would contribute to ISSB’s ambition of building a global baseline of sustainability disclosures for also other topics in addition to climate. In addition, it would avoid duplications with any other reporting requirements, improve efficiencies and reduce costs.
We noted that whilst the ISSB has not included this in the list of criteria, it has identified it to be a factor as per paragraph 26 of the Request for Information (RfI) “These criteria are the primary consideration for determining the priority of projects to be added to the ISSB’s work plan, but given the importance of interoperability the ISSB also considers the work streams of other jurisdictional and voluntary sustainability standard-setters and framework providers.”
From a European perspective, we strongly call for maximum alignment between ISSB and ESRS, which are mandated in the EU. Whilst we appreciate that currently there are still differences between the two sets of standards, we hope that these differences are eliminated in the future, so that complying with ESRS (which are the broader scope standards) would allow preparers to also claim compliance with ISSB standards.
Should the ISSB add any other criteria, the ISSB should explain how these extra criteria will be considered as compared to the others (e.g., in terms of prioritisation).

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

Paragraphs 27–38 of the Request for Information 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.

03-A. (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?

- More than one project

03-Aii. (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). Please explain your response.

- Biodiversity, ecosystems and ecosystem services:

Accountancy Europe strongly supports working in parallel on multiple topical projects so that other topical standards are available faster.

Sequential standard-setting could take years before a standard is published and the next project is started – which is not an approach fit for the very dynamic setting in sustainability topics. Indeed, a certain sustainability topic that could have been deemed as not so high on users’ agenda could quickly become very relevant and urgent.

Accountancy Europe’s choice in projects to prioritise is based on our preference to have as many new IFRS sustainability standards finalised in the 2-year period subject to this agenda consultation. Therefore, our main caveat in responding to this question is the likelihood of a project being finalised or as mature as possible in the 2-year period in question.

From a European perspective, we support alignment between ESRS and IFRS sustainability standards both in terms of contents (standards, guidance, digital taxonomy) and architecture of standards. ESRS already cover a comprehensive scope of environmental, social and governance standards, whilst the ISSB’s only topical standard available now is the one on climate. Developing other IFRS sustainability topical standards provides a basis for alignment with ESRS on topics other than climate.

To this end, we call on the ISSB to develop as quickly as possible (see our suggestion in question 8) other sustainability topical standards other than climate to build a global baseline for these topics too. However, the ISSB should first determine the full list of sustainability topics that it intends to work on as well as set out the overall architecture of its standards. For this, the ISSB should consider the ESRS’ list of topics and architecture of standards, which have already been determined.

As a disclaimer, we continue to support the need for a “conceptual framework for connected reporting” which, among other things, would provide the principles that underpin the work of both the IASB and ISSB and enable integration in corporate reporting – we understand that such a deliverable could be addressed in this “integration in reporting” project. Nonetheless, we have chosen to prioritise topical standards as part of the ISSB’s 2-year plan because we:

 1. believe that working on a broad and conceptual project such as “integration in reporting”, which hopefully results in the conceptual framework for connected reporting, will take more than 2 years to finalise
 2. agree with the ISSB that this project will be resource intensive and undertaking it will “cost” ISSB progress in developing new ISSB standards
 3. think that working on this project will be more practical and the chances of delivering a relevant product are higher if the ISSB has a more complete suite of standards (by comparison the IASB has a very comprehensive list of IFRS accounting standards)
 4. believe that it is important to clearly determine the scope and scale of this project before embarking on it, which may be challenging at such an early point in time for the ISSB.

Regarding the sustainability topics to prioritise, we do not have a preference as we believe that all ESG topics are important and that the ISSB should undertake projects to develop sustainability reporting standards for all these topics. We provide our comments below in support of undertaking projects to develop both environmental and social sustainability-related standards.

On the one hand, there is the project on “Biodiversity, ecosystems and ecosystem services” (BEES) which we appreciate are increasingly areas of risk from an investment perspective. We understand from this RfI that the project on BEES addresses many environmental/nature related topics (e.g., water, land use, pollution), not just biodiversity exclusively.

However, this RfI gives the impression that “biodiversity” is used as a synonym to “nature”. We suggest the ISSB first and foremost clarifies the scope of the project (i.e., whether it is intended to be a narrow-scope project on biodiversity, or whether it is intended to be a broad-scoped project on nature). When determining the scope and developing the standards, we also strongly suggest the ISSB to leverage the work of the TNFD, the ESRSs and the respective GRI standard (currently under revision).

In addition, we call for interoperability with any future ISSB environmental standards and the respective ESRS.

Finally, we suggest the ISSB tackles each of these topics (i.e., water, pollution, biodiversity, circular economy, pollution, etc.) separately. This is because if the ISSB is to look at all these topics from a common lens (e.g., biodiversity), the relevant information for investors will be different than that if the ISSB were to look at each topic separately.
- Human capital:

[continued from above]

On the other hand, there are the projects on social topics, which include both “human rights” and “human capital”. Work on social topics is very important as disclosure initiatives are not as prevalent in the market and reporting on these topics is still immature.

In addition, we recognise that both topics are sources of risks (e.g., human rights are increasingly becoming pressing issues; human capital topics such as health, safety and wellbeing are also sources of risks) and opportunities for which investors need information.

We point out that there may be overlaps between these two topics as they are very linked to and complement one another. Therefore, the ISSB should first and foremost clarify the scope for each of these projects. This could result in addressing these issues together as part of common social topics or working on them in parallel.

On another note, we strongly suggest the ISSB leverages the ESRS where there are already 4 social standards as well as the respective GRI standards.
- Human rights:

See above.

**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 to the Request for Information. Please respond to these questions:

**04-A. (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 choice 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:

- **a short description of the subtopic (and the associated sustainability-related risks and opportunities); and**
 - **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.**
- Freshwater and marine resources and ecosystems use:
Accountancy Europe considers work on environmental topics, including biodiversity as key. We strongly suggest the ISSB leverages the work of the TNFD, ESRS and GRI and aligns as much as possible with existing initiatives.
We reiterate that we would have appreciated if the ISSB provided a list of all the sustainability topics it intends to address as well as set out the overall architecture of its standards. Particularly for this project, it seems like the ISSB will include various environmental related topics. We would have appreciated a clarification of all the topics encompassed under this project.
In addition, we would have preferred a clarification on whether the ISSB intends to look at environmental topics separately to determine risks and opportunities, or rather they will look at them from a biodiversity perspective. Accountancy Europe strongly suggests the former.
We prioritise the following topics under the aforementioned caveats. As a result, we have considered the topics separately.
We have selected the first four environmental topics above for prioritisation. For all four the research as well as actual events show the increasingly short-term risks and opportunities to companies. These include physical events (such as water shortages), regulatory and reputational risks (related to licenses to operate for certain industries such as airlines), legal risks (where societal actors use the legal system to represent nature as a stakeholder and hold companies to account for pollution and/or to act within targets set by governments).
We referred above to the interrelationships between the environmental topics and the related spinning effect of the topics named above.
We recognise that various industries will prioritise these topics differently. We suggest the ISSB prioritises based on each of these topics’ impact to society, which directly translates in significant risks and opportunities, thus resulting in useful information for users.
The first three topics are highly interrelated with climate change and therefore require equal urgent attention:
 - freshwater: shortages and draughts in various countries (e.g., Spain, California) have caused supply chain and societal disruptions which result in risks and opportunities.
 - Land-use and land-use change:
[continued from above]
 - land-use and land-use change: similarly, we recognise financial risks and government actions on impacts due to this topic (e.g., crop yield).
 - Pollution (including emissions into air, water and soil):
[continued from above]
 - pollution: legal and governmental actions (e.g., the Netherlands, Belgium) as a result of pollution impacts, including to health and nature confirm that the topic creates financial risks and opportunities for companies.
 - Resource exploitation (for example, material sourcing and circular economy):
[continued from above]
Regarding the fourth topic, we recognise that “resource exploitation” is a key dependency for many companies. The issue of waste (related to circular economy) is high on political agendas and creates challenges for business. In addition, the availability of precious materials, further infused by the geopolitical challenges, makes resource exploitation an important topic to address.

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

04-B. (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?

- Yes

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

Accountancy Europe believes that biodiversity-related risks and opportunities vary depending on the industry. Many biodiversity-related impacts, risks and opportunities are location-specific (e.g., depend on the location of business sites) and local in nature (depend on the location of sourcing of raw materials).

For certain sectors, such as agriculture, biodiversity loss could impact the yield of crops whereas for others, such as fisheries, the issue relates more to the diversity of species (i.e. fish). Logically, the risks are different and dependent on different types of developments – although both fall under ‘biodiversity and ecosystems’. Measuring performance against these risks would result in different measures. For the example above, in agriculture one would be interested in temperature rise on land and yearly yields, in the fisheries sector a measure such as growth of total fish population and sea temperature would be of higher relevance. Further evidence can be found in the EU taxonomy which emphasises the link between biodiversity and different industries.

Despite these considerations, we note that there is a sector-agnostic aspect to each of the environmental topics listed by the ISSB as part of this BEES project which should be addressed in the respective standards as such. To this end, we call for the ISSB to clarify how the requirements in topical standards interact with sector/industry ones.

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

04-C. (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. If you would like to suggest materials that are not specified, please select 'Other' and give your suggestion(s) in the comment box. 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 Climate Disclosure Standards Board (CDSB) Framework application guidance for biodiversity and water-related disclosures:
Accountancy Europe strongly supports building on existing initiatives when developing new topical standards. This ensures consistency and alignment, reduces costs for stakeholders as well as positively contributes to building an effective global baseline for sustainability-related disclosures. We provide below a short rationale of why we consider each of these initiatives important:
- CDSB can serve to determine the material risks and opportunities for each topic.
- The SASB Standards:
[continued from above]
- SASB can serve to both determine the material risks and opportunities (as recognised in IFRS S1), but is also particularly important for the metrics.
- The Global Reporting Initiative (GRI) standards (for example, GRI 304 – Biodiversity):
[continued from above]
- GRI, whilst being standards that focus on the wider impacts to broader stakeholders (i.e., do not use the same materiality lens and do not have the same users as the ISSB), can help in determining financial-related sustainability risks and opportunities due to the interdependency of these issues. As noted above, sustainability topics are interdependent: a matter with wider impacts can quickly become and translate into financial risks.
- The Taskforce on Nature-related Financial Disclosures (TNFD):
[continued from above]
- TNFD addresses nature-related disclosures specifically.
- The Capitals Coalition:
[continued from above]
- The Capitals Coalition which despite targeting management reporting, provides useful concepts in its Natural Capital Protocol used also in developing various standards.
- The Science Based Targets Network:
[continued from above]
- The Science Based Targets Network as they are used a lot in practice, particularly by companies.
- The European Financial Reporting Advisory Group (EFRAG):
[continued from above]
- EFRAG develops ESRS, which based on the EU's CSRD will be mandatory in the EU beginning from 1 January 2024. The EC adopts these standards via delegated acts to enforce in the EU. ESRS cover a broad range of sustainability topics, are developed under a "double materiality" perspective, including information that is relevant to investors and capital markets participants. ESRS also already consider various international sustainability reporting initiatives as well as EU laws (e.g., EU taxonomy), which were used as the basis for developing the standards. Therefore, the ISSB should carefully consider ESRS and enhance its collaboration with EFRAG and the EC to ensure future IFRS sustainability standards are interoperable with ESRS (as well as any other standards in other jurisdictions) as this ensures an effective global baseline.
- Other—please specify:
European Commission (jointly with EFRAG) in view of the ESRS.

**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 to the Request for Information. Please respond to these questions:

05-A.

(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:

- a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
- 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.
- Worker wellbeing (including mental health and benefits):

Accountancy Europe reiterates our previous suggestion to define the scope for projects on social topics, including on human capital and human rights. These topics are very linked to and complement one another. As a result, we suggest the ISSB addresses human capital and human rights issues together as part of a common social topic.

On another note, we strongly suggest the ISSB leverages the ESRS where there are already 4 social standards. The ESRS' approach, for example, is to cover both aspects of human capital and human rights jointly in a topic (e.g., for workforce, affected communities, etc).

For the topics selected above, we relate our feedback to the increasing challenge of attracting and retaining talent to drive the company's growth and performance.

Across the world, diversity, equity and inclusion have become high on the agenda – be it due to incidents of discrimination or the notion that the population composition has changed significantly, and companies need to adapt in order to realise the highest company value. Workforce composition and costs are equally important on this aspect too; however, we call to clearly define what “costs” include as part of this topic. With that in mind, we believe that worker wellbeing is of the utmost importance on the social part of sustainability.

We have a few additional comments and points of feedback that we outline below.

First and foremost, we suggest the ISSB to define “workforce” and provide a clear explanation of what it is composed of (e.g., would it include contractors, secondments, internships etc or only those in an employment contract). This would help determine what disclosures would be relevant.

Next, the ISSB should evidence what information on social topics is useful for investors.

On a final note, we appreciate that disclosures on some of these subtopics could be challenging due to data protection requirements. For example, disclosures on “worker wellbeing” (e.g., medical data, such as mental health listed by the ISSB) are confidential.

However, there will be other subtopics that will be part of requirements of local jurisdictions (e.g., in Spain it is a requirement to provide disclosures on employee engagement).

Therefore, the ISSB should consider legal requirements or limitations when developing this standard.
- Diversity, equity and inclusion:

See above.
- Employee engagement:

See above.
- Workforce investment:

See above.
- Workforce composition and costs:

See above.

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

05-B. (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?

- Yes

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

Accountancy Europe notes that risks and opportunities related to human capital will depend on the business model activities, whether the business extends cross-border as well as requirements of specific jurisdictions the entity operates in. Particularly on the latter, disclosures on this topic will also need to consider the requirements and limitations in local laws.

Cultural differences imply that even the topic of diversity and inclusion means different things in different parts of the world and, equally, in different industries. For example, in a number of industries diversity relates to gender diversity primarily as they are still mainly 'male-run', whereas in some more advanced industries such as the financial or services industries diversity has evolved into 'inclusion' and different types of thinking – so beyond gender.

Equally, well-being means something different to different industries, dependent on their phase of development and the characteristics of the workforce. This comes therefore also with different types of risks (and opportunities) to companies in these sectors.

Despite these considerations, we note that there is a sector-agnostic aspect to each of these social topics, which should be addressed in the respective standards as such. To this end, we call for the ISSB to clarify how the requirements in topical standards interact with sector/industry ones.

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

05-C. (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. If you would like to suggest materials that are not specified, please select 'Other' and give your suggestion(s) in the comment box. 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 SASB Standards and related research and standard-setting projects:
Accountancy Europe strongly supports building on existing initiatives when developing new topical standards. This ensures consistency and alignment, reduces costs for stakeholders as well as positively contributes to building an effective global baseline for sustainability-related disclosures.
In no particular order, we consider these initiatives important because:
 - SASB can serve to both determine the material risks and opportunities (as recognised in IFRS S1), but is also particularly important for the metrics.
- The CDSB Framework for reporting environmental and social information:
[continued from above]
 - CDSB can serve to determine the material risks and opportunities for each topic.
- The Integrated Reporting Framework:
[continued from above]
 - The Integrated Reporting Framework due to its considerations for human capital as one of the capitals.
- The Capitals Coalition:
[continued from above]
 - The Capitals Coalition which despite targeting management reporting, provides useful concepts in its Social & Human Capital Protocol.
- The European Financial Reporting Advisory Group (EFRAG):
[continued from above]
 - EFRAG develops ESRS, which based on the EU's CSRD will be mandatory in the EU beginning from 1 January 2024. The EC adopts these standards via delegated acts to enforce in the EU. ESRS cover a broad range of sustainability topics, are developed under a "double materiality" perspective, including information that is relevant to investors and capital markets participants. ESRS also already consider various international sustainability reporting initiatives as well as EU laws (e.g., EU taxonomy), which were used as the basis for developing the standards. Therefore, the ISSB should carefully consider ESRS and enhance its collaboration with EFRAG and the EC to ensure future IFRS sustainability standards are interoperable with ESRS (as well as any other standards in other jurisdictions) as this ensures an effective global baseline.
- The Global Reporting Initiative (GRI):
[continued from above]
 - GRI, whilst being standards that focus on the wider impacts to broader stakeholders (i.e., do not use the same materiality lens and do not have the same users as the ISSB), can help in determining financial-related sustainability risks and opportunities due to the interdependency of these issues. As noted above, sustainability topics are interdependent: a matter with wider impacts can quickly become and translate into financial risks.
- Other—please specify:
European Commission (jointly with EFRAG) in view of the ESRS.

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 to the Request for Information. Please respond to these questions:

06-A. (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:

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

Accountancy Europe reiterates our previous suggestion to define the scope for projects on social topics, including on human rights and human capital. These topics are very much linked to and complement one another. As a result, we suggest the ISSB addresses human capital and human rights issues together as part of a common social topic.

On another note, we strongly suggest the ISSB leverages the ESRS where there are already 4 social standards. The ESRS' approach, for example, is to cover both aspects of human capital and human rights jointly in a topic (e.g., for workforce, affected communities, etc).

We appreciate that disclosures on human rights are difficult to quantify and would necessitate a lot of research. Currently, most human rights-related disclosures are qualitative.

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

06-B. (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?

- Yes

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

As noted above, we suggest that human rights issues should be incorporated as part of any social topics the ISSB will develop standards for and not be considered separately. This would include having a standard for social topics (including both the human capital and the human rights aspect of the topic) that addresses the matter both at sector-agnostic and sector-specific level.

With this caveat, human rights-related risks and opportunities are particularly important for those companies that operate cross-borders in various countries, including those with limited regulations or enforcement for workforce. Similarly, these would be relevant issues for sectors characterised by complex value chain, short lead times in productions, short product life cycle, low costs of production (e.g., the fashion industries, metal industries) as well as more susceptible to risks such as child or forced labour. Since many of these matters will vary from local jurisdictions, we suggest the ISSB to consider such requirements as well.

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

06-C. (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—please select ‘Other’ and give your suggestion(s) in the comment box. 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 CDSB Framework for reporting environmental and social information:
Accountancy Europe strongly supports building on existing initiatives when developing new topical standards. This ensures consistency and alignment, reduces costs for stakeholders as well as positively contributes to building an effective global baseline for sustainability-related disclosures.
In no particular order, we consider these initiatives important because:
 - CDSB can serve to determine the material risks and opportunities for each topic.
- The SASB Standards:
[continued from above]
 - SASB can serve to both determine the material risks and opportunities (as recognised in IFRS S1), but is also particularly important for the metrics.
- The Integrated Reporting Framework:
[continued from above]
 - The Integrated Reporting Framework due to its considerations for human capital as one of the capitals.
- The UN Guiding Principles on Business and Human Rights and the associated UN Guiding Principles Reporting Framework:
[continued from above]
 - UN’s Guiding Principles as they provide practical recommendations and examples.
- Other—please specify:
 - EFRAG and the European Commission: EFRAG develops ESRS, which based on the EU’s CSRD will be mandatory in the EU beginning from 1 January 2024. ESRS cover a broad range of sustainability topics, are developed under a “double materiality” perspective, including information that is relevant to investors and capital markets participants. ESRS also already consider various international sustainability reporting initiatives, which were used as the basis for developing the standards. Therefore, the ISSB should carefully consider ESRS and enhance its collaboration with EFRAG and the EC to ensure future IFRS sustainability standards are interoperable with ESRS (as well as any other standards in other jurisdictions) as this ensures an effective global baseline.

**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 to the Request for Information. Please respond to these questions:

07-A. (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? Please explain your response.

- Integration in reporting project is a **lower priority**:

Accountancy Europe strongly supports connectivity and integration between sustainability and financial reporting. Since 2019 we have proposed the IFRS Foundation develops a connectivity framework, built on the Management Commentary and IR Framework principles, which serves to underpin the work of the IASB and (the now established) ISSB. We continue to support this as a long-term goal and as a result agree that a project on integration in reporting, which could also result in the “connectivity framework”, could be a large and very important undertaking.

We believe that working on such a broad and conceptual project will take more than 2 years to finalise. Nonetheless, we would have appreciated if the ISSB had better clarified the scope of this project in the RfI. As noted before in our response, we have decided to suggest the ISSB undertakes projects that it can finalise (or bring close to finalisation) within 2 years in order to broaden the global baseline with standards other than climate.

In addition, we understand the resource and time constraints of the ISSB and IFRS Foundation. We believe that such a project would be very resource-intensive and hamper ISSB’s ability to progress on other sustainability topical standards.

Lastly, we believe that such a project could benefit greatly from a larger suite of ISSB sustainability standards to better inform and provide a solid basis for the sustainability angle, similarly to how the IFRS accounting standards support the financial reporting angle. This would put the IASB and ISSB in a more equal standing when working together on this project.

As a result of the above arguments, in the next 2 years of the ISSB’s activities, we have prioritised work on more topical sustainability standards over this project. This does not mean that we do not believe that a project on “integration in reporting” is not important. Indeed, we continue to strongly support work on connectivity and integration and consider it a high priority to be tackled as early as possible.

07-B. (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)? Please explain how you think this should be conducted and why.

- Formal joint project:

Since 2019 Accountancy Europe has advocated for a connectivity framework, built on the Management Commentary and IR Framework principles, which serves to underpin the work of the IASB and (the now established) ISSB.

We insist that such a project can only be addressed comprehensively within the IFRS Foundation, with the collaboration of its two standard setters – the IASB and ISSB. Therefore, the IFRS Foundation is in an ideal and rare position to address this project and integrated reporting too due to having financial reporting standards, sustainability reporting standards and the conceptual framework in place.

Therefore, we support that both the ISSB and IASB work on such a project jointly.

The IASB could consider taking over the lead of this joint project and collaboration as it would improve efficiencies (i.e., the IASB already has experience with the project considering the work already done for the Management Commentary Exposure Draft) and free up resources for the ISSB to focus on developing more sustainability reporting standards.

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

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

07-Ci. (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.

- Yes:
IASB's Exposure Draft Management Commentary provides useful concepts on the risks, business model, strategy, resources and relationships. It also incorporates a more updated way of providing disclosures (3-tier objective-based approach), which could be useful.
In addition, there are direct links between these parts of the IASB's work and the ISSB's standards and further guidance.

07-Cii. (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.

- Yes:
The Integrated Reporting Framework provides useful contents to consider in such a project, including in developing the "connectivity framework" which we strongly support. These include concepts about value creation/preservation/erosion and capitals, governance and business models as well as the processes to create/preserve/erode value considering all these elements.

07-Ciii. (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. If you disagree, please explain why.

- No:
No comments provided.

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

No other comments provided.

08. Question 8—Other comments

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

Accountancy Europe applauds the ISSB's pace of developing the first two sustainability reporting standards (IFRS S1 and IFRS S2). This approach struck a good balance between quickly responding to continuous market calls upon the establishment of the ISSB and following proper due process.

We appreciate that this was possible due to the good work that was already available in the market. We also acknowledge the need to comply with the principles of the IFRS Foundation Due Process Handbook in developing standards.

Nonetheless, we suggest the ISSB explores the possibility of replicating the good experience with IFRS S1 and IFRS S2 for topical standards that are mature in the market. For example, for certain environmental topics for which there are already many initiatives, the ISSB could go move directly to the Exposure Draft phase rather than issuing a Discussion Paper beforehand.

The ISSB should in all cases follow the full due process and issue Discussion Papers before developing Exposure Drafts for sustainability topics that are less mature in the market (e.g., social topics).

On another note, we reiterate our vision for sustainability related disclosures relevant to both investors and broader stakeholders. Investors are increasingly considering impacts to people and environment in their investments (impact investors also only invest based on positive impacts). In addition, it is evident that impacts can quickly transform to risks and opportunities and thus causing a financial effect. Therefore, we suggest the IFRS Foundation considers as a long-term ambition building a global baseline of sustainability-related disclosures that address both investors' and broader stakeholders' needs.

Finally, we reiterate our comments on interoperability and alignment with jurisdictional requirements. From our European perspective, our ambition would be to have ESRS and IFRS sustainability standards aligned to the maximum extent possible, so that companies preparing their ESRS reports (which has the broader scope of the two) may also claim compliance with the ISSB standards.