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## ISSB RFI Agenda consultation: Analysis of Comment letters and responses to the survey

### Objective

1. The objective of this paper is to provide EFRAG SR TEG and FR TEG with a summary of comments received on the draft comment letter (DCL) on the *Request for Information: Consultation on Agenda Priorities* from the ISSB.

### Structure of this paper

2. This comment letter analysis contains:
  - a. Background;
  - b. Summary of respondents;
  - c. Summary of respondents' views and main positions in EFRAG's proposed final comment letter;
  - d. Appendix 1: detailed analysis of responses to questions in EFRAG's DCL, questions to EFRAG SR (and FR) TEG; and
  - e. Appendix 2: list of respondents.

### Background

3. EFRAG issued its DCL on 2 June 2023, with a comment deadline of 25 July 2023. That comment period was prolonged to 1 August 2023 via a news item issued on 5 July 2023.
4. During the consultation period EFRAG held or participated in the outreach activities listed below, and the results of which were included in the paper below:

Date	Event
13 June 2023	EFRAG User Panel consultation
15 June 2023	Joint hybrid event ISSB-EFRAG
28 June 2023	EFRAG participates in ASCG event
4 July 2023	EFRAG FR TEG and CFSS consultation (European standard setters)
13 July 2023	EFRAG participates in EAA (European Accounting Association) event <a href="https://www.youtube.com/watch?v=mk4evRBchFg">https://www.youtube.com/watch?v=mk4evRBchFg</a>



## Summary of respondents

5. At the date of preparation of this paper (11 August 2023) EFRAG have received in total 19 contributions: nine comment letters (of which one in draft format) and ten contributions through electronic survey<sup>1</sup>. This includes:
  - a. 4 preparers organisations;
  - b. 6 national standard setters of European countries;
  - c. 1 individual citizen
  - d. 2 academic and research organisations;
  - e. 3 audit organisations;
  - f. 1 user;
  - g. 1 NGO
  - h. 1 regulator.
6. Not all respondents addressed EFRAG's questions as some respondents shared their letter to the ISSB with EFRAG, to allow EFRAG to consider their views in its due process. As a result, this analysis splits the answers to the ISSB questions and EFRAG questions accordingly (except for Question 7).
7. Where possible, answers of respondents have been added up. The EFRAG Secretariat notes that where respondents do not reply to the EFRAG questions but rather to the ISSB questions including those answers in the sum may not always be meaningful. In situations where meaningful additions can be done, the terms below are used. Please note that this approach counts as equal the responses of individuals and the response of associations and organisations of constituents.
  - a. Most – 80% to 100 % of respondents;
  - b. Majority – 50% to 79% of respondents;
  - c. Some – 20% to 49% of respondents; and
  - d. Few – 1% to 19% of respondents.

## Summary of respondents' views and main positions in EFRAG's proposed final comment letter

### Question 1 – Strategic direction and ISSB's activities

#### Summary of respondents' views

8. Most respondents ranked beginning new research and standard-setting projects, as well as supporting the implementation of ISSB Standards IFRS S1 and IFRS S2 were higher than researching targeted enhancements to the ISSB Standards and enhancing the Sustainability Accounting Standards Board Standards. This is not aligned with EFRAG tentative position that new topics including connectivity should have priority over implementation guidance.
9. Several respondents agreeing with EFRAG added interesting elements that would be beneficial to integrate in the letter.
10. A few respondents that suggested, should any other activities be included in the ISSB's workplan, it should clarify its intent as regards the standards and frameworks

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<sup>1</sup> One respondent answered both through comment letter and through survey: the answer is counted as one unique answer.

that are now under its responsibility and implement a mechanism to monitor and address interpretation issues.

11. One national standard setter disagrees with EFRAG recommendation to advance the coverage of E, S and G topics without indicating a priority for the topics. The reason is that this would result in a demanding due process similar to EFRAG's while ISSB should follow its extensive due process. Therefore, given the urgency of sustainability-related developments and risks, the ISSB standards need to be available within a reasonably accelerated timeframe, however allowing sufficient time for due process and implementation.

### *Main positions in EFRAG's proposed final comment letter*

#### *Prioritisation of the main areas of activity*

12. The EFRAG Secretariat recalls that European preparers that fall within the scope of the CSRD will be required to follow a complete set of sustainability matters as from 2024 (first reporting date depending on the size of the entities) of which climate change is only one. For reasons of ensuring a global level playing field and to ensure balanced reporting across all relevant topics, EFRAG recommended in the DCL that the ISSB expands its set of topical standards as soon as possible.
13. However, considering the strong support received for prioritising implementation of IFRS S1 and IFRS S2, along with new research and standard setting activities, the EFRAG Secretariat suggests changing the tentative response to place both topics at the same level.
14. There has not been a consensus on the order of prioritisation of the two remaining topics, therefore the EFRAG Secretariat recommends keeping the order of the remaining topics as established in the DCL.

#### *Inputs on implementation guidance*

15. Some respondents add additional aspects to consider in the implementation guidance of the standards IFRS S1 and IFRS S2. EFRAG Secretariat recommends including the following in the comment letter:
  - a. It would be particularly helpful to work on guidance that support the integration of ESG risks in the overall company's risk management, along the lines of TCFD framework and recommendations on (climate-related) risk management, that inspired both ISSB and EFRAG work on their respective climate standards.

#### *Other inputs*

16. Regarding question 1 c), the EFRAG Secretariat recommends including the following suggestions made by the respondents:
  - a. The ISSB needs to add a mechanism to monitor and address interpretation issues in a similar manner to the IFRS IC.
  - b. The importance of the SASB standards covering economic activities worldwide to make them internationally applicable. The SASB definitions should include an assessment of the risks and opportunities associated with each sector of activity to better define and adjust key indicators.
  - c. ISSB has to consider the role SMEs have to play in the transition to a more sustainable economy and that those reporting under IFRS standards will require SMEs to provide appropriate data for purposes of value chain information. EFRAG is currently working on a voluntary standard for SMEs w, that could be source of inspiration for further work of the ISSB.



d. engaging with stakeholders is a core activity and should have high priority.

*Investor materiality*

17. The EFRAG Secretariat suggests changing the sentence on investor materiality as follows: *EFRAG notes that investors' decisions can take into account impact materiality too, also as a consequence of increasing international market and regulatory attention to embedding sustainability considerations in their investment decisions.*
18. Also, the EFRAG Secretariat suggests integrating the following element: the ISSB should clarify its intent as regards the standards and frameworks that are now under its responsibility considering the consolidation of the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation (VRF). This includes the monitoring responsibilities of the Task Force on Climate-Related Financial Disclosures (TCFD) starting in 2024. It is important to state the ISSB's intention as regards whether these elements will continue to be monitored and available for use and, if so, for how long.
19. Additionally, it would be useful to clarify what are the ISSB and GRI's objectives as regards the creation of an interconnected two-pillar system for sustainability reporting that address the needs of broader stakeholders, not only those of primary users of general-purpose financial reports.

**Question to SR TEG members**

20. The EFRAG Secretariat considers paragraph 19 as a minority position and suggests not to change the comment letter for this comment. Do EFRAG SR TEG members agree? Please explain.

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

*Summary of respondents' views*

21. A majority of respondents agreed that the criteria identified by the ISSB are appropriate and that the criterion of interoperability should be added to the ISSB's workplan.
22. Some suggested adding a new criterion: simplify language use in standards which will allow standards to be scalable to the widest audience possible. The EFRAG Secretariat considers that this would be not aligned with the approach that is being pursued in the drafting of LSME and VSME as they will be based on the same language of sector-agnostic ESRS.
23. EFRAG received conflicting views from two of the respondents on whether the complexity and feasibility of the potential project should be more important than the other criteria including relevance and user needs.

*Main positions in EFRAG's proposed final comment letter*

24. Considering the large support received for EFRAG's tentative responses to questions 2a) and 2b), the EFRAG Secretariat suggests confirming the content in the final comment letter but with the following additions:
- The ISSB should corroborate the proposed criteria with objective evidence and quantitative data to avoid possible bias in the project selection.
  - EFRAG acknowledges the investor focus and single materiality approach of the ISSB current mission, but also notes the feedback received by its constituents:



sustainability is beyond investors and should include a much wider stakeholder group.

- c. EFRAG also recommends that the ISSB consider additionally any interaction with the IASB standard-setting projects and IASB standards when assessing its work plan.

25. The EFRAG Secretariat further recommends broadening the title of criteria a) to “the importance of the matter to investors, directly and indirectly”.

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

*Summary of respondents’ views*

26. Some of the respondents agreed with EFRAG’s tentative response whereby topics have not been prioritised. Two of the respondents disagreed with the tentative response.

27. Some of the respondents preferred to have a prioritisation, but suggested different projects as their main priority, justified by different reasons.

*Main positions in EFRAG’s proposed final comment letter*

28. Regarding the prioritisation of topics, the EFRAG Secretariat recommends keeping the current answer of not prioritising any topics given that EFRAG already developed all topics in accordance with CSRD requirements. Moreover, the respondents have different views on what topics to put as highest priority.

29. As for the answer to Question 1, the EFRAG Secretariat recalls that European preparers that fall within the scope of the CSRD will be required to follow a complete set of sustainability matters soon of which climate change is only one. For reasons of ensuring a world-wide level playing field and to provide balanced coverage of all relevant topics, the ISSB is urged to expand its set of topical standards as soon as possible. The EFRAG Secretariat therefore suggest the same level of priority to both implementation support as beginning new research and standard-setting activities.

30. Considering the support received for EFRAG’s DCL on this point, the EFRAG Secretariat reiterates that the ISSB should define the precise list of topics and sub-topics that is willing to address in the coming years (part of the answer to Question 1).

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

*Summary of respondents’ views*

31. Of the respondents that replied to EFRAG’s question, most agreed with EFRAG’s tentative answer. Some respondents suggested additional materials that the ISSB should consider when developing when pursuing the biodiversity project.

Sub and sub subtopics in ESRS		Suggested additional subtopics by respondents
Direct impact drivers of biodiversity loss	<ul style="list-style-type: none"> <li>• Climate change</li> <li>• Land use change</li> <li>• Direct exploitation</li> <li>• Invasive alien species</li> <li>• Pollution</li> <li>• Others</li> </ul>	Freshwater and marine resources and ecosystem use Pollution (used in E2) Resource exploitation (used in E5) Climate change (used in E1)



Impacts on the state of species	<ul style="list-style-type: none"> <li>• Species population size</li> <li>• Species global extinction risk</li> </ul>	Impacts on the state of species Impacts on the extent and condition of ecosystems Impacts and dependencies on ecosystem services Water (used in E3)
Impacts on the extent and condition of ecosystems	<ul style="list-style-type: none"> <li>• Land degradation</li> <li>• Desertification</li> <li>• Soil sealing</li> </ul>	
Impacts and dependencies on ecosystem services		

*Main positions in EFRAG’s proposed final comment letter*

32. The list in EFRAG DCL was based on material considered in the development of ESRS. On the one hand, it would be beneficial to highlight new sources provided by constituents, but on the other, this risks contradicting the rationale for selecting the items in the list in the DCL. The EFRAG Secretariat would like to discuss this point with SR TEG before taking a decision.

33. In particular, the following could be added:

- a. The Partnership for Biodiversity Accounting Financials (PBAF)
- b. The EU Business and Biodiversity Platform
- c. UNEP Finance Initiative – PRB
- d. Finance for Biodiversity Pledge
- e. Product Environmental Footprint
- f. Convention on Biological Diversity, 1992, including the Post-2020 Global Biodiversity Framework; and
- g. Sharm El-Sheikh Declaration, 2018.

**Question to SR TEG members**

34. Do EFRAG SR TEG members agree to include the above references into the final comment letter? Please explain.

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

*Summary of respondents’ views*

35. Of the respondents replying to EFRAG’s question, most agreed with EFRAG’s tentative answer. Some respondents suggested additional materials that the ISSB should consider when developing when pursuing the human capital project. They also noted the impossibility to decouple human capital and human rights.

Sub and sub subtopics in ESRS		Suggested subtopics by respondents
Working conditions	Secure employment	Worker wellbeing
	Working time	Employee engagement
	Adequate wages	Workforce investment
	Social dialogue	Alternative workforce
	Freedom of association	



	Collective bargaining	Workforce composition and costs
	Work-life balance	
	Health and safety	
Equal treatment and opportunities for all	Gender equality	
	Training and skills development	
	Employment and inclusion of persons with disabilities	
	Measures against violence and harassment in the workplace	
	Diversity	
Other-work related rights	Child labour	
	Forced labour	
	Adequate housing	
	Privacy	

*Main positions in EFRAG’s proposed final comment letter*

36. The list in EFRAG DCL was based on material considered in the development of ESRS. On the one hand, it would be beneficial to highlight new sources provided by constituents, but on the other, this risks contradicting the rationale for selecting the items in the list in the DCL. The EFRAG Secretariat would like to discuss this point with SR TEG before taking a decision.

37. In particular, the following could be added:

- a. The CDSB Framework for reporting environmental and social information
- b. The Integrated Reporting Framework
- c. Global Reporting Initiative
- d. Workforce Disclosure Initiative
- e. ISO standards

The EFRAG Secretariat does not suggest referring to the SASB standards as a reference in social matters given that SASB standards do not have many metrics in this area and the ones available are highly US related.

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

*Summary of respondents’ views*

38. Of those respondents that replied to EFRAG’s question, most agreed with EFRAG’s tentative answer. Some respondents suggested additional materials that the ISSB should consider when developing when pursuing the human rights project.

Sub and sub subtopics in ESRS (in addition to the ones mentioned under Question 5)		Suggested subtopics by respondents
Communities’ economic, social and cultural rights	Adequate housing	Worker wellbeing
	Adequate food	Employee engagement



Sub and sub subtopics in ESRS (in addition to the ones mentioned under Question 5)		Suggested subtopics by respondents
	Water and sanitation	Workforce investment Alternative workforce Workforce composition and costs
	Land-related impacts	
	Security-related impacts	
Communities' civil and political rights	Freedom of expression	
	Freedom of assembly	
	Impacts on human rights defenders	
Particular rights of indigenous communities	Free, prior and informed consent	
	Self-determination	
	Cultural rights	
Information-related impacts for consumers and/or end-users	Privacy	
	Freedom of expression	
	Access to quality information	
Personal safety of consumers and/or end-users	Health and safety	
	Security of a person	
	Protection of children	
Social inclusion of consumers and/or end-users	Non-discrimination	
	Access to products and services	
	Responsible marketing practices	

*Main positions in EFRAG's proposed final comment letter*

39. The EFRAG Secretariat does not suggest referring to the SASB standards as a reference in human rights matters given that SASB standards do not have many metrics in this area and the ones available are US related.
40. As above, the EFRAG Secretariat would like to discuss adding other sources with SR TEG before taking a decision.
41. In particular, the following could be added in addition to relevant ones mentioned in paragraph 37:
- The World Benchmarking Alliance's Corporate Human Rights Benchmark;
  - The UN Declaration on the Rights of Indigenous Peoples;
  - IMVO papers on enabling remediation and increasing leverage; and
  - International Labour Organisation Core Conventions and Good Work agenda.

**Question 7 – Integration in reporting**

*Summary of respondents' views*

42. A majority of respondents agreed with EFRAG initial assessment that connectivity (not integration in reporting) to develop guidance on connected information should be prioritised.





43. Should the ISSB start a project on integration in reporting, a majority of respondents concurred with EFRAG that the project should incorporate concepts from and build on the IASB's project on the Management Commentary and the Integrated Reporting Framework. No other sources or frameworks were suggested by respondents.
44. A majority of respondents concurred with EFRAG's recommendation that the ISSB and IASB further explore the similarities and differences between proposals in the management Commentary Practice Statement ED and the Integrated Reporting Framework and consider how the two frameworks could be further converged.
45. Lastly, a majority of respondents considered that a project on integration in reporting should be pursued as a formal joint project of the IASB and ISSB including joint decision-making.

*Main positions in EFRAG's proposed final comment letter*

46. Considering the large support received for EFRAG's tentative responses to questions 7a) and 7c), the EFRAG Secretariat suggests reiterating the same views in the final comment letter:
  - a. EFRAG would prioritise a project on connectivity (not integration in reporting) to develop guidance on connected information.
  - b. Should the ISSB start a project on integration in reporting, EFRAG agrees with the ISSB to incorporate concepts from the IASB's project on the Management Commentary and the Integrated Reporting Framework. EFRAG recommends that the ISSB and IASB further explore the similarities and differences between proposals in the Management Commentary Practice Statement ED and the Integrated Reporting Framework and consider how the two frameworks could be further converged.
47. Regarding question 7b), EFRAG's DCL noted that the IASB should be involved in a project on integration in reporting, but included a question for respondents on whether the project should be carried out as a joint project or as an ISSB-led project. Considering the support expressed by a majority of respondents for a joint IASB-ISSB project, it is suggested to revise EFRAG comment letter accordingly.
48. Lastly, in response to Question 7d) it is suggested, based on a comment of a national standard setter, to mention the various ongoing initiatives on connectivity by other standard setters and accounting organisation (including EFRAG) and the opportunity for the ISSB to leverage on these initiatives.

Questions for EFRAG SR TEG (+ FR TEG for integration in reporting)

49. Does EFRAG SR TEG – FR TEG have comments on the results of the consultation? Please explain.
50. Does EFRAG SR TEG – FR TEG agree with the EFRAG suggestions to update the letter? Please explain.
51. Does EFRAG SR TEG – FR TEG agree to recommend to the SRB the updated final comment letter for approval? Please explain.



## Appendix 1: Detailed analysis of responses to questions in EFRAG’s draft comment letter

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

#### *EFRAG’s tentative position*

**EFRAG considers that the first priority should be beginning new research and standard-setting projects and that working on connectivity between financial and sustainability information should be part of it.**

**In this context, first and foremost, EFRAG strongly recommends that the ISSB develops and publicises its overall direction of travel in sustainability reporting, i.e. the target universe of all topics that are to be covered in its standard setting. This overall picture is necessary beyond the two-year proposed time period of the current Agenda consultation to allow stakeholders to make an informed assessment of the framework in development. We also recommend the ISSB to provide insight into the overall timetable it expects to need to complete such a full universe of standards, even if such an estimation is considered indicative. EFRAG would invite the ISSB to work on the list of topics covered in ESRS.**

**EFRAG considers that the second priority should be supporting the implementation of ISSB Standards IFRS S1 and IFRS S2 and researching targeted enhancements to the ISSB Standards (climate-adjacent disclosures). Expediently providing appropriate implementation support material would be highly beneficial in supporting the first application of the two standards and would facilitate the broader acceptance of the new disclosures.**

**Then, finally priority could be given to enhancing the Sustainability Accounting Standards Board (SASB) Standards. As mentioned in EFRAG’s response to the SASB related RFI, this activity is of particular interest to EFRAG in the context of its development of the sector specific ESRS over the next few years as these will complement the sector-agnostic ESRS issued in November 2022. EFRAG recommends a sectoral approach to facilitate interoperability with the ESRS own standard setting. EFRAG also anticipates that the industry-specific SASB standards may play a role to support the preparation of ESRS sustainability statements before the issuance of sector-specific ESRS standards.**

**EFRAG has not identified any other activities to be included in the scope of the ISSB work.**

#### *Summary of respondent’s comments*

Question 1 (a) ISSB From highest to lowest priority, how would you rank the proposed activities?

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

52. Most respondents agreed that beginning new research and standard-setting projects, as well as supporting the implementation of ISSB Standards IFRS S1 and IFRS S2 should be ranked higher than researching targeted enhancements to the ISSB Standards and enhancing the Sustainability Accounting Standards Board Standards.



53. Specifically, regarding the priority of the ISSB’s activities, some respondents highlighted the utmost importance of supporting the implementation of ISSB Standards (IFRS S1 and IFRS S2) before beginning new research and standard-setting projects. These respondents ranked the implementation of ISSB Standards as the highest priority.

54. For the other proposed activities, the respondents gave the following ranks:

	NSS A	NSS B	Preparer
Supporting the implementation of ISSB standards	1	1	1
Beginning new research and standard-setting projects	2	3	3
Enhancing the SASB Standards	3	4	2
Researching targeted enhancements to the ISSB Standards	4	2	4

55. One regulator considered that the first two topics (beginning new research and standard-setting projects and supporting the implementation of ISSB standards IFRS S1 and IFRS S2) have the same level of priority. The regulator ranked the rest of activities in order of priority as follows:

- a. Enhancing the Sustainability Accounting Standards Board Standards
- b. Researching targeted enhancements to the ISSB Standards.

56. One non-EU audit organisation noted that out of the four activities listed above, the highest priority activity should be:

- a. Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2
- b. Beginning new research and standard-setting projects.

57. The same audit organisation noted that researching targeted enhancements to the ISSB Standards should not be a priority over the next two years.

58. One preparer organisation noted that enhancing the Sustainability Accounting Standards Board (SASB) Standards should be the top priority.

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

59. Some respondents agreed that supporting the implementation of ISSB Standards should have the highest priority.

60. One EU national standard setter noted that it is fundamental to concentrate the resources in supporting preparers, as soon as possible, in the first phase of implementation of the standards just issued.

61. One audit organisation noted that such assistance to preparers would avoid divergent interpretations of the Standards and ensure consistent application and so foster comparability.

62. One EU national standard setter and one preparer organisation noted that as part of the activities on supporting implementation of ISSB Standards IFRS S1 and IFRS S2, the ISSB should develop guidelines and detailed information on the implementation of the reporting requirements on risk management and integration.



63. One preparer organisation and one regulator mentioned that the ISSB should produce educational material and promote capacity-building efforts to help companies comprehend and effectively apply the new standards.
64. The same preparer organisation noted that the ISSB could assist companies by creating comparison tables between major reporting standards to facilitate reconciliation efforts where divergences are unavoidable.
65. Regarding the topic of new research and standard-setting projects, two audit organisations placed it in second place. One audit organisation mentioned that the ISSB should consider what architecture it wants to adopt as regards sustainability-related topics, sub-topics, etc. The same audit organisation highlighted the that understanding the ISSB's direction of travel in the field beyond the two-year period covered in the public consultation would be very helpful for stakeholders.

1 (c) ISSB 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.

66. One non-EU audit organisation noted that the ISSB needs implement a mechanism to monitor and address interpretation issues in a similar manner to the IFRS IC for IFRS Accounting Standards.
67. One audit organisation noted that the ISSB should clarify its intent as regards the standards and frameworks that are now under its responsibility considering the consolidation of the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation (VRF). This audit organisation noted that the ISSB should state whether these elements will continue to be monitored and available for use, and if so, for how long.

Question 1 (a) Do you agree with the tentative views expressed by EFRAG's response to Question 1(a)?

68. Nine respondents (one individual, an NGO, three preparer organisations, an user, three national standard setter of EU countries) agreed with EFRAG's tentative response. One academic institution noted that new research and standard-setting projects are a priority since the familiar ones are based on a classic economic model. One NGO noted that it is important to engage with all stakeholders to start an evaluation and propose new rules. One preparer organisation noted that the ISSB should maintain responsibility of SASB refinement as it is single-materiality based and EFRAG should continue with industry and entity specific disclosure requirements research. IFRS standards S1 and S2 are a natural extension of EFRAGs work and interoperability with this will be necessary given the recent TCFD transfer of responsibilities. However, the preparer organisation advised EFRAG to consider GRI to be "at par" with the ISSB or consider integrating GRI into the CSRD as a response to ISSB and TCFD.
69. One EU national standard setter agreed with EFRAG but remarked on the foremost importance of ISSB supporting companies with implementation, similar to EFRAG preparing implementation guidance.
70. One respondent (academic institution) disagreed with EFRAG's tentative response. The academic institution highlighted the importance of developing an implementation guidance for the existing standards rather than activating new research and standards-setting projects. The academic organisation noted that some topics deserve an in-depth analysis and require time to implement processes and procedures (for example, the issue of materiality).



**Question 1 (b) Do you agree with the tentative views expressed by EFRAG's response to Question 1(b)?**

71. Five respondents (Individual, User, two preparer organisations, national standard setter of an EU country) agreed with EFRAG's tentative response.
72. Several respondents who agreed with EFRAG's view (two preparer organisations, one national standard setter of an EU country) stressed the importance of providing appropriate implementation guidance on the ISSB standards.
73. Regarding the topic on enhancing the SASB Standards, one respondent (preparer organisation) agreed with EFRAG but highlighted that the SASB definitions should include an assessment of the risks and opportunities associated with each sector of activity to better define and adjust key indicators. The revision of these sector definitions will favour the interoperability with ESRS, GRI and SEC standards.
74. Two respondents (preparer organisation and national standard setter) remarked the importance of the topic on "beginning new research and standard setting projects". It would be beneficial for connectivity and comparability purposes if the ISSB developed a draft of new topical sector agnostic sustainability standards.
75. Four respondents (preparer organisation, academic institution, two national standard setters of EU countries) disagreed with EFRAG's tentative response.
76. Regarding the disagreement with EFRAG's response, one respondent (preparer organisation) noted that a roadmap of sustainability disclosure should be developed by a consortium of the VCMI, ISOCO, the OECD, and ICVCM.
77. One respondent (individual) pointed out that the priority on the ISSB agenda should be the drafting of guides supporting the implementation of ISSB standards and then move on to beginning new research and standard-setting projects.
78. Moreover, the same individual noted that researching targeted enhancements to the ISSB Standards should be placed in the last position.
79. An EU national standard setter disagreed with the EFRAG suggestion for the ISSB to focus on all topics covered by the ESRS standards, without setting any priority. However, they agreed with EFRAG that the ISSB should develop and publish its overall direction of travel in sustainability reporting.

**Question 1(c) Do you agree with the tentative views expressed by EFRAG's response to Question 1(c)?**

80. Eight respondents (Individual, user, three preparer organisations, one academic institution, two EU national standard setters) agreed with EFRAG's tentative response.
81. One EU national standard setter disagreed with EFRAG's tentative response and noted that many entities are struggling with integration of ESG risks into the overall risk assessment related to each material ESG-topic (especially beyond climate-related topics). It would be particularly helpful for the implementation of the standards to issue on guidance.



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

### *EFRAG’s tentative position*

**EFRAG suggests that the criterion “interoperability” should be added to this list of criteria in the RFI. As for the criterion “importance of the matter to investors” EFRAG recommends to explicitly integrate the investor’s interest in impact materiality.**

### *Summary of respondent’s comments*

#### Question 2 - (a) ISSB - Do you think the ISSB has identified the appropriate criteria?

82. A majority of respondents agreed that the criteria identified by the ISSB was appropriate.
83. One non-EU audit organisation noted that the criteria listed in table 2 of the agenda consultation represent a broadly sensible list to use for the purpose of assessing matters to add to the work plan. Given that the ISSB is a much younger standard-setter and prescribes reporting requirements related to a very different data set, the audit organisation considers that the assessment criteria do not necessarily need to be the same.
84. One EU national standard setter noted that, regarding the recommendation made by EFRAG to integrate the criteria regarding the “importance of the matter to investors”, the following sentence should be replaced: “EFRAG notes that a growing number of investors base their investment decisions on information on impacts per se whatever their direct or indirect relationship with sustainability-related risks and opportunities that could reasonably be expected to affect the entity’s prospects. The organisation suggested the following alternative sentence: “EFRAG notes that investors’ decisions can take into account impact materiality too, also as a consequence of increasing international regulations that require investors to be more conscious of sustainability matters”.
85. Two EU national standard setters agreed with the criteria identified by the ISSB.
86. One audit organisation agreed with the criteria listed by the ISSB and acknowledged that these are consistent with the ones used by the IASB. Moreover, it noted that sustainability reporting is less mature than financial reporting. In this respect, the criterion number six: “the complexity and feasibility of the potential project and its solutions” should be given greater importance than some other criteria which may be less critical now.

#### Question 2 (b) ISSB - Should the ISSB consider any other criteria? If so what criteria and why?

87. One non-EU audit organisation noted that the ISSB should consider the work streams of other jurisdictional and voluntary standard-setters and framework providers. It believes that the ISSB should also consider to what extent does IFRS S1 not already assess the issue, and to what extent is the matter likely to persist and continue to be relevant over the passage of time.
88. The same organisation agreed that ‘the relative importance of each criterion is likely to vary depending on the circumstances surrounding the potential project’. It noted that it might be better to remove the numbers from the criteria list because it could give the impression that the criteria are ranked in order of importance which we do not believe is the intention.



89. An audit organisation suggested adding another criterion which would consider whether the potential project will contribute to the interoperability with other sustainability disclosure standards, including the ESRS.
90. Two EU national standard setters and one regulator also highlighted the importance of the interoperability criterion.
91. One EU national standard setter suggested that the ISSB should additionally consider the interaction with the IASB standard-setting projects and IASB standards when assessing the ISSB's work plan.
92. One preparer organisation noted that even though the ISSB standards are currently focusing on investors' needs, over time it will be appropriate for the ISSB to consider criteria to target a wider set of stakeholders and move in the direction of double materiality.

**Question 2 (a) Do you agree with the tentative views expressed by EFRAG's response to Question 2 (a)?**

93. Four respondents (Individual, NGO, one preparer organisation and one EU national standard setter) disagreed with EFRAG's tentative response.
94. One individual commented that it is important to define the right criteria and control of compliance.
95. An NGO questioned the completeness of used circular business model(s) without providing further explanation.
96. One preparer organisation noted that the criteria are unacceptably subjective and that quantitative figures have to be used in at least half of the points to hedge against biased project selection decisions. Specific points were made on points: c) where it questioned the relevance of the criteria, d) and f) where it argued that these criteria could interpret projects as being too disruptive to companies and thus will be abandoned, as well as g) where it commented that this criterion is immaterial to climate change and if a project is material, it should be resourced.
97. One EU national standard setter did not provide any reason for disagreeing.
98. Six respondents (one user, two preparer organisations, two EU national standard setters and one academic or research institution) agreed with EFRAG's tentative response.
99. One EU national standard setter supported EFRAG's suggestion to add interoperability with other jurisdictional standards, including ESRS, to the criteria. They argued that it is essential to avoid double reporting for companies in scope of IFRS and CSRD reporting. The respondent stated that interoperability should be a prerequisite for the standards. Furthermore, it agreed with EFRAG's position to explicitly integrate investor's interest with impact materiality as expressed in criteria a) of EFRAG's Comment Letter. A general reservation made on the topic was that even though ISSB chose investors as first priority stakeholders, they consider the foundation of sustainability to be beyond investors and should include a much wider stakeholder group.

**Question 2 (b) Do you agree with the tentative views expressed by EFRAG's response to Question 2(b)?**

100. Two respondents (one individual and one EU national standard setter) disagreed with EFRAG's tentative response.



101. One individual questioned the completeness of the circular business model used.
102. One national standard setter suggested that criteria a) should be broadened to “the importance of the matter to investors, directly and indirectly”, to encompass the potential importance of the matter to other stakeholders that might indirectly affect investors.
103. Seven respondents (One user, three preparer organisations, two EU national standard setters, and one academic or research institution) agreed with EFRAG’s tentative position.
104. One respondent suggested that the ISSB incorporates “facilitation of interoperability” with other jurisdictional standard-setting bodies, such as the ESRS and internationally applied frameworks and initiatives. Alignment of existing standards will help minimise future costs for preparers and avoid potential double reporting risks. This alignment is of particular significance for companies within the scope of CSRD, including subsidiaries and branches of non-European parent companies, where they may opt to report according to the ISSB Standards.
105. One preparer organisation emphasised the crucial role that interoperability with ESRS plays in achieving harmonisation and consistency in international sustainability reporting. They suggested that interoperability should be a priority criterion when developing new sustainability reporting requirements since the establishment of a robust and internationally recognized framework, would greatly facilitate comparability and transparency, enabling market participants, including insurance companies, to accurately assess and communicate their sustainability performance. This will foster a cohesive reporting landscape, driving sustainable development and investor confidence.
106. One audit organisation suggested considering three additional criteria:
- a. *“Interoperability with other jurisdictional and voluntary sustainability standard-setters and framework providers”*. This should be both in terms of substance (technical content) and form (digital taxonomies). It is essential for the ISSB to be able to provide the global baseline. Currently, interoperability is only mentioned in para. 26 as a consideration and not as a criterion.
  - b. *“Time sensitivity of the issue”*. Time sensitive such as climate should be prioritised, since if these issues are not addressed in time, the opportunity to shape the outcome might be lost.
  - c. *“Supports principles of think small first and smart regulation”*. It is vital that standards are simple and scalable for them to be suited to the widest possible audience of companies as well as capable of cost-effective application.
107. One academic or research institution agreed with EFRAG’s request to “explicitly integrate investor interest in the materiality of impacts”. In particular, there is agreement on the need for interoperability of ISSB standards with other standards. This view was also shared by one other respondent.

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

#### *EFRAG’s tentative position*

**EFRAG will not put forward a prioritisation of the different research projects and the subsequent standards to be developed, because it develops the ESRS under a**





**comprehensive coverage in accordance with the CSRD. EFRAG accepts that for pragmatic reasons such as capacity issues, one project is dealt with before another. Interoperability and synergies that can be developed with other standard setting initiatives could be a driver to assess priority.**

*Summary of respondent's comments*

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

108. One non-EU audit organisation, one preparer organisation and one EU national standard setter noted that fast progress on a single project would be more valuable than slow progress on multiple projects.
109. An EU national standard setter suggested that the ISSB should not add more than two new research projects to its active project agenda.
110. The non-EU audit organisation highlighted that the ISSB should set out a clear intention about which topic will be addressed next and when stakeholders can expect to see this standard.
111. One preparer organisation and one regulator suggested that, should the ISSB focus only on one single project it should be on Biodiversity, Ecosystems, and Ecosystems Services (BEES). The regulator explained that the current momentum on the subject at the international level (i.e UN Biodiversity Conference (COP15) and TNFD framework) provides a positive context for such a project to be considered first.
112. One preparer organisation noted that the topic on BEES should be followed by Human Capital and Human Rights, as second and third most important.
113. The same preparer organisation added three new topics to the proposed list:
  - a. Circular Economy
  - b. Social Project
  - c. AI for data collection.
114. The non-EU audit organisation noted that the ISSB should prioritise a human capital/human right project to produce a standard addressing issues affecting workforce including non-employee workers. The respondent remarked that any standards produced should not aim to split human capital and human rights matters because they are fundamentally connected.
115. Moreover, regarding new research topics, an EU national standard setter and one audit organisation noted that the ISSB should consider the ESRS architecture to define the scope of the different sustainability topics and subtopics. The audit organisation highlighted that this architecture recognises the inter-relations between all environmental and social topics while achieving sufficient clarity of the boundaries between topics to allow separate development of standards.
116. One EU national standard setter supported the prioritisation of the most pressing areas and activities as identified by stakeholders. The respondent recommended considering the degree of maturity of a particular topic and tackling topics with a high degree of maturity first. They proposed the following prioritisation:
  - a. Human Capital
  - b. Human Rights
  - c. Biodiversity
  - d. Integration in Reporting



117. One audit organisation recommended starting with the definition of the precise list of topics, sub-topics, etc. the ISSB wishes to address in the coming years.
118. Regarding social topics, the same audit organisation recommended starting work on own workforce (covering both employees and non-employees) and starting a standard-setting project with respect to workers in the value chain to address human rights matters that are not currently sufficiently addressed by regulatory or voluntary frameworks.
119. Regarding environmental topics, the audit organisation regarded biodiversity as a priority. With respect to biodiversity-related financial disclosures, it suggested that the ISSB could build on the Taskforce on Nature-related Financial Disclosures (TNFD).
120. An EU national standard setter, aligned with EFRAG’s view, noted that the prioritisation of the topics mentioned in the RFI is not possible, as EFRAG has already developed the topics per CSRD.

Question 3 (a) Do you agree with the tentative views expressed by EFRAG’s response to Question 3(a)?

121. Eight respondents (one individual, one NGO, one user, three preparer organisations, one EU national standard setter, one academic institution) agreed with EFRAG’s tentative response.
122. One preparer organisation noted that they would like piece-rate emissions factors for partial LCAs related to manufacturing be considered as a project for increasing emissions data confidence, particularly from SMEs.
123. An EU national standard setter disagreed with EFRAG’s tentative response. It suggested that the ISSB should prioritise the most relevant topics which according to them are Biodiversity, Human Capital, and Human Rights to use the ISSB’s limited resources effectively.

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

*EFRAG’s tentative position*

**EFRAG disagrees with the approach to describe the topic so widely that it becomes a “catch-all” topic.**

**Our preferred approach forward is that the ISSB considers the “[draft] ESRS Biodiversity and ecosystems” and how our standard has integrated the different nature-related sustainability matters. As a second-best alternatively we suggest the ISSB to rename this project “Nature” and align it with the work of the TNFD.**

*Summary of respondent’s comments*

Question 4 (a) ISSB Of the subtopics identified in paragraph A11, to which would you give the highest priority?

124. One audit organisation suggested the following topics:
- Freshwater and marine resources and ecosystems use;
  - Land-use and land-use change;
  - Pollution (including emissions into air, water and soil);



- d. Resource exploitation (for example, material sourcing and circular economy); and
  - e. Invasive non-native species.
125. In their view, a project on biodiversity should consider:
- a. direct impact drivers of biodiversity loss (including climate change, land-use change, fresh water-use, change and sea-use change, direct exploitation, invasive alien species, pollution);
  - b. impacts on the state of species;
  - c. impacts on the extent and condition of ecosystems;
  - d. impacts and dependencies on ecosystem services.
126. On the other hand, the project should be clearly defined and not be too broad. In their view, other IFRS topical standards should cover pollution, water and marine resources and circular economy.
127. An EU national standard setter noted that the issue of biodiversity – while attracting increasing investor interest – had a high complexity and a lower level of maturity in implementation approaches. They suggested aligning the ISSB work with the TNFD in this area as parallel research activities are seen as disadvantageous. They also suggest considering the research of Schaltegger et al (2023) and Krause et al (2021). They suggest not prioritising biodiversity but rather to support existing research activities.
128. The same EU national standard setter did not offer a ranking of subtopics because those identified in paragraph A11 – (1) Water, (2) Land-use and land-use change, (3) Pollution, (4) Resource exploitation und (5) Invasive non-native species – have different relevance in different sectors.
129. Also, they noted that the subtopics represent both impact drivers (such as Land-use) and impacts (such as Water) and suggested to differentiate between those. On the scope of the biodiversity project, they suggested that the ISSB follows the international scientific debate and in particular the work of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES).
130. One regulator noted that considering all topics covered under the proposed project only through a biodiversity lens may narrow the focus and prevent reliance on relevant disclosures. They advise the ISSB to draw lessons from the approaches developed so far or under development, for example by the TNFD. They further suggest relying on the ESRS structure to help interoperability.

[Question 4 \(a\) Do you agree with the tentative views expressed by EFRAG’s response?](#)

131. Ten respondents (one NGO, one user, two preparer organisations, two academic or research institutions, three EU national standard setters, one audit organisation) agreed with EFRAG’s tentative response. An NGO noted that sustainability is a multilevel approach but requires evaluation of the real impacts on sectors.
132. Two respondents (one individual, one preparer organisation) disagreed with EFRAG’s tentative response. The individual noted the serious consequences of failing to address biodiversity. The preparer organisation had no views.
133. An EU national standard setter noted the research project “Biodiversity, ecosystems and ecosystem services” was defined quite broadly and not aligned with the ESRS scope, thereby hampering interoperability and increasing the risk of double reporting.



134. One academic or research institution suggested not losing out focus of land-use change/ecosystem conversion, in particular deforestation, as a major threat for biodiversity. They suggest following the architecture of the ESRS. They also recommend specifying some topics as non-rebuttable. Disclosure on ecosystem conversion should include data on size of areas converted, type of ecosystem conversion, location of production sites (geo-referenced), and cut-off date or assessment period used to define ecosystem conversion linked to the undertaking or to its value chain by direct or indirect sourcing activities. They suggest aligning with the Accountability Framework Initiative (AFI) and the disclosure platform CDP Forests on these issues.
135. One academic or research institution noted the most relevant information includes pollution, including freshwater and marine resources, land-use, and resource exploitation.
136. One preparer organisation encouraged the ISSB to work on multiple topical projects in parallel so that it can complete its comprehensive global baseline spanning all aspects of ESG as soon as possible. They do not agree that the ISSB prioritise one sustainability topic over another.
137. An EU national standard setter noted that sustainability reporting requires a more in-depth consideration of sector-specific issues.

[Question 4 \(b\) Do you agree with the tentative views expressed by EFRAG's response?](#)

138. Seven respondents (one user, two preparer organisations, three EU national standard setters, one academic or research organisation) agreed with EFRAG's tentative response.
139. One respondent (preparer organisation) disagreed but had no further views.
140. One EU national standard setter argued that sustainability risks and opportunities defined at the sub-topic level remain consistent across industries and sectors. Consequently, the development of multiple topical standards under the ISSB framework would be beneficial to address these common sustainability risks and opportunities. However, it is important to recognise that significant sector-specific differences may arise at the sub-subtopic level. This demarcation between sub-topic and sub-subtopic level signifies the point where topical standards can deliver substantial value, and beyond which sector-specific standards become essential to elicit more relevant information.
141. One regulator noted environmental issues other than climate change tend to be location specific. This will have consequences when it comes to the materiality assessment at the entity level. Sectors are a clear entry point for nature-related sustainability risks and opportunities, but a topic-focused approach is also relevant.

[Question 4 \(c\) ISSB Which of the materials or organisations referenced in paragraph A13 should be utilised and prioritised by the ISSB in pursuing the project?](#)

142. An EU national standard setter supported the strategic decisions of the ISSB to focus on investors, the building block approach, prioritisation of climate reporting and building on existing frameworks. As for existing reporting requirements in Europe they referred primarily to ESRS and the references in EFRAG's DCL.
143. One preparer organisation suggested considering the TNFD as a framework to assess the challenge that nature loss poses to businesses and financial institutions in combination with measurement tools such as PBAF. They also noted interoperability with CSRD/ESRS was essential.



Materials	No of supporters	Who?
The Climate Disclosure Standards Board (CDSB Framework application guidance)	3	Audit organisation 2 EU national standard setters
The SASB standards	2	Audit organisation An EU national standard setter
The Integrated Reporting Framework		
The Global Reporting Initiative (GRI) standards	3	Audit organisation 2 EU national standard setters
The Taskforce on Nature-related Financial Disclosures (TNFD)	3	Audit organisation Preparer organisation An EU national standard setter
The Partnership for Biodiversity Accounting Financials (PBAF)	1	Preparer organisation
The Capitals Coalition	1	An EU national standard setter
The Science Based Targets Network	2	Audit organisation Preparer organisation An EU national standard setter
The European Financial Reporting Advisory Group	3	Audit organisation Preparer organisation An EU national standard setter
The European Commissions' Align project	1	An EU national standard setter
The EU Business and Biodiversity Platform	1	An EU national standard setter
The World Benchmarking Alliance		
The United Nations Declaration on the Rights of Indigenous Peoples		
UNEP Finance Initiative - PRB	1	Preparer organisation
Finance for Biodiversity Pledge	1	Preparer organisation
The Science Based Targets Network	1	An EU national standard setter
Product Environmental Footprint	1	An EU national standard setter
Biodiversity Guidance of the Natural Capital Protocol	1	An EU national standard setter
CDP Forests 2021 questionnaire	1	An EU national standard setter
ISO 14097	1	An EU national standard setter
IUCN – International Union for Conservation of Nature	1	An EU national standard setter
Convention on Biological Diversity, 1992, including the Post-2020 Global Biodiversity Framework; Cancun Declaration, 2016; Sharm El-Sheikh Declaration, 2018; Kunming Declaration	1	An EU national standard setter

**Question 4 (c) Do you agree with the tentative views expressed by EFRAG's response?**

144. Nine respondents (one user, three preparer organisations, two academic or research institutions, three EU national standard setters) expressed concern over the TNFD's direction in disclosure and focus on prioritising reporting framework integration over research in nature KPIs.
145. Another preparer organisation welcomed the inclusion of the CDP Forests questionnaire. In addition, they recommended including the work of the Accountability Framework Initiative (AFI).
146. One preparer organisation stressed alignment with ESRS.

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

*EFRAG's tentative position*

**EFRAG applauds the intention of the ISSB to broaden its coverage to social topics, as this will be a step forward in progressing toward a more complete reporting.**

**EFRAG highlights the intrinsic linkages between human capital and human rights (including labour rights). To this extent, unbundling such concepts into two different topics (human rights and human capital) will perpetuate misunderstandings with regard to how they inter-relate.**

**EFRAG questions the use of the term 'human capital' and suggests to rather refer to 'workforce'.**



**In terms of interoperability with other sustainability reporting frameworks, we note that the [draft] ESRS already cover human capital for its own workforce in ESRS S1 whilst workers in the value chain (human and labour rights) are described in ESRS S2. Therefore, we suggest that alignment with the ESRS architecture is to be sought for interoperability purposes and decrease the potential burden for double reporters.**

### Summary of respondent's comments

Question 5 (a) ISSB Of the subtopics identified in paragraph A22, to which would you give the highest priority?

Topic	Auditor	Preparer	EU NSS
Worker wellbeing (including mental health and benefits)	√	√	√
Diversity, equity and inclusion	√	√	√
Employee engagement	√	√	
Workforce investment	√	√	√
The alternative workforce	√		√
Labour conditions in the value chain	√		√
Workforce composition and costs	√		

147. In the view of an audit organisation, the ISSB should address human capital matters along with human rights matters, and take an approach that considers, first and foremost, which category of stakeholders is addressed. Due to the intertwined nature of human capital and human rights, it is likely that there will be significant overlap in required disclosures which will increase the existing confusion on social issues if the ISSB addresses human capital and human rights separately.

148. A preparer organisation noted that for workers in the value chain a bigger disclosure gap exists compared to disclosures on own workforce.

149. The preparer organisation also noted the following risks and opportunities related to human capital:

#### Risks

- a. A low level of attraction and retention of talents impacts on succession plans and pioneering in new business areas;
- b. Disruptive technologies and tough competition may force a significant reskilling of employees; and
- c. Decrease in people engagement due to lack of incentives in terms of development, inclusion and work-life balance.

#### Opportunities

- a. Transform employees into an innovative and tech-oriented workforce, anticipating future trends;
- b. Investing in training employees in modern skills to maintain leadership in evolving market conditions; and
- c. Be an employer of choice with a widespread diversity and inclusion culture and concrete work-life balance solutions which encompass new flexible approach.

150. One regulator observed the following:

- a. the intrinsic link between human capital and human rights should be acknowledged and a possible redefinition of their scopes be considered;
- b. they suggest using an architecture for social topics which relies on stakeholder groups, such as ESRS; and



- c. the international due diligence instruments, in particular the UN Guiding Principles on Business and Human Rights are a core element of research.

**Question 5 (a) Do you agree with the tentative views expressed by EFRAG's response?**

151. Seven respondents (one NGO, one user, two preparer organisations, three EU national standard setters) agreed with EFRAG's tentative response.
152. One preparer organisation noted the primary measure of human capital benefit should be in the form of equity payments. Failure to distribute wealth generation from equity holdings in production systems through capitalistic measures, will promote societal collapse as industries transformed by green stimulus automate through robotics and AI. This will leave most of the population unemployed with no means of purchasing goods or services.
153. Two respondents (one individual, one preparer organisation) disagreed with EFRAG's tentative response. One individual did so because responsibility towards employees was missing. The preparer organisation had no views.
154. An EU national standard setter noted the research project "Human rights" was defined quite broad and not aligned with the ESRS scope, thereby hampering interoperability and increasing the risk of double reporting.
155. Another EU national standard setter advised the establishing of clear criteria to identify a more focused list of sub-topics or groupings related to the proposed human capital topic, including essential labour rights at a minimum. They suggested explicitly identifying affected stakeholder groups per topic. They also question whether it is appropriate to address labour conditions of workers in the value chain within the human capital topic, which seems primarily targeted at the entity's own workforce. They also stress alignment with the ESRS framework.

**Question 5 (b) ISSB 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?**

156. Two respondents (one audit organisation, one preparer organisation) agreed. Both noted that risks and opportunities related to human rights and human capital will differ across sectors and topics, with further variance by geography due to local customs and laws. A general foundation will support analysis and understanding of universal rights.

**Question 5 (b) Do you agree with the tentative views expressed by EFRAG's response?**

157. Seven respondents (one NGO, two preparer organisations, three EU national standard setters, one academic or research organisation) agreed with EFRAG's tentative response.
158. A preparer organisation disagreed with EFRAG's tentative response but had no views.
159. One EU national standard setter argued that sustainability risks and opportunities defined at the sub-topic level remain consistent across industries and sectors. Consequently, the development of multiple topical standards under the ISSB framework would be beneficial to address these common sustainability risks and opportunities. However, it is important to recognise that significant sector-specific differences may arise at the sub-subtopic level. Another EU national standard setter



stated that it is obvious that different industries and geographical locations imply different sustainability-related risks and opportunities. But there are general risks and opportunities concerning human capital topics that should be reported by all entities (subject to materiality). In addition, there is also a need for industry-based guidance (similar to that in IFRS S2) and guidance on geographical peculiarities to improve comparability across entities.

**Question 5 (c) ISSB Which of the materials or organisations referenced in paragraph A25 should be prioritised by the ISSB in pursuing its research?**

160. One preparer organisation noted that for financial institutions coherence between different sustainability standards is important. They added that ESRS is essential in this regard and contain already a fair number of human capital related indicators to be leveraged upon.

Materials	No of supporters	Who?
The SASB standards	1	Preparer organisation
The CDSB Framework for reporting environmental and social information	1	Audit organisation
The Integrated Reporting Framework	1	Preparer organisation
The Capitals Coalition		
The International Labour Organisation	3	Audit organisation Preparer organisation EU national standard setter
The European Financial Reporting Advisory Group	3	Audit organisation Preparer organisation EU national standard setter
The Global Reporting Initiative	3	Audit organisation Preparer organisation EU national standard setter
The US Securities and Exchange Commission		
The World Economic Forum (WEF) International Business Council's core metrics and disclosures on sustainable value creation		
OECD Guidelines for Multinational Enterprises on Responsible Business Conduct	1	Audit organisation
Workforce Disclosure Initiative	1	Audit organisation
ISO standards on human capital	1	Preparer organisation

**Question 5 (c) Do you agree with the tentative views expressed by EFRAG's response?**

161. Seven respondents (one user, two preparer organisations, three EU national standard setters, one academic or research organisation) agreed with EFRAG's tentative response.

162. Two respondents (NGO, preparer organisation) disagreed with EFRAG's tentative response. The NGO noted that sustainability is a multilevel approach but requires evaluation of the real impacts on sectors. The preparer organisation had no views.

163. An EU national standard setter recommended reviewing the Explanatory note detailing how the ESRS incorporates the initiatives and legislation specified in Article 1(8) of the CSRD, along with the addition of Article 29(b)-5 to the Accounting Directive.

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

*EFRAG's tentative position*

**Bearing in mind the importance of human rights matters to value creation, EFRAG urges that the ISSB:**

**(a) adopt a clear architecture that is compatible with the one developed and consulted on by EFRAG; and**

**(b) to incorporate and build on the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights to the greatest extent possible as**





**the basis of the reporting standards, as human rights topics are anchored in international due diligence instruments.**

### *Summary of respondent's comments*

Question 6 (a) ISSB Within the topic of human rights, are there particular subtopics or issues that you feel should be prioritised in the ISSB's research?

164. One audit organisation referred to their answer to Question 5(a).
165. An EU national standard setter referred to the German LkSG and the European CSDDD as benchmark regulations. They noted a different maturity in the area of human rights and hence proposed it as their top priority.
166. One preparer organisation suggested the topic forced labour and referred to the FAST Initiative. They further noted that human rights/human capital should be considered as a single topic. Also important was to consider the double materiality perspective and to develop standards for the scope of the supply chain, especially for financial service providers. Coordination with EFRAG was suggested.

Question 6 (a) Do you agree with the tentative views expressed by EFRAG's response?

167. Nine respondents (one individual, one user, two preparer organisations, three EU national standard setters, one academic or research organisation) agreed with EFRAG's tentative response. One preparer organisation noted the disclosures are very subjective and encouraged the development of more quantifiable standards such as equity payment KPI to society.
168. One respondent (one preparer organisation) disagreed with EFRAG's tentative response but had no further views.
169. An EU national standard setter noted the research project "Human capital" was defined quite broad and not aligned with the ESRS scope, thereby hampering interoperability and increasing the risk of double reporting.
170. Another EU national standard setter noted that differentiating between impact materiality and financial materiality for human rights proves particularly challenging, surpassing the complexities of other topics. They asked which groups of affected stakeholders the human rights standard would cover. While there are explicit references to workers in the value chain and indigenous communities, by contrast own workforce, consumers, and end-users do not seem to be explicitly included as relevant affected stakeholder groups. Consequently, the scope of this standard might not encompass all pertinent affected groups. For guidance on differentiating human rights and human capital, the structure of the ESRS social standards can serve as a source of inspiration in terms of architecture.
171. One EU national standard setter considered human rights as a specific subtopic of a more general human capital project. Thus, basic disclosures can be incorporated in the human-capital related part of the disclosures.
172. Another national standard setter suggested including a note that interoperability with other legislation, in particular ESRS and CSDDD remains critical.



Question 6 (b) ISSB 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?

173. Two respondents (one audit organisation, one preparer organisation) agreed.

174. An EU national standard setter referred to their answer to Question 4 (b).

Question 6 (b) Do you agree with the tentative views expressed by EFRAG’s response?

175. Eight respondents (one NGO, one user, two preparer organisations, three EU national standard setters, one academic or research organisation) agreed with EFRAG’s tentative response.

176. One respondent (preparer organisation) disagreed with EFRAG’s tentative response but had no further views.

177. Some EU national standard setters repeated their messages provided in Question 5 (b).

Question 6 (c) ISSB Which of the materials or organisations referenced in paragraph A36 should be prioritised by the ISSB in pursuing its research?

178. An EU national standard setter referred to their answer to Question 4 (c).

Materials	No of supporters	Who?
The SASB standards	1	EU national standard setter
The CDSB Framework for reporting environmental and social information	1	Audit organisation
The Integrated Reporting Framework		
The International Labour Organisation	2	Audit organisation Preparer organisation
The UN Guiding Principles on Business and Human Rights and the associated UN Guiding Principles Reporting Framework	4	Audit organisation Preparer organisation 2 EU national standard setters
The World Benchmarking Alliance’s Corporate Human Rights Benchmark	1	Audit organisation EU national standard setter
The UN Declaration on the Rights of Indigenous Peoples	4	Audit organisation Preparer organisation 2 EU national standard setters
The cross-industry metrics associated with the WEF International Business Council’s dignity and equality them		
The European Financial Reporting Advisory Group	1	Audit organisation
OECD Guidelines for Multinational Enterprises on Responsible Business Conduct	3	Audit organisation Preparer organisation EU national standard setter
IMVO papers on enabling remediation and increasing leverage	1	Preparer organisation
Global Reporting Initiative	1	EU national standard setter
International Labour Organisation Core Conventions and Good Work agenda	1	2 EU national standard setters
UN Guiding Principles on Business and Human Rights with particular attention for the due diligence process	1	EU national standard setter
Universal Declaration of Human Rights	1	EU national standard setter
European Social Charter	1	EU national standard setter
EU Charter of Fundamental Rights	1	EU national standard setter

Question 6 (c) Do you agree with the tentative views expressed by EFRAG’s response?

179. Eight respondents (one NGO, three preparer organisations, three EU national standard setters, one academic or research organisation) agreed with EFRAG’s tentative response.

## Question 7 – Integration in reporting

### EFRAG’s tentative position

**EFRAG considers that ensuring connectivity of reporting requirements and information (not a project on integration in reporting) is a high priority. EFRAG**



acknowledges that, as stated in the RFI, ensuring the connectivity of IASB and ISSB requirements is a foundational and strategic activity for both the ISSB and the IASB and as such it should not have to be prioritised relative to undertaking research and standard-setting activities on the topical Standards.

Should the ISSB decide to initiate a project on integration in reporting, EFRAG notes that there would be both advantages and disadvantages to adopting the project as a formal joint project of the IASB and ISSB. Should the ISSB start a project on integration in reporting, EFRAG agrees with the ISSB incorporating concepts from the IASB’s project on the Management Commentary and the Integrated Reporting Framework. EFRAG recommends that the ISSB and IASB further explore the similarities and differences between proposals in the management Commentary Practice Statement ED and the Integrated Reporting Framework and consider how the two frameworks could be further converged.

*Summary of respondent’s comments*

**Level of priority to be assigned to a project on Integration in Reporting (Question 7a)**

180. A majority of respondents agreed with EFRAG’s tentative response about the importance of a project on connectivity and its priority over a project on integration in reporting as proposed in the RFI. These respondents agreed with EFRAG that integration in reporting is an area which should not compete with topical priorities and need to be developed in parallel, being a foundational and strategic activity.

Input from comment letters and electronic surveys	Connectivity is currently more important than integration in reporting	No preference / other views – issue not addressed
EU national standard setter	6	
Audit/Accounting organisation	1	2
Preparer (organisation)	3	1
Academic or research institution	2	
NGO	1	
User	1	
Individual		1
Regulator	1	
TOTAL (19)	15	4

181. None of the respondents specified that integration in reporting is more important than connectivity.

182. The above feedback is consistent with the input received in a polling question at a joint EFRAG/ISSB outreach event in which more than 60% of participants indicated that the IASB should focus on a project on connectivity rather than integration in reporting.

183. Some of these respondents noted that more conceptual thinking was needed before integrating the two pillars and a conceptual framework for sustainability standard setting would be useful.



184. One of these respondents (preparer organisation) considered that since the ISSB standards focus on financial materiality, it was essential that all risks and opportunities identified by companies are effectively translated into potential financial loss to inform users of sustainability statements. As companies are facing difficulties to effectively translate these risks, in particular physical risks, into actual financial loss the ISSB should start working on this topic soon.
185. One EU standard setter suggested that the underlying ideas and resulting concepts of integrated reporting based on the former IIRC IR Framework should be considered in every standard development process. This should be done without necessarily selecting Integrated Reporting as a separate topic for prioritisation in the ISSBs agenda consultation and that integration in reporting should be part of the 'baseline work' for all ISSB activities.
186. One respondent (auditor) noted that a project on Integration in Reporting would only make sense after the ISSB has developed standards covering all E, S and G matters.
187. One non-EU respondent considered that the proposed project on integration in reporting in the RFI could be broken down into two distinct components: a management commentary type of project and a more overarching conceptual framework type of project.
188. On the former, this respondent encouraged the ISSB to work closely with the IASB to complete the well-advanced Management Commentary project. This project could be done without hindering progress on a larger standard-setting project.
189. On the conceptual framework type project, while such a project was considered desirable it is not urgent and do not meet many of the assessment criteria set out in table 2 of the agenda consultation. Therefore, the respondent would not support prioritising this project above the other potential projects over the next two years.

**Whether a project on Integration in Reporting should be pursued as a formal joint project with the IASB (Question 7b)**

190. The majority of respondents assessed that if a project on integration in reporting should be pursued, it should be managed as a joint project between the ISSB and the IASB.
191. Among respondents holding a different view:
- a. One respondent (preparer organisation) considered that the project should be led by the ISSB.
  - b. Another respondent (standard setter) considered that such a project should be led by the IASB as sustainability information is relevant for financial reporting, while the reverse does not generally apply.
192. One respondent (standard setter) supported a 'joint IASB-ISSB operational approach' to advance the project. This could take either the form of a formal joint project with the IASB, entailing joint decision-making, or as an ISSB-led project with potential input from the IASB on an as-needed basis, without a formal joint arrangement.
193. One respondent (standard setter) suggested that the IFRS Foundation rethinks its governance structure and establish a higher-level or joint body that brings ISSB and IASB together such as the Joint Technical Committee of the ASCG. This respondent considered that integration in reporting and connectivity are essential and pervasive



elements of corporate reporting and therefore encourage both boards to closely cooperate.

194. The above feedback is consistent with the input received in a polling question at a joint outreach event organised by EFRAG and the ISSB in which about 65% of participants indicated that, if pursued, the project should be managed jointly by the ISSB and IASB through a formalised cooperation.
195. The input is, however, not consistent with input received from the EFRAG User Panel. The EFRAG User Panel was of the view that, in cooperating with the IASB, the ISSB should take the lead with the IASB providing input only.
196. Additionally, EFRAG's consultation documents contained two specific questions to respondents asking (i) whether they agreed with EFRAG's initial assessment of the pros and cons of a joint project between the IASB and ISSB and (ii) whether preference for a joint or ISSB only approach for the envisaged Integration in Reporting project would be different if the ISSB refocused its project on connectivity as suggested by EFRAG. These questions were not addressed by the three respondents who forwarded to EFRAG their response to the ISSB.
197. A majority of stakeholders who responded to EFRAG's additional question survey or submitted a comment letter agreed with EFRAG assessment of the pros and cons of a joint project.
198. In addition to the advantages and disadvantages of a joint project identified by EFRAG, some respondents noted the following:
- a. The involvement of the IASB cannot be less than the ISSB considering the objective of the project to create an integrated, consistent, coherent and comprehensive system of corporate reporting that provides a holistic and transparent view of how an entity creates value over time.
  - b. The most important element is that it is a joint project with balanced representation and consideration of both the financial and sustainability reporting views in all decisions, as well as complementary expertise.
  - c. Given the IASB's current work on connectivity and the work already conducted on the Management Commentary, a formal joint project will respond the need to have a comprehensive project on integrated reporting that is consistent with both IFRS Accounting Standards and IFRS Sustainability Disclosure Standards.
  - d. A collaboration could generate more benefits in the long term, ensuring the quality of integration from the beginning of the implementation of the standards and taking advantage of the resources and expertise of both Boards.
199. Only a few of these respondents addressed the second question to respondents contained in EFRAG's consultation document and generally concurrent that their preference for a joint project would be unchanged if the ISSB project was reframed as a project on connectivity as suggested by EFRAG.

**Whether in pursuing the project the ISSB should build and incorporate concepts from the IASBs Exposure Draft Management Commentary; the Integrated Reporting Framework and/or any other sources (Question 7c)**

200. A majority of respondents agreed with EFRAG's preliminary view that, if the IFRS Foundation decides to pursue a project on integration in reporting; the IFRS Foundation should build and incorporate concepts from the IASBs Exposure Draft Management Commentary; and the Integrated Reporting Framework.



201. Like EFRAG, these respondents suggested that the ISSB should further explore the similarities and differences between these two frameworks and how they could be further converged.
202. In doing so, some of these respondents mentioned, like EFRAG, that consideration should be given to the concept of value creation.
203. One respondent encouraged the ISSB to work closely with the IASB to complete the well-advanced Management Commentary project as a matter of priority (see paragraph 188 above<sup>187</sup>). This project could be done without hindering progress on a larger standard-setting project and there were opportunities for restructuring the Management Commentary project to take account of and incorporate the Integrated Reporting Framework.
204. Respondents did not suggest other sources or frameworks to consider.

**Any other comments? (Question 7d)**

205. Relatively few respondents provided additional comments to this question.
206. Respondents who commented generally agreed with EFRAG's initial assessment questioning the premises of the ISSB that connectivity issues had already been addressed in IFRS S1 and S2 and inviting the ISSB to consider the ongoing work of EFRAG and other initiatives on the matter.
207. In that respect, one respondent (Standard Setter) noted that various standard setters are already dealing intensively with the topic or planning to do so (e.g., EFRAG, UKEB, MASB, XRB, AcSB, AASB and ASCG) and suggested the establishing of a coordinating function by the IFRS Foundation. This would enable support and further development of the concept under the existing resource restrictions.

*EFRAG Secretariat's recommendations to EFRAG SR TEG on EFRAG's proposed final position*

208. Considering the large support received for EFRAG's tentative responses to questions 7a) and 7c), the EFRAG Secretariat suggests reiterating the same views in the final comment letter without changes.
209. Regarding question 7b); considering the support expressed by a majority of respondents for a joint IASB-ISSB project, it is suggested to revise EFRAG comment letter to suggest that if the IFRS Foundation decides to undertake the project on integration in reporting, it should be pursued as a joint project of the ISSB and the IASB.
210. It is also suggested to add a mention in the response to questions 7d) of the various ongoing initiatives on connectivity by other standard setters and accounting organisation (including EFRAG) and the opportunity for the ISSB to leverage on these initiatives.



## Appendix 2: List of respondents

1. Below is the list of respondents to the draft comment letter

<b>Comment letters</b>		
<b>Respondent</b>	<b>Country</b>	<b>Type/Category</b>
Insurance Europe <sup>2</sup>	Europe	Preparer organisation
OIC	Italy	National standard setter in the EU
Mazars	France	Audit organisation
IFPMA – EFPIA	Switzerland	Preparer organisation
ASCG	Germany	National standard setter in the EU
EBF	Europe	Preparer organisation
ICAC	Spain	National standard setter in the EU
ESMA	Europe	Regulator
Draft 1	UK	Audit organisation
<b>Survey responses</b>		
<b>Respondent</b>	<b>Country</b>	<b>Type/Category</b>
Ann Reulens	Belgium	Individual
Alberto Tremolada – European Raw Materials Alliance	Italian	NGO
Martin Petrov – Sofia International Securities	Bulgaria	User
Jake Stevens - Climastry	United States	Preparer organisation
Max Tetteroo - Climcom	The Netherlands	Academic or research institution
Paul Thomson – EFAA	Europe	Audit organisation
Eric Duvaud – ANC	France	National standard setter in the EU
Andrea Venturelli – Gruppo Bilanci e Sostenibilita (GBS)	Italy	Academic or Research institution
Romuald Bertl - AFRAC	Austria	National standard setter in the EU
Simon Braaksma – DASB	The Netherlands	National standard setter in the EU

<sup>2</sup> This respondent answered both through comment letter and via survey.

