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## Outreach results – EFRAG User Panel summary Issues Paper

### Objective

- 1 This document reflects a summary of the discussions held at the EFRAG User Panel meeting of 13 June 2023.
- 2 The following topics were discussed at the meeting:
  - (a) ISSB RFI Agenda consultation; and
  - (b) ISSB Internationalisation of SASB Standards.

### ISSB RFI Agenda consultation

- 3 The EFRAG Secretariat provided background to the process of issuing a draft comment letter. While this process was well known to financial reporting stakeholders such as the EFRAG User Panel, this is not the case for sustainability reporting stakeholders. Hence, the consultation also has an educational aspect. In addition, systematically pursuing as much as possible interoperability between ISSB and ESRS is the key perspective for this consultation.
- 4 The following comments were made by individual members:
  - (a) Ideally, there should be only one set of sustainability standards [worldwide]. As a second-best, interoperability between all different frameworks is considered key. In particular, to enhance the possibility to price-in sustainability relevant information.
  - (b) Interoperability should work in two directions, from ESRS to ISSB but also the other way around.
  - (c) The overall direction of travel of the ISSB as well as the universe of sustainability standards to be developed are to be clarified.
  - (d) Interconnection of financial and sustainability information – such as the degree of pollution and the increase in insurance premiums - was found to be crucial to understand more easily the information disclosed by an undertaking. Not considering sustainability reporting information was considered as a breach of governance for banks and insurance companies. Undertakings also were requested by financial institutions to deliver sustainability information in exchange for the financial benefit of better refinance conditions.



- (e) in areas where understanding impacts was important for financial materiality, this was also important for the shareholders of an undertaking. However, for impacts that are not affecting financial materiality but are only useful for a small number of other stakeholders, this was not useful information.
- 5 Some EFRAG User Panel members confirmed having an interest in sustainability reporting information but noted that they did not pay as much, or entirely no, attention to this as compared to financial reporting information. These EFRAG User Panel members confirmed however they wanted information on legal disputes resulting from environmental, social or governance issues in order to establish the financial impacts of those. It was added that, thanks to the sustainability reporting disclosures, ESG issues that could lead to a financial impact later in time, would be reported earlier than today. So it would make issues visible earlier than under financial reporting alone.
  - 6 The EFRAG Secretariat clarified that climate was already financially material, so the financial impact was equally important as impact materiality in this regard. For impact materiality severity was being used in the ESRS framework.
  - 7 One member took a negative view against the development of sustainability reporting information. It was surpassing more urgent – financial reporting - needs from investors for financial reporting information, sometimes commercially sensitive, difficult to audit and unclear to whose benefit the information was being developed.
  - 8 Some analysts were not interested in information as to whether or not an undertaking is reporting along the activities as defined by the EU Taxonomy. Instead, these investors concentrated on how the different markets an undertaking is active in develop (e.g. whether the undertaking is active in growing markets and is winning market share, or whether the undertaking is active in shrinking markets and losing market share.
  - 9 As for the activities to be prioritised, EFRAG User Panel thought that the supporting the implementation of S1 and S2 had priority, while the development of new research projects should happen simultaneously.
  - 10 EFRAG User Panel generally agreed with EFRAG’s DCL answers to the proposed research projects by the ISSB. However, there were still application issues. For example, it was difficult to value violation of human rights issues into financial cash flows. This could require the use of different scenarios to be built.
  - 11 EFRAG User Panel was of the view that, in cooperating with the IASB, the ISSB should be in the driving seat, with the IASB providing input only.

## ISSB Internationalisation of SASB Standards

- 12 EFRAG User Panel was of the view that comparability was the key issue. There should be one set of sustainability standards applicable across the world. Ratification<sup>1</sup> of references was not seen as an issue.
- 13 The EFRAG Secretariat explained that the aim of the methodology of internationalising the SASB standards is replacing current references to US regulation or legislation with references that are internationally applicable such as inputs from the UN, ILO or OECD. In some cases, also local jurisdictional references would be considered.
- 14 When referring to international references, ratification plays an important role. As an example, in case the ISSB decides to refer to the work of ILO on night work for women, one may find that



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many countries have not ratified this convention. As a result, the reference becomes useless and provides undertakings in these countries the opportunity not to use the ISSB disclosure.

- 15 One member thought that – in relation to the use of payment walls – the providers should be allowed to make a business model at making data available to companies to report upon. Similarly as for the rating development of a bond issuance. On the other hand, another member noted that under ESRS the access to information was provided free of charge.

