



29 August 2023

FAO: Emmanuel Faber
ISSB Chair
IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD, UK

Via email: commentletters@ifrs.org

Dear Mr Faber,

Consultation: ISSB Request for Information – Consultation on Agenda Priorities

The ESG Subgroup of the Corporate Reporting Users' Forum (CRUF ESG) welcomes the opportunity to provide the International Sustainability Standards Board (ISSB) with our comments to try and help the ISSB prioritise its activities for 2024 and 2025.

The CRUF was established in 2005 and we have been holding regular meetings since. CRUF ESG was established in 2020 and has prepared this comment letter based on discussions in CRUF meetings and has reflected input from other CRUFs globally.

As always, we do not seek to reach a consensus within the CRUF but to reflect a broad spectrum of users' views. We have highlighted any contrasting views in our response.

Our comments are based on our professional experience as users of corporate reporting.

Our Main Comments

We continue to support the ISSB's mission to deliver a comprehensive global baseline of sustainability-related financial disclosures that meet the information needs of an entity's existing and potential investors, creditors and other lenders—the primary users of general-purpose financial reports. We also support the ISSB's definition of “global baseline” that the proposed disclosures of IFRS Sustainability Disclosure Standards (ISSB Standards) require:

- an entity to make disclosures that are designed to meet the information needs of investors, creditors and other lenders;
- that the information to be provided in such disclosures is based on a materiality assessment consistent with that used in the application of IFRS Accounting Standards;
- and that the information may be presented with information disclosed to meet other requirements, such as specific jurisdictional regulatory requirements, but may not be obscured by that additional information.

In this context we agree that the ISSB's focus should be on a significant amount of work to ensure the adoption and effective implementation of the ISSB Standards, IFRS S1 and IFRS S2, over the coming years. Considering the newness of these ISSB Standards, we think the

“foundational work”, as you refer to it, should take priority over any new projects and enhancing the SASB standards. We note that applying materiality can be a challenging process and that even under IFRS Accounting Standards, there is significant evidence that disclosure of material climate-related information is lacking in the financial statements of many of the largest GHG emitters in the world.¹ Deficiencies can often be seen through the lens of what appears to be inconsistency between disclosure on climate found in the narrative section of the annual report when compared to disclosure in the financial statements. As such, we suggest the work on connectivity between sustainability and financial reporting be given the same high priority as other ‘foundational work’, recognising that the IASB’s project “Climate-related Risks in the Financial Statements” is currently in its maintenance project workplan. The foundational work also sounds like it should include an ongoing post implementation review, which we think is appropriate in support of the ISSB’s mission.

Please let us know if CRUF ESG could help with this.

We suggest that any enhancing of the SASB standards should be done and if required as part of your foundational work and any new project, rather than being a separate workstream.

We also agree with the proposed criteria for assessing which new research and standard-setting projects should be considered a priority and added to the ISSB’s work plan, namely:

1. the importance of the matter to investors
2. whether there are any deficiencies in the way entities disclose information on a matter
3. the types of entities that the matter is likely to affect, including whether the matter is more prevalent in some industries and jurisdictions than others
4. how pervasive or acute the matter is likely to be for entities
5. how the potential project interconnects with other projects in the work plan
6. the complexity and feasibility of the potential project and its solutions
7. the capacity of the ISSB and its stakeholders to progress the project in a timely way.

We suggest that 5 and 7 incorporate an assessment of interconnectivity with IASB accounting standards work plans and if any combined capacity with the IASB.

In this context and as explained in our answers to your consultation questions below, we believe you should prioritise one new project over the next two years and that is on either Human Capital or Biodiversity, Ecosystems and Ecosystem Services (BEES).

CRUF participants cannot decide which of these should take priority. However, they agree that investor users will find generally that information on human capital is more useful than information on BEES as it will apply to all businesses, whereas BEES may be, in a material or prevalence sense, more sector specific (similar to Climate). We suggest the ISSB select the one that your overall feedback indicates is the top priority for investor users of corporate reporting.

¹ For example, see reports by the Carbon Tracker Initiative:
<https://carbontracker.org/reports/flying-blind-the-glaring-absence-of-climate-risks-in-financial-reporting/>
<https://carbontracker.org/reports/still-flying-blind-the-absence-of-climate-risk-in-financial-reporting/>

Our Answers to your Questions

Responses to the questions raised in the consultation that relate to the issues that concern investors are set out below.

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

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

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

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

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

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

Answer 1 - (a) We would rank your activities as follows:

1. (ii) supporting the implementation of ISSB Standards IFRS S1 and IFRS S2
2. (iii) researching targeted enhancements to the ISSB Standards
3. (i) beginning new research and standard-setting projects.

Enhancing the SASB Standards (iv) should be done and if required as part of your foundational work and any new project, rather than being a separate workstream. SASB standards have not been produced under an international standard setting process. However, they probably contain a lot of useful considerations for sustainability reporting. Therefore, from a practical resourcing and timing perspective, their enhancements should be incorporated into the ISSB's priorities of foundational work or new projects.

(b) The ISSB's focus should be on spending a significant amount of their time to ensure the success and effective implementation of the ISSB Standards, IFRS S1 and IFRS S2, over the coming years. Considering how new these sustainability reporting standards are, the difficulties of appropriately applying materiality assessments to their requirements and, based on Carbon Tracker research, the lack of appropriate sustainability disclosures in preparers' annual reports, we think this "foundational work", as you refer to it, should take priority over any new projects and enhancing SASB standards.

This we think would include researching targeted enhancements to the ISSB Standards. Leaving, if resources and time allows, beginning new research and standard setting projects for after.

(c) We cannot suggest any other activities to be included. We recognise that the three activities we have prioritised, along with the time you should spend engaging with stakeholders, in particular those like us that are users of general-purpose financial reports, will probably take up all your resources over the coming years.

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

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

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

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

Answer 2 - (a) Yes, we agree that the ISSB has identified the appropriate criteria.

(b) We suggest that criteria 5 and 7 incorporate an assessment of interconnectivity with the IASB's accounting standards work plans and if any combined capacity with the IASB.

Some participants would like to see included in the criteria a guiding principle of how connected a sustainability matter is to financial reporting. There are views that the audited financial statements are the most useful sections of annual reports because they have been standardised and therefore can be assured through audit. If a sustainability matter should be disclosed in financial statements because it is material, then there may be some basis to consider for the ISSB to develop a sustainability standard on the matter. Such developments would also be another step towards integrated reporting.

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

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

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

(i) If a single project, which one should be prioritised? You may select from the four proposed projects in Appendix A or suggest another project.

(ii) If more than one project, which projects should be prioritised and what is the relative level of priority from highest to lowest priority? You may select from the four proposed projects in Appendix A or suggest another project (or projects).

Answer 3 - (a) Due to the early stages of ISSB Standards, we believe that you will find the next two years being taken up by the foundational work in embedding and enhancing IFRS S1 and IFRS S2. As a result, we would suggest one project should be prioritised, similar to IFRS S2 being prioritised. Like IFRS S2, this is likely to result in the faster development of a new standard.

(i) We are persuaded by the arguments in Appendix A to select either Human Capital or Biodiversity, Ecosystems and Ecosystem Services (BEES) as the project to be prioritised.

At this point in time, CRUF participants cannot decide which of these should take priority. Investor users will find generally that information on human capital is more useful than information on BEES as it will apply to all businesses, whereas BEES may be, in a material or prevalence sense, more sector specific (similar to Climate). Under IFRS Accounting Standards

limited employee cost disclosures are required. Users would like a lot more information on costs by function, segment and region. Beyond costs, users would also like to know about the number of employees, hierarchy details, skills and tenure details, turnover rates and attrition rates to help assess the human capital side of the business.

A Japanese CRUF participant has commented that there are no companies that do not consider human capital important from the perspective of improving corporate value. In the disclosure of Japan's securities reports, the disclosure of human capital is being emphasized after climate change, and there are also items that are required to be disclosed. In some countries, disclosure regarding human capital seems to be primarily focused on disclosure from a risk management perspective, but in the case of Japan, disclosure of human capital is being recognized as useful information for understanding and analysing the improvement of corporate value.

- (ii) We are suggesting only one project should be prioritised but have mentioned two, Human Capital and BEES, one of which should take priority. We suggest the ISSB select the one that your overall feedback indicates is the top priority for investor users of corporate reporting.

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

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

- (a) Of the subtopics identified in paragraph A11, to which would you give the highest priority? Please select as many as applicable.**

Please explain your choices and the relative level of priority with particular reference to the information needs of investors.

You may also suggest subtopics that have not been specified. To help the ISSB analyse the feedback, where possible, please provide:

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

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

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

- (c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard setters and framework providers to expedite the project, while taking into consideration the ISSB's focus on meeting the needs of investors. Which of the materials or**

organisations referenced in paragraph A13 should be utilised and prioritised by the ISSB in pursuing the project? Please select as many as applicable.

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

Answer 4 - (a) In our response to Question 3, we said you should prioritise one new project and that should be either on this topic, BEES, or on Human Capital. We agree that water, land use, pollution, resource exploitation and invasive non-native species are worthwhile subtopics. We would also add waste as a subtopic for consideration as waste impacts water, land use and pollution and is relevant to a circular economy. It is difficult for us, as mainly generalists, to provide a prioritisation of these subtopics. However, from the discussions amongst CRUF ESG participants, we would give water, pollution and waste the highest priority and probably in that order.

(b) As your consultation document says, BEES underpins all human activities, including business, such as in consumption, production, trade and technological innovations. Therefore, there is likely to be some commonality of sustainability-related risks and opportunities across industries/sectors, business models, economic activities and geographic locations to provide a basis for a sustainability reporting standard for BEES. However, we also recognise that BEES may be more material or prevalent to certain sectors than others, similarly to Climate.

(c) We would add to Appendix A paragraph A13, the possible gathering of data of entities' annual reporting of BEES related UN Sustainable Development Goals (SDGs). We would also suggest prioritising the 77 industry based SASB standards. In this respect it would be helpful to reduce the over 400 metrics for BEES relevant disclosures to those that would be material across sectors/industries, business models, economic activities and geographies.

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

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

(a) Of the subtopics identified in paragraph A22, to which would you give the highest priority? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors.

You may also suggest subtopics that have not been specified. To help the ISSB analyse the feedback, where possible, please provide:

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

(b) Do you believe that sustainability-related risks and opportunities related to this topic are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that

measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

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

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

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

Answer 5 - (a) In our response to Question 3, we said you should prioritise one new project and that should be either on this topic, Human Capital, or on BEES. Under IFRS Accounting Standards limited employee cost disclosures are required. Please refer to our comments on Human Capital in our Answer 3 above on what users would like to see on Human Capital and a Japanese CRUF participant perspective.

We would prioritise, from Appendix A paragraph A22 subtopics, workforce composition and costs, workforce investment and worker wellbeing. In workforce composition, we would prioritise hierarchy details, skills and tenure details, turnover rates and attrition rates.

(b) We do not believe sustainability-related risks and opportunities will be different between sectors/industries, business models, economic activities and geographies.

(c) We have no comments on what resources to prioritise.

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

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

(a) Within the topic of human rights, are there particular subtopics or issues that you feel should be prioritised in the ISSB's research? You can suggest as many subtopics or issues as you deem necessary.

To help the ISSB analyse the feedback, where possible, please provide:

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

(b) Do you believe that sustainability-related risks and opportunities related to this topic are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that

measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

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

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

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

Answer 6 - (a) In our response to Question 3, we said you should prioritise one new project and that should be either Human Capital or BEES. We can see why Human Rights should be a priority. However, we also see the topic as fraught with difficulty, especially in getting ISSB jurisdictions to agree with each other. For example, some jurisdictions, providing low levels of human rights, will be averse to their entities providing any required disclosures on human rights from a sustainability reporting standard. As a result, we have not spent a lot of time on answering these questions.

Also, as a result, we do not suggest any subtopics to be prioritised.

(b) We do not believe sustainability-related risks and opportunities will be different between sectors/industries, business models, economic activities and geographies.

(c) We have no comments on what resources to prioritise.

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

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

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

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

- (i) If you prefer a formal joint project, please explain how you think this should be conducted and why.
 - (ii) If you prefer an ISSB project, please explain how you think this should be conducted and why.
- (c) In pursuing the project on integration in reporting, do you think the ISSB should build on and incorporate concepts from:
- (i) the IASB's Exposure Draft *Management Commentary*? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.
 - (ii) the Integrated Reporting Framework? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.
 - (iii) other sources? If you agree, please describe the source(s) and any particular concepts that you think the ISSB should incorporate in its work.
- (d) Do you have any other suggestions for the ISSB if it pursues the project?

Answer 7 - (a) In our response to Question 3, we said you should prioritise one new project and that should be either Human Capital or BEES. As a result, we have no specific answers to your questions on this proposed project.

That is not to say that integration in reporting is not important to us, including the connectivity/consistency of information across the annual report. We continue to struggle with entities' annual reports and audited financial statements because they are produced in a way that does not generally provide a holistic and transparent view of how entities create value over time. This is probably because they are produced using a checklist of reporting and accounting requirements; and not as a business report to primary users, especially their shareholders, on what is relevant and has really mattered in a reporting period (i.e. what is material). This gives rise to what the IASB has described as the disclosure problem (too much irrelevant information, not enough relevant information and badly communicated information). We understand that the IASB's disclosure problem project has run into difficulties on how best to resolve the problem and we expect that any similar project from a sustainability standards and reporting perspective would also run into issues on how best to resolve integration in reporting.

We suggest this may be better placed with reporting regulators using the resources available from the standard setters, especially a proportional application of the concept of materiality, allowing entities to only report on what is material.

- (b) We have no comments.
- (c) We have no comments.
- (d) We have nothing else to suggest.

Question 8—Other comments

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

No.



About the Corporate Reporting Users' Forum (CRUF)

The CRUF was set up in 2005 by users of financial reports to be an open forum for learning about and responding to the many accounting and regulatory changes that affect corporate reporting. In particular, participants are keen to have a fuller input into the deliberations of accounting standard setters and regulators. CRUF participants include buy and sell-side analysts, credit ratings analysts, fund managers, investors and corporate governance professionals. Participants focus on equity and fixed income markets. The Forum includes individuals with global or regional responsibilities and from around the world, including Australia, Canada, France, Germany, Hong Kong, India, Japan, New Zealand, South Africa, UK and USA.

The CRUF is a discussion forum. Different individuals take leadership in discussions on different topics and in the initial drafting of representations depending on their area of interest or expertise. In our meetings around the world, we seek to explore and understand the differences in opinions of participants. The CRUF does not seek to achieve consensus views, but instead we focus on why reasonable participants can have different positions. Furthermore, it would not be correct to assume that those individuals who do not participate in a given initiative disagree with that initiative. Also, it would not be correct to assume that nonparticipants agree with the initiative. This response is a summary of the range of opinions discussed at the CRUF meetings held in the CRUF ESG sub-group and also CRUF globally and provided by participants in drafting the response. Differences of opinion are noted where applicable.

Participants take part in CRUF discussions and joint representations as individuals, not as representatives of their employer or other organisations they are a member of or associated with. Accordingly, we sign this letter in our individual capacity as participants of the Corporate Reporting Users' Forum and not as representatives of our respective employer or other organisations. The participants in the CRUF that have specifically endorsed this response are listed below.

Yours sincerely,

Charles Henderson

Lothar Weniger

Ralf Frank

Sue Milton

Andrew Burton, CFA

Peter Parry



Peter Reilly

Kazuhiro Yoshii