



September 1, 2023

Via electronic mail and submission on the IFRS website

Mr. Emmanuel Faber

Chair, International Sustainability Standards Board (ISSB)

Re: IIF Public Comment Letter on the ISSB Consultation on Agenda Priorities

Dear Mr. Faber,

The Institute of International Finance (IIF) and its members, which broadly represent the global financial services industry, welcome the opportunity to comment on the International Sustainability Standards Board (ISSB) Consultation on Agenda Priorities (hereafter, “the consultation”). The IIF is the global association of the financial industry, with around 400 members from over 60 countries, including commercial and investment banks, asset managers, insurance companies, rating agencies, market infrastructure providers, and professional services firms.

The IIF welcomes the ISSB’s initiative to consult with stakeholders on priorities for its next two-year workplan. The IIF remains strongly supportive of the ISSB’s work to develop a comprehensive global baseline for sustainability disclosures and considers the consultation to be relevant and timely—particularly considering the many initiatives pertaining to sustainability disclosure at jurisdictional levels as well as the need to support implementation of the standards and address interoperability issues. We also take note of the ongoing development of frameworks and approaches for assessment and disclosure of sustainability-related factors, including in areas such as natural capital and biodiversity.

Considering the breadth of the evolving sustainability disclosure agenda, the IIF and its members appreciate the ISSB’s desire to engage with stakeholders to inform decisions on the prioritization of options for its next phase of work. IIF members appreciate that prioritization may be necessary to maximize the value-add and impact of the ISSB’s next phase of work. The feedback in this letter thus addresses questions directly raised in the consultation, and also provides commentary on the broader context (including developments at jurisdictional levels, and within market-based initiatives) for the ISSB’s future work.

This letter is structured as follows. The first section summarizes key messages and proposed priorities. The Annex responds to some of the specific consultation questions to provide commentary on factors that may be relevant when evaluating options for the ISSB's future work.

1. Key Messages

1.1 Context: key factors affecting the ISSB's future work

The landscape of frameworks and official-sector expectations for sustainability disclosure continues to evolve. The coming years may see both a broadening of disclosure priorities into new sustainability areas, as well as a deepening in terms of scope and level of granularity. Ensuring that the ISSB sustainability disclosure standards have the desired impact of setting the global baseline necessary to enable consistency and comparability among firms - as well as interoperability across jurisdictions - will require efforts to ensure that the core information encapsulated in disclosures responds to the needs of investors globally. At the same time, it will be important to avoid an unnecessary proliferation in the volume of information expected to be disclosed.

This rapid evolution of the landscape suggests the ISSB should take a nimble approach to standard-setting, targeting the areas where risk of fragmentation is highest. If not well coordinated with other initiatives, efforts by the ISSB to rapidly broaden the scope of disclosures in new areas (e.g., biodiversity) could result in unintended consequences, such as increased reputational and litigation risks for preparers, without substantial benefits to the market.

At the same time, it is critical that the ISSB's efforts to deliver a global baseline have the desired impact – and that efforts to deliver additional guidance and resolve interoperability issues are maintained. IIF members strongly agree that the ISSB should prioritize support for widespread implementation of ISSB Standards IFRS S1 and IFRS S2 with a particular focus on improving practices in less developed markets. This will entail identifying areas where existing guidance and development of common approaches are currently at an early stage, and building preparer capacity - e.g. in the area of transition planning disclosure. At the same time, IIF members strongly agree that the ISSB should also prioritize efforts to conduct new research and standard-setting projects.

1.2 Views on the prioritization approach

Ensuring that the ISSB's prioritization approach is fit for purpose – and reflects the core objectives and mandate of the ISSB – is of paramount importance. In addition, it is essential for the ISSB as a global framework to cater investors regarding all their information needs. Criteria for the evaluation of priorities should focus on meeting the needs of investors and informing investment decision-making, recognizing that the information demands of investors may evolve, including with respect to information on sustainability-related impacts. While there may be a variety of stakeholder use cases for disclosures, including information in the new areas identified by the

ISSB, clarifying investor needs as a primary objective could help frame choices on how best to support implementation of IFRS S1 and IFRS S2 standards, while also considering projects in new areas.

1.3 Key priorities

Given that full implementation of the IFRS S1 and IFRS S2 standards will require ongoing development, engagement, and monitoring, the IIF and its members would recommend that implementation efforts remain a central priority in areas where the ISSB adds most value. The primary objective should be to promote uptake of the standards in jurisdictions where local frameworks are not in place, while also working to ensure interoperability of the ISSB standards with other frameworks and jurisdiction-specific regulations (notably on topics like financial materiality). To this end, the ISSB should prioritize guidance to and coordination with national authorities to 1) identify and address interoperability challenges; 2) evaluate inter-jurisdictional reciprocity and equivalency; and 3) reduce complexity for global companies subject to multiple regulatory regimes. However, this also means that some implementation efforts should be left with national standard setters and/or authorities—at least at this stage. After seeing how IFRS S1 and IFRS S2 are implemented in different jurisdictions, the ISSB may want to distinguish between differences in implementation due to differences in national standards and those that stem from differences in interpretation of the ISSB standards. We believe that the ISSB’s future work to support implementation should focus on the latter.

As part of IFRS S2 implementation efforts, we would strongly encourage the ISSB to provide additional support for implementation of provisions related to transition plans. Given the proliferation of approaches to transition plan disclosure globally, it is critical that ISSB transition plan-related disclosure be effectively implemented as the global baseline. We urge the ISSB to allocate adequate resources to effectively address this matter within the next two years. **It is crucial to avoid an outcome where local jurisdictions independently develop frameworks, guidance or requirements related to transition plan disclosures that do not reflect ISSB guidance,** and we encourage the ISSB to engage with jurisdictions considering action in this area.

To support effective implementation, IIF members propose that the ISSB undertake a post-implementation evaluation of ISSB Standards IFRS S1 and IFRS S2 to identify any unintended consequences and assess whether adjustments or refinements to the standards may be necessary.

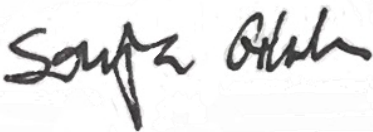
The IIF and its members consider the initiation of new research and standard-setting projects to be a high priority as well, which should be approached as soon as the resource situation allows. If the ISSB is to serve as the global baseline for sustainability reporting, action should be taken to address globally relevant sustainability topics where approaches and frameworks are developing rapidly (such as biodiversity), and/or where significant divergences exist between different market-based and official-sector frameworks (e.g., human capital, human rights). Efforts to initiate new research and standard-setting projects should thus focus on critical emerging areas – specifically,

biodiversity, ecosystems, and ecosystem services (BEES) – while also addressing areas where fragmentation is already clear (e.g., human capital, human rights). It should be noted that only the ISSB can provide a standard that can serve as a global baseline and it should thus seek to leverage existing market-based and jurisdictional frameworks where appropriate, towards the goal of integration in reporting over time. We would encourage the ISSB to make progress on a few key topics (including but not limited to biodiversity) so that it can more readily set this global baseline and support interoperability. In particular, care should be taken to ensure alignment with existing jurisdictional frameworks such as the EU Corporate Sustainability Reporting Directive (CSRD) and the associated European Sustainability Reporting Standards (ESRS), which many firms in the EU will have to report against.

In its efforts to scope and structure new research and standard-setting projects, the ISSB should consider potential overlaps between (and gaps within) proposed project areas. For example, similarities and differences between human rights and human capital topics, consideration of social issues within the context of net zero transition, frameworks for assessing nature-related impacts, dependencies, and risks, or the contribution of nature-based solutions to climate action.

Thank you for your consideration of these comments. On behalf of the IIF membership, we hope that you will find our comments useful and constructive. If you have any questions, please feel free to contact Sonja Gibbs (sgibbs@iif.com) or Andrés Portilla (aportilla@iif.com).

Yours sincerely,



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Annex 1: Detailed responses to consultation questions

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

The overview of the strategic direction and balance of the ISSB’s activities (Paragraphs 18–22 and Table 1) provides a reasonably comprehensive perspective of ISSB’s next work plan.

Response to Question 1.a)

The priorities can be established in the following manner, reflecting levels of urgency, and necessary phasing of activities:

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

Commentary on Priority 1 – Activity area ii) supporting the implementation of ISSB Standards IFRS S1 and IFRS S2

IIF members agree that it is crucial to maintain efforts on foundational work, specifically, supporting the **implementation of ISSB Standards IFRS S1 and IFRS S2** worldwide, particularly in less developed markets, but only in the areas where the work of the ISSB provides the greatest value. The ISSB should engage with regulators to ensure consistency in application of ISSB reporting requirements for jurisdictions that are adopting ISSB standards, and work to facilitate interoperability, after national-level standards are developed and implemented. At a high-level, the ISSB could consider promoting international coherence in regulatory implementation of the standards, providing educational and guidance materials including resources on transition plan

disclosure expectations, expanding the transitional relief provisions in subsequent guidance, and conducting a post-implementation review of its standards, after all other priority issues are dealt with.

It is crucial to foster coordination between the ISSB and relevant authorities to promote the mutual recognition of and reciprocity between disclosure frameworks, such as those utilized in the EU and US. In this regard, it would be helpful for the ISSB to discuss with the European authorities the best way to assist companies in understanding how its standards map to the disclosure requirements under other mandatory reporting obligations, such as the EU Corporate Sustainability Reporting Directive (CSRD) and the associated European Sustainability Reporting Standards (ESRS). This initiative should help establish a comprehensive global baseline for disclosures related to sustainability. Prioritizing this activity is crucial as it will contribute significantly to the main objective of achieving a common understanding of ISSB Standards. Furthermore, it will facilitate the evaluation of the effectiveness of the ISSB's approaches. It should also be noted that similar requests may follow as other jurisdictions develop their standards (e.g., the US SEC rules pertaining to climate-related disclosures). The ISSB should keep in mind the need to balance these requests in the future and allocate its resources carefully.

It will be important for the ISSB to provide educational materials and guidance on how to apply its standards when all other priority issues are dealt with, and in cooperation with national standard setters and/or authorities. Unlike traditional corporate disclosure practices which have clear and time-tested guidelines, sustainability disclosure is a developing area. Determining which sustainability and climate aspects are materially relevant in a financial reporting context remains a challenge. The ISSB standards, aligned to IFRS accounting principles and established accounting practices, serve as a useful starting point for building a global baseline for sustainability and climate disclosure. However, many companies will need subsequent resources and educational materials on how to apply its standards, including how to conduct the materiality assessment and report across the standards requirements. These resources would assist in driving voluntary reporting across the ISSB standards and supporting efforts to comply with any mandatory requirements.

As part of IFRS S2 implementation efforts, we would strongly encourage ISSB to provide additional resources and support for jurisdictions and disclosure preparers in implementing IFRS S2 provisions related to transition plans. The IIF supports the climate-related transition plan disclosure requirements listed under IFRS S2, as the standard maintains an appropriate high-level and flexible approach to reflect the early stage of transition planning in the economy.

Given the growing proliferation of approaches to transition plan disclosure globally, it is critical that ISSB transition plan related disclosure is effectively implemented as the global baseline. **The ISSB has an opportunity to help drive global consistency on transition plan disclosure.** We believe that it is of paramount importance to avoid a situation where multiple sets of jurisdictional,

market-based, and third-party frameworks, guidance, and other expectations for transition planning exist in parallel, as this will create an unworkable environment for compliance, raise the risk of misunderstanding of the objectives and contents of transition plan disclosures, and raise transaction costs. An analogy is the sub-optimal situation pertaining to the development and implementation of jurisdictional sustainable finance taxonomies, where the primary focus is reconciling diverse taxonomies and facilitating effective communication between them. The ISSB's global platform and presence make it a key player to drive consistency and comparability in transition plan disclosure. As a recognized standard-setting body with a wide reach, the ISSB has the ability to influence and shape reporting practices on transition plans across the financial industry. This platform allows the ISSB to foster a more coherent and standardized approach to disclosing financially material information within transition plans. In certain jurisdictions (including the European Union), authorities and supervisors have announced policies and plans that will mandate corporates and financial institutions to develop and disclose transition plans. Financial supervisors and regulators, working independently and collaborative through the Network for Greening the Financial System (NGFS) and the Basel Committee on Banking Supervision (BCBS) have begun to examine the relevance of transition plans to supervisory objectives, and potential approaches. Considering these developments, **it is important for the ISSB to ensure that its global baseline standard appropriately supports the development of consistent and comparable transition plans, sets appropriate expectations around their use by regulators and supervisors, and ensures alignment of jurisdictional frameworks to the highest degree possible.** Coordination and engagement with other standards-setting bodies and national authorities is of utmost importance.

To avoid jurisdictional fragmentation and enhance consistent implementation of the IFRS S2 provisions related to transition plans, the ISSB should create a standalone resource that highlights and builds on key concepts from the ISSB's 'basis for conclusion' alongside the IFRS S2 disclosure requirements. IIF suggests that the ISSB highlights the following concepts from the IFRS S2 'basis for conclusions' to assist in regulatory and preparer implementation.

- **BC47:** Clarifies the role of transition plans in disclosure as informing business strategy and that the scope and content of transition plans will depending on the business and industry.
- **BC48:** Acknowledges that market perspectives may vary on what may be useful disclosures but suggests key disclosures that may be relevant for all transition plans. BC48 suggests that greenhouse gas emissions reduction targets, information about the specific actions to meet those targets, how a firm is responding to climate-related transition risk, and how it is contributing to and benefit from the expected transition to a lower-carbon economy, may form the baseline expectations for transition plan disclosures for many companies.
- **BC51:** Draws a distinction between climate-related targets and greenhouse gas emissions targets, emphasizing the relevance of this distinction in the context of transition plan disclosure.

- **BC52:** Defines "assumption" and "dependencies" to underpin credible transition plans. ISSB may want to expand on these definitions in subsequent resources for companies to provide relevant examples for different industries. IIF agrees that assumptions and dependencies may be material considerations for companies to disclose in the context of disclosing a credible transition plan but suggests that the ISSB highlight and expand upon these definitions in subsequent resources for companies. The assumptions and dependencies that underline a transition plan are likely to vary significantly company to company and industry to industry.

Clarifying and emphasizing these concepts would support regulators and preparers in implementing IFRS S2, including ensuring that companies can confidently disclose material transition plan information and aligns reporting practices under the ISSB's standards, promoting consistency and comparability for investors and stakeholders.

The ISSB also could consider providing additional resources to help companies and regulators navigate the balance between avoiding disclosing commercially sensitive information with the requirements to disclose material climate-related opportunities. For instance, although the standards do not compel companies to reveal commercially sensitive data related to climate-related opportunities, they are encouraged, under the core metrics, to disclose material information on capital deployment. This includes specifics on “financing or investment deployed towards climate-related risks and opportunities”. In some contexts, these guidelines may create ambiguities, especially if they contradict the provision designed to avoid disclosing commercially sensitive information. In the above example, supervisors may arrive at different conclusions on what should be disclosed which could undermine the ISSB’s goal to drive consistency in jurisdictional application. As such, the ISSB should aim to provide supplemental materials to help iron out these potential conflicts and guide supervisors and companies in applying these standards.

The ISSB should also remain open to adjusting and potentially extending its transitional relief requirements. Currently, the ISSB provides relief for reporting certain challenging disclosures such as a one-year delay on disclosing topics beyond climate, disclosing scope 3 emissions, and providing comparative reporting for prior years. While IIF remains strongly in support of the transitional reliefs, they may need to be extended or adjusted in the future. Companies and financial intuitions across various industries and markets are at different stages in their disclosure capabilities. The ISSB requirements will likely necessitate the development of new capacities in many companies, requiring significant scaling efforts. Given this evolving landscape, it is crucial for the ISSB to remain flexible, allowing companies the necessary time and support to successfully implement these standards in a manner that aligns with their specific circumstances and for their specific stakeholders. The transitional reliefs support standard implementation efforts without undermining the credibility of the reported information.

To achieve the points raised above, we propose that the ISSB undertakes a post-implementation evaluation of IFRS S1 and IFRS S2 to gather insights on levels of uptake and implementation, identify remaining gaps and barriers, and assess whether adjustments or refinements to the standards are necessary. To support ongoing implementation, engagement, and revision efforts, IIF members suggest the ISSB consider conducting a post-implementation review of ISSB Standards IFRS S1 and IFRS S2 to identify any unintended consequences (such as any impact on company valuations, or climate risk pricing, among other issues) that may have emerged, and determine whether adjustments or refinements to the standards are necessary. Sustainability and climate-related disclosure practices vary based on the preparers' geography, industry, and value chain, relative to many other reporting practices. Aspects of data and reporting methodologies remain relatively untested in many jurisdictions and industries, in particular in emerging markets. It will be important for the ISSB to prioritize reviewing how the implementation of its standards is faring to identify potential adjustments or additional relief measures, and also assess the balance of efforts between projects in new areas and other implementation support activities. Conducting ongoing reviews could help inform future prioritization processes.

Commentary on Priority 2 – Activity area i): beginning new research and standard-setting projects

Recognizing the need for continued support for implementation, the IIF and its members support the initiation of new research and standard-setting projects in areas where approaches and frameworks are developing rapidly (such as biodiversity), and also areas where significant divergences exist between different market-based and official-sector frameworks (e.g. human capital, human rights). Further information on the rationale for this assertion is provided in the answer to Question 4. With respect to BEES, considering that the TNFD has already made progress in this area, it would be advantageous to leverage their work as a resource in the development of international standards. Ideally, this process should commence following the release of the TNFD's final report and leverage its progress in the upcoming 18-24 months. This aspect is crucial because if the ISSB fails to progress on developing a BEES-related disclosure framework, regulators might directly integrate TNFD into mandatory reporting which would not support consistent disclosure across BEES topics. The TNFD may not be tailored enough towards the ISSB's more narrow, investor-focused approach, or sufficiently market tested to generate decision-useful information. Therefore, it would be beneficial for the ISSB's due process to leverage the TNFD as part of a broader assessment of potentially useful standards and frameworks, while recognizing that the TNFD's disclosure recommendations are not likely to directly translate given the ISSB's mandate and guidelines.

Commentary on Priority 3 – Activity area iii): researching targeted enhancements to the ISSB Standards

As noted above, we consider the ISSB’s efforts to support global consistency in approaches for transition plan disclosure to be a critical near-term implementation concern, and as such, would encourage work in this area. Linked to this, we encourage the ISSB to work with the International Organization of Securities Commissions (IOSCO) to develop resources which could help support consistent approaches to the disclosure of transition plans, within the broader context of efforts to implement the ISSB standards. We emphasize that firms’ climate transition plans are a business strategy document rather than a risk management tool. Any guidance should carefully consider the implications of supervising firms’ business strategy in this context, and the risks of sharply diverging supervisory expectations in different jurisdictions and the global impact that could have. Many financial institutions take a global approach to business strategy on climate and provide financing to clients in many different jurisdictions where the real economy is transitioning at different speeds and with different considerations. Diverging supervisory approaches to oversight of transition planning could ultimately constrain firms’ business strategy and inhibit their ability to deploy the financing and expertise needed to support the real economy transition across many different jurisdictions globally.

Response to Question 1.b)

Reasons of ranking and selected prioritized types of work within each activity.

Priority 1: Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2

Reasons for ranking: The IIF broadly supports the ISSB’s overall goal of proposing a global baseline standard and would encourage the ISSB to engage closely with jurisdictions to address emerging interoperability concerns.

Prioritized types of work: The ISSB should prioritize interoperability with other sustainability requirements, taking into consideration the efforts of jurisdictional and voluntary sustainability standard-setters and framework providers. ISSB should also continue to support development of tools to help global companies navigate multiple sets of regulation, understand where equivalence exists, and reconcile differences.

Priority 2: Beginning new research and standard-setting projects

Reasons for ranking: Development of new sustainability-related disclosure requirements for emerging areas such as biodiversity could be an important step towards addressing risk of fragmentation; however it is important not to try to expand the ISSB standards too quickly, as a focus on implementation is necessary. The proposed TNFD framework and the capabilities needed

to perform nature-related assessments should be given time to develop before new standards are layered on. However, we encourage the ISSB to continue with their efforts to develop standards and work through their governance approach (i.e., consultation, deliberation). Interoperability with existing regulatory reporting requirements, such as CSRD and the associated Environmental ESRS should also be maximized where appropriate.

Prioritized types of work: The ISSB should develop the equivalent of IFRS S2 in the area of biodiversity, ecosystems and ecosystem services (BEES).

Priority 3: Researching targeted enhancements to the ISSB Standards

No additional comments.

Priority 4: Enhancing the Sustainability Accounting Standards Board (SASB) Standards

No additional comments.

Response to Question 1.c)

The IIF and its members consider the set of activities to be appropriate (reflecting the nuances raised in the responses above) and would not suggest that other activities be included at this time.

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?

Response to Question 2)

IIF members agree that the starting point for the planning and prioritization process should be establishing clear criteria for decision-making regarding future options. Once these criteria are defined, the subsequent steps can be determined. The core objective guiding all planning and

prioritization decisions should be the promotion of globally interoperable, decision-useful disclosure standards that meet the needs of investors.

With this in mind, the IIF members agree that the ISSB has identified the appropriate criteria. IIF members also recognize that there are considerations with sustainability reporting that continue to evolve and the ISSB may need to modify its criteria at a future date. However, any such decisions should be made carefully and with public engagement so as to avoid undermining the investor-aligned materiality criteria and core consideration for assessing future work projects or standard setting.

Another factor to consider in the context of criteria is the broader objective of supporting interoperability. For instance, the ISSB could consider how a project could help facilitate interoperability on a global scale; to achieve this, the ISSB could consider a criterion associated with relevance to existing frameworks, or themes of interest to supervisors, regulators, and other standard-setters.

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).

Response to Question 3)

IIF members recognize trade-offs and potential costs and benefits associated with both approaches. A focus on a specific standard-setting project in an emerging area (e.g., BEES) could help to ensure that the ISSB is able to act nimbly to develop standards in a manner that reflects emerging approaches, thereby addressing risk of fragmentation. At the same time, it is evident that

disclosure approaches in other emerging areas (e.g., human rights) may also evolve rapidly, and could present complex standard-setting challenges.

IIF members suggest ISSB to prioritize work on biodiversity, ecosystems, and ecosystem services (BEES) projects as the first areas of focus among the proposed list of new research and standard-setting projects. BEES should be given primary attention due to the lack of standardization coupled with enhanced focus from stakeholders and regulators as well as limited relevant market-tested frameworks. With certain jurisdictional regulators (e.g. those in Europe) set to mandate disclosure of certain nature/biodiversity metrics starting in 2025, time is of the essence to avoid risk of significant fragmentation. The ISSB is uniquely positioned as a global standard-setter with an investor-derived materiality standard to examine potentially material considerations in nature-related disclosure.

IIF strongly believes that it is necessary for all stakeholders to collectively build capacity and design practical standards before establishing final mandatory standards. For instance, there are concerns regarding a ‘cut and paste’ adoption of the TNFD within jurisdictional frameworks, considering the very preliminary stage of data, analytical approaches, and implementation across sectors (including corporate sectors). The TNFD will need time to undergo market-testing, much like the TCFD before it, to determine which parts of the standard are most decision-useful to investors. Any future work by the ISSB in this area should reflect these realities, and as such, a balanced perspective should be taken when seeking to leverage aspects of the TNFD framework (or other market-based initiatives) in the context of formal standards.

In addition to the prioritization of BEES, **the inclusion of social issues on the near-term agenda is encouraged by IIF members**, considering the following reasons: 1) Global relevance; 2) Presence of requirements in regulations to address material social issues in certain jurisdictions (e.g. EU); 3) Increasing financial materiality for business and interest from investors; 4) The need to understand interactions between social issues and other sustainability issues, including climate and biodiversity. Therefore, following BEES, the ISSB should shift its attention to work on **an integrated project on social issues** (encapsulating both the human capital and human rights topics), recognizing their importance in addressing social and ethical dimensions of sustainability.

Work on “Integration in Reporting” should be approached gradually over time, recognizing that there is work already being undertaken in this area by the IASB. While acknowledging the significance of working towards an integrated, coherent, and comprehensive system of corporate reporting, IIF members emphasize the need to undertake certain steps prior to initiating a formal "Integration in Reporting" project. In particular, as highlighted in the response to Question 1, we believe it is crucial to conduct a post-implementation review of ISSB Standards IFRS S1 and IFRS S2 to identify barriers, gaps, and any unintended consequences that may have arisen. The insights gained from this review can serve as a foundation for the integration process, considering the identified necessary adjustments in standards.

The IIF and its members would assign the following levels of priority:

- i. **BEES projects** - Assigned a **high priority** due to their critical importance in addressing environmental and ecological aspects of sustainability.
- ii. **Human Capital & Rights issues** - Assigned a **high to medium priority**, recognizing the significance of these issues in addressing social dimensions of sustainability.
- iii. **Integration in Reporting** - Assigned a **low priority**, recognizing that gradual progress could be achieved over time, taking into account careful alignment with existing standards and frameworks. Additionally, by aligning efforts, this project can be undertaken in conjunction with the IFRS S1 and IFRS S2 implementation work. Furthermore, it is recommended to prioritize prior steps, particularly conducting a post-implementation review of ISSB Standards IFRS S1 and IFRS S2. This review will provide valuable insights and inform the integration process, ensuring the smooth and effective implementation of integration in reporting.

By following this prioritization, the ISSB can effectively address key sustainability areas and ensure a comprehensive approach to reporting and standard-setting.

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.

Response to Question 4.a)

It is conceptually challenging to attempt to prioritize different BEES-related issues, considering the integrated nature of ecosystem services, the locational specificity of biodiversity values, and the relevance of different types of BEES to company value, which could all affect the interests of investors. Additionally, the SASB standards cover various relevant topics for different sectors, such as pollution from mining and agriculture, water usage, etc. Therefore, IIF members suggest that it would be best **not** to selectively prioritize specific topics mentioned in the SASB standards. If greater focus is required, the subtopics suggested in the consultation could potentially benefit from more refined definitions which are likely to bear different relevance to existing frameworks, and investor priorities. **The ISSB could select a sample of more specific drivers within each category of drivers,** to provide high-quality research that spans a broad variety of sectors and geographies. A detailed approach will likely prove more beneficial in informing future ISSB standard setting efforts than ranking the subtopics by priority.

An alternative approach could be to **identify and prioritize sub-topics based on the drivers of biodiversity and ecosystem change identified by the IPBES¹,** including identifying and

¹ <https://www.ipbes.net/models-drivers-biodiversity-ecosystem-change>

prioritizing sub-issues based on the IPBES drivers of nature and biodiversity loss, as follows: land and water use change, direct exploitation, climate change, pollution, invasive species.

Response to Question 4.b)

IIF members strongly agree that contextualization for different industries and regions is necessary to reflect the complexities of BEES. Sustainability-related risks and opportunities in most cases are substantially different across different industries, sectors or geographic locations. Capturing relative performance in nature is therefore difficult and highly dependent on the quality of the data and the similarities (or lack thereof) between the businesses reporting nature-related information. Therefore, any ISSB standards developed in this area will need to ensure they allow for the disclosure of sustainability-related risks and opportunities that are the most material to an entity's industry, sector or geography, without creating jurisdictional fragmentation within the standard itself.

The IIF supports TNFD's acknowledgment that the significance of nature-related risks and opportunities varies for each entity based on its business model. Furthermore, it is important to acknowledge that nature-related metrics of the same type may mean vastly different things depending on where they are located (e.g., a tree in the Amazon Rainforest is not comparable to a tree in New York City; they have different values from a biodiversity perspective). Although location-specific data is crucial for biodiversity reporting, there are significant limitations and data gaps, which may pose challenges for financial institutions to conduct thorough location-specific analyses across value-chains, portfolios, and operations.

The aim of the research project should therefore be to provide a comprehensive yet adaptable framework that promotes consistent and meaningful disclosure of nature-related information while considering the diverse nature of industries and their specific material issues. In this regard, an approach similar to IFRS S2 could be considered, in terms of the development of a set of cross-industry metrics, supported by industry-specific metrics. Guidance by the ISSB in this topic area should provide a flexible approach, allowing entities to assess the materiality of nature-related factors based on their specific circumstances and impacts on financial performance, outlining key considerations, methodologies, and best practices for identifying, evaluating, and disclosing nature-related risks and opportunities that are financially significant to the organization.

Response to Question 4.c)

IIF believes that ISSB should leverage existing initiatives to form the basis for the development of a common international standard. The ISSB could leverage aspects of the TNFD framework, considering that it has been developed with input from market stakeholders, and has leveraged existing materials developed by other entities. However, it is important to

recognize that while there are aspects of the framework that could be useful, such as exploration of potential nature-related metrics and provision of a solid knowledge base, we would not encourage the ISSB to apply the TNFD framework directly or uniquely as the basis for global standards². A further consideration pertains to scope, in terms of examining nature in its entirety (reflecting the approach of the TNFD), as opposed to just biodiversity and ecosystem services. Additionally, ISSB could take into account the efforts of jurisdictional entities that have undertaken, or are undertaking work related to biodiversity, so that alignment can be maximized where appropriate, recognizing that a global baseline would need to reflect a balance of priorities across markets and jurisdictions. It will be important to work with national, regional, and international authorities which have established, or are in the process of developing legislative, regulatory, and prudential frameworks for disclosure of sustainability-related information. That can help reduce risks of fragmentation.

Some IIF members perceive that risks could arise if future ISSB standard for BEES diverge from jurisdictional approaches in place and in development. A key question in this regard is the organizing framework for biodiversity information; taking an example, under the European Sustainability Reporting Standards (ESRS), water is treated as its own separate standard, whereas in the current structure, water is included under the category of pollution. Similarly, the circular economy, which is addressed as part of resource exploitation in the current proposed structure, is treated as a separate standard in ESRS. This divergence in structure raises concerns about regulatory fragmentation and the challenges it may pose for companies reporting on different sets of standards with varying perspectives.

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.

² The TNFD framework largely applies the climate framework of the TCFD to the nature sphere, but it is important to recognize that there are a number of important differences between the climate and nature spheres which create significant challenges in adapting the approaches advanced by the TCFD. Such challenges include the lack of a single unifying metric and clear science-based pathway for nature as we have with climate (i.e., GHG emissions and net zero by 2050 pathways). The TNFD framework has not yet been market-tested, and it is therefore unknown how useful the framework will be, particularly to the investor audience. This element of market testing is especially important given that TNFD framework takes a materiality-neutral approach which may lead some reporters to disclose information that is financially immaterial but material from impact on nature., The ISSB may need to make a decision on how much of those impact material issues should be taken up in its investor-focused financial materiality approach.

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.

IIF members agree that Human Capital and Human Rights topics encompass various integrated aspects, highlighting their interconnected nature. Therefore, we recommend that the ISSB address these two topics in an integrated manner, which reflects their interconnectedness and interdependence. The integration of human capital and human rights topics is also essential to address confusion in the market regarding social-related disclosures.

Working either separately or in parallel on ‘human capital’ and ‘human rights’ standards would maintain and compound the confusion that exists in the market with regard to social-related disclosures.

At present, there is no clarity in the broader sustainability report arena on how different social issues interrelate. When referring to social issues, different frameworks not only refer to the overlapping categories of human capital and human rights, but also include individual human rights such as forced labor, child labor, health and safety and privacy; business functions such as supply chain management or labor relations; categories of affected stakeholder such as communities or indigenous peoples; and human resources issues such as Diversity, Equity and Inclusion (DEI). These issues are not mutually exclusive and, in many instances, may be complementary; some of these themes, such as DEI, address both a specific social priority (operationalization of social issues in the context of human capital), as well as responding to the broader priority of ensuring freedom from discrimination, which is of core relevance to broader human rights.

Current approaches risk creating an artificial distinction that human capital issues relate to the workforce, while human rights pertain only to value chains. People working in value chains are part of the human capital on which companies depend, alongside workers in their own workforce. At the same time, human rights including freedom from forced and child labor, living wages and other labor-related human rights are not only relevant in a value chain context – they can also occur in company workforces, in both developed and developing countries.

Recognizing these issues, **we would recommend that the ISSB consider developing a general thematic standard on ‘social-related’ disclosures,** reflecting the approach taken for climate disclosure in the context of broader sustainability reporting requirements, covering disclosures that could be of relevance for all companies (i.e., in the context of governance, strategy, risk management, metrics and targets) that are relevant to social issues.

IIF members have concerns regarding the differences in the respective scope and structures of the human capital and human rights topics compared to emerging jurisdictional standards. For instance, certain standards (such as the ESRS) do not separate out “human rights” and “human capital” and have instead split these areas by their relationship to the disclosing entity – own workforce, workers in the value chain, affected communities, consumers. Other jurisdictions have taken more principles-based approaches, and do not specifically address human capital considerations directly in the context of sustainability disclosure, or otherwise do so through other types of disclosure requirements of expectations. There are also considerations pertaining to how identified human capital and human rights subtopics are already addressed within existing frameworks like SASB, GRI, and UN Global Compact. Therefore, it is important to put these subtopics together and allow prioritization according to national or regional priorities.

This approach would ensure alignment with national priorities while leveraging existing frameworks.

The characteristics of social issues are likely to vary significantly across industries and jurisdictions, which may give rise to both conceptual and practical considerations that should be reflected in any research or future standard-setting processes. For instance, local laws and regulations pertaining to labor standards, workers’ rights, and freedom of association will create significantly different baselines across regions, and the priorities and needs of employee populations in a given jurisdiction will vary significantly between industries. Therefore, measures to capture performance on social aspects of sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate. In order to address these issues, the ISSB could make reference to the authoritative normative standards in this area, including the UN Guiding Principles on Business and Human Rights, the OECD Guidelines that set the International Bill of Rights, and the ILO declarations as the standards for the responsibility to respect human rights. These frameworks are already referred to in certain jurisdictional frameworks, including the EU Taxonomy (minimum social safeguards), CSRD/ESRS, Corporate Sustainability Due Diligence Directive (CSDDD) and Sustainable Finance Disclosure Regulation (SFDR). **Jurisdictional considerations may also affect the scope and interpretation of a given set of social issues.** For instance, any approach to characterizing Diversity, equity, and inclusion (DEI) entails recognition of the divergent interpretations of these concepts across different geographical borders. It is important for ISSB to take cultural norms and differences across jurisdictions into account when developing DEI frameworks to ensure applicability in different contexts (for example, in France it is illegal to collect statistics based on race/ethnicity). This is necessary to promote a comprehensive and culturally sensitive approach to DEI within the ISSB standards. Some priorities, however, may be more suited to a consistent approach across industries/regions.

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 these 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.

Please refer to the answer on the question 5 above, related to integration of human capital and human rights.

IIF members believe that subtopics to be reported on across all firms should be based on materiality, and should consider the following:

- modern slavery and child labor;
- fair wages, freedom of association (as an enabler of other rights);
- Human rights related metrics and KPIs.

IIF members agree that sustainability-related risks and opportunities related to human rights might be substantially different across different industries, sectors or geographic locations. Therefore, 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. In terms of leveraging existing frameworks, we recommend alignment with UN Guiding Principles on Business and Human Rights and the associated UN Guiding Principles Reporting Framework.

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?

Given the urgency of the global climate agenda, we acknowledge the potential trade-off between the ISSB’s ability to advance a research project on integration in reporting, and building on its suite of sustainability-related standards as part of the next two-year work plan. IIF strongly supports a phased or staggered implementation approach that allows preparers sufficient time to provide accurate and relevant information. In pursuing the project on integration in reporting, we believe the ISSB should build on and incorporate concepts from multiple sources, to contribute further to limiting fragmentation risk.

Question 8—Other comments

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

Given the stage of development of IFRS S1 and IFRS S2, and the stage of implementation of related requirements in certain jurisdictions across the world, it would be helpful for the ISSB to maintain a strong focus on implementation of IFRS S1 and IFRS S2 including interoperability.

It would be helpful for the ISSB to map out its entire work program to give stakeholders visibility as to what they aim to achieve and enable us to better see how the whole framework might fit with existing and upcoming initiatives across the world.