

EUROSIF RESPONSE TO THE INTERNATIONAL SUSTAINABILITY STANDARDS BOARD CONSULTATION ON AGENDA PRIORITIES

31 AUGUST 2023

General comments

Eurosif, the European Sustainable Investment Forum, welcomes the opportunity to respond to this consultation on the International Sustainability Standards Board (ISSB)’s future agenda priorities.

Availability, reliability, and comparability of sustainability-related information is essential so that investors and asset managers globally, can effectively consider environmental and social impacts, risks, and opportunities when making investment decisions. Sustainability-related disclosures are essential to properly assess the risks of the investments and to ensure adequate capital allocation aligned with net-zero and other sustainability goals.

Eurosif strongly supports the development of additional standard-setting projects, especially on biodiversity and social topics. Biodiversity and social matters are essential to ensure a just transition towards a sustainable economy and are of increasing interest to investors. We suggest, however, to deal with the topics of "human capital" and "human rights" in conjunction.

Striving for interoperability with the existing internationally recognised standards, we encourage the ISSB to build upon the biodiversity and social disclosure requirements in the recently adopted European Sustainability Reporting Standards (ESRS). Eurosif’s recent [report](#) on climate-related data from the investors’ perspective demonstrates that the interoperability of corporate disclosure requirements is a big priority for the investors’ community.

We would also like encourage the ISSB to adapt its approach to materiality. While investors remain the primary users of sustainability reporting, as recognised by the Corporate Sustainability Reporting Directive (CSRD), other stakeholders, including civil society, NGOs, academia, and supervisors, are also increasingly interested in corporate sustainability-related disclosures. Their needs and interests should also be considered.

Moreover, in the context of the increasingly urgent need for a just transition to a sustainable economy, we strongly suggest integrating a double materiality approach, recognising the importance of corporate disclosures on the impacts of the company’s activities on people and the environment, but also on how sustainability risks affect the undertaking. It is important to note that there are strong links between sustainability risks and impacts, and that the impacts may become sustainability risks in the mid to long-term.

Finally, there is a growing number of investors interested in impacts of the investment decisions. Therefore, we suggest broadening the ‘investor materiality’ beyond the traditional financial materiality.

To sum up, Eurosif suggests that the ISSB:

- Prioritise development of standards covering biodiversity and social matters;

- Strive for interoperability with other international standards, in particular the European Sustainability Reporting Standards (ESRS);
- Broaden its ‘materiality’ approach beyond financial materiality, including disclosures requirements that would enable assessment of key impacts on the environment and society.

We would like to thank ISSB for considering our proposals, made on behalf of the responsible investor community. We remain at your disposal to answer any questions you may have.

Below you may find our detailed responses to the specific questions.

Responses to detailed questions

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

- 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.

Question 1a

Eurosif would rank the activities in the following manner:

1. Beginning new research and standard setting projects
2. Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2
3. Researching targeted enhancements to the ISSB Standards
4. Enhancing the Sustainability Accounting standards Board (SASB) Standards

Question 1b

Eurosif considers that the main priority of the ISSB workplan should be *beginning new research and standards-setting projects*.

The preparation and issuance of standards covering all E, S and G matters is essential to advance a just transition towards sustainability. A comprehensive coverage of all sustainability matters would help mobilise capital for the economic transformation towards sustainability. Therefore, Eurosif strongly **supports the development of ISSB research and standard setting on biodiversity, human capital, and human rights topics. However, noting that human capital and human rights should be tackled together and not in separation.**

Biodiversity and social matters are increasingly considered by investors when making sustainable investment decisions. Biodiversity is highly interconnected with climate, as most of the risks,

opportunities and impacts arising from, or affecting, climate, also have implications for biodiversity and natural ecosystems. This is also true the other way around, as biodiversity is essential for climate mitigation and adaptation, which is demonstrated by an increasing number of scientific [research](#)¹ and [reports](#)². Therefore, disclosures on biodiversity are essential to capture a more accurate picture of sustainability risks faced by the investee company, to understand the impact of its activities on climate change and its overall environmental performance.

Information on biodiversity is also relevant for investors to assess companies’ strategies and business models alignment with [the Global Biodiversity Framework](#). In the recent Eurosif [Report on Climate-related Data](#), asset managers and owners acknowledged the need to build expertise and regulation on this topic.

Social topics including human capital and human rights are essential to ensure a just transition towards sustainability. Investors are [increasingly interested](#) in contributing to a positive social impact, promoting investments through the justice, equity, diversity, and inclusion lens or at least avoiding harm with regard to human rights and social matters. We therefore encourage the ISSB to consider the development of standards jointly covering human rights and human capital, including justice, equity, inclusion, and diversity-related disclosures going beyond gender. These topics are strongly interconnected and hence should be considered together.

Fostering interoperability with the other international standards, especially with the ESRS and clearly referencing the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles, is also of great importance to increasing the comparability of disclosures at international level and to reducing the reporting burden for companies seeking funding at the international level.

Eurosif strongly encourages alignment and interoperability between the ESRS and ISSB standards. Therefore, it would be useful that ISSB closely considers ESRS as being already developed on these topics, in particular on environment (biodiversity and ecosystems) and social (own workforce, workers in the value chain, affected communities, and consumer and end-users). Noting, however, that justice, equity, inclusion and diversity related disclosures, which have been included in the [first version](#) of the sector-agnostic ESRS of April 2022, are unfortunately missing from the final first set of ESRS. Eurosif believes this is a gap which should be filled.

When developing these new standards, Eurosif recommends that the ISSB publish the roadmap including all the topics that are going to be covered by the Board’s standard-setting activities. This roadmap should also include an approximate timing for each activity. This would enable the relevant stakeholders to assess and prepare for the development of the ISSB’s framework. This would also facilitate coordination and collaboration with other relevant standard-setters, such as EFRAG and GRI.

In addition, we also encourage *supporting the implementation of ISSB Standards IFRS S1 and IFRS S2* through guidance and support material for reporting entities that would promote the application and acceptance of the recently issued standards. **This support and guidance should aim to facilitate and**

¹ United Nations – Climate Action. Biodiversity – our strongest natural defense against climate change

² IPBES-IPCC Biodiversity and Climate Change – Workshop report

address any interoperability-related concerns, especially with the European Sustainability Reporting Standards (ESRS). Both investors and preparers would benefit from a high degree of interoperability, as it would save reporting costs for entities, and the availability and the quality of the information reported would increase.

Researching targeted enhancements to the ISSB Standards can be helpful but this should happen after the implementation of the newly issued ISSB’s standards based on feedback received from the investors, companies and other financial market participants.

For this purpose, **regular implementation reviews of IFRS S1 and IFRS S2 would be useful.** After a reasonable period in which the standards have been widely applied by the markets, such reviews could help develop the ISSB standards beyond their current focus on financial materiality and further align the ISSB and European Sustainability Reporting Standards.

Eurosif strongly **suggests adapting the ISSB’s approach to materiality** which until now draws on the IFRS definitions in the context of financial reporting considering only financially material implications. This approach, which works well for financial reporting, is not well suited for sustainability reporting.

We would also like to encourage the ISSB to adapt its approach to **materiality**. While investors remain the primary users of sustainability reporting, as recognised by the Corporate Sustainability Reporting Directive, other stakeholders, including civil society, NGOs, academia and supervisors, are also increasingly interested in corporate sustainability-related disclosures. Their needs and interests should also be considered.

Moreover, in the context of the increasingly urgent need for a just transition to a sustainable economy, we strongly suggest **integrating a double materiality approach** recognising the importance of corporate disclosures both on the impacts of the activities of the company on people and the environment, and on how sustainability matters affect the undertaking.

It is important to note that there are strong links between sustainability risks and impacts, and that the impacts may become sustainability risks in the mid to long-term.

Finally, there is a growing number of investors interested in impacts of the investment decisions. Therefore, we suggest broadening the ‘investor materiality’ beyond the traditional financial materiality.

Enhancing the Sustainability Accounting standards Board (SASB) Standards could be helpful for the future development of the industry-specific standards. However, resources should be carefully allocated following the above-mentioned priorities.

Question 1c

Ensuring interoperability of the ISSB Standards with other sustainability standards, and in particular with the ESRS should remain high on the ISSB’s agenda. We appreciate the ISSB including this as being at the core of all its activities, as stated by paragraphs A19 and A20 of the RFI.

Question 2 – Criteria for assessing sustainability reporting matters that could be added to the ISSB’s 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?

Question 2a

Eurosif suggests the inclusion of a high priority criterion which would help assess the importance of the topics through the perspective of tackling global challenges like climate change, social inequalities, and the importance of pursuing a just climate economic transition.

The latest [report](#) by the Intergovernmental Panel on Climate Change (IPCC) from March 2023 concluded that the risks of global warming are higher than foreseen in the previous 2014 report, as the planet is on track to reach a 1.5C rise since pre-industrial times in the short term. Climate change will have important impacts on the economy, from both physical risks (e.g. natural disasters) and / or transition risks (e.g. loss of value from assets related to environmentally harmful activities). The IPCC report highlights the insufficient mobilisation of finance as one of the key barriers to enabling climate adaptation, while reiterating its fundamental role in fostering climate adaptation and mitigation measures. Therefore, immediate and impactful climate action is vital. Robust and consistent sustainability-related data and the role of investors are essential to foster an adequate capital allocation that supports the sustainable transition.

Question 2b

Eurosif suggests revisiting and broadening the scope of criterion on *the importance of the matter to investors*. Impact investing is a topic of growing interest for investors globally. The latest [research](#) by the Global Impact Investing Network estimates the size of the worldwide impact investing market to be USD 1.164 trillion at the end of 2021, an increase of 63% since 2019. As sustainability-related impacts are becoming more interconnected with financial performance, investors are increasingly interested in impact-related disclosures. Therefore, Eurosif considers that the current materiality approach followed by the ISSB should be adapted to reflect the diversity of investors and their needs. Furthermore, it should be considered that users of sustainability reporting also include supervisors, academia, civil society and NGOs. Their needs should also be taken into account. Please also see para 11 above.

Additionally, Eurosif would like to highlight that the first proposed criterion on “the importance of the matter to investors”, should also result in enlarging the scope of topics covered by the ISSB standards to include matters of interest to investors and those covered by other international sustainability reporting frameworks. In particular, we encourage close alignment with the ESRS, which covers environmental and social topics that are not yet tackled by the ISSB. Indeed, as an international baseline, the ISSB must keep track of the relevant evolutions of sustainability reporting in different jurisdictions and adapt to what corporate information could be considered relevant by investors across the globe. It should also make sure its new standards are developed keeping in mind the need for interoperability with these other standards.

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

- 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).**

Eurosif suggests that the ISSB **prioritises developing standards on biodiversity, ecosystems and ecosystem services, human capital and human rights** topics, noting that human capital and human rights topics should be treated together as they are closely intertwined.

Regarding our first choice, Eurosif would like to underline that all environmental topics are intrinsically linked to each other. This is why we encourage the ISSB to complement IFRS S2 Climate with a standard on biodiversity. Most of the risks, opportunities, and impacts arising from or affecting climate also have implications for biodiversity and ecosystems. At the same time, biodiversity proves essential for climate mitigation and adaptation, as demonstrated by the latest scientific [research](#). Therefore, we believe that disclosures on biodiversity are essential to capture a more accurate picture of the reporting entity’s environmental performance. Human rights and social matters are essential to ensure a just climate transition and social inclusion.

Eurosif would like to recommend that the ISSB considers aligning closely with the already existing European Sustainability Reporting Standards, which would enhance interoperability, comparability and reduce reporting burdens for companies that would report against both frameworks.

It would be useful to develop disclosures to help assess the justice, diversity, equity, and inclusion in companies, including their processes and culture, as part of human rights and human capital standards. This is important to promote a just transition towards sustainability and should be included as part of the social topical standards. To that end, we invite the ISSB to consider the [Exposure Drafts](#) issued by EFRAG in April 2022, specially ESRS SI-4 and ESRS GI-4 on diversity policies.

SI-4 included disclosure requirements referring to access to equal opportunities, including “discrimination on the basis of gender, racial or ethnic origin, nationality, religion or belief, disability, age or sexual orientation”; while GI-4 covered the policies implemented by the undertakings with regard to gender, age, minority group educational background, and other relevant aspects. By reporting such information, investors would be able to better identify and address any discrimination trends in the workplace and improve the inclusion and diversity policies and actions. We would also like to recommend that the ISSB includes disclosure requirements regarding the diversity criteria for nominating and selecting members of the administrative, management, and supervisory bodies of the undertaking.

As mentioned above, human capital should be addressed together with human rights matters. Ensuring reporting companies dispose of the right due diligence policies in terms of human rights violations across their value chains is of paramount importance. As mentioned in the consultation document,

international guidance such as the OECD Guidelines for MNE and UN Guiding Principles already exists on those matters. These are already applied by many companies across the globe and referenced in other sets of sustainability standards, such as the ESRs. The development of ISSB standards dedicated to this topic should therefore be facilitated by drawing from these already established initiatives.

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.

Question 4c

As stated previously, we strongly encourage the ISSB to build upon the existing ESRS on biodiversity and other environmental topics to foster interoperability between the two reporting frameworks and increase comparability of corporate disclosures.

Additionally, Eurosif recommends also considering the work of the Taskforce on Nature-related Financial Disclosures ([TNFD](#)), as it is one of the most extensive frameworks on biodiversity disclosures and has also been incorporated in the ESRS.

For this specific topic, in addition to considering the [ESRS dedicated to this topic](#), it may be also useful to consider the GRI standard on biodiversity ([GRI 304 - Biodiversity](#)). GRI is a well-recognised international standard which has been considered while developing the ESRS. It is noteworthy that there are strong financial implications stemming from biodiversity-related risks. Global reports by the World Wildlife Fund ([WWF](#)) and the Organisation for Economic Cooperation and Development ([OECD](#)) have proved an undeniable link between biodiversity loss and economic risks. In particular, the WWF states that the current pace of biodiversity loss will cost global economies USD 10 trillion by 2050.

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:

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

Question 5a

Eurosif welcomes the decision of the ISSB to expand its reporting scope to social topics, as they are essential to ensure a just transition towards sustainability. There is an [increasing](#) number of investors interested in contributing positive social impact, promoting investments through the justice, equity, diversity, and inclusion lens or at least avoiding harm. By disclosing on robust diversity metrics, investors would be able to better identify and address any discrimination trends in the workplace and improve the inclusion and diversity policies and actions.

As mentioned before, we suggest tackling human rights and human capital together as they are heavily interconnected. The approach proposed by the ISSB of separating human capital from human rights can bring confusion on the links between both topics. According to paragraph A15 of the RFI, human capital only refers to own workforce. Therefore, such architecture could lead to the understanding that human rights are just concerning to workers in the value chain, when in fact, topics related to human capital also contain and overlap with human rights considerations (e.g worker wellbeing; diversity, equity, and inclusion; or labour conditions in the value chain).

Striving for increasing interoperability between the frameworks, we recommend that the ISSB considers the first set of the European Sustainability Reporting Standards and EFRAG’s proposals on of April 2022 relating to [Own Workforce](#) (ESRS S1-4) and [Governance](#) (ESRS G1-4), which contained expanded disclosure requirements on access to equal opportunities for workers and information on the diversity policy applied in relation to the administrative, management, and supervisory bodies of the undertaking.

Question 5b

Similarly to human rights, we believe that the risks and opportunities regarding human capital differ significantly across the sectors, business models and geographies. See our response to questions 6b.

Question 5c

As stated previously, we strongly recommend the ISSB considers the first set of the ESRS and EFRAG’s proposals of April 2022 relating to Own Workforce (ESRS S1-4) and Governance (ESRS G1-4).

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 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.

Question 6a

Eurosif welcomes the decision of the ISSB to expand its standard setting scope to cover social topics, as they are essential to ensure a just transition towards sustainability. There is an increasing number of investors interested in contributing positive social impact, including through investments considering the justice, equity, diversity, and inclusion lens or at least avoiding social and human rights harm.

Striving for increasing interoperability between the frameworks, we recommend that the ISSB considers the first set of the European Sustainability Reporting Standards and EFRAG’s proposals of

April 2022 relating to [Own Workforce](#) (ESRS S1-4) and [Governance](#) (ESRS G1-4), which contained expanded disclosure requirements on access to equal opportunities for workers and information on the diversity policy applied in relation to the administrative, management and supervisory bodies of the undertaking. Robust diversity indicators are key for detecting the existence of discriminatory trends and for properly assessing the degree of representation of a specific group in the different management levels within a company or sector. This is essential for adopting the necessary measures to tackle such imbalances.

Question 6b

Human rights-related risks and opportunities differ considerably across different sectors, business models and geographic areas. For instance, there are much higher risks of human rights breaches in developing countries and labour-intensive industries in particular, for instance the textile, mining and mineral extraction sectors, etc. A lot of work on this has been done by the OECD in the context of the guidelines for multinational enterprises. We invite the ISSB to consider it.

Question 6c

As stated previously, we strongly recommend that the ISSB consider EFRAG’s work on social topics in set I ESRS.
