

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of the EFRAG SR TEG. The paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Survey ISSB Request for Information – Agenda Consultation

Objective

1. This paper contains the survey questions to constituents to consult on EFRAG's draft comment letter to the ISSB Request for Information – Agenda Consultation.

Questions for EFRAG SR TEG

2. Do EFRAG SR TEG members have comments or suggestions for the finalisation of the survey? Please explain.

Survey ISSB Request for Information – Agenda Consultation

Section 1: Information on Survey participant

First Name:

Last Name:

Email Address:

Organisation (if applicable):

Nationality:

How would you describe you / your organisation:

Undertaking / Preparer Organisation	
Non-Government Organisation (“NGO”)	
National Regulator / Standard Setter	
Civil Society Member	
Social Partner or Trade Union	
Academic or research institution	
Investment company	
Other (please specify)	

DRAFT



Section 2 – Survey introduction

This survey accompanies EFRAG's Draft Comment Letter (DCL) to the ISSB's Request for Information on the Agenda Consultation.

EFRAG encourages You to submit your comments electronically using the online survey. Alternatively, EFRAG accepts comment letters submitted by using the '[Express your views](#)' page on EFRAG's website, then open the relevant news item and click on the 'Comment publication' link at the end of the news item.

If you reply via this survey, please provide your personal data and subsequently answers the questions raised. There is no need to answer each question.

The deadline for comments to EFRAG's draft comment letter is **25 July 2023 cob**.

To complete the online survey, when asked, you must enable cookies in your browser and on the survey site to prevent data loss when completing the survey over a longer period of time.

The completion of the survey should be done in one session. However, if you wish to save your work and come back to the survey to pick up where you left off, you need to complete your email address on the toolbar that will appear from the second page onwards.

It is recommended to keep a copy of your survey answers if you are working with it over a long period.

If needed you can return to a previous answer, you can navigate through the survey using the next and back buttons.

The survey will be saved automatically when you navigate to the next page.

Please note that if you leave the survey before moving to the next page, the answers on the current page will not be saved.

To submit your response, please select the 'Submit' button at the end of the survey.

Your survey response will be made publicly available on the EFRAG website in line with the EFRAG transparent due process.



Section 3 – Questions raised in the RFI

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

The ISSB is asking to rank the activities they should undertake from highest to lowest priority.

- 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.

EFRAG’s response

EFRAG response to Question 1 (a)

- 3 EFRAG would rank the activities as follows (from highest to lowest priority):
- (a) beginning new research and standard-setting projects;
 - (b) supporting the implementation of ISSB Standards IFRS S1 and IFRS S2 and researching targeted enhancements to the ISSB Standards (climate-adjacent disclosures);
 - (c) enhancing the Sustainability Accounting Standards Board (SASB) Standards; and
 - (d) researching targeted enhancements to the ISSB Standards (post-implementation review).

Question to survey participants: do you agree with the tentative views expressed by EFRAG’s response to Question 1(a)?

0 Yes

0 No

If no, please explain the reasons why you disagree.

EFRAG response to Question 1 (b)

4 EFRAG considers that the priority should be the beginning of new research and standard-setting projects. The issuance of IFRS S1 is a step ahead and will contribute to the availability of initial disclosures on sustainability risks and opportunities other than climate-related aspects. However, IFRS S1 is a principles-based standard that relies on an entity-specific identification of both the sustainability matters to report on, and the detailed disclosures. In the absence of a (set of) topical standard(s), like IFRS S2, providing the necessary structure and granularity of the requirements, the resulting information will not be of the desired (high) quality and comparability.

5 In this context, next to the identification of the first few topics that will be included in the work plan for the next two years, EFRAG strongly recommends that the ISSB develops and publicise the overall direction of travel in sustainability reporting, i.e. the target universe of all topics that are to be covered in its standard setting. This overall picture is necessary beyond the two-year proposed time period of the current Agenda consultation to allow stakeholders to make an informed assessment of the framework in development. EFRAG understands that there may not be sufficient capacity to develop



all topical standards at the same time or within the two-year time period and does not consider this a problem, as long as there is prioritisation and clear communication of the planned topical additions.

6 EFRAG consider that the second priority should be supporting the implementation of ISSB Standards IFRS S1 and IFRS S2 and researching targeted enhancements to the ISSB Standards (climate-adjacent disclosures). In particular:

- (a) EFRAG considers that expeditiously providing appropriate implementation support material would be highly beneficial in supporting the first application of the two standards and would facilitate the broader acceptance of the new disclosures. EFRAG has been requested in March 2023 by the European Commission to start working on implementation support, which includes the issuance of non-authoritative guidelines and addressing implementation questions, to supplement the first set of ESRS. As such, for the disclosures in ESRS that pertain to the intersection with the ISSB disclosures, any initiative of the ISSB in this space would also benefit ESRS preparers. EFRAG stands ready to support the ISSB in this stream of activities.
- (b) EFRAG considers that researching adjacent disclosures to climate as equally important as it allows to provide a complete depiction of the topic. In addition, EFRAG notes that the disclosures related to just transition to a lower-carbon economy are covered in the social ESRS, despite being triggered by the mitigation of climate change. In the ESRS architecture the nature of a sub-topic (just transition being a 'social' issue) prevails over the fact that it is triggered by the actions to mitigate another topic (climate change). A specific provision in [draft] ESRS 1 General Requirements requires entities to illustrate the linkages between information covering sub-topics falling in different ESRS standards. EFRAG invites the ISSB to consider aligning to this approach, to facilitate interoperability.

7 EFRAG's last priority would be to enhance the Sustainability Accounting Standards Board (SASB) Standards. This activity is of particular interest to EFRAG in the context of its development of the sector specific ESRS over the next few years as these will complement the sector-agnostic ESRS issued in November 2022. EFRAG anticipates that the industry-specific SASB standards, as best available practice, will play an important role to support the preparation of ESRS sustainability statements before the application of sector-specific ESRS standards (as foreseen in the transition provisions of ESRS 1). In addition, the SASB standards are also a key source of inspiration for EFRAG in the development of ESRS sector standards and any initiative of the ISSB could improve interoperability at sector ESRS level, and stands ready to support the ISSB's activities.

Question to survey participants: do you agree with the tentative views expressed by EFRAG's response to Question 1(b)?

0 Yes

0 No

If no, please explain the reasons why you disagree.

EFRAG response to Question 1 (c)

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

Question to survey participants: do you agree with the tentative views expressed by EFRAG's response to Question 1(c)?

0 Yes

0 No



If no, please explain the reasons why you disagree.

DRAFT



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

The ISSB proposes to consider the following criteria when adding a potential new research or standard setting project to its workplan:

- The importance of the matter to investors;
- Whether there are any deficiencies in the way companies disclose information on the matter;
- The types of companies that the matter is likely to affect, including whether the matter is more prevalent in some industries and jurisdictions than others;
- How pervasive or acute the matter is likely to be for companies
- How the potential project interconnects with other projects in the work plan;
- The complexity and feasibility of the potential project and its solutions;
- The capacity of the ISSB and its stakeholders to progress the project in a timely way.

(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?

EFRAG’s response

EFRAG response to Question 2 (a)

10 Please refer to our answer to Question 2 (b).

Question to survey participants: do you agree with the tentative views expressed by EFRAG’s response to Question 2 (a)?

0 Yes

0 No

If no, please explain the reasons why you disagree.

EFRAG response to Question 2 (b)

11 EFRAG considers that the ISSB should add facilitation of interoperability with other jurisdictional standard setting, including ESRS, or internationally applied frameworks and initiatives to its criteria. Simultaneously with the ISSB set of standards, other initiatives at jurisdictional or international level are being developed. Therefore, to reduce the future costs for preparers stemming from risks of double reporting, future requirements should be aligned as much as possible with existing standards or material and with standards or material under development. This is particularly relevant for companies in scope of CSRD, including subsidiaries and branches of non-European parent companies, where these may choose to report according to the IFRS Sustainability Standards.

Question to survey participants: do you agree with the tentative views expressed by EFRAG’s response to Question 2(b)?

0 Yes

0 No

If no, please explain the reasons why you disagree.



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

Paragraphs 27–38 of the RFI 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).

EFRAG’s response

EFRAG response to Question 3 (a)

19 EFRAG does not support the description of projects as proposed by the RFI (see our answers to Questions 4, 5 and 6). Further, EFRAG will not put forward a prioritisation of the different research projects and the subsequent standards to be developed, because in our view all sustainability matters are equally important. EFRAG accepts that for pragmatic reasons such as capacity issues, one project is dealt with before another. Interoperability and synergies that can be developed with other standard setter initiatives could be a driver to assess priority.

Question to survey participants: do you agree with the tentative views expressed by EFRAG’s response to Question 3(a)?

0 Yes

0 No

If no, please explain the reasons why you disagree.



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 of the RFI. 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.

EFRAG’s response

EFRAG response to Question 4 (a)

26 EFRAG disagrees with the approach to describe the topic so widely that it becomes a catch-all topic, as it risks degrading relevant subtopics by looking at them through the lens of biodiversity alone. This approach does not in our view allow to develop a comprehensive reporting view on the impact, risks and opportunities that can be associated with these subtopics. For example looking at water only through the lens of biodiversity does not provide insight into the use of water as a scarce resource.

27 In this regard we note that, in our view, it will be difficult to combine both “Nature” and “Circular economy” under the same heading and suggests that these subtopics become reporting areas in their own right.

28 EFRAG developed four standards covering environmental topics beyond climate (water and marine resources; pollution; biodiversity and ecosystems; and resource use and circular economy). A potential ISSB scope of biodiversity different than the one used by EFRAG for the same term, would generate confusion.



29 We therefore suggest to consider the “[draft] ESRS Biodiversity and ecosystems” and how our standard has integrated the different nature-related sustainability matters [please refer to the table below]. Alternatively we suggest the ISSB to rename this project “Nature” and align it with the work of the TNFD.

30 In developing its own set of topical sustainability reporting standards EFRAG has identified different sustainability matters for each of those areas identified in paragraph A11 of the RFI. In our view, a more granular approach to the definition of the matters should be taken, as a basis for determining disclosures.

31 The overview of these sustainability matters in the environmental area (except for climate change) are listed below and can be read in our [draft] ESRS 1 General Requirements, AR 12 and following:

Table referenced via hyperlink.

Question to survey participants: do you agree with the tentative views expressed by EFRAG’s response to Question 4(a)?

0 Yes

0 No

If no, please explain the reasons why you disagree.

EFRAG response to Question 4 (b)

32 EFRAG is of the view that in answering this question one needs to consider the hierarchy and detail of sustainability matter-related areas. Taking into consideration our answer to Question 4 (a), EFRAG is of the view that the sustainability risks and opportunities defined at sub-topic level are substantially the same across industries and sectors. I.e. these sustainability risks and opportunities would benefit from the development of multiple topical standards under the ISSB framework. However, at sub-subtopic level important sector differences may occur. This border between sub-topic and sub-subtopic level marks the limit where in our view topical standards can bring added value and from where sector depending standards allow to ask for more relevant information. For example by requiring disclosures at a lower level of aggregation (development of metrics at operational site level).

Question to survey participants: do you agree with the tentative views expressed by EFRAG’s response to Question 4 (b)?

0 Yes

0 No

If no, please explain the reasons why you disagree.

EFRAG response to Question 4 (c)

33 EFRAG suggests in the first place that its own framework of [draft] sustainability reporting standards can be considered by the ISSB in building standards with regard to biodiversity. Other regulations that EFRAG would suggest considering are:

- (a) Global Reporting Initiative;
- (b) SASB industry standards;
- (c) The Taskforce on Nature-related Financial Disclosures (TNFD);



- (d) The European Commission's Align project;
- (e) The EU Business and Biodiversity Platform;
- (f) CDSB Application Guidance on Biodiversity-related disclosures;
- (g) Global Capitals Coalition Biodiversity Guidance;
- (h) The Science Based Targets Network;
- (i) Product Environmental Footprint;
- (j) Biodiversity Guidance of the Natural Capital Protocol;
- (k) CDP Forests 2021 questionnaire;
- (l) ISO 14097;
- (m) IUCN – International Union for Conservation of Nature;
- (n) Convention on Biological Diversity, 1992, including the Post-2020 Global Biodiversity Framework;
- (o) Cancun Declaration, 2016;
- (p) Sharm El-Sheikh Declaration, 2018;
- (q) Kunming Declaration.

34 EFRAG further suggests considering the Explanatory note of how [draft] ESRS take into account the initiatives and legislation in Article 1 (8) of the CSRS adding article 29 (b)-5 to the Accounting Directive, released by EFRAG jointly with the first drafts of ESRS .

Question to survey participants: do you agree with the tentative views expressed by EFRAG's response to Question 4 (c)?

0 Yes

0 No

If no, please explain the reasons why you disagree.



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 of the RFI. Please respond to the following questions:

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

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

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

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

(ii) your view on the importance of the subtopic with regard to an entity’s sustainability-related risks and opportunities and the usefulness of the related information to investors.

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

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

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

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

EFRAG’s response

EFRAG response to Question 5 (a)

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

39 EFRAG highlights the intrinsic linkages between human capital and labour and human rights. To this extent, unbundling such concepts into two different topics (human rights and human capital) raises a number of questions in terms of completeness and relevance of information as human capital is built upon the basis that labour and human rights are respected (i.e. the “floor” to human capital considerations).

40 When reviewing the contents of the proposed human capital topic as per A22, a variety of sub-topics that range between workforce investment and health and safety measures are described. On this regard, setting up clear criteria to identify a narrower list of subtopics or a grouping therein would be recommended; examples of criteria could be identified in para 45 below and, as a minimum, the



fundamental labour rights should be included. The risk of the current approach is to define the topic so widely that it could become a “catch-all” topic.

41 The scope of the human capital topic seems to suggest that it’s limited to the entity’s own workforce as per A15, notwithstanding labour conditions in the value chain (refer to A22 (f) and its related footnote 16) could be possibly part of this remit. EFRAG suggests identifying clear affected stakeholder groups per topic and questions whether it is appropriate to cater for labour conditions of workers in the value chain within human capital when it is aimed at own workforce; similarly, the question posed would be the rationale of excluding the subtopic of labour conditions in own workforce for the human capital topic.

42 With regards to the identification of sustainability matters and its granularity, EFRAG has followed the requirements of the CSRD in terms of subtopics to be identified. In particular, the CSRD establishes three subtopics: working conditions, equal treatment and opportunities for all and other work-related rights (including fundamental human rights). Such subtopics which are considered sector-agnostic are further broken down as per para 45 below. Therefore, the question that remains is the architecture of the human capital standard and its granularity.

43 It is also to be noted that the boundaries between impact and financial materiality on own workforce sustainability matters are clearly defined with impact materiality being core and fundamental to the sustainability system.

44 In terms of interoperability with other sustainability reporting frameworks, we note that the [draft] ESRS already cover human capital for its own workforce in ESRS S1 whilst workers in the value chain (human and labour rights) are described in ESRS S2. Therefore, we suggest that alignment with the ESRS architecture is to be sought for interoperability purposes and decrease the potential burden for double reporters. The ESRS social chapter split into four separate affected stakeholders groups and standards has been tested through public consultation with positive feedback and it is a solid and comprehensive basis for the human capital and human rights standard for future sustainability standards from other standard setters.

45 The overview of the own workforce and workers in the value chain equivalent sustainability standards in the ESRS (except for affected communities and consumers/end users) is provided below and can be read in our [draft] ESRS 1 General Requirements, AR 12 and following:

Table referenced via hyperlink.

Question to survey participants: do you agree with the tentative views expressed by EFRAG’s response to Question 5(a)?

0 Yes

0 No

If no, please explain the reasons why you disagree.

EFRAG response to Question 5 (b)

46 EFRAG is of the view that in answering this question one needs to consider the hierarchy and detail of sustainability matter-related areas. Taking into consideration our answer to Question 5 (a), EFRAG is of the view that the sustainability risks and opportunities defined at sub-topic level are substantially the same across industries and sectors. I.e. these sustainability risks and opportunities would benefit from the development of multiple topical standards under the ISSB framework. However, at sub-subtopic level important sector differences may occur. For example, by requiring metrics that relate to particular hazards that are known to occur commonly in a particular sector is additional to the sector-agnostic sustainability information.



Question to survey participants: do you agree with the tentative views expressed by EFRAG’s response to Question 5(b)?

0 Yes

0 No

If no, please explain the reasons why you disagree.

EFRAG response to Question 5 (c)

47. EFRAG suggests considering the Explanatory note of how [draft] ESRS take into account the initiatives and legislation in Article 1 (8) of the CSRD adding article 29 (b)-5 to the Accounting Directive.

Question to survey participants: do you agree with the tentative views expressed by EFRAG’s response to Question 5(c)?

0 Yes

0 No

If no, please explain the reasons why you disagree.

DRAFT



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 of the RFI. 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.

EFRAG’s response

EFRAG response to Question 6 (a)

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

53 EFRAG notes that the category of providers of financial capital, which marks the limits of the financial materiality, is composed by a variety of different types of investors. For many users of general-purpose financial statements, the impact re human rights is not of interest for decision-making as they don’t see it as a financial risk. The ISSB would need to clearly define who they develop the standards for and what time horizon they take into account. Among them, some are interested in information based on impact materiality. EFRAG notes that for the topic human right the dividing line between impact materiality and financial materiality is even more challenging than for other topics. EFRAG recommends that the ISSB goes head with approaching this topic, only provided that:

(a) it recognises that the primary users of this information are investors who request impact materiality information; and

(b) it adopts the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights as the basis of the reporting standards, as human rights topics are anchored on international due diligence instruments.



54 In developing its own set of topical sustainability reporting standards EFRAG has integrated the human rights related matters into its social topical standards, that cover four different categories of affected groups of people. EFRAG questions which affected groups of people are covered by the human rights standard. Whilst there's an explicit mention to workers in the value chain and indigenous communities, we cannot identify own workforce or consumers and end-users as affected groups covered. Hence, prima facie, the scope of this standard would not cover all the relevant affected stakeholder groups.

55 In addressing how to disentangle human rights and human capital, the articulation of the ESRS social standards may be a source of inspiration in terms of architecture and also for its explicit coverage of labour rights as described in the CSRD.

57 The overview of these sustainability matters in the social area) are listed below and can be read in our [draft] ESRS 1 General Requirements, AR 12 and following:

Table referenced via hyperlink.

Question to survey participants: do you agree with the tentative views expressed by EFRAG's response to Question 6 (a)?

0 Yes

0 No

If no, please explain the reasons why you disagree.

EFRAG response to Question 6 (b)

58 EFRAG is of the view that in answering this question one needs to consider the hierarchy and detail of sustainability matter-related areas. Taking into consideration our answer to Question 6 (a), EFRAG is of the view that the sustainability risks and opportunities defined at sub-topic level are substantially the same across industries and sectors. I.e. these sustainability risks and opportunities would benefit from the development of multiple topical standards under the ISSB framework. However, at sub-subtopic level important sector differences may occur. This border between sub-topic and sub-subtopic level marks the limit where in our view topical standards can bring added value and from where sector depending standards allow to ask for more relevant information. For example requiring metrics on free, prior and informed consent may not be relevant for each individual sector but may be very relevant in extractive industries operating in particular regions.

Question to survey participants: do you agree with the tentative views expressed by EFRAG's response to Question 6 (b)?

0 Yes

0 No

If no, please explain the reasons why you disagree.

EFRAG response to Question 6 (c)

59 EFRAG suggests in the first place that its own framework of [draft] sustainability reporting standards can be considered by the ISSB in building standards with regard to human capital. Other regulations that EFRAG would suggest considering are:

(a) Global Reporting Initiative;

(b) SASB industry standards;



Survey description – ISSB Request for Information – Agenda consultation

- (c) International Labour Organisation Core Conventions and Good Work agenda;
- (d) UN Guiding Principles on Business and Human Rights with particular attention for the due diligence process;
- (e) UN Guiding Principles Reporting Framework;
- (f) United Nations Declaration of the Rights of Indigenous Peoples.
- (g) Universal Declaration of Human Rights;
- (h) European Social Charter;
- (i) EU Charter of Fundamental Rights;
- (j) UN Guiding Principles;
- (k) UN Convention on the Rights of Persons with Disabilities;
- (l) UN International Covenant on Economic, Social and Cultural Rights ;
- (m) UN International Covenant on Civil and Political Rights ;
- (n) OECD Guidelines ;

60 EFRAG further suggests considering the Explanatory note of how [draft] ESRS take into account the initiatives and legislation in Article 1 (8) of the CSRS adding article 29 (b)-5 to the Accounting Directive.

Question to survey participants: do you agree with the tentative views expressed by EFRAG's response to Question 6 (c)?

0 Yes

0 No

If no, please explain the reasons why you disagree.



Question 7 (ISSB)– 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?

EFRAG's response

EFRAG response to Question 7 (a)

64 EFRAG considers a project on the connectivity between financial and sustainability reporting information to be a high priority and it was added to EFRAG's proactive research agenda in June 2022. In its research, EFRAG will consider both ESRS and IFRS Sustainability Disclosure Standards requirements. Therefore, EFRAG considers there is an opportunity for the ISSB (and IASB) to collaborate with and, where appropriate, leverage the work undertaken by EFRAG and other organisations, including standard setters.

65 EFRAG also acknowledges the importance, particularly in the long term, of the broad objective of a possible project on integration in reporting. Specifically, to create an integrated, coherent and comprehensive system of corporate reporting that provides a holistic and transparent view of how an entity creates value over time. Of note, the EFRAG's research project, which will be conducted in two phases, intends to consider integration in reporting in the second phase. However, taking into account the RFI's distinction between 'connection' and 'integration in reporting', for the following reasons, EFRAG has reservations on the priority of a project on integration in reporting at this point in time:

- (a) Connectivity should be the immediate priority: The immediate priority should be on the development and implementation of connectivity (also referred to as connected information) guidance. We acknowledge that, as stated in paragraphs A44 and A45, IFRS S1 and S2 contain requirements for connected information. However, these requirements are only a starting point to address the issues related to connected information. There will be a need to focus on and learn from the practical implementation of these requirements. It will also be useful for the IASB and ISSB to ascertain from stakeholders if there are other facets of connectivity that ought to be considered. Furthermore, a connectivity project, in the manner EFRAG interprets the term, will likely be less resource intensive, than a project on integration in



reporting. This is because integration in reporting would go a step further than connectivity and will likely entail a longer period of completion.

- (b) Sustainability reporting conceptual framework development needed: Currently, there is only a conceptual framework for financial reporting. An effective Integration of reporting project would also need to be underpinned by a robust conceptual framework for sustainability reporting information. However, the development of the latter has not been considered a priority in the ISSB agenda consultation and we consider it suitable to be considered at a later date. Correspondingly, a broad project on integration in reporting as described in the ISSB RFI is better addressed at a later stage.
- (c) Possible meaning and scope of the integration in reporting project should be further clarified. The description of integration in reporting in Paragraph A40 is too broad and may result in multiple interpretations and confusion on the project objectives. In this regard we note, for example, the question on whether the framework for financial reporting would have to be amended to encompass integration in reporting or not. When referring to integration in reporting, EFRAG considers this under the existing framework for financial reporting (that is, without changing this framework).
- (d) Risk of conflated objectives: Paragraph A46 refers to stakeholder interest in the future of the Integrated Reporting Framework. Paragraph A47 refers to support for the incorporation of the work and feedback on the IASB Management Commentary project and for the IASB and ISSB to work together in finalising this project. As stated in our response to question 7c, these are two overlapping and important objectives for the IFRS Foundation to consider. However, even if viewed collectively, they ought to be only seen as a facet of integration in reporting. In other words, addressing these two objectives cannot be deemed to be equivalent to addressing all facets of integration in reporting.
- (e) We recognise that the envisaged 'integration in reporting' project would be a large and resource-intensive project for the ISSB that may impact the pace at which it will ultimately be able to develop topical standards (besides IFRS S1 Climate-related disclosures). EFRAG considers that it is beneficial to give a higher priority to a project on connectivity because the consideration of connectivity may affect the way new standards (both sustainability or financial reporting) or major amendments are developed and subsequently implemented.

Question to survey participants: do you agree with the tentative views expressed by EFRAG's response to Question 7 (a)?

0 Yes

0 No

If no, please explain the reasons why you disagree.

EFRAG response to Question 7 (b)

66 At this stage, EFRAG has not formed a final view on whether, from an operational standpoint, such a project should be advanced as a formal joint project with the IASB (with joint decision-making) or pursued as an ISSB-led project (which could still draw on input from the IASB on an as-needed basis without being a formal joint project). Thus, EFRAG is seeking constituents' views on these two options before forming its final view.

67 EFRAG observes in that respect that the RFI does not contain information about the actual capacity implications for both the ISSB and the IASB of either decision. EFRAG recommends that such an assessment is made to inform the final decision.



68 EFRAG observes that a possible project on integration in reporting would require strong cooperation and coordination (and the combined skills and competencies) between the ISSB and IASB, including at the staff level. Therefore, regardless of which of the two Boards would be given the operational lead on the project, for practical and efficiency reasons, a very close collaboration between the two boards should be sought after. It should also be clarified from the outset of the project how that collaboration would work in practice (see also paragraph 78 in the response to Question 7 (d)).

Question to survey participants: do you agree with the tentative views expressed by EFRAG's response to Question 7 (b)?

0 Yes

0 No

If no, please explain the reasons why you disagree.

EFRAG response to Question 7 (c)

72 EFRAG notes that the European Union has specific regulations governing the content and placement of financial and sustainability information in the Management Report. The IASB Management Commentary Practice Statement is not endorsed in the European Union.

73 Albeit with some concerns expressed, in its response to the Exposure Draft (ED/2021/6 Management Commentary) (the 'ED'), EFRAG welcomed many of the ED proposals and the IASB's initiative to overhaul the existing practice statement. EFRAG supported developing objectives-based guidance for the benefit of jurisdictions where guidance either does not exist or could be enhanced and to cross-fertilise best practices across jurisdictions. EFRAG notes the considerable resources expended (i.e., by both IASB and its constituents) during the development and obtaining or giving feedback to the ED proposals. These resources would be wasted if the Management Commentary project is left uncompleted.

74 EFRAG also notes that, although the Integrated Reporting framework is not mandated in the EU, a number of European companies prepare integrated reports. We recognise that, in developing the Management Commentary ED proposals, the IASB took account of the Integrated Reporting Framework and other relevant initiatives.

75 Accordingly, EFRAG recommends that the ISSB /IASB further explore similarities and differences between those management commentary proposals and the Integrated Reporting Framework and consider how the two frameworks could be further converged. In doing that, consideration should be given that these:

- (a) Both emphasise the need for connection between elements within the report; and the report and other sources of information (specifically financial statements in the case of the Management Commentary);
- (b) Both incorporate the notion of value creation and focus on the entity's ability to create value for itself, and its impacts on others to the extent those impacts affect that ability (although the IR Framework also emphasises the link between value created or eroded for itself and others);
- (c) Both give a prominent role to an entity's 'resources and relationships' (Management Commentary) or 'capitals' (Integrated Reporting);
- (d) The Management Commentary and the Integrated Report target different (the audience for the Integrated Report includes also all stakeholders interested in value creation in a broader sense) and overlapping audiences (providers of capital).

Question to survey participants: do you agree with the tentative views expressed by EFRAG's response to Question 7 (c)?

0 Yes



0 No

If no, please explain the reasons why you disagree.

EFRAG response to Question 7 (d)

76 EFRAG notes the ISSB's decision to reframe its proposed project in the RFI as a project on 'integration in reporting' rather than connectivity as initially intended. EFRAG understands that this decision was made on the assumption that the IFRS S1 and S2 requirements on 'connected information' (including the revisions made in the redeliberation process) would already address all the other aspects and challenges of connectivity.

77 EFRAG questions this conclusion especially since neither ESRS nor ISSB SDS are applicable yet and it will be necessary to observe sustainability statements/disclosures by entities under the mandatory requirements before being able to fully consider all the practical and conceptual challenges of connectivity. This is the reason why EFRAG's research project has a two-phase approach as follows:

(a) The first phase will consider the definition of connectivity and how to operationalise it within the existing conceptual boundaries of financial and sustainability information; and

(b) The second and longer-term phase (possible scope and content still to be defined) in which EFRAG would consider how to enhance integration in reporting. The objectives of this phase would align with those of the IFRS Foundation project described in the RFI.

78 EFRAG's phase 1 research could also inform the ISSB's project and we encourage cooperation with the ISSB and other interested organisation, including standard setters, on the matter. As conveyed in EFRAG's response to the IASB Agenda Consultation, cooperation between financial reporting and sustainability reporting standard-setters is essential to ensure the continuity and coherence of corporate reporting. This collaboration could take place through a consultative working group.

Question to survey participants: do you agree with the tentative views expressed by EFRAG's response to Question 7 (d)?

0 Yes

0 No

If no, please explain the reasons why you disagree.



Question 7 (EFRAG)– Related question for constituents

At this stage EFRAG has not formed a final view on whether, from an operational standpoint, such a project should be advanced as a formal joint project with the IASB (with joint decision making) or pursued as an ISSB led project (which could still draw on input from the IASB on an as needed basis without being a formal joint project).

EFRAG observes in that respect that the Request for Information does not contain information about the actual capacity implications for both the ISSB and the IASB of either decision. EFRAG recommends that such an assessment is made to inform the final decision.

EFRAG will consider the feedback received from respondents to its draft comment letter to form a final view on the issue. EFRAG identifies the following advantages and disadvantages for the setting up of a formal joint project with joint decision making.

A formal joint project would be more likely to:

- a. Ensure a balanced representation and consideration both the financial and sustainability reporting views in the running of the project from inception and ensure that decision made reflects the consensus and majority views of both sides;
- b. Better leverage on the different and complementary competencies of the two Boards; and
- c. Put less strain on the sole resources of the ISSB and its staff by spreading the efforts (including Board members time) on the two Boards. To that effect EFRAG notes that the reframed 'integration in reporting' project proposed in the FRI would be a larger project, relative to the connectivity project previously discussed, and would require more of the ISSB's resources.

Conversely a formal joint project with the IASB may:

- a. Add complexities in terms of decision making which may affect the timeliness and resource intensity of this project;
- b. Require more coordination efforts between the ISSB and IASB to advance the project and take decisions. In that regard, An ISSB led project would offer more flexibility in that regard by leaving the possibility to coordinate with the IASB to exchange information and obtain input to inform the ISSB's decision making, only when and as appropriate.
- c. Require more time of the IASB and thereby delay the development in other areas of financial reporting.
- d. Create specific scope complexity to address since the ISSB Standards are designed to be 'GAAP agnostic' (that is applicable by entities applying reporting standards than IFRS) and that not all entities applying IFRSs will also apply the ISSB Standards. A joint project would need to address that additional complexity.

Question to survey participants

Do you agree with the advantages and disadvantages of a formal joint project identified in paragraphs 70 and 71 of the draft comment letter?

Do you think that a project on integration in reporting should be run as a formal joint project with the IASB or be run by the ISSB and only draw on the IASB input as needed? Would your answer be different, if the project would be about 'connectivity'?



Question 8 – Any other comments

EFRAG has been appointed as the advisor to the European Commission in the preparation of European Sustainability Reporting Standards (ESRS) for Europe in execution of the Corporate Sustainability Reporting Directive or CSRD. In that function EFRAG is developing draft ESRS. A first set was delivered to the European Commission in November 2022, covering an extensive list of sustainability matters across environmental, social and governance topics and under a double materiality perspective. These standards are effective from 2024 for a first group of preparers and from 2025 for the remaining preparers. EFRAG has been as well tasked to develop standard(s) for small-medium enterprises and sector-specific ESRS.

Under the CSRD, ESRS should take account of any sustainability reporting standards developed under the auspices of IFRS. To avoid unnecessary regulatory fragmentation that could have negative consequences for undertakings required to apply the ESRS and operating globally, ESRS should contribute to the process of convergence of sustainability reporting standards at global level, by supporting the work of the ISSB. ESRS should reduce the risk of inconsistent reporting requirements for undertakings that operate globally, by integrating the content of global baseline standards to be developed by the ISSB, to the extent that the content of those baseline standards is consistent with the Union's legal framework and the objectives of the Green Deal.

As a result, supporting the work of the ISSB is integral part of the mandate of EFRAG and operationalising the interoperability between ESRS and IFRS sustainability standards is one of the drivers of the content in the design of ESRS. The aim is in fact to reduce to the minimum the risk of double reporting.

In general, when considering how to define the scope of the different sustainability topics and sub-topics, EFRAG recommends considering the ESRS architecture. This will facilitate interoperability between the two systems.

The content of this letter has to been read in this context.

Question to survey participants

Do you have any other comments?

