International Federation of Pharmaceutical Manufacturers & Associations

European Federation of Pharmaceutical Industries and Associations

17 JULY 2023

To: EFRAG (IVZW/AISBL)
35 Square de Meeûs
1000 Brussels
Belgium

SUBJECT: EFRAG'S Draft Comment Letter (DCL) on ISSB ED on SASB Internationalisation and Taxonomy Updates

Dear Mr. Didier Andries,

The International Federation of Pharmaceutical Manufacturers and Associations (IFPMA) and the European Federation of Pharmaceutical Industries and Associations (EFPIA) welcome the opportunity to provide comments on EFRAG's Draft Comment Letter on the ISSB's exposure draft on the "Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates". We appreciate EFRAG's commitment to interoperability of the European Sustainability Reporting Standards (ESRS) and the International Sustainability Standards Board (ISSB) standards, and we applaud all your efforts to ensure convergence of the standards and more synchronised timing of implementation of new reporting.

IFPMA represents 39 innovative pharmaceutical companies and over 50 national associations. Based in Geneva, IFPMA has official relations with the United Nations and engages with global institutions, such as the ISSB, to contribute industry expertise on global policy matters. EFPIA represents the biopharmaceutical industry operating in Europe. Through its direct membership of 37 national associations, 39 leading pharmaceutical companies and a growing number of small and medium-sized enterprises (SMEs), EFPIA's mission is to create a collaborative environment that enables our members to innovate, discover, develop, and deliver new therapies and vaccines for people across Europe, as well as contribute to the European economy. Similar to efforts between ISSB and EFRAG, IFPMA and EFPIA are coordinating efforts to ensure that our industry have consensus input into the inter-related consultations on sustainability reporting at the global and European levels.

We share EFRAG's view expressed in the DCL that, beyond just internationalisation, the "ISSB should consider possible changes, when such changes would bring meaningful improvements to the requirements". Unfortunately, a narrow approach misses the opportunity to make more meaningful

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updates to contemporise the SASB metrics to reflect current sector realities and calls for investors to access decision-useful and comparable information, while ensuring interoperability with jurisdictional reporting requirements coming into force. We believe it is important to balance the burden of data collection on reporters and maximize flexibility to reflect the heterogenous nature of companies within an industry, while making the metrics meaningful. The best way to do so is by prioritizing disclosure of the most meaningful/material topics and guard against metrics that are overly burdensome to report.

Furthermore, we share EFRAG's view that "in addition to quantitative metrics, further work is done on developing required contextual narrative disclosure." As EFPIA noted in the follow-up to EFRAG biotechnology and pharmaceutical sector specific workshop on 4 July 2022, for some of the metrics, a key discussion is how to take the health systems context into account. Particularly for access, but also for many other topics, there are vast differences across countries and the metrics may not be relevant to other country contexts. Furthermore, as noted previously, there are also vast differences across companies which make some of the metrics very difficult to compare.

We are concerned that misalignment in the timing of sector-specific ESRS standards and a more complete update of SASB standards will create an incompatibility between the two sets of standards, compromising interoperability. This could generate additional complexity for preparers, as well as market confusion among investors. With respect to EFRAG's future process for articulating sector-specific ESRS standards, we sincerely hope that EFRAG can hold on finalizing its standards until the SASB standards have been fully updated. Sector-specific metrics should reflect what we want the sector to deliver – innovative treatments that bring value to patients and society. There is an opportunity to foster innovative thinking in how we set metrics on health. IFPMA and EFPIA members stand ready to provide our perspective towards this end and look forward to providing specific comments to ISSB and EFRAG on the SASB Biotechnology & Pharmaceuticals Standard.

Yours sincerely,

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