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IFRS Foundation Satellite Office  
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Dear Emmanuel, dear Sue

### **European Insurance CFO Forum's response to the ISSB Request for Information: Consultation on Agenda Priorities**

This letter has been drafted by the European Insurance CFO Forum ("CFO Forum"), which is a body which represents the views of more than 23 of Europe's largest insurance companies. Accordingly, it represents the consensus view of a significant part of the European insurance industry.

We welcome the opportunity to comment on the ISSB's Request for Information associated with its Consultation on Agenda Priorities. Below we provide a summary of our comments, including responses to the specific questions posed by the call for evidence in the appendix to this letter.

#### *Key priority – establishing the global baseline*

We believe that the ISSB's key priority over the proposed two-year work period should be focusing on activities that will support the establishment of a global baseline in sustainability reporting. To achieve this, we believe that the following two activities should be prioritised in parallel:

- Supporting the implementation of IFRS S1 and IFRS S2, including via developing consistent interpretation / application guidance and facilitating the adoption of the standards in as many jurisdictions as possible.
- Beginning new research and standard-setting projects, building on the achievements of IFRS S1 and IFRS S2 to give appropriate weight to further globally relevant Environmental, Social and Governance topics.

#### *Prioritisation of proposed research and standard-setting projects*

Given all of the topics under consideration are important, we would encourage the ISSB to publish a timeline over which it expects to cover these topics even if research will begin beyond the 2 year time horizon of this agenda consultation. More generally, the overall direction of travel in sustainability reporting, i.e. the target universe of all topics that are to be covered in the ISSB's standard setting, should be made transparent as soon as possible. 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.

In terms of priority, we would propose the following two topics are progressed as an initial priority:

- We believe that it is important that the ISSB progresses a 'Social' topic to ensure that the reporting framework has coverage of this integral pillar of Sustainability reporting. *Human Capital* is one such Social topic which would meet this requirement, and which is likely to be relevant to the vast majority of reporting entities. We would therefore propose that this topic is progressed by the ISSB, and welcome the ISSB's acknowledgment of overlap and connections with the Human Rights topic which would need to be considered within this research project.
- In addition, we would also welcome short-term progress on the topic of biodiversity. *Biodiversity, ecosystems and ecosystem services* represents an area of increasing investor and political interest and is therefore an area where the ISSB could add significant value in establishing a global reporting baseline which meets these information needs.

#### *Interoperability with the CSRD*

We welcome the ISSB's announcement that it will work closely with the European Commission (together with EFRAG) to jointly optimise the interoperability of their respective standards. We believe that this should remain as a key activity over the next two years, both in the context of the existing ISSB standards and in relation to the interoperability of any new ISSB standards arising out of research projects.

#### *Value chain guidance for financial institutions*

We strongly recommend for the ISSB to also prioritise guidance on the value chain for financial institutions during the next months. Namely, guidance is needed on what the value chain encompasses for financial companies. Reasonable boundaries as regards (quantitative) look-through provisions to cover indirect impacts need to be defined to ensure both feasibility and reliability. Quantitative look-through requirements for selected key indicators (e.g., Scope 3 emissions) should be complemented by sector-specific qualitative disclosure requirements as regards financial companies' investment and client portfolios, such as on investment policies, due diligence and engagement processes.

We trust that our responses are helpful to the work of the ISSB and remain at your disposal to discuss any of our comments.

Yours sincerely,



Giulio Terzariol

Chair

European Insurance CFO Forum

## Appendix: CFO Forum response to ISSB Request for Information: Consultation on Agenda Priorities

### 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

The CFOF prioritises the in-scope activities of the ISSB going forward as follows; please note that we consider two topics to have “joint” top priority:

- (i) Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2
- (i) Beginning new research and standard-setting projects
- (iii) researching targeted enhancements to the ISSB Standards 3<sup>rd</sup> priority
- (iv) enhancing the Sustainability Accounting Standards Board (SASB) Standards 4<sup>th</sup> priority

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

We see allocating top priority to the implementation of the S1 and S2 standards as critical to establishing the global baseline.

In the same sense, to achieve global standards and comparable reporting as soon as possible, we recommend for the ISSB to begin new research and standard-setting projects with equal priority. The fact that climate-related risks are particularly acute called for immediate and effective action. As such, we recognise the need to increase transparency and comparability about climate in the short term. Nonetheless, in order to establish a global baseline for wider Sustainability reporting, it is important for the ISSB to commence research on other ESG areas as a key priority as well. The absence of ISSB standards covering other ESG areas means companies will need to look to other standards, which contributes to maintaining the current high level of complexity and fragmentation of the sustainability reporting landscape and hinders global acceptance and relevance.

In this context, the CFOF recommends the following to the ISSB:

- Publish the envisaged short-term timeline and work plan to allow the EU to align and connect EFRAG’s work with the ISSB’s agenda, leveraging existing expertise in the EU as appropriate; and
- Outline a longer-term roadmap for the intended end-state structure of the ISSB’s reporting framework.

(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 CFOF has not identified any other activities to be included in the scope of the ISSB work at this stage. Further to the announcement that the ISSB will work together jointly with EFRAG to optimise interoperability, the ISSB and EFRAG should develop a formal collaboration model that enables interoperability and connects EFRAG’s work with the ISSB’s agenda. The CFO Forum is happy to support this effort. This rationale of course also applies for other jurisdictions and/or their standard setting bodies (e.g. the US and the US Securities and Exchange Commission).

### 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?

The CFO Forum agrees with the proposed criteria.

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

The CFO Forum suggests that the criterion “interoperability” should be added to this list of criteria in the RFI. As mentioned above, to achieve global standards and comparable reporting globally as soon as possible, we recommend for the ISSB to work on (further) globally relevant topics following an ambitious timeline. Also, we consider it important for the ISSB to gather robust evidence on investors’ information demands in order to make sure those are indeed comprehensively covered. The ISSB standards – if indeed constituting the global baseline in the future – will be the key source of information for investors from their counterparts globally, so that it is essential that they serve their information demands in their entirety, incl. from a portfolio (not only an individual issuer) perspective.

### **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?

The CFO Forum would recommend for the ISSB to prioritise more than one project at once, even if this only allows to make incremental progress on each of them. Even incremental progress, with a clear road-map to eventual delivery, would be valuable against the background that achieving a global baseline later is essential. This would allow preparers worldwide to begin working on topics, while requirements can evolve with increasing topic maturity.

(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.

The CFO Forum supports Human Capital and Biodiversity as joint top priority.

(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).

We would first like to clarify that the CFO Forum deems all of the proposed topics as highly important and urges the ISSB to cover them all to some degree in the short term.

We believe that it is of high importance for the ISSB to progress research on a Social disclosure project, as coverage of such issues is essential in establishing a global baseline for Sustainability disclosures beyond Environmental and Governance. Progressing with research on Human Capital is one such route to achieving this outcome and given its materiality to the majority of reporting entities will be highly relevant as an issue of importance to investors.

The standards should be pitched at a level which supports interoperability with other reporting frameworks such that, for example, European preparers could apply the ISSB Social standards whilst concurrently using the ESRS standards to build out detailed disclosures & metrics. Initial metrics that the ISSB could focus on within these standards could relate to own-workforce, given these will typically be material to reporting entities and already have a reasonable level of maturity in disclosure.

Given the close interrelation between Human Capital and Human Rights, and to avoid making arbitrary distinctions between these topics, we would support the ISSB in dealing with both topics in parallel.

In relation to Biodiversity (and associated areas) topic maturity is low, whilst stakeholder expectations are strongly and quickly increasing. It also represents an area of political attention and urgency. This means that financial undertakings will increasingly need high-quality standardised disclosures from market participants globally, and therefore work on these topics by the ISSB would add significant value to the current landscape. As a result, we think that the ISSB should commence early research on the Biodiversity

topic, whilst letting other disclosure frameworks such as the TNFD reach their conclusion before issuing a full ISSB standard. The ISSB should work closely with these emerging disclosure frameworks, to identify those components most appropriate for an internationally applicable standard. However, we would recommend for the ISSB to address nature as a comprehensive topic via separate (sub-)projects to support entities in approaching biodiversity in a structured manner, facilitate interoperability and ensure the sub-topics water, pollution and resource exploitation are themselves comprehensively covered. Also, this would also allow to make progress more quickly, as this would otherwise (likely) turn out to become a multi-year project.

We consider the integrated reporting topic as the least important one from a timing perspective. We highly welcome that the ISSB encourages integrated reporting across sustainability information and between sustainability-related and purely financial information via S1 and S2 and support the ambition to have a dedicated project to address integration in reporting. Nevertheless, we believe that the importance of this topic to be lower and that it would be better progressed by the IASB with support from the ISSB as needed. This would allow the ISSB to focus on the priorities noted above.

**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.

We believe that all of the proposed sub-topics are of high importance and propose that the wide disclosure topic (i.e. BEES) is covered at a level which allows for holistic coverage of the sub-topics, allowing reporting entities to then focus on the topics which are most relevant. Prioritising only a sub-set of topics could lead to a lack of comparability in reporting on the basis that, as noted in our response to Q4 (b), different industries and geographies will be subject to different BEES risks & opportunities and therefore too narrow-a-focus in the research project could lead these industries to look to other disclosure frameworks. However, we would recommend for the ISSB to address nature as a comprehensive topic via separate standards for the reasons outlined above, where companies should then be able to focus on those most relevant for them. Otherwise, choosing relevant disclosures within one comprehensive standard linking all topics together might be very difficult.

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

Please refer to our response below.

- (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.

In the selection of sub-topics for research, consideration should be given to interoperability & comparability between the ISSB and CSRD, particularly given the potential for overlap with ESRS E4 Biodiversity and ecosystems and the broader considerations around water, pollution and resource exploitation.

- (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.

We believe that sustainability-related risks and opportunities related to the topic of biodiversity, ecosystems, and ecosystem services can vary significantly across different business models, economic activities, and geographic locations. The diversity of industries, sectors, and geographic contexts can give rise to distinct environmental, social, and governance challenges and opportunities. Therefore, measures to capture performance on sustainability-related risks and opportunities should be tailored to specific industries, sectors, or geographic locations to effectively address their unique characteristics.

(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.

- ESRS standards, specially the “ESRS E4 Biodiversity and ecosystems” developed by the European Financial Reporting Advisory Group (EFRAG)
- TNFD framework
- Convention on Biological Diversity (CBD)
- Global Reporting Initiative (GRI)

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.

In terms of reporting, the TNFD framework could serve as a good reference for the ISSB as it details how organisations and investors alike can locate nature related risks, evaluate impacts and dependencies, assess risks and then prepare to report. The TNFD framework has also been developed with efficiency in mind, helping companies to report what is needed globally to investors across markets, i.e. following a similar objective as the ISSB standards.

The ESRS E4 provides information on biodiversity and ecosystem services and based on this, there are existing biodiversity and ecosystem services framework providers that the ISSB can reference.

The Convention on Biological Diversity (CBD) is the “international legal instrument for the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of the benefits arising out of the utilisation of genetic resources”. Its principal objective is to encourage actions which will lead to a sustainable future as it aims to cover at all levels: ecosystems, species and genetic resources. It has a governing body- the Conference of Parties (COP) that meets every two years to review progress, set priorities and commit to work plans. For example, in terms of target setting, CBD through the COP 15 provided specific earth (land and water) protection targets for governments as well as financial targets for governments and countries. These financial targets can potentially guide investment decisions, and as such, it could be a good reference point for ISSB in its standard-setting activities.

The GRI standards are widely used by entities for their sustainability disclosures. Integrating the GRI requirements would support both the entities and the investors alike as they are already used to them.

#### **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.

Of the subtopics identified in paragraph A22, we would give the highest priority to the following in this order:

- DEI
- Worker wellbeing (including mental health and benefits)



- Employee engagement
- Workforce investment

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

Appropriate human capital management ensures that companies attract, train and retain talent and leaders. This requires investment into workforce, employee engagement and adequate measures to ensure mental health as well as benefits. Finally, inclusion and diversity in the workforce is essential and should be a key focus area.

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
- Labour relations/freedom of association
  - Collective bargaining
- (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.

We believe that all of the sub-topics listed are important.

- (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?

We believe that sustainability-related risks and opportunities related to this topic are substantially different across the mentioned sub-topics, however, the ISSB is well-placed to provide a consistent/overarching framework for these topics. While the overarching themes are the same for all industries and geographies, making a consistent framework possible, the ISSB should consider the need for industry specific guidance as it works through the topic in its project work, without compromising the overall objectives of principles based standards and global baseline.

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.

As companies operating within the financial services sector, working conditions differ substantially compared to manufacturing industry. Furthermore, climatic/geographic conditions have different impact on human capital. Local legal restrictions also affect these human capital related topics. Whilst the specific risks and opportunities will likely vary as a result of these industry/geography-specific features, the overarching topics will likely be material to most reporting entities.

- (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.
1. ESRS standards, specifically ESRS S1
  2. GRI Standards
  3. WEF Stakeholder Capitalism Metrics
  4. The International Labour Organization (ILO)
  5. The SASB standards
  6. The CDSB for reporting environmental and social information

## 7. The Integrated Reporting Framework

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 note that consideration of all of the above materials is important for the purpose of establishing a global baseline which covers all sources of existing guidance. As such, we would not recommend arbitrary prioritisation.

1. ESRS: Ensuring that ISSB standard setting on this topic is interoperable with CSRD reporting will facilitate a more holistic understanding of sustainability-related aspects related to human capital as well as promote a globally common understanding, which is essential also from a user perspective when comparing across companies and sectors.
2. GRI: The GRI standards are widely applied and well-established in the market.
3. WEF: WEF has attempted to come up with a joint set of KPIs to ensure consistency globally – respective efforts should be leveraged to the maximum degree possible.
4. ILO: The work and guidance of the International Labour Organization (ILO), the U.N. Global Compact, and the OECD is internationally acknowledged and should feed into a global standard-setting process.
5. Existing SASB standards should be considered for the purpose of leveraging existing metrics.
6. CDSB: It has already been acknowledged that CDSM forms part of the evidence base as the ISSB develops standards.
7. Integrated Reporting Framework: Human Capital is one of the ‘capitals’ addressed in the framework.

While human capital-related reporting is oftentimes relevant also for non-financial stakeholders such as employees and their representatives, it is also of high relevant for investors, as they need to understand the degree to which a company is able to attract, train and retain talent as well as to cope with demographic change and labour shortage as well as other challenges.

### **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:

#### Human rights due diligence

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

While the CFO Forum believes that Human Capital and Biodiversity are the key priorities, we acknowledge that Human Rights has significant overlap with Human Capital, and that Human Rights Due Diligence is an important topic for the ISSB to consider in future work plans as it moves on to consider wider Human Rights issues.

This is an entity-wide exercise aimed at identifying human rights risks and impacts across the entity’s own operations and its value chain, as defined in the UNGP.

If companies are expected to assess the human rights performance of other companies, which they are more and more, they need:



- standardized reporting on human rights due diligence quality (where companies are not conducting their own idiosyncratic qualitative assessment of the due diligence processes of their counterparts, but where there is only one uniform view on whether a company has an appropriate process in place or not)
- standardized ratings on the human rights risk / performance of companies (e.g. company X gets a 3 because they are active in the energy sector and have x% of their turnover in high risk locations and company Y gets a 1 because it offers services only and gets most of its turnover from low risk locations...).

This can be supported by a global reporting framework around the topics of human rights.

- (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.

Availability/transparency/comparability on human rights disclosures for investors is essential.

- (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 characterize 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?

We believe that sustainability-related risks and opportunities related to this topic are substantially different across the mentioned and would need to be tailored, however, the ISSB is well-placed to provide a consistent/overarching framework for these topics.

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.

Please refer to our response to Q5 (b), given the intrinsic linkages between Human Capital and Human Rights.

- (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.

- OECD
- UN guiding principles
- UN Framework
- Corporate Sustainability Due Diligence Directive
- SASB standards
- All of the topics noted in our response to Q5 (c), given the intrinsic linkages between Human Capital and Human Rights.

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.

These frameworks are well-established, internationally recognised and broadly used. For example, OECD and UNGC need to be complied with in the context of the EU Taxonomy and the Corporate Sustainability Due Diligence Directive is also expected to build on these guidelines, given their global acceptance.

**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?

We refer to our answer under question 3(ii). We consider the issue of integrated reporting to be the least important from a timing perspective. We appreciate that the ISSB is promoting integrated reporting of sustainability information more broadly, and more specifically the concept within S1 and S2 of Connected information between sustainability-related and pure financial information. As such, we support the goal of having a dedicated project to address integration in reporting.

At this stage, an integrated reporting project may be premature, as the maturity of most sustainability topics (including quantitative reporting) is very different compared to the advanced stage of financial reporting with decades of streamlining, auditing, and stakeholder testing. Addressing both via a dedicated project, especially in the current dynamic environment, would not only be far-reaching, but also resource-intensive, which could slow down the progress of development, and may overwhelm stakeholders, whom could by no means deal in parallel with changes to the IFRS Standards, which might be an outcome of a joint project.

With this in mind, we advocate considering an integrated reporting project in the future, with the current focus for the ISSB being on the priorities outlined throughout this response.

- (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)?

We do not believe that the Integration in Reporting project should be a current priority. However, if it were pursued, we would consider it appropriate for the project to be covered by the ISSB. It would be advisable to carry out initial steps before assessing whether there is a need to combine them into a joint project, in order to enable lean and resource-efficient integration. These could be, for example: providing further guidance and promoting comparability and consistency for sustainability reporting, identifying linkages and interrelationships of sustainability-related information within financial reporting (based on the experiences from the conducted research and standard setting projects pursued in advance, i.e., using the lessons learned by the ISSB on sustainability reporting).

- (i) If you prefer a formal joint project, please explain how you think this should be conducted and why.

In case of a joint project, we propose to consider the following principles:

- Collaboration opportunities: Explore potential collaboration opportunities with other standard-setting bodies or organizations working on sustainability topics. Assess whether partnerships or cooperation with external entities could help accelerate progress on specific projects, including the integrated reporting project.

Long-term impact: Consider the long-term impact of each project on sustainability reporting and disclosure practices. Evaluate how the integration in reporting project could contribute to the overall value and effectiveness of the IFRS Foundation’s suite of materials in advancing sustainability reporting practices.

- Resource allocation: Evaluate the resources required for each project, including financial, technical, and human resources. Consider the capacity of the ISSB to handle multiple projects simultaneously

and the potential strain on resources that the integration in reporting project might impose. This evaluation can help determine if the ISSB has the necessary capacity to effectively deliver on all projects within the given timeframe.

- **Balancing priorities:** Finally, weigh the advantages and disadvantages of advancing the integration in reporting project against the proposed sustainability-related topics. Striking the right balance between addressing immediate sustainability challenges through the proposed projects and ensuring a robust reporting framework that encompasses integrated sustainability information is essential.
- (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.

Noting our above comments on prioritisation, if this topic is pursued in future the following concepts may be relevant:

- **Integrated Reporting:** The ISSB could explore the concept of integrated reporting, which aims to provide a holistic view of an organization's value creation by integrating financial and non-financial information. This approach encourages reporting that goes beyond financial statements and incorporates broader stakeholder perspectives.
  - **Narrative Reporting:** The ISSB could consider incorporating principles from the IASB's Exposure Draft to enhance the quality and relevance of narrative reporting. This could involve guidelines on the content, structure, and presentation of management commentary, including disclosures on business strategy, risks, opportunities, and the organization's approach to sustainability.
- (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.

Yes. Some general concepts that could be relevant specifically to sustainability matters include:

- **Value Creation:** The ISSB could emphasise the concept of value creation, which encompasses both financial and non-financial aspects. By focusing on the organization's ability to create value over time, integrated reporting enables a more forward-looking perspective and encourages a broader understanding of an organization's prospects and risks.
  - **Connectivity:** The ISSB could promote the idea of connectivity, highlighting the interdependencies and relationships between different factors that impact an organization's ability to create value. This can include illustrating how the organization's strategy, governance, business model, and key performance indicators are interconnected with regard to sustainability matters.
  - **Integrated Thinking:** The ISSB could encourage integrated thinking within organizations, which involves considering the interrelationships between financial and non-financial information, as well as the short-term and long-term perspectives. Integrated thinking supports decision-making that takes into account the organization's broader impact on society and the environment.
- (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.

We do not have any further recommendations at this time.

- (d) Do you have any other suggestions for the ISSB if it pursues the project?

None at this stage.

### Question 8 – Other comments

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

As outlined in our answer to Question 1(b) regarding the CFO Forum's proposal on prioritisation of ISSB's activities, we recommend focusing on the overall direction of travel in sustainability reporting, providing insights into the timetable, while establishing a collaboration model that enables global interoperability and connect EFRAG's and other standard setters' work with the ISSB's agenda.

In that respect, we want to emphasise the **urgent need to establish further guidance on the following two aspects**, as in our view they are pivotal for creating an integrated reporting framework across sustainability information and a global baseline for improving and harmonizing sustainability reporting:

- Further clarity on the materiality concept and its intended breadth is needed. We deem it as absolutely essential that the ISSB clarifies whether its materiality concept covers investor's information demands in their entirety, namely by taking into account that investors are, already today, interested in a significant number of inside-out impacts, either due to be it because of sustainability preferences or due to expected second-tier effects on an entity's cash flows, cost of capital or access to finance, and enterprise value in the (potentially long-term) future or because of systemic risks from a portfolio instead of single-issuer perspective. Respective clarity is needed for the evaluation of the global baseline for users globally.
- While we fully support the proposal to not limit sustainability information to own operations, clarity is needed on what the value chain encompasses for financial companies. Reasonable boundaries as regards look-through provisions need to be defined to ensure both feasibility and reliability. We acknowledge the need in some instances for full look-through requirements within quantitative disclosures (for example, Scope 3 emissions), however, we believe that to avoid undue complexity and the risk of unreliable disclosure, qualitative disclosure of the risks and opportunities within complex value chains may be more appropriate for certain sectors. Examples relevant to the financial services industry might include disclosure of investment and underwriting policies used to mitigate sustainability-related risks within a reasonable value chain boundary.