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International Sustainability Standards Board
IFRS Foundation
Opernplatz 14
60313 Frankfurt am Main
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Dear Sir/Madam

ISSB Request for Information - Consultation on Agenda Priorities

We are pleased to comment on the above Request for Information (the RFI). Following consultation with the BDO network¹, this letter summarises views of member firms that provided comments on the RFI.

We support the efforts of the ISSB to establish the IFRS Sustainability Disclosure Standards as the international standard for general purpose sustainability information. We would emphasise the importance of the interoperability between the IFRS Sustainability Disclosure Standards with other sustainability reporting standards.

We view the activity of assisting reporting entities in their implementation of the ISSB Sustainability Disclosure Standards as the highest priority of the ISSB, especially for those entities that are implementing sustainability reporting for the first time.

In prioritising the research efforts on new topics, we consider the project covering Biodiversity, ecosystems and ecosystem services should be prioritised.

Our comments on the RFI are set out in the attached Appendix.

We hope that you will find our comments and observations helpful. If you would like to discuss any of them, please contact me at +44 (0)7875 311782 or by email at abuchanan@bdoifra.com.

Yours faithfully

Andrew Buchanan
Global Head of IFRS and Corporate Reporting

¹Service provision within the BDO network in connection with IFRS (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board, and IFRS Sustainability Disclosure Standards as issued by the International Sustainability Standards Board, is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BV, a limited liability company incorporated in Belgium. Each of BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and the BDO member firms is a separate legal entity and has no liability for another entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and/or the BDO member firms. Neither BDO International Limited nor any other central entities of the BDO network provide services to clients.

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

Paragraphs 18-22 and Table 1 provide an overview of activities within the scope of the ISSB’s work.

- (a) From highest to lowest priority, how would you rank the following activities?
 - (i) beginning new research and standard-setting projects
 - (ii) supporting the implementation of ISSB Standards IFRS S1 and IFRS S2
 - (iii) researching targeted enhancements to the ISSB Standards
 - (iv) enhancing the Sustainability Accounting Standards Board (SASB) Standards
- (b) Please explain the reasons for your ranking order and specify the types of work the ISSB should prioritise within each activity.
- (c) Should any other activities be included within the scope of the ISSB’s work? If so, please describe these activities and explain why they are necessary.

Question 1(a)

We would rank the activities as follows (from highest to lowest priority):

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

Question 1(b)

The recent publication of IFRS S1 and IFRS S2 raises the need for the ISSB to prioritise its resources to support entities, especially small- and medium-sized entities (SMEs), for successful implementation of the IFRS Sustainability Disclosure Standards, particularly relating to scope 3 emissions calculation and the adoption of climate scenario analysis. The support, if provided, will enhance the implementation of the IFRS Sustainability Disclosure Standards and will provide a comprehensive global baseline of disclosures, which may enhance the ISSB’s engagement with jurisdictional partners.

Question 1(c)

We suggest the ISSB works toward alignment with other sustainability standards to increase interoperability and decrease inefficiencies and duplication of disclosure for reporting entities.

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

Paragraphs 23-26 discuss the criteria the ISSB proposes to use when prioritising sustainability-related reporting issues that could be added to its work plan.

- (a) Do you think the ISSB has identified the appropriate criteria?
- (b) Should the ISSB consider any other criteria? If so what criteria and why?

Question 2(a)

We consider the ISSB has identified the appropriate criteria.

Question 2(b)

We suggest the other criteria the ISSB should consider are alignment with other standard setters given the importance of interoperability and cost/benefit.

In addition, we view financial materiality assessments as a key area in the implementation of sustainability standards. In light of the Memorandum of Understanding between the ISSB and GRI, consideration should be given to how the GRI standards can be applied together with IFRS Sustainability Disclosure Standards to extend materiality into double or impact materiality. We believe this will contribute to the interoperability of the IFRS Sustainability Disclosure Standards with other sustainability reporting standards.

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, (1) should the ISSB prioritise a single project in a concentrated effort to make significant progress on that, or (2) 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 (with 1 being the lowest priority)? You may select from the four proposed projects in Appendix A or suggest another project (or projects).

Question 3(a)

In our view the ISSB should prioritise a single project. We caution the ISSB not to add too many research projects onto its agenda, which can take a significant amount of staff time. We suggest the ISSB prioritise timely issuance of standards.

Question 3(a)(i)

We would rank the projects as follows (from highest to lowest priority):

- (1) Biodiversity, ecosystems and ecosystem services
- (2) Human capital
- (3) Human rights
- (4) Integration in reporting

We have observed a significant amount of interest in the area of biodiversity. In addition, the Task Force on Nature related Financial Disclosures (TNFD) will soon publish its framework. This development combined with the significant amount of interest on the topic of biodiversity, could allow the ISSB to make timely progress of the research project on Biodiversity, ecosystems and ecosystem services. We have observed that entities generally look at biodiversity in terms of negative impacts i.e., entities are not paying for the damage they are doing. An alternate view would be to include positive impacts as well i.e., the positive value generated from the activity’s entities are now undertaking. For example, when an entity performs its carbon accounting it needs to take great steps to not just reduce the damage but also improve its position. We believe an entity providing such information in its sustainability disclosures would be useful to investors.

In our view a key advantage of having the ISSB within the IFRS Foundation is because the Boards for both financial reporting and sustainability reporting are in the same overall organisation. We have observed that certain interest groups believe financial reporting should cover all aspects of

sustainability. In that context, it would be helpful to clarify the scope of financial reporting, which could involve the ISSB and IASB working together on projects, such as intangibles, to illustrate the boundary of where financial reporting ends but sustainability reporting continues. We believe that this type of project could be completed relatively quickly and would not necessarily require significant resources.

We observe there is an inter-relationship between the topics of human capital and human rights making a clear distinction difficult. We suggest the ISSB provide clear guidance on the distinction between the two topics when undertaking these projects.

We believe the Human rights project has the potential to be an extremely difficult project because what is viewed as being important to human rights varies in different parts of the world. Consequently, given the importance of the need for the ISSB to swiftly develop its sustainability reporting standards, we have ranked human rights as a low priority.

Question 3(a)(ii)

In our view, at this stage the ISSB should prioritise a single major project. Therefore, this question is not applicable.

Question 4—New research and standard-setting projects that could be added to the ISSB’s work plan: Biodiversity, ecosystems and ecosystem services

The research project on **biodiversity, ecosystems and ecosystem services** is described in paragraphs A3-A14 of Appendix A. Please respond to these questions:

- (a) Of the subtopics identified in paragraph A11, to which would you give the highest priority? Please select as many as applicable.
Please explain your choices and the relative level of priority with particular reference to the information needs of investors.

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

- (i) a short description of the subtopic (and the associated sustainability-related risks and opportunities);
 - (ii) your view on the importance of the subtopic with regard to an entity’s sustainability-related risks and opportunities and the usefulness of the related information to investors.
- (b) Do you believe that sustainability-related risks and opportunities related to this topic are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

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

- (c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB’s focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A13 should be utilised and prioritised by the ISSB in pursuing the project? Please select as many as applicable.

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

Question 4(a)

We would rank the biodiversity, ecosystems and ecosystem services subtopics as follows (from highest to lowest priority):

- (1) Water (including freshwater and marine resources and ecosystems use).
- (2) Pollution (including emissions into air, water and soil).

- (3) Land-use and land-use change (including deforestation) and resource exploitation (including material sourcing and circular economy) rank equally.
- (4) Invasive non-native species.

Due to changes in precipitation resulting from climate change and extreme weather, such as heat waves, many of the regions worldwide are now suffering from water shortages or serious drought, which may seriously affect an entity's operations, in particular for those entities with production processes heavily relying on the use of water e.g., beverage products, dairies, sugar and paper mills, refineries, etc.

In response to suggesting additional subtopics we recommend the ISSB needs to be cognisant of its resource constraints, therefore, we have not suggested additional subtopics that have not been specified.

Question 4(b)

Yes, we believe that sustainability-related risks and opportunities related to biodiversity, ecosystems and ecosystem services are substantially different across different business models, economic activities, industry and geography that would need tailoring to be specific to the industry, sector or geographic location to which they relate. Based on our experience we believe an approach of tailoring first to different industries and geographic locations, and then to different sectors, is needed.

For example, a mining company may face different biodiversity-related risks and opportunities compared to a tourism operator. Similarly, the risks and opportunities in a region that is prone to drought e.g., South Asia, may differ from a region that is less prone to drought e.g., Northern Europe.

Question 4(c)

Rather than suggesting any specific standards, we suggest the ISSB should primarily focus on those standards used or elements of those standards that will apply globally and not only to specific jurisdictions. We encourage the ISSB to work to achieve interoperability with other major jurisdictional sustainability standards.

Question 5—New research and standard-setting projects that could be added to the ISSB’s work plan: Human capital

The research project on human capital is described in paragraphs A15-A26 of Appendix A. Please respond to the following questions:

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

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

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

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

Question 5(a)

We would rank the human capital subtopics as follows (from highest to lowest priority):

- (1) DEI
- (2) Employee engagement

- (3) Workforce investment
- (4) Worker wellbeing (including mental health and benefits)
- (5) Labour conditions in the value chain and workforce composition and costs ranked equally
- (6) The alternative workforce

In our view values, processes, and outcomes like DEI foster employee engagement leading to better performance and enhancements in the organisation's reputation, capability, and productivity. How an entity manages these issues can directly affect its ability to deliver value in the long term.

In response to suggesting additional subtopics we recommend the ISSB needs to be cognisant of its resource constraints, therefore, we have not suggested additional subtopics that have not been specified.

Question 5(b)

Yes, we believe that sustainability-related risks and opportunities related to human capital are substantially different across different business models, economic activities, industry and geography that would need tailoring to be specific to the industry, sector or geographic location to which they relate. Based on our experience we believe an approach of tailoring first to different industries and geographic locations, and then to different sectors, is needed.

For example, a manufacturing company may face different human capital risks and opportunities compared to a hospital. Similarly, the risks and opportunities in a region with a well-developed education system may differ from those in a region with limited access to education and training opportunities.

Question 5(c)

Rather than suggesting any specific standards, we suggest the ISSB should primarily focus on those standards used or elements of those standards that will apply globally and not only to specific jurisdictions. We encourage the ISSB to work to achieve interoperability with other major jurisdictional sustainability standards.

Question 6—New research and standard-setting projects that could be added to the ISSB’s work plan: Human rights

The research project on human rights is described in paragraphs A27-A37 of Appendix A. Please respond to these questions:

- (a) Within the topic of human rights, are there particular subtopics or issues that you feel should be prioritised in the ISSB’s research? You can suggest as many subtopics or issues as you deem necessary. To help the ISSB analyse the feedback, where possible, please provide:
 - (i) a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
 - (ii) your view on the importance of the subtopic with regard to an entity’s sustainability-related risks and opportunities and the usefulness of the related information to investors.
- (b) Do you believe that sustainability-related risks and opportunities related to this topic are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

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

- (c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB’s focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A36 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable.

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

Question 6(a)

We do not have any particular subtopics that we feel should be prioritised in the IASB’s research on human rights.

In our view there is an overlap between human rights and human capital topics. Consequently, it is difficult to separate the two projects because of this interlinkage between the two topics. An issue we feel that should be prioritised when undertaking the human capital and human rights projects is that the ISSB should provide guidance for a clear understanding of the scope of each topic.

Question 6(b)

Yes, we believe that sustainability-related risks and opportunities related to human rights are substantially different across different business models, economic activities, industry and geography that would need tailoring to be specific to the industry, sector or geographic location to which they relate. Based on our experience we believe an approach of tailoring first to different industries and geographic locations, and then to different sectors, is needed.

Question 6(c)

Rather than suggesting any specific standards, we suggest the ISSB should primarily focus on those standards used or elements of those standards that will apply globally and not only to specific jurisdictions. We encourage the ISSB to work to achieve interoperability with other major jurisdictional sustainability standards.

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?
(1)
- (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 the 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?

Question 7(a)

We would rank the integration in reporting project in relation to the sustainability-related topics as follows (from highest to lowest priority):

- (1) Biodiversity, ecosystems and ecosystem services project
- (2) Human capital
- (3) Human rights
- (4) Integration in reporting

Question 7(b)

As noted in our response to Question 3(a)(i) we do not consider that the integration in reporting project should be a high priority. However, in our view when the ISSB does undertake the integration in reporting project it should be pursued as a formal joint project with the IASB.

Since the integration in reporting project is anticipated to be intensive on the ISSB's resources, we suggest the ISSB initially work together with the IASB on smaller projects where the standard setting can be advanced quickly. After some of the initial smaller projects are complete, we suggest working on the integration in reporting as a larger project.

Question 7(c)(i)

In our view the joint project will align with the proposals in the IASB's Exposure Draft *Management Commentary* and can demonstrate the connectivity between financial and sustainability-related disclosures to avoid duplication of efforts. We believe the IFRS Foundation has an important role to play in improving the quality of this type of reporting.

We suggest the ISSB may consider incorporating integrated thinking, connectivity of information, materiality, conciseness, reliability and completeness, and stakeholder engagement to make the document comparable, verifiable, and coherent.

Question 7(c)(ii)

Based on our responses received a slight majority believe the ISSB should build on and incorporate the Integrated Reporting Framework.

For those who responded that the ISSB should do so, they consider that the Integrated Reporting Framework, when used together with the ISSB Sustainability Disclosure Standards, could support a holistic view of the value creation process through governance and business model disclosure to drive connections between financial statements and sustainability-related disclosures.

Question 7(c)(iii)

In our view the ISSB should build on and incorporate concepts from other sources, such as the Task Force on Nature related Financial Disclosures (TNFD). The TNFD concepts should be incorporated into the Biodiversity standard when it is drafted and integration with the ISSB should be investigated.

Question 7(d)

We do not have any other suggestions for the ISSB if it pursues the project.

Question 8—Other comments

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

Question 8

We do not have any other comments on the ISSB's activities and work plan.