

Friday, 1 September 2023

International Sustainability Standards Board
Columbus Building
7 Westferry Circus, Canary Wharf
London, E14 4HD

Via email: commentletters@ifrs.org

Consultation on Agenda Priorities

As the representatives of over 300,000 professional accountants globally, Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia welcome the opportunity to provide feedback on the International Sustainability Standards Board (ISSB)'s request for information on agenda priorities ("RFI"). We make this submission on behalf of our members and in the public interest.

We appreciate the opportunity to provide feedback on the ISSB's envisaged work plan over the next two years.

Effective implementation and jurisdictional adoption

We congratulate the ISSB and acknowledge the efforts taken to publish [*IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information*](#) and [*IFRS S2 Climate-related Disclosures \(The Standards\)*](#).

It is now critical that effective implementation of the Standards is prioritised. The ISSB has a leading role to play engaging with jurisdictions to effectively build capacity and maximise and maintain interoperability of the global baseline as the Standards are adopted.

Comprehensive global baseline

To achieve international harmonisation and to avoid potential future fragmentation, it is fundamental for the ISSB's approach to be collaborative and coordinated with existing organisations and developing frameworks. In particular, the ISSB will need to engage closely with frameworks and jurisdictional initiatives in areas relating to the future research topics identified and with a similar focus on investors. For example, the Taskforce for Nature-related Financial Disclosures and European Sustainability Reporting Standards (ESRS) and how that will interact with IFRS S1 and IFRS S2 and any future IFRS Sustainability Disclosure Standards.

Strategic direction

We consider it important for the ISSB to share their strategic direction, including a proposed roadmap and timeline going beyond two years, that illustrates the connectivity and potential scope of the eventual suite of ISSB standards. This will assist jurisdictions to adequately prepare and resource expected future activities and support new standard development to achieve global baseline.

Integration of reporting

In our view, the integration of reporting should be a joint project between the IASB and the ISSB. To avoid fragmentation of reporting and achieve the goal of a global comprehensive corporate reporting system, connectivity between the two boards and prioritisation to utilise existing standards should be considered. Alignment can only be achieved if knowledge and skills are shared amongst the boards.

We continue to support the goals of the ISSB and the work it is undertaking to provide a comprehensive global baseline for sustainability reporting and interoperability with jurisdictional initiatives. We acknowledge the need to build capacity to keep pace with the activities of the ISSB and the evolving information needs of users. As such we have already been supporting our members to understand, contribute to and enhance the integrity of sustainability-related financial disclosures. Appendix A contains our detailed responses to the proposed positions in the RFI.

If you have any questions about our submission, please contact Karen McWilliams (CA ANZ) at karen.mcwilliams@charteredaccountantsanz.com or Patrick Viljoen (CPA Australia) at patrick.viljoen@cpaaustralia.com.au.

Sincerely,

Simon Grant FCA

Group Executive – Advocacy and International
Chartered Accountants Australia and New
Zealand

Elinor Kasapidis

Head of Policy and Advocacy
CPA Australia

Appendix A

Question 1 - Strategic direction and balance of the ISSB's activities

a) From highest to lowest priority, how would you rank the following activities?

- (i) beginning new research and standard-setting projects
- (ii) supporting the implementation of ISSB Standards IFRS S1 and IFRS S2
- (iii) researching targeted enhancements to the ISSB Standards
- (iv) enhancing the Sustainability Accounting Standards Board (SASB) Standards

We consider the activities outlined in paragraphs 18 – 22 and table 1 to be important within the scope of the ISSB's work. We believe that it is critical for the ISSB to prioritise and (ii) support the effective implementation of the standards and jurisdictional engagement to maintain baseline interoperability.

However, based on our member and stakeholder outreach, we were unable to determine an appropriate ranking for the remaining activities listed.

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

Below, we have outlined feedback for each activity:

- (i) beginning new research and standard-setting projects

We are supportive of the ISSB continuing with the momentum that has been established by conducting research on other sustainability topics. Leveraging existing frameworks and standards has allowed the ISSB to move at pace to issue IFRS S1 and IFRS S2. We encourage the ISSB to continue to utilise this practice to enable them to maintain this standard setting pace.

It will be critical for the ISSB to move beyond climate and expand to cover a full set of sustainability-related issues which have a material impact on investor decision making. The ISSB will need to consider the varying range of information that is of importance to different investors amongst jurisdictions as well as the connectivity and potential scope of the eventual suite of ISSB standards that will be needed to meet the ISSB's aspirations of a global baseline for sustainability-related reporting.

- (ii) supporting the implementation of ISSB Standards IFRS S1 and IFRS S2

The resounding message from our outreach has been that implementation of the Standards and their interoperability with jurisdictional requirements will be critical to establish the comprehensive global baseline. The successful implementation of the Standards will be reflective of the ISSB's purpose and reputation as further and future work is done to develop global sustainability-related disclosure standards. It will also set the stage for the engagement and adoption related to the ISSB's future work.

We acknowledge that appropriate due process is fundamental to IFRS standard-setting and appreciate that additional time is required to undertake activities across a broader range of specific sustainability-related topics. The application of IFRS S1 addressing topics beyond climate should be an important component of the ISSB's implementation activities as it provides the overarching framework for the identification of material thematic areas for reporting purposes.

The availability of proactive and responsive high-quality guidance to support consistent implementation and application of the Standards will be fundamental. We suggest that the Technical Implementation Group (TIG) focus on interoperability and implementation of the Standards from the initial stages of development of any future standards and accompanying guidance.

Capacity building efforts will be required across government (regulators and standard setters), reporting entities and assurance providers to support the effective implementation. The ISSB's effective use of the partners within their Partnership Framework in developing appropriate content and sharing it broadly will enable the ISSB to focus more time on engagement with jurisdictions regarding the comparability and interoperability of the Standards.

(iii) researching targeted enhancements to the ISSB Standards

The description (provided on page 14 of the RFI) which outlines the activity to support researching targeted enhancements to the ISSB standards, in our opinion, does not clearly outline the objective and output that would result from this activity.

We note from the [ISSB's July 2023 meeting \(agenda reference 9\)](#) that staff's recommendation was to 'rebrand' targeted enhancements to educational material and 'develop targeted educational material to explain and illustrate the application of some of the existing disclosure requirements in IFRS S2 in the context of particular nature and social aspects of climate-related risks and opportunities'.

We consider the staff's recommendation (approved by the ISSB members) to be an appropriate step to provide connectivity and comparability between particular aspects (and future standards). However, this also indicates that connectivity between thematic areas such as climate, nature and human rights has not been adequately addressed in the current standards. We consider it critical that connectivity between areas (such as biodiversity, ecosystems and ecosystem services and climate) is appropriately addressed by the Standards and reflected within future standards as they are developed.

We strongly recommend that a conceptual framework to clearly articulate the reporting objectives and which brings the current and future standards together, is also developed.

The maturity and integrity of sustainability related data and information will evolve as more entities (globally) publicly report in line with the first two (and future) standards. The ISSB will need to keep pace by performing regular reviews, updates and research which considers the implications for the relevance and scope of standards. Evolving risks and opportunities associated with social and environmental factors will need to be considered as well as practical challenges faced by entities to implement standards (future and existing).

(iv) enhancing the Sustainability Accounting Standards Board (SASB) Standards

We believe that enhancing the SASB Standards, is a logical activity to position the standards as a viable mechanism for reporting entities globally, particularly given the jurisdictional focus (to date) of the standards for the United States (US) market. As the climate-related metrics have been removed from the SASB Standards and are now incorporated into IFRS S2, it will be necessary for the ISSB to provide clarity over their overarching vision for the SASB standards and their longer-term positioning alongside the ISSB standards.

As noted in our 2022 [submission on the International Financial Reporting Standards' \(IFRS\) Sustainability Disclosure Standards](#), the current adoption rate of the SASB standards in Australia and New Zealand is low. It is important to note that whilst the ISSB carries out work to enhance the international applicability of the SASB Standards, this does not mean that they will be jurisdictionally interoperable as result.

In our submission *on the methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates* we also highlighted our concerns that proposed revisions for international applicability are not exhaustive and specifically exclude some industry-specific sustainability-related issues that are considered fundamental in jurisdictions outside of the US. The ISSB will need to consider how it will work with and support jurisdictions in enhancing the SASB Standards.

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*

We consider interoperability to also be a key priority for the ISSB.

Broad adoption of these Standards and their interoperability with jurisdictional requirements will be critical to establish the comprehensive global baseline. To achieve comparable sustainability-related financial information on a global scale, the ISSB will need to work closely with other jurisdictions to resolve any potential interoperability issues, since this will be key to the ISSB's success going forward and, especially in fostering confidence in the ISSB as the global sustainability reporting standard setter.

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?*

We believe that the seven criteria detailed in the RFI are a sound starting position. However, we suggest that criteria 1 'the importance of the matter to investors' (outlined in table 2) is expanded and edited to "the importance of the matter to existing and potential investors, lenders and other creditors" within the workplan to align with the definition of 'users' referenced within IFRS S1.

Investors, as a demographic, will need to be carefully considered on the basis that there are different types of investors (which will vary amongst jurisdictions), and their information needs to make investment decisions will vary. For example, asset owners (passive or active), investment managers and individuals will make decisions based on different information, some may need basic information about strategies whilst others will need detailed information about transition plans. There should be a balance of useful sustainability-related reporting which informs investment decisions.

Further there will be a need for each criterion to be underpinned by a set of principles/considerations. There are also likely to be differing sets of priority projects for regions, depending upon circumstances. We would like to understand how the ISSB plans to assess these relative priorities. For example, will greater priority be given to jurisdictions which have mandated ISSB Standards or those with larger economies?

Many of the issues identified in the Appendix are complex and longer term, with the issues list only growing. We consider the ISSB will need to both address immediate priorities and maintain a watching brief on longer term issues.

The ISSB will also need to have a collaborative approach and coordinate with other initiatives to prevent future fragmentation of sustainability reporting. This is crucial for ensuring the comparability and consistency of sustainability information across different jurisdictions and sectors.

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

We suggest consideration of the maturity of the topic and existing frameworks as a possible criterion. This could help ensure that the ISSB's work plan is focused on areas where it can have the most impact. As noted above, ISSB has been able to move at pace to issue the Standards by leveraging existing frameworks. Therefore, the maturity of the topic and existence of reporting frameworks would enable to ISSB to move quickly, whilst also avoid future fragmentation of the global reporting ecosystem.

It will also be important for the ISSB to consider alignment and interoperability of topic areas as well as work which has been carried out within jurisdictions.

Question 3 - New research and standard-setting 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).*

While the primary focus of the ISSB should be implementation support for IFRS S1 and IFRS S2, we are supportive of the ISSB continuing with the momentum that has been established by conducting research on other sustainability topics. We agree with the four key topics that have been identified and we also recognise the importance of interconnectivity between project areas.

From our outreach activities, we found that prioritisation of topics (as well as single versus more than one project) varied amongst our members and stakeholders and was also somewhat dependent on the organisation, industry and jurisdiction.

Before considering new research and standard setting projects, we recommend the ISSB should undertake analysis of the current reporting requirements of jurisdictions. This understanding of the global reporting landscape will assist the ISSB to identify where gaps may exist in the provision of consistent, comparable and decision useful information for investors. For example, in Australia there are existing voluntary and mandatory sustainability reporting requirements for entities such as mandatory and voluntary environmental disclosures and social disclosures, these are outlined further

in Appendix B. As a result, certain active investors have indicated to us that they already have access to the information they need on sustainability risks and opportunities for Australian entities.

The ISSB should consider an appropriate balance between their existing capacity and capability as well as the maturity of the topic to identify projects which could be advanced simultaneously. A collaborative and coordinated approach with existing and developing frameworks will be fundamental to achieving international harmonisation and avoid the potential for future fragmentation. In particular, the ISSB will need to engage closely with frameworks and jurisdictional initiatives in areas relating to the future research topics identified and with a similar focus on investors. For example, the Taskforce for Nature-related Financial Disclosures and European Sustainability Reporting Standards (ESRS) and how that will interact with IFRS S1, IFRS S2 and any future IFRS Sustainability Disclosure Standards.

The integration of sustainability-related issues and financial performance should be a key driver which connects identified (and future) projects and we suggest the ISSB uses the International Integrated Reporting (<IR>) Framework as the foundation for its strategic priorities.

We strongly support the development of a corporate reporting framework which integrates sustainability-related and financial disclosures, and this will require joint strategic focus and project work to be conducted with the International Accounting Standards Board (IASB).

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

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.*

We are unable to provide a ranking of priorities of the identified subtopics as we have not been able to obtain a consensus from our outreach activities, however, we outline below considerations for subtopics which we have received the most feedback on:

- (i) **Biodiversity Loss and Land Degradation:** This poses significant risks to businesses, particularly those in sectors such as agriculture, mining, and real estate. These risks can impact supply chains, regulatory compliance, and reputation. Businesses also have an opportunity to adopt sustainable land management practices and contribute to biodiversity conservation.
- (ii) **Ecosystem Services:** Disruptions to ecosystem services such as water purification, carbon sequestration, and pollination, pose significant operational and financial risk for businesses.

Businesses can benefit from opportunities to enhance ecosystem services through their activities.

- 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.*

The importance of biodiversity, ecosystems and ecosystem services (BEES), human capital and human rights will be dependent on a number of factors such sector, business models and jurisdiction.

For example, when specifically considering biodiversity, ecosystems and ecosystem services:

- (i) A substantial difference exists between an agricultural business operating in a region with high biodiversity that may face significant risks related to land use change and associated biodiversity loss and a software company in an urban area that may face minimal direct risks related to biodiversity.
- (ii) Of common importance for all businesses, regardless of their industry or location, is their dependence on certain ecosystem services, such as climate regulation and water cycling. Disruptions to these services due to biodiversity loss can pose risks to all businesses.

Along with climate, the areas of biodiversity, ecosystems and ecosystem services (BEES), human capital and human rights are interconnected, and these connections should be front of mind for the ISSB while considering the decision usefulness of information for users of corporate reporting. The connections between future disclosure standards for BEES with human capital and human rights will also be key for guiding report preparation.

We recommend that the ISSB consider the work of other organisations as they develop reporting frameworks that draw on management accounting frameworks.

- 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.

Should the ISSB adopt this project, it could leverage existing frameworks and standards including potential learnings the following materials and organisations:

1. **Task Force on Nature-related Financial Disclosures (TNFD):** The TNFD is developing a framework for nature-related financial disclosures, which could provide valuable insights for the ISSB's project. The TNFD has taken an iterative, consultative approach to developing its framework. Feedback from or on behalf of organisations that piloted the TNFD framework is publicly available and would provide another valuable information source for the ISSB's project.
2. **Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES):** IPBES produces authoritative scientific assessments on biodiversity and ecosystem services, which could inform the ISSB's understanding of these topics.
3. **Global Reporting Initiative (GRI):** GRI's standards include several indicators related to biodiversity, which could serve as a starting point for the ISSB's project.
4. **Science Based Targets Network (SBTN):** SBTN provides methods and resources for science-based targets (SBTs) for nature for companies and cities. It offers nature-based targets for water, land, ocean, and biodiversity -- progressing towards Sustainable Development Goals (SDGs) and global policy milestones.
5. **Draft European Sustainability Reporting Standards (ESRS):** E4 Biodiversity and ecosystems specifies disclosure requirements relating to general disclosure requirements, impact, risk and opportunity management as well as metrics and targets related to biodiversity and ecosystems.

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

- 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.*

We are unable to provide a ranking of priorities of the identified subtopics as we have not been able to obtain a consensus from our outreach activities, however, we outline below considerations for subtopics which we have received the most feedback on:

- (i) **Workforce Health and Safety:** This is a fundamental aspect of human capital management. Poor health and safety practices can lead to operational disruptions, legal liabilities, and reputational damage. Conversely, businesses that prioritise health and safety can enhance productivity, employee engagement, and stakeholder trust.

- (ii) Diversity and Inclusion: Diverse and inclusive workplaces can drive innovation, improve decision-making, and enhance reputation. We recognise that diversity and inclusion is regional specific, however businesses that fail to promote diversity and inclusion can face talent attraction and retention challenges, reputational risks, and potential legal issues.
- 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.*

Note our general feedback is outlined in question 4b.

For example, when specifically considering human capital:

- (i) A substantial difference exists for a manufacturing company that may face significant health and safety risks due to the physical nature of its operations. In contrast, a software company may face fewer health and safety risks, but greater challenges related to diversity and inclusion.
- (ii) Of common importance to all businesses regardless of their industry or location, is their dependence on their workforce to operate. Therefore, all businesses face risks and opportunities related to talent attraction and retention, employee engagement, and workforce productivity.

In addition, some of our stakeholders have emphasised the connection between human rights and human capital and the direct influence both areas have on one another. The ISSB may consider work on both projects (human rights and human capital) to be carried out in parallel to allow for more effective standard development while also capturing the connection with climate and biodiversity. For example, considering just transition and biodiversity loss and displacement of local communities.

- 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.

Should the ISSB adopt this project, it could leverage existing frameworks and standards including potential learnings the following materials and organisations:

1. **Global Reporting Initiative (GRI):** GRI's standards include several indicators related to human capital, which could serve as a starting point for the ISSB's project.
2. **Capitals Coalition:** The Capitals Coalition has developed the Natural Capital Protocol and the Social and Human Capital Protocol, which are comprehensive frameworks designed to help organizations identify, measure, and value their direct and indirect impacts and dependencies on natural capital and social and human capital. The Social and Human Capital Protocol, in particular, could provide valuable insights for the ISSB's project.
3. **International Labour Organization (ILO):** The ILO provides an authoritative framework that ensures provisions of minimum safeguards for workers.
4. **Workforce Disclosure Initiative (WDI):** The WDI is an investor coalition made up of 68 institutions, with USD\$10 trillion in assets under management. It aims to improve companies' reporting standards on workforce metrics and provides an online reporting platform for companies to disclose workforce and management data. The WDI system was positively referenced by several investors interviewed for the recent PRI paper [What data do investors need to manage human rights risks](#).
5. **Draft European Sustainability Reporting Standards (ESRS):** including S1 Own workforce and S2 workers in the value chain which specify disclosure requirements covering working conditions, equal treatment and opportunities and other work-related rights.

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

- 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.*

We are unable to provide a ranking of priorities of the identified subtopics as we have not been able to obtain a consensus from our outreach activities, however, we outline below considerations for subtopics which we have received the most feedback on:

- (i) **Labo(u)r Rights:** This includes safe working conditions, fair wages, and the right to collective bargaining. Violations of labour rights can lead to operational disruptions, legal liabilities, and reputational damage. On the other hand, businesses that respect labour rights can enhance productivity, employee engagement, and stakeholder trust.

- (ii) **Non-Discrimination and Equality:** This involves ensuring equal opportunities and treatment for all employees, regardless of their race, gender, age, religion, or other characteristics. Discrimination can lead to talent attraction and retention challenges, legal liabilities, and reputational risks. Conversely, businesses that promote equality can drive innovation, improve decision-making, and enhance their reputation.
 - (iii) **Modern Slavery:** This includes ensuring that serious exploitation, such as forced labour, is eliminated from business supply chains. Certain Australian entities are required to report on their assessment and how they address the risks that modern slavery practices may be occurring in its global and domestic operations and supply chains and the operations and supply chains of any entities it owns or controls.
- 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.*

Note our general comments are outlined in question 4b.

For example, when specifically considering human rights:

- (i) A manufacturing company operating in a country with weak labour laws may face significant risks related to labour rights. In contrast, a software company operating in a country with strong anti-discrimination laws may face greater risks related to non-discrimination and equality.
 - (ii) Of common importance to all businesses regardless of their industry or location, is a responsibility to respect human rights. Therefore, all businesses face risks and opportunities related to human rights compliance, due diligence, and remediation.
- c) *In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB's focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A36 should be utilised and prioritised by the ISSB in pursuing the project? Please select as many as applicable.*

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

In executing this project, should the ISSB adopt this project, it could leverage existing frameworks and standards including potential learnings the following materials and organisations:

1. **United Nations Guiding Principles on Business and Human Rights (UNGPs) and the associated UN Guiding Principles Reporting Framework:** The UNGPs are the universally accepted global standard for businesses to know and show that they respect internationally recognised human rights. Similarly, the UNGP Reporting Framework is an associated standard that provides investors with a comparable and measurable view of a company's understanding and management of human rights risks.
2. **OECD Guidelines for Multinational Enterprises on Responsible Business Conduct:** The OECD Guidelines are recommendations to businesses aimed to encourage positive contributions to economic, environmental, and social process, and to minimise adverse impacts on the matters covered in the Guidelines. The 2023 edition of the Guidelines provides updated recommendations for responsible business conduct across areas such as climate change, technology, business integrity and supply chain due diligence.
3. **United Nations Global Compact (UNGC):** The UNGC's Ten Principles include two principles on human rights, which call on businesses to respect human rights and avoid complicity in human rights abuses.
4. **World Business Council for Sustainable Development (WBCSD):** The WBCSD has developed various resources on human rights, including the CEO Guide to Human Rights, and the Business Commission Tackling Inequality which provides a framework for businesses to respect and support human rights.
5. **Capitals Coalition:** The Capitals Coalition's Social and Human Capital Protocol could provide valuable insights for the ISSB's project. This Protocol helps organizations understand their relationship with people and societies.
6. **Draft European Sustainability Reporting Standards (ESRS):** including S2 workers in the value chain, S3 affected communities and S4 consumers/end users which specify disclosure requirements such as working conditions, economic social and cultural rights and social inclusion.

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?*

As noted in our response to question 3 above, we suggest the ISSB uses the integrated reporting (<IR>) framework as the foundation for its strategic priorities. It is also critical for the ISSB to address the interconnectedness of sustainability topics within the application of IFRS S1 and S2.

- 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.*

As noted in our response to question 3, we suggest that if the integration in reporting is pursued, it should be a joint project between the IASB and the ISSB.

To avoid duplication and fragmentation of reporting and to achieve the goal of a global comprehensive corporate reporting system, connectivity between the two boards and prioritisation to utilise existing standards should be considered. Alignment can only be achieved if knowledge and skills are shared amongst the boards.

- 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?*

As noted in our response to question 1, we consider it critical for the ISSB to address the interconnectedness of sustainability topics within the application of IFRS S1 and S2. Understanding how these topics are integrated into the overall business model and risk management approach and how the impact is quantified and interwoven with the financial statements will be important. This approach will reduce duplication and foster holistic thinking.

IFRS S1 sets the baseline for consideration around future topics and has already incorporated language from the Integrated Reporting Framework. It emphasises the importance of integrated thinking and reporting, which can help businesses understand and communicate the interplay between different sustainability topics and financial statements.

We encourage the ISSB to consider the role and use of the Integrated Thinking Principles and support the project building on and incorporating concepts from the IASB's Exposure Draft Management Commentary.

Question 8 - Other comments

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

As noted above, we consider it important that a conceptual framework to articulate the objectives of sustainability-related financial disclosures and which brings together the current and future standards, will be critical to support interoperability and contribute to the achievement of a global baseline for sustainability-related financial disclosures.

Appendix B

Existing Australian sustainability reporting requirements

Environmental disclosures (voluntary)	Certification of net zero scope 1 emissions, undertaken through the Climate Active scheme
Environmental disclosures (mandatory)	Reporting on GHG emissions, energy production and energy consumption under the National Greenhouse and Energy Reporting Scheme . Climate-related financial risks and opportunities (currently voluntary but proposed to be progressively mandated from FY2024-25).
Social disclosures (mandatory)	Risks of modern slavery in operations and supply chains, and actions to address those risks (mandatory for organisations of a certain size) Gender equality reporting (metrics to be reported on will be expanded for organisations of a certain size from FY24 onwards).
Social disclosures (voluntary)	Reconciliation Action Plans with First Nations peoples

In addition, Australian companies often participate in a variety of survey and ratings processes with global agencies that are significant for their funding. This demonstrates the commitment of Australian businesses to transparency and accountability in sustainability reporting, but also highlights the need for more harmonized and consistent reporting standards.