



iGAAP in Focus

Sustainability reporting

ISSB seeks feedback on its agenda priorities

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This *iGAAP in Focus* outlines the contents of the Request for Information (RFI) *Consultation on Agenda Priorities*, published by the International Sustainability Standards Board (ISSB) in May 2023.

- The ISSB launched a public consultation to seek broad public input on the strategic direction and overall balance of its future work programme as well as sustainability-related matters the ISSB could take up by publishing a Request for Information (RFI)
- The ISSB is seeking views on:
 - The strategic direction and balance of ISSB activities for its next two-year work plan
 - The suitability of proposed criteria for assessing the priority of sustainability-related matters (including topics, industries and activities) that could be added to the ISSB's work plan
 - A proposed list of sustainability-related matters (including topics, industries and activities) that could be added to the ISSB's work plan
- The RFI also encourages respondents to share other comments on the ISSB's activities and work plan
- Comments on the RFI are requested by 1 September 2023

Background

As the ISSB prepares to issue its initial Standards—IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*—it is looking to continue its efforts in enhancing the global baseline of investor-focused sustainability disclosures with the next phase of research and standard-setting. To do so, the ISSB has published an RFI to solicit views on what its priorities should be for a two-year period commencing in 2024.

For more information please see the following websites:

www.iasplus.com

www.deloitte.com

The contents of the RFI are summarised below.

Contents of the RFI

Objective

The ISSB will develop and pursue its next two-year work plan subject to public consultation on agenda priorities (agenda consultation). The agenda consultation focuses on activities that form part of the ISSB's mission to deliver a comprehensive global baseline of sustainability-related financial disclosures that meet the information needs of an entity's existing and potential investors, creditors and other lenders—the primary users of general purpose financial reports.

The objective of this agenda consultation is to ask all those interested in sustainability-related financial reporting for their views on:

- The strategic direction and balance of the ISSB's activities
- The suitability of criteria for assessing which sustainability-related matters (including topics, industries and activities) to prioritise and add to the ISSB's work plan
- A proposed list of new research and standard-setting projects that could be added to the ISSB's work plan

Responses to the RFI will help the ISSB prioritise its activities for a two-year period. This period will commence in 2024 following determination of the work plan.

Strategic direction and balance of the ISSB's activities

The RFI states that as part of its next work plan, the ISSB's activities will primarily consist of:

- Beginning new research and standard-setting projects to research sustainability-related topics and, if appropriate, develop new sustainability-related disclosure requirements
- Undertaking foundational work:
 - Supporting the implementation of IFRS Sustainability Disclosure Standards (ISSB Standards) to help stakeholders obtain a common understanding of ISSB Standards and enable the delivery of the comprehensive global baseline of sustainability-related disclosures
 - Researching targeted enhancements to the ISSB Standards to support the enhancement of disclosures under ISSB Standards
 - Enhancing the Sustainability Accounting Standards Board (SASB) Standards
- Ensuring connectivity between the ISSB's and IASB's respective requirements to facilitate the delivery of a coherent and comprehensive system of general purpose financial reporting that includes sustainability-related financial information and financial statements
- Ensuring interoperability of the ISSB Standards with other sustainability standards to facilitate the delivery of the global baseline of sustainability-related disclosures that support interoperability with other jurisdictional and voluntary initiatives on sustainability-related disclosures
- Engaging with stakeholders to promote the global use of the Standards and obtain input for the development of high-quality sustainability-related reporting requirements

Questions for respondents

The ISSB asks stakeholders to rank in order of priority the following activities:

- Beginning new research and standard-setting projects
- Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2
- Researching targeted enhancements to the ISSB Standards
- Enhancing the SASB Standards

Stakeholders are asked to explain the reasons for the ranking order and specify the types of work the ISSB should prioritise within each activity. The ISSB also asks whether any other activities should be included within the scope of the ISSB's work.

Criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan

The ISSB evaluates a potential new research or standard-setting project for its work plan primarily to determine whether the project will meet the information needs of investors in making decisions about providing resources to an entity, in accordance with the objective of IFRS S1. The RFI sets out the following criteria the ISSB considers when assessing the priority of sustainability-related matters that could be added to its work plan:

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

Prioritising the potential projects that could be added to the work plan is a matter of judgement. Consequently, the relative importance of each criterion is likely to vary depending on the circumstances surrounding the potential project.

Observation

The criteria above are similar to those used by the IASB in its Third Agenda Consultation. These criteria are the primary consideration for determining the priority of projects to be added to the ISSB's work plan but given the importance of interoperability, the ISSB also considers the work streams of other jurisdictional and voluntary sustainability standard-setters and framework providers.

Questions for respondents

Respondents are asked whether the ISSB has identified the appropriate criteria. They are also asked whether the ISSB should consider any other criteria.

New research and standard-setting projects that could be added to the ISSB's work plan

The RFI includes the following proposed research and standard-setting projects that were identified as priority sustainability-related reporting matters by the ISSB through its research and outreach:

- Biodiversity, ecosystems and ecosystem services
- Human capital
- Human rights
- Integration in reporting

The ISSB could pursue new standard-setting for some or all of these matters, if appropriate. The ISSB has decided to seek feedback on this prioritised list of sustainability-related reporting matters, instead of making an open call to stakeholders to suggest focus areas or proposing a longer list of potential focus areas, not all of which the ISSB would have the capacity to make progress on in its new work plan. This is primarily to increase the efficiency with which the ISSB can gather, analyse and draw conclusions from the feedback. If there are other projects that stakeholders believe ought to be prioritised, these may be provided in response to the questions in the RFI. However, focusing the feedback on the prioritised list above will enable the ISSB to finalise its new work plan and begin new projects in a more timely way.

Questions for respondents

Stakeholders are being asked whether the ISSB should prioritise a single project in a concentrated effort to make significant progress on that, or whether the ISSB should work on more than one project and make more incremental progress on each of them.

If a single project, stakeholders are asked to identify which one should be prioritised. If more than one project, the RFI asks which projects should be prioritised and what is the relative level of priority.

Biodiversity, ecosystems and ecosystem services

Biodiversity, ecosystems and ecosystem services (BEES) are intrinsically linked. Biodiversity is a foundational characteristic of natural systems and it is a proxy for functional, productive and resilient ecosystems which are then able to provide the ecosystem services upon which life on earth relies.

Changes in BEES are likely to contribute to entities' sustainability-related risks and opportunities: all human activities—including economic activities—rely on BEES and, in turn, the effective preservation, conservation and restoration of BEES depends on people.

The interest in BEES among investors was confirmed by the ISSB's research and outreach activities. BEES emerged as a priority topic because it underpins all human activities, including business, and research and work on BEES and the related risks and opportunities for investors are evolving at a significant pace. Despite the significant progress of BEES-related research and work, a well-established and internationally accepted set of disclosure practices, tools and metrics has yet to emerge to facilitate understanding of how BEES affect an entity's financial position, performance and prospects over the short, medium or long term. An ISSB research project could focus on sustainability-related risks and opportunities associated with the topic of BEES to lay the groundwork for potential future standard-setting.

Potential BEES-related subtopics which might be included in the scope of this project are:

- Water (including freshwater and marine resources, and ecosystems use)
- Land-use and land-use change (including deforestation)
- Pollution (including emissions into air, water and soil)
- Resource exploitation (including material sourcing and circular economy)
- Invasive non-native species

In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers (such as the Global Reporting Initiative (GRI) or the Taskforce on Nature-related Financial Disclosures (TNFD)) to expedite the project, while taking into consideration the ISSB's focus on meeting the needs of investors. The indicative size of this project is large.

Observation

The RFI states that one of the additional resources that the ISSB could use for a research project on BEES is the work of the TNFD. In March 2023, the TNFD released the final draft of its risk management and disclosure framework, with the final framework expected to be published in September 2023.

A Deloitte *iGAAP in Focus* summarises the contents of the draft framework.

Questions for respondents

Stakeholders are asked which of the subtopics listed above should be given the highest priority. Stakeholders may suggest subtopics that have not been specified, including a short description of the subtopic (and the associated sustainability-related risks and opportunities) and 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.

The ISSB further asks whether stakeholders 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.

Stakeholders are also asked which of the materials or organisations referenced in the RFI should be utilised and prioritised by the ISSB in pursuing the project. Stakeholders can suggest materials that are not specified.

Human capital

Human capital refers to the people who make up an entity's own workforce, and, consistent with the Integrated Reporting Framework (IR Framework), the workforce's respective competencies, capabilities and experience, and motivations to innovate. How an entity manages and invests in its workforce can directly affect its ability to deliver value in the long term.

Institutional investors around the world increasingly seek information on human capital management in making investment decisions and many entities are seeking clearer guidance on how to prepare more effective disclosures about the management of their human capital.

The interest in these issues was confirmed by the ISSB's research and outreach activities, which identified human capital as a priority topic. Although reporting on human capital is increasing, investors said they do not have information that is sufficiently decision-useful and comparable to evaluate. An ISSB research project could focus on sustainability-related risks and opportunities associated with the topic of human capital to lay the groundwork for potential future standard-setting.

Within the scope of this project, a list of subtopics that might be prioritised includes:

- Worker wellbeing (including mental health and benefits)
- Diversity, equity and inclusion (DEI)
- Employee engagement
- Workforce investment
- The alternative workforce
- Labour conditions in the value chain
- Workforce composition and costs

In the ISSB's research and outreach work, DEI emerged as an area of particular interest to investors within the overall topic of human capital. The ISSB could initially prioritise research on DEI, before further researching other human capital topics. Stakeholder feedback in response to the RFI will inform the ISSB's decisions regarding the scope of this project.

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. The indicative size of this project is large.

Questions for respondents

Respondents are being asked which of the subtopics listed above should be given the highest priority. Stakeholders may also suggest subtopics that have not been specified including a short description of the subtopic (and the associated sustainability-related risks and opportunities), 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.

The RFI asks whether stakeholders 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.

The ISSB also asks which of the materials or organisations referenced in the RFI should be prioritised by the ISSB in pursuing its research. Stakeholders can suggest materials that are not specified.

Human rights

The United Nations defines human rights as the basic rights and freedoms that belong to every person by virtue of being a human being. These universal rights range from the most fundamental—for example, the right to life—to those that make life worth living, such as the rights to food, education, work, health and liberty. A range of human rights issues are likely to contribute to entities' sustainability-related risks and opportunities and inform investment decisions.

Entities may have processes in place to manage human rights-related risks according to national laws or international instruments providing guidelines. Nevertheless, entities are increasingly challenged to manage these risks as international economies become more interconnected and supply chains become more complex. This situation creates increasing risks for entities that do not have appropriate due diligence processes and practices in place. The effects of human rights-related risks on financial position and performance are materialising in the form of, for example, significant reductions in share price in response to investigations on harsh working conditions.

In such a context, a growing number of investors view human rights information as relevant to their assessments and related decision making. An ISSB research project could focus on human rights to identify sustainability-related risks and opportunities and related information relevant to investors. 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. The indicative size of this project is large.

Questions for respondents

Stakeholders are asked whether, within the topic of human rights, there are any particular subtopics or issues that should be prioritised in the ISSB's research. The ISSB ask for a short description of the subtopic (and the associated sustainability-related risks and opportunities), an assessment of 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.

The RFI asks whether stakeholders 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.

Stakeholders are also asked which of the materials or organisations referenced in the RFI should be prioritised by the ISSB in pursuing its research. Stakeholders can suggest materials that are not specified.

Integration in reporting

The IFRS Foundation is working towards creating an integrated, coherent and comprehensive system of corporate reporting that provides a holistic and transparent view of how an entity creates value over time. The ISSB has included concepts from the IR Framework in IFRS S1 and requirements for 'connected information' in IFRS S1 and IFRS S2.

Integration in reporting encompasses where, what and how information on value creation can be connected through conceptual and operational linkages. Furthermore, it includes the collective consideration of the interdependencies, synergies and trade-offs between the various resources and relationships reported on in general purpose financial reports and how the value that an entity creates for itself and for its investors is inextricably linked to the value the entity creates for other stakeholders, society and the natural environment. Integration in reporting can ensure that connections between financial and sustainability performance are explicitly, efficiently and effectively communicated in a manner that is more easily understood by an entity's investors. Feedback in outreach indicates that stakeholders continue to be interested in the future of the IR Framework in the new reporting landscape created by the ISSB Standards.

The research project on integration in reporting could build on the progress already achieved in IFRS S1 and IFRS S2 with respect to connected information to develop guidance on how entities might bring sustainability-related financial information together with other qualitative and quantitative financial information. This project could also lead to establishing a corporate reporting framework that integrates disclosure across one or more documents.

In pursuing the project, the ISSB could consider the materials and projects of the IFRS Foundation, including the IR Framework and the IASB's Exposure Draft *Management Commentary*. If considered appropriate, the ISSB could work with the IASB in pursuing this project as a formal joint project with joint decision making. Alternatively, the ISSB could pursue this project and coordinate with the IASB to exchange information and obtain input to inform the ISSB's decision making, as appropriate. The indicative size of this project is large, so there is a potential trade-off between the ISSB's ability to advance the project and build on its suite of sustainability-related Standards as part of the next two-year work plan.

Questions for respondents

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 standards are developed, it could also help realise the full value of the IFRS Foundation's suite of materials. Stakeholders are therefore asked whether the ISSB should prioritise advancing the integration in reporting project in relation to the three sustainability-related topics above as part of its new two-year work plan.

In light of the coordination efforts required, stakeholders are asked whether they think that the project 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)

In pursuing the project on integration in reporting, the RFI asks stakeholders whether they think that the ISSB should build on and incorporate concepts from the IASB's Exposure Draft *Management Commentary*, the IR Framework or any other sources. If yes, stakeholders should describe any particular concepts that they think the ISSB should incorporate in its work.

Other comments

Stakeholders are asked whether they have any other comments on the ISSB's activities and work plan.

Comment period and next steps

The deadline for responses to this agenda consultation is 1 September 2023.

The ISSB expects to discuss feedback on the RFI at public meetings in the second half of 2023. Following deliberations, the ISSB will publish a Feedback Statement summarising that feedback, its activities, and its agreed two-year work plan.

Further information

If you have any questions about the ISSB's agenda consultation, please speak to your usual Deloitte contact or get in touch with a contact identified in this *iGAAP in Focus*.

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- Deloitte's authoritative, up-to-date, iGAAP manuals which provide guidance for reporting under IFRS Standards
- Model financial statements for entities reporting under IFRS Standards

In addition, our [sustainability reporting](#) volume of iGAAP provides guidance on disclosure requirements and recommendations which businesses must consider in light of the broader environmental, social and governance matters which can significantly drive the value of an entity.

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