



To the International Sustainability Standards Board
Frankfurt, Germany

Submitted electronically

Subject: Eumedion response to the ISSB's Inaugural Agenda Consultation
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The Hague, 31 August 2023

Dear Members of the ISSB,

Eumedion appreciates the opportunity to respond to your Consultation on Agenda Priorities ('Agenda Consultation') and to acknowledge the significant progress the ISSB has made, particular in the publication of the high quality standards S1 General Requirements (S1) and S2 Climate-Related Disclosures (S2), with the constructive collaboration with EFRAG, and by fostering global adoption, as evidenced by IOSCO's recent endorsement assessment¹.

Eumedion is the dedicated representative of the interests of 51 institutional investors, all of whom are committed to a long term investment horizon. Collectively, our participants invest over € 8 trillion of capital in equity and corporate non-equity instruments. Eumedion aims to promote good corporate governance and corporate sustainability at the companies our participants invest in.

We regard globally recognised financial and sustainability standards as critical elements in a global financial infrastructure, since investors are dependent on the quality of such standards for allocating their own and entrusted capital. Global standards are instrumental for responsible and engaged investors to effectively live up to their fiduciary duties. Please find our responses to some of the questions in your Agenda Consultation below.

¹ <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD741.pdf>

If you would like to discuss our views in further detail, please do not hesitate to contact us. Our contact person is Martijn Bos (martijn.bos@eumedion.nl, +31 70 2040 304).

Yours sincerely,

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Eumediton responses to selected questions in the agenda consultation

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.

Eumediton gives the highest priority to activity (i) and subsequently (ii), (iii), and (iv).

The first priority: (i) beginning new research and standard-setting project

The quality of the standards S1 and S2 gives us strong confidence that there is more merit for stakeholders in the ISSB focusing on covering additional ground with new research and standard setting activity than with fine-tuning S1 and S2. Even though S1 and S2 pose a strong start, most of the work still needs to be accomplished. The ISSB was not designed to focus solely on climate issues; hence, initiating new projects will better demonstrate its broader ambitions.

It is our impression that there is a constructive collaboration between the ISSB and the European Commission and there is a willingness to align as much as possible. However, global adoption will largely depend on the quality of the ISSB standards, and we consider the IFRS S1 and IFRS S2 as examples of this. The future evaluation of the European Sustainability Reporting Standards may well provide an opportunity to further reduce differences between Europe and ISSB's standards where possible.

Second priority: (ii) supporting the implementation of ISSB Standards IFRS S1 and IFRS S2

The success of the ISSB ultimately depends on jurisdictions adopting its standards. Most jurisdictions will bank heavily on their security markets regulator for advice and look towards (listed) entities for feasibility and costs. Evidence that the ISSB standards can be implemented will strengthen the case for adopting ISSB standards as a mandatory framework. Most companies are for the first time facing the prospect of mandatory sustainability standards. Standard setting is not a 'fire-and-forget' endeavour. It is therefore of great importance that the ISSB addresses any needs for clarification of its standards from preparers; thereby supporting companies in their first time adoption of its inaugural standards.

Third priority: (iii) researching targeted enhancements to the ISSB Standards

We expect that most implementation issues can be overcome with clarifications and possibly updates to application guidance, especially because of the thorough due process that precedes any final ISSB standard. In some cases there may be a need to adjust standards. Given the rather dynamic nature of sustainability reporting, this process of annual improvements, and post-implementation reviews (PIR) should proceed at a fast pace; more expedient than the PIRs seen in the financial reporting arena.

Even though we attach the lowest priority to (iv) enhancing the SASB industry standards, we recognise that industry standards are a fundamental element of the (future) ISSB's activities. It is further important to notice that there already are thousands of companies applying the SASB standards and there is an existing infrastructure. However, the starting point for standard setting activities should in our view be the ISSB's thematic standards. These are, by their very nature, industry-agnostic. Only after it is evident what topics will be covered by a thematic standard, it becomes opportune for the ISSB to devote time to filling out certain remaining gaps in servicing the industry-specific information needs of investors. This approach may result in more feedback from stakeholders as the consultation process on the generic standard will have grown their understanding with the subject matter.

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?

Table 2—The ISSB's proposed criteria

The ISSB considers seven criteria in deciding whether a potential project will meet investors' needs	
1	the importance of the matter to investors
2	whether there are any deficiencies in the way companies disclose information on the matter
3	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
4	how pervasive or acute the matter is likely to be for companies
5	how the potential project interconnects with other projects in the work plan
6	the complexity and feasibility of the potential project and its solutions
7	the capacity of the ISSB and its stakeholders to progress the project in a timely way

We agree with the proposed criteria and have no suggestions for other criteria.

Question 3—New research and standard-setting projects that could be added to the ISSB’s work plan

Paragraphs 27–38 provide an overview of the ISSB’s approach to identifying sustainability-related research and standard-setting projects. Appendix A describes each of the proposed projects that could be added to the ISSB’s work plan.

- (a) Taking into account the ISSB’s limited capacity for new projects in its new two-year work plan, should the ISSB prioritise a single project in a concentrated effort to make significant progress on that, or should the ISSB work on more than one project and make more incremental progress on each of them?
 - (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).

We see a clear need for the ISSB to cover all of the four suggested projects as all of them are important to investors. Our priorities are (3) Human Rights, (4) Integration in reporting, (1) Biodiversity, and (2) Human capital. This priority is largely based on the challenges our participants currently encounter in finding comparable information in corporate reports. We expect ISSB standards for reporting on Human Rights will be very beneficial for the currently rather low quality of and lack of comparability in reporting. There is also significant room for improvement in reporting on Human Capital, especially as it concerns nearly all reporting entities. For example attrition rates, and employee engagement/satisfaction indicators seem to us as obvious topics for standard setting activity. However, the evident potential upside in the quality of reporting is slightly less as some companies already tend to elaborate to varying extent on this theme.

Eumedion attaches the second highest priority to integrated reporting. Investors need to consider financial and sustainability information in the full context of the company for their decision making. We see a project that creates IFRS Integrated Reporting standards as instrumental for addressing such need. We consider the 2021 Exposure Draft ‘Management Commentary’ as an excellent starting point. We also attach a strong brand value to ‘integrated reporting’, compared to the less widely applied ‘management commentary practice statement’.

We would like to raise your attention to one particular element that is present in the IIRC’s <IR> Framework, which is not explicitly mentioned in the ED Management Commentary or in IFRS S1: understanding the reporting entity’s competitive landscape and market positioning². This competitive landscape should not only be seen in terms of the immediate financial dynamics of business processes and technologies of the reporting entity, but also in terms of the sustainability profile of the reporting entity versus its competitors. Investors would consider the relevance of such information as very high for their decision-making, including decisions to engage with management. There is a lot to win as the quality of reporting on competitive landscape and market positioning varies greatly from being mostly absent in many cases to quite extensive in rather few cases.

² Paragraph 4.5 in the IIRC’s <IR> Framework: ‘Competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, and the intensity of competitive rivalry)’ <https://www.integratedreporting.org/wp-content/uploads/2021/01/InternationalIntegratedReportingFramework.pdf>

We consider biodiversity interrelated with and possibly as important as climate. So, there is a clear need for ISSB standards on this topic. Since there already is a climate standard, we have a slight preference to prioritise sustainability themes of a different nature first, before endeavouring into biodiversity.

We can imagine that the ISSB can work on two and possibly three projects in parallel without jeopardising the timely completion of such projects.

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?
- (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 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?

Ad a), b) We agree that standards that foster connectivity between topics within the corporate report are important for the report’s quality. However, we have no strong views on how this should be organised.

Ad c) We refer to our response to question 3.

Question 8—Other comments

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

A key topic that appears to be missing is governance. Each of the topics can be expected to mirror the TCFD format which has numerous requirements to provide insight into the governance characteristics of the particular themes. However, this leaves the overall governance characteristics of the reporting entity as a blank spot on the map. The Integrated Reporting Framework is more adequate on governance, whereas the draft management commentary practice statement is too light on governance.

We see no immediate priority to drafting a separate conceptual framework (CF) for the ISSB. We consider it unlikely that the revised IASB's CF would have been of such high quality, if the IASB had not first undertaken substantial standard-setting activity. We applaud the practical approach of the ISSB in S1 towards building on and referring to the IASB's CF.

In line with EFRAG's call for a clear direction of travel, we would like to suggest that the IFRS Foundation formulates a longer-term envisaged IFRS map so stakeholders can better understand where current and future projects fit in and, to the extent that there is such visibility, which Board(s) will be responsible. Such map could include the following (investor-focused) elements:

- a) Standards for integrated reporting;³
- b) standards for financial reporting: general requirements, industry-agnostic standards, the IASB's CF;
- c) standards for sustainability reporting: general requirements, thematic standards, and industry-specific standards;
- d) the taxonomy for financial reporting to facilitate the consumption of digital reporting;
- e) a very similar taxonomy for integrated reporting and sustainability-related reporting.

³ Such requirements may to some extent well be location-agnostic in line with the approach already suggested in the IASB's Management Commentary Exposure Draft.