

Öffentliche Diskussion

ISSB-Agendakonsultation

ED „Methodology for Enhancing the International Applicability of SASB Standards”

28. Juni 2023, 10.00 Uhr bis 13.15 Uhr

Herzlich Willkommen!

10:00 – 10:10 Uhr: Begrüßung *G. Lanfermann (Präsident des DRSC)*

10:10 – 10:30 Uhr: Vorstellung der Inhalte der ISSB-Agendakonsultation *J. Bofinger-Schuster (Mitglied des ISSB)*

10:30 – 10:45 Uhr: Meinungsbild von EFRAG und DRSC *Prof. Dr. K. Lopatta (Universität Hamburg, Stellvertretende Vorsitzende EFRAG SRB) und K. Schwedler (Forschungsdirektorin des DRSC)*

10:45 – 11:30 Uhr: Diskussion mit allen Teilnehmern *Diskussionsleitung: G. Lanfermann*

11:30 – 11:45 Uhr: Pause

11:45 – 12:05 Uhr: Vorstellung der Inhalte des ED „Methodology for Enhancing the International Applicability of SASB Standards” *J. Bofinger-Schuster*

12:05 – 12:20 Uhr: Meinungsbild von EFRAG und DRSC *Prof. Dr. K. Lopatta und Dr. K. Beiersdorf (Technische Direktorin des DRSC)*

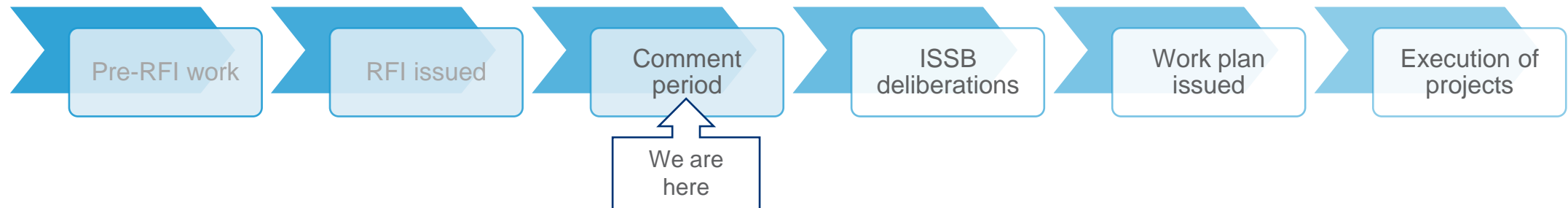
12:20 – 13:05 Uhr: Diskussion mit allen Teilnehmern *Diskussionsleitung: G. Lanfermann*

13:05 – 13:15 Uhr: Zusammenfassende Schlussworte *G. Lanfermann*

Vorstellung der Inhalte der ISSB- Agendakonsultation

*J. Bofinger-Schuster
(Mitglied des ISSB)*

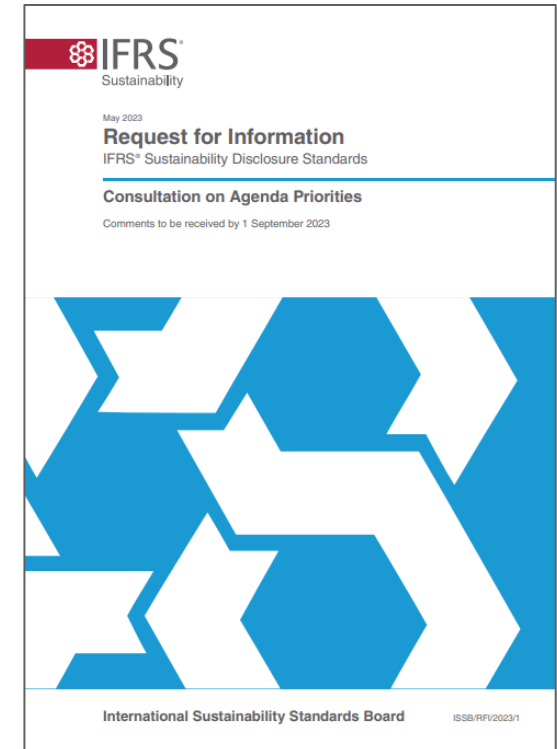
ISSB consultation on agenda priorities - Overview



- As part of its initial consultation on agenda priorities, the ISSB has issued a Request For Information (RFI) to inform its work plan for the **two years** following consultation.
- The RFI includes appropriate background information and questions to help stakeholders comment on the RFI and ensure the ISSB obtains sufficient feedback to make sound decisions.

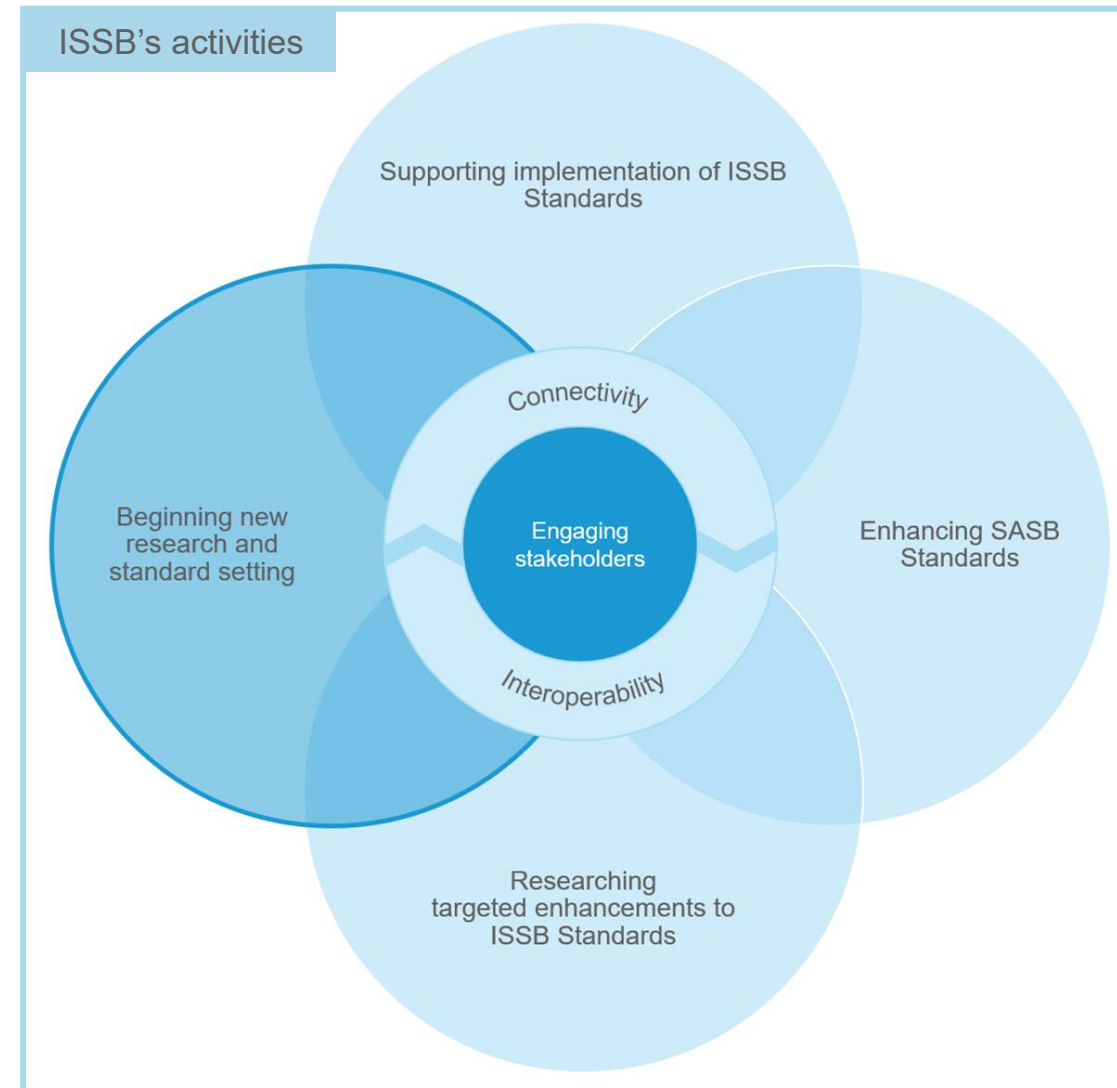
ISSB is seeking feedback on

- 1 Strategic direction and balance of the ISSB's activities
- 2 Criteria for assessing the priority of new projects
- 3 Priority, scope and structure of potential new research and standard-setting projects



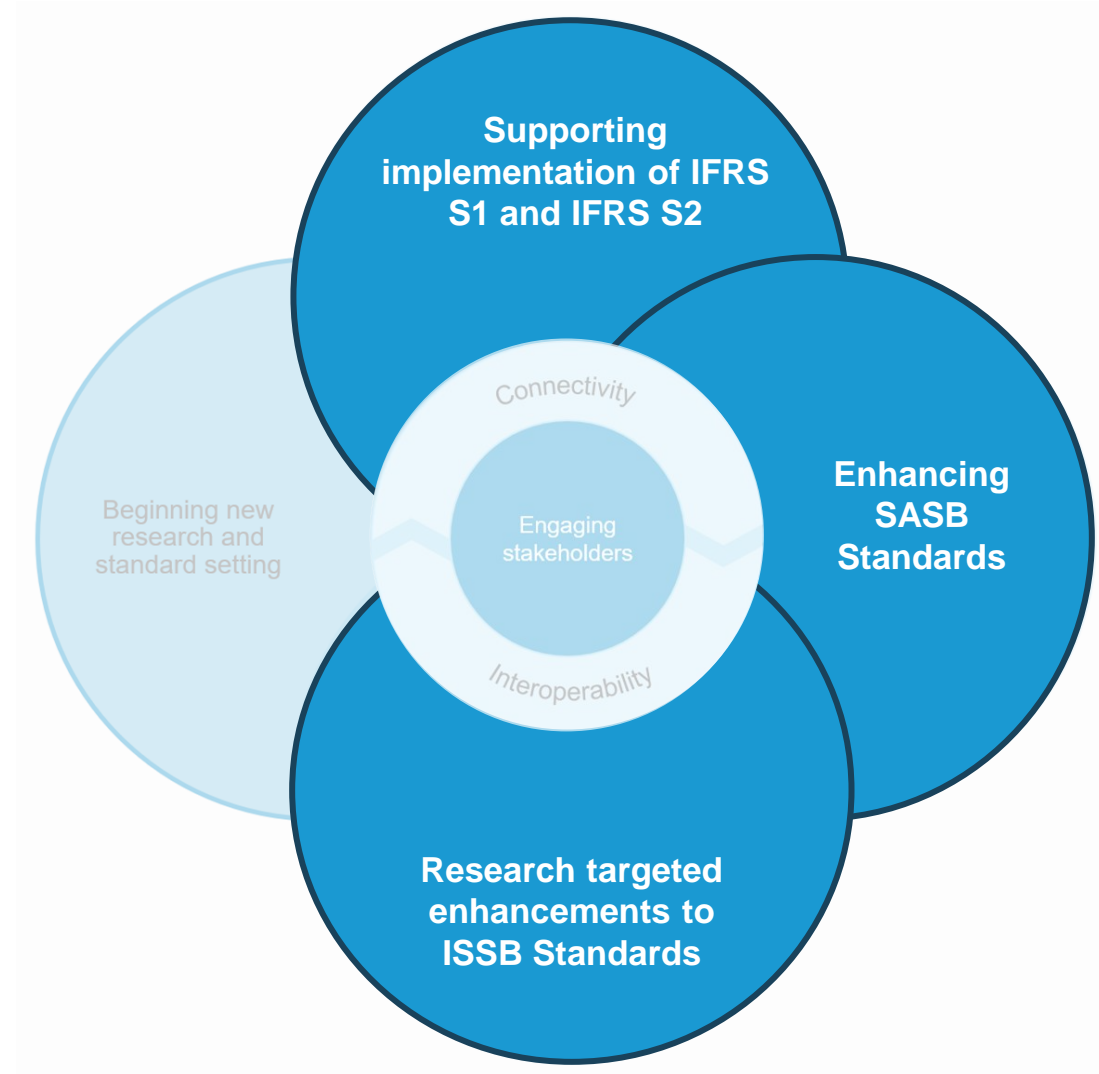
1 Strategic direction and balance of work plan

- Strategic direction to deliver a comprehensive global baseline of sustainability-related disclosures
- How to prioritise activities (*committed work* and *new research projects*)
- Trade-offs to determine the balance of primary activities
- New work plan will cover the first two years following consultation



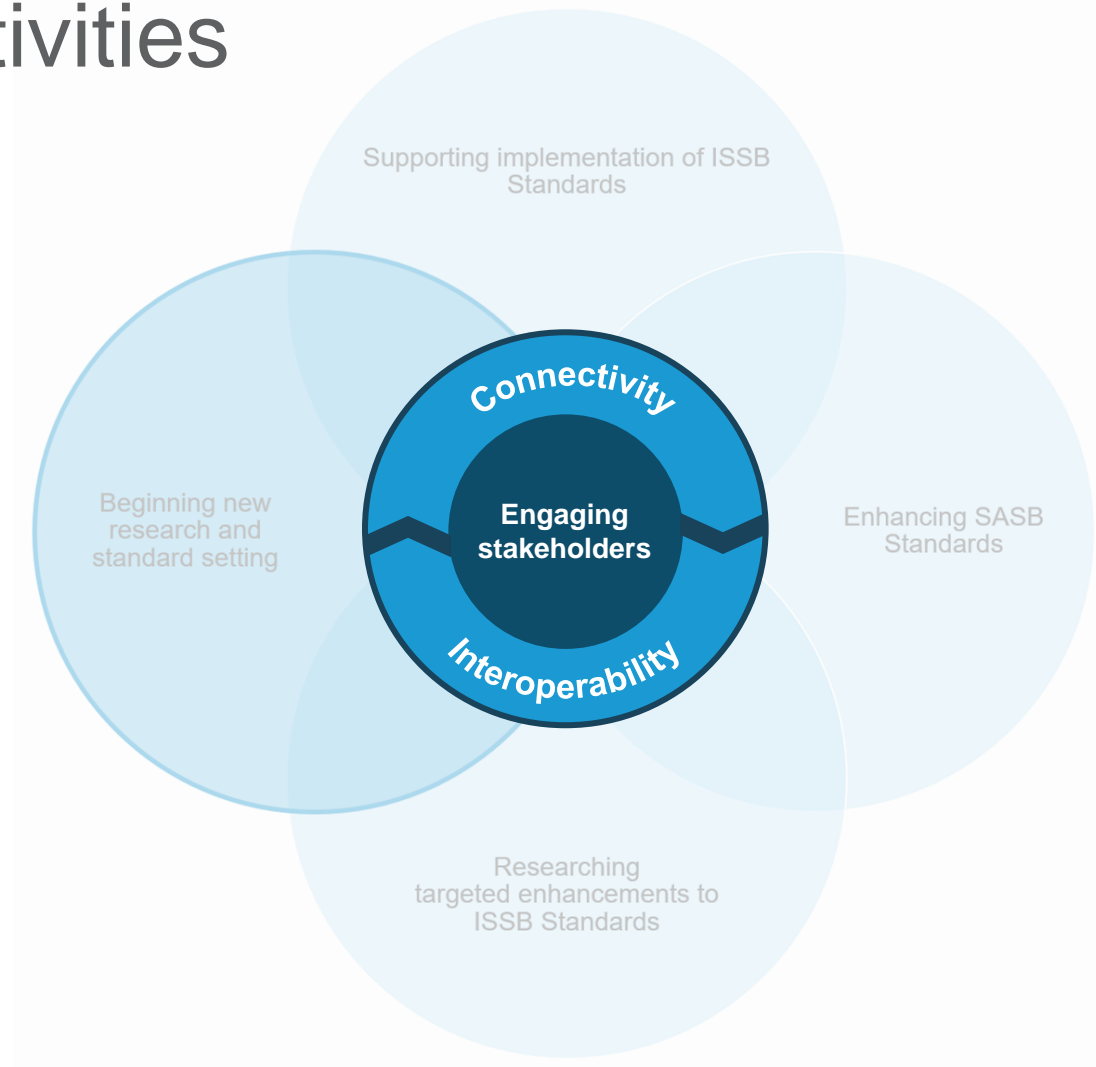
Committed activities

- To help stakeholders obtain a **common understanding of ISSB Standards** and enable the delivery of the comprehensive global baseline of sustainability-related.
- Support the enhancement and maintenance of **SASB Standards**, by enhancing their international applicability and advancing SASB standard-setting projects.
- Support the **enhancement** of disclosures under **ISSB Standards** by continuing research and outreach by assessing IFRS S2 for targeted enhancements for the disclosure of climate-adjacent risks and opportunities.



Committed activities – core activities

- **Connectivity:** Collaborating with the IASB to facilitate the delivery of a coherent and comprehensive system of general purpose financial reporting that includes sustainability-related financial information disclosures and financial statements.
- **Interoperability:** Working with other jurisdictional and voluntary sustainability standard-setters and framework providers to facilitate the delivery of the global baseline of sustainability-related disclosures that support interoperability.
- Consulting and **engaging with stakeholders** to promote the global use of the ISSB Standards and obtain input for the development of high-quality sustainability-related reporting requirements.



2 Criteria for assessing new projects

The criteria used to assess proposals for inclusion in its work plan are (based on those used by the IASB):

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 **type of companies** that the matter is likely to affect, including whether the matter is more prevalent in some **jurisdictions** than others;
4. how **pervasive or acute** the matter is likely to be for companies;
5. the potential **project's interaction** with other projects on the ISSB's work plan (or on the IASB's work plan);
6. the **complexity** and **feasibility** of the potential project and its solutions; and
7. the **capacity** of the ISSB and its stakeholders to make timely progress on the potential project.

Workstreams of other jurisdictional and voluntary sustainability standard setters and framework providers are also considered.

3 New research and standard setting projects

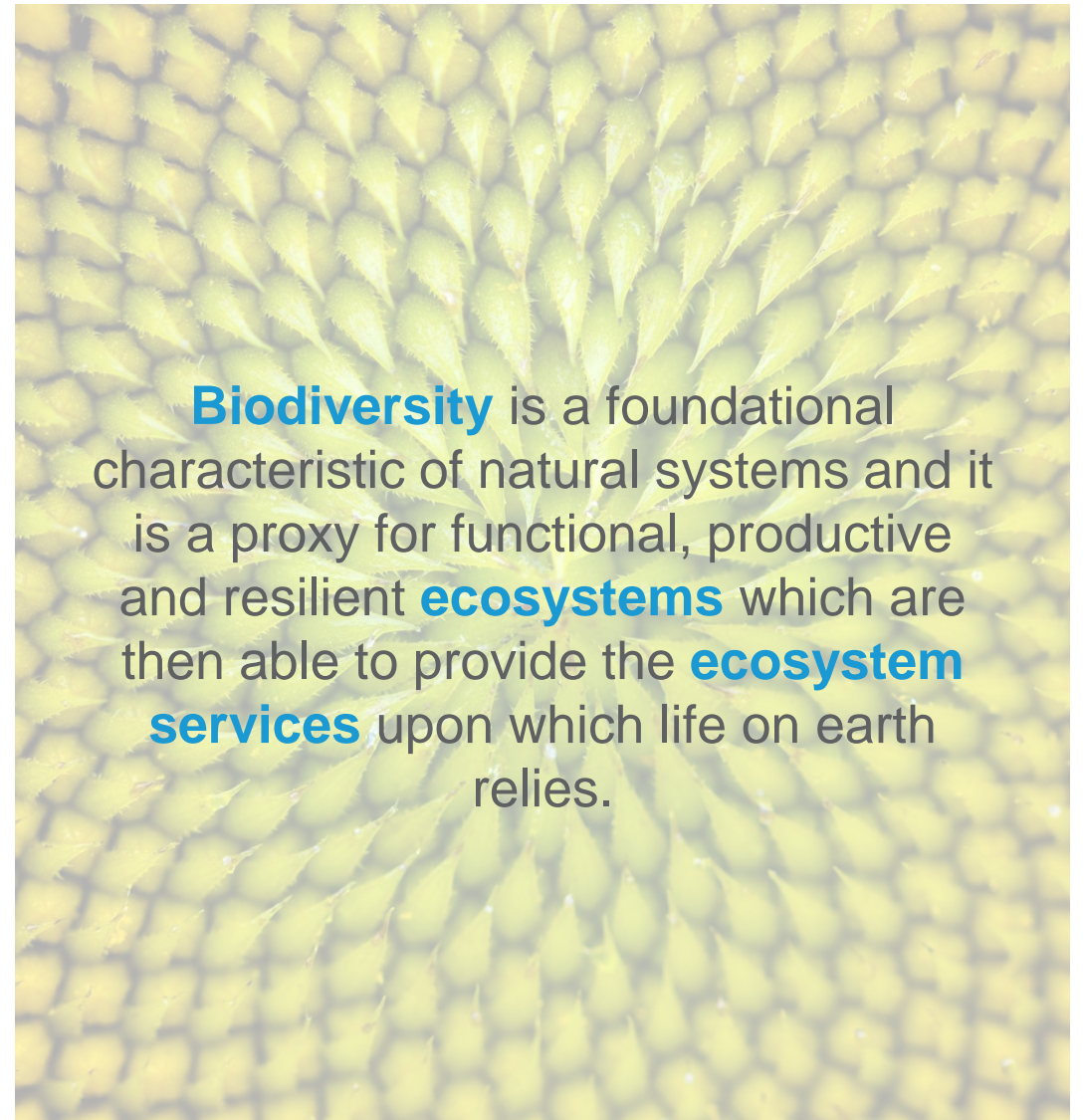
The RFI includes description of and seeks feedback on:

- research projects on the sustainability-related risks and opportunities associated with:
 - biodiversity, ecosystems and ecosystem services;
 - human capital;
 - human rights; and
- a research project on integration in reporting.



Biodiversity, ecosystems and ecosystem services (BEES)


- Biodiversity loses a threat to financial stability
- Human activities directly and indirectly contributed to changes in BEES
- Companies can contribute to and benefit from preservation, conservation and restoration
- Effective disclosure could increase business resilience due to stability of raw material supply and pricing
- Potential **subtopics** include: water, land-use and land-use change, pollution, resource exploitation, invasive non-native species



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.

Human capital

- Human capital considerations can affect value by enhancing a company's ability to:
 - attract and retain talent
 - design, market and deliver products and services
 - strengthen community relations
 - innovate
 - identify risks
 - increase productivity
 - make cost savings
- Potential **subtopics** include worker wellbeing; diversity, equity and inclusion; employee engagement; workforce investment; the alternative workforce; labour conditions in the value chain; workforce composition and costs.



Human capital refers to the people who make up a company's own workforce, and the workforce's respective competencies, capabilities and experience, and motivations to innovate.

Human rights

- Human rights matters can affect:
 - risks and opportunities
 - value and reputation
 - license to operate
- Research would focus on how human rights lead to companies' sustainability-related risks and opportunities, including how they vary by jurisdiction or business model.
- Research aims also to understand existing practices, tools and metrics.

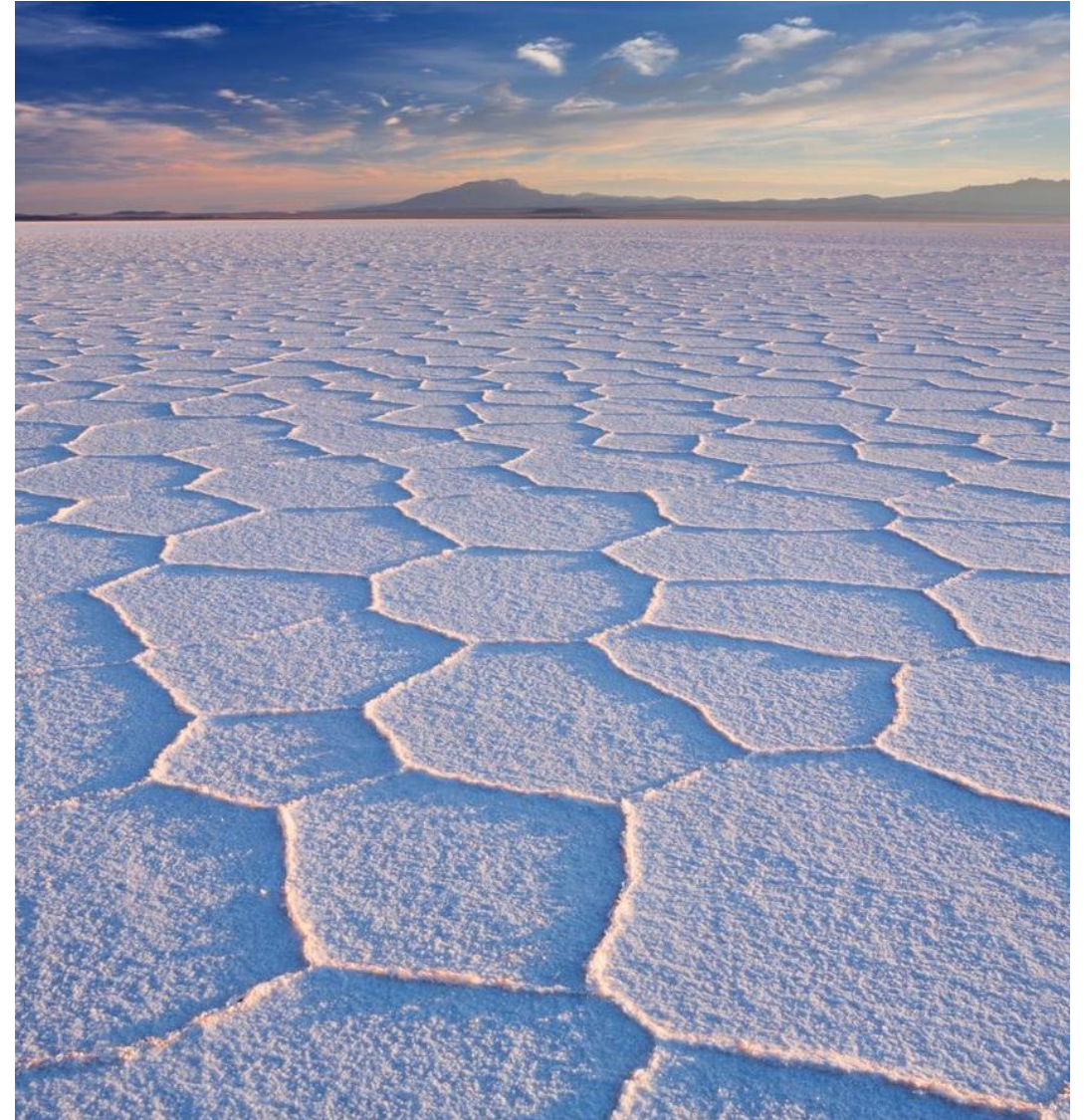


Human rights are the basic rights and freedoms that belong to every person by virtue of being a human being.

These universal rights range from the most fundamental, e.g. the right to life, to those that make life worth living, such as the rights to food, education, work, health, and liberty.

Integration in reporting

- This project will support integrated disclosures beyond the requirements on connected information in the financial statements and sustainability-related financial disclosures, that are included in S1 and S2.
- Integration in reporting not only encompasses where, what and how information on value creation can be connected through conceptual and operational linkages, but also the interdependencies, synergies and trade-offs between:
 - different resources and relationships; and
 - the ways in which the value that a company creates for itself and for its investors is inextricably linked to the value it creates for other stakeholders, society and the natural environment.



3 New research and standard setting projects

The RFI seeks feedback on:

- relative priority of the potential projects to inform ISSB's **resource allocation**;
- for the three **sustainability-related subject matters** :
 - relative priority of subtopics, industries or sectors;
 - priority of related materials and standards of other jurisdictional and voluntary standard-setters and framework providers;
- for the project on **integration in reporting**:
 - relative priority and timeliness of advancing this project in the context of ISSB's mission to build out suite of 'sustainability' standards;
 - whether and how the ISSB should work with the IASB;
 - whether project should utilise IASB's Exposure Draft *Management Commentary*, the Integrated Reporting Framework, both or other materials in pursuing this work.

3 New research and standard setting projects

In developing their response to the RFI, it is important that stakeholders consider that:

- all four new projects are considered to be **large, resource intensive projects**
- all four new projects are ‘**research projects**’
- one of the goals of the new research projects will be to **better understand the overlap** between topics and subtopics (for example, human rights and human capital)
- ISSB will leverage and build upon materials of the ISSB and other standard setters and framework providers to expedite the work, as appropriate
- based on RFI feedback, ISSB may decide to **add only one or two projects** to its work plan
- projects that are not included in the current RFI or that are not added to the ISSB’s work plan should not be seen as ‘off the table’ for future work plans
- **primarily seeking feedback on the four new projects**; however, commenters may suggest other projects
- feedback that explains the importance of the projects in the context of **meeting investors’ information needs** is particularly useful

Meinungsbild von EFRAG

*Prof. Dr. K. Lopatta
(Universität Hamburg, Stellvertretende Vorsitzende
EFRAG SRB)*

Strategic direction and balance of ISSB's activities

- Rank proposed activities from highest to lowest priority
- Explain your reasons for ranking
- Other activities?
- ISSB to publish overall direction of travel in sustainability reporting
- Provide timetable needed to develop a full set of standards
- Priorities as defined by EFRAG:
 - New research and standard-setting, including connectivity
 - Supporting implementation of IFRS S1 and IFRS S2
 - Enhance SASB standards, sector approach recommended
- No other activities identified.

Selection criteria for new projects

- Does ISSB identify the right criteria?
- Any other criteria to be considered?
- Criterion of interoperability to be added
- With regard to the criterion « importance of the matter to investors », include investors' interest in impact materiality



New research and standard setting

- New projects considered:
 - Biodiversity, ecosystems and ecosystem services
 - Human capital
 - Human rights
 - Integration in reporting
- Which project(s) to prioritise?
- EFRAG does not put forward a prioritisation
 - EFRAG develops the ESRS under a comprehensive coverage in accordance with the CSRD
- Interoperability and synergies with other standard-setting initiatives can drive priority



New research and standard-setting: biodiversity, ecosystems and ecosystems services (BEES)

- As part of the proposed scope of BEES, which subtopics are more important?
- Are sustainability risks and opportunities the same/different across business models?
- Provide a list of materials to be considered.
- EFRAG disagrees with the catch-all approach to the scope description
- We suggest to consider [draft] ESRS Biodiversity and Ecosystems
- Alternatively, rename to Nature and align with TNFD
- Border between subtopics and sub-subtopics of sustainability matters represents dividing line between agnostic and sector-specific area

New research and standard-setting : human capital

- As part of the proposed scope of human capital, which subtopics are more important?
- Are sustainability risks and opportunities the same/different across business models?
- Provide a list of materials to be considered.
- Support for inclusion of social topics in scope
- Intrinsic linkage between human capital and human rights > unbundling could extend misunderstandings on the inter-relationship
- Alignment with ESRS S1 for interoperability reasons
- Border between subtopics and sub-subtopics of sustainability matters represents dividing line between agnostic and sector-specific area

New research and standard-setting: human rights

- As part of the proposed scope of human rights, which subtopics are more important?
- Are sustainability risks and opportunities the same/different across business models?
- Provide a list of materials to be considered.
- Considering importance of human rights to value creation:
 - Adopt a clear architecture aligned with the ESRS framework
 - Follow the OECD Guidelines and UN Guiding Principles on Business and Human Rights



Integration in reporting

- How to prioritise integration in reporting vis-à-vis other projects?
- Should it be a joint project with IASB?
- Should the project:
 - Include concepts from IASB's ED on Management Commentary?
 - Integrated Reporting Framework?
 - Other?
- Connectivity (not integration in reporting) is a high priority
- Connectivity is a foundational and strategic activity for both ISSB and IASB
- EFRAG recommends to incorporate concepts from both Management Commentary and Integrated Reporting Framework

Meinungsbild des DRSC

K. Schwedler
(Forschungsdirektorin des DRSC)

Strategische Ausrichtung und Ausgewogenheit der ISSB-Aktivitäten

- Priorisierung der Aktivitäten zur Unterstützung der Umsetzung von IFRS S1 und S2 (Erfahrungen aus den Umsetzungsprozessen sollen in die künftige Standardsetzung zu weiteren Themen einfließen und damit die Qualität und insb. Praktikabilität der Standards gewährleisten)

Kriterien zur Bestimmung der Priorität neuer ISSB-Projekte

- Zustimmung zu den Kriterien, die den Kriterien der IASB-Agendakonsultation weitgehend entsprechen
- Verweis auf Bedeutsamkeit der Interoperabilität im Hinblick auf die Zielstellung des ISSB, eine Global Baseline bereit zu stellen, aber kein Erfordernis der zwingenden Aufnahme von Interoperabilität in den Kriterienkatalog

Neue Forschungs- und Standardsetzungsaktivitäten

- Priorisierung einzelner Themen zielführend
- Bewertung anhand der Relevanz für Investoren/des Chancen- und Risikopotenzials für Unternehmen; Verweis, dass auch soziale Themen hohes Chancen- und Risikopotential besitzen
- Auswahl weiterer Umweltthemen in Verbindung zu klimabezogenen Themen (ermöglicht ganzheitliche Themenbefassung im Prozess des Standardwerkaufbaus)

Welche Fragen, Anmerkungen und Positionen haben Sie?

Pause

11:30 bis 11:45 Uhr

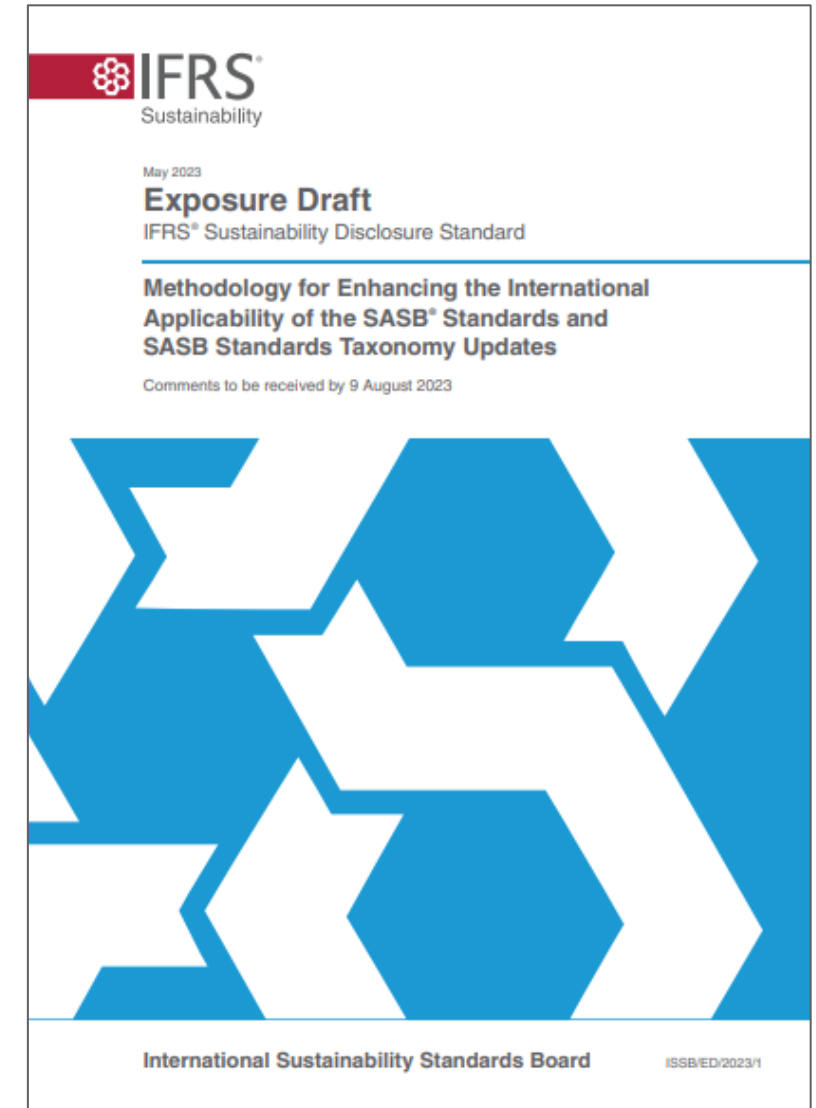
Vorstellung der Inhalte des ED „*Methodology for Enhancing the International Applicability of SASB Standards*”

*J. Bofinger-Schuster
(Mitglied des ISSB)*

ISSB published ED for Enhancing International Applicability of SASB standards

Exposure Draft:

- seeks to enhance international applicability of non-climate related metrics in the SASB Standards for usage regardless of jurisdiction or type of generally accepted accounting principles (GAAP)
- sets out methodology for amending SASB Standards metrics to enhance international applicability; excludes all SASB Standards metrics included in IFRS S2
- builds on approaches used to enhance the international applicability of the industry-based climate-related disclosures, as described in Appendix B of IFRS S2 (refined based on feedback on Draft IFRS S2).
- includes approach for updating the digital SASB Standards Taxonomy to reflect amendments allowing to digitally tag information for machine-readability



Methodology for enhancing SASB international applicability

Revision Approaches

1

International reference

2

By definition

3

Jurisdictional specification

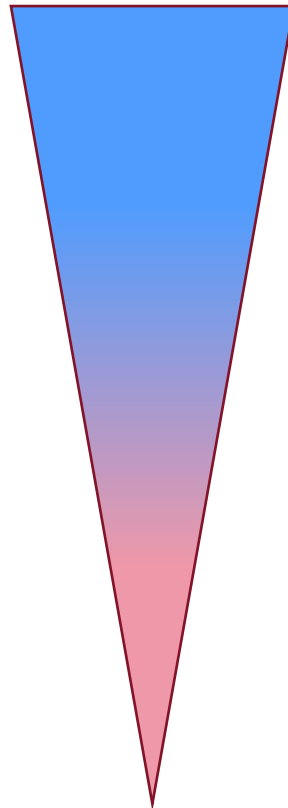
4

Remove

5

Replace

Order of Preference



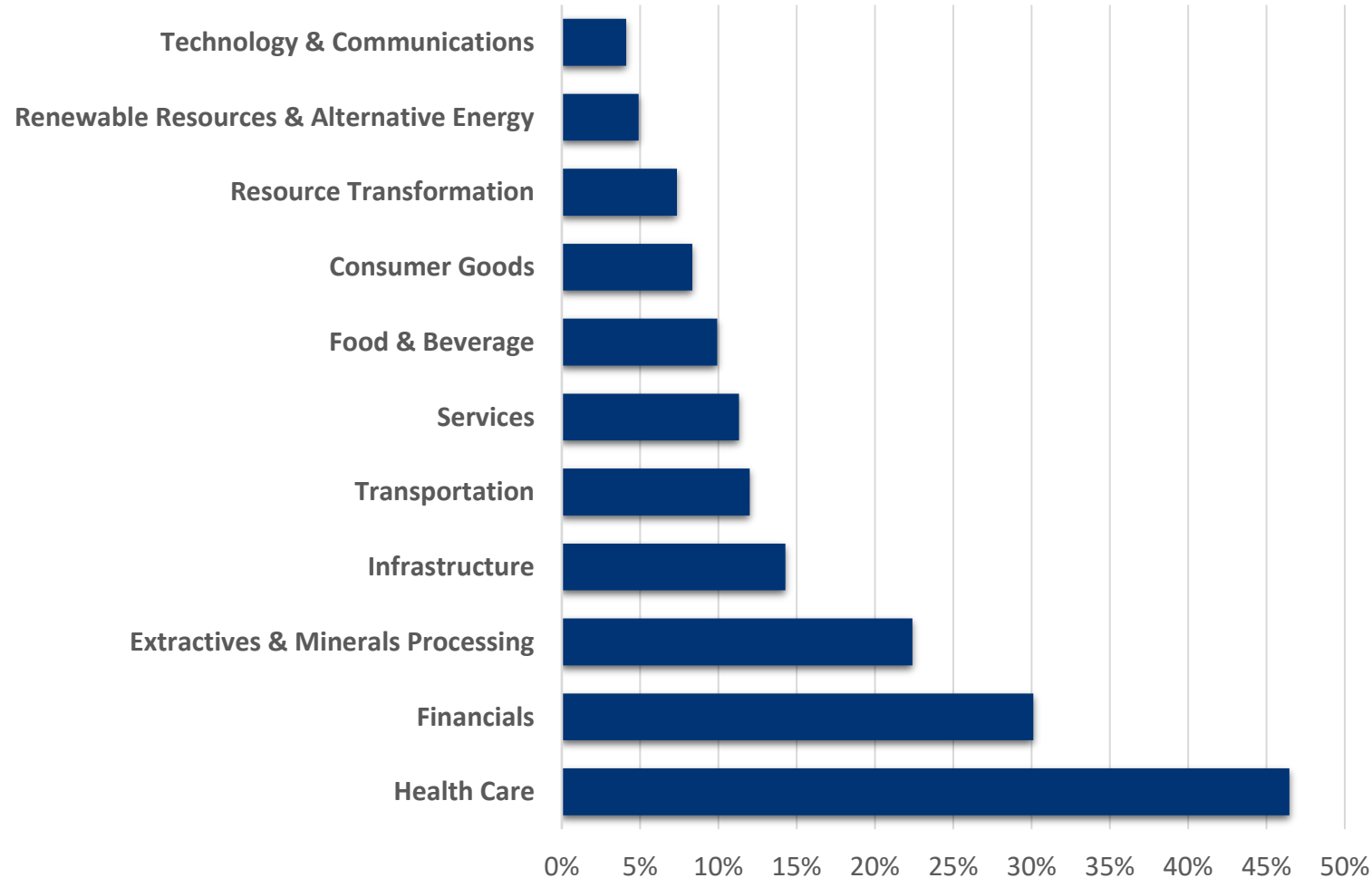
Objectives and constraints

- Identify material sustainability-related risks & opportunities disclosures to support IFRS S1 implementation (Jan 2024)
- Focus on non-climate-related SASB Standards metrics
- Identify metrics with substantive jurisdiction-specific terms
- Improve usefulness and ease of application cost-effectively
- Preserve original metric structure and intent (current users)
- Five cascading revision approaches and in combination
- Narrowly remove & replace jurisdiction-specific references

First step in the longer-term ISSB process

Applying the methodology (~200 of ~650 metrics identified)

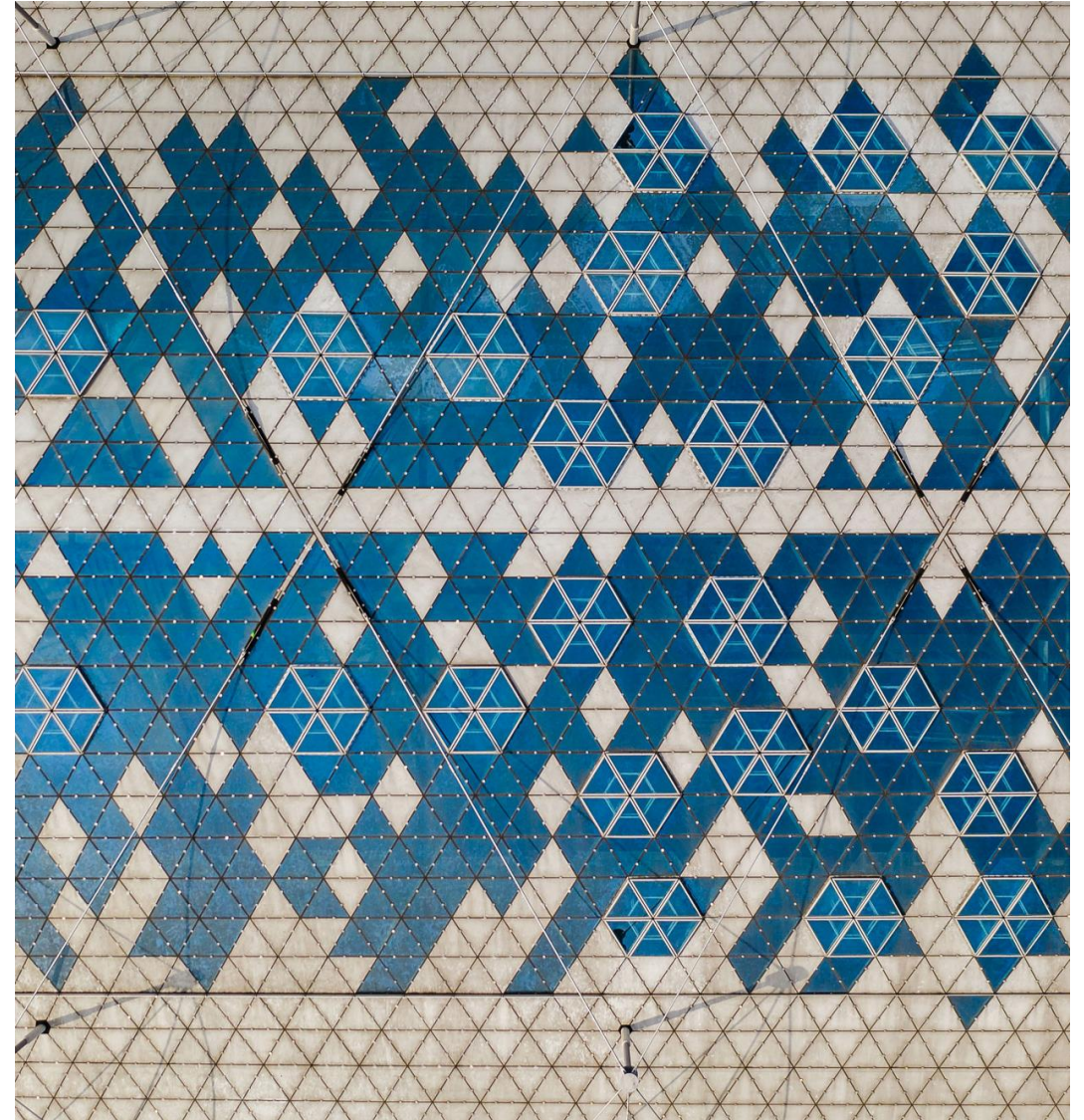
Share of metrics w/ substantive int'l challenges, by sector



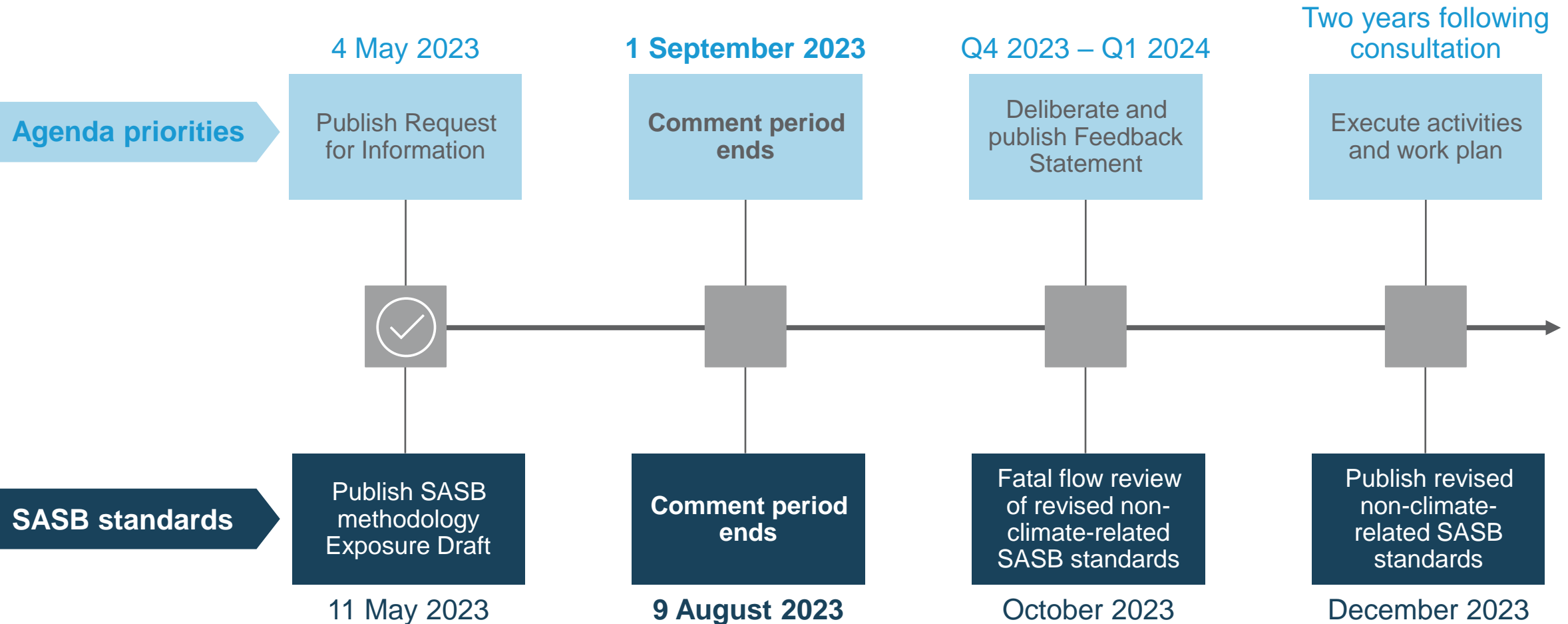
- **35%** of proposed metric revisions apply combinations of Revision Approach 2 & 3
- **20%** of proposed metric revisions rely solely on Revision Approach 2
- **9%** metrics have been identified as likely removals under Approach 4, with **5** potential replacement metrics (Approach 5)

SASB Standards (XBRL) Taxonomy update

- Digital tagging of the SASB Standards simplifies investor data collection and analysis
- This update proposes to change the SASB Standards Taxonomy to reflect the proposed amendments
- XBRL interoperability is a function of the data structures and specific data involved
- Harmonisation of the digital XBRL taxonomies of ISSB and ESRS relies on interoperability of the underlying data



Timeline and next steps



How to comment



Complete a survey, or submit a comment letter

- ✓ Online at: ifrs.org/projects/open-for-comment
- ✓ By email to: commentletters@ifrs.org



Open for comment
until
9 August 2023 /
1 September 2023

Meinungsbild von EFRAG

*Prof. Dr. K. Lopatta
(Universität Hamburg, Stellvertretende Vorsitzende
EFRAG SRB)*

Overall methodology and methodology objective

- Agree with enhanced methodology?
- Any alternatives or suggestions?

EFRAG identified shortcomings in the methodology to be addressed:

- Need of increased **comparability** level when working with national references
EFRAG suggests reliance on internationally applicable regulations
- **Ratification status** of international references
EFRAG suggests ISSB to make a mapping available for all internationally applicable references, where this have been ratified.

Is ratification status of international reference of importance?

Revision approaches

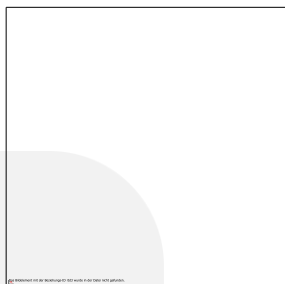
- Replacing jurisdiction-specific references with internationally recognised frameworks?
- Opinions on Revision Approaches 2-4.
- Could the revised metrics pose problems?
- Agree with criteria for determining revision approach?

- a) Add a **mapping** of ratification status of international references and develop **replacement metrics or target** for important gaps.
- b) Revision approaches 2 to 4 improve international applicability.
 - When using jurisdictional references (step 3) include description and reference.
- c) Avoid metrics available behind **payment wall**.
 - Clearer process to support metrics selection.
- d) EFRAG agrees.



SASB Standards Taxonomy Updates Objective

- Agree with methodology to update the SASB Standards Taxonomy?
- EFRAG agrees to update the SASB XBRL Taxonomy to reflect the amended SASB standards.
- EFRAG invites ISSB to work together on **harmonisation** of the sector specific digital XBRL.
- Encourages ISSB to use **technical references** of ESRS standards as part of XBRL taxonomy.



Future Standards SASB Refinements

- **Other useful methods, considerations or specific amendments?**
 - **Comments or suggestions?**
- Further improvements beyond internationalisation including updates through future topical standards.
 - Gap analysis between SASB standards and sustainability reporting frameworks.
 - Development of contextual narrative disclosures.
 - Examples of areas for improvement:
 - Quantification of scope 3 - use of sold products
 - Transition plans in biodiversity area
 - Expansion of metrics for social disclosures.

Any other areas to be improved?

Meinungsbild des DRSC

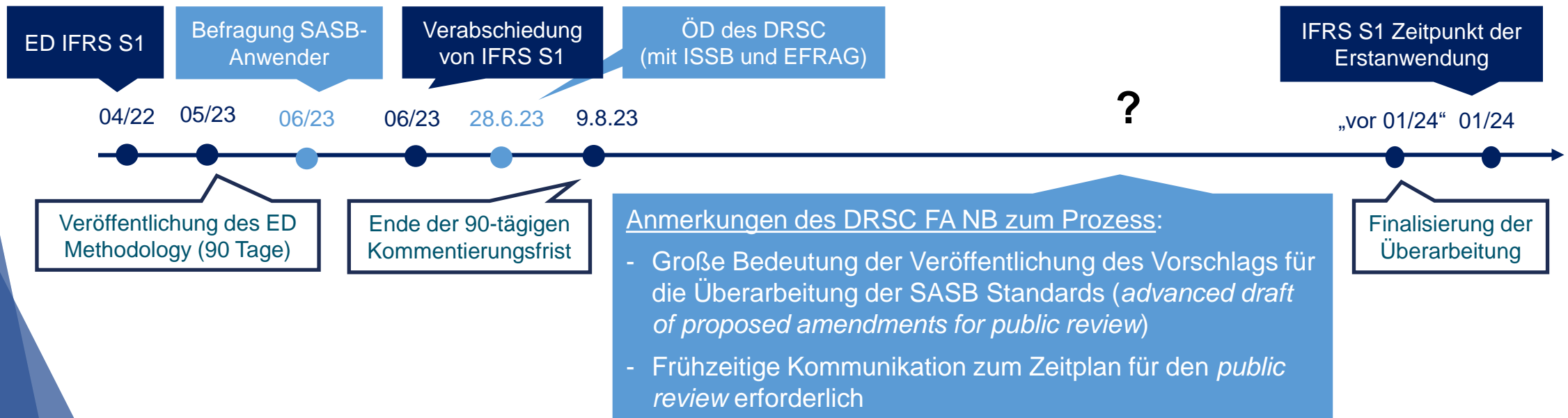
*Dr. K. Beiersdorf
(Technische Direktorin des DRSC)*

Int. Anwendbarkeit der SASB Standards – DRSC-Meinungsbild



Allgemeine Anmerkungen des DRSC FA NB

- Befürwortung des Projekts und der vorgeschlagenen Vorgehensweise
- Bestätigung der Notwendigkeit der Internationalisierung der bisher US-amerikanisch geprägten Metriken, Vereinheitlichung der Ermittlung/Berichterstattung
- Notwendigkeit der Einordnung der Rolle der SASB Standards im Kontext der IFRS Sustainability Disclosure Standards durch den ISSB
- Erläuterungen zur Auswahl der Metriken (welche wurden ausgewählt / verworfen)



Welche Fragen, Anmerkungen und Positionen haben Sie?

G. Lanfermann
(Präsident des DRSC)



Deutsches Rechnungslegungs Standards Committee e.V.

Accounting Standards Committee of Germany



Vielen Dank für Ihre Teilnahme!