

Emmanuel Faber
Chairman
International Sustainability Standards Board
IFRS Foundation
Opernplatz 14, 60313 Frankfurt am Main
Germany

UKSIF
73 Watling Street
London
EC4M 9BJ
info@uksif.org

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Dear Mr Faber,

RE: Request for Information | Consultation on Agenda Priorities

We are very pleased to respond to the International Sustainability Standards Board's (ISSB's) request for information — Consultation on Agenda Priorities. Since the formation of the ISSB at COP26 in Glasgow, the UK Sustainable Investment and Finance Association (UKSIF) and our members, which collectively manage more than £19trn in global assets under management (AUM), have been strongly supportive of the ISSB's crucial work to establish a high-quality and comparable baseline of sustainability disclosures.

We have valued our close engagement with your team in the last 18 months to inform the development of the International Financial Reporting Standards (IFRS) 1 and IFRS 2 standards, and alongside our members we very much welcomed the recent launch of the finalised standards.

In our response below, we outline our perspectives on the ISSB's prioritisation of upcoming activities, which we believe should focus, initially, on supporting the market's widespread adoption of the IFRS 1 and IFRS 2 as swiftly as possible across the world. Should significant progress be achieved in this respect, with countries and regulatory authorities taking steps to converge towards the ISSB's common baseline, this will go some way to facilitate investors' efforts to address emerging sustainability-related risks and opportunities, and help support the global transition to net-zero emissions.¹

About UKSIF

The UK Sustainable Investment and Finance Association (UKSIF) is the UK's leading membership organisation for sustainable finance, committed to promoting a financial system that works for the benefit of the environment, society, and us all.

UKSIF represents a diverse range of financial services institutions and investors committed to these aims, and our more than 320 members—representing over £19trn of global assets under management (AUM)—include investment managers, pension funds, banks, financial advisers, ESG data and research providers, NGOs, among others.

¹UKSIF's response is informed by our membership, though this does not necessarily reflect the views and perspectives of our entire membership, either individually or collectively.

UKSIF and our membership have played a prominent role to embed sustainability in the UK's public policy and regulatory frameworks, and across the financial system, over recent years and find ways to overcome barriers to the growth of sustainability in the UK. We are a representative on a number of advisory taskforces to policymakers and industry providing guidance on delivery of a number of sustainable finance initiatives, including the UK's 'green taxonomy,' the Sustainability Disclosure Requirements (SDRs), voting disclosures, and the integration of social issues in the UK's pensions industry.²

Initial priority: delivery of the IFRS 1 and IFRS 2

Above all as a priority, we would recommend that the ISSB, with support from other actors including countries' regulatory authorities, primarily focus on facilitating the full implementation of the IFRS 1 and IFRS 2, which represents a hugely positive turning point in the creation of more consistent and actionable sustainability-related disclosures across the global economy. This initial prioritisation would, we hope, maximise the prospect of increased international acceptance of a global baseline of disclosure standards.

There is now a clear need for the ISSB to engage closely in the coming months with policymakers, companies, and investors across different jurisdictions, as well as with global standard-setting institutions, such as the International Organization of Securities Commissions (IOSCO), to drive forward the adoption of the standards.

The ISSB's upcoming engagement in the coming months should ensure that, where necessary, appropriate guidance and sources are in place to support issuers and policymakers in the upcoming implementation of the IFRS 1 and IFRS 2. A particular implementation challenge lies in relation to adoption of the standards in developing markets that are far further behind in their sustainability reporting journey and where disclosures remain far weaker, and this will need to remain front of mind for the ISSB in the coming months.

For issuers specifically, the ISSB's work should encompass ongoing guidance for all issuers to navigate both sets of standards, particularly for SMEs. This could, for example, evaluate where any over-laps in requirements may lie for those issuers that are already reporting, or looking to shortly, against existing or upcoming disclosure frameworks. We expect that additional support may be needed for some issuers in order to practically transition from currently reporting against the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to reporting against the ISSB's standards.³

In terms of support for policymakers, the ISSB should seek to assist regulatory authorities, where necessary, in setting out clear envisaged implementation timeframes and legal adoption mechanisms for delivery of the standards on an economy-wide basis. We continue to stress the need for appropriate sequencing of corporate and financial sector sustainability disclosure requirements, which would promote the effective application of the standards.⁴

²For more information, please visit www.uksif.org.

³A number of our members now complying with TCFD-aligned reporting have questioned how this reporting can be effectively leveraged and re-purposed for reporting against the ISSB's standards in future. This is a particularly critical consideration for our smaller investor members, with more limited resources and professionals to comply with sustainable finance regulation.

⁴In the context of the UK, we have stated that government should seriously consider the recent calls from a number of organisations to implement the S1 and S2 standards on an economy-wide basis by 2025, with a phase-in of certain requirements for smaller companies beyond this timeframe if necessary.

Crucially, we would like to see the ISSB continue to maintain a close dialogue going forward with the IOSCO, the EU, the European Financial Reporting Advisory Group (EFRAG), and international fora, and in due course consider post-implementation reviews of the standards in the coming years.

Continual mapping exercises by the ISSB and international standard-setters to identify instances of duplicative requirements or conflicting expectations and, more broadly, increased efforts to promote interoperability between sets of international standards, will facilitate a more coherent operating environment for all companies subject to reporting, reducing compliance costs in the process. This will be especially important where standard setters have already progressed work on sustainability topics.

In this respect, we welcome the recent positive signals provided by the ISSB and European Commission, demonstrating a higher degree of alignment between the S1/S2 standards and the European Sustainability Reporting Standards (ESRS). Should progress be made in terms of interoperability between these standards and in addition, the Global Reporting Initiative (GRI) standards and other frameworks, this should further assist with the widespread adoption of the ISSB's standards.

Extremely close collaboration will minimise the risks of disrupting cross-border capital flows in financial markets, which (if not avoided) could help constrain growth in the global economy and the clean energy transition. For consumers, there could be additional 'greenwashing' risks should we see increasingly diverging reporting standards in countries, for example with less of a clear, common understanding of sustainability issues and risks, for instance as outlined in firms' fund disclosures.

By comparison, greater harmonisation of disclosure standards, we expect, will bring considerable economic benefits to issuers and investors, saving costs for both groups, while increasing the availability and quality of information in financial markets.

Secondary priority: new research and standard-setting projects

Beyond delivery of the IFRS 1 and IFRS2, we would recommend that the ISSB turn its attention towards new research and standard-setting projects, specifically to support the creation of new comparable and decision-useful disclosure standards for biodiversity and ecosystem services, and social issues. Given the resource constraints on the ISSB in launching new projects, we encourage the ISSB to continue to consider ways to leverage existing initiatives as much as possible as new work is undertaken.

Substantial gaps in disclosures and more broadly knowledge and competency among all stakeholder groups remain, in particular, on topics beyond climate change. As far as possible, we want to see as much interoperability as is possible between the ISSB's new standards beyond climate change and global initiatives undertaken on these wider sustainability issues.

In regards to biodiversity and ecosystem services, we know that awareness has continued to markedly increase in recent years among our members, the wider business community, policymakers, and stakeholders at large of the systemic financial risks that the destruction of our planet's biodiversity poses to the long-term value of the global economy and all companies. Biodiversity and the health of ecosystem services is recognised as a pressing systemic crisis in its own right that must be collectively addressed by policymakers and all stakeholders.

With investors more and more actively evaluating and integrating biodiversity risks and opportunities into their investment decision-making and strategies, the demand for good-quality disclosures in this area is considerable, and not only from the investment community but wider stakeholders too. The absence of well-established, existing reporting frameworks and guidance in this area (especially when compared with climate change) has led to a material disclosure gap

among issuers that needs to be addressed, and there is a good opportunity for the ISSB to now advance a common, global baseline on this issue.

In its development of a biodiversity-specific standard, we believe that the ISSB should closely collaborate with, and draw heavily on, the finalised framework of the Taskforce on Nature-related Financial Disclosures (TNFD). As part of this standard, the ISSB should consider the ESRS on biodiversity and other environmental topics, which would assist in promoting international interoperability, as well as other existing initiatives. This includes the GRI standard on biodiversity, the Convention on Biological Diversity (CBD), and recent work from the World Wildlife Fund (WWF).

Following the launch of the final TNFD framework, the ISSB should work closely with the TNFD in the next several years to explore how its nature-related disclosures can be seamlessly embedded into its new standard. Should this be achieved, we are optimistic that a new biodiversity-specific standard could better support our members to address the financial risks posed by damage to the world's biodiversity.

The very close inter-links between companies' climate-related risks and impacts and those relating to biodiversity and ecosystem services, we think, necessitates this new project and would naturally follow the work now finalised on the IFRS 2. The ISSB's biodiversity and ecosystem services project should consider the merits of exploring sub-topics under this area to minimise risks of confusion relating to different scopes of biodiversity. As part of this, the ISSB could draw on the topical structure of the CRSD that addresses a number of topics within biodiversity, which may foster improved understanding by issuers reporting in future.

In regards to new research on social topics, we believe the ISSB should consider a project to establish a standard for reporting on human rights and human capital, drawing on the recent work of the European Financial Reporting Advisory Group (EFRAG), including last year's Exposure Draft relating to 'Own Workforce' and 'Governance'.

Separately, the ISSB could consider the work of the U.S. Securities and Exchange Commission (SEC) on human capital, as well as the UK's Taskforce on Social Factors (TSF). The UK's TSF, which formally launched earlier this year, is supporting UK pension scheme trustees, and wider industry, in effectively managing social issues in investments. A key objective of the Taskforce will be to monitor developments of the ISSB and other global standard-setters, and we were pleased to help convene the ISSB and Taskforce for a dialogue on social-related standards last year.⁵

Generally speaking, our members are attaching increased importance to assessing social topics and requesting social sustainability-related disclosures from their investee companies. More broadly than this, addressing pressing social challenges remains vital in promoting a 'just transition' as the world moves towards a low-carbon future. There is real potential we think for the ISSB to establish a credible, baseline standard for the disclosure of social-related risks and opportunities, particularly with governments around the world increasingly turning their attention to social factors and mandating new requirements, including around supply chain due diligence.⁶

We would suggest that the ISSB consider human rights and human capital in tandem, given the inter-connections between these areas, and avoid an arbitrary split in its research project. One reason is that there will be overlaps in areas of both topics, such as issues relating to a company's workforce, and a global framework that connects these areas would be valuable.

⁵Department for Work and Pensions (DWP), Taskforce on Social Factors, March 2023.

⁶For example, the EU taxonomy's minimum safeguards screening and the Corporate Sustainability Due Diligence Directive (CSDDD).

Broadly, our members want to see high-quality and more consistent corporate reporting on social topics, including human capital, which can better inform their investment decision-making and stewardship activities. We continue to see human capital as the most important asset for all companies, remaining essential in determining a company's value in the long run. For example, disclosures on an issuer's workforce can bring valuable insights on the extent to which staff are adequately trained and equipped for future changes in the workplace and global economy.

With investors and wider stakeholders increasingly requesting social disclosures from investee companies, in light of the lack of information for example on human capital in financial statements, we think that issuers disclosing in more granular detail their approaches to a range of material social factors will be a business norm in the coming years.

For investors specifically, they increasingly want to see how their investments are contributing towards positive social impact, and avoiding harm; for example, in regards to human rights and other social issues. In relation to human rights, a number of our members want to see more comprehensive disclosures on companies' modern-day slavery risks in their supply chains and expect policymakers to enforce existing reporting requirements on modern slavery. Modern-day slavery statements from investee companies can provide decision-useful disclosures for investors in analysing companies, including their approaches to sustainability issues.

Finally, we would like to see the ISSB's project on human rights and human capital leverage and explicitly refer to existing frameworks to allow companies to cross-reference to them and leverage their reporting frameworks.

Conclusion

More and more, our members will be considering a wide range of relevant and material sustainability factors and investment themes- beyond climate change alone- in their investments and strategies, requiring more decision-useful data on these factors to truly judge the long-term value of their investee companies, and companies' overall sustainability profile and performance.

Finally, we would rank the researching of targeted enhancements to the ISSB Standards and enhancing the Sustainability Accounting Standards Board (SASB) Standards as secondary to the afore-mentioned priorities above.

We would be very pleased to discuss our response to this consultation with you and your team in due course, and would be happy to convene a select group of our members to consider some of the issues we have raised.

Yours sincerely,



James Alexander
Chief Executive