

International Sustainability Standards Board
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ISSB/RFI/2023/01 Consultation on Agenda Priorities

Grant Thornton International Ltd is pleased to comment on the International Sustainability Standards Board's (the Board) Request for Information RFI/2023/01 Consultation on Agenda Priorities. We have considered the RFI, as well as the accompanying appendices.

Our view is the Board has identified the appropriate criteria to prioritise sustainability-related reporting issues that could be added to its work plan. We also believe the potential topics and subtopics set out in the RFI will address key areas where investors and other users desire information.

While the Board has made some good progress on issuing standards so far, maintaining the momentum and urgency in standard setting that we have seen over recent months is critical if the Board is to create a true global baseline. This could be overlooked as a result of the broad scope of some of the topics that are being considered, including biodiversity, ecosystems and ecosystems services (BEES) as well as human capital and human rights. While all these topics are important, it will be critical to scope these projects narrowly, to enable additional standards being issued within the two years of the Board's work plan.

We also believe the Board should consider that preparers of sustainability reports will need interpretation support, particularly in areas that are difficult to apply, as collecting and disclosing sustainability-related information is a new area for many entities. Allocating appropriate resources to deal with interpreting the Standards will ease adoption and also allow for greater comparability of disclosures that can easily be assured.

In addition to the issuance of standards on important topics, we believe that now is the time for the Board to set out a roadmap to develop a conceptual framework. Preparers of general-purpose financial statements are able to refer to the conceptual framework to assist with their interpretations of issued IFRS standards and its existence allows for more consistent development of additional standards. A sustainability conceptual framework would form a more stable baseline for IFRS S1 and S2 as well as any future standards issued by the Board.

Finally, while we believe that the interplay of financial and non-financial reporting matters is an important topic, it is not a debate that can be solved quickly and hence should not be a priority. Given the complexity of this issue (ie what should be included solely within the boundary of financial statements and elsewhere) and the resources that would be required to respond, our view is this matter should be a lower priority until further progress can be made on more critical new standards.

Our responses to the RFI's questions for respondents are set out in the Appendix.

If you have any questions on our response, or wish us to amplify our comments, please contact me by email (sarah.carroll@gti.gt.com).

Yours sincerely,

A handwritten signature in black ink, appearing to read 's carroll', written in a cursive style.

Sarah Carroll
Director – Sustainability Reporting
Grant Thornton International Ltd

Appendix: Responses to the questions for respondents

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

- a) Paragraphs 18–22 and Table 1 provide an overview of activities within the scope of the ISSB's work.

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.

Our view is the Board's top agenda priority should be supporting the implementation of IFRS S1 and IFRS S2.

Given we have been asked to rank these options, we believe the Board's second priority should be researching targeted enhancements to the ISSB Standards and tied equally in third place, in our view, is beginning new research and standard-setting projects and enhancing the SASB Standards.

The ultimate goal of the Board has to be setting standards that will provide users with high-quality, consistent, and comparable information that can be readily assured. To achieve this goal, global adoption of IFRS S1 and IFRS S2 is needed to create that desired consistency and comparability sought by many stakeholders. Implementation assistance should be the Board's first priority as most entities are not yet experienced in providing sustainability-related disclosures and as a result, implementing these Standards could be challenging. Particularly in the year of adoption, entities may still be working to build technical expertise and gather baseline data. Interpretation guidance will not only facilitate but accelerate this implementation and should reduce ambiguity in any areas that are unclear to entities. It will also assist in creating information that can be easily assured and reduce potential restatements of financial information in the first year of adoption.

One of the issues that is starting to emerge when we are planning implementation of these Standards is that the full application of them requires an understanding, interpretation and application of the non-ISSB standards that IFRS S1 and IFRS S2 directs entities to use. For example, the GHG Protocol Corporate and Scope 3 standards and the SASB standards; are both required to be considered. In addition, CDSB, ESRS and GRI which the entity may consider in accordance with IFRS S1. Therefore, effective application of IFRS S1 will require cross-fluency in all the major sustainability standards which will be challenging for entities.

It is important for the Board to work closely with the IAASB to ensure the disclosures set out in ISSB Standards can be assured (be it under limited or reasonable assurance). Focusing on making sure IFRS S1 and IFRS S2 disclosures can be assured before creating additional standards is our preference, as this is integral to producing sustainability information that can be relied upon by users.

It is also essential that there is not a divergence between ISSB Standards and the European Sustainability Reporting Standards (ESRS) as it will be problematic for entities if, for example, the definition of financial materiality is not the same under the two sets of Standards.

Due to the potential challenges when adopting the IFRS S1 and IFRS S2, we believe beginning new standard setting projects should not be the Board's priority and so we believe researching targeted improvements to the existing ISSB standards should be the Board's second priority.

Regarding enhancing SASB standards, we believe that some consideration should be given to prioritising which sector specific standards should be dealt with first (eg oil and gas, transportation, etc), similar to European Financial Reporting Advisory Group (EFRAG)'s approach.

We believe the Board should start working on a sustainability conceptual framework. And we believe that it would be beneficial for the Board to work closely with the IASB to ensure there is alignment between a sustainability conceptual framework and the IFRS Conceptual Framework. This would not only reinforce connectivity and integration for entities when applying the new Standards but also assist the Board in future standard-setting by ensuring that there is consistent application of principles. Currently, it is unclear whether sustainability-related information is subject to the existing IFRS conceptual framework and therefore it is important to at least clarify how sustainability-related disclosures should interrelate with general-purpose financial reporting and how the Board will ensure consistency and interoperability.

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?**

We agree that the Board has identified the appropriate criteria to use when prioritising sustainability-related reporting issues which could be added to its work plan. However, we would like to note that these criteria are appropriate today but may not reflect any future changes, particularly considering this is a new and developing area. The criteria therefore needs to be dynamic and adaptable over time with the issuance of future standards.

Currently, the criteria are presented as follows:

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**

While we agree with the criteria themselves, we do not think that the criteria are in any particular order of importance. The priority of the criteria can vary by project and, in our view, none are inherently more important than the others. The order of the current list numbered 1-7 could imply that criterion number one, for example, is considered more important than the next item. Given this, we recommend that the Board utilise bullet points rather than labelling the criteria numerically.

We do not believe the Board has missed any other additional criteria that needs to be considered.

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 believe BEES should be prioritised as the implications of IFRS S2 directly flow into biodiversity. We believe this project will have the greatest impact on decision making information for users of financial statements. However, we believe this project could be challenging as the term ‘biodiversity’ has different meanings in jurisdictions around the world, in addition, this topic is very complex and broad. To mitigate this operational challenge that might delay its completion, we suggest that the Board considers narrowing the scope or splitting the project into smaller parts.

In most cases, we believe that delivering one high quality project at a time would be best for entities and the marketplace. However, due to the aforementioned challenges with biodiversity project, if it was selected as a single project there could be a delay in issuing new standards. Therefore we recommend that when the Board begins working on new standard setting projects, there are two projects ongoing at any time. Although biodiversity is our preferred project, we believe standards on DEI and human capital may be able to be issued promptly and their release would be fairly uncontroversial. Therefore, we suggest prioritising biodiversity while working on other, smaller projects.

However, it will also be necessary to critically assess the bandwidth of the Board and its staff and monitor progress to deliver high quality standards in specific time frames.

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

The research project on biodiversity, ecosystems and ecosystem services is described in paragraphs A3–A14 of Appendix A. Please respond to these questions:

- 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.

- 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.

- 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.

In certain jurisdictions, notably the UK and France, BEES is a top priority. While priorities within BEES can vary significantly across sectors, for example financial services vs. manufacturing, investors are overall very concerned with obtaining timely information as well as understanding the economic impacts on entities.

Given the global consequences of BEES initiatives as well as investor interest, most geographies and industries can agree on the overall importance, but there is no broad consensus on prioritisation of the subtopics listed in paragraph A11. Since the importance of each subtopic varies based on stakeholder group, we considered the large-scale impact of each subtopic as well as the urgency of the sustainability-related risks and opportunities.

Our ranking of the subtopics by order of importance is:

- Pollution
- Water (including freshwater and marine resources and ecosystems use)
- Land-use and land-use change
- Resource exploitation

In our view, pollution is the most critical subtopic since pollution impacts not only climate and access to resources (such as water) but also quality of life for people around the world. Because the impacts are so wide-reaching and have direct impacts on the human population, pollution is a top priority for most jurisdictions. Pollution also has a direct impact on water quality, and due to this we have ranked pollution above water as this project would address a portion of the water related issues in addition to other impacts of pollution.

Although we have assigned top priority to pollution, water is also a critical subtopic that affects people and food sources, as well as financial results for certain industries globally. Water access is also an urgent issue as changes to supply or water quality can have a quick impact on affected areas when a problem arises. This is also critical to investors as water access, or potential scarcity, can directly impact the economic outlook of entities in certain industries, for example agriculture or hydro-electric power.

While we believe that land-use and resource exploitation are important subtopics to explore, these two subtopics do not quite have the scale of pollution and water and as such have been assigned priorities 3 and 4.

We considered the materials and organisations listed in paragraph A13 and believe that the Board should look to work closely with the Global Reporting Initiative (GRI), with whom the Board has already established a Memorandum of Understanding. Rather than start from scratch, the Board should look to use their related standards (including the recently proposed updates to GRI 304—Biodiversity) as resources for this project. Additional resources could then be used include frameworks and guidance published by third parties working in the BEES and nature-related fields. These resources include the work of the Taskforce on Nature-related Financial Disclosures (TNFD), the Partnership for Biodiversity Accounting Financials (PBAF), the Capitals Coalition, the Science Based Targets Network, the European Financial Reporting Advisory Group (EFRAG), the European Commission’s Align project, the EU Business and Biodiversity Platform, the World Benchmarking Alliance and the United Nations Declaration on the Rights of Indigenous Peoples.

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

The research project on human capital is described in paragraphs A15–A26 of Appendix A. Please respond to the following questions:

- 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 considered the subtopics listed in paragraph A22 and prioritised these as follows:

1. DEI
2. Worker wellbeing
3. Labour conditions in the value chain

We believe that these priorities are unlikely to be substantially different across sectors but there could be geopolitical variations, particularly regarding DEI. We believe that the feedback from this survey will assist the Board in determining the overall priorities and while we believe DEI is of critical importance, we would defer to the survey results if materially different.

We agree that leveraging and building upon the work of the organisations listed in paragraph A25 will be beneficial. We suggest that the Board leverage all available resources where possible to promote interoperability and save time through using existing resources.

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

The research project on human rights is described in paragraphs A27–A37 of Appendix A. Please respond to these questions:

- 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.**

- 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.

- 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 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.

There are no significant subtopics that we would like to note. We believe that human rights is a highly relevant topic which seems easy to address, as there is little contention across jurisdictions or industries that this topic should be addressed. However, there are significant geopolitical differences regarding the scope of human rights as well as how to address violations. For example, different countries may differently interpret the concept of universal human rights and may even disagree about which rights are included as universal human rights. Because of these differences, it will be challenging to come up with a standard that works globally. Given the breadth of this topic, narrowing the scope with precision, and working on one element at a time may make it easier to gain global agreement as progress is made.

Although there are significant challenges, there is a large amount of established research and materials published in this area that can assist the Board in addressing this topic. We believe that the Board should take this existing material into consideration so it is not starting from scratch.

In our view, the following organisation references in paragraph A36 should be prioritised:

1. UN Guiding Principles on Business and Human Rights: The UN Guiding Principles are already well known and widely accepted and as a result there is global consistency.

2. Climate Disclosure Standards Board (CDSB) Framework: This framework is already familiar to users and incorporates both the TCFD recommendations as well as IFRS principles. It is also referenced in IFRS S1 paragraph 55(b)(ii).
3. SASB standards: These are a good foundation that have already been applied in the development of IFRS S1 and IFRS S2; however, their industry focus means that they are not a perfect starting point.
4. Integrated reporting framework: We believe that our first three rankings will promote consistency as they are already widely relied on; however, leveraging the integrated reporting framework will help to provide the bridge between financial and non-financial information that will be required for the ISSB standards to create a cohesive and integrated picture.

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?**

We believe that a quick outcome on integration in reporting is important. Our current view is that this should be a project that remains with the IASB because the IASB has already invested a lot of time with constituents on this area, particularly with the Exposure Draft (ED) on Management Commentary. It is also important that concepts from the Integrated Reporting Framework and ISSB Standards are incorporated. If work is performed at the same time, it will allow for the integration in

reporting project to comfortably sit alongside the Integrated Reporting Framework and ISSB Standards.

Question 8—Other comments

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

We do not have other comments to add at this stage however we urge the Board to continue to demonstrate the same urgency to complete projects that has been exhibited in the development of IFRS S1 and IFRS S2. We have been encouraged to see the International Organization of Securities Commissions (IOSCO) give IFRS S1 and IFRS S2 their full support. The positions taken by securities regulators around the world on how these standards should be applied should be closely monitored. The standards issued by the IASB over the last 20 years have demonstrated that a high degree of consistent interpretation is possible. We want the Board to be in the same position.

Additionally, we suggest that the Board remains mindful of scope creep. The current tapestry of frameworks and dimensions of sustainability-related information lends itself to additional elements being added to projects and end results that are difficult to manage. Our view is that projects should be kept narrow and well defined, which should assist in ensuring that standards can be released on a timely basis.