IRC of SA Comment to the International Sustainability Standards Board (ISSB) on the Request for Information Consultation on Agenda Priorities

7 August 2023

This comment letter was submitted via the online survey on the IFRS Foundation website. The IRC responses are in blue text in the word document version of the online survey below. The ISSB Request for Information document is available here

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

Paragraphs 18–22 and Table 1 of the Request for Information 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?
Please drag and drop to rank, where 1 is the highest priority and 4 is the lowest priority.
　　　　　beginning new research and standard-setting projects
 1　　　　supporting the implementation of ISSB Standards (IFRS S1 and IFRS S2)
 2　　　　researching targeted enhancements to the ISSB Standards
　　　　　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.
   - Firstly, while we recognise the resource constraints of the ISSB we do not agree with a ranking system as applied in this survey. Secondly, there is a mismatch in the projects listed in the ranking comprising sustainability topics and a project on reporting and this has the potential to skew the survey results.
   - Accordingly, we highlight above the two top priorities we believe the ISSB should adopt. There is a need to support the implementation of S1 and S2, as well as targeted enhancements to these Standards, because this will be critical in promoting the understanding and adoption of the Standards globally. Assisting reporters to implement S2 on climate-related financial disclosures is an immediate issue for those reporters who voluntarily adopt S2, and moreover, this will be critical to ensure adoption of the ISSB Standards as a whole in the future.
   - We see the integration in reporting project as the broad underpinning of the three listed sustainability projects. The sustainability topics covered are highly likely to play a role in any organisation's process of value creation, preservation or erosion over the short, medium and long term, and thus in its integrated thinking and integrated reporting.
   - There are credible materials and guidance already available on the three sustainability topics and the ISSB can leverage off these in its sustainability projects. The integration in reporting project, however, is unique to the ISSB and the IASB as

they work together and take up the opportunity of offering a global comprehensive corporate reporting system.

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.
- Yes
- No

Question 2: Criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan.

Paragraphs 23–26 of the Request for Information 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? Please explain your response:
- Yes
- No

b) Should the ISSB consider any other criteria? If so what criteria and why?
- Yes
- No

Optional: please explain
- Paragraphs A5 and A6 in the Request for Information well explain the connectivity between society, the natural environment and business. This understanding emphasises the need to extend the criteria beyond those already included in paragraphs 23-26.
- Longer-term investors are inherently connected to society. The beneficiaries of the pension and investment fund monies are people, and thus society. Hence, the sustainability matters important to society, and to the natural environment that people inhabit, are necessarily of importance to longer-term investors. It stands to reason then that the matters important to society should be incorporated into the criteria for prioritisation.
- We put forward that poverty and inequality is a sustainability matter that needs to be elevated as it is the second most important issue, after climate, facing the world.
- Overall, the ISSB should seek to achieve a balance of social and environmental issues in the projects it considers.
- As stated in our response to Q1, we motivate that an integration in reporting project, covering integrated thinking and integrated reporting, can be seen as underpinning the three listed sustainability projects.

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

Paragraphs 27–38 of the Request for Information 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.
  - Single project
  - More than one project

b) If a single project, which one should be prioritised? You may select from the four proposed projects in Appendix A or suggest another project. Please explain your response.
  - Biodiversity, ecosystems and ecosystem services
  - Human capital
  - Human rights
  - Integration in reporting
  - Other—please explain.

Optional: please explain

  - As stated in our response to Q1 we do not agree with a ranking system as set out in this survey and the mismatch of the projects listed. We nevertheless emphasise the importance of the integration in reporting project for the reasons set out in our response to Q1 and Q7.

c) 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). Please explain your response.
  - biodiversity, ecosystems and ecosystem services
  - human capital
  - human rights
  - integration in reporting
  - other—please explain.

Optional: please explain
  - On the integration in reporting project, a joint project between the ISSB and IASB is a unique opportunity of developing a global comprehensive corporate reporting

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system. This project can streamline, rationalise and increase comparability and comprehensiveness in external corporate reporting globally, as well as increase the useability and relevance of reporting for investors and other stakeholders.

- Integrated thinking and integrated reporting can be seen as underpinning all three listed sustainability projects.
- If the ISSB opts to undertake two projects simultaneously this can be facilitated by using the existing materials on the sustainability topics which are already available, rather than the ISSB having to 'start from scratch'.

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 to the Request for Information. 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 choice 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:
- a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
- 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.
  - Freshwater and use of marine resources and ecosystems
  - Land use and land use change
  - Pollution (including emissions into air, water and soil)
  - Resource exploitation (for example, material sourcing and circular economy)
  - Invasive non-native species
  - Other—please specify   Animal rights.

Optional: please explain
- The human and animal dependencies on land and water make these high-priority subtopics. Activities such as fishing and agriculture are vital to global supply chains and if not done sustainably can have significant impacts on society and organisations' financial value.
- The ISSB can turn to the existing materials on the important issue of biodiversity and ecosystems, such as the work of the Taskforce on Nature-related Financial Disclosures (TNFD).

- The subtopic of animal rights should be included because, despite them being an essential component of a healthy circular ecosystem, mass extinction is continuing at an alarming rate.

b) Do you believe that sustainability-related risks and opportunities related to **biodiversity, ecosystems and ecosystem services** 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?

- Yes
- No

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.

- There are both universal (cross-industry) and industry-specific sustainability-related risks and opportunities.
- Certain industries and sectors could be more affected by (and have more impact on) biodiversity and ecosystems than others. Metrics for different industries and sectors can be particularly useful in considering dependence and impacts on ecosystem services. Geographic location can also be a point of differentiation, for example, operations within existing industrial areas versus greenfield sites with significant flora and fauna.
- In practice, there are challenges in differentiating base metrics between sectors and geographic locations, for example, in South Africa, deserts, oceans, forests etc. are in relative proximity to each other.

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. If you would like to suggest materials that are not specified, please select 'Other' and give your suggestion(s) in the comment box. 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.

a. The Climate Disclosure Standards Board (CDSB) Framework application guidance for biodiversity and water-related disclosures
b. The SASB Standards
c. The Integrated Reporting Framework
d. The Global Reporting Initiative (GRI) Standards (for example, GRI 304 – Biodiversity)
e. The Taskforce on Nature-related Financial Disclosures (TNFD)
f. The Partnership for Biodiversity Accounting Financials (PBAF)
g. The Capitals Coalition
h. The Science Based Targets Network
i. The European Financial Reporting Advisory Group (EFRAG)
j. The European Commission's Align project
k. The EU Business and Biodiversity Platform
l. The World Benchmarking Alliance
m. The United Nations Declaration on the Rights of Indigenous Peoples
n. Other— Kunming-Montreal Global Biodiversity Framework and the Science-Based Targets Networks' targets for nature

Optional: please explain
- Among the list of materials above, we highlight the ones we suggest as those that are the most established or are gaining traction in terms of public awareness in the area of biodiversity and ecosystems, and thus can be most easily built on in an ISSB project and within the ISSB's resources constraint.

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 to the Request for Information. Please respond to these questions:

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:
- a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
- 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.
  - Worker wellbeing (including mental health and benefits)
  - Diversity, equity and inclusion
  - Employee engagement
  - Workforce investment
  - The alternative workforce
  - Labor conditions in the value chain

- Workforce composition and costs
- Other—please specify

Optional: please explain
- Research has shown that an engaged workforce (i.e., one aligned with an organisation's purpose) is more effective than one that is not and workers are less likely to leave the organisation. This is critical to the prospects of any organisation in its value creation, preservation or erosion process.
- Diversity, equity and inclusion is important as different skills and backgrounds can drive innovation in an organisation, which is also important in its prospects and value creation, preservation or erosion process.
- Human rights considerations are linked to human capital, and can include aspects such as modern slavery, conflict minerals, indigenous knowledge systems, and access and benefit sharing. There is also a related link to labour conditions in the value chain.

a) Do you believe that sustainability-related risks and opportunities related to **human capital** 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?
- Yes
- No

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.

- This is an issue that is universal in nature, however, sustainability-related risks and opportunities can be informed by the nature of the industry, for example, dealing with hazardous waste compared to working in a bank.

- An aspect to consider is that there could be some differentiation as to the relative importance in different industries.

b) 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 A25 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. If you would like to suggest materials not specified, select 'Other' and give your suggestion(s) in the comment box. You can suggest as many materials as you deem necessary. To help the ISSB analyse, where

possible, please explain why you think the materials are important to consider.

    a.   The SASB Standards and related research and standard-setting projects

    b.   The CDSB Framework for reporting environmental and social information

    c.   The Integrated Reporting Framework

    d.   The Capitals Coalition

    e.   The International Labour Organization (ILO)

    f.   The European Financial Reporting Advisory Group (EFRAG)

    g.   The Global Reporting Initiative (GRI)

    h.   The US Securities and Exchange Commission

    i.   The World Economic Forum (WEF) International Business Council's core metrics and disclosures on sustainable value creation

    j.   Other— UN Sustainable Development Goals (SDGs)

Optional: please explain

- Among the list of materials above, we highlight the ones we suggest as those that have detailed disclosure requirements in relation to human capital, and thus can be most easily built on within the ISSB's resources constraint.

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 to the Request for Information. 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.
Subtopics that may be prioritised include:

- Indigenous peoples' rights and community rights, such as access to water or land rights
- Data privacy
- Product health and safety
- Poverty alleviation
- Child labor
- Modern slavery

b)   Do you believe that sustainability-related risks and opportunities related to **human rights** 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?

- Yes
- No

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.

- There are certain basic principles and core aspects of human rights that apply universally.
- It is suggested, however, that the sustainability-related risks and opportunities may vary significantly depending on the industry, sector or geographic location. Consider for example, the practical and financial implications of operating in a country with a poor human rights' record, or in an industry that has a higher exposure to human rights' risks compared to an industry that has little or no exposure. While it may not be necessary to develop specific industry or geographical standards, we suggest that there is overarching recognition that risks be considered with consideration of industry, sector and geographic location.
- A project on human rights should encompass dealing with poverty alleviation as this is the second most pressing societal issue after climate change.

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—please select 'Other' and give your suggestion(s) in the comment box. 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.

   a. The CDSB Framework for reporting environmental and social information
   b. The SASB Standards
   c. The Integrated Reporting Framework
   d. The International Labour Organization
   e. The UN Guiding Principles on Business and Human Rights and the associated UN Guiding Principles Reporting Framework
   f. The World Benchmarking Alliance's Corporate Human Rights Benchmark
   g. The United Nations Declaration on the Rights of Indigenous Peoples
   h. The cross-industry metrics associated with the WEF International Business Council's dignity and equality theme
   i. Other— UN Sustainable Development Goals (SDGs) and Global Reporting Initiative (GRI) Universal Standards and Human Rights Standard

Optional: please explain
- Among the list of materials above, we highlight the ones we suggest as those that can be most easily built on within the ISSB's resources constraint.

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 to the Request for Information. Please respond to these 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? Please explain your response.

- Integration in reporting project is a **higher priority**

- Integration in reporting project is a **lower priority**

Optional: please explain
- We motivate for the integration in reporting project because it offers the opportunity to address the fundamental foundation of corporate reporting in terms of an underlying philosophy of disclosure.
- The integration in reporting project is the broad underpinning of all three listed sustainability projects. It sets the overarching structure of reporting within which the topic-specific sustainability disclosures can be housed.
- The integration in reporting project can facilitate: A global baseline in corporate reporting structure; improve comparability in reporting; reduce uncertainty in reporting in many countries; emphasise the need for an integrated and holistic view of an organisation's value creation, preservation or erosion process over the short, medium and long term; improve the understandability of reporting through conciseness and completeness; and contribute to sustainable development by directing the efficient allocation of capital and resources.
- We see the integrated report as the base of a global corporate reporting structure. Integrated reports are currently prepared by organisations in over 70 countries. It is a tried and tested system of reporting that gives a holistic overall view of an organisation, integrating its financial, sustainability and commercial information, reflecting a picture of its process of value creation, preservation or erosion over time.
- There is no doubt that the preparation of an integrated report helps to embed integrated thinking in an organisation. There are many experienced reporters in

South Africa who cite this as one of the significant benefits achieved through their integrated reporting over the past 12 years.

- The integrated thinking in an organisation - carried out in integrated strategy, risks and opportunities, performance, governance and decision-making - infers that the external reporting to investors and other stakeholders should be similarly integrated, rather than siloed.

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)? Please explain how you think this should be conducted and why.

- Formal joint project
- ISSB project

Optional: please explain
- A joint project between the IASB and ISSB offers a unique opportunity of developing a global comprehensive corporate reporting system.

- The accounting body and the sustainability body can undertake a joint intellectual discourse and study of the benefits of a global comprehensive corporate reporting system, the needs of investors, other stakeholders, the organisation, and the public good.

- The project should include study of what is already working in the overall corporate reporting system in various jurisdictions and build on and expand this.

- The project may necessitate bringing in advisory bodies with relevant areas of skills, such as governance and integration.

- The project should strive to meet the needs of both advanced reporters and those that are on the journey. A global baseline for a comprehensive corporate reporting system can achieve this.

- We hope that the project sheds light and understanding of the wisdom and forward-thinking of integrated reporting, which discloses an organisation's process of value creation, preservation or erosion across the six capitals (resources and relationships) over the short, medium and long term. Such information - of critical use to investors, other stakeholders and oversight bodies - can contribute to sustainable development.

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.

- Yes
- No

Optional:
- The starting point should be the Integrated Reporting Framework (Framework) and not the Exposure Draft on the Practice Statement Management Commentary (ED MC). The Framework represents a universal approach to the business model, external environment, risks and opportunities, strategy, stakeholder relationships, performance, outlook and governance that readily integrates sustainability issues with other wide-ranging commercial issues.
- The Framework is well established and has been successfully used around the world by organisations for over twelve years.
- The Framework is ideal for the ISSB's global baseline approach as it is already used in this manner by jurisdictions that need to bring in their local reporting, governance requirements and multistakeholder information needs on impacts.
- Importantly, the application of the Framework encourages and enables integrated thinking in an organisation. South African organisations experienced in integrated reporting have cited this as a significant benefit of using the Framework.
- The Framework is a larger and more comprehensive framework than the ED MC. Any elements which are in the ED MC and not in the Framework could be included within the Framework.

(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.

- Yes
- No

Optional: please explain
- Please refer to the points made in (i) above.
- The starting point of the project has to be the Framework. The Framework is the established, global best practice guidance for the preparation and presentation of the integrated report.
- An integrated report, prepared in accordance with the Framework, is an essential element of an organisation's corporate governance. An organisation's board (governing body) - as the stewards of the organisation – has a duty of accountability and this accountability is carried out through transparent, complete and balanced reporting. The preparation of an annual integrated report is a recommended practice of South Africa's corporate governance code, King IV. The JSE Listing Requirements encompass King IV on an apply and explain basis.
- In countries such as South Africa and other countries where integrated reporting using

the Framework is an established practice, the integrated report lies at the heart of the country's comprehensive corporate reporting structure system.

- We request that the IFRS Foundation, IASB and ISSB give credence to the valuable resource of the Framework and the established practice of integrated reporting around the world. The integrated report applying the Framework is at the centre of a number of countries, including South Africa's, corporate reporting system. The Framework can facilitate interoperability with both jurisdictional requirements and other sustainability standards that address impacts and multi-stakeholder information needs.

- This question infers that the Framework can be broken up and absorbed piecemeal into the ISSB Standards. This is not desirable nor practical. The integrated report is a clearly designated standalone and complete report. The Framework must be considered as a whole in the ISSB/IASB joint project.

(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. If you disagree, please explain why.
- Yes
- No

Optional: please explain
- The governance aspect of corporate reporting.
- The experience and expertise of the over 30 national integrated reporting bodies around the world can be a useful resource.
- The Integrated Reporting and Connectivity Council can be another useful resource.

d) Do you have any other suggestions for the ISSB if it pursues the project?

- The project offers a unique opportunity to develop a globally comprehensive corporate reporting structure. This opportunity should not be lost. Further, expert resources from governance and integration can be drawn into this project.

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