

M. Emmanuel FABER
ISSB Chair | IFRS Foundation
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Canary Wharf, London E14 4HD
UK

September 1, 2023

Dear Mr. Faber,

We write in response to the International Sustainability Standards Board's (ISSB) request for feedback to inform future sustainability standards development within the context of its *Consultation on Agenda Priorities*.

About the International CFO Alliance

CFO Alliance is a collaborative network of CFO Associations with the objectives to:

- Foster closer co-operation between participating organizations within the CFO Alliance;
- Maintain International CFO Work Groups on 1) Climate and Sustainability Reporting 2) Automation and Digital Transformation and 3) International Tax;
- Collect and represent the views of CFO Associations, on issues impacting the CFO community, to international standard setting organizations and authoritative policy making bodies, such as the G20, the Financial Stability Board, the World Bank, World Economic Forum, IFAC, and the IFRS Foundation;
- Host an annual CFO Alliance leadership meeting, and CFO Alliance Summit to set an annual work plan and receive feedback on previous year developments;
- Share best practice in CFO association management;
- Share local news and events from participating CFO Associations.

Our mission is to develop a collaborative network of CFO Associations that can serve as a collective voice on matters of mutual interest and concern, and in this way contribute to the efficiency of financial markets around the world.

Our work serves the public interest by fostering a culture of co-operation, sharing of ideas, and contribution to solving global issues affecting the CFO profession.

An alliance formed in December 2021 of CFO organizations from Europe, Africa, and Latin America to collaborate on areas of mutual interest, such as Digital Transformation, International Taxation and on ESG related matters.

The associations represented by the International CFO Alliance include:

- Association Marocaine des Consolideurs Financiers – [AMCF](#) (Morocco),
- Associazione Nazionale Direttori Amministrativi e Finanziari – [ANDAF](#) (Italy),
- Asociación Española de Financieros de Empresa – [ASSET](#) (Spain),

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- Club des Financiers du Nord Maroc - [CFN](#) (Morocco),
- Association Tunisienne des Contrôleurs de Gestion et des Responsables Financiers – [COGEREF](#) (Tunisia),
- Association des Directeurs Financiers et de Contrôle de Gestion – [DFCG](#) (France),
- Association of Chief Financial Officers Germany – [GEFIU](#) now CFO Forum Deutschland e.V. (Germany),
- Instituto Mexicano de Ejecutivos de Finanzas – [IMEF](#) (Mexico),
- Portuguese Association of Financial Executives – [PAFE](#) (Portugal),
- Chartered Institute for Business Accountants – [SAIBA](#) (South Africa),
- Hellenic Association of Chief Financial Officers – [SEODI](#) (Greece), and
- several groups from UEMOA West Africa.

Our main comments, incorporating outreach with our membership, on the ISSB agenda priorities proposal are set out below and detailed comments to the questions in the Request for Feedback document are set in Appendix A.

Main comments:

We support the need to continue to progress in the development of additional sustainability related standards that relate to and connect with financial reporting standards, and which stand ready to provide information that can be digitally identified, exchanged, and compared across time and between entities. We agree with the Board’s fundamental objective to establish priorities that will continue to produce high quality IFRS Sustainability Disclosure Standards that serve its primary users’ information needs; however, we urge the Board to continue to actively collaborate closely with other ESG topical standard setters to help avoid diverge across jurisdictions.

We have the following general comments in relation to the proposals:

1. We do not support the creation of a separate project to promote connectivity between non-financial and financial information, rather we see this important connectivity element as a foundational requirement within the architecture of all sustainability reporting standards. This will further reduce the risk of a lack of integration with other standards, and other standard setters, and minimize the risks of double reporting thereby reducing implementation and maintenance costs for SMEs (in particular).
2. We support looking at some of these concepts as a holistic topic, for instance, human rights, human capital, and the environment are inextricably linked and related to one another – it may be more helpful to look at such topics more widely and then prioritize connected subtopics like the proposed approach taken within biodiversity.
3. We support the engagement with other expert bodies in the fields of interest, that will further *promote future aligned standards and metrics* which are underpinned by existing frameworks, principles, or standards such as the UN SDG principles or the UN’s current work on slavery and trafficking, for instance.

4. We strongly discourage the creation of industry specific guidance; we believe the topics are common across industries – it is the magnitude and/or materiality of the topic that differs. This difference can be illustrated in numerous ways that do not necessitate additional industry standards or guidance.

We hope that you find these comments helpful in developing the ISSB agenda priorities.

If you wish to discuss them in more detail, please contact the undersigned at siege@dfcg.fr. We would also be happy to meet with the ISSB staff to discuss our comments further should it be required.

Sincerely yours,
Chair, International CFO Alliance (ICFOA) ESG Working Group



David Wray, ACA

Appendix A

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

Paragraphs 18–22 and Table 1 provide an overview of activities within the scope of the ISSB’s work.

- (a) From highest to lowest priority, how would you rank the following activities?
- (i) beginning new research and standard-setting projects
 - (ii) supporting the implementation of ISSB Standards IFRS S1 and IFRS S2
 - (iii) researching targeted enhancements to the ISSB Standards
 - (iv) enhancing the Sustainability Accounting Standards Board (SASB) Standards
- (b) Please explain the reasons for your ranking order and specify the types of work the ISSB should prioritise within each activity.
- (c) Should any other activities be included within the scope of the ISSB’s work? If so, please describe these activities and explain why they are necessary.

We strongly support the Board’s proposal to move beyond the current scope of IFRS S1 and IFRS S2. Wider and further progress is needed to address the growing issues that we face as a globally connected community.

- (a) Our ranking, in order, is jointly in first (i) and (ii), next (iv) and lastly (iii).
- (b) Specifically, we believe (i) and (ii) should be held with the same level of importance because they are both directly linked to a business’ operation and its long-term sustainability. We further suggest that (iii) needs more time to embed and settle with preparers. A helpful approach may be to consider the existing post-implementation review (PIR) processes which are widely used today for new IASB standards, typically 2-4 years after implementation. While we agree with the need to internationalize the SASB standards (iv), we believe the ISSB needs to further consider its existing resource levels to ensure it can fully support this important, and necessary, work.
- (c) We believe an activity not specifically cited, albeit possibly implicit, is interoperability and digitization. This is an underpinning element for all the ISSB’s work in our view. This is because it reduces cost/administration for preparers and increases decision-usefulness for all stakeholders.

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?

In general, we support the criteria proposed by the ISSB. However, we suggest additional consideration and inclusion of the following criteria:

- Impact (materiality) – should be considered as a whole and not limited to the financial impact. For instance, human rights violations may not have an adverse financial impact on some entities (i.e.: lack of enforcement in the country, lack of penalties, etc.) today however that may change rapidly as legislation is strengthening in parent countries for overseas acts or as entity stakeholders become more aware of the human rights practices within their investments. It is the behaviour that stakeholders seek to understand, they will make decisions based on the existence of a human rights issue first and foremost.
- Expansion of the definition of impacted groups from investors to include other stakeholders – this will allow for earlier warning signals from reporting entities before it becomes as material financial issue.
- Voluntary means reporting entities can choose other reporting standards, so there is an important need to link ISSB standards to stakeholder needs to ensure viability (ie: considering the long-term versus short-term perspective).

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 do not believe that focusing on a single project is helpful, that is because other jurisdictions like the European Standard Setting body, EFRAG, are running further ahead. This divergence creates additional costs for preparers to support a double reporting model, and for users to analyze and compare across differing jurisdictions. Minimally the ISSB should progress on several topical areas and do so in collaboration with existing experts in the field such as those listed in questions 4 through 6.

We further believe it is more productive to make partial progress on several topics rather than complete one topic in depth. This approach further avoids paralysis.

We believe that financial and non-financial connectivity is a foundational requirement and should not be treated as a distinct project. It underpins every standard, including the two existing ones in IFRS S1 and IFRS S2. Any standard emerging from these or other ISSB projects must follow a consistent connectivity architecture to avoid unintended consequences for any stakeholder group, or with other standard-setting bodies following a connectivity strategy in their standards design.

Our ranking, recognizing that connectivity is an underpinning foundational requirement, is: human rights, biodiversity and human capital. Of note in the questions that follow, we believe that it is important the ISSB consider these topics in relation to and connection with one another. For instance, if water becomes depleted in a geographic area that has a direct effect on human life and biodiversity. An absence of sufficient food sources and poverty are likely to quickly follow, which are commonly identified factors in the emergence of human rights issues such as forced labour or human trafficking.

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.

a) Our recommended priority for the subtopics is: water, pollution, resource exploitation, land use, and non-native species.

We further wonder, considering the growing issues with antibiotic-resistant microbes, where antimicrobial resistance would reside given its impact on agriculture and farming, amongst other things, which impacts food supply chains and, if left unchanged, biodiversity and human life.

b) We believe the risks and opportunities are not materially different across industries, however we believe the *magnitude* of the risks and opportunities are often industry specific.

We do not believe that industry specific guidance is necessary, nor helpful to users. We believe the magnitude differences could be managed through robust illustrative examples that demonstrate the measurement and judgment differences that would naturally occur in practice.

c) We believe the list presented in this topic is comprehensive and will provide a balanced and well-rounded proposed standard.

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.

(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 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. 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.

a) We believe that this topic is not conducive to the proposed segregation from human rights (i.e.: question 6) because the topics are inextricably linked to one another. The focus here may be best served by considering the topic as a combined larger one and then working through subtopics (as is the case for biodiversity). The proposed standard should consider how to identify risks (and opportunities of ethical practices), and further consider alignment with existing and widely used international guidance on the topic.

b) As in question 4, we believe the risks and opportunities are not materially different across industries, however, we believe the *magnitude* of the risks and opportunities are often industry-specific. We do not believe that industry-specific guidance is necessary, nor helpful to users. We believe the magnitude differences could be managed through robust illustrative examples that demonstrate the measurement and judgment differences that would naturally occur in practice.

c) We believe the list presented in this topic is comprehensive and will provide a balanced and well-rounded proposed standard, however, we would encourage the inclusion of the United Nation's University Centre for Policy Research team [FAST](#) (Finance Against Slavery & Trafficking) who engage extensively with the financial services and investor community on human rights issues, and the [OECD](#) work on Responsible Business Conduct and Human Rights.

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.

a) As noted above, we believe that this topic is not conducive to the proposed segregation from human capital (i.e.: question 5) because the topics are inextricably linked to one another. The focus here may be best served by considering the topic as a combined larger one and then working through subtopics (as is the case for biodiversity). In effect, elements between human rights and human capital are directly interconnected – for instance, forced labour (human rights) is inextricably linked with labour conditions in the value chain (human capital).

b) As in questions 4 & 5, we believe the risks and opportunities are not materially different across industries, however, we believe the *magnitude* of the risks and opportunities are often industry specific. We do not believe that industry-specific guidance is necessary, nor helpful to users. We believe the magnitude differences could be managed through robust illustrative examples that demonstrate the measurement and judgment differences that would naturally occur in practice.

c) We believe the list presented in this topic is comprehensive and will provide a balanced and well-rounded proposed standard, however, we would encourage the inclusion of the United Nation's University Centre for Policy Research team [FAST](#) (Finance Against Slavery & Trafficking) who engage extensively with the financial services and investor community on human rights issues.

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?

a) In our view, the connectivity project should not be a separate project because it is a fundamental underpinning for all sustainability standards and projects, which the ISSB has or will undertake. It is essentially the architectural blueprint against which standards are designed and created to ensure automatic connectivity and connection with the IASB financial standards and other non-financial ISSB standards (and ultimately interoperable with other influential standard setter standards). This interconnectivity in our view would be run in real-time or concurrently throughout any new standard's development. Linkage to the IIRC approach for integrated reporting would also go a long way to design standards from the outset that are conducive to such integration, connectivity and interoperability including digital reporting readiness.

b) The IASB and ISSB must be connected and coordinated. Whether this is done through a formal or informal mechanism, or led by either Board is not the primary issue in our view – doing it is the key requirement.

c) (i) Where relevant, yes it should be considered however it could become a limiting factor if the information is not yet financially material (see Q2b), as that is a fundamental requirement for management commentary. For (ii) we strongly support this as noted in in part a. We would additionally add that it would be helpful for the ISSB to continue to influence other significant standard setters to align in this direction for the benefit of all stakeholders. For (iii), other sources to consider could include the UK FRC which is developing helpful and practical guidance for preparers.

Question 8—Other comments

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

We have no specific additional comments.