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IFRS Foundation
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Dear Mr. Emmanuel Faber and the International Sustainability Standards Board,

BSR is a global business network dedicated to advancing just and sustainable business, working with our 300+ member companies and other partners from our offices in Europe, North America and Asia. Corporate disclosure and measurement of sustainability topics are a critical building block to the creation of a just and sustainable world, which is BSR's mission. BSR provides this letter in response to the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information.

BSR has consistently advocated for the harmonization of the reporting landscape to provide stakeholders with decision useful information while streamlining companies' reporting efforts, and for this reason we commend the ISSB for developing standards that will provide a global baseline for assessing enterprise value. Our point of view is anchored in our hands-on experience in supporting companies in the development and implementation of ambitious sustainability strategies, including extensive experience in reporting and disclosure. I had the privilege of serving on the Boards of the International Integrated Reporting Council and the Value Reporting Foundation, and have advocated for a strong, global framework for reporting and disclosure that advances progress towards a just and sustainable global economy.

BSR supports a "building blocks" approach to sustainability reporting in which different interoperable standards combine to enable disclosure that meet the information needs of multiple audiences. Such an approach allows users of sustainability information to understand both a company's impact outwards on sustainability issues, as well as those issues' inward impacts. Understanding financially material sustainability impacts, risks and opportunities represents a key building block, and we believe the launch of the ISSB is an essential step towards the development of standardized approach that will enable companies to report on financially material sustainability issues, as one foundation for resilient business strategies that make a positive impact on society.

We also commend the ISSB for its creation of the Jurisdictional Working Group and the Sustainability Standards Advisory Forum (SSAF) as an excellent step towards achieving greater collaboration and interoperability across geographies. Likewise, BSR is pleased to see the involvement of standard setters such as the GRI, which increases the likelihood that the Exposure Drafts' will be built on in a manner that allows companies to disclose their outward impacts on financially material sustainability issues as well.

BSR encourages the ISSB to publish a final IFRS S1 Standard that:

1. **Strikes a balance between prescriptiveness and flexibility enabling greater comparability between companies while recognizing that every company has a unique operating context.** BSR would like to see a balance struck between the breadth of disclosures and their requirements, and prescriptiveness. Prescriptiveness may lead to more comparable reporting; however, every company's operating context is different and thus a degree of flexibility would allow disclosures to reflect those differences. We believe that some disclosures could benefit from additional guidance and direction. This is especially the case when we consider reporting on climate transition plans, where application guidance and requirements are rather vague today and would benefit from further guidance. This guidance might include the frameworks that can be used when assessing transition plans and generic examples of reporting that would be considered in line with the ISSB's reporting standards.

On the location of reported information, BSR appreciates the ISSB's need to leave room for flexibility, as individual jurisdictions may stipulate where sustainability information must be disclosed. However, developing additional guidance in this area via the aforementioned working groups—such as examples of where and how this information should be found based on jurisdictional requirements, or the ISSB's perspective on best practice in cases where ISSB standards are not adopted by a specific jurisdiction—would be welcomed by reporting practitioners.

2. **Is aligned with jurisdictional definitions of materiality to improve companies' ability to perform consistent materiality assessments.** BSR believes that the ISSB should continue to work closely with the SEC and EFRAG to determine a clear, concise, and common definition of financial materiality that meets investors' information needs. A common definition is critical to harmonizing disclosure across jurisdictions. While the ISSB's definition for financial materiality can be used as the global baseline, it would be impractical, burdensome, and costly for organizations with operations in multiple jurisdictions to comply with similar but different definitions of financial materiality.

We see several current examples of divergent definitions. At present, the SEC draft rule defines financial materiality as the likelihood that an investor could consider the information important when determining whether to buy or sell securities or how to vote. This definition for financial materiality may not satisfy the reporting requirements for the ISSB, for instance. Moreover, the definition of financial materiality proposed by EFRAG in ESRS 1 also diverges from the definition proposed by ISSB as it seeks to have report preparers assess financial materiality as it relates to impacts on future cash flows under timeframes which do not align to the ISSB. Absent an explicit common definition of the

financial materiality, BSR recommends that the ISSB work with jurisdictions to ensure that reporting against one regulator's materiality definition or requirements satisfies the requirements of another or is accepted by them. As such, BSR advocates for a definition which should be consistent, interoperable and substitutable.

- 3. Is interoperable with jurisdictional requirements that are under development.** The current General Requirements Exposure Draft proposes that, in the absence of additional topic standards, companies should use the SASB standards first and foremost—and that where gaps remain, companies could use other standards and disclosures if they are fit for the investor audience. BSR proposes that the ISSB clarify that companies may utilize the disclosures proposed by EFRAG, which are also intended to satisfy investor needs. This would be especially helpful for large companies impacted by the EU Corporate Sustainability Reporting Directive (CSRD), who may be expected to report against the draft European Sustainability Reporting Standards (ESRS) in the EU and the ISSB standards as adopted by other jurisdictions in which they operate.

Close alignment between the SEC's proposed rule on The Enhancement and Standardization of Climate-Related Disclosures for Investors and the ISSB Standards is key to limiting the reporting burden placed on companies. BSR is pleased that both the SEC's proposed rule and the ISSB Exposure Drafts build on the Task Force for Climate-Related Financial Disclosures (TCFD), as this will help ensure that the proposed rule and the Standards are interoperable. If the ISSB includes disclosure topics that are not aligned with the TCFD Recommendations, then BSR recommends that their disclosure be optional for companies. Please see our comment letter on the Climate Exposure Draft for additional details.

- 4. Includes guidance for the voluntary use of the Standards and for adoption by jurisdictions.** BSR supports the ISSB's intention to build standards that serve as a comprehensive global baseline for sustainability-related financial reporting. Broad adoption of the ISSB Standards in all jurisdictions would substantially improve comparability of disclosures and allow for the interoperability of sustainability-related financial information, thereby improving the consistency and quality of information, creating a stronger foundation for just and sustainable business, and reducing the reporting burden on companies. However, the ISSB Standards serving as a global baseline for sustainability-related financial reporting also implies that several jurisdictions will build on them, allowing for the possibility of divergence between jurisdictional requirements. To prevent this divergence, the ISSB should provide guidelines for adoption of the Standards by jurisdictions, including how they may build on the Standards to meet the information requirements of stakeholders in the corresponding context.

Even in jurisdictions that do not adopt the ISSB Standards, investors may continue to request ISSB-aligned disclosures or SASB disclosures, until they form the basis of the ISSB's industry-based standards. As such, BSR believes that the ISSB should provide guidance on how companies can report against the standards on a voluntary basis.

Putting in place guidance for these cases will ensure that voluntarily disclosed information is rigorous, comparable, and decision-useful.

5. **Remains flexible with regards to reporting boundary.** BSR believes the boundary for reporting sustainability information should mirror that of the financials, including a company's upstream and downstream value chain. However, this boundary becomes complicated in its application, especially in the case of mergers or acquisitions, or when including suppliers in a company's upstream operations which are beyond their operational control. Companies go through mergers and acquisitions on a frequent basis, sometimes with multiple small entities. Their impact would be minimal to include in terms of disclosures (e.g., emissions calculation where, for the most part, these small entities have no systems in place or way to calculate these). In this case, BSR supports retaining the ability for companies to report at a consolidated level and adding thresholds to determine when an entity could be exempted from the boundary. Jurisdictions may also be prescriptive with regards to reporting boundaries.

In sum, BSR strongly supports the ISSB's efforts to build a global baseline for sustainability-related financial reporting. The consolidation of the Value Reporting Foundation (VRF) into the IFRS Foundation is a critical differentiator and brings years of industry focused sustainability standards setting experience into a well-established financial standard setting entity. We encourage the ISSB to continue its relationships with voluntary reporting standards, frameworks, and to deepen connections between jurisdictional authorities that are developing their own standards, and take forward future efforts to build on the two ISSB Exposure Drafts. Achieving this alignment will drive comparability and interoperability of sustainability-related financial information, contributing to the objective of the ISSB of developing standards that provide a comprehensive global baseline of sustainability-related disclosures that drives harmonization of the reporting landscape.

Sincerely,

Aron Cramer

President and CEO

BSR