

EFRAG SRB and FRB Joint meeting, 28 August 2023

Agenda Paper 03-04B



**EFRAG & ISSB  
JOINT OUTREACH EVENT:  
ISSB AGENDA CONSULTATION –  
ISSB INTERNATIONALISATION OF  
SASB STANDARDS  
15 JUNE 2023**



THIS REPORT HAS BEEN PREPARED FOR THE CONVENIENCE OF EUROPEAN CONSTITUENTS BY THE EFRAG SECRETARIAT AND HAS NOT BEEN SUBJECT TO REVIEW OR DISCUSSION BY NEITHER THE EFRAG BOARD NOR THE EFRAG TECHNICAL EXPERT GROUP. IT HAS BEEN REVIEWED BY THE SPEAKERS AT THE EVENT.

## BACKGROUND

On 15 June 2023, EFRAG and ISSB organised an online outreach event on EFRAG's responses to the ISSB's Request for Information (RFI) on its Agenda consultation and International Applicability of SASB Standards. The aim of the outreach event was to stimulate the discussion and to receive input from constituents. This report has been prepared for the convenience of European constituents and has been further considered by EFRAG in its due process arriving at EFRAG's final comment letter.

The following supporting documents are available:

- the program of event: [here](#)
- the bios of the speakers and panellists: [here](#)
- the slide-deck, presented by EFRAG and the ISSB: [here](#)

The webinar started with an introductory speech by Saskia Slomp and Patrick de Cambourg, EFRAG CEO and EFRAG SRB Chair respectively, followed by presentations from the ISSB and EFRAG. Alongside the presentations, the panellists participated in the discussion and provided their views. Throughout the discussion, the audience could provide their views through online polling questions and questions to the speakers. The polling surveys' responses and the questions asked by participants are set out in this report in the relevant sections.

## WELCOME AND OPENING SPEECHES



**Saskia Slomp, EFRAG CEO**, welcomed the audience and introduced the programme of the webinar. She explained that this was a joint event between ISSB and EFRAG on the ISSB's Request for Information of its agenda consultation and the Exposure Draft of internationalisation of SASB Standards.



**Patrick de Cambourg, EFRAG SRB Chair**, welcomed the audience and introduced the speakers. He noted that EFRAG had recently submitted its comment letters to the ISSB consultations for public consultation and encouraged participants to have a look at it following today's discussion. He explained that following the period for public consultation EFRAG will take the feedback to consideration to provide the final comments to ISSB for its Request for Information and Exposure Draft.

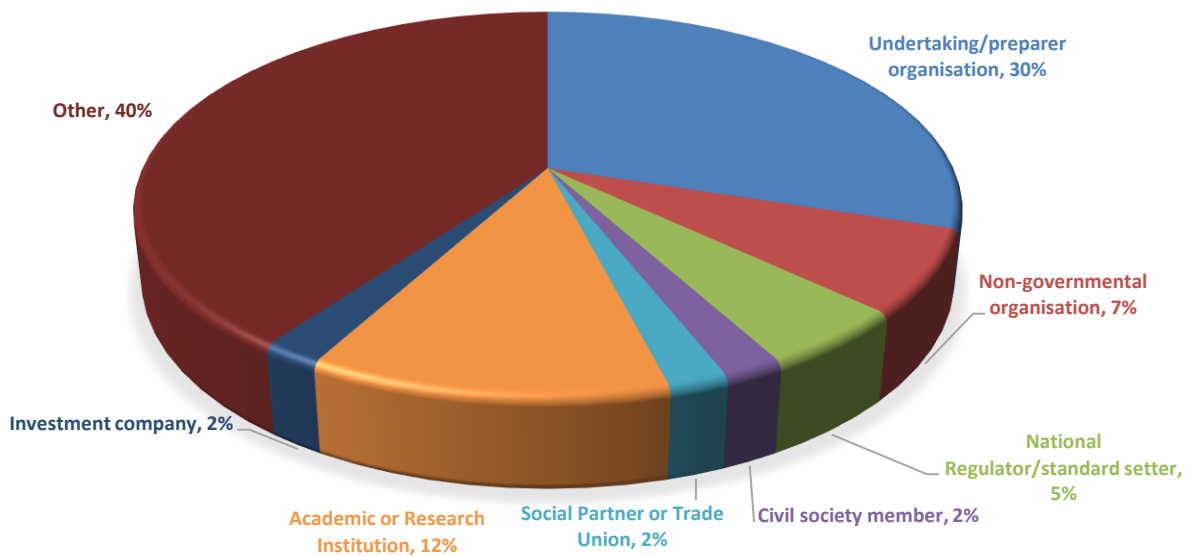


**Jenny Bofinger- Schuster, ISSB Board member,** welcomed the audience and gave a general overview of the ISSB’s objective. She highlighted that this is an important milestone for the ISSB as they are entering the standard-setting phase with the two topics to be discussed today. She emphasised that, as standard setters, the ISSB depends heavily on feedback and is very thankful and encourages constituents to comment on their consultation.

She explained that the ISSB has opened two public consultations at the moment. An open consultation regards the Request for Information (RFI) on its agenda consultation aimed to inform the ISSB’s work plan for the two years following the consultation: The ISSB is seeking input on its strategic direction and the balance of its activities; the criteria for assessing priority of future projects and the priority and scope of future research projects. The ISSB is also consulting on an Exposure Draft on internationalisation of SASB standards and the update of the SASB Taxonomy.

**POLLING QUESTION: The description of participant’s organisation is summarised below:**

### ORGANISATION'S DESCRIPTION



## RESEARCH PROJECTS

### Panel discussion

#### Presentations



**Francesca Recanati, ISSB Technical Staff**, presented ISSB's potential new research and standard setting projects described in the RFI. The agenda included the following topics:

- biodiversity, ecosystems, and ecosystem services (BEES);
- human capital; and
- human rights.

She provided background for the topics and emphasised their importance and relevance in ISSB's agenda. Francesca Recanati emphasised that the topic of (BEES) is broad and encompasses nature beyond climate.

As per human capital and human rights, she pointed out that they are important for a company's value. She explained that under the umbrella of human capital, the ISSB provides a list of subtopics which could be prioritised in future research projects. She emphasised that the RFI acknowledges overlaps between human capital and human rights and stressed that ISSB future research, when initiated, will explore them. Moreover, Francesca Recanati clarified that in the current description of the potential project, human capital has a primary focus on the company workforce, while human rights has a primary focus on value chain.

To conclude her presentation, Francesca Recanati highlighted the fact that ISSB is asking for feedback on the prioritisation of the three projects including their subtopics, and feedback on relevant industries or sectors. She pointed out that all these projects are all potential research projects. The research phase is required to be undertaken before standard-setting phase by the IFRS Foundation due process. She stressed that the structure of future standards has not been decided yet.



**Chiara Del Prete, EFRAG SR TEG & IFASS Chair**, noted that the CSRD states that EFRAG should consider, to the greatest extent, the work of the ISSB. She explained that EFRAG should support and contribute to the work of ISSB because it is an integral part of its mandate.

On the topic of biodiversity, Chiara Del Prete portrayed EFRAG's disagreement with the ISSB's broad scope. She proposed that the ISSB should look and integrate the architecture that EFRAG developed in the environmental sector-agnostic standards which differentiate biodiversity from water resources, circular economy, and pollution (which also mirror the architecture of the EU Taxonomy). Doing so would also enhance the interoperability between ESRS and ISSB standards.



Nevertheless, Chiara Del Prete suggested that, should ISSB decide to keep the current structure, it should change the name of the project to 'Nature', to avoid confusion with EFRAG's 'Biodiversity' standard and align it with the TFND. She added that the EFRAG comment letter also included a list of sources that have been used in developing the ESRS standards, including tables with the topics, subtopic and sub-subtopics of sustainability matters.

Regarding human capital, EFRAG expressed concern about separating human capital from human rights since it considers human rights as a foundation upon which human capital may be built. Also the term human capital ought to be changed into own workforce, as the future standard should also include human rights such as diversity, equity and inclusion. Chiara Del Prete proposed to go through different standards such as UN Guiding Principles and OECD Standards to guide ISSB's ongoing work on human rights and human capital. Lastly, Chiara Del Prete announced that, if helpful, EFRAG is able support the ISSB on these challenges in particular on the financial impact of human rights issues.

## DISCUSSION

Question: Will the ISSB keep the proposed split between human capital and human rights or will it be changed?

**Jenny Bofinger-Schuster**, welcomed the feedback from EFRAG and pointed out that the ISSB is at the beginning of the research phase and is trying to define whether the topics of human rights and human capital should be treated as one or two separate topics. She emphasised that the two topics have both emerged as priority from previous research and outreach activities conducted by the ISSB. She also acknowledged the importance of the discussion and the overlaps between the two topics, for example when it comes to labour rights. Moreover, she argued that on the concept of integrated reporting there is a differentiation between human capital and social capital which has guided the hypotheses and future research towards two separate topics.



**Sigurt Vitols, EFRAG SR TEG Vice-Chair**, pointed to the advantage EFRAG has, given that these topics are outlined in the CSRD. Nevertheless, he noted that the distinction between human rights and human capital was artificial as most subtopics in the latter are related, to certain extent, to human rights. For example worker wellbeing addresses health and safety, one of the five fundamental ILO-rights.

Sigurt Vitols disagreed with narrowing the focus of human rights exclusively to value chain as these were also highly valid for the own workforce such as subtopics relating to adequate wages and collective bargaining. He argued that it is important to be cautious using this approach since human rights is also key for a company's own workforce. He suggested the ISSB to the approach of using effective stakeholder groups.

Question: Is there evidence on how human rights can be seen through the lens of financial materiality?

**Sigurt Vitols** replied by stating that it is a challenge to report on human rights. He explained that there are two frameworks that have established concepts for impact materiality: UNGP and the OECD due diligence guidelines. He added that human rights are not only important from an impact materiality perspective but also have financial impact. As an example, he mentioned usage of child labour and work accidents in third world countries. He stressed that these events are material from a financial and an impact perspective.

He noted that some social aspects are very difficult to translate into monetary terms, such as the value of life or preventing of child labour. To this end, reporting on fines and penalties is required.

**Jenny Bofinger-Schuster** pointed out that the ISSB realised there is a growing number of stakeholders that require preparers to disclose financial material information related to human rights. She provided the example of reputational risks and penalties. She noted that investors are interested to see how companies deal with these risks and what strategies, disclosures, and measurement are being used.

Question: How does a broad grouping of biodiversity fits EFRAG's architecture?



**Pedro Faria, EFRAG's Environmental Lead**, explained that EFRAG's architecture for biodiversity is driven by two main reasons: a pragmatic reason and a conceptual reason on using transparency to manage the relation between economic activities and nature.

The pragmatic reason lies behind the objective to align with European Taxonomy and the topics climate, pollution, water, biodiversity and ecosystems and circular economy. He highlighted that if ISSB adopted this architecture and order of topics, it would maximise international alignment between standards and it would be welcomed by both preparers and users.

The second reason he explained stems from the idea that looking at the different drivers of biodiversity loss such as pollution, water and resource use etc. exclusively through the lens of ecosystems might be insufficient to properly address these topics at the level that they require to drive business transformation. As an example, while pollution is a driver of biodiversity loss it is also a consequence of human activity affecting workers,

communities, and assets all of them which can be material from an investor perspective without being material through its link to biodiversity loss. Pollution is also an indicator of inefficient processes and products. Equally some aspects of water scarcity can become material for social consequences before having an impact on nature. The flows of materials through the economy (as explained in the circular economy standard) is an essential aspect of how to adapt our economies to more respecting nature. In order to learn more about biodiversity impact we need more transparency on impacts and metrics but also transparency of the drivers of these impacts. Society needs to think which changes it wants to make in addressing to curb our constant depletion of natural resources and affecting biodiversity. For pollution command and control regulations are installed, engineer risk management systems have been put in place that generally work well. For water it is necessary to think about how we jointly deal with the sharing of scarce resources which is used for different human purposes and its role in nature. For circular economy there is a need for changing rules and incentives to change our production and consumption system in a fundamental way.

Pedro Faria emphasised that keeping this narrow view of certain environmental aspects and incapsulating them under the umbrella of ecosystems may inevitably force material topics, which are essential to drive the change towards a more sustainable economy, to fall outside of the scope. He added there is a need for transparency on the intermediate ends – such as protecting biodiversity and ecosystems – but also on the means to do it.

**Francesca Recanati** explained that the aim of this project was to go beyond climate and focus on topics related to biodiversity and nature. She clarified that the terminology was established after conducting several outreach events and research. She noted that ISSB is still trying to figure out how to disaggregate this topic and it will consider EFRAG's view and other stakeholders' view to find the adequate wording and architecture. Moreover, Francesca added that the ISSB are aware of the overlap with the social aspects and the process of disaggregation is ongoing.

## STRATEGIC DIRECTION AND BALANCE OF ISSB'S ACTIVITIES

### Presentations

**Francesca Recanati** presented the ISSB's committed activities as well as its criteria for assessing new projects. She highlighted that all the ISSB activities, both committed and new projects, are interrelated, but that the ISSB is seeking feedback solely on the relative prioritisation of all these activities, and not on their structure and content of committed activities. The feedback will be used to inform ISSB's resource allocation. The ISSB's committed activities are the following:

1. Supporting the implementation of IFRS S1 and S2;
2. Enhancing the SABS Standards; and
3. Research targeted enhancements of ISSB Standards.

Francesca Recanati highlighted that in addition to the list above, there are three activities that are at the core of all the ISSB's work and are fundamental to the ISSB's mission to deliver a comprehensive global baseline of sustainability-related disclosures to meet the needs of

investors: connectivity with the IASB, interoperability with other jurisdictional and voluntary sustainability standard setters and framework providers, and engagement with stakeholders.

**Chiara Del Prete** presented EFRAG's view on the ISSB's strategic direction and balance of activities. She highlighted EFRAG's recommendation for ISSB to disclose its overall direction of travel beyond a two-year period. She pointed out that it would be useful to have an overall direction of the full universe of projects that ISSB will develop in the future. Chiara Del Prete noted that it could be useful to deliver an overall timetable for guidance on future workplans.

Regarding prioritisation, Chiara Del Prete mentioned that the priority, according to EFRAG, should be to start new research and standard setting projects. She highlighted that the project on connectivity between financial and sustainability reporting would also fall under this category. EFRAG recommends ISSB's list of priorities to be the following:

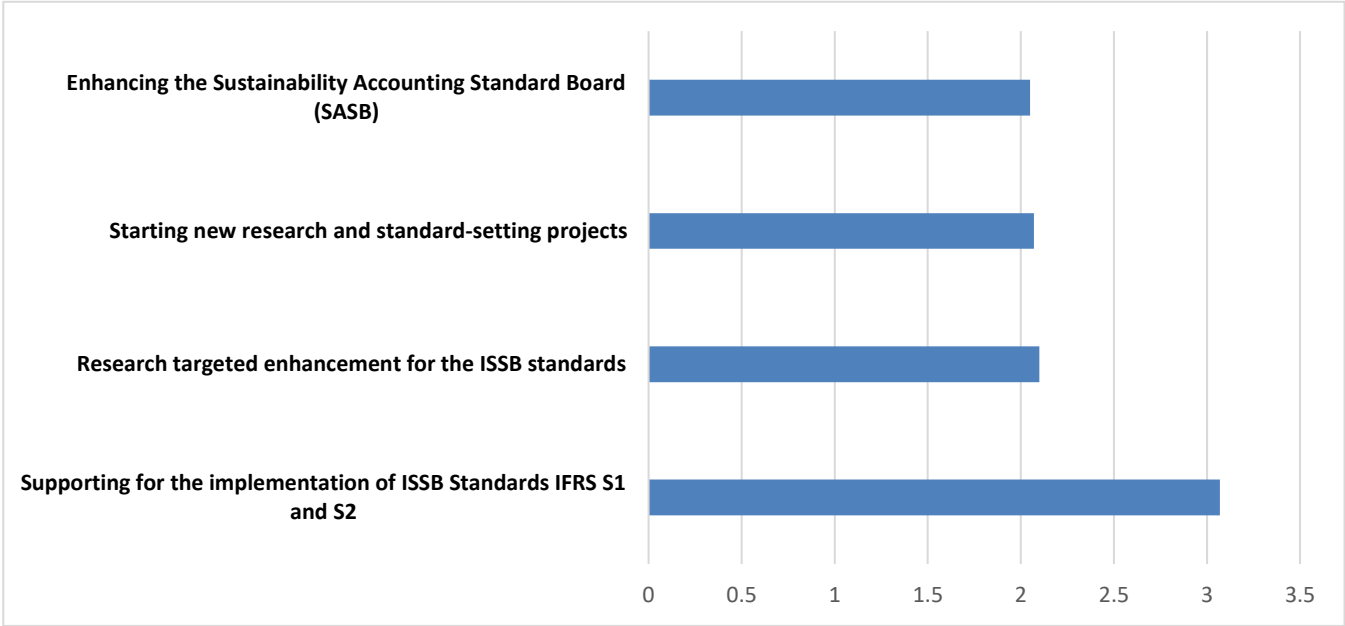
1. New research and new standard setting projects;
2. Support ISSB standards IFRS S1 and S2 and target climate adjacent disclosures; and
3. Enhance the SASB standards.

Chiara Del Prete portrayed EFRAG's motivation and willingness to synchronise the ISSB's and EFRAG's agenda to promote interoperability between standards. Interoperability being more effective if it is a two-way traffic. In terms of criteria, she recommended to include investors' interest in impact materiality given that investors growingly make decisions based on impact because they want to avoid harm or make a positive impact.

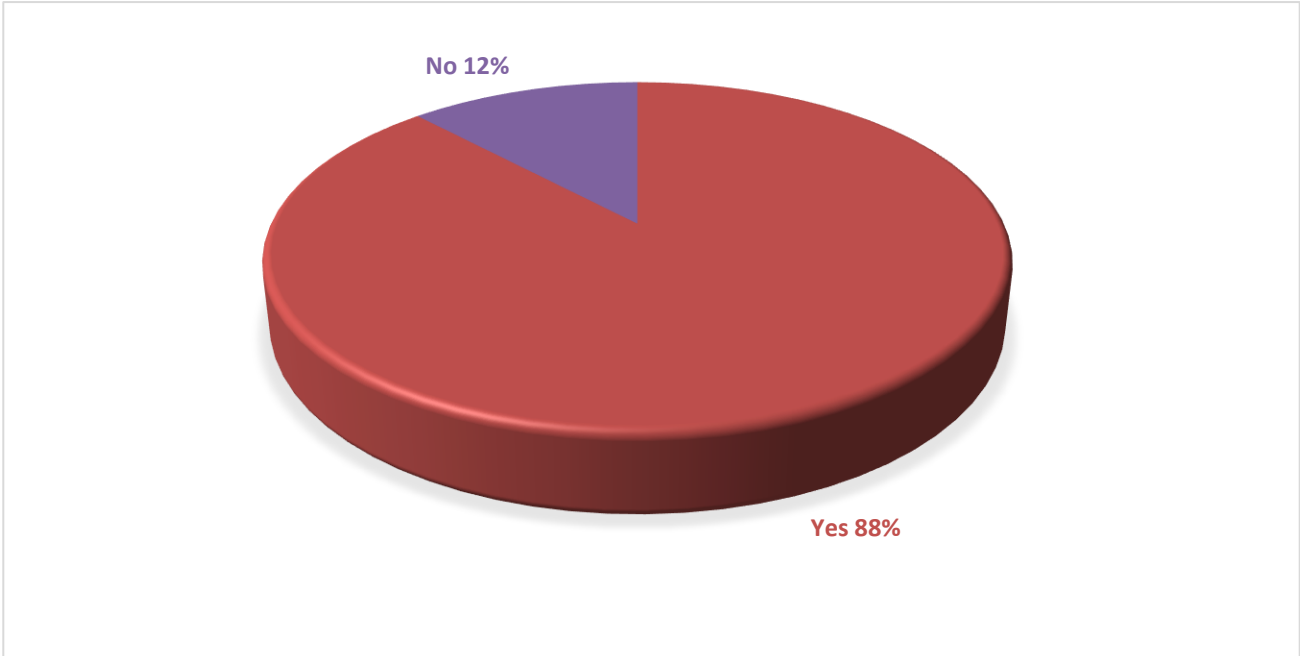
She mentioned that within the area of new research projects EFRAG does not prioritise between topics and subtopics because it assumes that all topics must be covered and have equal importance.



**POLLING QUESTION:** The following graph shows a ranking poll (from lowest to highest importance) on how participants would rank the ISSB activities. <sup>1</sup>



**POLLING QUESTION:** Do you agree with EFRAG that the ISSB is to provide an overall direction of travel beyond the 2-year period of the RFI?

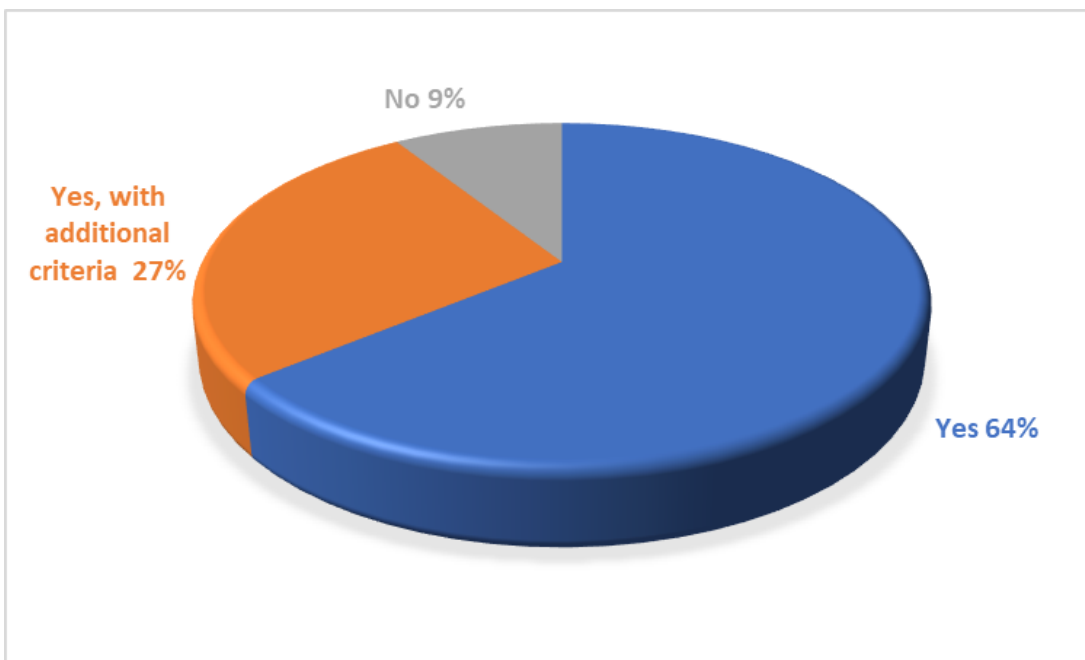


<sup>1</sup> How to read this graph? The polling question required participants to express a ranking of proposed ISSB activities by providing a number between 1 and 5. As a result the graph shows the average ranking provided by polling participants to each activity, which is a number between 1 and 5.

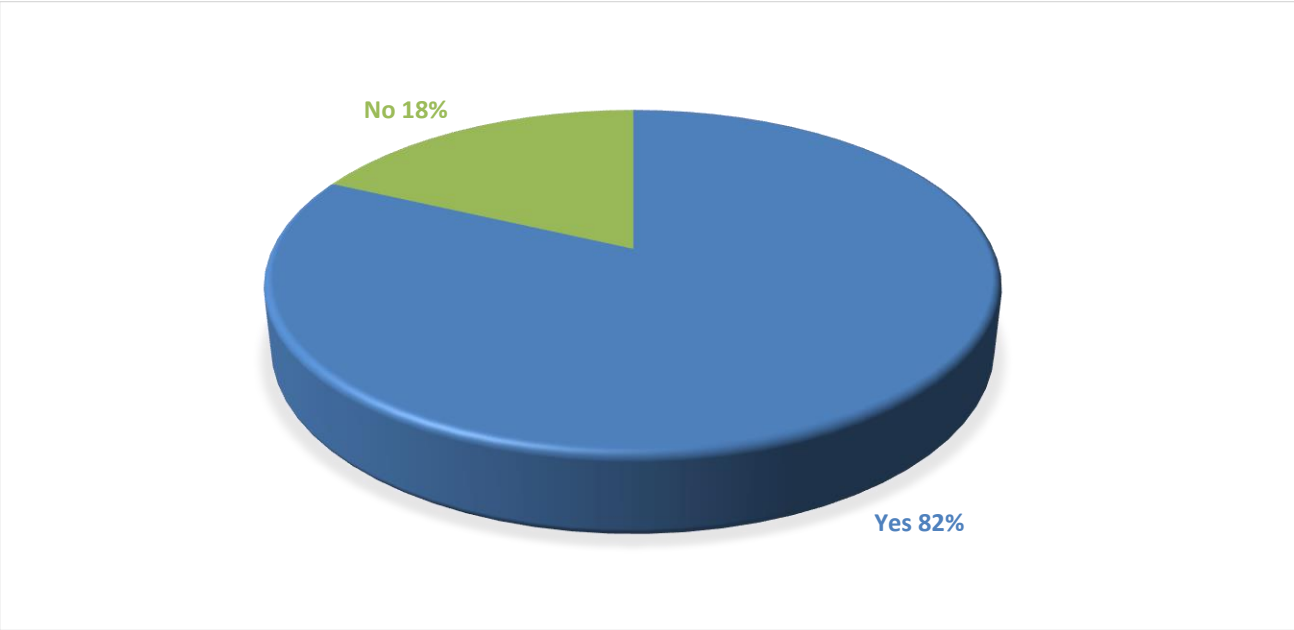
**The ISSB considers the following criteria in deciding whether to add a potential project to its work plan:**

- Importance to investors.
- Deficiency in reporting the type of transaction or activity.
- Prevalence in certain jurisdictions and impact on types of companies
- Pervasiveness or how acute the issue is.
- Interaction with other projects on the work plan.
- Complexity and feasibility of the project and its solutions.
- Capacity of the ISSB and its stakeholders for timely progress.

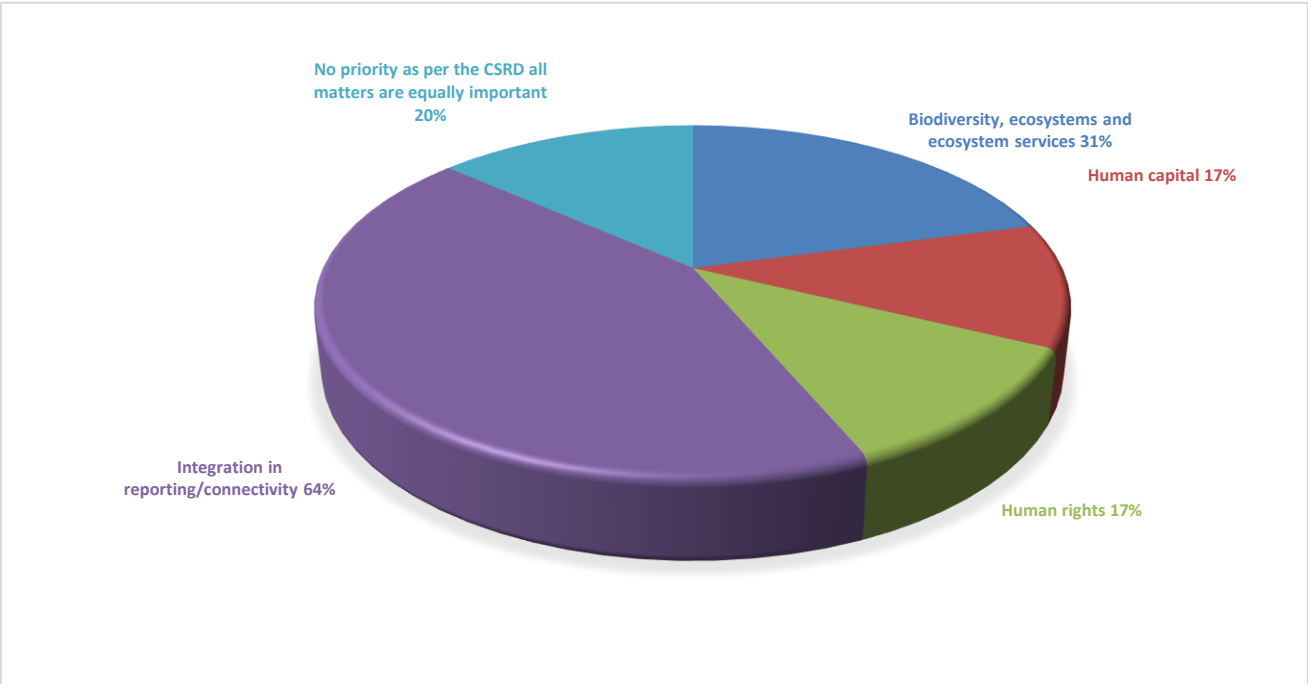
**POLLING QUESTION: Do you think these are the appropriate criteria?**



**POLLING QUESTION: Do you agree with EFRAG to add the criterion “interoperability”?**



**POLLING QUESTION: Which projects the ISSB should give priority to?<sup>2</sup>**



Question: ISSB does not include interoperability as one of its prioritised criteria. Could you provide your view? Should it be a separate criterion?

<sup>2</sup> How to read this graph? As participants in the polling could indicate more than one answer, the percentages do not add up to 100%.



**Wim Bartels, EFRAG SRB member,** commented that interoperability has been discussed extensively during the development of ESRS. It has been a fundamental topic over the past nine to twelve months, and it is needed to reduce the burden on preparers and users by avoiding double reporting, interpretations etc. To this end, it is important to bear in mind that timing may be an obstacle for interoperability given the difference in timing of the workstreams between respectively EFRAG and the ISSB. Even if EFRAG issued its draft ESRS before ISSB

started its work on sector standards, it is crucial that EFRAG and ISSB work towards synchronisation of agendas to achieve interoperability. Wim Bartels emphasised the need to create further alignment and collaboration from the initial stages of the projects.

**Jenny Bofinger- Schuster** pointed out that interoperability is in their joint duty and their aim is to ensure that users and preparers can use standards efficiently. For ISSB this is a core activity, and it is hard to use as a criterion. It is a given that ISSB should target interoperability in everything they do. She added the ISSB is looking at existing sustainability standards, including ESRS, in developing their framework.

**Question:** Regarding the responses to the polling question on prioritisation of the ISSB's topics, what is your view on connectivity and integration in reporting?

**Wim Bartels** mentioned that, based on EFRAG's perspective, connectivity and integration are both important elements of reporting. He explained that, in ESRS, it is required to report in separate sustainability statements. However, there is an option to include reporting by reference. This method allows integration in reporting in other parts of the annual report where appropriate. Wim Bartels agreed that the ISSB and EFRAG have the same view on integration in reporting being the ultimate objective. The value of a company is determined both by financial and non-financial information and encompasses the value a company is providing to the wider society.

He explained that according to EFRAG, connectivity is primarily about making the connection between non-financial information and financial statements. He noted that connectivity tries to give answers to what sustainability reporting means for the financial statements. As an example, he commented on the issue of stranded assets and the challenges and inconsistencies that appeared in reporting in practice when linking climate risks to asset valuation. He made a final remark stating that EFRAG believes that connectivity should be a priority over integration in reporting at this moment in time. Investors are particularly interested in this and a lot of companies struggle with implementing the

package of sustainability reporting and with how to assess financial materiality and how to relate it to the financial value of the company. Thirdly the interplay between non-financial and financial information is largely new territory which brings challenges in implementing it.

## INTEGRATION IN REPORTING

### Presentations



**Laura Girella, Technical Specialist, Connectivity and Integrated Reporting**, presented the ISSB's approach towards connectivity and integration in reporting. She explained that connectivity within the IFRS Foundation is developed in three different layers:

1. Connectivity between IASB and ISSB (connectivity in process)
2. Connectivity in standard setting of both organisations (connectivity in products)
3. Connectivity in corporate reports (connectivity in reports).

Laura Girella commented on the importance of connectivity and pointed out that it is part of their daily work given that ISSB works together with IASB to ensure that both speak the same language in reporting. Laura Girella explained that there are also disclosure requirements in S1 and S2 that require connected information. She explained that integrated reporting builds on connectivity, but they are not equivalent.

She commented that integration in reporting considers the trade-offs, the synergies and interdependencies between the resources that an organisation relies upon to create value. She highlighted that integration in reporting is also about the inextricable link between the way an organisation creates value for itself (and for investors) and to other stakeholders. Laura Girella reminded that connectivity is still important, however the ISSB believes integration in reporting is the way to move forward and ensure that disclosures are interconnected. She clarified that integration in reporting is different than integration of reporting and pointed out that integration in reporting tries to interconnect the full set of sustainability disclosures and financial disclosures.

She concluded her intervention reminding the questions included in the ISSB RFI as to the fourth project description, that is whether integration in reporting should be a priority for the ISSB, if the project should be carried out formally jointly by the ISSB and IASB or in other forms, and whether the project should utilise IASB's Exposure Draft Management Commentary, the Integrated Reporting Framework, or other material pursuing this project.

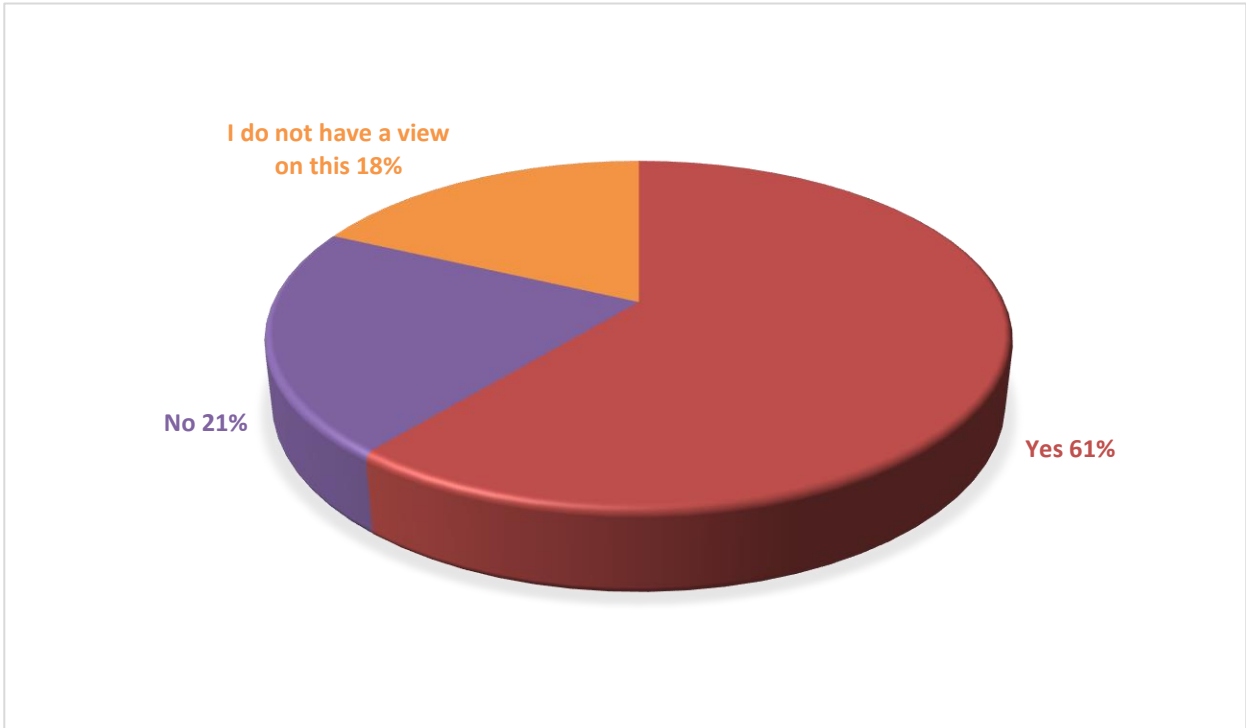
**Chiara Del Prete** commented that EFRAG prioritised connectivity over integration in reporting. She emphasised the importance of using the same language and terminology. EFRAG refers to connectivity as the techniques to foster a connected reading of financial statements, sustainability reporting and other aspects of management reporting. A lot more work is necessary to operationalise the connectivity. Chiara Del Prete noted that more



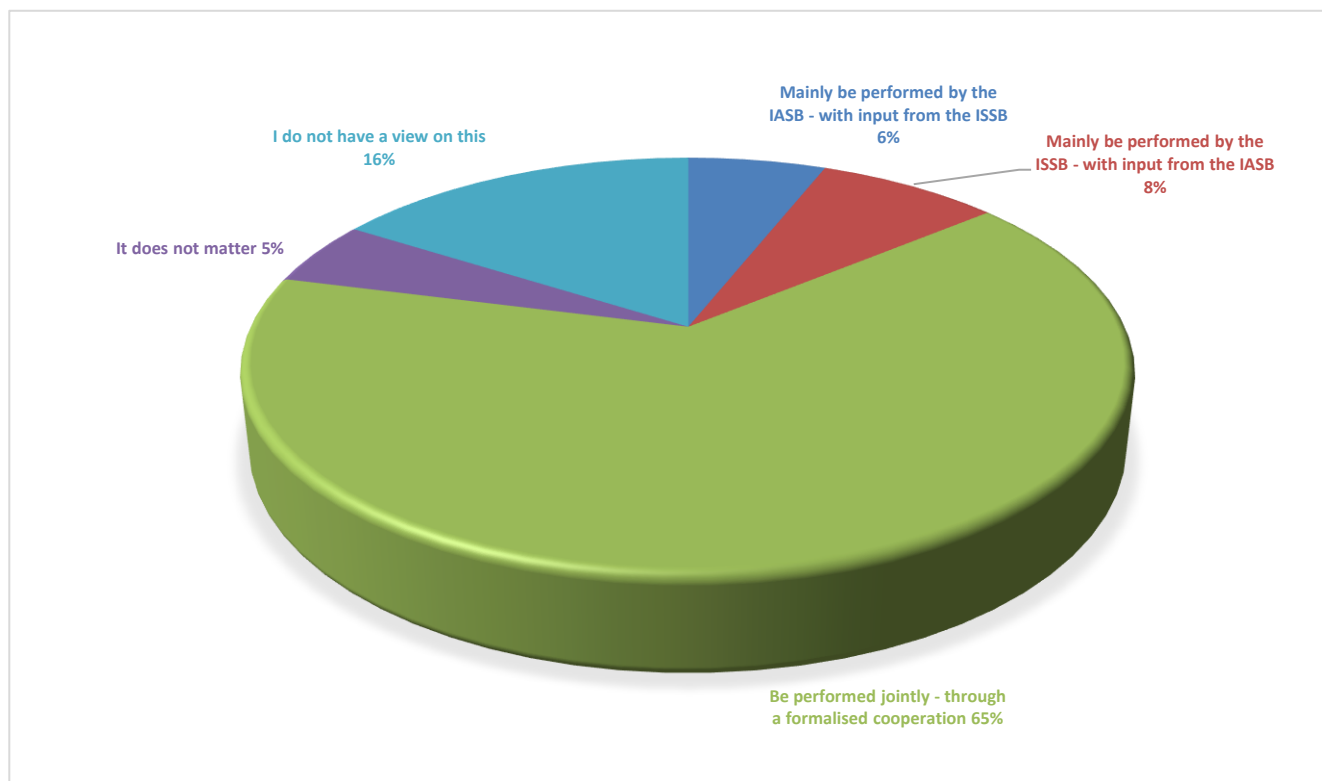
conceptual thinking is needed before integrating the two pillars and a conceptual framework for sustainability standard setting would be useful. She commented that integration in reporting is a project that would absorb a lot of resources and should be looked at ahead into the future.

Regarding whether the project of Integration in reporting should be led by ISSB, IASB or both, EFRAG does not have a strong opinion. She noted that when two Boards have to agree on all changes this could have an influence on the timeliness of delivering the project. EFRAG has worked a lot on the management commentary report and it would be useful if the ISSB could rely on this earlier work of the IASB and EFRAG in developing connectivity.

**POLLING QUESTION: Do you think that the ISSB should focus on 'connectivity' instead of 'integration in reporting' at this point in time?**



**POLLING QUESTION: If the IFRS Foundation were to start a project on integration in reporting, should the project be a joint project with the IASB or an ISSB project:**



Question: The position in EFRAG DCL is connectivity first, however integration in reporting may also be an important direction going forward. How do you see this developing from an European perspective?

**Wim Bartels** noted that with connectivity between financial and sustainability disclosures will bring better reporting. He emphasised that it is important to achieve coherent connection between financial and non-financial information. The influence of the double materiality concept is important for companies. The risk management of many companies is not aligned with the EU request for indicating the connectivity between for example the impact of climate and the financial statements. So first one should focus on connecting all the financial and sustainability information before going further into integration in reporting. So it is a matter of what comes first.

**Jenny Bofinger-Schuster** replied explaining that the answers to the poll show that the topics are moving closer and closer together. She emphasised that there is the hope and ambition that connectivity between financial and sustainability reporting is operationalised and ensuring that the same assumptions are used in both fields.

**Laura Girella** added that already several hundreds of companies showcase examples of integration in reporting through the adoption of integrated reporting and their work can be an inspiration for companies that want to start applying it.

**Saskia Slomp** referred to the outcome of polling question 5 (most important criteria to choose a project). Polling results showed importance of a topic to investors and pervasiveness as the most important criteria. She asked panellists' view on these results.

**Chiara Del Prete** noted that if constituents had in mind impact materiality when voting for pervasiveness it provides a good basis for further work. These topics are in the DNA of the ISSB.

**Wim Bartels** added that the importance to investors and pervasiveness were interrelated. The more acute a topic the higher the need for information. Defining the most acute issues is not easy as the need for information can move very fast to the foreground such as on climate and biodiversity.

## EXPOSURE DRAFT ON INTERNATIONALISATION OF SASB STANDARDS

### Presentations



**Corey Walrod** presented the essential aspects of the ISSB's Exposure Draft on methodology for enhancing the international applicability of the SASB Standards. He noted that ISSB will strive to preserve the SASB structure to the extent possible to avoid impairing the value of the standards for current users but also ensure the previously jurisdiction-specific metrics contained in the standards be revised for international application.

He briefly explained the ISSB's methodology for enhancing international applicability. He mentioned that the main goal is to support the implementation of IFRS S1, while preserving the standards' original metric structure and intent. The ISSB staff developed five revision approaches for the standards, in order of preference:

1. Use of international references
2. Developing definitions in the standards
3. Using jurisdictional references
4. Removal of some metrics
5. Replacement of some metrics

Reflecting on EFRAG's point of view regarding the Exposure Draft, Corey Walrod noted that EFRAG considered the proposed approach towards improving the international applicability of the SASB Standards to be reasonable, but EFRAG suggested improvements. The first improvement was to enhance comparability. To this end, he pointed out that the proposed methodology does favour the use of revision approaches one (use of international references) and two (developing definitions), over revision approach three (using jurisdictional references), to avoid impairing comparability. The second improvement suggested by EFRAG was to make preparers identify and provide the source reference of jurisdictional sources, whenever used. Corey Walrod underscored that this suggested

referencing is included in the proposed methodology and had requested by ISSB to enable investors to understand the source materials for the key terms of reference being used.

Corey Walrod commented on EFRAG's suggestion to consider ratification status of international sources by creating a database of all international references and their ratification status. EFRAG also suggests providing a replacement when the international reference used is not widely ratified. He mentioned that most of the sources used do not require specific ratification given their legal status such as definitions out of the WHO international classification of diseases. Many sources refer to industry guidelines and best practices such as from trade associations like Ipieca. Nevertheless, for those sources which are ratifiable, EFRAG's advise is being seriously considered. However, creating a database to aggregate the ratification status of each relevant international reference across jurisdictions could be very resource intensive.

He illustrated the foreseen changes to the SASB standards by sector. In particular the health and financials sectors face major challenges in this regard compared to other sectors.

Regarding harmonisation of XBRL and ESRS taxonomy, he expressed practical concern that harmonisation would not work if the underlying metrics were not interoperable. He pointed out that the set of digital tags relies on a specific data structure and type. Corey Walrod mentioned that harmonisation would be simpler if EFRAG relied on the revised SASB standards as a basis for sector-specific disclosure development. Nevertheless, until the standards are drafted pursuing detailed digital tagging and harmonisation might be premature and could be resource intensive. He highlighted that as primary users, a range of preparers and other stakeholders should also be involved in that discussion.

Corey Walrod pointed out that when the ESRS begins drafting their sector standards these important discussions about interoperability and taxonomy harmonisation would be more productive.

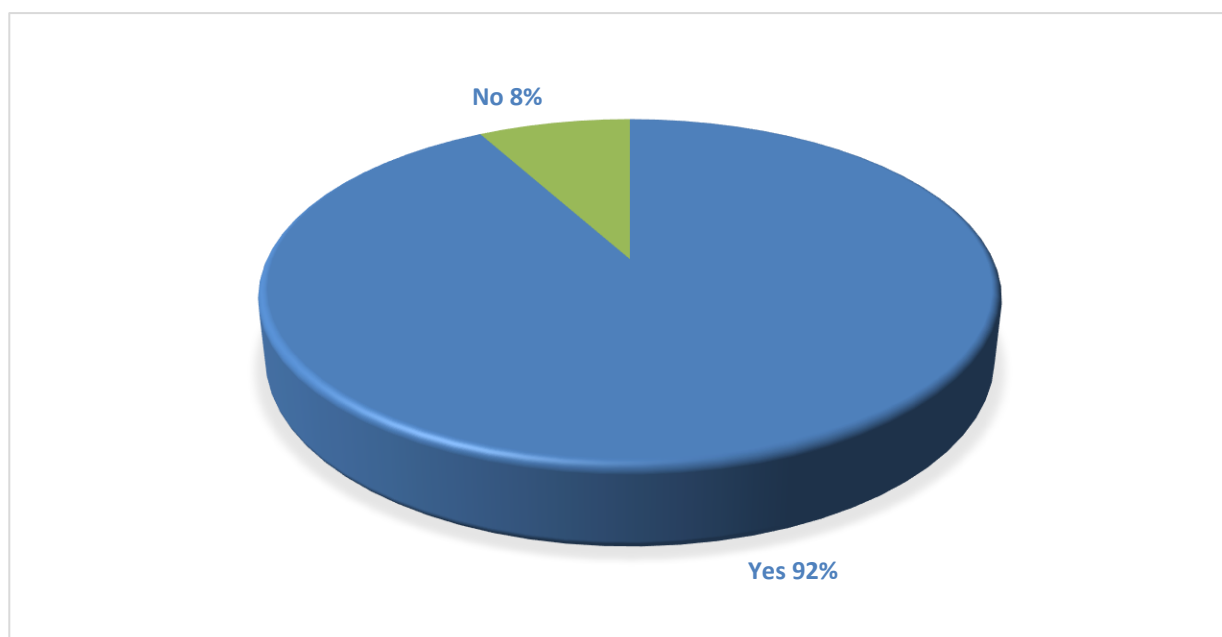
**Chiara Del Prete** explained that according to its workplan, EFRAG will issue 39 ESRS sector-specific standards that will be reconciled with the 77 SASB industries. She mentioned that interoperability is key when it comes to SASB standards for several reasons. Firstly, SASB standards are an obvious source for development of other sector standards. Secondly, she noted that in ESRS there are transitional provisions for the first years of application to cover entity specific disclosures. In this case, the SASB standards are specified as a possible source for those disclosures. Moreover, after the time for transitional provisions is over, EFRAG will continue to refer to the SASB standards as additional voluntary guidance for companies.

She presented EFRAG's view on the ISSB's Exposure Draft. She mentioned the two main suggestions regarding ratification status of internationally applicable references and how on integrating jurisdictional references may have a negative impact on comparability.

Chiara Del Prete pointed out that EFRAG's comment letter reflected the lessons learnt during the use of SASB Standards for the development of the Draft ESRS sector-agnostic standards and the first set of sector standards. She emphasized EFRAG's agreement and support towards the ISSB's methodology, regardless of a few indications and suggestions for improvement.

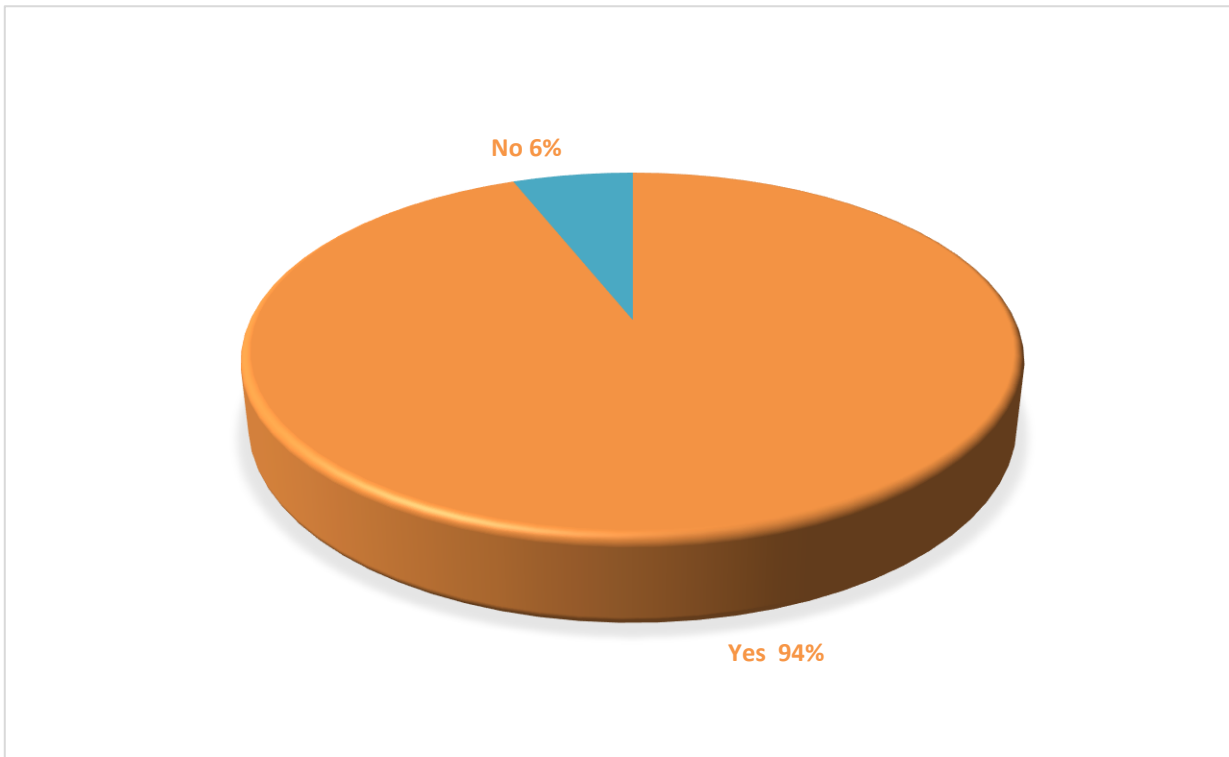
She pointed out the SASB standards should be enhanced beyond internationalisation. EFRAG does not agree with limiting improvements of SASB standards only to internationalisation. She noted that a more extensive activity of standard setting is needed. For interoperability purposes, Chiara Del Prete suggested that ISSB and EFRAG should cooperate in this regard.

**POLLING QUESTION: Do you agree with the EFRAG suggestions (comparability and considering ratification status) to improve the proposed ISSB methodology on internationalisation of the SASB Standards?**



**POLLING QUESTION: Do you support a harmonisation of the SASB XBRL Taxonomy and the ESRS Sector Standards Taxonomy?**





Question: Can you explain what EFRAG learned in using SASB standards? Which messages can we share with the ISSB? What is the view from a social perspective?

**Pedro Faria** clarified that EFRAG has used the SASB standards as a key source in developing its own framework. The standards need revision as not all metrics are internationally applicable. The overall methodology proposed by the ISSB to do such a revision is generally supported by EFRAG, but a wider review to include other aspects such as target setting, transition metrics would be useful. Although timing for delivering those changes was an issue, the most important was to start working on these upgrades and this keeping in mind interoperability.

**Sigurt Vitols** noted that from a social perspective some metrics such as strike activity were a good inspiration for EFRAG. The combination of both international and European regulations sometimes leads to a higher complexity in standard setting such as the disclosures on adequate wages. He noted that internationalisation is not a burden that cannot be overcome, but it is complex. He mentioned that EFRAG had a huge advantage because it worked with sector agnostic and sector specific standards which allows for generic and specific standards. For example working time for which there were a lot of issues that could not be dealt under the agnostic standard but had a place more in sectoral standards such as weekend and evening work in restaurant business or working in remote locations in the oil and gas or mining industry.

**Jenny Bofinger-Schuster** emphasized that the Exposure Draft does not only look at internationalisation. She clarified that internationalisation is more urgent because it needs

to be done for adequate application of IFRS S1 and S2. However, she pointed out that ISSB will also commit to improving the standards and will not neglect enhancing overall SASB standards.

## **CLOSING REMARKS**

**Saskia Slomp** wrapped up the event by noting that all questions will be looked at and will be further considered by EFRAG in its due process arriving to a final comment letter. Based on audience's interest in EFRAG's advancements, she pointed out that updates may follow in future events regarding EFRAG's workplan on SME's and sector standards.

She thanked all the speakers, the audience, and the organisers of the event. She clarified that the deadline for feedback on EFRAG's Draft Comment letters to ISSB's consultation will be on the 10 July for the internationalisation of SASB standards, and 25 July for the RFI on agenda consultation.

**Jenny Bofinger-Schuster** closed the event by thanking participants, the speakers, and EFRAG Secretariat.