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Berlin, 1 August 2023

Dear Patrick,

**ISSB Request for Information – Consultation on Agenda Priorities**

On behalf of the DRSC Sustainability Reporting Technical Committee and the DRSC Joint Technical Committee I am writing to contribute to EFRAG's draft comment letter on the ISSB's Request for Information – Consultation on Agenda Priorities (herein referred to as the 'RFI').

Please find attached our draft comment letter to the ISSB, containing our detailed comments on the questions raised in the RFI.

If you would like to discuss our comments further, please do not hesitate to contact Kristina Schwedler ([schwedler@drsc.de](mailto:schwedler@drsc.de)) or me.

We will provide our final comments once we have completed our discussions.

Yours sincerely,

*Georg Lanfermann*

President

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Berlin, 1 August 2023

Dear Emmanuel, dear Members of the ISSB,

**RE: Request for information – Consultation on Agenda priorities**

On behalf of the DRSC Sustainability Reporting Technical Committee (Fachausschuss Nachhaltigkeitsberichterstattung) I am writing to you to comment on the Request for Information – Consultation on Agenda Priorities, issued by the ISSB on 4 May 2023 (the 'RFI').

The DRSC supports the ISSB's key objective to develop a comprehensive global framework to reduce the existing fragmentation of sustainability disclosures. To achieve this, the international acceptance of the quality of the standards plays an essential role. We applaud your extensive engagement with stakeholders and jurisdictions to provide high quality, comparable, and decision-useful information. Engaging with stakeholders is designated as one of the core activities in the RFI but is not explicitly part of the consultation. Nevertheless, we would like to emphasise the high priority of this foundational work.

Furthermore, the interoperability of the ISSB standards is of key importance. In the European Union, the delegated act of the European Commission regarding the European Sustainability Reporting Standards (ESRS) will soon be mandatory. Thus, an easy access to ISSB standards will be a key success factor for the adoption by European companies already in 2024. We recognise your efforts to find common ground with ESRS where only little differences seem to remain. We are also thankful for the openness of the European Commission and EFRAG to facilitate this.

To foster the quality and application of the ISSB standards, we prioritise the activities "Supporting the implementation of ISSB standards IFRS S1 und IFRS S2" and "Researching targeted enhancements to the ISSB Standards". The experience gained from the implementation processes in the various jurisdictions is of considerable importance and should be incorporated into future standard setting. Giving the different speeds of global adoption, even underlines this necessity to acquaint companies with ISSB standards where there has been little activity in sustainability reporting until now.

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The criteria for assessing sustainability reporting matters that could be added to the work plan are already used by the IASB and, thus, are also suitable for the ISSB standards. Furthermore, we agree, that interoperability is not an explicit part of the criteria list as we see the interoperability as a mandatory constraint to be fulfilled in any ISSB project. In this context, we would like to point out that activities and projects of the ISSB cannot be seen independently from the activities and processes of the IASB. Therefore, we recommend to more actively considering the interaction with IASB standard-setting projects and IASB standards.

Given the limited capacity and timeframe for this agenda consultation, we recommend that no more than two new research projects should be added to the active standard-setting agenda. Experience at the IASB has shown that the development of global standards requires longer time periods to engage with stakeholders and jurisdictions in the standard setting process. From our perspective, this is also key to ensure quality and acceptance of ISSB standards.

Regarding the four proposed research issues we suggest the following prioritisation: (1) Human capital, (2) Human rights, (3) Biodiversity, ecosystems, and ecosystem services, (4) Integration in reporting. The rationale for this prioritisation is set out below in our comments to the questions.

Concerning the lower prioritisation of Integration in reporting, we would like to emphasise that we are ardent supporters of the idea of integrated reporting. However, the concept of integrated reporting should be considered in every standard development process without necessarily selecting "*Integration in Reporting*" as a separate topic for the ISSB's agenda consultation. We consider that incorporating activities on "*Integration in reporting*" to the activity category "*Baseline work for all ISSB activities*" best reflects the fundamental nature of the issue.

Please, find below our detailed comments to the question raised in the RFI. If you wish to discuss our comments in more detail, please feel free to contact Kristina Schwedler ([schwedler@drsc.de](mailto:schwedler@drsc.de)) or myself.

Kind regards,

Georg

Georg Lanfermann  
President DRSC e.V.

**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.

Answer to Question 1

1(a)

The DRSC Sustainability Reporting Technical Committee ranks the activities as follows (from highest to lowest priority):

- (1) Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2,
- (2) Researching targeted enhancements to the ISSB Standards,
- (3) Beginning new research and standard-setting projects,
- (4) Enhancing the Sustainability Accounting Standards Board (SASB) Standards.

1(b)

The experiences from the implementation processes are of considerable importance and should be incorporated into future standard setting. This consideration of implementation processes promotes the essential quality and applicability of the ISSB Standards which is needed to enhance the acceptance and use of the ISSB standards. Therefore, the DRSC Sustainability Reporting Technical Committee prioritise activity (ii) *"Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2"*.

As part of the activities on (ii) *"Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2"*, the ISSB should – like the ESRS – develop guidelines. In addition to the current focus topics of the ESRS guidelines (such as the application of the materiality concept and the reporting

requirements along the value chain), the ISSB should also provide more detailed information on the implementation of the reporting requirements on risk management and integration.

The requirements of IFRS S1 and S2 should first be reflected in good reporting practices for which we believe the supporting activities are essential. Consequently, activity (iii) "*Researching targeted enhancements to the ISSB Standards*" follows in second place in our priority order.

We have placed activity (iv) "*Enhancing SASB Standards*" at the fourth and thus the end of our priority list. However, this should not be misinterpreted. The SASB standards play an important role in helping investors to develop their understanding of how sustainability matters affect industrial sectors and in supporting preparers to disclose the relevant information. Hence the SASB standards are of importance for sectoral disclosure and should therefore be enhanced on an ongoing basis. See also our comments on the ISSB's ED "*Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates.*" Concluding, this means that we give the issue a lower priority but does not mean it should be given no priority. Our general understanding is that the ISSB will be working on all four areas of activity.

1(c)

We have not identified other activities to be included in the scope of the ISSB's work.

#### **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?

#### Answer to Question 2

2(a)

We agree and consider the conformity of the criteria with the criteria of the IASB's Agenda Consultation to be appropriate. In view of the ISSB's objective of creating a global baseline for international capital markets, the criterion of "*Importance of the matter to investors*" is particularly relevant for the identification and implementation of further standardisation matters.

2(b)

The RFI (cf. par. 26) explicitly refers to the need to consider interoperability, however, interoperability is not part of the list of criteria. The consideration of interoperability with other jurisdictional standards, internationally applied frameworks and initiatives is of utmost importance for the goal of creating a global baseline. However, since we believe the consideration of interoperability to be a

mandatory constraint to be fulfilled in any ISSB project we agree that it does not have to be an explicit part of the criteria list. We see.

Furthermore, we would like to point out that the activities and projects of the ISSB cannot be seen independently from the activities and processes of the IASB. This applies not only to the allocation of resources within the IFRS Foundation, but also in particular to the resources of stakeholders, from participation in the standard-setting process to the implementation of new requirements. In addition, ISSB projects always need to consider the connectivity to financial information and financial reporting to ensure consistent reporting. This is essential for information usefulness and hence for the users of corporate reporting. Therefore, we recommend to additionally consider the interaction with the IASB standard setting projects and IASB standards when assessing the ISSB's work plan.

### **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).

### **Answer to Question 3**

We support the prioritisation of the most pressing areas and activities as identified by stakeholders. In view of limited capacity and the short period of two years, we recommend that no more than two new research projects should be put on the active standard-setting agenda. We would like to emphasise this short timeframe and refer to the experience of the IASB. The development of global standards requires time to engage with stakeholders and jurisdictions in the standard setting process. This engagement is crucial for the global acceptance of ISSB standards.

As stated in question 2, we believe that investor relevance is the key factor in determining further standardisation issues. Therefore, rating agencies, and not just ESG rating agencies should be involved in determining the level of relevance to investors. This means that the issues have to be assessed in terms of the overall opportunities and risks they present for companies. In our understanding, this includes the consideration of impacts.

In the view of the DRSC Sustainability Reporting Technical Committee, social issues, including human rights, are also among the issues with high-risk potential. When selecting other environmental topics, there should be links to climate-related topics, i.e., a nexus to IFRS S2. This will enable an increasingly holistic approach in the standard-setting process.



We would also like to point out that the granularity of the requirements also plays a role in the temporal sequence of standardisation. Certain topics currently lack universally applicable KPIs, so that qualitative statements or a later specification make sense for the time being. With regard to the two-year horizon of the Agenda Consultation, we consider a focus on topics with an already advanced reporting praxis, such as issues around human capital/resources, to be useful. We recommend considering the degree of maturity of a particular topic and tackling topics with a high degree of maturity first.

This prioritisation criterion relates to a prioritisation regarding the development of a globally applicable sustainability disclosure standards. This does not mean that topics with less mature research and thus not yet existing reporting practices are less important. Here, the ISSB might provide a platform for the exchange of existing research initiatives in order to further promote the maturity of the topics so that global reporting standards could also be developed for these topics in the foreseeable future.

As a result of the considerations outlined above, we prioritise the four proposed research issues as follows: (1) Human capital, (2) Human rights, (3) Biodiversity, ecosystems and ecosystem services, (4) Integration in reporting. More detailed background and rationale for this prioritisation is set out in the answers to questions 4 to 7.

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**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

**Answer to Question 4**

Regarding the issue “*Biodiversity, ecosystems and ecosystem services*” the DRSC Sustainability Reporting Technical Committee perceives a high dynamic and increasing investor interest in this aspect. Also, we notice a high complexity of the issue and a lower level of maturity of existing implementation approaches. Recently, we have seen encouraging progress in the work of the TNFD in this area. We suggest aligning the disclosure standard setting on biodiversity with the



developments of the TNFD. In our view, parallel research activities are disadvantageous. As with the TCFD, a unified approach should be followed here.

In addition, we would also like to refer to existing research on the topic and encourage dialogue to support the further development of the topic. In relation to German research, we would like to direct the attention to the framework of Schaltegger et al. (2023) for firms to assess their impacts and dependencies on biodiversity. Additionally, Krause et al. (2021) provide survey evidence on corporate commitment to nature conservation and biodiversity.

With a view to a potential standardisation, the DRSC Sustainability Reporting Technical Committee proposes: Instead of an overly broad project scope, which with its existing implementation challenges may fail at the level of its ambition, the DRSC Sustainability Reporting Technical Committee recommends focusing on current, direct, and operational measures.

For the time being, we therefore recommend not to prioritise biodiversity on ISSB's active agenda setting, but to support research developments (e.g., through similar institutions such as the IASB Research Forum). As stated in our answer to question 3, we suggest starting disclosure standard-setting activities on issues with a more mature state of research.

#### 4(a)

The subtopics identified in paragraph A11 – (1) Water, (2) Land-use and land-use change, (3) Pollution, (4) Resource exploitation und (5) Invasive non-native species – have different relevance in different sectors. Therefore, their priority strongly depends on the perspective of the respective observer. For this reason, we do not offer a ranking of the individual topics here.

Further, we would like to point out that the proposed subtopics represent both impact drivers (such as Land-use) and impacts (such as Water). In our view, a differentiation is necessary for subdividing this issue. Concerning the definition and categorisation of "Biodiversity", we would like to draw particular attention to the work of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (ipbes), which highlights the following impact drivers: (1) Land-use Change, (2) Climate Change, (3) Pollution, (4) Natural resource use and exploitation, (5) Invasive species. Our understanding is that Land-use change is considered as a key impact driver by many stakeholders.

In general, the ISSB should follow the international scientific debate and working statuses. It should aim for a unifying the terminology used internationally.

#### 4(b)

Compared to financial reporting, sustainability reporting requires a more in-depth consideration of sector-specific issues and thus of sector-specific regulations. The extent of sector-specific regulations required depends in particular on the degree to which sub-topics are defined and relate to specific KPIs.

#### 4(c)

The strategy of the IFRS Foundation with respect to the ISSB's future work is to focus on investors, the building block approach, the previous prioritisation of climate reporting and to build on existing frameworks. We support these strategic decisions. To this end, all potential sources should be considered and included to establish a global baseline. A comprehensive consideration of existing sources is necessary, also with a view to the important aspect of interoperability. Regarding existing

reporting requirements in Europe, we refer primarily to the ESRS. Comprehensive references are listed in the EFRAG comment letter [draft]; see par. 36.

**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.

Answer to Question 5

5(a)

The DRSC Sustainability Reporting Technical Committee welcomes the extension of ISSB activities to social issues. As this topic is more advanced in its maturity than the others, we give it the highest priority. However, this does not apply equally to the individual subtopics mentioned in the consultation document. We recommend focusing on the already established reporting topics and practices. These should be subject to global standardisation first. According to the experience of our technical committee members, the subtopics “Workers’ wellbeing”, “Employee engagement” and “Labor conditions in the Value Chain” in particular are important for communication with the company's stakeholders.

5(b)

Please refer to our answer to question 4(b).

5(c)

Please refer to our answer to question 4(c).

**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 investor.

- (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.

Answer to Question 6

6(a)

About the human rights aspect of sustainability, we suggest that a comparison should be made between the different levels of reporting in different jurisdictions. From a German perspective, the German LkSG and the future European CSDDD are referred to as already existing benchmark regulations. With a view to international consensus, very general requirements are to be expected - as in the case of the ILO core labour standards. We see a different degree of maturity here when

comparing this topic to the previous topics "*Biodiversity*" and "*Human capital*". This is why this project on Human Rights is ranked second on our priority list.

6(b)

Please refer to our answer to question 4(b).

6(c)

Please refer to our answer to question 4(c).

**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?

## Answer to Question 7

7(a)

The ISSB divides its activities into:

- (1) New research and standard-setting activities (biodiversity, ecosystems, and ecosystem services; human capital; human rights; *integration in reporting*)
- (2) Foundational work (supporting the implementation of ISSB Standards; researching targeted enhancements to ISSB standards; enhancing the SASB standards)
- (3) Baseline work for all ISSB activities (ensuring *connectivity* between the ISSB's and IASB's respective requirements; ensuring interoperability of the ISSB Standards with other sustainability standards; and engaging with stakeholders).

The issue "*Integration in reporting*" is explicitly thematically addressed in activity (1) "New research and standard-setting activities". However, with reference to connectivity (= sub-area of integration) the issue "*Integration in reporting*" is also covered by activity (3) "Baseline work for all ISSB activities". We consider it more appropriate to focus on the necessary subject of connectivity between the ISSB's and IASB's requirements. In our view, the issue "*Integration in reporting*" is not comparable with the three other proposed potential research projects on specific sustainability aspects. We think that incorporating activities on the issue "*Integration in reporting*" to activity (3) "Baseline work for all ISSB activities" best reflects the fundamental nature of the issue.

We very much support the idea of integrated reporting. Our stakeholders pointed out that investors view integration and integrated reporting positively, also as it facilitates integrated thinking. Therefore, integration and integrated reporting is seen as a competitive advantage. The underlying ideas and resulting concepts of integrated reporting based on the former IIRC IR Framework should be considered in every standard development process without necessarily selecting IR as a separate topic for prioritization in the ISSBs agenda consultation.

Recommending or requiring disclosure on interdependencies of different capitals or on how ESG is integrated in core steering processes of a company are key elements of IR and are already reflected in IFRS S1 and S2. These and other key conceptual elements of the IR framework should be systematically "integrated" in further standard-setting activities of the ISSB.

We would also like to point out that various standard setters are already dealing intensively with the topic, e.g. EFRAG as well as UKEB, MASB, XRB, AcSB and AASB. The latter who have already joined forces to form the NSS Sustainability Forum. The DRSC is also planning further activities in this area. In this regard, we would like to suggest a coordinating function of the IFRS Foundation. This would enable support and further development of the concept under the existing resource restrictions.

In our opinion, a current hurdle in the discussion is that there is a diverging terminology being used by the former IIRC, which was merged into the IFRS Foundation ("Integrated Reporting" as the current well-known and acknowledged term) and the terminology used in the Agenda Consultation ("*Integration in reporting*"). If this is intended, the new terminology would raise questions about equivalence and dissimilarities. To achieve more clarity on the terms "Connectivity" and "Integration", the ISSB could build on the IIRC's work and published documents to define the terms.

IFRS S1 and S2 and its requirements on connectivity between the new sustainability information and existing financial information represent the first step in the process towards integration. This first step is in line with the European legislation and CSRD requirements, which stipulate a separate

sustainability report and thus demands connectivity but limit a full integration. We want to emphasise once again the high importance of interoperable ISSB and ERS requirements. As stated in our answer to question 2, interoperability should therefore be a mandatory constraint and must be considered also in this context.

Regarding the development from connectivity towards integration within reporting, we suggest rethinking the governance structure of the IFRS Foundation and establishing a higher-level or joint body that brings ISSB and IASB together. As an example, we refer to our own governance structure and the good experiences with our Joint Technical Committee, which meets quarterly on a regular basis as well as occasionally, if additional topics emerge. This allows for discussions of topics with implications for both, financial and sustainability reporting.

7(b)

As noted above, we believe integration in reporting and connectivity are essential and pervasive elements of corporate reporting. Hence, we encourage both boards to closely cooperate and align to enable this.

**Question 8 – Strategic direction and balance of the ISSB’s activities**

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

Answer to Question 8

No other comments on the ISSB’s activities and work.