

AY-2. Are you responding as an individual, or on behalf of an organisation?

- Organisation

AY-3. Please provide the name of the organisation you are responding on behalf of:

European Federation of Accountants & Auditors for SMEs (EFAA for SMEs)

AY-10. Would you like to include any additional introductory information?

- Yes

AY-11. Please provide any additional details relevant to you (if responding as an individual) or your organisation (if responding on behalf of an organisation).

The European Federation of Accountants and Auditors for small and medium-sized enterprises (EFAA for SMEs) is an umbrella organisation for national accountants and auditors' organisations whose individual members provide professional services primarily to SMEs within the European Union and Europe as a whole. It was founded in 1994. EFAA for SMEs has 15 members throughout Europe representing over 380,000 accountants, auditors and tax advisors.

EFAA for SMEs is a member of the association of crafts and SMEs (SMEUnited) and a founding member of the European Financial Reporting Advisory Group (EFRAG).

SMEs are the backbone of Europe's economy, and small- and medium-sized accounting, auditing, and tax advisor practices (SMPs) are their most important provider of compliance and advisory services. SMPs help SMEs and entrepreneurs produce high quality financial information to help them better manage their business and gain the trust and confidence of stakeholders. Furthermore, they help SMEs gain access to finance and they provide them with business advice that enables them to grow sustainably. In the coming years, as the EU executes its new industrial strategy to lead the twin transitions towards climate neutrality and digital leadership, SMPs will play a key role in helping SMEs stay at the forefront of this transition.

EFAA, the voice of SMPs in Europe, strives to speak out to influence regulators, policy makers, standard setters, and other key stakeholders in the EU, and where necessary globally. The end goal is to promote the role of SMPs as well as ensure that regulation and standards are proportional and scalable and that there is a level playing field in the market for professional services.

For more information please see <https://efaa.com/about-us/>

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

Paragraphs 18–22 and Table 1 of the Request for Information provide an overview of activities within the scope of the ISSB's work.

**01-A. (a) From highest to lowest priority, how would you rank the following activities?
Please drag and drop to rank, where 1 is the highest priority and 4 is the lowest priority.**

| | |
|---|---|
| <i>beginning new research and standard-setting projects</i> | 1 |
| <i>supporting the implementation of ISSB Standards (IFRS S1 and IFRS S2)</i> | 2 |
| <i>researching targeted enhancements to the ISSB Standards</i> | 3 |
| <i>enhancing the Sustainability Accounting Standards Board (SASB) Standards</i> | 4 |

01-B. (b) Please explain the reasons for your ranking order and specify the types of work the ISSB should prioritise within each activity.

Our equal top priority is “beginning new research and standard-setting projects.” The ISSB’s goal is to have a comprehensive global baseline. It is therefore vital that the ISSB develops a raft of new topical sector agnostic sustainability standards. A critical first step is to determine the full suite of standards it plans to eventually have and an outline timetable for the development of these standards. We need to get a sense of the destination and the journey to get there. In the EU we are finalizing ESRS Set 1 which spans all sustainability topics. It would be useful to see the ISSB align with EFRAG by having a similar menu of topics and by coordinating future development of standards. Our other equal top priority is “supporting the implementation of ISSB standards (IFRS S1 and IFRS S2)” as the top priority as this will be key to the timely and robust adoption and implementation of ISSB standards. This support ought to extend to SMEs, many located in the value chain of larger companies. SMEs are less well-resourced to implement ISSB standards. We welcome the substantial implementation support and educational materials that the ISSB is already providing or planning to provide to assist companies in applying the standards. We recommend the ISSB collaborate with EFRAG in the development of implementation guidance. In the coming months EFRAG will expose for public content implementation guidance on materiality and value chain. While this guidance is based on ‘double materiality’ we see scope for alignment with guidance developed by the ISSB. As many non-listed SMEs will be in the value chain of larger companies any guidance needs to be as practical as possible with relevant illustrative examples. We have ranked third ‘researching targeted enhancements to the ISSB Standards’. The ISSB will need to allow time for jurisdictions and companies to adopt and implement the standards. After this period the ISSB then needs to conduct a rigorous post implementation review (PIR) to determine what changes, if any need to be made to the standards. Before PIR are conducted the ISSB needs to be alert to any significant problems faced in implementing the standards and whether this justifies urgent changes to be made in advance of any PIR. Since Europe is set to be the first jurisdiction to mandate sustainability reporting the ISSB stands to learn from EFRAG’s experience. We also urge the ISSB, possibly as part of its PIR activities, to take a hard and close look at the impact on, and suitability of its standards for, SMEs. EFRAG is developing a sustainability reporting standard for voluntary use by non-listed SMEs (dubbed VSME). We urge the ISSB to closely follow this project and consider whether to leverage it. Furthermore, as the ISSB needs to ensure that SMEs and SMPs are sufficiently represented on the Board and staff and that SMEs and SMPs are otherwise well represented in the development of its standards. We rank last work on SASB standards as these are more relevant to larger listed companies, not the SMEs that are our main concern. Furthermore, it is vital to first stabilise sector-agnostic standards before further development, beyond their internationalisation, of sector standards.

01-C. (c) Should any other activities be included within the scope of the ISSB’s work? If so, please describe these activities and explain why they are necessary.

- Yes:
We believe it important to ensure the interoperability of the ISSB Standards with other sustainability standards including ESRS to avoid duplication of effort for companies having to comply with both sets of standards. The timely publication of the reconciliation table between ISSB standards and ESRS will help.

Question 2—Criteria for assessing sustainability reporting matters that could be added to the ISSB’s work plan

Paragraphs 23–26 of the Request for Information discuss the criteria the ISSB proposes to use when prioritising sustainability-related reporting issues that could be added to its work plan.

02-A. (a) Do you think the ISSB has identified the appropriate criteria? Please explain your response.

- Yes:
We have no other comments.

02-B. (b) Should the ISSB consider any other criteria? If so what criteria and why?

- Yes:
EFAA for SMEs suggests considering three further criteria.
First, ‘interoperability with other jurisdictional and voluntary sustainability standard-setters and framework providers’, both the substance (technical content) and form (digital taxonomies). This is essential if the ISSB is to realise its ambition to provide the global baseline. Interoperability works in both directions: ISSB aligning with others and others aligning with the ISSB. Presently interoperability gets mentioned in para. 26 but only as a consideration not a criterion.
Second, ‘time sensitivity of the issue’. Some issues are so time sensitive in the sense that if they are not tackled and addressed sooner rather than later then we lose forever the opportunity to shape the outcome. Climate meet this criterion and we assume that is one of the main reasons it was the topic of the ISSB’s first topical standard (S2).
Third and finally, ‘supports principles of think small first and smart regulation.’ It is vital that standards are simple and scalable for them to be suited to the widest possible audience of companies as well as capable of cost-effective application.

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

Paragraphs 27–38 of the Request for Information provide an overview of the ISSB’s approach to identifying sustainability-related research and standard-setting projects. Appendix A describes each of the proposed projects that could be added to the ISSB’s work plan.

03-A. (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?

- More than one project

03-Aii. (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). Please explain your response.

- Biodiversity, ecosystems and ecosystem services:
We urge the ISSB to work on multiple topical projects in parallel so that it can complete its comprehensive global baseline spanning all aspects of ESG as soon as possible. Topics are interrelated and interconnected such that ‘the whole is greater than the sum of the parts.’ It is therefore vital, as we state in our response to Question 1 above, that the ISSB develops a raft of new topical sector agnostic sustainability standards. A critical first step is to determine the full suite of standards it plans to eventually have and an outline timetable for the development of these standards. It would be useful to see the ISSB have a similar menu of topics and align with the ESRS as far as possible. In the EU we are finalizing ESRS Set 1 which spans all sustainability topics.
We do not agree that the ISSB prioritize one sustainability topic over another. All ESG topics are important and for the reasons given better work commence over a full suite of topical standards in parallel as far as possible with an emphasis on achieving completeness and coverage of topics in a timely manner over depth. Accordingly, the logical approach would be for the ISSB to simultaneously develop all topical standards (E, S and G) or, if this is not feasible, all the subtopics in one of the topic areas (say E) then move onto the other topic areas (S and G). Completeness of ESG topics or topic area (E, S or G) should trump depth of any one topic or topic area. Where practicality demands the sequencing of topical standards, we suggest the ISSB look to the criteria in paras 23-26.
We have some specific comments on the projects listed as set out below.
 - ‘Biodiversity, ecosystems, and ecosystem services’ - we accept these environmental topics are very important. We suggest the ISSB clarifies the scope of the project. Is it meant to be a narrow-scoped project on biodiversity or a broad-scoped project on nature. We urge the ISSB to align and leverage as far as possible with the environmental suite of ESRS Set 1.
 - ‘Integration in reporting’ - we believe it is important that the ISSB work towards a ‘conceptual framework for connected corporate reporting’ that will provide the fundamental principles that underpin the work of both the IASB and ISSB and provide a basis for integrating both types of reporting. However, we believe this is for the medium term. For the next two years the ISSB should focus on completing the global baseline by developing a suite of comprehensive and complete suite of topical standards. Conceptual frameworks are nice to have but not essential at this juncture.
- Human capital:
This topic is very important but reporting on it is not well established. Again, we urge the ISSB to align and leverage as far as possible the social suite of ESRS Set 1.
- Human rights:
This topic is very important but reporting on it is not well established. Again, we urge the ISSB to align and leverage as far as possible the social suite of ESRS Set 1.
- Integration in reporting:
We believe it is important that the ISSB work towards a ‘conceptual framework for connected corporate reporting’ that will provide the fundamental principles that underpin the work of both the IASB and ISSB and provide a basis for integrating both types of reporting. However, we believe this is for the medium term. For the next two years the ISSB should focus on completing the global baseline by developing a suite of comprehensive and complete suite of topical standards. Conceptual frameworks are nice to have but not essential at this juncture.
- Other—please explain:
We encourage the ISSB to work on multiple topical projects in parallel so that it can complete its comprehensive global baseline spanning all aspects of ESG as soon as possible. Topics are interrelated and interconnected such that ‘the whole is greater than the sum of the parts.’ It is therefore vital, as we state in our response to Question 1 above, that the ISSB develops a raft of new topical sector agnostic sustainability standards. A critical first step is to determine the full suite of standards it plans to eventually have and an outline timetable for the development of these standards. It would be useful to see the ISSB have a similar menu of topics and align with the ESRS as far as possible. In the EU we are finalizing ESRS Set 1 which spans all sustainability topics.
We do not agree that the ISSB prioritize one sustainability topic over another. All ESG topics are important and for the reasons given better work commence over a full suite of topical standards in parallel as far as possible with an emphasis on achieving completeness and coverage of topics in a timely manner over depth. Accordingly, the logical approach would be for the ISSB to simultaneously develop all topical standards (E, S and G) or, if this is not feasible, all the subtopics in one of the topic areas (say E) then move onto the other topic areas (S and G). Completeness of ESG topics or topic area (E, S or G) should trump depth of any one topic or topic area. Where practicality demands the sequencing of topical standards, we suggest the ISSB look to the criteria in paras 23-26.
We have some specific comments on the projects listed as set out above.

**Question 4—New research and standard-setting projects that could be added to the ISSB’s work plan:
Biodiversity, ecosystems and ecosystem services**

The research project on **biodiversity, ecosystems and ecosystem services** is described in paragraphs A3–A14 of Appendix A to the Request for Information. Please respond to these questions:

04-A. (a) Of the subtopics identified in paragraph A11, to which would you give the highest priority? Please select as many as applicable.

Please explain your choice and the relative level of priority with particular reference to the information needs of investors. You may also suggest subtopics that have not been specified. To help the ISSB analyse the feedback, where possible, please provide:

- **a short description of the subtopic (and the associated sustainability-related risks and opportunities); and**
- **your view on the importance of the subtopic with regard to an entity's sustainability-related risks and opportunities and the usefulness of the related information to investors.**
- **Other—please specify:**
Please see our response to Question 3 above. We have no other comments.

Question 4—New research and standard-setting projects that could be added to the ISSB's work plan: Biodiversity, ecosystems and ecosystem services

04-B. (b) Do you believe that sustainability-related risks and opportunities related to biodiversity, ecosystems and ecosystem services are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

- Yes

04-Bi. (i) Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will be substantially different across different industries, sectors or geographic locations.

Our preliminary view is that biodiversity-related risks and opportunities are substantially different across different industries, sectors, or geographic locations. We have no further comments.

Question 4—New research and standard-setting projects that could be added to the ISSB's work plan: Biodiversity, ecosystems and ecosystem services

04-C. (c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB's focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A13 should be utilised and prioritised by the ISSB in pursuing the project? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. If you would like to suggest materials that are not specified, please select 'Other' and give your suggestion(s) in the comment box. You can suggest as many materials as you deem necessary.

To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

- **The European Financial Reporting Advisory Group (EFRAG):**
We strongly believe that the ISSB should build on existing initiatives when developing new topical standards to ensure the timely development of a comprehensive and complete global baseline. Not surprisingly, we believe the ISSB should seek to align with and leverage the work of EFRAG as far as possible.
- **Other—please specify:**
We strongly believe that the ISSB should build on existing initiatives when developing new topical standards to ensure the timely development of a comprehensive and complete global baseline.

Question 5—New research and standard-setting projects that could be added to the ISSB's work plan: Human capital

The research project on **human capital** is described in paragraphs A15–A26 of Appendix A to the Request for Information. Please respond to these questions:

05-A.

(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:

- a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
- your view on the importance of the subtopic with regard to an entity's sustainability-related risks and opportunities and the usefulness of the related information to investors.
- Other—please specify:
Please see our response to Question 3 above. We have no other comments.

Question 5—New research and standard-setting projects that could be added to the ISSB's work plan: Human capital

05-B. (b) Do you believe that sustainability-related risks and opportunities related to human capital are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

- Yes

05-Bi. (i) Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will be substantially different across different industries, sectors or geographic locations.

Our preliminary view is that human capital-related risks and opportunities are substantially different across different industries, sectors, or geographic locations. Disclosures on this topic will also need to consider the requirements and limitations in local legislation. We have no further comments.

Question 5—New research and standard-setting projects that could be added to the ISSB's work plan: Human capital

05-C. (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. If you would like to suggest materials that are not specified, please select 'Other' and give your suggestion(s) in the comment box. You can suggest as many materials as you deem necessary.

To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

- The European Financial Reporting Advisory Group (EFRAG):
We strongly believe that the ISSB should build on existing initiatives when developing new topical standards to ensure the timely development of a comprehensive and complete global baseline. Not surprisingly, we believe the ISSB should seek to align with and leverage the work of EFRAG as far as possible.
- Other—please specify:
We strongly believe that the ISSB should build on existing initiatives when developing new topical standards to ensure the timely development of a comprehensive and complete global baseline.

Question 6—New research and standard-setting projects that could be added to the ISSB's work plan: Human rights

The research project on **human rights** is described in paragraphs A27–A37 of Appendix A to the Request for Information. Please respond to these questions:

06-A. (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:

- a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
- your view on the importance of the subtopic with regard to an entity's sustainability-related risks and opportunities and the usefulness of the related information to investors.

Please see our response to Question 3 above. We have no other comments.

**Question 6—New research and standard-setting projects that could be added to the ISSB's work plan:
Human rights**

06-B. (b) Do you believe that sustainability-related risks and opportunities related to human rights are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

- Yes

06-Bi. (i) Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will be substantially different across different industries, sectors or geographic locations.

We have no other comments.

**Question 6—New research and standard-setting projects that could be added to the ISSB's work plan:
Human rights**

06-C. (c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB's focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A36 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You can suggest materials that are not specified—please select 'Other' and give your suggestion(s) in the comment box. You can suggest as many materials as you deem necessary.

To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

- Other—please specify:
We strongly believe that the ISSB should build on existing initiatives when developing new topical standards to ensure the timely development of a comprehensive and complete global baseline.

**Question 7—New research and standard-setting projects that could be added to the ISSB's work plan:
Integration in reporting**

The research project on **integration in reporting** is described in paragraphs A38–A51 of Appendix A to the Request for Information. Please respond to these questions:

07-A. (a) The integration in reporting project could be intensive on the ISSB's resources. While this means it could hinder the pace at which the topical development standards are developed, it could also help realise the full value of the IFRS Foundation's suite of materials. How would you prioritise advancing the integration in reporting project in relation to the three sustainability-related topics (proposed projects on biodiversity, ecosystems and ecosystem services; human capital; and human rights) as part of the ISSB's new two-year work plan? Please explain your response.

- Integration in reporting project is a **lower priority**:
As we state in our response to Question 3 above, we believe it important that the ISSB work towards a 'conceptual framework for connected corporate reporting' that will provide the fundamental principles that underpin the work of both the IASB and ISSB and provide a basis for integrating both types of reporting. However, we believe for now the ISSB should focus on completing the global baseline by developing a suite of comprehensive and complete suite of topical standards. Conceptual frameworks are nice to have but not essential at this juncture.

07-B. (b) In light of the coordination efforts required, if you think the integration in reporting project should be considered a priority, do you think that it should be advanced as a formal joint project with the IASB, or pursued as an ISSB project (which could still draw on input from the IASB as needed without being a formal joint project)? Please explain how you think this should be conducted and why.

- Formal joint project:

We believe that effectively connecting two types of reporting of similar or equal importance demands that the project be a formal joint one under the auspices of the IFRS Foundation.

**Question 7—New research and standard-setting projects that could be added to the ISSB’s work plan:
Integration in reporting**

(c) In pursuing the project on ‘integration in reporting’, do you think the ISSB should build on and incorporate concepts from:

07-Ci. (i) the IASB’s Exposure Draft *Management Commentary*?

If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.

- Yes:

We have no other comments.

07-Cii. (ii) the Integrated Reporting Framework?

If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.

- Yes:

We have no other comments.

07-Ciii. (iii) other sources?

If you agree, please describe the source(s) and any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.

- No:

We have no other comments.

07-D. (d) Do you have any other suggestions for the ISSB if it pursues the project?

We have no other comments.

08. Question 8—Other comments

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

We congratulate the ISSB on the speed with which it developed its first two sustainability reporting standards (IFRS S1 and IFRS S2), which are of high quality and developed using a rigorous due process. We suggest the ISSB emulate the due process – going directly to the Exposure Draft (ED) phase and avoiding a Discussion Paper (DP) - for other topical standards where the topic is more mature. Where topics are less mature the ISSB should continue its normal due process of issuing a DP.

We also urge the ISSB, possibly as part of its post implementation review activities, to take a hard and close look at the impact on, and suitability of its standards for, SMEs. EFRAG is developing a sustainability reporting standard for voluntary use by non-listed SMEs (dubbed VSME). We urge the ISSB to closely follow this project and consider whether to leverage it.