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	25.08.2023

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Invitation to comment on the ISSB's Request for Information regarding its Consultation on Agenda Priorities

Dear Emmanuel,

We appreciate the opportunity to comment on the ISSB's Request for Information regarding its Consultation on Agenda Priorities. This comment letter summarizes the key positions of Allianz Group on the considerations outlined in the consultation document and the questions posed therein.

We would first like to emphasize that we **highly welcome that the ISSB launched its consultation on agenda priorities in parallel to the finalization of the first two IFRS Sustainability Disclosure Standards**. Paving the way for further topical standards and creating transparency around the future work plan is essential to establish a global baseline which other standard setters can rely on, thus, saving valuable resources and leveraging previous effort. As previously emphasized, **ensuring a sound basis for interoperability with existing and upcoming sustainability reporting standards developed by national and regional standard setters worldwide is the key success factor**, while at the same time representing the greatest challenge. We highly appreciate the high level of interoperability between the ISSB and EU Standards on climate, however, we consider it as absolutely essential to achieve (at best full) interoperability also for the other globally relevant sustainability topics beyond climate.

Consequently, we **strongly recommend for the ISSB to dedicate significant resources to research and standard-setting activities regarding further globally relevant sustainability topics as a key priority and to follow an ambitious timeline in this regard**. In parallel, we recommend for the ISSB to (continue its) work on supporting the implementation of the ISSB Standards IFRS S1 and IFRS S2. Ensuring effective implementation and providing the guidance needed to ensure consistent application and comparable information is the second key success factor to ensuring global acceptance and application, and moving more and more towards a true global baseline.

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The following aspects should also represent priorities during the next months:

- Further clarity on the materiality concept and its intended breadth is needed. We **deem it as absolutely essential that the ISSB's materiality concept is defined in a way to cover investors' information demands in their entirety**, namely by taking into account that investors are interested in a significant number of inside-out impacts, be it because of sustainability preferences, expected second-tier effects on enterprise value in the (potentially long-term) future or because of systemic risks from a portfolio instead of a single-issuer perspective.
- Guidance is needed on what the value chain encompasses for financial companies. **Reasonable boundaries as regards (quantitative) look-through provisions to cover indirect impacts need to be defined to ensure both feasibility and reliability**. Quantitative look-through requirements for selected key indicators (e.g., Scope 3 emissions) should be complemented by sector-specific qualitative disclosure requirements as regards financial companies' investment and client portfolios, such as on investment policies, due diligence and engagement processes.

In addition, we would have a **few more specific recommendations** on the ISSB's upcoming work plan:

- When choosing further areas of standard-setting, we suggest for the ISSB to **prioritize more than one project at once**. Even incremental progress would be valuable, as achieving a global baseline rather sooner than later is essential. This would allow preparers worldwide to begin working on topics, while requirements can evolve with increasing topic maturity.
- The **highest priority should be given to the human rights topic**, considering the multi-tier and complex value chains of companies that come more and more into focus, also creating information dependencies between value chain counterparts. Not only is there an urgent need for action, also, many concepts and frameworks can likely be leveraged, allowing for synergies. Finally, with the link between due diligence and the materiality assessment, but also more and more due diligence (process) requirements emerging, a global reporting framework connecting the dots would be particularly valuable. In this context, considering the interlinkage with the topic of human capital is key.
- In addition, **we would welcome short-term progress on biodiversity**, as topic maturity is low, while stakeholder expectations are increasing, also given political attention and urgency. Thus, among others, financial undertakings will rather sooner than later need high-quality standardized information from market participants globally, so that work by the ISSB could add significant value to the current landscape. However, we recommend to address biodiversity per sub-topic and not as one all-encompassing nature topic.

Finally, similar to the efforts undertaken for climate, **close dialogue with jurisdictions and standard setters, including the EU and EFRAG**, will remain essential across sustainability topics and activities, especially as jurisdictions and other standard setters have already progressed on topics such as human rights and biodiversity. This should systematically form part of the work plan as well and be formally addressed therein as a key priority.

The appendix to this letter sets out our view and detailed comments on the specific questions posed in the staff draft with a focus on the issues which are of particular relevance for us.

We hope that our feedback is helpful for you. Please feel free to contact us to discuss any matters raised in this letter.

Yours sincerely,



Dr. Roman Sauer
Head of Group Accounting & Reporting



Dr. Julia Menacher
Deputy Project Lead CSRD Implementation

Appendix: ISSB Request for Information regarding its Consultation on Agenda Priorities – Allianz Group consultation response

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*

Allianz Group would rank the possible in-scope activities of the ISSB going forward as follows in terms of priority:

- beginning new research and standard-setting projects (1st priority)
- supporting the implementation of ISSB Standards IFRS S1 and IFRS S2 (2nd priority)
- enhancing the Sustainability Accounting Standards Board (SASB) Standards (3rd priority)
- researching targeted enhancements to the ISSB Standards (4th priority)

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

To achieve global standards and comparable reporting globally as soon as possible, we recommend for the ISSB to work on (further) globally relevant topics, also taking the list of topics covered by the Corporate Sustainability Reporting Directive (CSRD) into account, which is why we deem it important to prioritize the launch of new research and standard-setting projects. The fact that climate-related risks are particularly acute called for immediate and effective action. As such, we fully recognized the need to increase transparency and comparability about climate in the short term. Nonetheless, we generally deem the other ESG matters as equally important and, thus, consider it as essential for the ISSB to cover them to an equal extent and in a timely manner as well.

Focusing on climate for too long forces companies to apply one or more other standards to cover the other relevant ESG matters, which contributes to maintaining the current high level of complexity and fragmentation of the sustainability reporting landscape as well as hinders global acceptance and relevance. Also, other standard setters such as the European Financial Reporting Advisory Group (EFRAG) have begun and will continue their work on these ESG matters without being able to collaborate with the ISSB or to build their work on the ISSB’s global baseline, rendering it (even) more difficult for the ISSB to establish a global baseline that can indeed form the foundation of a building blocks approach, as envisaged.

In this context, Allianz Group recommends the following to the ISSB, while of course calling for the EU Commission (EC)/EFRAG to build on and contribute to the ISSB’s standards and avoid any inconsistencies and deviations where contents (are supposed to) overlap, because the same issues are addressed:

- Leverage the existing sustainability reporting expertise at EU level for the development of global standards;
- Publish the envisaged timeline and work plan in the short term to allow the EU and other jurisdictions and their standard setters to align and connect their work with the ISSB’s agenda;
- Pursue a sufficiently ambitious timeline with respect to all globally relevant ESG matters; and
- Establish the necessary processes to ensure transparency and allow for co-construction with EFRAG and other standard setters right away.

Also, the overall direction of travel in sustainability reporting, i.e. the target universe of all topics that are to be covered in the ISSB’s standard-setting as well as the applicable materiality approach (i.e., to what extent sustainability preferences of investors shall be addressed), needs to be made public as soon as possible. This overall picture is necessary beyond the two-year proposed time period of the current Agenda consultation to allow stakeholders to make an informed assessment of the framework in development. We also recommend for the ISSB to provide insights into the overall timetable it expects to need to complete such a full universe of standards, even if such an estimation is considered indicative. Also, the ISSB’s priorities and timeline over the next two years must include close cooperation and genuine progress on alignment with the work of EFRAG.

In addition to beginning new research and standard-setting, the ISSB should – in parallel, as much as possible – (continue its) work on supporting the implementation of the ISSB Standards IFRS S1 and IFRS S2. Ensuring effective implementation and providing the guidance needed to ensure consistent application and comparable information is the second key success factor to ensuring global acceptance and application as well as to moving more and more towards a true global baseline. In this regard, clarity on the extent to which the materiality concept shall cover impacts of interest to investors as well as the value chain definition for financial institutions is absolutely key.

(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.

Allianz Group has not identified any other activities to be included in the scope of the ISSB work at this stage. However, more generally, the ISSB and EFRAG should urgently develop a collaboration model that enables global alignment and connect EFRAG's work with the ISSB's agenda. Allianz Group is happy to support this effort. This rationale of course also applies for other jurisdictions and/or their standard setting bodies (e.g., the US and the US Securities and Exchange Commission).

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?

Allianz Group agrees with the proposed criteria.

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

Allianz Group suggests that the criterion 'interoperability' should be added to this list of criteria. As mentioned above, to achieve global standards and comparable reporting globally as soon as possible, we recommend for the ISSB to work on (further) globally relevant topics, also taking the list of topics covered by the CSRD into account, as achieving a harmonized reporting environment or at least global baseline for all globally relevant sustainability topics – which go beyond climate – is absolutely essential. A consistent global mandatory sustainability reporting baseline cannot only simplify the reporting landscape, but will clearly be highly and by far most valuable to increase the transparency about and comparability among companies in the sustainability area.

As to the criterion 'importance of the matter to investors', we recommend for the ISSB to explicitly integrate/consider investors' interest in impacts. Indeed, investors are (increasingly) interested in a company's impact on planet and people, irrespective of concrete/immediate financial effects, already today, but likely even more so going forward, meaning that they need this information to decide whether to provide resources to the entity, which is part of the ISSB standards' objective:

- Such impacts can increase litigation risk exposure and/or have adverse effects on, for example, reputation (e.g., by attracting media attention), which could in turn result in litigation costs and/or affect revenues, meaning that investors need this information when they assess enterprise value.
- Also, where a sufficiently large group of investors is interested in such impacts (irrespective of concrete/immediate effects on enterprise value, but, e.g., due to sustainability preferences) and changes its investment decision-making based on them, they also elicit a second-tier effect on enterprise value (e.g., due to higher cost of capital), which are of relevance to other investors as well.
- Finally, at scale, corporate 'externalities' have become so severe that they are destabilizing the larger systems that investors require to protect and grow shareholder value in the future. Disclosures that focus exclusively on the risks to individual issuers do not comprehensively cover investors' information demands; rather, sustainability issues that affect the long-term performance of diversified portfolios should also be in scope of the ISSB's work. Indeed, a comprehensive global baseline of sustainability-related disclosures cannot be produced with an exclusive focus on the financial statements, or an exclusive focus on risks to individual issuers, but needs to focus on impacts, also but not only because of them being a source of many systemic risks.

This rationale applies to climate as well as any other material sustainability matter.

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?*

Due to the wide range of topics that need to be covered, Allianz Group recommends for the ISSB to prioritize more than one project at once, even if this only allows to make incremental progress on each of them. Even incremental progress would be valuable against the background that achieving a global baseline rather sooner than later is essential. Also, this would allow preparers worldwide to get started with working on topics, even if further disclosure requirements might emerge over time, which is anyway natural for ESG topics, for many of which topic maturity is still increasing and will by nature take time to reach a status similar to climate, also because respective research must be followed by market practice with annual improvements over time.

- (i) *If a single project, which one should be prioritized? You may select from the four proposed projects in Appendix A or suggest another project.*

We would first like to clarify that Allianz Group deems all of the proposed topics as equally important and strongly urges the ISSB to cover them all in the short term. If only one project is to be prioritized, we would suggest choosing the human rights project, as human rights are an essential topic, considering the multi-tier and complex value chains of companies that come more and more into focus, also creating information dependencies between value chain counterparts. Not only is there an urgent need for action, incl. from a business integration perspective, also, many concepts and standards can likely be leveraged, so that synergies should be possible. Finally, with the link between due diligence and the materiality assessment, but also more and more due diligence requirements emerging (e.g. Minimum Safeguards Screening under the EU Taxonomy, upcoming Corporate Sustainability Due Diligence Directive (CSDDD)), building on existing frameworks such as by the OECD, a global reporting framework connecting the dots, esp. for human rights as a focus area of (existing) due diligence initiatives globally, would be particularly valuable.

In a nutshell, addressing human rights as a priority would be help valuable against the background of the following dimensions:

- Connecting the dots: While some regulation (e.g. CSRD) refers to the UNGP and OECD Guidelines, other regulation doesn’t, which translates into companies needing to map individually the steps undertaken to show, for example, compliance with the OECD Guidelines. New reporting standards should explicitly refer to existing frameworks, so that companies can cross-reference to them. In line with the ISSB’s approach and objective, leveraging existing guidance should remain a key principle also for the human rights topic. Companies’ disclosures on human rights – in terms of their measures in place, own due diligence processes as well as any human rights-related incidents – would significantly contribute to reducing current data gaps on understanding actual and potential impacts and associated risks and opportunities within companies’ own operations and value chains, both for their value chain counterparts (which can also be affected, e.g., due to a legal requirement to end the business relationship in a certain case or reputational spill-over effects) and investors.
- Linking reporting, due diligence and prohibitions: As standard setter, the ISSB can and should support and as much as possible advance the work on the relationship between reporting requirements (= data quality requirements; CSRD, ISSB), due diligence obligations (= procedural requirements; CSDDD, German Supply Chain Act (GSCA)) and substantive prohibitions (= outcomes / impacts, e.g. German anti-discrimination law). Clearly, this cannot be ensured by the ISSB in isolation, however, appropriate reporting requirements are one of the key puzzle pieces in this interplay.

- (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).*

If a second project can be prioritized, we suggest choosing the biodiversity topic, as topic maturity is low, however, stakeholder expectations are strongly and quickly increasing, also given the increasing political attention and urgency. This means that financial undertakings will rather sooner than later need high-quality

standardized disclosures from market participants globally, so that respective work by the ISSB could add significant value to the current landscape, not only in terms of driving topic maturity, but also in terms of consolidation and harmonization.

If a third project can be prioritized, we suggest choosing the human capital topic, given its link to the human rights topic. However, we would like to emphasize that Allianz Group does not consider it appropriate or necessary to cover intangibles more broadly under sustainability reporting, namely irrespective of a concrete link to sustainability topics. Rather, reporting related to human capital should relate to material sustainability impacts, risks or opportunities from the company perspective, yet without following detailed valuation concepts that would also apply for other types of capital less clearly related to sustainability matters. Also, while we consider the human rights topic to be of higher priority, there is a deep interlinkage between human rights, human capital and also workers' rights. Namely, those rights are connected intrinsically, which needs to be duly taken into account in the ISSB's standard-setting activities.

We consider the integrated reporting topic as the least important one from a timing perspective. We highly welcome that the ISSB encourages integrated reporting across sustainability information and between sustainability-related and purely financial information via its first two standards S1 and S2, and support the ambition to have a dedicated project to address integration in reporting. Nevertheless, we believe that the importance of this topic will increase with actual reporting standards covering the underlying sustainability topics, so that we currently deem relative importance to be lower.

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.

Rather than prioritizing the topics mentioned in paragraph A11, Allianz Group proposes an alternative set of sub-topics. Please refer to our response below.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors.

Rather than prioritizing the topics mentioned in paragraph A11, Allianz Group proposes an alternative set of sub-topics. Please refer to our response below.

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

Please refer to our response below.

(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.

The sub-topics proposed to be included in the research project should in our opinion be aligned with the structure of the CSRD to prevent confusion arising from having inconsistent scopes of biodiversity associated with the same term. The CSRD addresses various sub-topics within biodiversity, while the remaining topics of water, pollution, and resources constitute stand-alone areas of analysis. Following this topical structure seems conceptually appropriate and would not only facilitate interoperability, but also implementation, as, otherwise, the topic scope would be substantial, while otherwise, learning could start step-by-step following the progress made on each of the sub-topics. At the same time, subsuming them all under biodiversity may limit the focus on few aspects while overlooking others:

- Biodiversity: The CSRD emphasizes different aspects of biodiversity, including direct impact drivers of biodiversity loss, impacts on the state of species, impacts on the extent and condition of ecosystems, and impacts and dependencies on ecosystem services.
- Water, pollution and resource exploitation: It is important to examine water, pollution, and resource exploitation individually rather than solely through/in conjunction via biodiversity. While biodiversity is crucial, analyzing these topics solely from that perspective may overlook other important aspects. For example, by independently analyzing water resources, broader sustainability aspects such as availability, quality, and management can be addressed. This includes understanding water scarcity, impacts beyond biodiversity, and implications for stakeholders.
- Similarly, evaluating pollution and resource exploitation separately allows companies to explore their environmental and social implications beyond biodiversity. This approach enables a comprehensive assessment of sustainability-related risks and opportunities associated with pollution, emissions, material sourcing, and circular economy practices.

In summary, while we fully support all of the sub-topics to be addressed by the ISSB as soon as possible, aligning the research project’s sub-topics with the CSRD structure and, more generally, in separate (sub-)projects would support entities in approaching biodiversity in a structured and impacts-based manner, facilitate interoperability (in terms of supporting compliance with the ISSB Standards for preparers reporting under the CSRD, which is absolutely essential to avoid double reporting effort for EU preparers) and ensure that the sub-topics water, pollution and resource exploitation are themselves comprehensively covered. Also, this would allow to make progress more quickly, as this would otherwise (likely) turn out to become a multi-year project, although companies should be supported in learning and progressing on the mentioned sub-topics as soon as possible. Finally, the ISSB could thereby facilitate a more holistic understanding of

sustainability-related aspects related to biodiversity, ecosystems, and ecosystem services as well as promote a globally common understanding, which is essential also from a user perspective when comparing across companies and sectors.

- (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?*

We believe that sustainability-related risks and opportunities related to the topic of biodiversity, ecosystems, and ecosystem services can vary significantly across different business models, economic activities, and geographic locations. The diversity of industries, sectors, and geographic contexts can give rise to distinct environmental, social, and governance challenges and opportunities. Therefore, measures to capture performance on sustainability-related risks and opportunities should be tailored to specific industries, sectors, and/or geographic locations to effectively address their unique characteristics.

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.

(i) Substantially different risks and opportunities: Different industries, sectors, and geographic locations can face distinct sustainability-related risks and opportunities, associated with biodiversity, ecosystems, and ecosystem services. For example:

- Industries heavily dependent on water resources, such as agriculture or beverage manufacturing, may face physical risks related to water scarcity, water pollution, and ecosystem degradation. Industries in the agricultural commodities sector (e.g., palm, soy, timber products), or even countries that are heavily reliant on this sector (e.g., Indonesia and Malaysia) will face regulatory risks such as through the EU Deforestation Regulation. Meanwhile, industries involved in renewable energy production may have opportunities tied to ecosystem restoration or biodiversity conservation through their projects. Opportunities could also arise in investments for biodiversity, such as through blue bonds (i.e., conservation of marine ecosystems).
- Geographic locations with diverse ecosystems, such as coastal regions, tropical rainforests, or fragile ecosystems, may face distinct risks and opportunities compared to inland areas. For instance, coastal tourism may face risks from coastal erosion, while marine industries have opportunities to promote sustainable fishing practices and marine conservation. Certain geographic regions, by sheer nature of the ecosystem (e.g., the Amazon rainforest, the Cerrado regions, primary tropical rainforests in Borneo) can be considered as exposed to a higher risk for biodiversity impacts. There is still consistent data lacking to define what could constitute high, medium or low risk countries or regions for certain risks like deforestation risk, which also needs to be based on scientific principles. An O&G company can have significant % of its operations in close proximity or within/near biodiversity sensitive areas – therefore, it would need mitigation, remediation, impact management policies and processes. However, the company could also have a limited % of operations close to sensitive areas, but that area is the Amazon rainforest. Then, impact will be critical, simply by nature of impact (geographical scope). A similar scenario could arise in terms of timely scope (i.e. impact on a small scale but over an extended period of time), as the ecosystem and biodiversity has no time to improve or can change dramatically in the long-term. Oil spills that happen on a single occasion can have lasting impacts on ecosystems, biodiversity and communities living in and around the area (or even further upstream of downstream depending on geographical scale or magnitude of spill).

(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.*

- ESRS Standards, specially the “ESRS E4 Biodiversity and ecosystems”
- TNFD framework
- Convention on Biological Diversity (CBD)

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.

The ESRS E4 standard provides information on biodiversity and ecosystem services and based on this, there are existing biodiversity and ecosystem services framework providers that the ISSB can reference. For example, the Convention on Biological Diversity (CBD) is the “international legal instrument for the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of the benefits arising out of the utilization of genetic resources”. Its principal objective is to encourage actions which will lead to a sustainable future as it aims to cover at all levels: ecosystems, species and genetic resources. It has a governing body, the Conference of Parties (COP), that meets every two years to review progress, set priorities and commit to work plans. For example, in terms of target-setting, CBD through the COP 15 provided specific earth (land and water) protection targets for governments as well as financial targets for governments and countries. These financial targets can potentially guide investment decisions, and as such, it could be a good reference point for the ISSB in its standard-setting activities.

In terms of reporting, the TNFD framework could serve as a good reference for the ISSB as it details how organizations and investors alike can locate nature-related risks, evaluate impacts and dependencies, assess risks and then prepare to report. The TNFD framework has also been developed with efficiency in mind, helping companies to report what is needed globally by investors across markets, i.e. following a similar objective as the ISSB standards.

**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.

Of the sub-topics identified in paragraph A22, we would give the highest priority to the following sub-topics in this order:

- DEI
- Worker wellbeing (including mental health and benefits)
- Employee engagement
- Workforce investment

In addressing human capital, it is absolutely essential to take into account the link to human rights as well as workers’ rights. Human rights set a minimum standard for everything that we discuss under human capital (and workers’ rights), e.g., the human rights is the prohibition of discrimination on the basis of gender, ethnicity, sexual orientation etc. (UDHR Art2; ILO Convention 111) and this needs to be reflected in disclosure requirements on, e.g., DEI accordingly, due to the three areas of human rights, workers’ rights and human capital being intrinsically connected.

Nevertheless, for the same reasons as outlined above on biodiversity, we would suggest to not cover all elements/dimensions of Social via one comprehensive project/standard. Rather, we would welcome for the ISSB to follow the structure of the CSRD in terms of addressing social topics for own workforce, value chain workers, affected communities, and consumers and end-users via separate standards.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors.

Appropriate human capital management ensures that companies attract, train and retain talent and leaders. This requires investment into workforce, employee engagement and adequate measures to ensure mental health as well as benefits, and generally worker wellbeing. Finally, inclusion and diversity in the workforce is essential and should be a key focus area.

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

No additional sub-topic is proposed.

(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.

No additional sub-topic is proposed.

(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 characterize 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?

While we believe that the above sub-topics are generally (equally) important across industries and geographic locations, and business models, the details would be what differ from one to another. For example, the factors defining the worker’s’ wellbeing in the manufacturing line in a factory are considerably different from the ones of a worker in the financial industry and other office jobs, implying a relatively ‘safe’ workspace. Hence, tailoring the details of each of these topics to the specific traits of the working environment is critical in this case and should follow and be aligned with the materiality analysis to properly identify them and avoid ‘social-washing’ risks.

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.

In the following, we provide examples, focusing on our top two priorities (DEI and worker wellbeing):

- DEI: DEI topics differ from one industry to another or from a geographical location to another and hence, the focus in reporting should be different depending on the general environment, occupational segregation, historical context, regulatory environment, etc. Examples of topic relevance based on geographical location:
 - Including more indigenous communities into the workforce in certain countries such as the US, Canada, and Australia.
 - Inclusion of various nationalities in, e.g., Boards across the globe is a focus topics for many European companies.
 - Also, offering more women the opportunities for leadership positions is an effort observable in Europe.
 - In the middle east, including LGBTQ+ communities into the workforce openly could be more difficult because of local laws.
 - The definition of people with disability differs from one country to another: In India as an example, the legal definition of a disabled person is more narrow in comparison to the one in Germany or the US. Also, the legal environment differs; for example, in Italy, France, Germany and other countries, regulators define the disability quote to be binding, while in other countries (e.g., US), disclosing the information on disability is legally prohibited.
 - Age is another diversity factor which plays a role, with different workforce generation structure and challenges across different geographies, e.g., older population in Europe and younger population on average in Asia. Offers to attract, retain and develop differ between generations.
- Worker wellbeing (including mental health and benefits): Topics that affect the wellbeing of a worker are different across industries. We include some illustrative, yet non-exhaustive examples in what follows:
 - Financial sector/insurance: prone to high stress and mental health issues as well as spine issues from sitting all day, etc.
 - Mining industry/manufacturing is more exposed towards challenges such as physical factors, exposure to dangerous elements, low air quality, etc.

Hence, the focus in terms of reporting and workforce investment will naturally differ as well. For example, while the focus of the financial industry is likely more inclined towards improvements such as regarding workload/priorities management, work-life balance, mental health training, etc., for the manufacturing industry, the focus would likely lie rather on safety, machine handling, avoiding accidents at work, etc.

This links automatically then as well to the employee engagement which in both above examples would be important, but different topic-wise.

(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.

- ESRS Standards, specifically ESRS S1 "Own Workforce"
- GRI Standards
- WEF Stakeholder Capitalism Metrics
- ILO (International Labor Organization) guidance such as list of occupational diseases

Under the CSDDD, EU companies will likely need to report in detail on the result of their analysis whether there are any risks to, or violations of, employee/human rights in their own operations and value chain (note: already prescribed by the GSCA in Germany). This should be linked to broader sustainability reporting frameworks such as the ESRS and ISSB standards in terms of (required) reporting on how companies and their value chain counterparts (business partners) treat their employees. To avoid that every company on its own has to go through the effort to identify synergies between frameworks as well as between efforts on due

diligence processes, on the one hand, and reporting, on the other hand, we would highly welcome if regulators and standard setters would work together to ensure consistency as well as that synergies are exploited.

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.

- EFRAG: Aligning the research project with the corresponding CSRD guidance supports entities approaching own workforce-related topics in a structured way, facilitates interoperability and supports compliance with the ISSB Standards for preparers reporting under the CSRD, which is absolutely essential to avoid double reporting effort for EU preparers. Thereby, the ISSB can facilitate a more holistic understanding of sustainability-related aspects related to human capital as well as promote a globally common understanding, which is essential also from a user perspective when comparing across companies and sectors.
- GRI: The GRI Standards are widely applied and well-established in the market.
- WEF: WEF has attempted to come up with a joint set of KPIs to ensure consistency globally – respective efforts should be leveraged to the maximum degree possible.
- ILO: Respective guidance is widely acknowledged and well-established.

While human capital-related reporting is oftentimes relevant also for non-financial stakeholders such as employees and their representatives, it is also of high relevance for investors, as they need to understand the degree to which a company is able to attract, train and retain talent as well as to cope with demographic change and labor shortage as well as other (global) challenges.

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*

In summary, the following aspects (going beyond “sub-topics”) need to be addressed in our view:

- Sub-topics to be, among others, derived from sources such as reports from Amnesty International, Human Rights Watch and other NGOs.
- Look-through data availability to enable human rights due diligence processes is needed.
- Approach towards human rights screening for corporates, but also sovereigns, incl. taking existing well-established frameworks such as by the OECD into account.
- Availability of grievance complaints mechanisms with affected communities.

The reasoning of why these aspects are essential is outlined in what follows and illustrated based on the example of a German company, which, however, applies for all EU companies, once CSDDD is in place, and globally, where OECD/UNGP guidance is mandatory and/or voluntarily applied. The GSCA already obliges every German-based company to conduct human rights due diligence on every supplier (in Germany or outside), which will likely extend beyond suppliers to all value chain counterparts under the CSDDD in a few years. There are no established systems or metrics to conduct such due diligence. The result is that at the moment, every German company sends their own proprietary questionnaire or Code of Conduct to its counterparts, in turn imposing significant effort on counterparts, again likely to significantly increase with the CSDDD in the EU as well as similar initiatives globally. Millions of questionnaires and qualitative assessments of what ‘human rights performance’ might mean will then circulate around the globe, leading to significant effort, but little comparability or consistency, as well as significant risks, incl. litigation risks.

The CSRD is of limited help in this regard: it ensures the provision of (some) data, but does not provide the information on thresholds (e.g., from which threshold is the % of women and minorities in leadership at company X so low as to constitute a violation of Minimum Safeguards under the EU Taxonomy or future CSDDD requirements (this company’s processes don’t work) or other (substantive) rules such as anti-discrimination Directives) nor the information from value chain counterparts globally.

If companies are expected to assess the human rights performance of other companies, then their counterparts – which can be any company, as a supplier, customer or financial institution – need:

- Standardized reporting on human rights issues (incl. what constitutes a breach and a common understanding of severity), incl. due diligence quality (i.e., where companies are not conducting their own idiosyncratic qualitative assessment of the due diligence processes of their counterparts, but where there is only one uniform view on whether a company has an appropriate process in place or not).
- Standardized ratings on the human rights risk / performance of companies (e.g. company X gets a 3 because they are active in the energy sector and have z% of their turnover in high risk locations and company Y gets a 1 because it offers services only and get most of our turnover from low risk locations...).

In this regard, we would like to emphasize that human rights is a topic for which financial and impact materiality are significantly interrelated and will in many cases occur in conjunction. Namely, while the ISSB focuses on the information demands of investors, it will be essential to take into account that human rights-related impacts (incl. regarding own workforce, value chain workers, consumers and affected communities) exerted by a company will very often be associated with risks for this company, and, even if this wasn’t the case, numerous investors would want to know about them, be it for their own due diligence process or other reasons such as sustainability preferences.

To conclude, data availability/collection/transparency around the human rights topic – which should be broadly defined based on existing international well-established guidance – is important to properly screen the investment and underwriting portfolio (for financial companies) as well as suppliers and further business partners across the value chain of companies across industries. Respective risks can range from retention to

litigation to reputational risk, however, investors also want to know respective impacts to assess (long-term) implications for company value.

(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.

As mentioned above, the availability/transparency/comparability around this topic in terms of human rights disclosures for investors is absolutely essential.

(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?

We believe that sustainability-related risks and opportunities related to this topic are substantially different across the mentioned dimensions and would need to be tailored to them accordingly.

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.

- Across industries/sectors, there will be substantial differences between, for example, a financial company vs. a mining company. For instance, while from a topical point of view, employee wellbeing at work and proper working conditions might be equally important in terms of accepting human rights, the details differ considerably. A mining company must ensure to reduce injuries and improve safety measures and will likely need processes to ensure avoiding forced or child labor while a financial company is very unlikely to have child or forced labor cases. However, discrimination or harassment might play a role in this industry.
- Across geographics/locations, there will be substantial differences, as different jurisdictions, for example, have different measures in place to ensure human rights are complied with (e.g. in terms of forced labor or child labor) and a different approach in this regard.

The key question is which rules companies are supposed to use when they assess / report on human rights performance. International human rights law and ILO conventions bind governments, not companies. Not all international human rights are transposed locally. The OECD Guidelines state the following: if national law clashes with international human rights law, then national law prevails (i.e., if there are no local rules on forced labor, there is no requirement to report on forced labor, because there is no risk on violating local laws). UNGP states the following: if there is a clash between local law and international human rights, then uphold the international principle (as enshrined in, e.g., the ILO Convention). The question is, as a global player, in case of a mining company as a potential value chain counterpart, if this company is active in Congo and complies with local law, can this be considered as sufficient by an EU company, or would this company expect compliance with international guidance (in case it goes beyond local law) and, if so, which international guidance. As outlined above, standard setters for reporting are of course just one player in this broader area and can only cater one piece of the puzzle, however, transparency plays a key role and constitutes the necessary starting point to ensure synergies and consistency.

(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.

- OECD
- UN Guiding Principles (UNGPs)
- UN Framework

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.

These frameworks are well-established, internationally recognized and broadly used. For example, OECD and UNGC need to be complied with in the context of the EU Taxonomy and the CSDDD is also expected to build on these guidelines, given their global acceptance.

Finally, we would like to note the following: For us, it is important to distinguish between rules on process and rules on content. Both OECD and UNGP mostly deal with the due diligence process (i.e., companies must declare a human rights policy, analyze risks, implement measures, have a complaints procedure etc.). UNGP refers to content but only briefly, namely that the content of the due diligence is International Bill of human rights and core ILO Conventions. It should be clear, which human rights are referred to (e.g., which ILO Conventions are included in the notion of 'human rights') also in future standards.

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?*

We refer to our answer under Question 3(ii). We consider the issue of integrated reporting to be the least important from a timing perspective. We appreciate that the ISSB is promoting integrated reporting of sustainability information and between sustainability-related and pure financial information within S1 and S2, and support the goal of having a dedicated project to address integration in reporting in the future. Nevertheless, we believe that the importance of this topic will increase with actual reporting standards that cover the underlying sustainability topics, so we currently consider the relative importance to be lower. With this in mind, we advocate considering an integrated reporting project in the future, with a current focus on covering further globally relevant topics as well as refining and operationalizing the existing standards to make them fit for the future (please refer to our response to Question 1).

Also, at this stage, an integrated reporting project may be premature, as the maturity of most sustainability topics (including quantitative reporting) is very different compared to the advanced stage of financial reporting with decades of streamlining, auditing, and stakeholder testing. Addressing both via a dedicated project, especially in the current dynamic environment, would not only be far-reaching, but also resource-intensive, which could slow down the progress of development, and may overwhelm stakeholders, who could by no means deal in parallel with changes to the IFRS Standards, which might be an outcome of a joint project.

- (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)?*

As mentioned above, we would not consider this project a priority. However, if it were pursued, we would consider it appropriate for the project to be covered by the ISSB.

While we deem a high degree of coherence and connectivity between financial and sustainability reporting and the respective standards as essential, we strongly welcome the ISSB’s intention to design the ISSB standards in a way to also be applicable in isolation, i.e., also for companies that do not (need to) report under the IFRS Accounting Standards, as this facilitates the building blocks approach and fosters global acceptance and relevance. Based on this, we do not deem it necessary for there to be a joint project, at least not in a first step.

Furthermore, in our view, it would be advisable to carry out initial steps before assessing whether there is a need to combine them into a joint project, in order to enable lean and resource-efficient integration. These could be, for example: providing further guidance and promoting comparability and consistency for sustainability reporting, identifying linkages and interrelationships of sustainability-related information within financial reporting (based on the experiences from the conducted research and standard-setting projects pursued in advance, i.e., using the lessons learned by the ISSB on sustainability reporting).

- (i) *If you prefer a formal joint project, please explain how you think this should be conducted and why.*

As outlined above, we do not consider it necessary to conduct a joint project and would, before taking such a far-reaching decision, suggest to assess the respective need in detail beforehand. Especially, it would need to be assessed to what extent this might affect the IFRS Accounting Standards in parallel, noting that major changes to financial reporting should be avoided to the maximum possible extent possible, to avoid overwhelming preparers which are currently undertaking significant changes to their corporate reporting approaches and ecosystem to enhance their sustainability reporting.

(ii) If you prefer an ISSB project, please explain how you think this should be conducted and why.

As mentioned under Question 7(b), we see the initial key aspect in conducting an ISSB project on integrated reporting in first setting up the necessary groundwork analysis pertaining to the interrelationships of sustainability-related information within financial reporting. This could concretely encompass:

- Conduct research to identify linkages between financial and sustainability reporting, build on the progress and lessons-learned already achieved in setting up the first two ISSB standards S1 and S2.
- Translate results into guidance on how to potentially connect sustainability-related financial information together with other qualitative and quantitative information with a clear focus on addressing investors' interests in a coherent, comprehensive, and concise view on how entities create, preserve, and erode value in the short, medium and long term.
- Incorporate views and feedback from the IASB to leverage experience from decades of streamlining, auditing, and stakeholder testing in financial reporting.

In pursuing these activities, the ISSB project should consider the following principles:

- Collaboration opportunities: Explore potential collaboration opportunities with other standard-setting bodies or organizations working on sustainability topics. Assess whether partnerships or cooperation with external entities could help accelerate progress on specific projects, including the integrated reporting project.
- Long-term impact: Consider the long-term impact of each project on sustainability reporting and disclosure practices. Evaluate how the integration in reporting project could contribute to the overall value and effectiveness of the IFRS Foundation's suite of materials in advancing sustainability reporting practices.
- Resource allocation: Evaluate the resources required for each project, including financial, technical, and human resources. Consider the capacity of the ISSB to handle multiple projects simultaneously and the potential strain on resources that the integration in reporting project might impose. This evaluation can help determine if the ISSB has the necessary capacity to effectively deliver on all projects within the given timeframe.
- Balancing priorities: Weigh the advantages and disadvantages of advancing the integration in reporting projects against the proposed sustainability-related topics. Striking the right balance between addressing immediate sustainability challenges through the proposed projects and ensuring a robust reporting framework that encompasses integrated sustainability information is essential.

(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.

Some particular concepts that could be relevant include:

- Integrated Reporting: The ISSB could explore the concept of integrated reporting, which aims to provide a holistic view of an organization's value creation by integrating financial and non-financial information. This approach encourages reporting that goes beyond financial statements and incorporates broader stakeholder perspectives.
- Narrative reporting: The ISSB could consider incorporating principles from the IASB's respective Exposure Draft to enhance the quality and relevance of narrative reporting. This could involve guidelines on the content, structure, and presentation of management commentary, including disclosures on business strategy, risks, opportunities, and the organization's approach to sustainability.

(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.

We agree, however, only to the extent that the Integrated Reporting Framework relates to sustainability matters which should therefore be the focus of the incorporation. However, some general concepts that could be relevant in context of sustainability matters as well include:

- Value creation: The ISSB could emphasize the concept of value creation, which encompasses both financial and non-financial aspects. By focusing on the organization's ability to create value over time, integrated reporting enables a more forward-looking perspective and encourages a broader understanding of an organization's prospects and risks. However, value creation should only be in scope to the extent indeed linked to sustainability topics, not generally.
- Connectivity: The ISSB could promote the idea of connectivity, highlighting the interdependencies and relationships between different factors that impact an organization's ability to create value. This can include illustrating how the organization's strategy, governance, business model, and key performance indicators are interconnected with regard to sustainability matters.
- Integrated thinking: The ISSB could encourage integrated thinking within organizations, which involves considering the interrelationships between financial and non-financial information, as well as the short-term and long-term perspectives. Integrated thinking supports decision-making that takes into account the organization's broader impact on society and the environment.

(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.

We do not have any further recommendations at this time.

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

We do not have any further suggestions at this time.

Question 8 – Other comments

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

As outlined in our answer to Question 1(b) regarding the Allianz Group's proposal on prioritization of the ISSB's activities, we recommend focusing on the overall direction of travel in sustainability reporting, providing insights into the timetable, while establishing a collaboration model that enables global alignment and connect EFRAG's and other standard setters' work with the ISSB's agenda. In that respect, we want to emphasize the urgent need to establish further guidance on the following two aspects, as in our view they are pivotal for creating a meaningful reporting environment across sustainability areas for investors, and a global baseline for improving and harmonizing sustainability reporting:

- Further clarity on the materiality concept and its intended breadth is needed. We deem it as absolutely essential that the ISSB's materiality concept is defined in a way to cover investors' information demands in their entirety, namely by fully embracing the concept of dynamic materiality and taking into account that investors are, already today, interested in a significant number of inside-out impacts, either due to sustainability preferences or due to expected second-tier effects on enterprise value in the (potentially long-term) future. Finally, disclosures that focus exclusively on the risks to individual issuers do not comprehensively cover investors' information demands; rather, sustainability issues that affect the long-term performance of diversified portfolios should also be in scope of the ISSB's work. This would not only enhance the relevance of the global baseline for users globally, but is also necessary to fully cover the financial materiality view, thereby also facilitating the building blocks approach. For further details, please refer to our response to Question 2.
- While we fully support the proposal to not limit sustainability information to own operations, clarity is needed on what the value chain encompasses for financial companies. Reasonable boundaries as regards look-through provisions to cover indirect impacts need to be defined to ensure both feasibility and reliability. For example, look-through requirements for selected key indicators (e.g., Scope 3 emissions) should be complemented by sector-specific qualitative disclosure requirements as regards financial companies' investment and client portfolios, such as investment or underwriting policies, the extent to which ESG considerations feed into the investment or underwriting decision-making and engagement process with investees or policyholders, and respective due diligence processes. In any case, guidance on the value chain definition for financial institutions is need in the short-term; this should be a key priority of ISSB in its work to support the implementation of its first two standards S1 and S2.