



COMISSÃO DE VALORES MOBILIÁRIOS

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Emmanuel Faber,
The Chairman of the ISSB
Opernplatz 14
60313 Frankfurt am Main
Germany

August 30, 2023

REF: Request for Information – Consultation on Agenda Priorities

The Office of the Chief Accountant of the Securities and Exchange Commission of Brazil – CVM welcomes the opportunity to respond to the Request for Information – Consultation on Agenda Priorities.

We are a division of the national securities regulator engaged in the study, development, interpretation and guidance of accounting standards for Brazilian listed companies and investment funds. By the endorsement of CVM, the accounting standards issued by the Brazilian Accounting Pronouncements Committee – CPC become mandatory for listed companies. In relation to investment funds, the accounting standards issued by CVM are mostly aligned with IFRS standards.

One of the legal mandates of CVM is to stimulate savings and their application in securities through the efficient and regular functioning of capital markets. To stimulate permanent investment in shares of publicly held companies and investment funds we are convinced that a good quality set of accounting standards play a central role in achieving these objectives.

The role of The Office of the Chief Accountant has recently been broadened to encompass analysis of sustainability-related standards issued by International Sustainability Standards Board - ISSB.

The detailed responses are included bellow, if you have any questions about our comments, please do not hesitate to contact us at snormas@cvm.gov.br

Yours sincerely,
Paulo Roberto Gonçalves Ferreira
Chief Accountant and Auditor



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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?

R:

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

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

R: It is imperative to support the implementation of the ISSB’s Standards worldwide. The success of ISSB in the long term depends on many jurisdictions being able to effectively apply the standards consistently and their auditability.

As a second, but not less important, we think that SASB and ISSB standards must be consolidated into a single set of standards and do follow international parameters. This process should be conducted with a wide participation of the market, in special regarding industry specific metrics.

Finally, it is also very important to us that ESG disclosure goes beyond climate and address issues such as social affairs, human rights, and biodiversity.



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(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.

R: In our opinion, the ISSB should create industry specific consultation groups in order to review, enhance, internationalize, and legitimate the current industry specific metrics.

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?

R: Yes.

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

R: Not Applicable.

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



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progress on that, or should the ISSB work on more than one project and make more incremental progress on each of them?

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

(ii) If more than one project, which projects should be prioritised and what is the relative level of priority from highest to lowest priority? You may select from the four proposed projects in Appendix A or suggest another project (or projects).

R:

- (1) Human capital;
- (2) Human rights;
- (3) Biodiversity, ecosystems, and ecosystem services (BEES); and
- (4) Integration in reporting.

We suggest addressing Human Capital and Human Rights first, because they seem the next logical path towards a complete set of sustainability disclosure requirements, as environmental information is already being addressed and governance is already largely covered by securities regulators.

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?



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

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

R: Under the BEES research project, a specific subtopic that could be included and prioritized could be about indigenous populations and local communities. Oftentimes, companies disregard their own impact on local communities overloading their structure and changing their culture. This is especially true at very small cities, quilombos and indigenous communities. Business activities must be conducted with urban planning and respect for local cultures. The commitment to local communities has an enormous potential to generate value for investors, in terms of mitigation of risks related to legal disputes, borrowing costs reduction and improvement of corporate image, so, sustainability-related disclosures must be transparent regarding this matter.

(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?



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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.

R: It is a fact that sustainability-related risks and opportunities related to BEES may vary significantly among industries, sectors, and geographic locations. Nevertheless, at this initial stage, we do not believe disclosures requirements must necessarily be tailored specifically to address such diversity.

A general disclosure framework, with some specific cross industries metrics could allow a significant picture for investment decision making. Once this general picture is well established, adjustments could be conducted to deal with relevant particularities.

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

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You can suggest materials that are not specified. You can suggest as many materials as you deem necessary. To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

R: We acknowledge that some of the referred resources are double materiality frameworks, so it is unclear whether a framework based on financial materiality could be built upon them.



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

The research project on human capital is described in paragraphs A15–A26 of Appendix A. Please respond to the following questions:

(a) Of the subtopics identified in paragraph A22, to which would you give the highest priority? Please select as many as applicable.

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

You may also suggest subtopics that have not been specified. To help the ISSB analyse the feedback, where possible, please provide:

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

R: In our opinion the human capital topic is so important that all the proposed subtopics must be prioritized. Furthermore, the subtopics are heavily interrelated. Therefore, we recommend they are treated together.

(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



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would need to be tailored to be specific to the industry, sector or geographic location to which they relate?

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

R: Having in mind that it is the management role to identify material sustainability risks and opportunities related to human capital, and that major items could be required by cross industry metrics, we think it is possible to develop a comprehensive disclosure standard on human capital covering all the proposed subtopics

(c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard setters and framework providers to expedite the project, while taking into consideration the ISSB's focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A25 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable.

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You can suggest materials that are not specified. You can suggest as many materials as you deem necessary. To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

R: We acknowledge that some of the referred resources are double materiality frameworks, so it is unclear whether a framework based on financial materiality could be built upon them.

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



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

(a) Within the topic of human rights, are there particular subtopics or issues that you feel should be prioritised in the ISSB’s research? You can suggest as many subtopics or issues as you deem necessary. To help the ISSB analyse the feedback, where possible, please provide:

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

R: We believe a project on human rights must be comprehensive, covering all articles of the Universal Declaration of Human Rights. In terms of research subtopics, not diminishing the importance of so many others that must also be considered, we recommend the ISSB addresses the problem of slave-like working conditions. Transparent disclosures on labor policies may not only provide useful information for investment decision, once slave-like working cases may destroy companies’ image, and as consequence, investment value, but also help reducing the number of cases of slave-like working conditions worldwide.

(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?



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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.

R: Despite the peculiarities of countries, sectors, and industries, once human rights must not be relativized, we think it is possible to develop a comprehensive disclosure standard about the topic.

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

Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You can suggest materials that are not specified. You can suggest as many materials as you deem necessary. To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

R: The UNCTAD have been involved in developing the UN Sustainable Development Goals for a long time, their expertise could be a very useful resource for developing disclosures on human rights.

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



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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?

R: Despite the importance of integration between financial statements and sustainability-related reporting, we do not believe it should be prioritized over Human Capital, Human Rights and Biodiversity, Ecosystems and Ecosystems Services (BEES). It is important to note that there is already a framework for Integrated Reporting in place. Moreover, auditors and securities regulators can play a major role in maintaining the consistency between financial reports and sustainability reports.

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

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

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

R: As said before, we think at this stage the ISSB should not prioritize the integration in reporting project over the three sustainability-related topics referenced.



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

(i) the IASB's Exposure Draft Management Commentary? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.

(ii) the Integrated Reporting Framework? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.

(iii) other sources? If you agree, please describe the source(s) and any particular concepts that you think the ISSB should incorporate in its work.

R: We have no further comments.

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

R: We have no further comments.

Question 8—Other comments

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

R: We have no further comments.