

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:

The Institute of Chartered Accountants of Scotland (ICAS)

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).

ICAS welcomes the opportunity to comment on this Request for Information.

ICAS is a professional body for more than 23,000 world class businesspeople who work in the UK and in more than 150 countries around the world. Our members have all achieved the internationally recognised and respected CA qualification (Chartered Accountant). We are an educator, examiner, regulator, and thought leader.

Over half of our working membership work in business; the others work in accountancy practices ranging from the Big Four in the City to the small practitioner in rural areas of the country.

We currently have over 4,500 students striving to become the next generation of CAs under the tutelage of our expert staff and members. We regulate our members and their firms. We represent our members on a wide range of issues in accountancy, finance and business and seek to influence policy in the UK and globally, always acting in the public interest.

ICAS was created by Royal Charter in 1854. The ICAS Charter requires its Boards to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

Any enquiries should be addressed to fdonnelly@icas.com

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>supporting the implementation of ISSB Standards (IFRS S1 and IFRS S2)</i>	1
<i>beginning new research and standard-setting projects</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.

We note that the timeline of the activities in the scope of this questionnaire is for a two-year period starting after Q1 2024. Given this and its coincidence of timing with the first possible application of ISSB standards (accounting periods starting on or after 1 January 2024) we believe the top priority should be to ensure the solid interpretation and accurate implementation of IFRS S1 and S2.

Given that IFRS-S1 is the foundation for all other IFRS Sustainability standards, activities to support the implementation like developing/strengthening guidance and materials, will help not only with the accurate and comprehensive application of the IFRS SDS, but is sure to improve the adoption of the standards, by jurisdictions as well as individual entities. At this point in time, it is unclear who will use the standards.

The other ranking above is based on the following logic:

- We support the development of IFRS SDS including implementation guidance because we consider that it is necessary to put sustainability reporting on a par with financial reporting.
 - We do appreciate however this particular question is down to a consideration of priorities (more in answer 3) and is a balance of parallel-running necessary tasks to serve what is useful for report preparers and ISSB's focus: investors.
- Overall, however, we highlight it is difficult to form a clear view without knowing ISSB's detailed scope of work planned for the foundational work that is already underway, ISSB's available capacity during the timeline of this project, or the totality of what ISSB is ultimately seeking to deliver

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 consider that the importance of the interoperability of ISSB's standards with other standards such as GRI and ESRS cannot be overstated, so it should be an activity within the ISSB's scope of work.

This is particularly the case given some companies are already committed, long-term GRI reporters; plus some companies will now also be mandated to follow ESRS. Report preparers cannot be overburdened by reporting requirements so that they can channel appropriate resources to properly integrating sustainability factors into their business strategy and plans.

We recognize that many standards are very different by construct, however the ability to use them together would be more sensible for report preparers and all report users, and would facilitate features like sustainability reporting per double materiality, being the most appropriate end goal (more in answer 8)

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 consider the stated seven criteria are appropriate in deciding whether a potential project will meet the needs of certain only/predominantly financially motivated investors particularly those with a short-term focus.

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

- Yes:

Many investors take a longer-term view e.g. pension funds, and or want to achieve a combination of financial and non-financial returns, the latter either being a desired positive impact or avoidance of a negative impact. This means such investors will want to have other disclosures about actual and planned impacts to the real world, so that they can allocate capital according to these various criteria. Asset managers, such as those members of the Net Zero Asset Managers Initiative, who want to understand a portfolio company's commitment to, and progress against, its pledge to 'Become Net Zero by 2040' would be one such scenario where non-financial details/impacts would be required, in addition to financial disclosures.

To encapsulate the importance to the ongoing stability and survival of the planet of addressing certain matters, like climate change, we advocate for the inclusion of an eighth criteria: the importance of the matter to the planet.

Sources like the Stockholm Resilience Centre and WEF's Global Risks Report could provide robust and often scientific basis for the determination of what constitutes importance to the planet. Such sources inform of the urgency of vital topics like planetary boundaries and show where positive impacts are most acutely required according to assessments of various global risks.

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?

- Single project

03-Ai. (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. Please explain your response.

- Biodiversity, ecosystems and ecosystem services:

While we recognize that ISSB resources are limited, we, as global citizens, do not have the luxury of time, so recommend one single project is prioritized concurrently as the ongoing foundation work continues.

We believe biodiversity, ecosystems and ecosystems services (BEES) need to be tackled soon/alongside climate change as the two topics are inextricably linked.

There is however a lot of activity already on this topic (e.g. GRI Biodiversity standard (elements of which are currently being re-exposed), final recommendations of TNFD due out in September, ESRS standards adopted in August) which should be levered appropriately in developing any new IFRS SDS. Any new IFRS SDS should be interoperable with these major standards.

We are also cognizant of how short a period two years is, when it comes to researching such a complex topic for such a global purpose, so that channeling resources to one topic for two years is likely to be more fruitful.

** Integration in reporting, which in this context we note is how to integrate information in financial reporting beyond the requirements related to connected information in IFRS S1 and IFRS S2, is vital and must be addressed now, concurrently as all the standards are being developed. (we explain our views further in answer 7). ISSB should be addressing this now, and not considering this as optional.**

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.**

- Freshwater and marine resources and ecosystems use:

Land and water are equally important and inextricably and linked in multiple ways to climate change, being the world’s premier crisis that people must understand more about and take steps to address.

Many companies are dependent on land and water as part of their supply chain and therefore risks would include: reduction in availability of land (e.g. due to wildfires or deforestation), reduced crop yield (e.g. due to poor soil health) or water shortages due to droughts.

Given the significant impact of pollution to greenhouse gases and therefore climate warning, as well as being a source of risk to corporate reputation we would also advocate including prioritizing pollution, as resources allow. Indeed some aspects of pollution and resource exploitation could already be included in the top two categories, fresh water and marine resources and ecosystems use, and land-use and land-use change.

- Land-use and land-use change:

Land and water are equally important and inextricably and linked in multiple ways to climate change, being the world’s premier crisis that people must understand more about and take steps to address.

Many companies are dependent on land and water as part of their supply chain and therefore risks would include: reduction in availability of land (e.g. due to wildfires or deforestation), reduced crop yield (e.g. due to poor soil health) or water shortages due to droughts.

Given the significant impact of pollution to greenhouse gases and therefore climate warning, as well as being a source of risk to corporate reputation we would also advocate including prioritizing pollution, as resources allow. Indeed some aspects of pollution and resource exploitation could already be included in the top two categories, fresh water and marine resources and ecosystems use, and land-use and land-use change.

- Pollution (including emissions into air, water and soil):

Given the significant impact of pollution to greenhouse gases and therefore climate warning, as well as being a source of risk to corporate reputation we would also advocate including prioritizing pollution, as resources allow. Indeed some aspects of pollution and resource exploitation could already be included in the top two categories, fresh water and marine resources and ecosystems use, and land-use and land-use change.

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.

The three elements to biodiversity, ecosystems and ecosystem services ('BEES') will vary according to industry, sector and geographic location, with these three aspects being totally independent of each other. To give some examples:

- The impact on/by BEES from industries such as oil and gas (e.g. oil spills) or heavy manufacturing, intensive farming etc. is significant compared to other industries.
- The dependency risk on BEES on industries such as drinks manufacturing, textiles, semiconductors, power generation, will vary according to the water stress of the location in which key water-consuming plant are located.
- For global companies they may face different risks in different locations e.g. droughts in some areas and flood risks in other areas.

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 Global Reporting Initiative (GRI) standards (for example, GRI 304 – Biodiversity):
The Global Reporting Initiative (GRI) standards (for example, GRI 304 – Biodiversity) – the world's most widely used sustainability reporting standards; first guidelines were launched in 2000 so they have provenance and are well understood.
- The Taskforce on Nature-related Financial Disclosures (TNFD):
The Taskforce on Nature-related Financial Disclosures (TNFD) – the final version is likely to follow the TCFD logic (comprising governance/strategy/risk management/metrics and targets)
- The European Financial Reporting Advisory Group (EFRAG):
EFRAG – many entities in Europe and outside of Europe will have to report according to the new ESRS so have new and large unavoidable reporting requirements, which are according to investor and other stakeholders' requirements.
- Other—please specify:
 - CDP Forests and Water questionnaires. CDP is global, sector agnostic, and is a mature reporting mechanism that is driven by investor needs, among others.
 - UN SDG indicators

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.
- Diversity, equity and inclusion:
having society well represented in positions of influence and throughout an organization is proven to produce diversity of thought and all round better financial and non-financial returns for entities. Such broad perspectives will be value-adding for assessing and evaluating how to develop businesses in a long term and sustainable way.
 - Workforce investment:
many new roles are arising e.g. relating climate predictions to business risks and opportunities, plus we are now needing more capacity, productivity and deeper understanding in existing roles e.g. ESG analysts in fund managers. Such workforce changes could help address social mobility and social inclusion. One of the key limiting factors in making proper progress to transition to a green economy and to address increasingly vital planetary phenomena is a shortage of talent in relation to green jobs.
 - Other—please specify:
 - UN SDG indicators

**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.

For example, there is a current trend for investment in upskilling for "green" jobs but this does not appear to be equally distributed across geographies/industries and could lead to exacerbating inequalities.

There could be merit in recognizing human capital in broader terms through developing a corporate equivalent to UN's Human Development Index.

**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):
 - EFRAG – very new standards, strongly aligned with GRI Standards and based on current global environment, plus is based on impacts and financial materiality
- The Global Reporting Initiative (GRI):
 - The Global Reporting Initiative (GRI) – the world's most widely used sustainability reporting standards; first guidelines were launched in 2000 so they have provenance and are well understood.

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.

We consider this topic to be of vital importance, but hard to define as a standalone topic in this context since it is a cross-cutting theme that touches on many other areas including climate change, ethics, cyber security and more.

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.

Certain sectors such as garment manufacturing, agriculture, construction etc. are known for having increased risks of human rights violations such as unfair pay, unsafe/exploitative working conditions, child labour, forced labour etc. Perspectives on human rights issues may also differ between geographic locations and cultures.

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.

- The UN Guiding Principles on Business and Human Rights and the associated UN Guiding Principles Reporting Framework:
The UN Guiding Principles on Business and Human Rights and the associated UN Guiding Principles Reporting Framework – UN has been instrumental in various global human rights initiatives so is a well-known trusted global source for insights.
- Other—please specify:
 - The GRI Universal Standards which make human rights disclosures mandatory (See GRI 2)
 - UN Global Compact
 - The single initiative arising from the consolidation of the Taskforce on Inequality-related Financial Disclosures (TIFD) and the organisations preparing a Taskforce on Social-related Financial Disclosures (TSFD)

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 **higher priority**:
Integration in reporting is vital so that report users understand a comprehensive picture of the results, targets, risks, opportunities and impacts of an entity. Integration of reporting should not be restricted to sustainability related standards but also the entire front end and back end of the financial statements and management reports.
As long as financial reporting is dominant and separate to sustainability, sustainability-related and other non-financial reporting, report users are less able to fully understand the entirety of the many dimensions of an entity and will thereby make choices based on an incomplete data set.

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:
A formal joint project with the IASB - and GRI's GSSB - will facilitate real collaborative discussions and evaluation which is likely to result in a more comprehensive and well considered output with true integration in reporting.
The financials and non-financials (the latter including but not being limited to sustainability-related matters) must integrate to tell the most comprehensive story about an entity's results, assessment of the future and plans etc.

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:

Per above, we believe that integration in reporting should encompass financials and non-financials so that report users can glean a comprehensive understanding about an entity's financial results and impacts, and so can form a well-informed assessment of an entity's future and plans, including risks, opportunities and dependencies.

For the Management Commentary we consider the following to be among the most important concepts that the ISSB should incorporate in its work:

- the financial statements to which the management commentary relates – the reporting entity and reporting period should be the same so that the financial results can be evaluated alongside other results for the very same entity and for the same period of time.

- key matters – to ensure rounded and relatable disclosures of all the most relevant and material matters throughout reporting.

- long-term prospects, intangible resources and relationships, and ESG matters – while difficult to do and define the scope in a manageable way, such elements, if disclosed to a granular level, could be relevant and helpful to give report users a comprehensive understanding on the long-term sustainability of parts of a business, for example:

 - o making materiality judgements – given the importance of the concept of materiality to the overall approach taken for sustainability

 - o completeness, balance, accuracy and other attributes – such core reporting principles should be articulated

 - o metrics – in order to measure ultimate targets, interim milestones, overall ambition and progress against that ambition, for ESG matters.

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:

ICAS believes the integrated thinking that is required as a preparatory step to produce an Integrated Report <IR> should be built on/incorporated in pursuing a project on integration in reporting.

Considering the context of an entity's external environment, and its ability to create, preserve or erode value in the short, medium and long term, is known to generate multiple internal benefits including improved risk management and decision making, more joined up thinking, better adoption of purpose/vision/mission and so forth. The Guiding Principles, Content Elements and other preparatory elements that are applied to create an Integrated Report would be relevant for this integration of reporting project.

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

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

N/A

08. Question 8—Other comments

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

We note that per A38 of this Request for Information that “The IFRS Foundation is working towards creating an integrated, coherent and comprehensive system of corporate reporting that provides a holistic and transparent view of how an entity creates value over time.”

To deliver on that ambition, we make two further comments:

- We believe that a “system of corporate reporting” that excludes reporting on impacts cannot ever be considered “integrated, coherent and comprehensive” and would only ever tell an incomplete version of the facts based on financial impacts to an entity. This is a view that will only help one type of investor. We will continue to support IFRS and will continue to advocate for the current baseline and concepts driving the IFRS SDS to evolve to embrace the concept of double materiality. In theory, this would be achievable through the application of GRI Standards then IFRS SDS, so we will also continue to push for the interoperability of the standards. Such an approach to reporting will genuinely provide a holistic view of an entity, and will serve all investors, as well as other stakeholders.
- We also support reporting of sustainability results and plans to be vital and should be on the same footing as financial reporting. We support the development of an international assurance standard for sustainability reporting, as we consider this to be an important element that will improve confidence in sustainability disclosures and confidence thereon.