

1.09.2023

Consultation on Agenda Priorities—Survey

AY-1. Please provide your full name and email address:

Alasdair Hedger - alasdair.hedger@ellenmacarthurfoundation.org

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:

Ellen MacArthur Foundation

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

The Ellen MacArthur Foundation (The Foundation) welcomes this opportunity to comment on the ISSB Request for Information regarding its Agenda Priorities for the ISSB's next two-year work plan.

The Foundation is a UK-based charity committed to creating a circular economy, which is designed to eliminate waste and pollution, circulate products and materials (at their highest value), and regenerate nature. It's an economic system that delivers better outcomes for people, and the environment.

The Foundation collaborates with businesses; governments, institutions, and cities; designers; universities; and emerging innovators to drive collaboration, explore opportunities, and develop circular business initiatives.

The Foundation has closely followed ISSB's work in developing global sustainability reporting standards. In our response to the ISSB Exposure Drafts for General Sustainability-related and Climate Disclosures (July, 2022), we noted that the role of the circular economy in tackling sustainability issues, including climate change, cannot be understated, and should be reflected in ISSB standards¹. Our position on this matter remains unchanged.

We have therefore outlined why the ISSB should ensure the circular economy is a key priority in its Agenda Priorities over the next two years and the longer term, in order to respond to the growing information needs from stakeholders on sustainability issues beyond climate.

In addition, while the publication of IFRS S1 and S2 is a key achievement to support global harmonisation of sustainability reporting practices, challenges are likely to arise in relation to the role that sustainability impacts have on financial materiality, which underpins the application of the ISSB standards. The interplay between sustainability impacts, risks and

¹ Ellen MacArthur Foundation (2022), 'Comments on ISSB Sustainability Disclosure Standards, Exposure Draft, July, 2022'

https://ifrs-springapps-comment-letter-api-1.azuremicroservices.io/v2/download-file?path=611_65920_ellen-macarthur-foundation--emf-comments-on-issb-exposure-drafts-on-general-requirements-and-climate-disclosures-docx.pdf

opportunities, is an important area to test the interoperability between ISSB and jurisdictional standards, which are based on double materiality like the European Commission’s Corporate Sustainability Reporting Directive (CSRD), related European Sustainability Reporting Standards (ESRS) and the Task Force on Nature related Financial Disclosure (TNFD) framework. Therefore, this should also be considered as an important area for implementation support purposes.

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? Please drag and drop to rank, where 1 is the highest priority and 4 is the lowest priority

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

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

The reasons for our ranking order and the types of work the ISSB should prioritise are given below. These are aligned to the ISSB’s proposed criteria for assessing potential projects where possible.

Beginning new research and standard-setting projects

- The Foundation believes the development of new research and standard-setting projects on the circular economy should be positioned as a high priority in the ISSB’s Agenda Priorities.
- In our 2022 response to the ISSB Exposure Drafts for General Sustainability-related and Climate Disclosures², we recommended the ISSB should focus its next work

² Ellen MacArthur Foundation (2022), ‘Comments on ISSB Sustainability Disclosure Standards, Exposure Draft, July, 2022.’ https://ifrs-springapps-comment-letter-api-1.azuremicroservices.io/v2/download-file?path=611_65920_ellen-macarthur-foundation--emf-comments-on-issb-exposure-drafts-on-general-requirements-and-climate-disclosures-docx.pdf

beyond climate. We noted that adopting circular economy principles³ offers a systematic response to addressing wider sustainability issues, including eliminating waste and pollution, addressing the climate crisis, and regenerating natural systems.

- For this reason it is disappointing that the topic does not feature in the latest prioritised list of sustainability-related reporting matters. Instead, ‘resource exploitation (for example, material sourcing and circular economy)’ is included only as a sub-topic in the proposed Biodiversity, ecosystems and ecosystem service standard. [Note: Appendix B of the consultation⁴ and the ISSB working paper (July 2022)⁵ did include ‘Circular economy, materials sourcing and value chains’ in a preliminary list as one of the broadly defined topics].

The Foundation advocates that:

- a new separate standalone standard on the circular economy is developed, and;
- the ISSB ensures that by default other IFRS topic standards reflect the central role of the circular economy in addressing wider sustainability issues.

We list the following reasons why the ISSB should focus on these priorities.

Criteria 1 - The importance of the matter to investors

- New research and standard-setting projects by the ISSB will support the growing need of stakeholders for information on sustainability issues beyond climate, including circular economy. This is core to the rationale for setting up the ISSB: “*the provision of rigorous, reliable and comparable sustainability information enables informed investment and economic decisions in the public interest*”⁶.
- ISSB’s working paper reflected on the growing demand among investors to consider the risks and opportunities associated with the life-cycle use of products and resources of an entity across the value chain. The paper also highlighted the increasing relevance of circular economy, owing to factors such as increasing focus

³ The circular economy has three principles, driven by design: -

- Eliminating waste and pollution;
- Keeping products and materials in use; and
- Regenerating natural systems

⁴ International Sustainability Standards Board (2023). Request for Information, Consultation on Agenda Priorities.

<https://www.ifrs.org/content/dam/ifrs/project/issb-consultation-on-agenda-priorities/issb-rfi-2023-1.pdf>

⁵ ISSB Working Paper (July 2022). Items to be considered in development of Request for Information. Reference: AP1A.

<https://www.ifrs.org/content/dam/ifrs/meetings/2022/july/issb/ap1a-items-to-be-considered.pdf>

⁶ ISSB: Frequently Asked Questions (2023).

<https://www.ifrs.org/groups/international-sustainability-standards-board/issb-frequently-asked-questions/#:~:text=The%20ISSB%20is%20responsible%20for,inform%20economic%20and%20investment%20decisions.>

on supply chain resilience and the need for defining and tracking emission reduction targets⁷.

- Thus, we believe that standardised circular economy disclosures can help investors to gain visibility over risks and opportunities for effective investment decision making.
- This is evidenced in our “Universal Circular Economy Policy Goals” paper⁸. It highlighted that standardised definitions and metrics for circular activities are crucial to inform investor decisions about both— the risks linked to the current linear system (including raw material price volatility and scarcity, stranded assets, changing customer demand, reputational damage); and circular economy value-creation opportunities (including increased supply chain resiliency, de-risking, new revenue models, reduced costs, and contribution to meeting climate and nature targets).
- Demand for disclosure on circular economy related opportunities and risks from financial institutions and investors is growing. For example, UNEP Finance Initiative’s Finance Leadership Group on Plastics recently called for the Intergovernmental Negotiating Committee (INC-2) to include mandatory disclosure frameworks and requirements on plastic related risks and impacts for businesses and financial institutions in the objectives and core obligations of an international legally binding instrument on plastic pollution.⁹

Criteria 2 - Whether there are any deficiencies in the way companies disclose information on this matter

- Research by EY¹⁰ on the state of play of reporting on the circular economy has shown that circularity reporting is viewed as a competitive advantage, rather than the norm by companies. The report also found there is a clear need for standardisation, finding that “...limited regulations and alignment on CE reporting exist.”
- New research and standard setting projects on the circular economy will help to address these deficiencies and enhance standardisation.

Criteria 3 - The types of companies the matter is likely to affect, including whether the matter is more prevalent in some industries and jurisdictions than others

⁷ ISSB Working Paper (July 2022). Items to be considered in development of Request for Information. *Reference: AP1A*.

<https://www.ifrs.org/content/dam/ifrs/meetings/2022/july/issb/ap1a-items-to-be-considered.pdf>

⁸ Ellen MacArthur Foundation (2020) ‘Universal Circular Economy Policy Goals’

<https://ellenmacarthurfoundation.org/universal-policy-goals/overview>.

⁹ Finance Leadership Group on Plastics, UNEP FI and Minderoo Foundation (2023). Ten Key Messages to Align Financial Flows with the Objective of Ending Plastic Pollution

https://www.unepfi.org/wordpress/wp-content/uploads/2023/05/10-Key-Messages_Finance-Leadership-Group-on-Plastics-Response-Paper.pdf

¹⁰ Weick, M. and Ray, N. (2023). How circularity translates into non-financial reporting. *Ernst & Young LLP*.

https://assets.ey.com/content/dam/ey-sites/ey-com/en_us/topics/cio/ce-reporting-final-v8.pdf?download

- Statistics from Circulytics Data and Insights¹¹ indicate that over the past few years companies across industries and geographies have found value in measuring their company's global circular economy performance. This momentum may be boosted by a global ripple effect resulting from the recent publication of a circular economy standard as part of the mandatory European non-financial reporting standards, as more jurisdictions move to incorporate circular economy reporting requirements into domestic legislation.
- As well as considering the circular economy from a global perspective, it is equally important to take into account location specific risks and opportunities. The significance of local context considerations are highlighted in TNFD's LEAP framework. TNFD recommends that the applicability and scalability of metrics should be relevant across sectors and location. LEAP¹² takes into account the different business locations, industries and sectors as an overarching consideration for nature-related risk and opportunity management.
- The Foundation has found that circular economy assessments are of significant relevance to any company dealing with material flows. Material intensive companies are exposed to significant operational and financial risks due to their dependence on the extraction of scarce or critical raw materials, and the significant negative environmental and social impacts this typically involves. Transitioning to the circular economy reduces these risks and impacts.

Criteria 4 - How pervasive or acute the matter is likely to be for companies

- As well as accelerating several global challenges such as climate change, biodiversity loss, and pollution, the current linear model exposes businesses and financial institutions to several market risks including commodity price fluctuations and extended linear supply chain risks. A business as usual scenario is expected to result in doubling of global material extraction between 2015 and 2060¹³, resulting in billions of dollars of value being wasted in raw materials, under-utilised assets, and disposal costs.
- Circular economy, on the contrary, offers a framework for building long-term resilience, generating business and economic opportunities, whilst delivering on environmental and social goals. As a result, circular economy practices and related innovations are being adopted by more and more companies as a way of mitigating their exposures to risks.

Criteria 5 - How potential projects interconnect with other projects in the work plan

¹¹ Ellen MacArthur Foundation (2023). Circulytics Data and Insights. <https://ellenmacarthurfoundation.org/resources/circulytics/insights>

¹² Task Force on Nature-related Financial Disclosure (2023). LEAP: Locate your interface with nature; Evaluate your dependencies and impacts; Assess your risks and opportunities; and Prepare to respond to nature-related risks and opportunities and report. <https://framework.tnfd.global/leap-the-risk-and-opportunity-assessment-approach/>

¹³ IRP (2019). Global Resources Outlook 2019: Natural Resources for the Future We Want. A Report of the International Resource Panel. *United Nations Environment Programme. Nairobi, Kenya.* https://www.resourcepanel.org/sites/default/files/documents/document/media/unep_252_global_resource_outlook_2019_web.pdf

- Circular economy provides a systemic approach to address a range of sustainability issues. For example, the circular economy is recognised as a holistic driver in EU ESRS E5 - *“Resource use is a major driver of other environmental impacts such as climate change, pollution, water and marine resources and biodiversity. A circular economy is a system that tends towards sustainable use of resources in extraction, processing, production, consumption and management of waste. Such a system brings multiple environmental benefits, in particular, the reduction of material and energy consumption and emissions into the air (greenhouse gas emissions or other pollution), the limitation of water withdrawals and discharges, and the regeneration of nature limiting the impact on biodiversity”*¹⁴.
- These benefits have been demonstrated across different industry sectors and sustainability issues, as shown in our 2021 study on how circular economy can tackle biodiversity loss¹⁵. This paper highlights the key steps businesses and policymakers can take to scale the circular economy potential and help shape a nature-positive future. Furthermore, decoupling economic activity from the consumption of finite resources could significantly reduce GHG emissions, tackle growing pressures on water and land, and help us stay within the planetary boundaries¹⁶.
- As the circular economy has a financial lens at the heart of its concept, with companies looking to design their products and services to eliminate waste, circulate materials and regenerate nature, projects on the circular economy will also naturally support ISSB with potential financial-reporting related projects. For example, activity listed in Table 1 - *“ensuring connectivity between the ISSB’s and IASB’s respective requirements”*, as well as activities related to integrated reporting. We note the consultation states *“an important consideration is also the extent to which priority ought to be given to sustainability-related topics to support the application of IFRS S1 (projects listed in 38 (a)–(c)) and a project to further advance the integration of reporting (project listed in 38 (d)).”*
- The linkages between circular economy and financial reporting is also highlighted in Appendix B of the consultation: *“investors’ interest in the circular economy and related approaches to material sourcing and value chain has increased because the circular economy can have significant financial benefits. These benefits are linked to reduced costs and enhanced efficiency through the minimisation of waste and pollution, and the reduction of the need for raw resource extraction.”*¹⁷

¹⁴ European Commission (2023). ANNEX 1. ANNEX to the Commission Delegated Regulation supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards to the CSRD delegated act.

https://ec.europa.eu/finance/docs/level-2-measures/csrd-delegated-act-2023-5303-annex-1_en.pdf

¹⁵ Ellen MacArthur Foundation (2021)., The Nature Imperative: How the circular economy tackles biodiversity loss. <https://ellenmacarthurfoundation.org/biodiversity-report>

¹⁶ Ellen MacArthur Foundation (2023). How the circular economy can help us stay within planetary boundaries.

<https://ellenmacarthurfoundation.org/how-the-circular-economy-can-help-us-stay-within-planetary-boundaries>

¹⁷ International Sustainability Standards Board (2023). Request for Information, Consultation on Agenda Priorities.

<https://www.ifrs.org/content/dam/ifrs/project/issb-consultation-on-agenda-priorities/issb-rfi-2023-1.pdf>

Order of new research and standard setting projects

- The European Securities and Markets Authority (ESMA) found that the partial or selective disclosure on some but not all material ESG topics is one of the root causes of greenwashing (in its recent Progress Report on Greenwashing¹⁸). Therefore, the Foundation believes that in addition to a circular economy topic standard, the remaining topics across the ESG spectrum that are not yet specifically addressed by ISSB Standards should be dealt with as soon as possible. However, if the ISSB needs to prioritise research efforts on new topics, the Foundation considers that, from a practical perspective, the project covering Biodiversity, ecosystems and ecosystem services could advance quickly due to the current international momentum on this issue.
- For example, the agreement reached at the UN Biodiversity Conference (COP15) in December 2022 includes a target for jurisdictions to take measures to ensure that large companies transparently disclose their risks, dependencies and impacts on biodiversity.
- In addition, the Task Force on Nature related Financial Disclosure (TNFD), will be publishing its final framework in September. In this regard, we encourage the ISSB to leverage the TNFD in the biodiversity standard.
- Given the urgency of global challenges and their interconnectedness, the Foundation believes the ISSB should consider its planning for future standards-development beyond the next two years, with a view to eventually cover the entire spectrum of environmental, social and governance matters.

Researching targeted enhancements to the ISSB Standards

- In parallel to developing a new circular economy standard, the Foundation believes the ISSB should focus on ensuring that other IFRS topic standards reflect the role of the circular economy in addressing wider sustainability issues, particularly as a systems solution. In this regard, we support the related activities stated in the consultation for Researching targeted enhancements to the ISSB Standards to “*identify risks and opportunities at the nexus of climate and nature (for example, those related to water and deforestation)*”¹⁹.
- Research by the Foundation has highlighted how the circular economy can help to address climate change, finding that nearly half of climate change mitigation can only be addressed by how we make and use products, and how we produce food and

¹⁸ European Securities and Markets Authority (2023). Progress Report on Greenwashing. *Response to the European Commission’s request for input on “greenwashing risks and the supervision of sustainable finance policies.”*

https://www.esma.europa.eu/sites/default/files/2023-06/ESMA30-1668416927-2498_Progress_Report_ESMA_response_to_COM_RfI_on_greenwashing_risks.pdf

¹⁹ International Sustainability Standards Board (2023). Request for Information, Consultation on Agenda Priorities.

<https://www.ifrs.org/content/dam/ifrs/project/issb-consultation-on-agenda-priorities/issb-rfi-2023-1.pdf>

manage land. In order to address emissions associated with the making of products and food, we need to transform how we design, make, and use those products and the systems they exist in, whilst making more effective use of materials, adopting regenerative practices and reducing extractive ones.²⁰

Enhancing the Sustainability Accounting Standards Board (SASB) Standards

- We believe current circular economy opportunity and risk topics have limited and insufficient coverage in the SASB standards, and are largely focused on raw materials and waste. The Foundation has been closely observing and analysing the evolution of the circular economy metrics landscape. Indeed, with the exception of the Foundation's Circulytics reporting methodology and metrics, the majority of circular economy related indicators used in mainstream sustainability-related reporting and disclosure frameworks are very broad.
- For example, the current SASB standards for consumer goods, food and beverage, infrastructure, and technology and communications cover metrics on material sourcing, materials efficiency, recycling, water management etc. In addition, other SASB standards use broad terms to cover circular economy such as energy management, supply chain management, and product life cycle management.
- We believe SASB standards should support the development of quantitative disclosure requirements on regeneration, building on the work of The Foundation's Circulytics indicators, TNFD and SBTN. Renewable materials that are not regeneratively grown undermine ecosystems and ecosystem services. Renewable materials can only be considered circular if the resources are grown in ways that create positive outcomes for nature. This is a core principle of the circular economy. These outcomes include, but are not limited to, healthy soils, improved air and water quality, and higher levels of carbon sequestration. They can be achieved through a variety of context-dependent practices and can together help regenerate degraded ecosystems and build resilience on farms and in surrounding landscapes.
- In addition, we believe SASB standards can support the development of quantitative disclosure requirements on recirculation of products and materials in practice, as this is crucial information to determine whether circularity is being achieved in practice - design alone is not enough. Rather than having a misleading emphasis on input materials (e.g. "recycled content"), SASB standards should be based on circulating products and materials at their highest value.
- Sector-specific consistent, comparable and reliable disclosure on circular economy metrics would also enable investors to evaluate the implications of circular economy strategies and business models on an entity's financial position, performance and prospects over the short, medium or long term.

²⁰ Ellen MacArthur Foundation (2021). Completing the Picture: How the Circular Economy Tackles Climate Change. <https://ellenmacarthurfoundation.org/completing-the-picture>

- Furthermore, SASB standards could be expanded to cover a broader range of circular economy metrics relevant to value creation, such as circular design, innovation and supply chain collaboration for key actors, e.g. for built environment, textiles or food.
- In addition, we would like to emphasise the need for a common language by streamlining the definition of circular economy principles and key terminology, across the various IFRS and SASB standards, and across applicable industries. In this regard, we would like to highlight a circular economy measurement tool and methodology developed by the Foundation to address gaps in the circular economy reporting landscape - Circulytics.
- Circulytics provides a data-driven methodology that allows companies to measure their circular economy performance over a wide range of themes and indicators. Circulytics has also helped inform the ESRS and related metrics²¹.
- As circular economy indicators are increasingly being reflected in the non-financial disclosure requirements, the Foundation is focusing its efforts towards informing the incorporation of circular economy metrics and indicators in voluntary and mandatory global reporting frameworks.
- We would be glad to further support the development of industry standards by informing and providing recommendations either through consultations or direct collaborations with ISSB.

Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2

- We believe the ISSB's activities on implementation should focus on guidance and materials to explain the core concepts that underpin the ISSB Standards and make reference to the circular economy as a systemic approach to address wider sustainability issues.
- In addition, the ISSB should find ways to integrate double materiality into the structure of the ISSB standards. This means testing the interplay between ISSB standards and standards which are based on double materiality like the EU ESRS and the TNFD. While the publication of IFRS S1 and S2 is a key achievement to support global harmonisation of sustainability reporting practices, challenges are likely to arise in relation to the role that sustainability impacts have on financial materiality, which underpins the application of the ISSB standards.
- As ESRS and the TNFD framework require disclosures on sustainability impacts, risks and opportunities, integration in ISSB standards shouldn't increase the burden on what companies have to report anyway.

²¹ Ellen MacArthur Foundation (2023). Mapping Circular Economy Indicators to EU Reporting Requirements. <https://ellenmacarthurfoundation.org/circulytics-esrs>

- Therefore, this should also be considered as a key area for implementation support purposes.

(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.

No opinion offered.

(opt.) please explain:-

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?

Yes ▾

(opt.) please explain:-

Yes, we believe that ISSB has proposed the appropriate criteria for prioritising sustainability-related reporting issues to be added to its work plan. In addition, we propose additional criteria to be included, as explained in our response to the following question 2(b).

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

Yes ▾

(opt.) please explain:-

The Foundation believes that additional the criteria for potential projects should be included criteria to reflect:

- Interoperability with jurisdictional standards
- Importance of the topics for stakeholders beyond investors in particular, companies and the scientific community.

Interoperability with jurisdictional standards

- We believe that it could be beneficial for the ISSB to follow the structure used by the European Commission and ensure 10 corresponding ISSB topical standards are made available (including one for circular economy). This approach would also support criteria 3 for potential projects.

- As noted in ESMA's response to the ISSB consultation²², interoperability is specifically mandated by the CSRD in the development of the ESRS. Interoperability was also identified as a key priority in Agenda Paper 2 for the ISSB's October 2022 meeting, with staff recommending the ISSB engage with jurisdictional standard setters, to facilitate interoperability of requirements²³. In addition, ensuring interoperability is included as an activity within Table 1 of the activities.
- Aligning topical standards between ESRS and ISSB standards should also reduce the costs of reporting for preparers which operate globally, as well as reducing the risk of market fragmentation at international level²⁴.
- To this end, we also welcome the ISSB's establishment of a Jurisdictional Working Group, and will continue to follow its developments with interest.

Importance of stakeholders beyond investors

- The Foundation believes that additional criteria for potential projects should be included to reflect the importance of the topics for stakeholders beyond investors, in particular, companies and the scientific community.
- A science based approach would help bridge the gaps in better understanding the investment dependencies on ESG factors. Given the complexity of ESG issues, competence greenwashing²⁵ among sustainable financial professionals poses a major risk to investments, and inclusion of the scientific community as stakeholders can help mitigate this risk.
- A science based approach will also help to uphold the integrity of the standards developed, and ensure that these are in essence sustainability standards, and evidence how potential projects are aligned to international environmental thresholds.
- Proposed by a team of scientists from Stockholm Resilience Centre in 2009, a set of nine planetary boundaries which define the biophysical limits of a stable and resilient planet, have helped shape and inform global policy discourses and corporate

²² European Securities and Markets Authority (2023). Progress Report on Greenwashing. *Response to the European Commission's request for input on "greenwashing risks and the supervision of sustainable finance policies."*
https://www.esma.europa.eu/sites/default/files/2023-06/ESMA30-1668416927-2498_Progress_Report_ESMA_response_to_COM_RfI_on_greenwashing_risks.pdf

²³ IFRS (2022). ISSB Consultation on Agenda Priorities. Staff Paper. Agenda reference 2. October 2022.
<https://www.ifrs.org/content/dam/ifrs/meetings/2022/october/issb/ap2-agenda-priorities-update-on-planned-approach.pdf>

²⁴ European Securities and Markets Authority (2023). Progress Report on Greenwashing. *Response to the European Commission's request for input on "greenwashing risks and the supervision of sustainable finance policies."*
https://www.esma.europa.eu/sites/default/files/2023-06/ESMA30-1668416927-2498_Progress_Report_ESMA_response_to_COM_RfI_on_greenwashing_risks.pdf

²⁵ Schumacher, K (2022). Environmental, Social, and Governance (ESG) Factors and Green Productivity: The Impacts of Greenwashing and Competence Greenwashing on Sustainable Finance and ESG Investing (December 15, 2022). *APO Productivity Insights Vol. 2-11 (2022)*. SSRN: <https://ssrn.com/abstract=4303609>. <http://dx.doi.org/10.2139/ssrn.4303609>

action²⁶. Reassessments of the planetary boundary have indicated transgression for freshwater, environmental pollutants and other novel entities including plastics, while several other boundaries overstretched. Given the urgency of these issues, it becomes imperative to include scientific expertise for solutions to these global challenges.

Question 3—New research and standard-setting 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?

More than one project ▾

(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.

(opt.) please explain:-

(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).

- Biodiversity, ecosystems and ecosystem services
- Human capital
- Human rights
- Integration in reporting
- Other—please explain

(opt.) please explain:-

- As noted in our response to question 1, the Foundation believes the development of new research and standard-setting projects on the circular economy should be positioned as high in the ISSB’s Agenda Priorities.
- In parallel to developing a new circular economy standard, the Foundation believes the ISSB should focus on ensuring that other IFRS topic standards reflect the role of the circular economy in addressing wider sustainability issues.
- The remaining topics across the ESG spectrum that are not yet specifically addressed by ISSB Standards should be dealt with as soon as possible. However, if

²⁶ Stockholm Resilience Centre (2023). Planetary boundaries.
<https://www.stockholmresilience.org/research/planetary-boundaries.html>

the ISSB needs to prioritise research efforts on new topics, the Foundation considers that, from a practical perspective, the projects covering Integrated Reporting and Biodiversity, ecosystems and ecosystem services could advance quickly due to the current international momentum on these issues.

- For example, the agreement reached at the UN Biodiversity Conference (COP15) in December 2022 includes a target for jurisdictions to take measures to ensure that large companies transparently disclose their risks, dependencies and impacts on biodiversity. In addition, the Task Force on Nature related Financial Disclosure (TNFD), will be publishing its final framework in September.
- Overall, the Foundation believes the ISSB should consider its planning for future standards-development beyond the next two years, with a view to eventually cover the entire spectrum of environmental, social and governance matters. As noted in AY-10, a circular economy is designed to eliminate waste and pollution, circulate products and materials (at their highest value), and regenerate nature. It's an economic system that delivers better outcomes for people, and the environment by being distributed, diverse, and inclusive.

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:

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

- Freshwater and marine resources and ecosystems use
- Land-use and land-use change
- Pollution (including emissions into air, water and soil)
- Resource exploitation (for example, material sourcing and circular economy)
- Invasive non-native species
- Other—please specify

(opt.) please explain:-

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.

- The Foundation believes that subtopics selected should be dealt with as soon as possible. However, if the ISSB needs to prioritise research efforts on specific subtopics, the Foundation considers the ISSB should focus on Resource exploitation (for example, material sourcing and circular economy) due to the same reasons provided in our response to question 1 for criteria 1, 2, 3, 4 and 5. In particular, our response to criteria 1 addresses the usefulness to investors and related sustainability-related risks and opportunities.
- Overall, the Foundation believes the ISSB should consider its planning for future standards-development beyond the next two years, with a view to ultimately cover the entire spectrum of subtopics.
- The circular economy principles²⁷ offer a broader and holistic approach which encompasses the topic of biodiversity, ecosystems, and ecosystem services (BEES), including all potential BEES-related subtopics. We have included information below on how the subtopic - Resource exploitation relates to other BEES-related subtopics through the circular economy principles.
 - *Water (including freshwater and marine resources and ecosystems use):* water sourcing (including risks on water stressed geographies), water quality and quantity monitoring on water discharge, water use efficiency (internal recirculation and resource extraction), etc.
 - *Land-use and land-use change (including deforestation):* Circulytics captures the percentage share (by mass) of sustainably or regeneratively produced²⁸ material inputs. Demonstrating regeneratively produced material inputs requires tracking of positive impacts on ecosystem services such as soil health and carbon sequestration, that are linked to impacts on land-use and land-use change.
 - *Pollution (including emissions into air, water and soil):* products and materials designed (and assets procured) according to circular economy criteria, enabling reuse, repair and refurbishment, keeping materials in the use; minimising the share of waste going to landfill/incineration; and share of renewable energy in the total energy consumption mix are captured in Circulytics;

²⁷ The circular economy has three principles, driven by design:

- Eliminating waste and pollution;
- Keeping products and materials in use; and
- Regenerating natural systems.

²⁸ The Ellen MacArthur Foundation's Circulytics tool defines regenerative production as “*an approach to managing agroecosystems that provides food and material — be it through agriculture, aquaculture or forestry — in ways that create positive outcomes for nature. These outcomes include, but are not limited to, healthy soils, increased biodiversity in surrounding ecosystems, improved air and water quality, and higher levels of carbon sequestration.*” They can be achieved through a variety of context-dependent practices and can together help regenerate degraded ecosystems and build resilience on farms and in surrounding landscapes.

- *Resource exploitation*: a circular economic model is aimed at minimising resource extraction.
- *Invasive non-native species*: biodiversity loss is one of the parameters on which the regenerative measures are tracked against the baseline of a healthy ecosystem.

(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?

Yes ▾

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.

- The Foundation recommends that assessment of nature-related risks and opportunities should take into consideration the sector, industry and location of entities.
- In this regard, TNFD's integrated assessment process called LEAP²⁹ takes into account the different business locations, industries and sectors as an overarching consideration for nature-related risk and opportunity management. As part of the LEAP approach, the TNFD proposes 'locating the interface with nature' as the first step to understand and respond to nature-related risks and opportunities. TNFD recommends that the applicability and scalability of metrics should be relevant across sectors and location.

(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.

²⁹ Task Force on Nature-related Financial Disclosure (2023). LEAP: Locate your interface with nature; Evaluate your dependencies and impacts; Assess your risks and opportunities; and Prepare to respond to nature-related risks and opportunities and report. <https://framework.tnfd.global/leap-the-risk-and-opportunity-assessment-approach/>

- The Climate Disclosure Standards Board (CDSB) Framework application guidance for biodiversity and water-related disclosures
- The SASB Standards
- The Integrated Reporting Framework
- The Global Reporting Initiative (GRI) standards (for example, GRI 304 – Biodiversity)
- The Taskforce on Nature-related Financial Disclosures (TNFD)
- The Partnership for Biodiversity Accounting Financials (PBAF)
- The Capitals Coalition
- The Science Based Targets Network (SBTN)
- The European Financial Reporting Advisory Group (EFRAG)
(EFRAG's European Sustainability Reporting Standards (ESRS) will apply to large companies, and listed small and medium-sized enterprises (SMEs) in the EU, as well as companies outside the EU with substantial operations in the region. Companies have already started gearing up for the mandatory disclosure requirements starting in 2024)
- The European Commission's Align project
- The EU Business and Biodiversity Platform
- The World Benchmarking Alliance
- The United Nations Declaration on the Rights of Indigenous Peoples
- Other—please specify: Circulytics - Companies across a wide range of geographies, industry and scale are already familiar with, and have been reporting on voluntary reporting frameworks such as Circulytics. As one of the forerunners, the Circulytics methodology has become a primary reference for EU policy development, and was referenced in EFRAG ESRS E5 (Resource use and circular economy).

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

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

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

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

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

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

(b) Do you believe that sustainability-related risks and opportunities related to this topic are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and

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

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

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

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

Response:- [No opinion offered.](#)

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 sub topics 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.

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

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

(c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB's focus on meeting the needs of investors. Which of the

materials or organisations referenced in paragraph A36 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable.

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

Response:- [No opinion offered.](#)

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?

- [As noted in our response to question 1, the circular economy has a financial lens at the heart of its concept, with companies looking to design their products and services to eliminate waste, circulate materials and regenerate nature. Therefore projects on the circular economy will also naturally support ISSB with potential financial-reporting related projects. For example, activity listed in Table 1 - “ensuring connectivity between the ISSB’s and IASB’s respective requirements”, as well as activities related to integrated reporting.](#)

(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)?

[No opinion offered.](#)

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

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

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

- (i) **the IASB’s Exposure Draft Management Commentary?** If you agree, please describe any particular concepts that you think the ISSB should incorporate in its

work. If you disagree, please explain why.

No opinion offered.

(opt.) please explain:-

(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.

No opinion offered.

(opt.) please explain:-

(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.

No opinion offered.

(opt.) please explain:-

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

No opinion offered.

(opt.) please explain:-

Question 8—Other comments

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

No opinion offered.

Endnotes:-

^{1,2} Ellen MacArthur Foundation (2022), 'Comments on ISSB Sustainability Disclosure Standards, Exposure Draft, July, 2022'
https://ifrs-springapps-comment-letter-api-1.azuremicroservices.io/v2/download-file?path=611_65920_ellen-macarthur-foundation--emf-comments-on-issb-exposure-drafts-on-general-requirements-and-climate-disclosures-docx.pdf

^{3,27} The circular economy has three principles, driven by design: -

- Eliminating waste and pollution;
- Keeping products and materials in use; and
- Regenerating natural systems

^{4, 17, 19} International Sustainability Standards Board (2023). Request for Information, Consultation on Agenda Priorities. <https://www.ifrs.org/content/dam/ifrs/project/issb-consultation-on-agenda-priorities/issb-rfi-2023-1.pdf>

^{5,7} ISSB Working Paper (July 2022). Items to be considered in development of Request for Information. Reference: AP1A. <https://www.ifrs.org/content/dam/ifrs/meetings/2022/july/issb/ap1a-items-to-be-considered.pdf>

⁶ ISSB: Frequently Asked Questions (2023). <https://www.ifrs.org/groups/international-sustainability-standards-board/issb-frequently-asked-questions>

⁸ Ellen MacArthur Foundation (2020) 'Universal Circular Economy Policy Goals' <https://ellenmacarthurfoundation.org/universal-policy-goals/overview>.

⁹ Finance Leadership Group on Plastics, UNEP FI and Minderoo Foundation (2023). Ten Key Messages to Align Financial Flows with the Objective of Ending Plastic Pollution https://www.unepfi.org/wordpress/wp-content/uploads/2023/05/10-Key-Messages_Finance-Leadership-Group-on-Plastics-Response-Paper.pdf

¹⁰ Weick, M. and Ray, N. (2023). How circularity translates into non-financial reporting. Ernst & Young LLP. https://assets.ey.com/content/dam/ey-sites/ey-com/en_us/topics/cio/ce-reporting-final-v8.pdf?download

¹¹ Ellen MacArthur Foundation (2023). Circulytics Data and Insights. <https://ellenmacarthurfoundation.org/resources/circulytics/insights>

^{12, 29} Task Force on Nature-related Financial Disclosure (2023). LEAP: Locate your interface with nature; Evaluate your dependencies and impacts; Assess your risks and opportunities; and Prepare to respond to nature-related risks and opportunities and report. <https://framework.tnfd.global/leap-the-risk-and-opportunity-assessment-approach/>

¹³ IRP (2019). Global Resources Outlook 2019: Natural Resources for the Future We Want. A Report of the International Resource Panel. United Nations Environment Programme. Nairobi, Kenya. https://www.resourcepanel.org/sites/default/files/documents/document/media/unep_252_global_resource_outlook_2019_web.pdf

¹⁴ European Commission (2023). ANNEX 1. ANNEX to the Commission Delegated Regulation supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards to the CSRD delegated act. https://ec.europa.eu/finance/docs/level-2-measures/csr-d-delegated-act-2023-5303-annex-1_en.pdf

¹⁵ Ellen MacArthur Foundation (2021)., The Nature Imperative: How the circular economy tackles biodiversity loss. <https://ellenmacarthurfoundation.org/biodiversity-report>

¹⁶ Ellen MacArthur Foundation (2023). How the circular economy can help us stay within planetary boundaries. <https://ellenmacarthurfoundation.org/how-the-circular-economy-can-help-us-stay-within-planetary-boundaries>

^{18, 22, 24} European Securities and Markets Authority (2023). Progress Report on Greenwashing. Response to the European Commission's request for input on "greenwashing risks and the supervision of sustainable finance policies." https://www.esma.europa.eu/sites/default/files/2023-06/ESMA30-1668416927-2498_Progress_Report_ESMA_response_to_COM_RfI_on_greenwashing_risks.pdf

²⁰ Ellen MacArthur Foundation (2021). Completing the Picture: How the Circular Economy Tackles Climate Change. <https://ellenmacarthurfoundation.org/completing-the-picture>

²¹ Ellen MacArthur Foundation (2023). Mapping Circular Economy Indicators to EU Reporting Requirements. <https://ellenmacarthurfoundation.org/circulytics-esrs>

²³ IFRS (2022). ISSB Consultation on Agenda Priorities. Staff Paper. Agenda reference 2. October 2022.

²⁵ Schumacher, K (2022). Environmental, Social, and Governance (ESG) Factors and Green Productivity: The Impacts of Greenwashing and Competence Greenwashing on Sustainable Finance and ESG Investing (December 15, 2022). APO Productivity Insights Vol. 2-11 (2022). SSRN: <https://ssrn.com/abstract=4303609>. <http://dx.doi.org/10.2139/ssrn.4303609>

²⁶ Stockholm Resilience Centre (2023). Planetary boundaries.
<https://www.stockholmresilience.org/research/planetary-boundaries.html>

²⁸ The Ellen MacArthur Foundation's Circulytics tool defines regenerative production as “*an approach to managing agroecosystems that provides food and material — be it through agriculture, aquaculture or forestry — in ways that create positive outcomes for nature. These outcomes include, but are not limited to, healthy soils, increased biodiversity in surrounding ecosystems, improved air and water quality, and higher levels of carbon sequestration.*” They can be achieved through a variety of context-dependent practices and can together help regenerate degraded ecosystems and build resilience on farms and in surrounding landscapes.

²⁹ Task Force on Nature-related Financial Disclosure (2023). LEAP: *Locate your interface with nature; Evaluate your dependencies and impacts; Assess your risks and opportunities; and Prepare to respond to nature-related risks and opportunities and report.*
<https://framework.tnfd.global/leap-the-risk-and-opportunity-assessment-approach/>