**Mr Emmanuel Faber**

**Chair**

International Sustainability Standards Board

Paris, 28 July 2023

**Subject: ISSB’s consultation on Agenda Priorities**

Dear Chair,

We would like to thank the Board for giving us the opportunity to provide input on the ISSB’s agenda for the next two years. We would also like to congratulate you for delivering the first international standards, IFRS S1 and IFRS S2, in such a short timeframe and for the intense cooperation engaged with the EFRAG to ensure interoperability with the ESRS which is of major importance for our members to avoid duplication in sustainability reporting.

We are totally convinced that a solid and workable set of international standards is essential to reflect how companies worldwide address sustainability related risks and opportunities and meet the needs of international investors in order to support the economic and financial transition of as many companies as possible. To achieve this, sustainability standards must be widely implemented, so that they become an opportunity for transition and a competitive advantage - rather than a "weakness" - for the companies that apply them. We therefore encourage the ISSB to develop high quality standards on the issues still to be covered and to provide companies with guidance for their implementation in order to bring together as many jurisdictions as possible to create an international level playing field.

As regards the Board’s priorities for thenext two-year work plan, we encourage the Board to:

* first, ensure effective implementation of IFRS S1 and S2,
* second, finalise as soon as possible, the work on the enhancement and internationalisation of the SASB Standards,
* choose the next projects on issues where international consensus is most likely. It may be more the case on biodiversity than on social issues, where national frameworks differ much more.

You will find attached our answers to the questions raised by the Board. We remain at your disposal to discuss in detail our comments.

Best regards,

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| **Lise Chorques**  **ACTEO** | **Elisabeth Gambert**  **Le Quang Tran Van**  **AFEP** | **Karine Merle**  **MEDEF** |

**Question 1— Strategic direction and balance of the ISSB’s activities**

Our members consider that the ISSB should first determine overarching principles which would guide the Board in its activities and provide stakeholders with an overall direction. In this regard and as a key principle, the Board could consider building on existing frameworks in order to develop international standards. This would allow future IFRS Sustainability Standards to be anchored in established practices and help their uptake. This will also enhance interoperability, save time and increase efficiency by capitalising on work already completed and feedback already received.

As regards strategic direction and balance of the Board’s activities, our members consider that the priorities among the activities listed in the consultation document should be:

* Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2,
* Enhancing the SASB Standards,
* Beginning new research and standard-setting projects.

Regarding the first priority, the Board should allocate a significant part of its activity to support the implementation of IFRS S1 and IFRS S2. Starting in 2025, companies in the European Union will report on climate-related risks and opportunities. Other non-EU jurisdictions are, at the time being, envisaging the adoption of IFRS S1 and IFRS S2. This however will not suffice to tackle an issue such as climate change and ensure a level-playing field on a global basis. There is an urgent need to spread sustainability and, in particular, climate reporting worldwide. In this regard the endorsement of IFRS S1 and IFRS S2 by the IOSCO is a major step forward. Jurisdictions, especially in emerging countries, which could envisage adopting IFRS Sustainability Standards could see the support that they would receive from the Board as a key element of their adoption decision (for instance through guidance, educational material or engagement with local actors). The Board could thus play an even more instrumental role in the development of a global baseline through its support to the implementation of the IFRS S1 and IFRS S2. Digitisation is also an important topic and our members support close cooperation between the Bord and the EFRAG in order to ensure a maximum interoperability between the European and international disclosure taxonomies.

As for the enhancement of the SASB Standards, IFRS S1 requires that in the absence of a specific IFRS Sustainability Disclosure Standard, companies shall refer to and consider the applicability of the metrics associated with the disclosure topics included in the SASB Standards in identifying applicable disclosure requirements about a sustainability related risk or opportunity that could reasonably be expected to affect an entity’s prospects. It is therefore crucial to move forward on the enhancement and internationalisation of the SASB Standards. Furthermore, preparers and investors both need industry-specific standards to better report and assess the impacts, risks and opportunities specific to economic activities. In this regard, by June 2024, the European Commission is expected to adopt sectoral standards to complement the first set of sector-agnostic ESRS. Close cooperation between the Board and the EFRAG will again be essential to ensure interoperability between the 2 sector specific reporting frameworks. In particular, the definition of the economic sectors by the SASB Standards and the ESRS, as well as the geographic neutrality of the SASB Standards will be key issues to address.

Finally, the Board could begin new research and standard-setting projects to complement the ISSB Standards. The priorities should be to develop a standard on biodiversity and to foster connectivity between financial and sustainability reporting.

Our members also insist on the fact that the Board should not allocate all its resources to the activities mentioned above and should preserve some flexibility to address any urgent matter that could arise in the near future. Developments in jurisdictions such as the USA, China or India regarding sustainability reporting could have significant and structural impacts on investor needs.

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

As regards the criteria for assessing sustainability reporting matters, our members consider that they are overall relevant. They insist however on the following points:

* Regarding the first criterion (the importance of the matters to investors), we believe that the interests of investors can go beyond the sole financial materiality since European investors consider that the double materiality principle enshrined in EU Legislation and the ESRS is important in assessing sustainability-related impacts, risks and opportunities. Even if the ISSB Standards are focused today only on financial materiality the Board may consider extending its definition of materiality to meet the whole needs of investors. It seems that the ISSB has already made a step in this direction when it explains in paragraph A40 that “the value that an entity creates for itself and for its investors is inextricably linked to the value the entity creates for other stakeholders, society and the natural environment”. We therefore believe that the ISSB should more clearly explain its notion of single materiality which does not so radically exclude the materiality of impact as one might have thought.
* The second criterion (whether there are any deficiencies in the way companies disclose information on the matter) could be removed because it does not seem to be sufficiently selective to help the Board in its assessment process. As a matter of fact, many topics addressed by sustainability reporting are new or emerging for many preparers. Therefore, there will obviously be deficiencies. If the point is to assess whether there is a need for improved disclosures, then the criterion could be rephrased (whether there are any needs for more/better information on the matter) but it would be, in that case, redundant with the first criterion.
* The Board could add a criterion to assess whether the potential project relates to a matter already addressed by international frameworks that can be built upon and whether the Board has the capacity to ensure interoperability with these existing frameworks.

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

Considering the answer to question 1 above, the Board should add more than one project to its work plan. The following research and standard-setting projects could be added:

* Biodiversity and ecosystems;
* Integration in reporting, although in this regard guidance and educational material would be more useful than a new standard.

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

Our members support adding biodiversity to the Board’s agenda for the following reasons:

* The importance of the matter;
* Biodiversity is addressed by the ESRS;
* The expected release of the TNFD’s final report in September 2023.

Considering however the complexity of the topic, the scope of the project should be restricted to biodiversity and ecosystems. This project should be the opportunity to build a reasonable global baseline on biodiversity.

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

Even if the ESRS address this topic, French companies consider that research and/or standard-setting projects on human capital should not be prioritised for the next two years, considering in particular criteria 6 (the complexity and feasibility of the potential project and its solutions) and 7 (the capacity of the ISSB and its stakeholders to progress the project in a timely way). There are considerable divergences between jurisdictions regarding how these issues shall be addressed. For example, as regards diversity and inclusion, in France, it is strictly prohibited to collect data about race, ethnicity or religion.

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

French companies consider that human rights are a major concern. However, since the Board is consulting on its two-year work programme and considering the importance of climate-related reporting, the complexity of a topic such as biodiversity and the limited resources of the Board, human rights could be dealt with at a later stage. The capacity of the Board to build a neutral and international standard could also be very restricted in this field. At this stage, this matter is better dealt with by existing international frameworks and initiatives such as the UN Global Compact and the OECD’s Guidelines for Multinational Enterprises on Responsible Business Conduct which were updated at the OECD Ministerial Council Meeting in June 2023.

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

Connectivity is clearly a highly timely topic, given the strong demand from investors to understand the interactions between financial performance and the impact of sustainability-related risks and opportunities. It seems to us that the first thing to do would be for the ISSB and the IASB to make an educational effort to explain to investors what they are entitled to expect in the financial reporting and what cannot be reflected in them, including in the notes. In our opinion, this work can be carried out without investing very significant resources and will be highly beneficial for both investors and issuers, enabling a balanced and constructive dialogue to be established.

Regarding the other so-called connectivity aspects, we agree with difficulties mentioned in paragraph A51 and we observe that the page on this subject is not completely empty. Indeed, EFRAG has already started a project on connectivity and there is already a framework existing for integrating reporting. We therefore consider that the ISSB should not devote to many resources to develop its own project.

**Question 8—Other comments**

Not addressed