

1 September 2023

Mr. Emmanuel Faber
Chair
International Sustainability Standards Board

Re: Request for Information “Consultation on Agenda Priorities”

Dear Mr. Faber:

The Sustainability Reporting Committee (SRC) of the Securities Analysts Association of Japan (SAAJ) is pleased to comment on the Request for Information “Consultation on Agenda Priorities” (hereinafter referred to as the “RFI”) published by the International Sustainability Standards Board (ISSB) on 4 May 2023.

The SAAJ is a not-for-profit organization for professionals in the areas of investment and finance, offering education and certification programs in these fields. Its certified member analysts (holding the CMA designation) number around 28,000.

The SRC is a standing committee of the SAAJ established in March 2021. It is composed of nine members including equity and credit analysts, portfolio managers, public accountants, and academics.

The SAAJ sent a questionnaire survey on the RFI to members of the SRC and CMAs, of which some 28 responded. This comment letter is based on the RFI questionnaire results and the discussions among members of the SRC. Please see the attached questionnaire results.

General Comments

We welcome that the ISSB has published its first IFRS Sustainability Disclosure Standards (ISSB Standards) — IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (hereinafter referred to as the “S1”) and IFRS S2 *Climate-related Disclosures* (hereinafter referred to as the “S2”). We have been advocating the urgent need on the part of analysts and investors for high quality, consistent, and comparable global sustainability disclosure standards. We appreciate the leadership of the IFRS Foundation and the ISSB in publishing the standards in such a short time, responding to this urgent need.

Given the rapid development of sustainability disclosure standards in various jurisdictions in recent years, it is very important for the ISSB to prioritize what activities it will undertake over the next two years to ensure that the ISSB Standards serve as a global baseline for sustainability disclosure standards.

In this regard, of the four activities proposed by the ISSB, we believe that supporting the implementation of the ISSB Standards is the highest priority, followed by beginning new research and standard-setting projects.

We also believe that the four new research and standard-setting projects proposed by the ISSB, namely biodiversity, ecosystems and ecosystem services, human capital, human rights, and integration in reporting, are all important, with human capital (among the subtopics, workforce investment) being the highest priority. In addition, we believe that integration in reporting should be an important long-term project and that research on this project should be conducted in parallel with thematic projects such as human capital.

Below are our comments on each question.

Question 1— Strategic direction and balance of the ISSB’s activities
<p>Paragraphs 18–22 and Table 1 provide an overview of activities within the scope of the ISSB’s work.</p> <p>(a) From highest to lowest priority, how would you rank the following activities?</p> <ul style="list-style-type: none"> (i) beginning new research and standard-setting projects (ii) supporting the implementation of ISSB Standards IFRS S1 and IFRS S2 (iii) researching targeted enhancements to the ISSB Standards (iv) enhancing the Sustainability Accounting Standards Board (SASB) Standards <p>(b) Please explain the reasons for your ranking order and specify the types of work the ISSB should prioritise within each activity.</p> <p>(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.</p>

We believe that the highest priority for the ISSB’s activities is (ii) supporting the implementation of ISSB Standards IFRS S1 and IFRS S2, followed by (i) beginning new research and standard-setting projects.

In **Q1** of our questionnaire, for the 1st priority of the ISSB four activities (i)–(iv), 18.5% responded (i), 59.3% (ii), 11.1% (iii) and 11.1% (iv), with (ii) being the majority. For the 2nd priority, 33.3%

responded (i), 22.2% (ii), 25.9% (iii) and 18.5% (iv); combining the 1st and 2nd priorities shows that (i) is also a high priority.

Each activity is commented on below in the order of (ii), (i), (iii), and (iv).

(ii) Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2

The reason for the high priority of this activity is that the most important prerequisite for the ISSB Standards to serve as a global baseline is that many jurisdictions adopt disclosures based on the ISSB Standards, that an increasing number of companies adopt them, and that the ISSB Standards become established as a common language between analysts/investors and companies.

Supporting the implementation of the ISSB Standards could include (1) issuing guidance, (2) publishing educational documents and videos, and (3) sharing the status of implementation and best practices of the ISSB Standards in each jurisdiction. In addition, the target audience for supporting the implementation of the ISSB Standards should include not only preparers, but also users such as analysts/investors.

On the other hand, as the ISSB needs to focus its resources on new research and standard-setting projects, the ISSB should cooperate with authorities, standard-setters and other stakeholders in each jurisdiction to support the implementation of the ISSB Standards.

As a representative of Japanese users, we would like to actively promote awareness of the ISSB Standards among users.

(i) Beginning new research and standard-setting projects

We consider this activity to be the second highest priority after (ii) due to the following urgent needs:

- (1) Sustainability-related topics that affect analysts/investors' future cash flow analysis are not limited to climate-related topics based on S2, and some topics have a greater impact than climate-related topics in some industries;
- (2) Although S1 covers non-climate-related topics to some extent, it is necessary to develop the next thematic standards to encourage companies to disclose; and
- (3) In order for the ISSB standard to serve as a global baseline, it is necessary to consider interoperability with the EU ESRS, which is a leader in this area.

In this activity, the ISSB should provide a timeline for the development of thematic standards as soon as possible, based on the outcome of the Agenda Consultation.

Some suggested that, given the urgent need to develop thematic standards, it may be necessary to find a better approach to developing standards, for example not requiring as much detail as S2.

(iii) Researching targeted enhancements to the ISSB Standards

The just transition to decarbonization is receiving increasing attention and is a critical issue for capital market participants, with the International Capital Markets Association (ICMA), whose Principles are widely accepted in the sustainable finance market, including consideration of ‘just transition’ in the revision of its Principles in June 2023.

On the other hand, as research and guidance on nature and just transition is often seen as relevant to the thematic standards on biodiversity, ecosystems and ecosystem services, human capital and human rights, which are identified as candidates for new research under (i), (iii) should be included in (i) for further consideration, with priorities set under (i).

Some suggested that the enhancement of climate-related S2 should be implemented in the Post-Implementation Review (PIR) of S2, based on the needs of analysts/investors.

(iv) Enhancing the Sustainability Accounting Standards Board (SASB) Standards

We believe that the ISSB should take a limited approach to enhancing the SASB Standards because the ISSB’s direction is to develop industry-specific disclosure requirements for each of its thematic standards. It would be desirable for the ISSB to complete the narrow-scope project to enhance the international applicability of the SASB Standards proposed in the Exposure Draft *Methodology for Enhancing the International Applicability of the SASB® Standards and SASB Standards Taxonomy Updates* and then start a new project to develop the ISSB-specific industry-based disclosure requirements.

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

We agree with the proposed criteria. Some 69.2% of respondents to **Q2** of our questionnaire agreed with the proposed criteria.

Given the objective of having two standard setters, the IASB and the ISSB, under the IFRS Foundation, the assessment criteria of the two boards should be aligned as much as possible.

Since connectivity between financial information and sustainability-related financial information and integration in corporate reporting is a future direction, the ISSB's assessment criteria for adding new projects should be aligned with the IASB's criteria.

The IASB's assessment criteria are already well established; for the ISSB to use the same criteria as the IASB would unify the basic thinking of the two boards and improve the quality and transparency of the standards they develop.

However, when the ISSB uses these criteria, it may need to apply them differently from the IASB's criteria. To prepare for such cases, the ISSB should have procedures in place to adjust the criteria immediately.

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

Paragraphs 27–38 provide an overview of the ISSB's approach to identifying sustainability-related research and standard-setting projects. Appendix A describes each of the proposed projects that could be added to the ISSB's work plan.

- (a) Taking into account the ISSB's limited capacity for new projects in its new two-year work plan, should the ISSB prioritise a single project in a concentrated effort to make significant progress on that, or should the ISSB work on more than one project and make more incremental progress on each of them?
- (i) If a single project, which one should be prioritised? You may select from the four proposed projects in Appendix A or suggest another project.
 - (ii) If more than one project, which projects should be prioritised and what is the relative level of priority from highest to lowest priority? You may select from the four proposed projects in Appendix A or suggest another project (or projects).

We believe that all four of the new research and standard-setting projects that could be added to the ISSB's work plan, namely (a) biodiversity, ecosystems and ecosystem services, (b) human capital, (c) human rights, and (d) integration in reporting, are important, of which (b) is the highest priority.

Although (d) is of great importance to analysts/investors, it would be difficult to complete this project within the two-year work plan. Therefore, the ISSB should treat (d) as an important long-term project, and research on this project should be conducted in parallel with thematic projects (a), (b), and (c).

In **Q3** of our questionnaire, for the 1st priority of the four projects (a)–(d), 59.3% responded (b), 18.5% (d), 14.8% (a), and 7.4% (c).

Below we comment on each project in the order of (b), (a), (c), and (d).

(a) Human capital

Among sustainability-related topics, human capital is the area of greatest interest to analysts/investors. As disclosure laws and regulations are being developed in Japan and elsewhere, it would be easy for both companies and analysts/investors to address this project. We believe that this project has the highest priority based on the assessment criteria ①–⑦ in paragraph 24 of the RFI as follows:

- (1) Human capital is the core of a company's operations and the source of its competitive advantage, and therefore the most critical item for analysts/investors when analyzing a company's cash flow (Criterion ①);
- (2) Human capital issues are critical for all companies, regardless of industry (Criterion ③);
- (3) Human capital has recently received global attention, and companies have made progress in disclosing this information (Criterion ④); and
- (4) Human capital may be connected to the just transition in climate-related S2 (Criterion ⑤).

(a) Biodiversity, ecosystems and ecosystem services

Biodiversity, ecosystems and ecosystem services are as urgent an issue as climate change, given the risk of tipping points for certain organisms and ecosystems.

On the other hand, the ISSB needs to consider the following aspects of this project:

- (1) There are a limited number of industries for analysts/investors to consider with respect to the ISSB's framework of impacts on companies' future cash flows;

- (2) As voluntary disclosure frameworks such as the TNFD are still evolving and corporate disclosure practices are not yet established, there is concern that standardizing this topic may require more effort than anticipated, to the extent that it may interfere with other projects in the work plan; and
- (3) The concept of the impact of this topic on the decision-making of analysts, investors and others is not necessarily well understood.

Therefore, we believe that it would be effective to address this topic under S1 for the time being and discuss it as a new thematic standard in the ISSB after voluntary disclosure standards such as the TNFD have become widely adopted.

(c) Human rights

Human rights are also an important topic. On the other hand, the ISSB needs to consider the following aspects of this project:

- (1) When analysts/investors analyze companies' cash flows, this topic is critical only for companies and industries with long supply chains, and thus the scope of analysis is narrower than that of human capital;
- (2) For such companies and industries, cash flow analysis is critical only for risk assessment; and
- (3) The concept of the impact of this topic on the decision-making of analysts, investors and others is not necessarily well understood.

Therefore, we believe that it would be effective to address this topic under S1 for the time being and discuss it as a new thematic standard in the ISSB after voluntary disclosure standards such as the OECD Due Diligence Guidance for Responsible Business Conduct have become widely adopted.

(d) Integration in reporting

This project will make sustainability-related financial information and financial information more connected, and will provide more useful information for analysts/investors when analyzing companies' cash flows. In addition, the Integrated Reporting Framework, which shares the same concept of integration in reporting, has made a significant contribution to voluntary corporate reporting in Japan. Therefore, we believe that this project is important for enhancing the usefulness of corporate reporting.

The ISSB should treat this project as an important long-term project, and research on this project should be conducted in parallel with thematic projects (a), (b), and (c) because:

- (1) the format of corporate reporting is the responsibility of each jurisdiction and cannot be a standard; and
- (2) for the usefulness of analysts/investors, (i) beginning new research and standard-setting projects should be prioritized during the two-year period covered by the Agenda Consultation, as we comment in Question 1.

Within its two-year work plan, the ISSB should apply the integrated thinking and other concepts in the Integrated Reporting Framework to the enhancement of disclosures based on S1 and S2 (avoiding boilerplate disclosure) and the Connected Information projects.

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

The research project on **biodiversity, ecosystems and ecosystem services** is described in paragraphs A3–A14 of Appendix A. Please respond to these questions:

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

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 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.

We believe that the following subtopics are of high priority for this project: (a) water (including freshwater and marine resources and ecosystems use), (c) pollution (including emissions into air, water and soil), and (d) resource exploitation (including material sourcing and circular economy).

In **Q4** of our questionnaire, for the 1st priority of the five subtopics (a)–(e), 40.9% responded (a), 27.3% (c), and 22.7% (d).

(a) is an issue of global concern and requires a global initiative. As a global standard-setting body, the ISSB is expected to take the lead on this global issue.

(c) has a relatively high priority for disclosure because there have been cases, not in all industries and companies, but in some companies in Japan, where risks have become apparent and actually affected their cash flows.

(d) is also limited to a limited number of industries, but its impact on cash flows is considered relatively large among the five subtopics.

On the other hand, we believe that biodiversity, ecosystems and ecosystem services require a completely different standard structure from that of climate change S2 because the degree of impact of each subtopic varies widely across countries/regions and companies. That is, rather than developing a detailed thematic standard for each subtopic, it would be more useful to allow companies to select relevant subtopics based on a large grouping so that analysts/investors can make better use of the information.

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.

As we commented in Question 3, we believe this project has the highest priority. Among the subtopics for this project, we believe that (d) workforce investment has the highest priority, followed by (g) workforce composition and costs, and (b) DEI.

In Q5 of our questionnaire, for the 1st priority of the seven subtopics (a)–(g), 37.5% responded (d), 25.0% (g), and 20.8% (b).

Regarding (d), we believe that investing in reskilling and capacity building of employees is particularly important. In particular, as we move toward a sustainable society that places greater

emphasis on the environment and society, companies are being forced to transform their business models based on the opportunities and risks they face (opportunities include new businesses such as renewable energy and electric vehicles, and risks include businesses that are forced to downsize, such as coal mine closures and bans on the sale of gasoline-powered vehicles). A key element of this transformation will be workforce investment, which is closely related to the contribution to society that the ISSB emphasizes in its standards through employment stability and security, and social stability.

In addressing (d), companies need to provide board oversight of strategies and other aspects of workforce investment consistent with the business model transformation (governance), develop strategies for workforce investment (strategy), establish methods for tracking project status (risk management), and set project targets and manage progress using appropriate metrics (metrics and targets). We believe that the core content of S1 would enable companies to disclose these activities related to (d).

Since analysts/investors are very interested in this subtopic and many companies have started to address and disclose this information, it is expected that the ISSB will receive a lot of support from analysts/investors and companies in developing standards on this subtopic and that the standards developed will be easily disseminated to the capital markets.

Regarding (g), while current accounting standards provide limited disclosure on workforce composition and costs, basic information on workforce composition and costs is essential for analysts/investors to understand the current state of human capital in their analysis. Therefore, we consider (g) to be an important subtopic.

(b) would be an important subtopic because promoting DEI could have an impact on companies' cash flows, etc. by providing companies with diverse perspectives, thereby reducing risk and creating innovation through stimulated discussion.

In addition, (c) employee engagement is an essential process for tracking the progress of projects such as workforce investment and DEI. Therefore, we believe that it should be an item to be included in the standardization of the subtopics of (a) worker well-being (including health and benefits), (b) DEI, (d) workforce investment, and (e) the alternative workforce.

We believe that (f) labour conditions in the value chain is a subtopic to be addressed under human rights, not human capital. We comment on this in Question 6.

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

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

- (a) Within the topic of human rights, are there particular subtopics or issues that you feel should be prioritised in the ISSB’s research? You can suggest as many subtopics or issues as you deem necessary. To help the ISSB analyse the feedback, where possible, please provide:
 - (i) a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
 - (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.

As we comment in Question 5, we believe that (f) labour conditions in the value chain in the human capital subtopics should be addressed under human rights, not human capital. Based on this premise, we offer the following comments.

Human rights are a critical risk factor for companies and critical information for analysts/investors. Human rights can be divided into two categories: human rights within a reporting company; and human rights in the value chain (outside a reporting company). Both are critical, but in the future cash

flow analysis conducted by analysts/investors, human rights in the value chain are more critical than human rights within a reporting company in terms of risk assessment. This is because human rights in the value chain are less under the control of the company itself and therefore pose a higher risk.

In fact, in engagement between companies and analysts/investors, human rights issues often focus on supply chain management, particularly in relation to the sourcing of raw materials upstream in the value chain. In some cases, the human rights of indigenous peoples in the value chain may also be critical. Therefore, we believe that the ISSB should focus on human rights in the value chain when developing standards related to human rights.

In addressing human rights in the value chain, companies need to provide board oversight of human rights in the value chain (governance), conduct human rights due diligence (strategy), establish methods for tracking project status (risk management), and set project targets and manage progress using appropriate metrics (metrics and targets). We believe that the core content of S1 would enable companies to disclose these activities related to human rights in the value chain.

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?
- (b) In light of the coordination efforts required, if you think the integration in reporting project should be considered a priority, do you think that it should be advanced as a formal joint project with the IASB, or pursued as an ISSB project (which could still draw on input from the IASB as needed without being a formal joint project)?
 - (i) If you prefer a formal joint project, please explain how you think this should be conducted and why.
 - (ii) If you prefer an ISSB project, please explain how you think this should be conducted and why.
- (c) In pursuing the project on integration in reporting, do you think the ISSB should build on and incorporate concepts from:

- (i) the IASB's Exposure Draft Management Commentary? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.
- (ii) the Integrated Reporting Framework? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.
- (iii) other sources? If you agree, please describe the source(s) and any particular concepts that you think the ISSB should incorporate in its work.
- (d) Do you have any other suggestions for the ISSB if it pursues the project?

As we comment in Question 3, we believe that the ISSB should treat this project as an important long-term project and that research on this project should be conducted in parallel with the thematic projects on biodiversity, ecosystems and ecosystem services, human capital, and human rights.

In Q7 of our questionnaire, we asked how the ISSB should advance this project; 39.3% responded that (a) the ISSB should advance this project as a formal joint project with the IASB, and 42.9% responded that (b) the ISSB should pursue this project as its own project (which could still draw on input from the IASB as needed without being a formal joint project), with (b) slightly outnumbering (a).

One of the reasons for this difficult outcome in deciding which is better is that while we understand the importance of this project, the details of this project are unclear. However, as a result of the discussion in the Sustainability Reporting Committee, we believe that this project should be advanced as an ISSB-led project on the premise that the ISSB should cooperate fully with the IASB because ownership of the project should be clarified and decisions should be made promptly.

The reason for the premise that the ISSB should cooperate fully with the IASB is that analysts/investors are most concerned about the consistency of sustainability-related financial information with financial information. We believe that sufficient cooperation between the two boards will enable the ISSB to leverage the IASB's financial accounting expertise to develop high quality ISSB standards that can be used by companies that apply accounting standards other than IFRS Accounting Standards. In addition, the ISSB could draw on the IASB's expertise in areas closely related to sustainability-related financial information, such as intangible assets and management commentary, which the IASB is already addressing.

On the other hand, while this is an important long-term project, if it is to be included as part of the ISSB's two-year work plan, the ISSB should clarify what outputs or milestones should be achieved within the two-year work plan.

For example, as we comment in Question 3, the ISSB should, as part of its two-year work plan, apply the integrated thinking and other concepts in the Integrated Reporting Framework to the enhancement of disclosures based on S1 and S2 (avoiding boilerplate disclosure) and the Connected Information projects.

Question 8—Other comments

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

We have no comments on this question.

Sincerely yours,



George Iguchi
Chair
Sustainability Reporting Committee

Attachment: Questionnaire Results on the RFI

The SAAJ sent a questionnaire survey on the RFI to members of the SRC and CMAs, of which some 28 responded.

Q1: Strategic direction and balance of the ISSB's activities

The ISSB plans to publish S1 and S2 in June 2023.

In order to enhance the global baseline of its sustainability disclosure standards, the ISSB will allocate significant resources to foundational work such as the implementation of S1 and S2, and is considering allocating remaining resources to new projects that the ISSB should undertake for a two-year period commencing in 2024.

After the finalization of S1 and S2, the following (i)–(vii) are indicated as the ISSB's future activities:

- (i) beginning new research and standard-setting projects;
- (ii) supporting the implementation of IFRS Sustainability Disclosure Standards (ISSB Standards);
- (iii) researching targeted enhancements to the ISSB Standards;
- (iv) enhancing the SASB Standards;
- (v) ensuring connectivity between the ISSB's and IASB's respective requirements;
- (vi) ensuring interoperability of the ISSB Standards with other sustainability standards; and
- (vii) engaging with stakeholders.

The above (ii)–(iv) are part of the foundational work (committed work and activities to build upon the foundation created by S1 and S2 once published), while (v)–(vii) are at the core of all ISSB's activities.

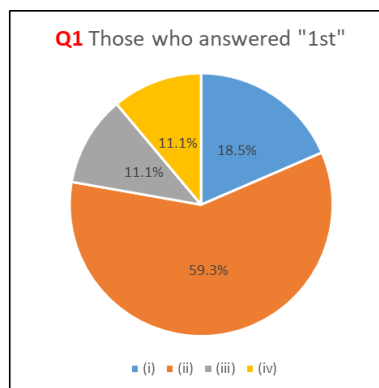
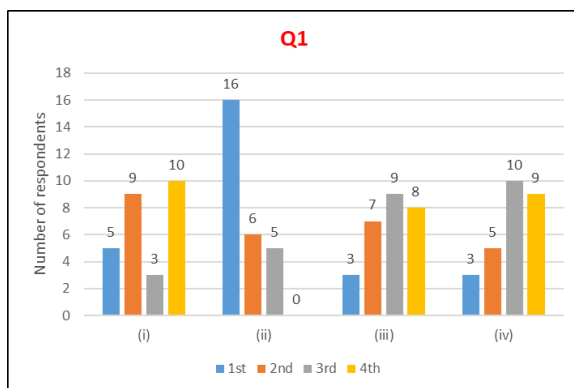
Please list the activities (i)–(iv) in order of priority for analysts/investors as users.

Question 1 in the RFI

Total number of respondents: 27

Note: The numbers in parentheses for “1st” and “2nd” are percentages of the number of respondents who answered “1st” and “2nd”, respectively, relative to the total number of respondents.

	Priority			
	1st	2nd	3rd	4th
(i)	5 (18.5%)	9 (33.3%)	3	10
(ii)	16 (59.3%)	6 (22.2%)	5	0
(iii)	3 (11.1%)	7 (25.9%)	9	8
(vi)	3 (11.1%)	5 (18.5%)	10	9



Q2: Criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan

In the RFI, the ISSB proposes to use the following assessment criteria when considering the addition of new projects to its work plan:

- ① the importance of the matter to investors;
- ② whether there are any deficiencies in the way companies disclose information on the matter;
- ③ the types of companies that the matter is likely to affect, including whether the matter is more prevalent in some industries and jurisdictions than others;
- ④ how pervasive or acute the matter is likely to be for companies;
- ⑤ how the potential project interconnects with other projects in the work plan;
- 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.

These are almost identical to the assessment criteria used by the IASB.

Some suggested that while ② is an appropriate assessment criterion for the IASB because the IASB already has a comprehensive set of its accounting standards, it is inappropriate for the ISSB because the ISSB is in the process of publishing its first IFRS Sustainability Disclosure Standards, S1 and S2, in June 2023.

Do you agree with the proposed criteria? **Question 2 in the RFI**

(a) Yes	18	69.2%
(b) No	3	11.5%
(c) Neither “Yes” nor “No”	5	19.2%
Total	26	100.0%

Q3: New research and standard-setting projects that could be added to the ISSB's work plan

In the RFI, the ISSB describes the following four proposed projects:

- (a) biodiversity, ecosystems and ecosystem services;
- (b) human capital;
- (c) human rights; and
- (d) integration in reporting.

Given the limited capacity of the ISSB for new projects, please list the projects (a)–(d) that the ISSB should work on, in order of priority for analysts/investors as users.

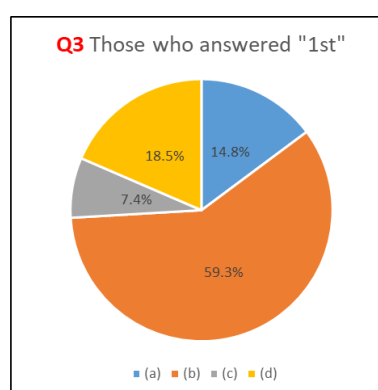
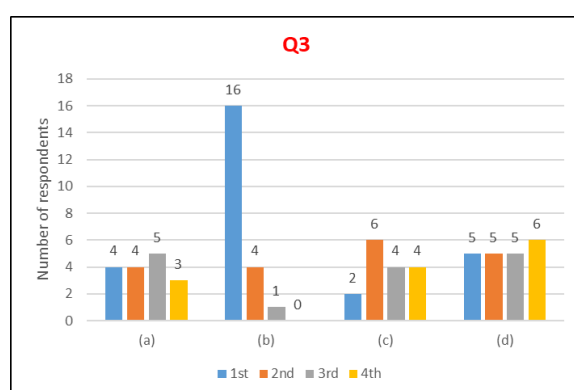
You may list as many as you wish, but if you list only one project, it will be assumed that you expect the listed one project to make significant progress; if you list several projects, it will be assumed that you expect each project to make incremental progress according to your priority.

Question 3 in the RFI

Total number of respondents: 27

Note: The numbers in parentheses for “1st” are percentages of the number of respondents who answered “1st” relative to the total number of respondents.

	Total number of those who listed	Priority			
		1st	2nd	3rd	4th
(a)	16	4 (14.8%)	4	5	3
(b)	21	16 (59.3%)	4	1	0
(c)	16	2 (7.4%)	6	4	4
(d)	21	5 (18.5%)	5	5	6



Q4: Biodiversity, ecosystems and ecosystem services

In the RFI, the ISSB has identified the following five subtopics in the project on biodiversity, ecosystems and ecosystem services:

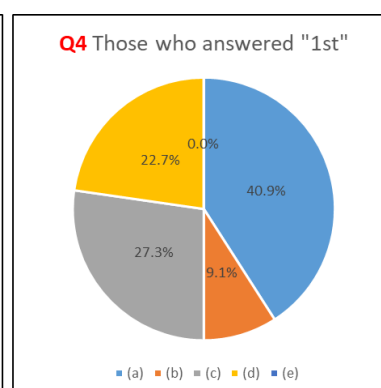
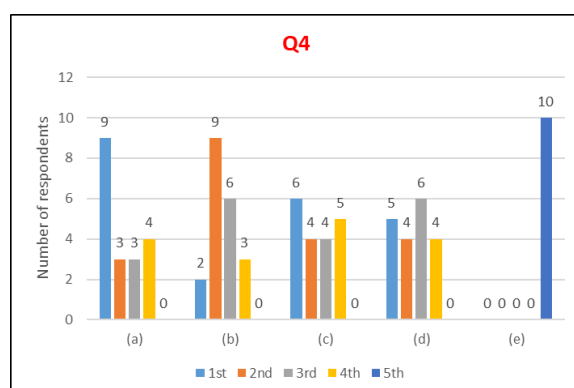
- (a) water (including freshwater and marine resources and ecosystems use);
- (b) land-use and land-use change (including deforestation);
- (c) pollution (including emissions into air, water and soil);
- (d) resource exploitation (including material sourcing and circular economy); and
- (e) invasive non-native species.

Please list the subtopics (a)–(e) that the ISSB should work on, in order of priority for analysts/investors as users. You may list as many as you wish. **Question 4 in the RFI**

Total number of respondents: 22

Note: The numbers in parentheses for “1st” are percentages of the number of respondents who answered “1st” relative to the total number of respondents.

	Total number of those who listed	Priority				
		1st	2nd	3rd	4th	5th
(a)	19	9 (40.9%)	3	3	4	0
(b)	20	2 (9.1%)	9	6	3	0
(c)	19	6 (27.3%)	4	4	5	0
(d)	19	5 (22.7%)	4	6	4	0
(e)	10	0 (0.0%)	0	0	0	10



Q5: Human capital

In the RFI, the ISSB has identified the following seven subtopics in the project on human capital¹:

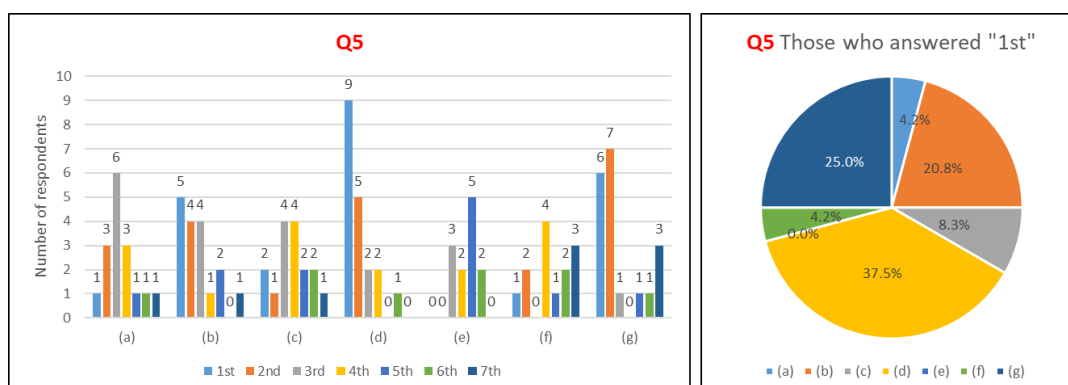
- (a) worker wellbeing (including mental health and benefits);
- (b) DEI;
- (c) employee engagement;
- (d) workforce investment;
- (e) the alternative workforce;
- (f) labour conditions in the value chain; and
- (g) workforce composition and costs.

Please list the subtopics (a)–(g) that the ISSB should work on, in order of priority for analysts/and investors as users. You may list as many as you wish. **Question 5 in the RFI**

Total number of respondents: 24

Note: The numbers in parentheses for “1st” are percentages of the number of respondents who answered “1st” relative to the total number of respondents.

	Total number of those who listed	Priority						
		1st	2nd	3rd	4th	5th	6th	7th
(a)	16	1 (4.2%)	3	6	3	1	1	1
(b)	17	5 (20.8%)	4	4	1	2	0	1
(c)	16	2 (8.3%)	1	4	4	2	2	1
(d)	19	9 (37.5%)	5	2	2	0	1	0
(e)	12	0 (0.0%)	0	3	2	5	2	0
(f)	13	1 (4.2%)	2	0	4	1	2	3
(g)	19	6 (25.0%)	7	1	0	1	1	3



¹ The ISSB could initially prioritize research on (b) DEI.

Q6: Human rights

In the RFI, the ISSB did not identify any subtopics in the human rights project, unlike biodiversity, ecosystems and ecosystem services, and human capital.

Please indicate any specific subtopics within the human rights topic that you think should be prioritized in the ISSB's research (if possible, why you think so).

Question 6 in the RFI

(Results for **Q6** are not included.)

Q7: Integration in reporting

In the RFI, the ISSB takes the concept of integration in reporting a step further than connectivity (i.e., information on value creation can be connected through conceptual and operational linkages).

The project could build on S1 and S2 to develop guidance on how entities might bring sustainability-related financial information together with financial information, leading to a corporate reporting framework that could give investors a comprehensive, coherent and concise view of how an entity creates, preserves or erodes value.

On the other hand, the project could be intensive on the ISSB's resources and hinder the pace at which the topical development standards are developed (biodiversity, ecosystems and ecosystem services, human capital, and human rights).

With regard to how to advance this project, the ISSB has indicated two approaches: (a) the ISSB should advance this project as a formal joint project with the IASB; and (b) the ISSB should pursue this project as its own project (which could still draw on input from the IASB as needed without being a formal joint project).

How should the ISSB advance this project? **Question 7 in the RFI**

(a) The ISSB should advance this project as a formal joint project with the IASB.	11	39.3%
(b) The ISSB should pursue this project as its own project (which could still draw on input from the IASB as needed without being a formal joint project).	12	42.9%
(c) The ISSB should not include this project in its next two-year work plan.	5	17.9%
(d) Neither (a), (b), nor (c).	0	0.0%
Total	28	100.0%