
ISSB Meeting

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Project	ISSB Consultation on Agenda Priorities
Topic	Criteria for assessing the priority of new research and standard-setting projects to be added to the work plan
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Objective

1. This paper provides the International Sustainability Standards Board (ISSB) with the staff's analysis and recommendations on the criteria for assessing the priority of new research and standard-setting projects (potential projects) that could be added to the ISSB's work plan (criteria). Once finalised, the criteria will be used to guide the staff in providing the ISSB with further analysis of the priority of the potential projects included in the ISSB's Request for Information [Consultation on Agenda Priorities](#) (Request for Information).

Summary of recommendations

2. The staff recommends the ISSB:
 - (a) proceed with the criteria as presented in paragraph 5 of this paper; and
 - (b) make no additions to the list of criteria.

Structure of the paper

3. The paper is structured as follows:
 - (a) Background (paragraphs 4–9);
 - (b) How the ISSB will use the criteria (paragraphs 10–14);
 - (c) Feedback on the proposed criteria and staff analysis (paragraphs 15–71)
 - (i) agreement on the proposed criteria (paragraphs 16–20);
 - (ii) comments on the proposed criteria (paragraphs 21–51);
 - (iii) other criteria proposed by stakeholders (paragraphs 52–71); and
 - (d) Questions for the ISSB (paragraph 72); and
 - (e) Appendix A—Staff analysis of other criteria proposed by stakeholders.

Background

4. One of the objectives of the ISSB’s Consultation on Agenda Priorities (agenda consultation) was to gather stakeholders’ views on the criteria for assessing the priority of the potential projects that could be added to the ISSB’s work plan.
5. Paragraph 24 of the Request for Information explained that the ISSB evaluates a potential new project for its work plan primarily to determine whether the project will meet the information needs of investors in making decisions about providing resources to an entity, in accordance with the objective of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1). Table 2 of the Request for Information set out the following proposed criteria that the ISSB could consider when assessing the priority of new potential projects that could be added to its work plan:
 - (a) Criterion 1: The importance of the matter to investors;
 - (b) Criterion 2: Whether there are any deficiencies in the way companies disclose information on the matter;

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- (c) Criterion 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;
 - (d) Criterion 4: How pervasive or acute the matter is likely to be for companies;
 - (e) Criterion 5: The potential project's interaction with other projects in the work plan;¹
 - (f) Criterion 6: The complexity and feasibility of the potential project and its solutions; and
 - (g) Criterion 7: The capacity of the ISSB and its stakeholders to make timely progress on the potential project.²
6. These criteria are similar to those used by the International Accounting Standards Board (IASB) in its Third Agenda Consultation. Like the IASB, in developing the list of the proposed criteria to include in the Request for Information, the ISSB considered:
- (a) the four criteria in paragraph 5.4 of the Due Process Handbook. These criteria apply when the IASB considers whether to move a research project to standard-setting. These are the four criteria listed in paragraph 5(a)–5(d);
 - (b) three operational criteria that the IASB used in its prior agenda consultations that have worked well in practice. These are the three criteria listed in paragraph 5(e)–5(g).
7. These criteria are considerations for determining the priority of potential projects to be added to the ISSB's work plan, with a primary focus on the information needs of investors and the costs of producing the information. As suggested in Paragraph 26 of the Request for Information, in applying the criteria, the ISSB also considers the work

¹ Criterion 5 was described as 'how the potential project interconnects with other projects in the work plan' within the Request for Information. The staff has slightly modified the description of the criterion to align with the criterion used by the International Accounting Standards Board (IASB) in its Third Agenda Consultation. This change is not meant to alter the meaning of the criterion or how it will be applied.

² Criterion 7 was described as 'the capacity of the ISSB and its stakeholders to progress the project in a timely way' within the Request for Information. The staff has slightly modified the description of the criterion to align with the criterion used by the IASB in its Third Agenda Consultation. This change is not meant to alter the meaning of the criterion or how it will be applied.

streams of other jurisdictional and voluntary sustainability standard-setters and framework providers when determining its work plan.

8. Question 2 of the Request for Information asked stakeholders whether the ISSB:
 - (a) has identified the appropriate criteria; and
 - (b) should consider other criteria.
9. [Agenda Paper 2B for the November 2023 ISSB meeting](#) and [Agenda Paper 2 for the December 2023 ISSB meeting](#) provide high-level summaries of feedback on the criteria received from all respondents to the Request for Information and from users of general purpose financial reports respondents, respectively.

How the ISSB will use the criteria

10. Responses to the Request for Information, including feedback on the criteria, will help shape the ISSB's thinking when determining how to prioritise its activities and new potential projects in its next two-year work plan. In setting its priorities, the ISSB will also consider its own experience and expertise.
11. The purpose of the criteria is to provide a consistent basis for analysis of sustainability-related matters that could be added to the ISSB's next two-year work plan (potential projects). The criteria will help the ISSB assess which potential projects should be added to the work plan and the relative priority of those projects. We also think the criteria will help the ISSB communicate clearly why a particular project is needed.
12. The criteria provide a framework of factors for the ISSB to consider when assessing potential projects. The criteria cannot be used mechanistically to determine whether an individual project should be included in the ISSB's work plan (for example, the fact that a potential project meets a majority of the criteria does not guarantee its inclusion in the work plan). Further, the criteria, and the order in which they are presented, are not ranked, or weighted, by level of importance. The criteria are applied to a potential project in combination with one another. Determining the

priority of potential projects that could be added to the work plan will require judgement and the relative importance of an individual criterion is likely to vary depending on the circumstances surrounding the potential project.

13. The staff will apply the criteria discussed in this Agenda Paper to the potential projects identified through the agenda consultation process. The staff will present this analysis at a future meeting.
14. The proposed criteria will be used by the ISSB in assessing priorities for its next two-year work plan. In future agenda consultations, the ISSB will again assess the appropriateness of the criteria and whether modifications are necessary.

Feedback on the proposed criteria and staff analysis

15. Most of the respondents to the Request for Information provided feedback on Question 2 on the criteria for assessing sustainability-related matters that could be added to the ISSB's work plan. Of those respondents, most agreed with the appropriateness of the criteria that the ISSB has identified; however, many of those respondents asked for clarification on how the ISSB applies the criteria or proposed amendments or additions to the criteria.

Agreement with the proposed criteria

16. Most of the respondents to Question 2 agreed with the appropriateness of the criteria that the ISSB has identified. Respondents said the criteria are comprehensive and well-balanced because they cover different perspectives: criteria 1–4 cover considerations of a sustainability-related matter itself, its importance to investors, and relevance to companies; and criteria 5–7 look at the feasibility and potential synergies of the project for the ISSB.
17. A few respondents provided suggestions or expressed a need for clarification on the application of the criteria overall or of a specific criterion. For example, on the application of the criteria overall, an Asian standard setter asked the ISSB to clarify

the hierarchy and the relationships between different criteria. On the application of specific criteria, respondents suggested the ISSB consider, for example, specific stakeholder groups, interoperability with other standards, and different time frames (especially the long-term perspective).

18. A few other respondents suggested the criteria should be ranked or prioritised. For example, most of them said the importance of the matter to users of general purpose financial reporting should be given the highest weight.

Staff analysis

19. Based on the feedback, the staff thinks that the ISSB has identified the right criteria. The numbering and presentation of the criteria in the Request for Information was not meant to imply a ranking of the importance of individual criteria. Indeed, the staff thinks it is not appropriate to rank the criteria because the relative priority of any criterion will vary depending on the circumstances surrounding a potential project, as explained in paragraph 25 of the Request for Information.
20. On the application of criteria, as explained in paragraph 13, the staff will use the criteria to analyse whether a potential project should be added to the ISSB's work plan and present the analysis at a future meeting. However, as explained in paragraph 12, the range and subjectivity of any specified criteria means that assessing the priority of potential projects cannot be an exact science and will require judgment. Therefore, a consideration of, for example, specific stakeholder groups, would be included only when it is determined that this is relevant for the specific sustainability-related matter under assessment. Additionally, as explained in paragraph 26 of the Request for Information, the work streams of other jurisdictional and voluntary sustainability standard-setters and framework providers will also be considered when assessing a potential project to be added to the work plan. Finally, with respect to the consideration of different time frames, we think it is important to emphasise that the criteria will be applied in the context of the definition of materiality and the

description of sustainability included in IFRS S1, which both include reference to the short, medium and long term.

Comments on the proposed criteria

21. Respondents to the Request for Information shared various observations and provided some drafting suggestions on the identified criteria. Respondents' comments on specific criteria are analysed in the following paragraphs:
- (a) Criterion 1: The importance of the matter to investors (paragraphs 22–24);
 - (b) Criterion 2: Whether there are any deficiencies in the way companies disclose information on the matter (paragraphs 25–27);
 - (c) Criterion 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 (paragraphs 28–34);
 - (d) Criterion 4: How pervasive or acute the matter is likely to be for companies (paragraphs 35–41);
 - (e) Criterion 5: The potential project's interaction with other projects in the work plan (paragraphs 42–46);
 - (f) Criterion 6: The complexity and feasibility of the potential project and its solutions (paragraphs 47–49); and
 - (g) Criterion 7: The capacity of the ISSB and its stakeholders to make timely progress on the potential project (paragraphs 50–51).

Criterion 1: The importance of the matter to investors

22. A few respondents to Question 2 commented on this criterion. Almost all these respondents commented on or asked for clarifications on the ISSB's focus on investors. Of these respondents:

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- (a) some asked the ISSB to add an explicit reference to financial materiality, in order to clarify the ISSB's focus on decision-useful information for investors;

[T]he ISSB could consider expanding this point by explicitly noting the financial materiality of sustainability issues for investors, including their relevance with regard to the drivers of capital allocation (i.e. revenues, cost base, capital intensity, liabilities, asset values/stranded asset risks) to help investors consider the financial impacts of future sustainability risks and challenges for their investments. (Comment letter 329: M&G plc)

- (b) many suggested the ISSB consider the importance of the matter to stakeholders other than investors, for example, wider society and the environment. A few of these respondents explicitly mentioned double or impact materiality in their responses and underlined increasing investor interest in an entity's impact on society and the environment;

Indeed, investors are (increasingly) interested in a company's impact on planet and people, irrespective of concrete/immediate financial effects, already today, but likely even more so going forward, meaning that they need this information to decide whether to provide resources to the entity, which is part of the ISSB standards' objective. (Comment letter 119: Allianz Group)

- (c) a few acknowledged the heterogeneity of investors in terms of size, jurisdiction and investment strategy and asked the ISSB to clarify which type of investors are considered in this criterion; and

These criteria are solely focused on institutional investors, while the use case for these standards is going to be wider. Some jurisdictions will use mandatory disclosure to support policy objectives. Plus, investors respond to public demand. For example, around three quarters of the adult New Zealand

population expect their retirement savings and investment fund providers to invest their funds responsibly or ethically. We suggest that the ISSB takes a wider view to inform its long-term research, as consumers concerns will eventually translate into investor demand. We also emphasise the importance of understanding the heterogeneity of investors in applying the first criteria. (Comment letter 132: External Reporting Board)

- (d) a few suggested the ISSB modify the criterion by substituting ‘investors’ with ‘investors, lenders and other creditors’ or ‘users of financial statements’ to clarify the meaning of ‘investors’ and align with the definition of ‘users’ referenced in IFRS S1 and the Due Process Handbook.

We note that this wording is not consistent with paragraph 5.4 of the Due Process Handbook, which refers to ‘users’. We are not sure why the ISSB has decided to narrow the user group and focus solely on the needs of investors in assessing the priority of sustainability reporting issues. We would encourage the ISSB to revert to the drafting referring to the needs of primary users. (Comment letter 295: KPMG IFRG Limited)

23. IFRS S1 defines ‘primary users of general purpose financial reports’ as ‘existing and potential investors, lenders and other creditors.’ Paragraph BC33 of the *Basis for Conclusions on General Requirements for Disclosure of Sustainability-related Financial Information*, further clarifies:

[...] that disclosures in accordance with IFRS Sustainability Disclosure Standards are designed to meet the information needs of investors, creditors and other lenders (that is, ‘primary users of general purpose financial reports’); that the information to be provided in such disclosures is based on a materiality assessment consistent with that used in the application of IFRS Accounting Standards; and that the information may be presented with information disclosed to meet other requirements,

such as specific jurisdictional requirements, but may not be obscured by that information

24. Further, as explained in footnote 2 to paragraph 2 of the Request for Information, the term ‘investors’ was used through the Request for Information to refer to ‘primary users of general purpose financial reports,’ which is defined in IFRS S1. The staff confirms that, when considering the importance of the matter to ‘investors’ in applying criterion 1, investors, lenders and other creditors (that is, ‘primary users of general purpose financial reports’) will all be considered in a manner consistent with IFRS Accounting Standards in accordance with IFRS S1. As the assessment of criterion 1 will be consistent with the definitions and objectives provided in IFRS S1, the staff does believe it is necessary to amend this criterion.

Criterion 2: Whether there are any deficiencies in the way companies disclose information on the matter

25. A few respondents to Question 2 commented on this criterion. Of these respondents:
- (a) some are of the opinion that this criterion is not as relevant for the ISSB over the next two years given the current stage of the ISSB, its Standards, and sustainability reporting, at large; and

While the criteria are based on that used by the IASB, there is a need for consideration of whether and how the criteria are applicable in the context of sustainability topics. For example, [this criterion] is likely not as relevant or useful in this context given there is a common understanding that there are generally deficiencies in reporting for most sustainability topics at this juncture. (Comment letter 111: CPA Canada)

- (b) many commented on the word ‘deficiencies’ and suggested to clarify its meaning in the context of this criterion and suggested that the ISSB consider both lack of disclosures and quality of disclosures (for example,

inconsistencies or lack of comparability between entities' disclosures due to, among other reasons, the use of different reporting standards and frameworks).

26. In response to the feedback in paragraph 25(a), the staff acknowledges that the consideration of this criterion will be different from the IASB's consideration of their similar criterion due to the current state of sustainability-related disclosures and the ISSB's Standards. Rather than solely considering whether deficiencies in disclosures exist when applying the ISSB's Standards or the range of disclosures that would be provided using the Standards, the staff will also consider the current landscape of disclosure on a sustainability-related matter under existing voluntary and jurisdictional standards and frameworks. When prioritising a project, the identification of these deficiencies is informative for the definition of the ISSB work plan, especially, when combined with the other criteria. For example, by applying this criterion in combination with criterion 1, we can identify the main deficiencies affecting investors' decision processes. Additionally, this criterion will certainly become an important consideration as reporting matures and it is useful for the ISSB to have continuity and consistency in the criteria used in its agenda consultations over the years.
27. In response to the feedback in paragraph 25(b), the staff confirms that we will consider not only the lack of disclosures, but also the quality of disclosures, including the consistency, comparability and verifiability of disclosures, along with other evidence in analysing whether a deficiency exists. However, we think it is unnecessary to amend the criterion to specifically refer to the suggested aspects.

Criterion 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

28. A few respondents commented on this criterion.
29. Of these respondents, a few suggested specifying the materiality approach considered, with a US company suggesting to explicitly add evidence of financial materiality and

a South American academic stakeholder suggesting that double materiality be considered.

30. The objective of IFRS S1 describes the focus on meeting the information needs of investors in considering providing resources to an entity and paragraph 24 of the Request for information further clarified the approach by stating:

The ISSB evaluates a potential new research or standard-setting project for its work plan primarily to determine whether the project will meet the information needs of investors in making decisions about providing resources to an entity.

31. Additionally, criterion 3 will be applied together with other criteria, including criterion 1, which focuses on the importance of a matter to investors. For these reasons, we think that this criterion is sufficiently clear and no additions to criterion 3 are necessary.
32. A few respondents asked the ISSB to clarify the definition of the term ‘prevalent’ and expressed concerns that this criterion could result in some types of entities, industries or jurisdictions being prioritised over others, and suggested to modify the criterion as ‘to the extent to which the matter is prevalent across jurisdictions and sectors.’
33. We do not think that it is the ISSB’s intention when applying this criterion to prioritise one type of entity, industry, or jurisdiction over another. Indeed, the IFRS Foundation *Constitution* states that in developing globally accepted IFRS Standards, the ISSB should take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings.³
34. We think it is important for the ISSB to understand whether a sustainability issue affects specific industries or jurisdictions, and if so, which types, or whether it is prevalent across all of them, to make appropriate prioritisation decisions.

³ Section 2, paragraph 2(c) of the IFRS Foundation *Constitution*.

Consequently, we do not think any changes to this criterion are needed to address this respondent's concern.

Criterion 4: How pervasive or acute the matter is likely to be for companies

35. A few respondents commented on this criterion.
36. Of these respondents, some asked the ISSB to clarify the terms 'pervasive' and 'acute' when applied in the context of this criterion and stated it was unclear what the ISSB will consider as part of this criterion. For example, they asked:
- (a) to explain if these two terms cover the degree of severity of a matter; and
 - (b) argued that the term 'acute' may be misleading and interpreted solely focused on short-term issues.

[T]he ISSB should consider appropriate criteria without favouring short term issues. A number of factors that investors consider, particularly surrounding sustainability, are long term and having a future centric outlook will allow investors to stay ahead of long-term issues. As a result, it may be in the interest of the proposed criteria to replace the word acute with another word which reflects a more long-term nature, such as 'Chronic'. (Comment letter 260: National Employment Savings Trust [NEST])

37. In the staff's view, how pervasive or acute a matter is likely to be for companies depends on various factors, for example, how a sustainability matter can manifest in terms of risks and opportunities, considering different categories of risks and opportunities, and the related financial implications. The term 'acute' is not meant to imply a focus on short-term issues and instead considers the degree of severity and urgency of a sustainability-related matter.
38. A few respondents suggested to explicitly focus on investors in this criterion.

[T]here may be significant differences between what companies and investors perceive to be acute and prevalent. We think the priority should be to address investors' needs. (Comment letter 125: Morningstar)

39. The staff reemphasises that this criterion will be used in combination with the other identified criteria and the focus on investors' is clarified and covered in the first criterion. Therefore, it is not necessary to modify the fourth criterion as suggested in these responses.
40. A few respondents suggested to explicitly mention specific categories of risks, such as regulatory and systemic risks.

We suggest rewording criteria 4 in the list that is already available to: 'whether the matter poses a systemic risk for companies and institutions and whether global and/or regional legislation may be targeted at businesses'. (Comment letter 399: Institute of Environmental Management and Assessment [IEMA])

41. We think the addition of the specific suggestions could limit the scope of the assessment and could imply the exclusion of other types of risks from the analysis, such as market, technology, physical and reputational risks. Therefore, it is not appropriate to modify the fourth criterion as suggested in these responses.

Criterion 5: The potential project's interaction with other projects in the work plan

42. A few respondents commented on this criterion.
43. Of these respondents, some suggested to include interactions with existing ISSB Standards and related requirements in this criterion, given the relationship between the sustainability matters covered in the potential projects included in the Request for Information with climate change (IFRS S2) and the disclosure requirements of IFRS S1.

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44. We agree with this point, but again emphasise that this criterion will be applied in combination with other criteria. For example, criterion 2 considers deficiencies in reporting under ISSB Standards and therefore, when combined with criterion 5, the staff would consider the existing requirements of IFRS S1 and IFRS S2 and how a potential project might interact with or build upon such requirements. Therefore, existing ISSB Standards are considered in the application of the criteria and we do not think any changes to this criterion are needed to address these respondents' suggestion.
45. Many respondents commenting on criterion 5 suggested a consideration of connectivity with the IASB, and interactions with its standards and projects on its work plan.

We acknowledge that there will be significant collaboration between the IASB and the ISSB for some of the ISSB's future projects. Therefore, we recommend specifying that the term 'work plan' in the criteria refers to the IFRS Foundation work plan as a whole, encompassing the work plans of both the ISSB and IASB. Besides, the ISSB should clarify the consequences to the priority of a potential project if it has more interaction with other projects in the ISSB/IASB's work plan. For example, should more interaction with other projects result in a higher or a lower priority? (Comment letter 95: Hong Kong Institute of Certified Public Accountants)

46. As described in Table 1 of the Request for Information, connectivity between the ISSB and IASB requirements is at the core of all the ISSB's activities. Nevertheless, the ISSB and IASB also need to be able to decide on their respective work plans in accordance with their respective mandates and priorities. Therefore, we do not think any changes to this criterion are needed to address these respondents' suggestion. Further analysis of respondents' comments on consideration of connectivity with the IASB and financial reporting is included in paragraphs 64–65.

Criterion 6: The complexity and feasibility of the potential project and its solutions

47. A few respondents commented on this criterion. These respondents commented on the consideration of complex projects in ISSB prioritisation process and on the interaction between complexity and feasibility.

[T]his may need to be reworded as it sounds like there is no appetite for difficult/complex projects, regardless of their relative importance. (Comment letter 329: MG plc)

Finding solutions to complex issues is necessary to succeed in the task that the ISSB has undertaken. It is crucial that the capacity of the ISSB is matched to its assignment as a global standard-setter. (Comment letter 213: Swedish Financial Reporting Board)

48. We acknowledge the complexity of sustainability matters and the ISSB's need to undertake complex projects to accomplish its objectives. In our view, the fact that a project is complex, but feasible, may affect the timing but should not create a bias against this project. Additionally, as described in paragraph 25 of the Request for Information, when prioritising a project, the ISSB will consider this criterion in combination with other criteria, with relative priorities of each criterion depending on the circumstances surrounding a potential project. Therefore, a project might nevertheless be prioritised when considering the criteria as a whole, despite it being a complex project.
49. In relation to feasibility, if a project has a feasible (standard-setting) solution and has been assessed as a priority against the other criteria, the ISSB would ensure the project has access to the required and adequate ISSB and stakeholder resources.

Criterion 7: The capacity of the ISSB and its stakeholders to make timely progress on the potential project

50. A few respondents commented on this criterion. These respondents commented with regard to the stakeholders the ISSB should consider when applying this criterion and

suggested the ISSB consider other jurisdictional and voluntary sustainability-related standard setters, as well as the IASB, among the stakeholders mentioned in this criterion.

51. We believe that activities encompassed in the ISSB’s core activities of ‘interoperability’, ‘connectivity with IASB’, and ‘stakeholder engagement’ described in Table 1 in the Request for Information are the practical responses to these comments. These items, as ‘core activities’, are considered in all of the ISSB’s activities, including decisions on new projects to be added to the work plan. When applying this criterion to assess the priority of new projects, the ISSB will consider all relevant stakeholders, including the work of other standard setters, framework providers and the IASB. Therefore, we do not think any changes to this criterion are needed to address this respondents’ suggestion. See further analysis of respondents’ comments related to interoperability with other standard setters and framework providers and connectivity with the IASB at paragraphs 53–58 and 64–65, respectively.

Other criteria proposed by stakeholders

52. Many of the respondents to Question 2 suggested the ISSB consider additional criteria when assessing the priority of potential projects, including:
- (a) interoperability with other standard setters and frameworks providers (paragraphs 53–58);
 - (b) double or impact materiality (paragraphs 59–63);
 - (c) connectivity with the IASB and financial reporting (paragraphs 64–65);
 - (d) global relevance of the sustainability matter and global applicability of the ISSB Standards (paragraphs 66–67);
 - (e) entities’ ability to produce the information (paragraphs 68–70); and
 - (f) other suggested criteria (paragraph 71).

Interoperability with other standard setters and frameworks providers

53. Of the respondents who suggested additional criteria, many suggested adding a criterion focused on interoperability with other sustainability-related standards and frameworks. They explained that consideration of interoperability is key to the ISSB's mission to deliver a comprehensive global baseline of sustainability-related financial disclosures to meet the needs of investors. While paragraph 26 of the Request for Information states that, while not a distinct criterion, the ISSB considers the work streams of other jurisdictional and voluntary sustainability standard-setters and framework providers when assessing new projects to be added to the work plan, these respondents suggested that interoperability be added as an explicit criterion. Respondents said that by doing so, this would allow the ISSB to:

- (a) develop the global baseline in an efficient manner, by leveraging existing resources and collaborate with other standard setters and framework providers;
- (b) reduce the fragmentation and any risk of further fragmentation in the sustainability reporting landscape;
- (c) reduce the reporting burden for entities by, for example, avoiding duplication of reporting requirements, noting this as a key practical consideration for entities; and

The experience of biotechnology and pharmaceutical companies that operate in multiple jurisdictions and global markets suggests that additional complexity and market confusion results from having to interpret and implement different standards in various regions while at the same time ensuring consistent and quality reporting that is meaningful and decision-useful to investors and other stakeholders (Comment letter 64: IFPMA)

Interoperability is particularly important to Small and Medium-Sized Entities (SMEs) who may face divergent requests for

sustainability information because of supply chain or capital provider requirements. While interoperability enhances efficiency for all stakeholders, SMEs are among those entities least able to allocate resources to fulfil multiple requests for similar, but different, data/disclosures. In the extreme, SMEs could fail to meet all information requests or provide estimates of uncertain reliability that do not support high-quality decision making. (Comment letter 121: IFAC [International Federation of Accountants])

- (d) ensure the comparability and consistency of sustainability information across different jurisdictions and sectors.
54. Some of these respondents explicitly mentioned the importance of interoperability with European Sustainability Reporting Standards (ESRS) since many global companies conducting business in Europe will be required to apply ESRS. A few mentioned interoperability with the Global Reporting Initiative (GRI) as a priority, as well.
55. The staff acknowledges the importance for the ISSB to consider the interoperability of its Standards with other jurisdictional and voluntary standard setters and framework providers. The staff have analysed the two alternatives:
- (a) Alternative 1: Add explicit criterion on interoperability; and
 - (b) Alternative 2: Do not add explicit criterion on interoperability.
56. For alternative 1, by adding an explicit criterion on interoperability, the ISSB would explicitly acknowledge that:
- (a) the current state of the ISSB Standards and sustainability-related disclosure requires the consideration of emerging jurisdictional and voluntary sustainability-related standards and frameworks in order to support the ISSB's

mission to establish the global baseline of sustainability-related financial disclosures to meet the needs of investors;

- (b) interoperability with the work of other standard setters can be important to improve the efficiency and effectiveness of reporting, therefore the timing of a project relative to the work plans of others could assist in achieving interoperability; and
- (c) interoperability is a primary consideration when determining what projects should be added to the work plan.

57. For alternative 2, the ISSB would continue to consider interoperability in all of its activities, including new research and standard-setting projects, but would not add an explicit criterion on interoperability due to the fact that:

- (a) as explained in Table 2 in the Request for Information, interoperability is at the ‘core’ of all ISSB activities. For example, paragraph 31 in the Request for Information, explains that ISSB staff considered interoperability when identifying the list of potential projects; the descriptions of potential projects in Appendix A of the Request for Information mention the work of other standard setters and framework providers, such as the European Financial Reporting Advisory Group (EFRAG), GRI, the Taskforce on Nature-related Financial Disclosures and the U.S. Securities and Exchange Commission, as resources to be considered by the staff when undertaking projects (see paragraphs A13, A25, and A36). Additionally, the ISSB frequently engages with other sustainability standard-setters and framework providers to inform its work, including via its Jurisdictional Working Group, the Sustainability Standards Advisory Forum, the Sustainability Consultative Committee, the Memorandum of Understanding between the ISSB and GRI and ongoing interoperability work with EFRAG;

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- (b) paragraph 26 of the Request for Information clarifies that, while not a separate criterion, the ISSB will consider interoperability when assessing new potential projects against the criteria. For example, when applying:
- (i) criterion 1 on importance to investors, for example, when investors need to access information which complies with reporting regulations applicable in their respective jurisdictions;
 - (ii) criterion 2 on deficiencies in disclosures, for example, by analysing disclosures made in accordance with existing standards or frameworks to understand any information gaps or inconsistencies, with a focus on the information needs of investors;
 - (iii) criterion 3 on type of companies, industries and jurisdictions, for example, by analysing whether and how the matter is covered by other applicable frameworks, standards and reporting regulations; and
 - (iv) criteria 6 and 7 on complexity and feasibility, and on capacity of ISSB to progress in a timely way, to assess, for example, whether and how the ISSB can leverage existing standards and frameworks in pursuing its work on the matter; and
- (c) interoperability may be more applicable when pursuing research and standard-setting on a sustainability matter versus when deciding whether to add a project to the work plan. For example, when the ISSB advances a project to a standard-setting phase, the ISSB will address interoperability at the more granular level, by assessing, for example, how the requirements proposed by the ISSB interact with requirements in existing standards, which would include the assessment of reporting burden on preparers.

58. The staff recommend Alternative 2 because interoperability is already considered in other criteria and throughout the process of identification of new projects, such that the addition of an explicit criteria would be duplicative and unnecessary. We believe the ISSB's activities related to interoperability adequately address the need of

convergence in the sustainability reporting landscape (see paragraph 56(a)) and the need to coordinate with other standard setters (see paragraph 56(b)). Further, the respondent comments summarised in paragraph 53 were more applicable to how the ISSB might pursue standard setting on a sustainability matter rather than how the ISSB considers the criteria when assessing the priority of a new project to be added to the work plan. Therefore, the explicit addition of a criterion on interoperability (Alternative 1) would not meaningfully change the practical way the ISSB considers and acts on interoperability in its activities and work plan. Finally, the inclusion of a specific criterion on interoperability could unintentionally imply the potential for an expansion of the ISSB's focus on investors and the ISSB's definition of materiality in order to facilitate interoperability with other standards with a broader focus and definition of materiality, for example, the ESRS and the GRI Standards. For these reasons, the staff recommend not adding an explicit criterion on interoperability.

Double or impact materiality

59. Of the respondents who suggested additional criteria, some suggested the ISSB consider adding double or impact materiality among the criteria it applies to assess new potential projects. These respondents provided the following reasons supporting this suggestion:

- (a) investors' interest is evolving, and investors are increasingly interested in entities' impacts on society and environment, especially for long-term investors and for the 'new generation' of investors. A few respondents highlighted the financial implications of these impacts and the dynamic nature of materiality;

As stated by the World Economic Forum in a 2020 whitepaper, 'One area in which investors have begun initial explorations is anticipating how issues might become financially material either across an entire industry or for a specific company. What is financially immaterial to a company or industry today can become

material tomorrow, a process known as ‘dynamic materiality’. We believe that some attention should be given to impacts on other stakeholders than investors, as they may become financially material in the medium to long term. (Comment letter 143: Solvay)

- (b) stakeholders other than investors are interested in entities’ sustainability-related information and entities’ impacts on society and the environment, including policy makers, communities and consumers; and

[T]hese standards will now have several uses cases, one of these being a policy lever, which will ultimately influence investor decision making. (Comment letter 132: External Reporting Board)

The importance of different sustainability issues moves swiftly in today’s reporting climate and the public voice may be a suitable indicator for the future direction of the investor demand. We believe that seeking to understand the fullest possible breadth of sustainability issues, and then overlay public consideration and appetite to seek to understand which are most likely to be of global significance in the medium term. (Comment letter 312: The 100 Group of Finance Directors)

- (c) a few of respondents noted that double materiality considerations would facilitate interoperability with other standards, in particular, with the ESRS and GRI Standards.

60. As explained in paragraph 23 of this paper, the paragraph BC33 of the *Basis for Conclusions on General Requirements for Disclosure of Sustainability-related Financial Information* notes that disclosures in accordance with IFRS Sustainability Disclosure Standards are designed to meet the information needs of investors, creditors and other lenders (that is, ‘primary users of general purpose financial reports’); that the information to be provided in such disclosures is based on a

materiality assessment consistent with that used in the application of IFRS Accounting Standards (see also paragraph 18 in IFRS S1).

61. We acknowledge that investors' interests are diversified and are evolving. The ISSB, through ongoing research and stakeholder engagement, monitors this evolution, for example, by organising regular meetings with its ISSB advisory groups and consultative bodies, including the ISSB Investor Advisory Group. Particularly on impacts on environment and society, the description of sustainability in paragraph 2 of IFRS S1 explicitly mentions an entity's impacts on resources and relationships, including society and the natural environment as potential sources of sustainability-related risks and opportunities for the entity. Therefore, impacts are not neglected or excluded from ISSB Standards, but the information about impact-related risks and opportunities need to be relevant to meet investors' needs as set out in IFRS S1. Additionally, of the investors who responded to the Request for Information, only a few suggested the ISSB expand its scope to double materiality. Finally, to the extent that impact-related information is material for investors, criterion 1, which focuses on investor needs, will already capture this perspective.
62. Finally on facilitation of interoperability, as explained in paragraph 57(a), the ISSB works with other standard setters that are focused on impact and/or double materiality, including GRI and EFRAG.
63. For these reasons, we do not think it is appropriate to add a criterion covering double or impact materiality.

Connectivity with the IASB and financial reporting

64. Of the respondents who suggested additions to the criteria, a few suggested the ISSB consider interactions and connectivity with IASB work and standards among the criteria it applies to prioritise new projects. They said these considerations would:
- (a) ensure connectivity between work plans, projects, and requirements of the ISSB and IASB;

- (b) ensure the resulting information for investors is connected and consistent; and
 - (c) support efficient resource allocation for both the IFRS Foundation and its stakeholders, who provide input to the Foundation by responding to consultations, participating in the standard-setting process, and implementing new requirements.
65. We agree with the respondents on the importance of connectivity between the ISSB and the IASB. The Request for Information (Table 2) explained that connectivity between the ISSB and IASB requirements is at the core of all the ISSB's activities and is fundamental to the ISSB's mission to deliver a comprehensive global baseline of sustainability-related disclosures to meet the needs of investors. To achieve this, the ISSB and IASB, together with their technical staffs, coordinate their work and establish processes to enable connected reporting, ensuring that the IASB's and ISSB's respective requirements are compatible and avoid potential inconsistencies and conflicts. Given this context, the staff will consider connectivity with the IASB when applying the criteria to assess the priority of potential projects and in progressing the ISSB's future work plan. For example, the IASB and its capacity would be considered in the application of criterion 7 to the extent a potential project as implications on the IASB's capacity (such as the proposed project on integration in reporting that was included in the Request for Information). As such, the staff does not believe it is necessary to add a new criterion.

Global relevance of the sustainability matter and global applicability of the ISSB Standards

66. A few respondents suggested the ISSB consider the global relevance of a sustainability matter and the global applicability of the ISSB Standards. These respondents suggested the ISSB consider the geographic relevance of a sustainability matter when deciding on new projects to be added to the work plan.

[W]e understand that there are different views on many sustainability topics among ISSB constituents around the world. This is in part due to

companies and countries being in different stages of the sustainability journey, coupled with differences in the nature of the legal and regulatory environment around the world. The ISSB should ensure that the activities it undertakes will address reporting themes that resonate with a geographically diverse audience. (Comment letter 99: PricewaterhouseCoopers International Limited).

67. The mission of the ISSB is to develop standards for a global baseline of sustainability disclosures to meet the needs of investors. Therefore, considerations of a globally diverse audience are intrinsic in the work of ISSB: we gather feedback from and engage with stakeholders from jurisdictions around the world. Besides open consultations, ISSB regularly meets the Jurisdictional Working Group, the Sustainability Standards Advisory Forum, the Sustainability Consultative Committee and other consultative and advisory bodies with global coverage in terms of members. When prioritising projects for the work plan, in addition to the explicit consideration of jurisdictional differences in criterion 3, the staff will also consider global relevance and broad applicability when applying all the seven criteria to assess a potential new project. Therefore, we do not think it is necessary to add a new criterion.

Entities' ability to produce the information

68. Of the respondents who suggested additional criteria, a few suggested to add a criterion covering the ability of entities to produce information on a sustainability matter, including analysis of the costs and benefits, and consideration of data availability.

Our members work in governance across both investors and companies, and so we are acutely aware of the need to strike a balance between meeting investors' information needs and avoiding placing unduly burdensome reporting requirements on companies. We would suggest, therefore, that the ISSB also look to understand the feasibility of whether companies will be able to provide such information as its (future)

standards may demand and whether it is appropriate for them to required to do so. (Comment letter 176: Chartered Governance Institute)

69. As explained in paragraph 24 of the Request for Information, the ISSB evaluates a potential project for inclusion in its work plan primarily by assessing whether the project will meet investors' needs. In addition to this, as per IFRS Foundation due process, the ISSB takes into account the costs of producing the information for preparers and the cost-benefit balance when developing its Standards and new requirements. For example, the ISSB published the Effects Analysis on IFRS S1 and IFRS S2 to describe the likely costs and benefits of applying the Standards. Additionally, ISSB Standards include various reliefs and other proportionality mechanisms (IFRS S1 paragraphs BC8–BC17), and by prioritising a building block approach in developing the global baseline of sustainability-related financial disclosures, the ISSB aims at minimising the reporting burden for entities.
70. When assessing potential new projects to be added to the work plan, the ISSB would consider the likely costs and benefits, including and the wider ability of entities to prepare information, will be considered when applying the sixth criterion on the feasibility of a potential project and its solutions. Therefore, we do not think that it is necessary to add a specific criterion on entities' ability to prepare information.

Other suggested criteria

71. Of the respondents who suggested additional criteria, some suggested the ISSB consider other criteria when assessing the priority of new research and standard-setting projects that could be added to its work plan. In most cases, each of these additional criteria was suggested by one or a few respondents. As summarised in the table in Appendix A, we think these suggestions are covered by the proposed criteria. Consequently, we do not recommend any additions to the list of criteria.

Questions for the ISSB

72. The staff presents the following questions for the ISSB.

Questions for the ISSB

1. Does the ISSB have any comments or questions on the feedback discussed in this paper?
2. Does the ISSB agree with the staff recommendations to proceed with the list of criteria presented in paragraph 5, without amendments or additions?

Appendix A—Staff analysis of other criteria proposed by stakeholders

A1. Staff analysis of other criteria proposed by stakeholders.

Suggested criterion	How suggested criterion is covered by the proposed criterion or otherwise considered by the ISSB
<p>Urgency of the matter, for example whether issues related to the sustainability matter are global challenges; and/or whether the matter is covered by or supports the achievement of global goals</p>	<p>Urgency of the matter will be considered when applying other criteria, including:</p> <ul style="list-style-type: none"> • in criterion 1, because investors would be interested in accessing information related to the “urgent matter”; and • in criteria 3 and 4 on prevalence and pervasiveness of the matter, for example, if the matter is a global challenge, or global goals related to the matter exist.
<p>Maturity of the topic (for example, in terms of scientific knowledge, agreed and accepted terminology and of scope) and related disclosure resources.</p>	<p>Aspects related to the maturity of the science behind a sustainability matter and of the existing related disclosure resources will be considered when assessing:</p> <ul style="list-style-type: none"> • deficiencies in disclosures (criterion 2); • feasibility of the potential project and its solution (criterion 6); and • capacity of ISSB to progress the projects in a timely way (criterion 7).
<ul style="list-style-type: none"> • Assurance and auditing feasibility; • Coverage of the matter in IFRS S1; and • Scalability. 	<p>These suggestions are more appropriate for standard-setting projects:</p> <ul style="list-style-type: none"> • On auditability, paragraph 3.52 of the IFRS Due Process Handbook clarifies that the ISSB liaises with the International Auditing and Assurance Standards Board, which comments on matters relating to the auditability of

Suggested criterion	How suggested criterion is covered by the proposed criterion or otherwise considered by the ISSB
	<p>proposed new IFRS Standards and amendments to Standards; and</p> <ul style="list-style-type: none"> on the need of new requirements and scalability, paragraph 3.76 of the IFRS Due Process Handbook describes the effect analysis undertaken by the ISSB and clarifies that the ISSB is committed to assessing and explaining its views about the likely costs of implementing proposed new requirements and the likely ongoing associated costs and benefits of each new IFRS Standard. Additionally, criterion 2 considers the existing disclosure requirements in ISSB Standards.
Stakeholder engagement	<p>Table 2 in the Request for Information explains that engaging with stakeholder engagement is at the core of ISSB’s activities.</p> <p>For example, the ISSB meets regularly with its advisory bodies and consultative groups, and gathers feedback via, for example, public consultation as required by the IFRS Foundation due process.</p> <p>Additionally, criterion 7 explicitly requires consideration of the capacity of ISSB’s stakeholders.</p>
Importance of the matter to value creation	<p>ISSB evaluates a potential project for inclusion in its work plan by assessing the importance of the matter to investors. Criterion 1 covers importance of the matter to investors, which considers value criterion.</p>