
Sustainability Standards Advisory Forum meeting

Date	October 2024
Topic	Embedding interoperability into the ISSB's ongoing work – research projects
Contacts	Samuel Prestidge (sprestidge@ifrs.org)

This paper has been prepared for discussion at a public meeting of the Sustainability Standards Advisory Forum (SSAF). This paper does not represent the views of the International Sustainability Standards Board (ISSB) or any individual ISSB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Sustainability Disclosure Standards. The ISSB's technical decisions are made in public and are reported in the ISSB *Update*.

Purpose of this session

Purpose of this session

- To provide an overview of how interoperability will be embedded into the ISSB's ongoing work. Representatives from the GRI and EFRAG will also provide an overview of requirements relating to biodiversity and human capital from the GRI Standards and European Sustainability Reporting Standards respectively.

Questions for SSAF members

- The staff welcome SSAF members perspectives on how interoperability will be embedded into the ISSB's research projects

ISSB Meetings

- Engaged the ISSB to consider how interoperability will be embedded into the ISSB’s ongoing activities
- Followed ISSB decisions in relation to its work plan:
 - **February 2024** - to make it explicit the ISSB will consider the work of other relevant standard-setters in establishing its work plan
 - **March 2024** – interoperability will be integral to the ISSB’s ongoing work
 - **April 2024** – to pursue approaches that would promote interoperability between the global baseline and other widely used standards and frameworks
 - **July 2024** – [see next slide]

ISSB meeting

Date **July 2024**
Project **Work plan**
Topic **Embedding interoperability in the ISSB’s ongoing activities**
Contacts **Samuel Prestidge (sprestidge@ifrs.org)**

This paper has been prepared for discussion at a public meeting of the International Sustainability Standards Board (ISSB). This paper does not represent the views of the ISSB or any individual ISSB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Sustainability Disclosure Standards. The ISSB’s technical decisions are made in public and are reported in the ISSB *Update*.

Purpose

1. The purpose of this paper is to provide the International Sustainability Standards Board (ISSB) with:
 - (a) background on the ISSB’s work on interoperability thus far;
 - (b) an overview of the role of interoperability in the context of the ISSB’s objective of developing standards that provide a global baseline of sustainability-related information for capital markets and supporting the adoption of the ISSB Standards; and
 - (c) the staff view on how we intend to embed interoperability into the ISSB’s ongoing technical activities.
2. The staff welcomes input from the ISSB into how:
 - (a) the ISSB’s ongoing consideration of interoperability relates to but is distinct from:
 - (i) the strategy to support the adoption of the ISSB Standards globally; and
 - (ii) the ISSB’s work to identify opportunities to build on existing sustainability disclosure standards or frameworks.

Key takeaways from July 2024 ISSB Meeting

- ISSB work on interoperability related to but distinct from ISSB strategy to support jurisdictional adoption
- ISSB to identify opportunities to enable companies that need or want to apply ISSB Standards alongside other reporting requirements (e.g ESRS and GRI), to do so efficiently
- ISSB to communicate to stakeholders about how interoperability is being considered as it advances its work

ISSB meeting

Date **July 2024**
Project **Work plan**
Topic **Embedding interoperability in the ISSB's ongoing activities**
Contacts **Samuel Prestidge (sprestidge@ifrs.org)**

This paper has been prepared for discussion at a public meeting of the International Sustainability Standards Board (ISSB). This paper does not represent the views of the ISSB or any individual ISSB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Sustainability Disclosure Standards. The ISSB's technical decisions are made in public and are reported in the ISSB *Update*.

Purpose

1. The purpose of this paper is to provide the International Sustainability Standards Board (ISSB) with:
 - (a) background on the ISSB's work on interoperability thus far;
 - (b) an overview of the role of interoperability in the context of the ISSB's objective of developing standards that provide a global baseline of sustainability-related information for capital markets and supporting the adoption of the ISSB Standards; and
 - (c) the staff view on how we intend to embed interoperability into the ISSB's ongoing technical activities.
2. The staff welcomes input from the ISSB into how:
 - (a) the ISSB's ongoing consideration of interoperability relates to but is distinct from:
 - (i) the strategy to support the adoption of the ISSB Standards globally; and
 - (ii) the ISSB's work to identify opportunities to build on existing sustainability disclosure standards or frameworks.

SSAF

Nature and Human Capital

Introduction to ESRS E2, 3, 4, 5 and ESRS S1 and 2

Pedro Faria, EFRAG Environmental leader

Gemma Sanchez, EFRAG Social leader

21 October 2024



DISCLAIMER

The views expressed in this presentation are those of the presenter, except where indicated otherwise. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Introduction: materiality, general requirements

Nature in ESRS: ESRS E2 to E5

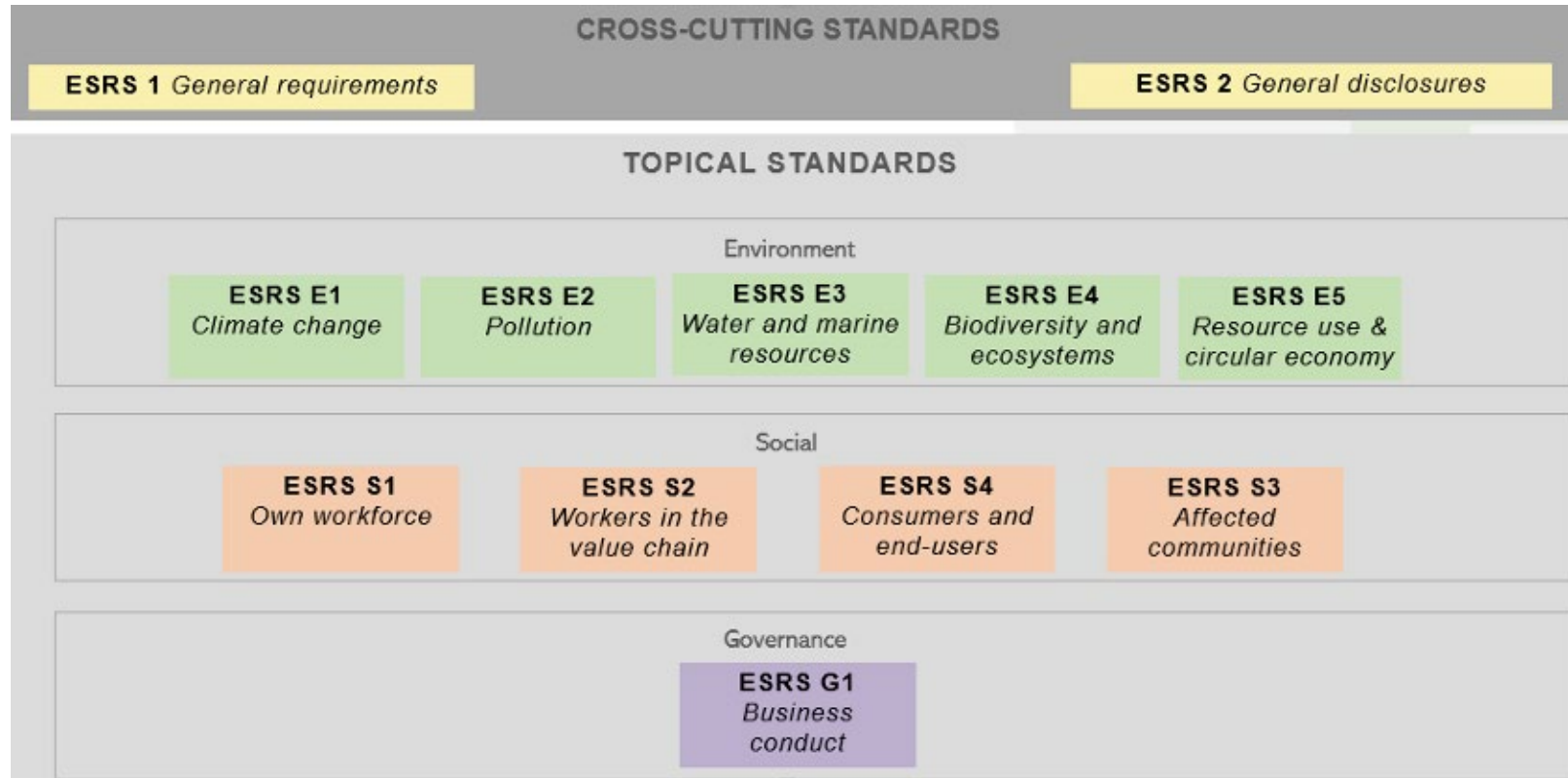
Human Capital in ESRS: ESRS S1 and S2



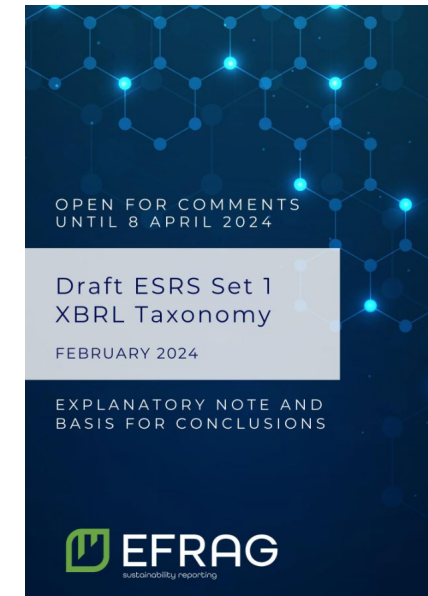


ESRS overview

The first set of sector agnostic ESRS



Sector-specific standards WIP



XBRL taxonomy
Published on 30
August 2024

ESRS are effective from 2024 (2025) reports for mandatory reporting of entities (listed and not) with more than 500 (250) employees. Reports are audited and form part of the Management Report.

Reporting areas aligned with TCFD (and IFRS)

Governance (ESRS 2)

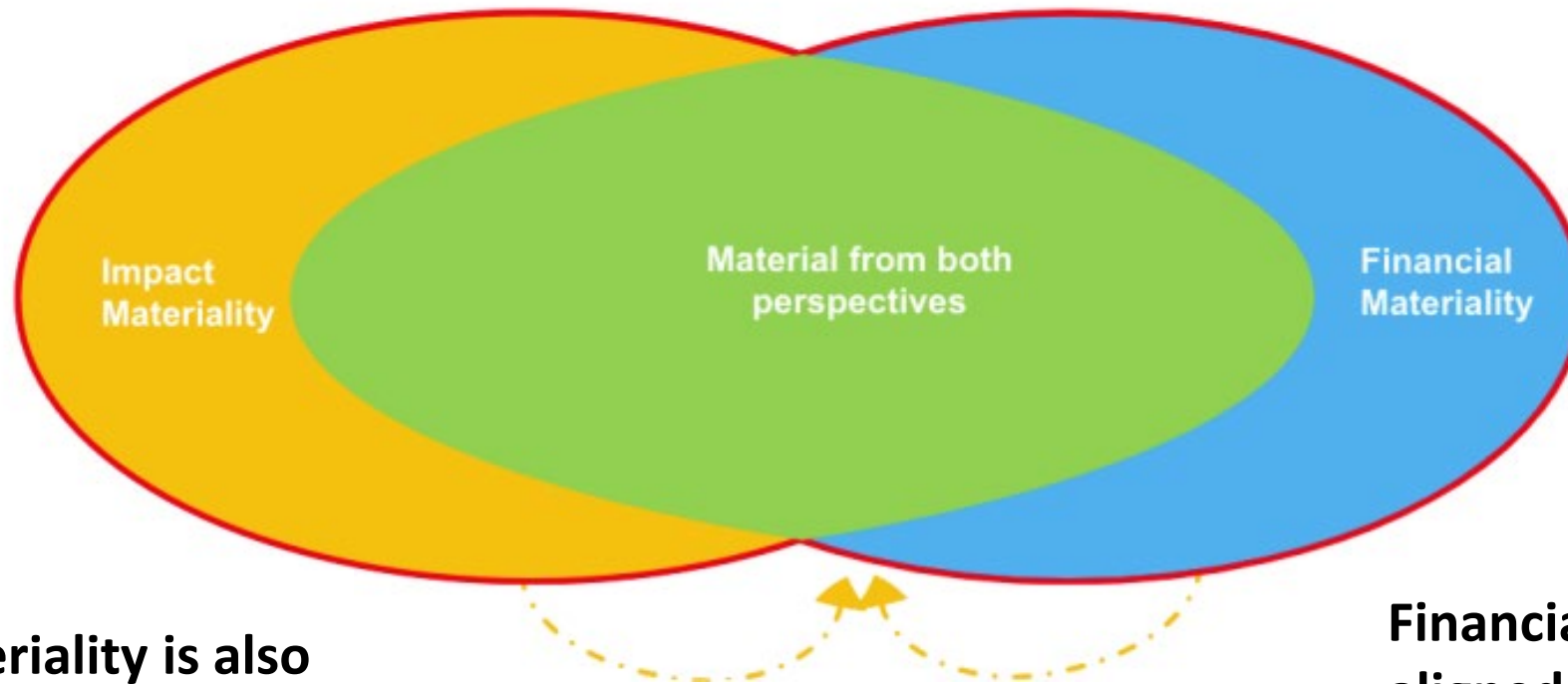
Strategy (ESRS 2 and topical)

Impact, risk and opportunity management (policies and actions) - topical with minimum disclosure requirements in ESRS 2

Metrics and Targets (topical)

General requirements and double materiality

All sustainability matters affected by or that have an effect on the undertaking



Impact materiality is also to be covered in IFRS reporting to the extent that info is material for investors.

Key IFRS S1 requirements are all covered in ESRS (qualitative characteristics, connectivity, entity specific, etc.)

Financial materiality is aligned with IFRS S1&2. ESRS and IFRS assessments are expected to provide an aligned outcome.

ISSB

- Since April 2022 ongoing work - first with TRWG, then with ISSB and Staff – to ensure the highest possible level of alignment between ESRS and ISSB Standards.
- Interoperability guidance released in May 2024
- **SASB: ESRS prototype sector standard OG and MQC shows that approx. 50% of SASB metrics are already covered by ESRS Set 1 (sector agnostic).**

TNFD

- Since 2022, continuous exchange in the development of the ESRS environmental standards and the TNFD recommendations and guidance.
- MoU TNFD-EFRAG signed in December 2023
- Correspondence table released in June 2024

GRI

- Continuous exchange in the development of the ESRS and the GRI Standards over last 4 years.
- MoU EFRAG-GRI signed in November 2023
- Draft mapping released in December 2023 (under review) and to include new GRI standard on biodiversity.

- General purpose: to avoid multiple reporting
- Guidance to illustrate the commonalities between ESRS and TNFD Framework, ISSB Standards and GRI Standards

Consolidation of key European and global references

Regulation (EU) 2019/2088 – Sustainability related disclosures in the financial services sector (SFDR)	Regulation (EU) 2020/852- Sustainable Finance Taxonomy	EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks	Capital requirements regulation (CRR)	Commission Recommendation of 9 April 2013 on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations
EU Emissions Trading Scheme (EU-ETS)	European Climate Law	EMAS III	EU Whistleblowing Directive	Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
GHG Protocol	Transparent Project and Natural Capital Protocol	Recommendations of the Task Force for Nature Related Financial Disclosure (TNFD)	Global Reporting Initiative (GRI) Standards	UN Sustainable Development Goals
UN Guiding Principles on Business and Human Rights	OECD Guidelines for Multinational Enterprises	UN Global Compact	Tripartite Declaration of Principles of the International Labour Organisation concerning Multinational Enterprises and Social Policy, and the Fundamental Principles and Rights at Work (ILO core conventions)	ISO 26000 standard on social responsibility

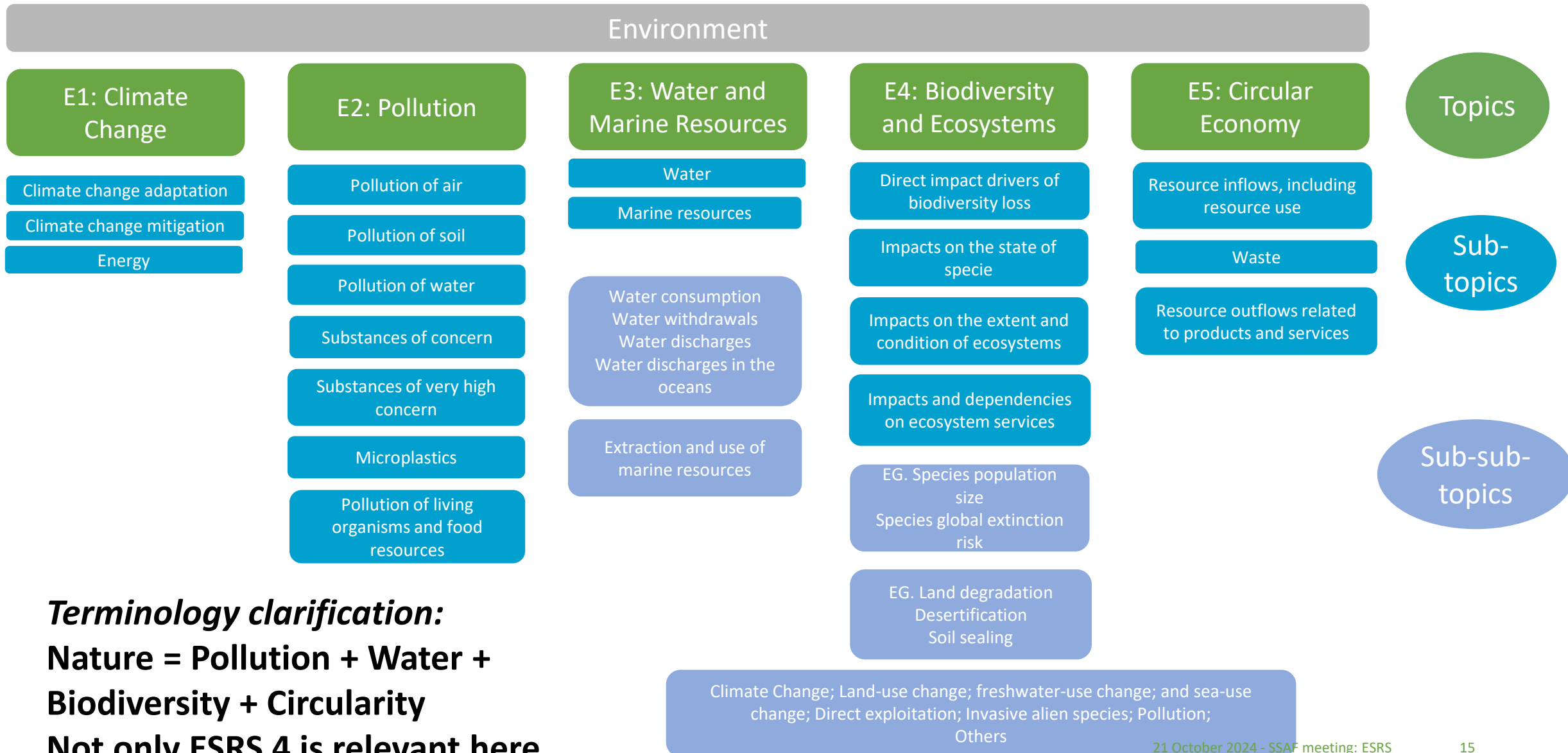
UN Principles for Responsible Investment

ICGN Global Governance Principles



Nature in ESRS

Environment ESRS: Subtopics



Terminology clarification:
Nature = Pollution + Water + Biodiversity + Circularity
Not only ESRS 4 is relevant here

Environment ESRS: Overarching aspects

- ESRS E2-E5 are aligned with the objectives as set out by Art. 9 of **Regulation (EU) 2020/852 (Taxonomy Regulation)**:
 - [...] (c) the sustainable use and protection of **water and marine resources**
 - [...] (d) transition to a **circular economy**
 - [...] (e) **pollution** prevention and control
 - [...] (f) the protection and restoration of **biodiversity and ecosystems**.
- The environmental ESRS should be read and interpreted in conjunction with each other, to obtain a comprehensive understanding of material impacts and dependencies on nature topics.
- The DR related to **ESRS 2 IRO-1** in ESRS E2-E5 states that the undertaking may consider the **LEAP approach** when conducting its materiality assessment on these environmental matters.



E2 Pollution related

- Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)
- European Pollutant Release and Transfer Register (E-PRTR)
- Industrial Emissions Directive (IED)
- Classification, Labelling and Packaging (CLP)
- Seveso III Directive
- Taxonomy Regulation
- SFDR

E3 Water and marine resources related

- EU Water Framework Directive
- EU Marine Strategy Framework Directive
- Taxonomy Regulation
- SFDR

E4 Biodiversity and ecosystems related

- EU Biodiversity Strategy for 2030
- EU Birds and Habitats Directives
- Marine Strategy Framework Directive
- Taxonomy Regulation
- SFDR

E5 Circular economy and resource use related

- EU Circular Economy Action Plan
- EU Waste Framework Directive
- Industrial Emissions Directive (IED)
- Classification, Labelling and Packaging (CLP)
- Taxonomy Regulation
- SFDR

Objective of ESRS E2 to E5

To enable users of sustainability statements to understand:

How the undertaking affects XYZ (depending on the standard), in terms of material positive and **negative *actual* or *potential* impacts**.

Actions taken, and the result of such actions, to **prevent** or **mitigate** actual or potential negative impacts, and to address risks and opportunities.

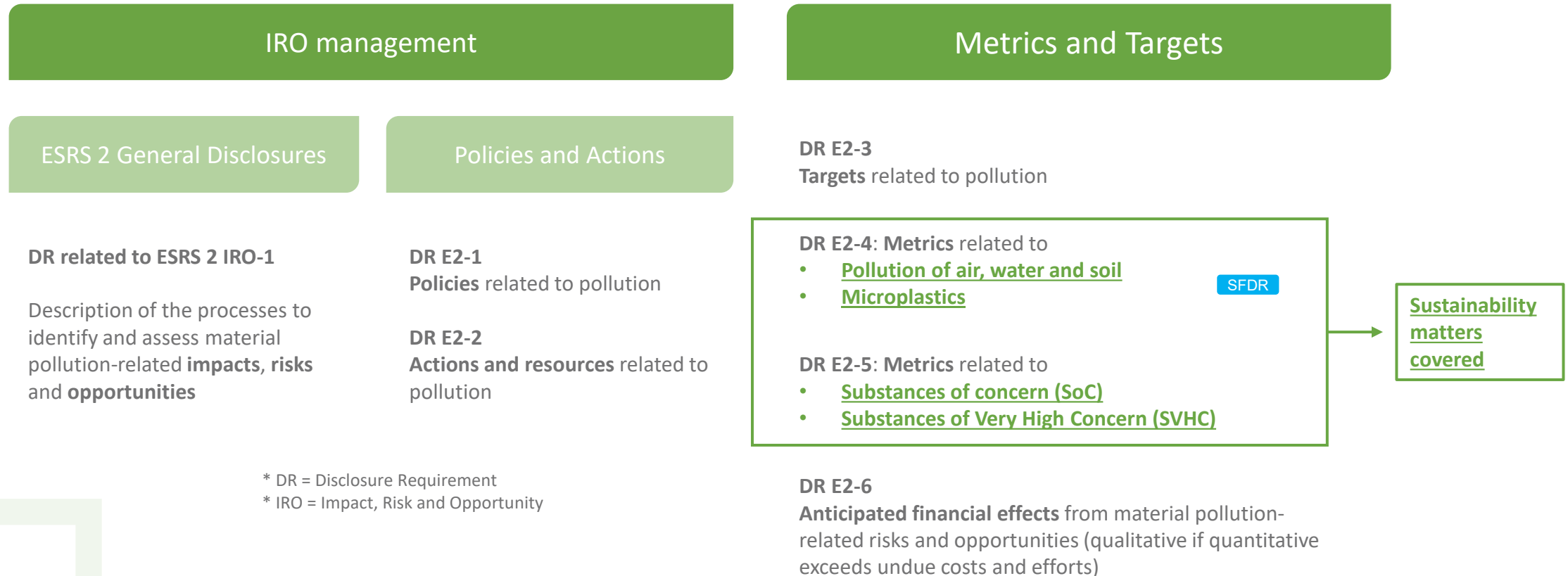
Plans and **capacity** of the undertaking to **adapt** its strategy and business model in line with the transition to a sustainable economy and XYZ (depending on the standard).

Nature, type and **extent** of the undertaking's material risks and opportunities related to the undertaking's XYZ-related impacts and dependencies, and **how the undertaking manages them**.

Financial effects on the undertaking over the **short-, medium- and long-term** of material risks and opportunities arising from the undertaking's XYZ-related impacts and dependencies.

Overview of ESRS E2

Covered sustainability matters: *Pollution of air, soil, water; Substances of concern; Substances of very high concern; Microplastics; Pollution of living organisms and food resources*



Overview of ESRS E3

Covered sustainability matters: *water, marine resources*

IRO management

ESRS 2 General Disclosures

DR related to ESRS 2 IRO-1

Description of the processes to identify and assess material water and marine resources **impacts, risks and opportunities**

Policies and Actions

DR E3-1

Policies related to water and marine resources SFDR

DR E3-2

Actions and resources related to water and marine resources

Metrics and Targets

DR E3-3

Targets related to water and marine resources

DR E3-4: Metrics related to

- Water Consumption

SFDR

Sustainability matters covered

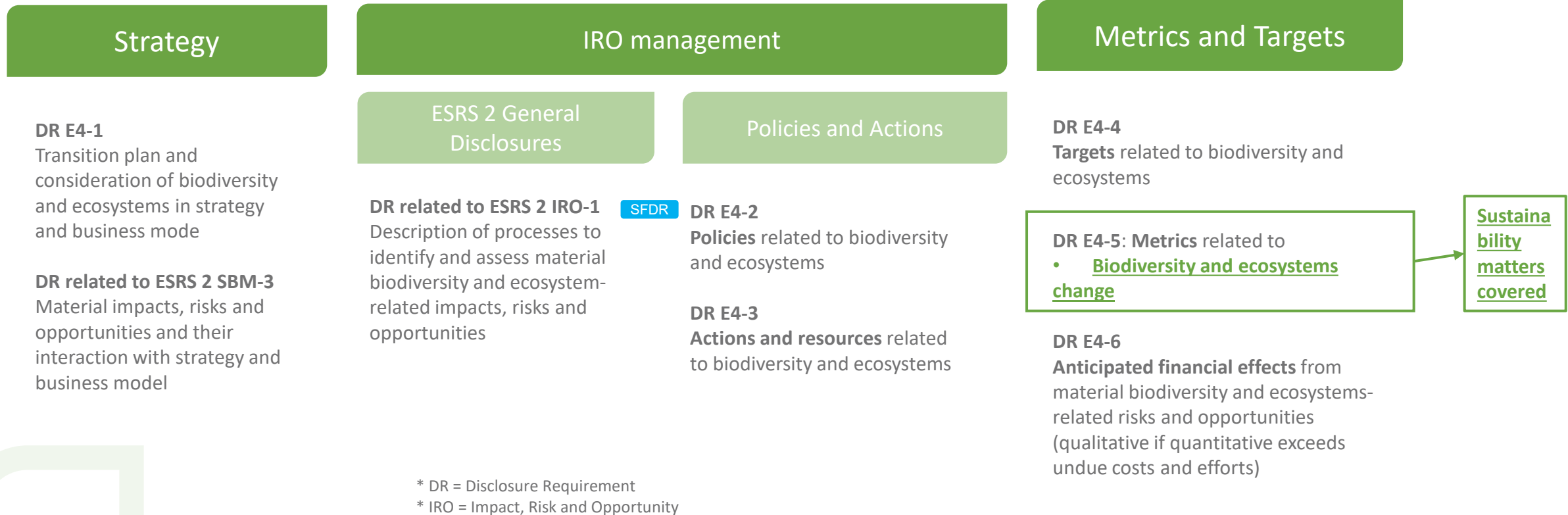
DR E3-5

Anticipated financial effects from material water and marine resources-related risks and opportunities (qualitative if quantitative exceeds undue costs and efforts)

* DR = Disclosure Requirement
* IRO = Impact, Risk and Opportunity

Overview of ESRS E4

Covered sustainability matters: *Direct impact drivers of biodiversity loss, Impacts on the state of species, Impacts on the extent and condition of ecosystems, Impacts and dependencies on ecosystem services*



Overview of ESRS E5

Covered sustainability matters: *Resource inflows, Resource outflows, including resource use; Waste; Resource outflows related to products and services*

IRO management

Metrics and Targets

ESRS 2 General Disclosures

Policies and Actions

DR related to ESRS 2 IRO-1

Description of the processes to identify and assess material resource use and circular economy-related **impacts, risks and opportunities**

DR E5-1

Policies related to resource use and circular economy

DR E5-2

Actions and resources related to resource use and circular economy

DR E5-3

Targets related to resource use and circular economy

DR E5-4: Metrics related to

- Resource inflows

DR E5-5: Metrics related to Resource outflows of

- Products and materials
- Waste

SFDR

Sustainability matters covered

DR E5-6

Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities (qualitative if quantitative exceeds undue costs and efforts)

* DR = Disclosure Requirement

* IRO = Impact, Risk and Opportunity



Human Capital in ESRS

CSRD: Article 19(a), 29(a)

The information shall contain

(a) description of:

- (i) the **due diligence process** implemented by the undertaking regarding **sustainability matters**, and, where applicable, in line with EU requirements on undertakings to conduct a due diligence process;
- (ii) the **principal actual or potential adverse impacts** connected with the undertaking's **own operations** and with **its value chain**, including **its products and services, its business relationships and its supply chain**, as well as actions taken to identify and monitor those impacts, and other adverse impacts which the undertaking is required to identify pursuant to other EU requirements on undertakings to conduct a due diligence process;

(b) description of the **principal risks** to the undertaking related to sustainability matters, including a description of the undertaking's principal **dependencies** on those matters, and how the undertaking manages those risks.

Impact
materiality

Financial
materiality



CSRD: Article 29(b)

(b) specify the information that undertakings are to disclose about **social factors**, including information about:

i) equal **treatment and opportunities for all**, including:

- gender equality and equal pay for work of equal value
- training and skills development
- employment and inclusion of people with disabilities
- measures against violence and harassment in the workplace
- diversity

ii) **working conditions**, including:

- secure employment
- working time
- adequate wages
- social dialogue
- freedom of association
- existence of work councils
- collective bargaining including the rate of workers covered by collective agreements
- the information, consultation and participation rights of workers
- work-life balance
- health and safety

iii) respect for the **human rights, fundamental freedoms, democratic principles and standards** established in:

- the International Bill of Human Rights and other core UN human rights conventions, including the UN Convention on Persons with Disabilities
- the UN Declaration on the Rights of Indigenous Peoples
- the ILO's Declaration on Fundamental Principles and Rights at Work
- the ILO fundamental conventions
- the European Convention of Human Rights
- the revised European Social Charter
- the Charter of Fundamental Rights of the European Union

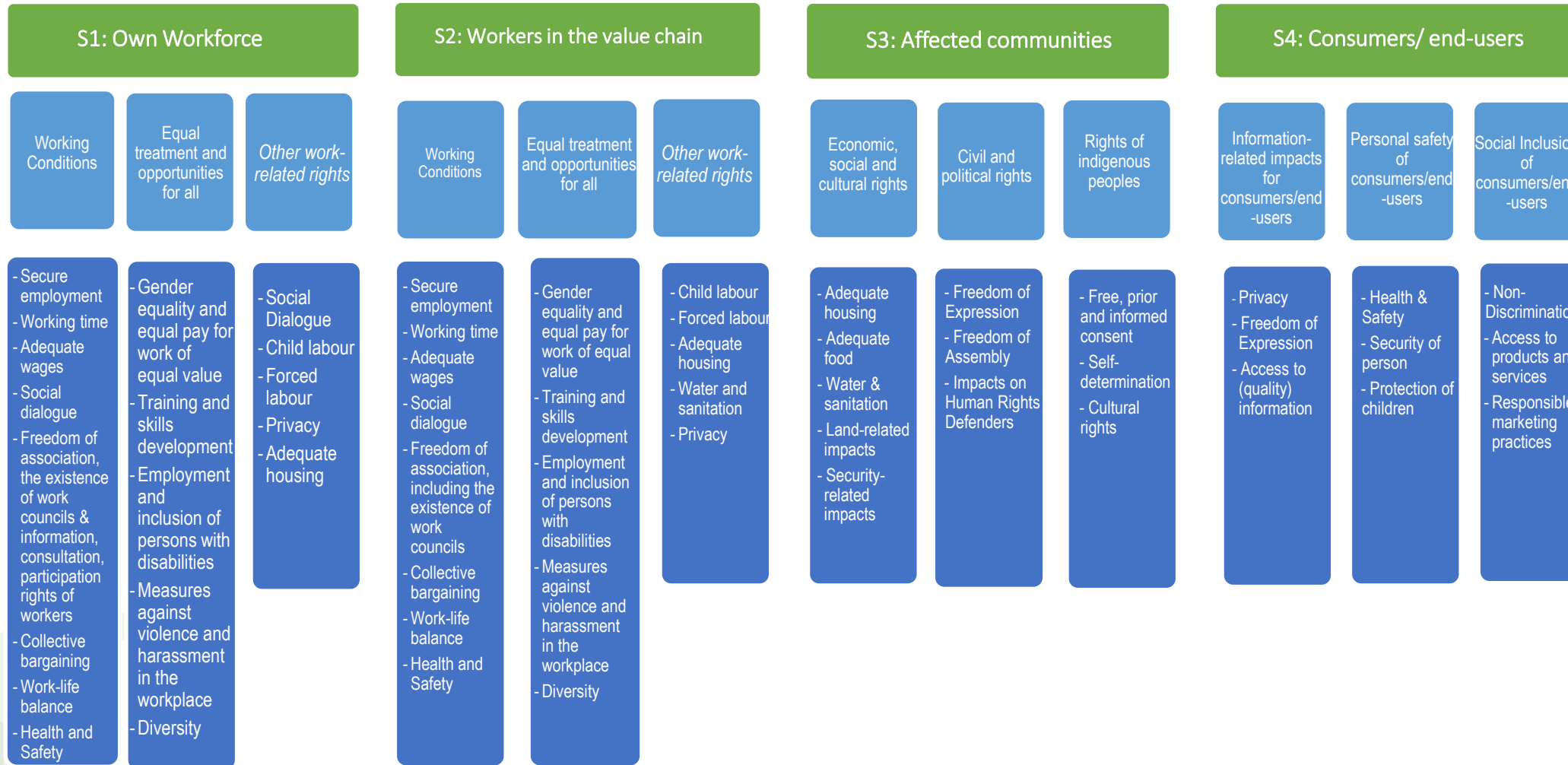
References (not exhaustive):

- European Pillar of Social Rights
- Pay Transparency Directive
- Gender Equality Directive
- EU Adequate Minimum Wage Directive
- EU labour law acquis

Note: Refer to the Basis for Conclusions for ESRS S1 issued March 2023

Social Standards: Structure of the Social Pillar

Social

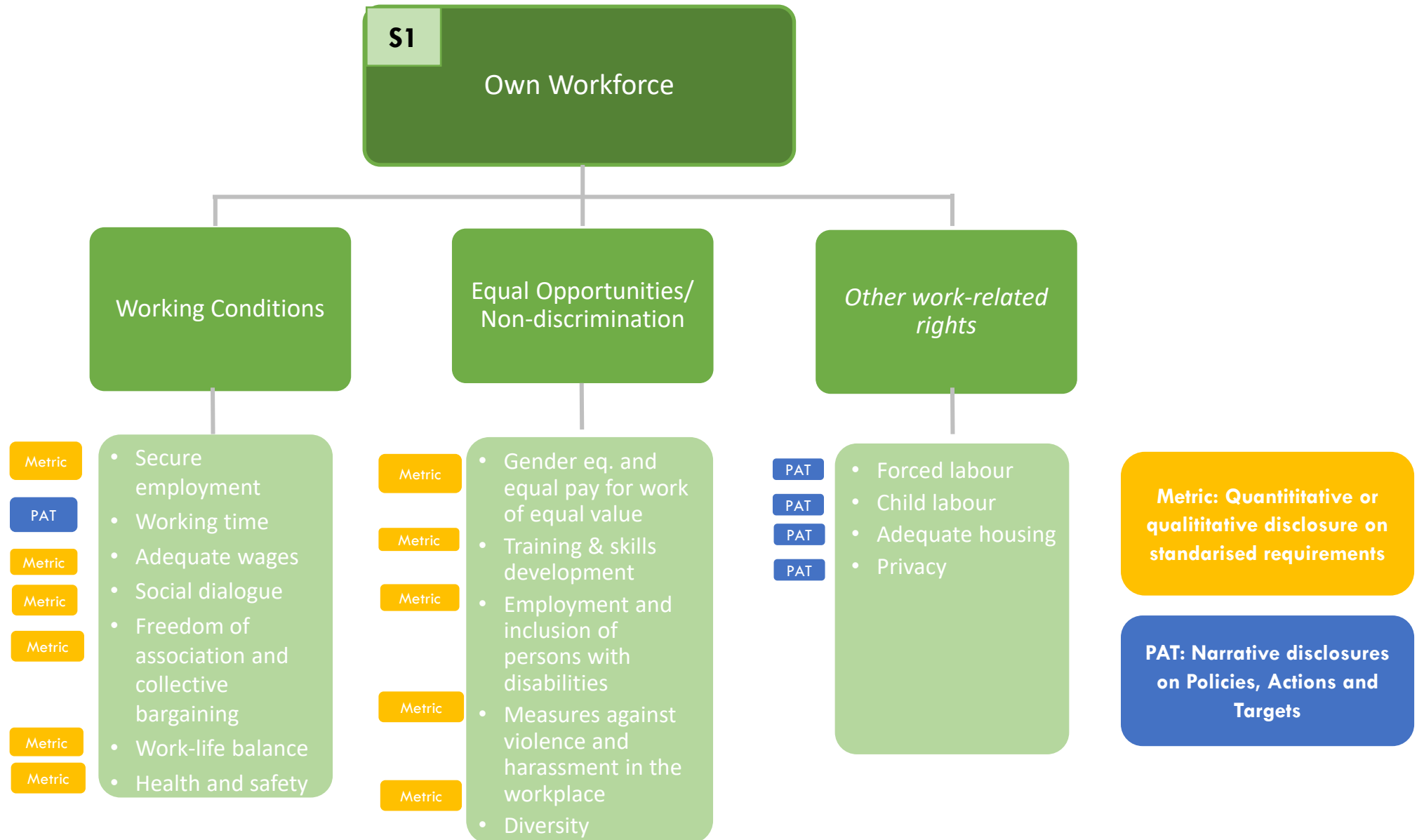


Topics

Sub-Topics

Sub-Sub-Topics

ESRS S1 – taking a closer look



Social Standards: Structure of ESRS S1 Own Workforce

DRs 1-5 inspired by due diligence as per international due diligence instruments (OECD, UNGP)

IRO MANAGEMENT

DR S1-1: **Policies related to** own workforce GRI OECD UNGP SFDR

DR S1-2: **Processes for engaging** with own workforce and workers' representatives about impacts GRI OECD UNGP

DR S1-3: Processes to **remediate** negative **impacts** and **channels** for own workforce to **raise concerns** UNGP SFDR

DR S1-4: **Taking action on** material impacts on own workforce, and **approaches to managing** material risks and pursuing material opportunities related to own workforce GRI OECD UNGP

METRICS AND TARGETS

DR S1-5: **Targets** related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities GRI UNGP

Qualitative approach for material matters in Social (incl. Affected communities):

- Policies, actions, targets
- Engagement process
- Grievance channels
- Remediation

Metrics for ESRS S2-S4 to be included in sector-specific standards or further reviews of sector-agnostic.

Specific Application Requirements for ESRS S3 Affected communities on interactions between the Environmental standards and Affected communities (refer to ESRS S3 AR 28).

ESRS 2 GENERAL DISCLOSURES

ESRS 2 SBM-2 – **Interests and views of** stakeholders UNGP

ESRS 2 SBM-3 – **Material impacts, risks and opportunities** and their interaction with strategy and business model ILO OECD UNGP

Interoperability: sources of ESRS metrics and disclosures

METRICS AND TARGETS

S1-6: Characteristics of the undertaking's **employees** GRI

S1-7: Characteristics of **non-employees in the undertaking's own workforce** GRI

S1-8: **Collective bargaining coverage and social dialogue** ILO GRI EU LAW SASB

S1-9: **Diversity metrics** SFDR GRI

S1-10: **Adequate wages** EU LAW

S1-11: **Social protection** EU LAW

S1-12: Persons with **disabilities** UNCRPD GRI

S1-13: **Training and skills development metrics** GRI SASB

S1-14: **Health and safety metrics** SFDR GRI ILO BENCHMARK

S1-15: **Work-life balance metrics** EU LAW GRI

S1-16: **Remuneration metrics (gender pay gap + CEO pay ratio)** SASB SFDR GRI EU LAW BENCHMARK

S1-17: Incidents, complaints and **severe human rights impacts** EU LAW GRI SFDR ILO BENCHMARK

CSRD sources for the ESRS S1 (among others):

- European Pillar of Social Rights
- International Bill of Human Rights
- Other core UN conventions, including the UNCRPD, UN Convention on the Rights of the Child
- ILO Declaration on Fundamental Principles and Rights at Work
- ILO Fundamental Conventions
- European Convention on Human Rights
- European Social Charter
- Charter of Fundamental Rights of the European Union

Definition of stakeholder groups – S2, S3 and S4

ANNEX II

ACRONYMS AND GLOSSARY OF TERMS (Table 2)

Value chain workers

- An individual **performing work in the value chain of the undertaking**, regardless of the existence or nature of any contractual relationship with the undertaking. In the ESRS, the scope of workers in the value chain include all workers in the undertaking’s upstream and downstream value chain who are or can be materially impacted by the undertaking. This includes **impacts that are connected to the undertaking’s own operations, and value chain, including through its products or services, as well as through its business relationships.**

Affected communities

- **People or group(s) living or working in the same area** that have been or may be affected by a reporting undertaking’s operations or through its upstream and downstream value chain. Affected communities can **range from those living adjacent to the undertaking’s operations** (local communities) **to those living at a distance**. Affected communities **include** actually and potentially affected **indigenous peoples**.

Consumers

- Individuals who **acquire, consume or use goods and services** for personal use, either for themselves or for others, and not for resale, commercial or trade, business, craft or profession purposes.

End-users

- Individuals who **ultimately use** or are **intended to ultimately use** a particular product or service.



GRI thematic standard setting activities

Bastian Buck, Chief Standards Officer



GRI



**GRI 101:
Biodiversity 2024**

Why revise the GRI Biodiversity Standard?



1

Unprecedented biodiversity loss globally, deeply interconnected with climate change

2

Biodiversity features as key theme in the UN 2030 Agenda for Sustainable Development

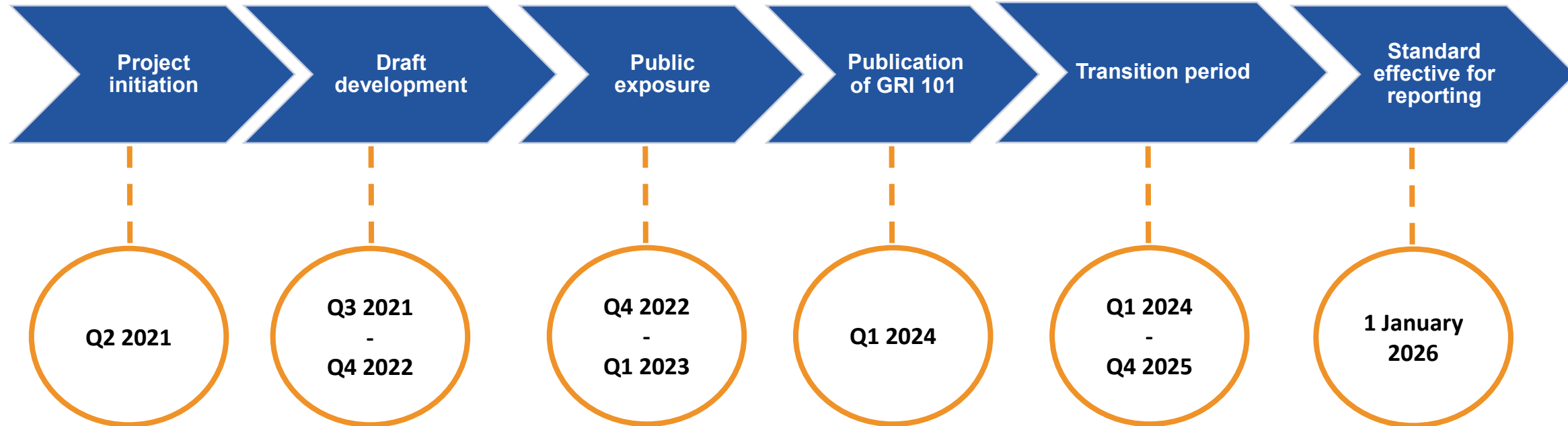
3

Growing demand for transparency but lack of consistent and comparable biodiversity reporting

4

To represent best practice and align with relevant authoritative instruments

Development and roll out



GRI Biodiversity Technical Committee



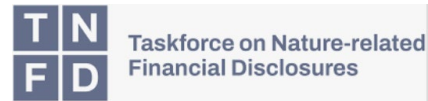
[Click here for member biographies](#)

Biodiversity disclosure landscape

Intergovernmental instruments



International frameworks & initiatives



Sustainability reporting standards

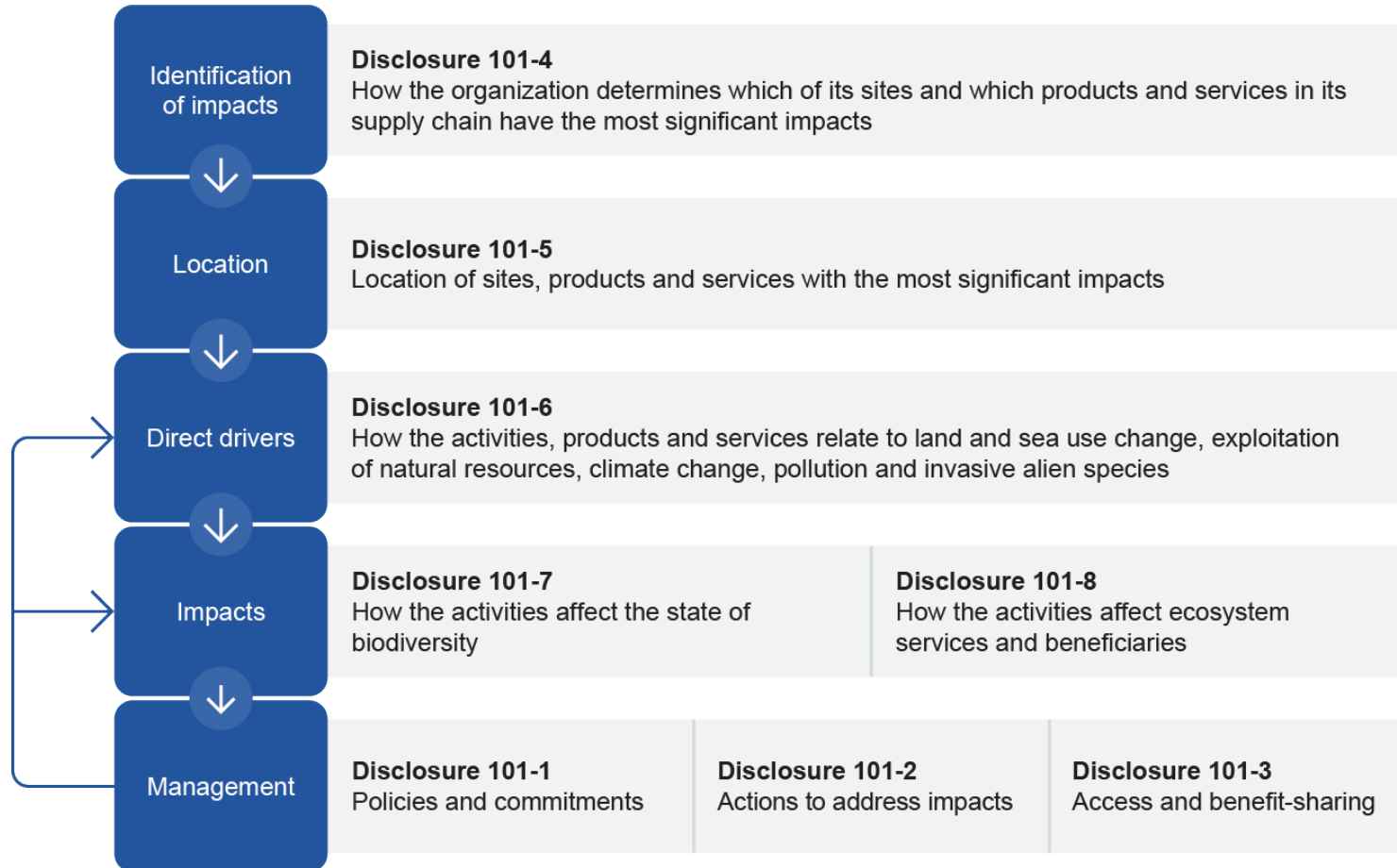


ESRS E4
Biodiversity and ecosystems

Benchmarking



Integrated and interconnected reporting



Activities

- Pilot program with Community members
- Ongoing collaboration with key initiatives:
 - ISSB
 - TNFD
 - Nature Positive Initiative
- COP 16 participation

Resources

- [Standard](#)
- [Translations](#) in 10 languages
- [GRI Academy course](#)
- Interoperability mappings
 - [GRI – TNFD](#)
 - GRI 101- ESRS E4 (forthcoming)
- Business case studies (forthcoming)



Labor related Standards project

Labor Project objectives

1

Review, revise, and develop the labor-related GRI Standards

2

Revise in the light of the new 2021 Universal Standards and the incorporation of corporate human rights due diligence

3

Build on the latest insights from authoritative intergovernmental instruments such as:

- ILO Conventions and Recommendations
- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles

4

Include new labor issues to reflect the stakeholders' expectations related to reporting labor-related impacts



Phase 1 Employment Practices and Conditions

- Employment Topic Standard
- Remuneration and Working Time Topic Standard
- Significant Changes for Workers Topic Standard
- Control of work standard interpretation to GRI 2

Phase 2 Working life and Career development

- Training and Education Topic Standard
- Working Parents and Caregivers Topic Standard
- Diversity, Inclusion and Equal Opportunity Topic Standard

Phase 3 Workers' Rights and Protection

- Child Labor Topic Standard
- Modern Slavery and Forced Labor Topic Standard
- Non-discrimination Topic Standard
- Freedom of Association and Collective Bargaining Topic Standard
- Workers in Business Relationships Topic Standard

Labor Technical Committee

- International Labour Organization (ILO)
- International Organization of Employers (IOE)
- International Trade Union Confederation (ITUC) and the Global Unions Federations (GUFs)

Advisory Group

Business Enterprise

- Assent Inc
- IKEA
- Position Green
- Law firm Tanabe and Partners
- Ulula

Investment Institution

- Norges Bank Investment Management

Civil society

- Middlesex University
- UNICEF
- University of Aberdeen Business School
- Verité

Mediating Institution

- ESG Research Institute at Kim & Chang

GRI Topic Standard Project for Labor



Project update



Phase 1: Employment Practices and Conditions

- Exposure drafts submitted to GSSB for approval in May 2024
- Public comment period from 4 June to 4 October 2024
- Final approval estimated for Q2 2025

Phase 2: Working life and Career development

- Exposure drafts submitted to GSSB for approval in October 2024
- Public comment period Q1-Q2 2025
- Final approval estimated for Q3 2025

Phase 3: Workers Rights and Protection

- Exposure drafts submitted to GSSB for approval in GSSB Q2 2025
- Public comment period Q2-Q3 2025
- Final approval estimated for Q4 2025/Q1 2026

Follow us online

 [ifrs.org](https://www.ifrs.org)

 [@IFRSFoundation](https://twitter.com/IFRSFoundation)

 [IFRS Foundation](https://www.youtube.com/IFRSFoundation)

 [International Sustainability
Standards Board](https://www.linkedin.com/company/ifrs-foundation)