

September 1, 2023

Mr. Emmanuel Faber, ISSB Chair
Ms. Sue Lloyd, ISSB Vice-Chair
IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD, UK

Sent to: commentletters@ifrs.org

Re: CBA¹ comments on the International Sustainability Standards Board (ISSB) Consultation on Agenda Priorities

Dear Mr. Faber and Ms. Lloyd,

The Canadian Bankers Association (CBA) welcomes the opportunity to provide feedback on the ISSB's Consultation on Agenda Priorities. We would like to acknowledge and express support for the progress that has been made by the ISSB to develop a comprehensive baseline for sustainability reporting, the coordination efforts underway with other standard-setters and jurisdictional regulatory bodies to promote interoperability and align, as much as possible, requirements at jurisdictional and international levels, and its commitment to support implementation of the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and IFRS S2 Climate-related Disclosures (IFRS S2) standards recently finalized. We recognize the need for continued work in this rapidly evolving ESG landscape, and are pleased with the ISSB's initiative to request public feedback to maximize its value-add over the next two years.

We generally support the approach and key topics identified by the ISSB, and would like to highlight the importance of intersectionality of the projects and the urgent need for interoperability. As preparers in the financial services industry progress in their respective sustainability journeys, including climate change, it becomes more important to better understand the linkages and intersections between the risks and opportunities presented by climate change, and areas such as biodiversity, human capital, and human rights where standardized reporting is currently nascent. It is critical that the ISSB continue to focus on global harmonization and closely engage with jurisdictions and/or standard setters, including but not limited to, the European Commission, European Financial Reporting Advisory Group, Canadian Securities Administrators, and the Securities and Exchange Commission to address significant concerns on the interoperability of current and future standards and requirements. Fragmentation currently exists with various jurisdictions moving at different speeds and with different reporting requirements and effective dates. As many of our members are subject to requirements in multiple jurisdictions, banks are finding that differences in implementation dates,

¹ The Canadian Bankers Association is the voice of more than 60 domestic and foreign banks that help drive Canada's economic growth and prosperity. The CBA advocates for public policies that contribute to a sound, thriving banking system to ensure Canadians can succeed in their financial goals. www.cba.ca

scope, depth of disclosure, location of disclosure, assurance requirements etc., are collectively creating an unprecedented level of implementation complexity, along with increased reporting burden, disclosure volume, and compliance risks and costs. We are concerned that this fragmentation will continue as the ISSB enters its next phase of work, at a time when a single, harmonized framework is necessary to promote consistency and comparability between companies globally. It is also critical that the ISSB consider the potential unintended consequences of releasing new standards before ensuring the effective implementation of existing standards. For example, if the ISSB develops multiple standards before evaluating the effectiveness of the inaugural standards, and before the development and market testing of methodologies/approaches can take place, this could result in unintended consequences such as, increases in the volume of disclosures which are not comparable or decision useful for investors.

In this letter, we provide our responses to the consultation questions 1, 2, 3 and 7 including rankings of the activities noted by the ISSB.

Question 1 - Strategic direction and balance of the ISSB's activities

We believe the strategic direction and balance of the ISSB's activities should be ranked in the following order (from highest to lowest priority):

- 1. Supporting the implementation of IFRS S1 and IFRS S2:** Before the ISSB starts to expand the scope of disclosures with new standards and requirements, we believe there needs to be adequate foundational support for the successful implementation of the existing standards to promote their widespread adoption aimed at improving consistency and comparability in reporting. We believe it is of paramount importance that preparers are well-supported in their implementation journeys with additional interpretive and application guidance in areas that are nascent (e.g., materiality), as well as educational and training support to build up much-needed capacity and expertise to deliver on these requirements. In this vein, as part of its implementation efforts, we also urge the ISSB to prioritize working with IOSCO and other jurisdictional regulators to (i) provide safe harbour protections in areas where methodologies are less clear, and data quality and availability is imperfect, and (ii) permit local jurisdictional regulators the discretion to assess and extend the transitional relief provisions provided by the ISSB based on the maturity of reporting within their respective markets. We remain strongly supportive of the ISSB's transitional relief provisions, and are of the view that providing regulators the flexibility to expand or customize these relief provisions as part of this implementation phase will help to promote widespread adoption without undermining the credibility of the reported information or exposing preparers to heightened risks.

Interoperability is also key to effective implementation. As noted above, divergence in methodologies and requirements is emerging across jurisdictions, which could result in added confusion for investors and other stakeholders, operational challenges, reporting burden for preparers, and increased compliance costs. Working towards harmonization by actively identifying and addressing differences among the various frameworks and standards should remain a top priority.

- 2. Enhancing the Sustainability Accounting Standards Board (SASB) Standards:** The ISSB has indicated the SASB Standards to be the primary source for guidance in identifying industry-specific sustainability-related risks and opportunities. We recommend the ISSB enhance the SASB Standards to help entities prepare relevant and comparable industry-specific metrics and disclosures.

3. **Researching targeted enhancements to the ISSB Standards:** We strongly encourage the ISSB to research targeted enhancements to the ISSB Standards, specifically in the areas of scenario analysis and transition planning, as these are significant existing topics covered in IFRS S2.
4. **Beginning new research and standard-setting projects:** We support the development of new standards for sustainability topics beyond climate, but are cognizant that this will take time and effort. We believe the ISSB should work on more than one project and strive for incremental progress on each of them. While balancing the need to move forward on future standards with capacity constraints, we encourage the ISSB to consider prioritizing projects if it is a focus area or topic of numerous local regulators and standard-setters (e.g. biodiversity, ecosystems, and ecosystem services (BEES)) to reduce the risk of fragmentation emerging as jurisdictions progress or mature on various topics at different speeds.

Question 2 – Criteria for Assessing Sustainability Reporting

We believe that the ISSB has identified appropriate criteria for assessing the priority of new research and standard-setting projects that could be added to its work plan. Furthermore, we suggest one additional criterion for prioritizing issues, and one additional consideration.

Additional criterion

We recommend the ISSB consider interoperability as a factor or criterion to assess the priority of projects. As noted above, there is continued risk of further fragmentation emerging as jurisdictions across the globe progress or mature on standards at varying speeds. An example of a topic that may be at risk of fragmentation is BEES.

Other Considerations:

Data challenges - Several challenges exist today that impact the reliability of climate-related data (e.g., lack of data granularity, interconnectedness of data, proliferation, and comparability of data, etc.). We also anticipate similar data challenges to exist in other areas such as nature-related data, human rights, and human capital. We stress that it will take time for data to mature, and this will, in turn, impact an entity's readiness for reporting. We therefore recommend that the ISSB consider prioritizing projects that may require longer implementation timeframes due to data challenges.

Question 3 – New research and standard-setting projects for ISSB's work plan

We are cognizant of the ISSB's limited capacity for new projects over the next two years. We also recognize the trade-offs associated with prioritizing a single project in a concentrated manner versus making incremental progress on multiple projects simultaneously. However, given the need to move forward quickly, we believe the ISSB should work on more than one project and strive for incremental progress on each of them. Based on the pace of regulatory and investor sentiment changes occurring globally, we believe there is little flexibility for the ISSB to only focus on one project. In addition, in relation to the ISSB's request for a ranking, we feel that projects should be ranked, from highest to lowest priority, in the following order:

1. BEES
2. Human Capital
3. Human Rights
4. Integration in Reporting

We believe the ISSB should prioritize BEES given the risk of fragmentation emerging as certain jurisdictional regulators (e.g., the European Commission through the Corporate Sustainability Reporting Directive) look to mandate biodiversity and nature loss disclosures effective as early as 2025, and in light of the market development of the voluntary Taskforce on Nature-related Financial Disclosures (TNFD) Framework and concerns or lack of clarity over its adoption across jurisdictions. Furthermore, biodiversity and nature loss has quickly risen in international prominence as an area of focus and concern, with significant emerging expectations associated with its preservation and restoration. The financial services industry has been largely focusing on understanding climate-related risks and building capabilities to effectively manage the risks and report on them through climate-related financial disclosures. Preparers would benefit from guidance and momentum on biodiversity and nature loss, given the interconnectedness between climate change and biodiversity and nature loss.

In addition to BEES, we also encourage the ISSB to incrementally make progress on researching social issues in the near-term, with a focus on human capital and human rights. We believe human rights and human capital are growing in importance and volume, yet are currently less standardized, therefore guidance on disclosure would be beneficial in this area. For example, a key area where additional research would be beneficial is exploring the link between human rights and other issues, such as BEES and climate. These issues vary across industries and jurisdictions and therefore a global baseline standard and industry specific metrics would be beneficial to investors and preparers of information to enhance comparability and consistency in the social dimensions of reporting.

Question 7 – New research and standard-setting projects for ISSB’s work plan: Integration in reporting

We believe that the integration in reporting project could involve intensive use of the ISSB’s resources and requires careful consideration of the potential trade-off between equipping organizations with a framework for communicating clearly and concisely about how its strategy, governance, performance and prospects – in the context of its external environment – lead to the creation, preservation or erosion of value over time, versus building on and developing new sustainability-related standards that inform the content of that communication.

For this reason and given the integrated reporting framework is broader than sustainability reporting, we recommend the ISSB focus its near-term efforts on foundational priorities and research to support future sustainability standards, and approach integrated reporting gradually over time through a formal joint project with the International Accounting Standards Board (IASB) to enhance connected reporting, consistency, comparability, and alignment across the IASB and ISSB.

Thank you for considering our comments. We would be pleased to discuss our response at your convenience.

Sincerely,



Darren Hannah