



## **Background**

Established in 1961, the WFE is the global industry association for exchanges and clearing houses. Headquartered in London, it represents over 250 market infrastructure providers, including standalone CCPs that are not part of exchange groups. Of our members, 34% are in Asia-Pacific, 45% in EMEA and 21% in the Americas. WFE's 90 member CCPs and clearing services collectively ensure that risk takers post some \$1.3 trillion (equivalent) of resources to back their positions, in the form of initial margin and default fund requirements. WFE exchanges, together with other exchanges feeding into our database, are home to over 50,000 listed companies, and the market capitalisation of these entities is over \$100 trillion; around \$140 trillion (EOB) in trading annually passes through WFE members (at end 2022).

The WFE is the definitive source for exchange-traded statistics and publishes over 350 market data indicators. Its free statistics database stretches back more than 40 years and provides information and insight into developments on global exchanges. The WFE works with standard-setters, policy makers, regulators and government organisations around the world to support and promote the development of fair, transparent, stable and efficient markets. The WFE shares regulatory authorities' goals of ensuring the safety and soundness of the global financial system.

With extensive experience of developing and enforcing high standards of conduct, the WFE and its members support an orderly, secure, fair and transparent environment for investors; for companies that raise capital; and for all who deal with financial risk. We seek outcomes that maximise the common good, consumer confidence and economic growth. And we engage with policy makers and regulators in an open, collaborative way, reflecting the central, public role that exchanges and CCPs play in a globally integrated financial system.

If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal. Please contact:

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## Response

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

**(a) From highest to lowest priority, how would you rank the following activities? Please drag and drop to rank, where 1 is the highest priority and 4 is the lowest priority.**

- 1- Supporting the implementation of ISSB Standards (IFRS S1 and IFRS S2).
- 2- Enhancing the Sustainability Accounting Standards Board (SASB) Standards.
- 3- Researching targeted enhancements to the ISSB Standards.
- 4- Beginning new research and standard-setting projects.

**(b) Please explain the reasons for your ranking order and specify the types of work the ISSB should prioritise within each activity.**

We are delighted that the ISSB is becoming a centralised source of reporting wisdom in this area. We believe this is critical if we are to create more consistent interoperable international standards to support investors and enable markets to function effectively. This will ensure flows of finance benefit transition globally. As such, we believe the ISSB is particularly well placed to ensure that information standards coalesce around the highest standards and given that issuer reporting has been a new area for many, it is now important to focus on the quality of information and its comparability given the international nature of investments and the supply chain.

Increasing reporting by companies was a necessary prerequisite in the first phase. Whilst We would suggest we remain in this phase of making sustainability reporting widespread amongst all issuers and we hope that the ISSB standards will now become the international norm. As such, we would argue that improving quality and comparability internationally is the next critical step. It must be remembered that the level of sophistication on sustainability reporting differs significantly amongst different jurisdictions, the key consideration in the new standard-setting projects would be measures to ensure effective implementation (e.g. to adopt a phased approach). Engagement with listed issuers, has highlighted that many issuers are still at the early stages of sustainability reporting, and time and assistance is required to bring them up to speed. Therefore, we believe ISSB should prioritise providing support to the implementation of the ISSB Standards, followed by targeted enhancements to the ISSB Standards.

Capacity building and application guidance are also essential to drive quality disclosures. More broadly, the quality of reporting is crucial if investor confidence is to increase. Equally, good quality reporting plays an important role in ensuring some of the risks of greenwashing can be better managed. We therefore recommend ISSB resources focuses on improving the integrity and thoroughness of existing reporting at this stage.

We would then support broadening standards out to include nature as this is a critical factor in achieving climate objectives and inter-related.

We would suggest that other bodies can continue to contribute by developing research and thought leadership, which will benefit from multiple perspectives. This will help to better identify the needs of investors and will enable the debate in various areas of ESG to mature further. Once progressed, the ISSB can draw on this research and its evolution, supplementing and broadening the existing standards. This will also enable any further research the ISSB undertakes at this later stage, to be more targeted and a more effective use of its resources.

**(c) Should any other activities be included within the scope of the ISSB’s work? If so, please describe these activities and explain why they are necessary.**

No.

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

**(a) Do you think the ISSB has identified the appropriate criteria? Please explain your response.**

Yes.

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

No.

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

**(a) Taking into account the ISSB’s limited capacity for new projects in its new two-year work plan, should the ISSB prioritise a single project in a concentrated effort to make significant progress on that, or should the ISSB work on more than one project and make more incremental progress on each of them?**

We suggested the priorities for the ISSB work plan in our response to Question 1 above, particularly that the ISSB should concentrate on the implementation of the ISSB Standards (IFRS S1 and IFRS S2). In terms of new research and standard-setting projects, we would suggest one project broken into two parts, phase 1a) improving quality and then 1b) broadening to nature as this should be critical to the supply chain analysis and ensure a transition that recognises the value of countries who have particularly rich biodiversity that would otherwise be lost. This expansion of the standards would reduce the negative impacts of finance and consumption of our world’s natural resources and redirect financial flows towards nature-positive business models.

**(i) If more than one project, which projects should be prioritised and what is the relative level of priority from highest to lowest priority? You may select from the four proposed projects in Appendix A or suggest another project (or projects). Please explain your response.**

WFE suggests the below organised from highest to lower priority:

1. Biodiversity, ecosystems and ecosystem services
2. Integration in reporting
3. Human rights
4. Human capital

**Please explain:**

WFE would strongly suggest biodiversity, ecosystems and ecosystem services is prioritised as it is critical to the very urgent climate challenge we face. This is not to say that human rights and human capital are unimportant. WFE has separately addressed the need for human rights to be considered in the supply chain for example. However, we would suggest that given the significant risks posed by climate change and its potential impact on the most vulnerable in society, it would make it even harder to achieve improvements to human rights or improve human capital if basic things such as access to clean water and a place to live and work is threatened. It would also be important to understand and decide if biodiversity, ecosystems and ecosystem services should be an area that all companies should report on, or whether this area should only be relevant for companies in certain sectors. The ISSB would need to consider and balance the various urgent needs globally.

We propose integration in reporting should be the second priority. This is because we believe for climate change to be averted, investors and listed companies will need to have confidence and evidence that investing and developing in a more sustainable way – despite inevitable and necessary costs – have immediate benefits. There

could be a real loss of impetus at this crucial stage, if companies invest in reporting to find it does not help attract investors and equally from the investor perspective, if the reporting is not accurate or comparable it will undermine confidence and their desire to invest with sustainability as a core priority.

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

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

The WFE believes the following order is appropriate as topics around biodiversity and resource use/ consumption are starting to gain more importance. We also expect a rise in the use of TNFD:

1. Pollution -including emissions into air, water and soil.
2. Resource exploitation
3. Freshwater and marine resources and ecosystems use
4. Land-use and land-use change
5. Invasive non-native species

**(b) Do you believe that sustainability-related risks and opportunities related to biodiversity, ecosystems and ecosystem services are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?**

Yes. This variation is also acknowledged by the TNFD.

**(c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB’s focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A13 should be utilised and prioritised by the ISSB in pursuing the project? Please select as many as applicable.**

The WFE has supported global harmonisation of disclosure requirements. For example, TNFD would be a good resource as it aligns to TCFD which is currently the leading international framework being embedded globally. A number of taxonomies have developed in biodiverse countries whose knowledge should be harnessed and we would suggest that important work done by the WWF with various partners could also provide a useful framework for the work of the ISSB in this area.

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

**(a) Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You may also suggest subtopics that have not been specified.**

The WFE would propose the below order:

1. Diversity, equity and inclusion
2. Labour conditions in the value chain
3. Workforce composition and costs
4. Employee engagement
5. Worker wellbeing.
6. The alternative workforce.
7. Workforce Investment

This is because diversity, equity and inclusion are imperative for good governance. Labour conditions in the value chain are critical to address human rights and slavery. Workforce composition and costs ensure the whole of society functions more effectively and ensure that no individuals in society are ‘left behind’ which will support action towards a ‘just transition’. Talent attraction and retention is generally a key area of focus for many businesses and attracting top talent is becoming increasingly competitive; finding and retaining talent with appropriate skills/ knowledge is becoming a key topic for risk management purposes. Employee engagement is critical in ensuring companies adopt sustainable practices and lead to improved company culture.

- (b) Do you believe that sustainability-related risks and opportunities related to human capital are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?**

Yes. The sustainability related risks impact human capital differently in sectors which are highly automated versus those which are labour intensive. Geographically some risks that are more labour related could arise where populations are high or alternatively differ if the population is ageing or low. The transition risk between both populated countries and underpopulated countries would also need to be managed ie, if populations are significantly ageing for example etc.

- (c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB’s focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A25 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable.**

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

- (a) Within the topic of human rights, are there particular subtopics or issues that you feel should be prioritised in the ISSB’s research? You can suggest as many subtopics or issues as you deem necessary.**

A topic that should be prioritised is the assessment of human rights in the value chain; specific requirements with focus on the entire value chain (upstream and downstream) would be helpful. The topic of modern slavery could also be explored further.

- (b) Do you believe that sustainability-related risks and opportunities related to human rights are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate?**

No we do not think they should vary geographically but beyond a core base, we can envisage that additional human rights considerations might be relevant in certain industries.

- (d) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB’s focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A36 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable.**

It is useful to keep resources international rather than regional focused as the WFE is in favour of global harmonisation of requirements to the extent possible while allowing for regional applicability.

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

- (a) **The integration in reporting project could be intensive on the ISSB’s resources. While this means it could hinder the pace at which the topical development standards are developed, it could also help realise the full value of the IFRS Foundation’s suite of materials. How would you prioritise advancing the integration in reporting project in relation to the three sustainability related topics (proposed projects on biodiversity, ecosystems and ecosystem services; human capital; and human rights) as part of the ISSB’s new two-year work plan? Please explain your response.**

It is highly important to have consistent guidance in the reporting landscape to avoid confusion for reporting companies and investors. Quality of data and comparability is crucial to avoid investor confusion and ensure investor confidence. The quality and consistency of data can play a key role in addressing greenwashing risks.

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

A joint project with IASB would be beneficial as it would allow alignment across the two which could help in achieving an eventual global alignment on sustainability related reporting.

- (c) **In pursuing the project on integration in reporting, do you think the ISSB should build on and incorporate concepts from:**

- (i) **the IASB’s Exposure Draft Management Commentary?**

**If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.**

No comment.

- (ii) **the Integrated Reporting Framework?**

**If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.**

Yes.

**Optional: please explain:**

Valuable concepts from the Integrated Reporting Framework include:

- Value creation, preservation or erosion for the organisation and for others- This is in line with the concept of double materiality. It would be important to identify positive or negative externalities and related quantitative or qualitative KPIs.
- Risk and opportunities- What are the specific risks and opportunities that affect the organisation’s ability to create value over the short, medium and long term, and how is the organisation dealing with them. What is the governance around specific risks and opportunities.
- Outcomes- To what extent has the organisation achieved its strategic objectives for the period and what are its outcomes
- Outlook- What challenges and uncertainties is the organisation likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?

- (iii) **other sources?**

**If you agree, please describe the source(s) and any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.**

No comment.

**Question 8—Other comments**

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

No.