

August 31, 2023

Mr. Emmanuel Faber
International Sustainability Standards Board
Columbus Building
7 Westferry Circus
London
E14 4HD
UK

Re: International Sustainability Standards Board Request for Information - Consultation on Agenda Priorities

Dear Mr. Faber,

The Center for Audit Quality (CAQ) is a nonpartisan public policy organization serving as the voice of U.S. public company auditors and matters related to the audits of public companies. The CAQ promotes high-quality performance by U.S. public company auditors; convenes capital market stakeholders to advance the discussion of critical issues affecting audit quality, U.S. public company reporting, and investor trust in the capital markets; and using independent research and analyses, champions policies and standards that bolster and support the effectiveness and responsiveness of U.S. public company auditors and audits to dynamic market conditions. This letter represents the observations of the CAQ but not necessarily the views of any specific firm, individual, or CAQ Governing Board member.

The CAQ appreciates the opportunity to share our views and provide input on the ISSB's [Consultation on Agenda Priorities](#) (agenda consultation). The CAQ is supportive of the ISSB's efforts to develop and seek comment on its agenda priorities. We believe that the activities described as core to all ISSB activities as well as efforts to support implementation of the IFRS Sustainability Disclosure Standards (ISSB Standards) and begin new standard-setting projects will be important given their potential impact on market acceptance and market adoption of the ISSB Standards.

The importance of market acceptance and market adoption of the ISSB Standards

Achieving a sufficient level of global support and acceptance from public authorities, global regulators, and market stakeholders will play a pivotal role in the success of the ISSB Standards serving as a globally accepted baseline for sustainability reporting. We highlight below certain key factors that likely will play



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a critical role in market acceptance and adoption of the standards. Due to their importance, we believe the ISSB should carefully consider these factors in determining its agenda priorities.

Promoting interoperability of the ISSB Standards with other sustainability standards, particularly the European Sustainability Reporting Standards (ESRS)

We recognize that the ISSB's intent is to facilitate the delivery of the global baseline of sustainability-related disclosures that are interoperable with other jurisdictional and voluntary initiatives on sustainability-related disclosures.

The ISSB Standards are designed to facilitate a building-blocks approach whereby jurisdictions can meet their corporate reporting needs by adopting the ISSB Standards and adding incremental disclosure requirements if necessary. As such, interoperability should be a core consideration for all of the ISSB's current and future work, including future research and standard-setting projects.

EU officials have estimated that more than 50,000 European companies will be impacted by the EU Corporate Sustainability Reporting Directive (CSRD). According to estimates by financial data firm Refinitiv, the EU CSRD is also expected to impact at least 10,000 companies outside the EU in various countries.¹ The EU CSRD's far-reaching impacts demonstrate the importance of interoperability in fostering wider adoption while reducing reporting complexity for companies subject to multiple reporting regimes and should not be underestimated. We know the ISSB and European Financial Reporting Advisory Group (EFRAG) have been working toward a shared objective of interoperability, and we believe this should continue to be a primary focus as the ISSB contemplates additional topic-specific and industry-focused standards and disclosures. Interoperability with sustainability standards in other jurisdictions, beyond the EU, will also be important.

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

One of the key benefits of a global baseline of sustainability-related disclosures would be consistency in reporting and comparability across companies to provide decision-useful information for investors. However, this is only possible if preparers have a common understanding of the standards' requirements and underlying principles to allow consistent interpretation and implementation of the standards. With the various regulatory reporting developments beyond the ISSB it will be important to monitor whether a common understanding

¹ Wall Street Journal, [At Least 10,000 Foreign Companies to Be Hit by EU Sustainability Rules](#)



has been achieved. As a result, effective support for preparers in implementing the ISSB standards will be important.

We believe that the ISSB's efforts to help preparers and other stakeholders obtain a common understanding of ISSB Standards would promote wider adoption of the global baseline of sustainability-related disclosures. We agree that actions like those described in the agenda consultation will be important, and we recognize that resources and capacity are limited. We believe the following activities could likely have the greatest impact on successful implementation:

- (a) developing guidance and materials to explain the core concepts that underpin the ISSB Standards and working to address challenges identified by preparers, auditors, investors and regulators;
- (b) establishing processes to support the application of the ISSB Standards, like the establishment of the planned transition implementation group;
- (c) engaging with partners among jurisdictions worldwide, including emerging economies, to deliver education and building awareness to support the provision of high-quality disclosures under the ISSB Standards; and
- (d) conducting timely post-implementation reviews.

Ultimately, if implementation support of the ISSB Standards is not done effectively, the resulting lack of comparable, decision-useful information for investors and challenges for preparers and other stakeholders will negatively affect market adoption and acceptance.

Beginning new research and standard setting

We believe that to achieve market acceptance and adoption, the ISSB needs to be viewed as a leader in sustainability reporting standard setting. To achieve that, the ISSB should aim to keep pace with market demand for standards on emerging sustainability reporting topics and demonstrate progress on new research and standards setting activities. If the ISSB is unable to develop new standards for priority topics, preparers and other stakeholders may turn to other reporting standards and frameworks to meet their needs, limiting market adoption of the ISSB Standards.



Ensuring connectivity between the ISSB’s and IASB’s respective requirements

We recognize that the ISSB aims to facilitate the delivery of a coherent and comprehensive system of general purpose financial reporting that includes sustainability related financial information and financial statements. Given that many investors are interested in understanding the relationships and connectivity between sustainability risks and opportunities and the financial statement disclosures in financial reporting, we agree that connectivity with the IASB is essential to the ISSB’s current and future work. We also agree that the ISSB and the IASB, together with their technical staff, should coordinate their work and establish processes to achieve the shared objective of decision useful corporate reporting, ensuring that the IASB’s and ISSB’s respective requirements are compatible and avoid potential inconsistencies and conflicts.

Engaging with stakeholders, particularly investors

We recognize that one of the ISSB’s core activities is engaging with a wide variety of stakeholders through formal channels such as the ISSB’s advisory bodies and consultative groups, as well as more informal outreach through external events and conferences, project-specific engagement, and other activities.

We believe that as the ISSB prioritizes its activities for the next two-year period it will be particularly important to engage with investors to understand their perspectives. Insight into investors’ priority areas and information needs could provide valuable input as the ISSB makes decisions related to the sequencing of projects. Further, timely investor input focused on whether the standards meet their needs and consequently whether they will be looking for companies to report in the manner set forth in the ISSB standards could help promote adoption.

Engagement via roundtables, surveys and other methods for seeking input incremental to the agenda consultation process may be necessary to facilitate the ISSB receiving sufficient feedback from all stakeholders.

Conclusion

Deciding on agenda priorities in a complex and evolving sustainability reporting environment presents many opportunities and challenges. Continuing the momentum generated from IFRS S1 and S2 by focusing on interoperability, implementation, new research and standards, connectivity, and outreach with stakeholders including investors and the IASB, will position the ISSB well to make these important



decisions. To the extent helpful, the CAQ is willing to support the ISSB in their efforts to achieve global adoption and market acceptance of their standards through facilitating feedback from key stakeholders or other collaborative activities as appropriate.

The CAQ appreciates the opportunity to comment on the agenda consultation and would be pleased to discuss our comments or answer any questions regarding the views expressed in this letter. Please address questions to Desiré Carroll (dcarroll@thecaq.org) or Dennis McGowan (dmgowan@thecaq.org).

Sincerely,

A handwritten signature in black ink that reads "Dennis J. McGowan".

Dennis J. McGowan
Center for Audit Quality, Vice President, Professional Practice