Staff paper

Agenda reference: 3A

ISSB meeting

Date	**February 2023**
Project	**General Sustainability-related Disclosures**
Topic	**Sources of guidance to identify sustainability-related risks and opportunities and disclosures**
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Objective

1. This paper discusses the sources of guidance to identify sustainability-related risks and opportunities and related disclosures in paragraphs 50-54 of the Exposure Draft IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* ([draft] S1) within the 'fair presentation' section.

2. The objective of this paper is to seek decisions from the ISSB on the open issues related to the sources of guidance in [draft] S1 that that were discussed but not voted on in the 3 November 2022 supplementary ISSB meeting.

Summary of the staff recommendations

3. The staff is seeking decisions from the ISSB on these recommendations:

   (a) **Staff recommendation 1: Open-ended sources of guidance**—the staff recommends that the ISSB amend the references to 'other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting' (paragraphs 51(c) and 54 in [draft] S1) and 'entities that operate in the same industries or geographies' (paragraphs 51(d) and 54) to state that preparers *may consider* such sources, both in the identification of sustainability-related risks and opportunities and in the identification of disclosures about those risks and opportunities, but that such consideration is not a requirement (so amending 'shall consider' as proposed in [draft] S1 to 'may consider').

   (b) **Staff recommendation 2: Global Reporting Initiative (GRI) Standards**—the staff recommends that the ISSB amend the sources of guidance to explicitly state that preparers *may consider* the GRI Standards to identify disclosures about sustainability-related risks and opportunities that meet the objectives of [draft] S1.

   (c) **Staff recommendation 3: European Sustainability Reporting Standards (ESRS)—**the staff recommends that the ISSB amend the sources of guidance to explicitly state that preparers *may consider* ESRS to identify disclosures about sustainability-related risks and opportunities that meet the objectives of [draft] S1.

4. The staff notes that these recommendations align with the recommendations previously presented on this topic in the Agenda Paper 3 *General Sustainability-related Disclosures Sources of guidance to identify sustainability-related risks and opportunities and disclosures* from the 3 November 2022 ISSB supplementary meeting. Relevant extracts from this paper are included in the appendix for ease of reference.

Structure of the paper

5. This paper is structured:

   (a) Background (paragraphs 6-16)

   (b) Staff discussion (paragraphs 17-36)

   (c) Staff recommendations (paragraphs 37-39)

   (d) Questions for the ISSB (paragraph 40)

   (e) Appendix A—Feedback received (from the November 2022 supplementary paper)

   (f) Appendix B—Staff discussion (from the November 2022 supplementary paper)

   (g) Appendix C—Relevant staff recommendations (from the November 2022 supplementary paper)

Background

6. At its 3 November 2022 supplementary meeting, the ISSB discussed the various sources of guidance an entity either must consider or may consider to identify sustainability-related risks and opportunities and to prepare the related disclosures to meet the objectives of [draft] S1 in the absence of a specifically applicable IFRS Sustainability Disclosure Standard. The sources of guidance are described in paragraphs 50–54 of [draft] S1.

7. At that meeting, the ISSB decided to confirm, with modifications, the general approach in paragraphs 50–54 of [draft] S1 that would either require or permit an entity to refer to materials other than IFRS Sustainability Disclosure Standards to identify sustainability-related risks and opportunities and to prepare related disclosures. In particular, the ISSB decided:

   (a) to confirm the requirements proposed in paragraph 53 for identifying information to disclose in the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk or opportunity.

   (b) to confirm the requirement to consider the SASB Standards as proposed in paragraphs 51(a) and 54.

   (c) to amend paragraphs 51(b) and 54 to state that preparers are permitted, but not required, to consider the CDSB Framework in identifying both sustainability-related risks and opportunities and in preparing disclosures about those risks and opportunities.

8. At the same meeting, the ISSB postponed making decisions relating to the following questions presented in Agenda Paper 3 from the 3 November 2022 supplementary ISSB meeting:

   (a) Should the open-ended references be maintained (ie ‘the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting’ and ‘the sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies’)?

   (b) Should the sources of guidance reference the GRI Standards and/or ESRS (and if so how)?

9. To illustrate this, the staff presented the following table in Agenda Paper 3 from the 3 November 2022 supplementary ISSB meeting showing the staff recommendations regarding the sources of guidance an entity ‘shall’ and ‘may’ consider. The table below has been updated to show the decisions the ISSB

made in the previous meeting in plain font. The ISSB discussed but did not vote on the recommendations that are in bold. The cells in bold are the recommendations in this paper.

Identifying sustainability-related risks and opportunities

Shall consider	the disclosure topics in the industry-based SASB Standards
May consider	the CDSB Framework application guidance for water- and biodiversity-related disclosures
	the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting
	the sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies

Identifying disclosures, including metrics, about sustainability-related risks and opportunities

Shall consider	the metrics associated with the disclosure topics included in the industry-based SASB Standards
May consider	the CDSB Framework application guidance for water- and biodiversity-related disclosures
	the GRI Standards
	the European Sustainability Reporting Standards
	the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting
	the metrics used by entities in the same industries or geographies

10. In the previous meeting, the ISSB discussed the staff recommendations regarding references to open-ended sources of guidance, the GRI Standards and ESRS. Broadly speaking, ISSB members had a range of views and as a result it was determined that further consideration was needed to determine which sources of guidance to reference and the nature of these references.

11. In this discussion, some ISSB members showed preliminary support for the recommendations in this paper (which are the same as recommendations 5 and 6 in the in Agenda Paper 3 from the 3 November 2022 supplementary ISSB meeting). ISSB members pointed to the evolving nature of the field and established reporting practices, noting that additional sources of guidance, especially those that are widely in use or set to become required in certain jurisdictions, could help preparers identify sustainability-related risks and opportunities, as well as information for disclosure, in the absence of relevant IFRS Sustainability Disclosure Standards.

12. ISSB members were generally supportive of the distinction between identifying sustainability-related risks and opportunities and identifying information about such risks and opportunities for disclosure. However, at least one ISSB member expressed that they did not think this was a relevant distinction in this situation, as preparers might consider both simultaneously.

13. Some ISSB members expressed support for the inclusion of the reference to the GRI Standards as proposed by the staff (ie as a source of guidance to identify metrics). Several ISSB members noted that the GRI Standards are a well-established and widely adopted market tool, and that allowing their use could decrease the costs of applying IFRS S1 for many preparers. They also noted that the GRI Standards are designed to meet a range of stakeholders' information needs including investors and thus if it was clear that the metrics selected were required to meet the objectives of IFRS S1, it would be appropriate to allow their use for this purpose in the absence of a specific IFRS Sustainability Disclosure Standard. Some noted that the memorandum of understanding between the IFRS Foundation and GRI laid the groundwork for maintaining the interoperability of these frameworks over time. However, some ISSB members noted concerns with the proposed use of the GRI Standards, including that these were developed without an investor focus, cover a wide range of information beyond that which may be relevant or material to investors and are governed by due process that is not investor-focused and may result in changes to the GRI Standards over time that are beyond the control of the ISSB. Some ISSB members expressed the worry that preparers would simply replicate GRI disclosures in fulfilling the requirements of IFRS S1 without considering the context of the Standard, which may not result in the provision of useful information that is material for primary users.

14. Several ISSB members agreed with the staff's recommendations to allow ESRS Standards to be used as a source of metrics when they meet the objectives of IFRS S1, noting that this would be cost effective for stakeholders. Some ISSB members were opposed to the reference to ESRS, as recommended by the staff. They noted that the ISSB might be seen as recognising a single jurisdiction, which may be difficult to justify and not be beneficial for stakeholders in other jurisdictions. As with GRI, some ISSB members raised concerns about creating a link to standards that are governed by a separate body and where changes could occur without the control of the ISSB. Furthermore, some concerns were expressed that ESRS are designed to meet the needs of a broader set of stakeholders beyond primary users and to meet European legislative requirements, which contrasts with the focus of IFRS Sustainability Disclosure Standards on meeting the needs of users of general purpose financial reporting. Taken together, some ISSB members expressed that the reference recommended by the staff may conflict with the ambition for the IFRS Sustainability Disclosure Standards to be the global baseline for investor-focused disclosures. At least one ISSB member raised concerns with referencing a body of standards that has not yet been finalised and adopted. One noted that even once ESRS is adopted, it will be likely evolve and change over time.

15. At least one ISSB member noted that, while the importance of other sources of guidance is expected to diminish over time with the publication of additional IFRS Sustainability Disclosure Standards, adding a reference to specific sources in the standard could prove to be a step that would be difficult to change or undue, should the ISSB determine that these sources are not appropriate to reference in the future.

16. For reference, portions of Agenda Paper 3 from the 3 November 2022 supplementary ISSB meeting are included as appendices in this paper:

    (a) Appendix A—Feedback received. This includes feedback received from market participants on the [draft] S1. ISSB members may benefit from reviewing the following sections:

        (i) Support for approach on providing sources of guidance in [draft] S1 (paragraphs 13-14 of Appendix A)

(ii) Support for additional resources (paragraphs 26-28 of Appendix A)

(b) Appendix B—Staff discussion. ISSB members may benefit from reviewing the following sections:

(i) Global baseline interoperability considerations (paragraphs 41-53 of Appendix B)

(ii) Observations on interoperability of IFRS Standards from an ESRS perspective (paragraphs 54-56 of Appendix B)

(c) Appendix C—Relevant staff recommendations. This includes previous recommendations in Agenda Paper 3 from the 3 November 2022 supplementary ISSB meeting that are relevant to this paper. This includes the previous recommendations 5 and 6, as well as a discussion on “Achieving an optimal balance”, all of which may be relevant for ISSB members to review.

Staff discussion

17. The staff believes that ISSB members raised important considerations on the inclusion of sources of guidance, especially around GRI Standards and ESRS. The staff notes the difficulty in considering competing valid interests—reducing the reporting burden and promoting interoperability, while ensuring that IFRS Sustainability Disclosure Standards provide a global baseline of investor-focused disclosures. Following further analysis, the staff believes that the ‘balanced approach’ recommended in the November meeting remains the best path forward.

18. The staff notes that its recommendation to reference GRI Standards and ESRS is constrained to only granting permission to a preparer to consider these other materials (as opposed to a requirement to consider these other materials) and this permission is only recommended to be applicable to the identification of disclosures about sustainability-related risks and opportunities that have already been identified by the preparer (as opposed to the identification of sustainability-related risks and opportunities themselves). The staff also notes the importance of how these references are only proposed to apply in the absence of an IFRS Sustainability Disclosure Standard that addresses the relevant sustainability-related risk or opportunity. Furthermore, the staff recommendation to reference GRI Standards and ESRS does not alter the objectives or requirements of IFRS S1, including the definition of the primary user and the definition (and use of) materiality. The metrics selected from these sources would be required to meet the objectives of IFRS S1 – thus be required to meet the information needs of users of general purpose financial reporting. This would mean that preparers would be unable to simply replicate disclosures prepared in accordance with ESRS or GRI Standards as they would be required to consider the objectives of IFRS S1.

General approach

19. [Draft] S1 requires preparers to disclose all material information about the sustainability-related risks and opportunities that they are exposed to. The staff recognises that it could be difficult for preparers to identify all the relevant sustainability-related risks and opportunities and related information that is material for disclosure, especially in the absence of a full suite of IFRS Sustainability Disclosure Standards.

20. When IFRS S1 is first issued preparers will lack IFRS Sustainability Disclosure Standards to help them identify relevant information for disclosure, apart from IFRS S2. As a result, the sources of guidance referenced are necessary to assist preparers in identifying the appropriate information to communicate to primary users. The staff believes that this is a limited list that is unlikely to expand over time.

21. In the January 2022 ISSB meeting, the ISSB decided to amend paragraph 55 of draft IFRS S1 to require an entity to identify the sources of guidance it has used in preparing its sustainability-related financial disclosures, in the absence of an IFRS Sustainability Disclosure Standard. The staff believes that this requirement will increase transparency around the use of sources of guidance, allowing users to clearly understand which sources have been used to produce disclosures.

22. The staff notes that none of the sources of guidance discussed in this paper are required to be applied—a decision explicitly confirmed by the ISSB at its 3 November 2022 supplementary meeting. They are referenced as materials that preparers 'may consider' as they prepare disclosures in applying [draft] S1. The only requirement for preparers as proposed for this section of [draft] S1 is that they 'shall consider' the investor-focused SASB Standards. Thus, preparers are required to consider, in both steps of the process of identifying risks and opportunities and identifying information for disclosure, an investor-focused framework as part of their process for preparing disclosures.

23. The staff believes that the importance of the referenced sources of guidance in [draft] S1 will diminish over time. As the ISSB publishes additional IFRS Sustainability Disclosure Standards, preparers will have less need to use these sources of guidance to understand and fulfil the requirements of [draft] S1. The staff notes that the ISSB can continue to evaluate the necessity and appropriateness of these references in the future, including through the post-implementation review of the Standard.

24. The staff notes the strict requirements in [draft] S1 on the use of sources of guidance, which the ISSB voted to confirm in the November supplementary meeting. For example, in developing disclosures in the absence of an IFRS Sustainability Disclosure Standard and using any of the materials referenced to produce disclosures, the result must be disclosures that:

    (a) are relevant to the decision-making needs of users of general purpose financial reporting;

    (b) faithfully represent the entity's risks and opportunities in relation to the specific sustainability-related risk or opportunity; and

    (c) are neutral.

25. The staff notes that additional drafting clarifications could clearly emphasise these points in introducing these additional sources of guidance for consideration. Moreover, additional drafting clarifications could emphasise that, if other materials are used to inform disclosures, then this does not alter the requirement that the understandability of its sustainability-related financial disclosures is not reduced by obscuring material information with immaterial information.

Open-ended sources of guidance

26. The staff considered various alternative approaches to the open-ended sources of guidance, including embedding the GRI and ESRS references within the broader reference to 'other standard setters'. However, the staff felt think it is critical to specify that any other frameworks used should focus on standard setters meeting the needs of primary users.

27. The staff continues to believe that these two sources—the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting, and the practices of other entities in the same industry and geography—are key resources to highlight as preparers consider their disclosures, for reasons outlined in November. The staff notes that a jurisdictional standard setter that focuses on meeting the needs of users would be included within this reference – the discussion of ESRS below reflects the fact that ESRS are designed to meet broad information needs and legislative requirements and thus fall outside this general reference to standard setters.

28. For further discussion on this topic, see paragraphs 30-32 and 37-38 in Appendix B, and paragraphs 80-82 and 89-91 in Appendix C.

Reference to GRI Standards

29. The staff believes the GRI Standards are a uniquely well established and accepted global sustainability reporting framework. Preparers that apply the GRI Standards are geographically diverse, including many in emerging markets. Enabling preparers to use these standards as a source of disclosures when that meets the objectives of IFRS S1 could assist many entities as they begin to apply IFRS Sustainability Disclosure Standards. The memorandum of understanding between the IFRS Foundation and GRI highlights the interoperability of their frameworks, and the important role that GRI Standards will continue to serve in the development of the ISSB's work. IFRS Sustainability Disclosure Standards and GRI Standards can be viewed as two interconnected reporting pillars that can work together to form a comprehensive corporate reporting regime for the disclosure of sustainability information.

30. Under the approach recommended by the staff, the GRI Standards may only be referenced to identify metrics or other information for disclosure once an entity has identified sustainability-related risks and opportunities for disclosure by considering the SASB Standards. That distinction ensures that any information disclosed by preparers must relate to a topic that has been identified as of interest to users of general purpose financial reporting by considering standards aimed at meeting their needs. Additionally, the staff believes that for most preparers, especially those who are new to sustainability reporting, identifying metrics and other information for disclosure will be more challenging than identifying sustainability-related risks and opportunities, and allowing them to consider a wider range of sources at this stage could significantly reduce the reporting burden.

31. For further discussion, see paragraphs 42-54 in Appendix B and paragraphs 83-87 in Appendix C.

Reference to ESRS

32. The staff acknowledges that it is unusual to recognise a single jurisdiction. The staff note that this in part reflects the broad focus of ESRS as noted in paragraph 14 above – ie that ESRS are not an example of standards set to meet the needs of users of general purpose financial reporting. The staff thinks there are particular reasons why it is appropriate to explicitly allow ESRS to be considered to identify metrics. At the time IFRS S1 comes into effect, the ESRS will play an important role in the global sustainability reporting landscape. It is estimated that 50,000 preparers will be required to apply ESRS, and many may seek to implement IFRS S1 and ESRS at the same time. It is also noted that ESRS are not only relevant to European preparers given the extraterritorial reach of these requirements. ESRS cover topics beyond climate, so they provide a relevant potential source of metrics where IFRS Sustainability Disclosure Standards do not currently exist, which is not currently the case for other jurisdictions. By referencing ESRS, preparers would benefit from a cost and efficiency perspective by being able to use some of the disclosures used for European reporting purposes to meet the requirements of IFRS S1.

33. The staff also notes that we are working closely with the European Commission and EFRAG to explain and improve the interoperability between ESRS and IFRS Sustainability Disclosure Standards.

34. The staff emphasises that, when compared to alternative approaches, the recommended reference to ESRS is constrained and focused. We further emphasise that building stakeholders' understanding of what this (recommended) reference does mean and does not mean is important as there is a risk of

misperception related to how limited the references are and why there are very particular considerations, as noted above, for proposing this reference.

35. Like GRI, ESRS may only be referenced to identify metrics or other information for disclosure once an entity has identified relevant sustainability-related risks and opportunities using investor-focused material. And as noted above, as the ISSB develops further Standards, the circumstances in which ESRS would be applicable in applying S1 would be reduced.

36. For further discussion, see paragraphs 42-57 of Appendix B and paragraphs 83-87 of Appendix C.

Staff recommendations

Staff recommendation 1—Open ended sources of guidance

37. The staff recommends that the ISSB amend the references to 'other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting' (paragraphs 51(c) and 54 in [draft] S1) and 'entities that operate in the same industries or geographies' (paragraphs 51(d) and 54) to state that preparers *may consider* such sources, both in the identification of sustainability-related risks and opportunities and in the identification of disclosures about those risks and opportunities, but that such consideration is not a requirement (so amend the proposed wording from [draft] S1 from 'shall consider' to 'may consider').

Staff recommendation 2—GRI Standards

38. The staff recommends that the ISSB amend the sources of guidance to explicitly state that preparers *may consider* the GRI Standards to identify disclosures about sustainability-related risks and opportunities that meet the objectives of [draft] S1.

Staff recommendation 3—ESRS

39. The staff recommends that the ISSB amend the sources of guidance to explicitly state that preparers *may consider* ESRS to identify disclosures about sustainability-related risks and opportunities that meet the objectives of [draft] S1.

Questions for the ISSB

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

Questions for the ISSB
1. Does the ISSB have any questions or comments about the matters discussed in the paper? 2. Staff recommendation 1 – Does the ISSB agree with the staff's recommendation to amend the references to 'other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting' (paragraphs 51(c) and 54 in [draft] S1) and 'entities that operate in the same industries or geographies' (paragraphs 51(d) and 54) to state that preparers *may consider* such sources, both in the identification of sustainability-related risks and opportunities and in the identification of disclosures about those risks and opportunities, but that such consideration is not a requirement (ie amend from 'shall consider' to 'may consider')?

3. Staff recommendation 2 – Does the ISSB agree with the staff's recommendation to amend the sources of guidance to explicitly state that preparers *may consider* the GRI Standards to identify disclosures about sustainability-related risks and opportunities that meet the objectives of [draft] S1?

4. Staff recommendation 3 – Does the ISSB agree with the staff's recommendation to amend the sources of guidance to explicitly state that preparers *may consider* ESRS to identify disclosures about sustainability-related risks and opportunities that meet the objectives of [draft] S1?

Appendix A—Feedback received (from the November 2022 supplementary paper)

This is an extract from the November 2022 supplementary Agenda Paper 3A ***General Sustainability-related Disclosures—Sources of of guidance to identify sustainability-related risks and opportunities and disclosures***

Feedback received on fair presentation and sources of guidance

11. Respondents were generally supportive of the proposed requirements related to fair presentation (question 7 in the Invitation to Comment). This is, in part, evidenced by a majority of respondents that generally agreed that the proposal was clear. Respondents' suggestions and concerns focused on a few areas within the 'fair presentation' section. This includes a range of feedback on the use of the term 'significant' in the context of identifying disclosures about 'significant sustainability-related risks and opportunities', and feedback on the sources of guidance in paragraphs 51 and 54 of [draft] S1 to identify sustainability-related risks and opportunities and related disclosures—and how entities are directed to use those materials.

12. The term 'significant', as it was originally used in [draft] S1, had a similar purpose to the sources of guidance in paragraphs 51 and 54 of [draft] S1, as it was intended to help preparers narrow down and identify the particular sustainability-related risks and opportunities they are required to provide information about from the broad range of topics they could potentially report on. In its October meeting, the ISSB decided they would prefer to remove this term following respondent feedback that it was confusing and subject to interpretation, and instead to provide guidance about the process to be undertaken to determine which sustainability-related risks and opportunities to provide information about. However, the staff notes that the decision to remove 'significant' further increases the relevance of, and emphasis on, the sources of guidance in paragraphs 51 and 54 of [draft] S1, especially when used to identify the sustainability-related risks and opportunities (ie topics) to provide disclosures about.

Support for approach on providing sources of guidance in [draft] S1

13. Many respondents agreed with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures. Respondents often stated that they support the ISSB's approach of building on established sustainability reporting standards and frameworks, including the role that existing standards and frameworks, such as the SASB Standards and CDSB Framework application guidance, can serve in helping to comply with the proposed requirements in [draft] S1. Overall, the staff concludes that respondents were primarily concerned with a few specific aspects of paragraphs 51 and 54 in [draft] S1, as opposed to the overall approach of referencing existing disclosure standards and frameworks and industry practice.

14. Comment letters received in response to [draft] S1, as well as outreach conducted by the staff in connection with the consultation, underscore the importance of providing specific tools and guidance for identifying sustainability-related risks and opportunities and related disclosures. Absent such guidance, stakeholders expressed concern about the burden for preparers, especially smaller entities and those new to sustainability reporting, and the risk that disclosures could lack comparability and usefulness for users of general purpose financial reporting.

Feedback on the SASB Standards as a source of guidance

15. Some respondents, including many users of general purpose financial reporting, emphasised the importance of an industry-specific approach to identifying sustainability-related risks and opportunities

and related disclosures. Many of these respondents supported the SASB Standards specifically as an important resource in identifying such risks, opportunities and disclosures, while further commenting that [draft] S1 should provide greater clarity on the role of the SASB Standards.

16. Of respondents who commented on the industry-specific approach, almost all were supportive of the general idea, with support being very high among respondents from North America as well as among users of general purpose financial reporting. Many users indicated that their support for industry-specific disclosures is due to the variability of sustainability-related risks and opportunities by industry. These users often also noted that industry-specific disclosures enable better comparisons between peer companies, which is aligned with how these respondents conduct research and make investment decisions. Finally, users noted that the SASB Standards were specifically developed to meet their information needs rather than the needs of a broader set of stakeholders, and that the SASB disclosure topics and associated metrics were designed to identify material information that would help them determine whether to provide resources to the entity or affect their assessment of the entity's value.

17. However, many respondents raised concerns related to the reference to the SASB Standards and its prominent role in the sources of guidance listed in paragraphs 51 and 54 of [draft] S1. These concerns included the following:

(a) some respondents, including many from Asia-Oceania, encouraged the ISSB to seek additional market input to ensure that the SASB Standards are applicable for a wide range of stakeholders worldwide;

(b) some respondents expressed their view that the SASB Standards were initially developed for use in a particular market and without robust input from global stakeholders. They also noted that these standards were developed without the oversight of the ISSB;

(c) some respondents stated that the SASB Standards may be unfamiliar to stakeholders in some jurisdictions, and that learning to use them for the first time could increase the reporting burden for many preparers;

(d) a few respondents stated their view that the SASB Standards lack completeness, as they do not contain comprehensive, industry-agnostic disclosure requirements on sustainability-related issues, such as human capital; and

(e) a few respondents stated that it is challenging for preparers with a conglomerate structure to identify the appropriate industry (or industries) they should refer to in the SASB Standards to determine which sustainability-related risks and opportunities to report on and the disclosures and metrics to use.

Concerns on open-ended sources of guidance

18. Some respondents, including many accounting firms and some preparers, raised concerns with the open-ended nature of paragraph 51(c)-(d) in [draft] S1 (and the corresponding language in paragraph 54). These paragraphs require an entity to consider, in addition to IFRS Sustainability Disclosure Standards (or in the absence of an applicable IFRS Sustainability Disclosure Standard), as relevant:

(a) the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting; and

(b) the sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies.

19. Respondents acknowledged that an objective of the ISSB is to simplify the disclosure landscape and reduce the burden on preparers to review numerous disclosure standards and frameworks. However, some respondents commented that these proposals could be interpreted as requiring preparers to review *all* possible relevant sources of disclosure guidance in the reporting landscape. Some respondents, particularly accounting firms, commented directly on the challenges of verifying these requirements (ie the difficulty of verifying whether the extensive range of sources had been considered by an entity as required by the proposals).

20. Similarly, regarding paragraph 51(d) in [draft] S1 (and the corresponding proposal in paragraph 54), some respondents stated that while the disclosures of similar companies may be informative, the requirement could be interpreted as requiring preparers to review risks and opportunities identified by *all* companies operating in the same industry or geography. These respondents stated that this could be a very large set of disclosures and thereby significantly increase the costs of applying [draft] S1.

21. Overall, many respondents noted that the open-ended nature of these requirements, without prioritisation, could be burdensome, provide verifiability challenges and result in disclosures that are not comparable given the variety of sources entities are required to consider. In other words, both the costs and benefits of the approach [draft] S1 took on these open-ended sources of guidance were questioned, largely in the context of the proposed requirement that preparers 'shall consider' such materials (see below for further discussion).

Concerns about the requirement to 'consider' sources of guidance

22. Paragraph 51 of [draft] S1 states that preparers 'shall consider' the sources of guidance listed in the following sub-paragraphs (a)–(d). Paragraph 54 also proposes that an entity 'shall consider' the same list of materials. By using 'shall consider' instead of 'shall apply' and by referring to a range of source materials, it is more likely that entities would be able to identify relevant materials to enable them to meet the objectives of [draft] S1. It also would facilitate transition by enabling more entities to continue their existing disclosure practices when they are already providing disclosures about sustainability-related risks and opportunities, and reduce the burden for preparers who may already be familiar with certain sources of guidance referenced, by enabling them to leverage those sources to meet the requirements of [draft] S1.

23. However, some respondents, including many accounting firms and some preparers, noted that 'shall consider' *requires* consideration of the materials listed. Specifically, these respondents noted that this language requires a preparer to consider *all* the materials listed, and possibly apply some or all of those materials, which led them to comment on the potentially large burden these requirements would place on preparers and assurance providers.

24. Several assurance providers commented that it was not clear how a preparer could demonstrate that the sources of guidance were actually considered. Questions were also raised about when a preparer can 'consider' these sources of guidance but not apply them while still meeting the requirements of [draft] S1.

25. Some respondents suggested that, instead of the 'shall consider' language in paragraphs 51 and 54 in [draft] S1, the proposals could be modified to 'may consider' for some or all of the sources of guidance listed.

Support for additional resources

26. [Draft] S1 referred to the SASB Standards and the ISSB's non-mandatory guidance along with the most recent pronouncements of other standard setters. However, the requirements of other standard

setters were limited to those ‘whose requirements are designed to meet the needs of users of general purpose financial reporting’.

27. Many respondents noted that there are additional sustainability disclosure standards and frameworks that are in use (or under development), such as the GRI Standards, the ESRS, those provided by the World Economic Forum (WEF), the International Organization for Standardization (ISO) and others that could be of value in identifying sustainability-related risks and opportunities and related disclosures. Some respondents supported the incorporation or reference of specific standards or frameworks among these as guidance. Others noted that given the wide range of frameworks, the ISSB should avoid trying to publish an exhaustive list of specific materials to reference.

28. In particular, respondents pointed to the GRI Standards and ESRS as key frameworks for interoperability considerations. Some respondents, including preparers and public interest groups, especially from Europe, suggested expanding the list of resources to include these. These respondents noted the widespread use of GRI Standards and anticipated use of ESRS, which could increase the burden for preparers if those materials cannot be used to determine what sustainability-related risks and opportunities should be reported on and as a basis for developing appropriate disclosures.

Appendix B—Staff discussion (per November 2022 supplementary paper)

This is an extract from the November 2022 supplementary Agenda Paper 3A ***General Sustainability-related Disclosures—Sources of of guidance to identify sustainability-related risks and opportunities and disclosures***

Staff discussion

Using sources of guidance other than IFRS Sustainability Disclosure Standards

29. As noted above, preparers are directed to consider additional sources of guidance, including the materials of some other standard setters, to guide the identification of sustainability-related risks and opportunities to report on and, in the absence of an IFRS Sustainability Disclosure Standard that is specifically applicable, in the development of disclosures to meet the requirements in [draft] S1.

30. The purpose of referring to these sources of guidance is to provide a clear range of relevant materials to be considered, and thus improve the ease of reporting for preparers and increase the comparability of disclosures. The particular materials referenced were selected with the objective of identifying sources that were likely to result in the provision of information that would enable entities to meet the objectives of [draft] S1, including its focus on meeting the information needs of primary users. The sources of guidance may be particularly useful for entities that are newer to sustainability reporting. The list of investor focused sources of guidance was intended to help entities understand the requirements of IFRS Sustainability Disclosure Standards and how they may reconcile with existing sustainability disclosures.

31. As the ISSB continues to develop additional IFRS Sustainability Disclosure Standards, preparers will have less need to rely on the sources of guidance referenced in [draft] S1 because those IFRS Sustainability Disclosure Standards will identify sustainability-related risks and opportunities to report on and set out disclosures designed to meet the needs of users of general purpose financial reporting. Essentially, there will be less gaps to fill as the range of IFRS Sustainability Disclosure Standards is built out.

Clarifying the distinction between the identification of sustainability-related risks and opportunities versus the disclosure of related information

32. The process of (a) identifying sustainability-related risks and opportunities and (b) identifying appropriate information to disclose about those risks and opportunities, is intended to be a two-step process. Some respondents suggested that the ISSB consider providing further clarity and guidance that explains this differentiation and the process to be followed.

33. The fair presentation section of [draft] S1 includes requirements and guidance on how preparers should approach each step of the process, with the first step being covered in paragraph 51 and the second being covered in paragraphs 52-54.

34. First, preparers need to identify the set of sustainability-related risks and opportunities to provide information about. Once a preparer has identified the set of sustainability-related risks and opportunities to provide information about, they need to identify the metrics and information to disclose about those sustainability-related risks and opportunities.

35. This two-part structure and process aligns with the structure of many commonly used sustainability reporting frameworks and should be generally familiar to entities who already prepare sustainability reports. Even for those preparers newer to sustainability reporting, the two-part part process is likely to be intuitive and help guide them through the process of narrowing down a broad set of information to identify material disclosures that meet the objectives of [draft] S1.

Sources of guidance currently referenced in [draft] S1

36. The proposals in paragraphs 51-54 in [draft] S1 were based on similar requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which specify how to develop an accounting policy in the absence of a directly applicable IFRS Accounting Standard (IAS 8.10-12).

37. Like this requirement in IAS 8, these proposals were intended to provide direction to an entity in the absence of directly applicable IFRS requirements. The inclusion of other sources of guidance in [draft] S1 was intended to provide a roadmap for preparers about the appropriate use of other standards and frameworks to produce decision-useful disclosures about sustainability-related risks and opportunities for users of general purpose financial reporting. It also enables entities to provide material information on all significant sustainability-related risks and opportunities as required by [draft] S1. This guidance is particularly useful in the early days of the ISSB's standard setting, while a range of IFRS Sustainability Disclosure Standards are developed. Absent this guidance when S1 is published, an entity would lack a clear basis for meeting the requirements in [draft] S1 for sustainability-related risks and opportunities other than those related to climate.

38. The SASB Standards and CDSB Framework leverage many years of standard setting and framework development that has identified sustainability-related risks and opportunities relevant to the capital markets. This suggested guidance aims to increase the comparability of disclosures, so that preparers that are exposed to similar risks and opportunities provide more comparable disclosures that are relevant to investors. Both of these sources are materials of the ISSB following consolidation of the Value Reporting Foundation and the Climate Disclosure Standards Board and are now governed by the ISSB.

39. The CDSB Framework technical guidance includes the CDSB Framework that covers the disclosure of environmental and social information, and the CDSB Framework application guidance for water- and biodiversity-related disclosures.

40. The industry-based SASB Standards have the same objective of [draft] S1, that is, to facilitate the disclosure of sustainability-related information to meet the needs of primary users of general purpose financial reporting. The SASB disclosure topics offer a helpful way to identify sustainability-related risks and opportunities for this purpose, and thus are likely to be relevant for many preparers as they seek to meet the objectives of [draft] S1.

Global baseline interoperability considerations

41. The objective of the ISSB—and IFRS Sustainability Disclosure Standards—is to develop a comprehensive global baseline of sustainability-related disclosures to meet the needs of the capital markets. The ISSB's global baseline presents a unique opportunity to reduce fragmentation of sustainability disclosure requirements. International collaboration in the development of the global baseline is essential to create a disclosure system that can be implemented globally, resulting in a consistent approach across markets.

42. [Draft] S1 builds upon and incorporates sustainability disclosure standards and frameworks that are largely investor focused, including those of the Task Force on Climate-related Financial Disclosures (TCFD), CDSB, SASB, and the Integrated Reporting Framework.

43. In addition to the frameworks and standards currently incorporated within the two [draft] IFRS Sustainability Disclosure Standards, the IFRS Foundation also entered into a cooperation agreement with GRI to further harmonise the sustainability reporting landscape at an international level. IFRS Sustainability Disclosure Standards and GRI Standards can be viewed as two interconnected reporting pillars that can work together to form a comprehensive corporate reporting regime for the disclosure of sustainability information.

44. GRI is the most widely accepted global framework for voluntary corporate reporting of environmental and social performance and has been adopted by thousands of businesses across many jurisdictions. Given the fact that many preparers currently use GRI to develop multi-stakeholder sustainability reports, providing guidance on how to leverage and connect GRI Standards with the IFRS Sustainability Reporting Standards may reduce the reporting burden, avoid confusion and duplication, and produce a full set of sustainability reporting.

45. As noted above, the feedback on the ISSB's exposure drafts also showed strong demand for achieving greater interoperability with jurisdictional requirements. Most notably, many respondents noted the importance of achieving interoperability with the proposals published in Europe and the US.

46. There is specific urgency in relation to the ISSB working with the European Financial Reporting Advisory Group's (EFRAG) Sustainability Reporting Board on achieving greater alignment with their proposed ESRS. This is more fully described in Agenda Paper 3C & 4D Interoperability—key matters for the October meeting. Given that European preparers and many preparers with operations in the EU will be required to apply ESRS, it is important that the ISSB consider ways to achieve interoperability with the ESRSs. This will enable entities that need to or choose to apply both ESRS and IFRS Sustainability Disclosure Standards to do so in a more efficient manner (reducing potential duplication in reporting), which can also help improve comparability for investors.

47. The Staff notes that at the October board meeting, the ISSB confirmed its focus on meeting the information needs of primary users. It is thus important that the information provided when entities use other guidance in meeting the requirements in [draft] S1 is relevant to meeting the needs of primary users. This is why the guidance proposed in [draft] S1 referred to the pronouncements of standard setters whose requirements are designed to meet the needs of users of general purpose financial reporting.

48. It may be useful to include GRI and/or ESRS within the other sources of guidance in [draft] S1 to help preparers identify information and metrics for sustainability-related risks and opportunities to which they are exposed. However, preparers would first need to identify the specific sustainability-related risks and opportunities that could reasonably be expected to affect its business model, strategy or cash flows over the short, medium and long term (consistent with the objectives of [draft] S1). The question is whether it would then be appropriate, in the absence of an IFRS Sustainability Disclosure Standard that applies to the specific sustainability-related risk or opportunity, for preparers to be able to consider referring to ESRS and/or the GRI Standards when identifying information and metrics to disclose.

49. Although ESRS and GRI are not written solely with an investor focus, investors are one of the users included in their broader set of stakeholders. Therefore, these standards are designed to include a focus on meeting investor information needs to some capacity.

50. Referring to materials that extend beyond purely investor-focused disclosures is not viewed by the staff as fundamentally changing or conflicting with the existing objective of [draft] S1, especially if those frameworks are only used to the extent that they help meet the needs of the investor audience. This may also help reduce costs of preparing disclosures. Additionally, this may help explicitly confirm that IFRS Sustainability Disclosure Standards are intended to be interoperable with frameworks and regulatory requirements across the sustainability reporting landscape.

51. Importantly, paragraphs 50 and 53 of [draft] S1 establish the requirements to be met when relying on other sources of guidance to fulfil the ISSB global baseline disclosure requirements:

> This [draft] Standard requires an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed (see paragraph 2).
>
> In the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk or opportunity, management shall use its judgement in identifying disclosures that:
>
> (a) are relevant to the decision-making needs of users of general purpose financial reporting;
>
> (b) faithfully represent the entity's risks and opportunities in relation to the specific sustainability-related risk or opportunity; and
>
> (c) are neutral

52. From a practical perspective, if an entity is applying ESRS or GRI requirements in addition to IFRS Sustainability Disclosure Standards, enabling these materials to be referenced to the extent they meet the objectives of [draft] S1 would improve efficiency and cost effectiveness for preparers by enabling them to use a subset of these disclosures (those relevant to meet the needs of the users of general purpose financial reporting) to meet the requirements of [draft] S1. Importantly, it is noted that this would only be applicable in the absence of a specific IFRS Sustainability Disclosure Standard. For clarity, when a specific IFRS Sustainability Disclosure Standard applies in relation to a sustainability-related risk or opportunity an entity would apply those requirements rather than ESRS or GRI requirements.

53. IFRS Sustainability Disclosure Standards are designed to facilitate a building blocks approach, and [draft] S1 allows an entity to report information needed to meet other requirements, as long as the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information. This requirement provides protection in enabling entities to refer to materials that meet information needs beyond those of users of general purpose financial reporting, as an entity is required to ensure that incremental information does not obscure the investor-focused information required by IFRS Sustainability Disclosure Standards.

Observations on interoperability of IFRS Standards from an ESRS perspective

54. In addition to the question of interoperability between IFRS Sustainability Disclosure Standards and ESRS, a similar question arises regarding interoperability 'in the other direction'. Following a similar concept to that outlined regarding the benefits for preparers and users of information of using ESRS as a source of guidance in the absence of a specific IFRS Sustainability Disclosure Standard, there would be benefits for those using ESRS when 'gaps' could be filled using IFRS Sustainability Disclosure Standards to assist in meeting the objectives of ESRS.

55. The ESRS currently being developed are sector-agnostic. Sector-specific ESRS requirements will be developed subsequently. ESRS 1 sets out an overarching requirement to provide material information (using the ESRS notion of materiality) and it is noted that, when necessary, (additional) entity-specific

information should be provided to meet the requirement to provide material information. It is also contemplated in ESRS 1 that when ESRS do not cover a matter or do so with insufficient granularity, entity-specific information should be developed. It is proposed by EFRAG that ESRS 1 would note that in developing entity-specific disclosures, consideration should be given to comparability between entities including by considering other disclosure frameworks.

56. Using the materials of the ISSB would foster such comparability. In particular, comparability could be fostered in the near term if it were the case that for climate-related disclosures both those using ISSB Standards and those using ESRS (E1) were referred to Appendix B of [draft] S2 as a basis for providing industry-specific information. Industry-specific requirements are an important component of the ISSB Standards and thus utilising this material (even if illustrative initially) emphasises an important feature of the ISSB's standards. The inclusion of such a reference within ESRS would provide a similar role to the proposals set out in this paper with regard to ESRS in that the ISSB's materials would be relevant in the absence of a specific ESRS requirement and to the extent it assists in meeting the objectives of ESRS requirements. This approach would result in the ISSB adopting similar methods to assist in providing interoperability.

Clarifying language used to guide the use of other materials

57. The phrase 'shall consider' was intended to create a requirement to review and consider the use of certain materials, but was not intended to require the application of those materials. Language within the Basis for Conclusions on [draft] S1 clarifies this (paragraph BC68):

> Consistent with the proposals in the Exposure Draft, applying the SASB Standards and CDSB pronouncements would be considered good practice for an entity applying IFRS Sustainability Disclosure Standards, but applying those pronouncements would not be a formal requirement for an entity. For example, an entity could still assert compliance with IFRS Sustainability Disclosure Standards in accordance with paragraph 91 if it did not apply the requirements in these documents.

58. 'Shall consider' was used rather than 'may consider' in order to be clear that referring to the materials listed is not a free choice (ie an entity cannot simply disregard the materials that are listed). Therefore, the materials must be taken into consideration. By using this language rather than a more general permission to consider the materials (as implied by the term 'may consider'), the proposals were intended to ensure that consideration would be given to materials that were identified as providing disclosures likely to meet the objectives of [draft] S1. Such an instruction was designed to support the provision of high-quality disclosures that would meet the needs of users of general purpose financial reporting.

59. However, as noted above, even a requirement to 'consider' materials can become a substantial burden if there are numerous materials to consider and especially when the materials are open-ended. As suggested by respondents, [draft] S1 could leverage the phrase 'may consider' to guide preparers towards certain preferred sources, without creating such a burden of compliance (even if the list were more contained).

60. The ISSB may also choose to provide additional clarity on what is expected of an entity by requiring 'consideration' of these sources. As noted above, some respondents expressed concerns that 'shall consider' could be interpreted as 'shall apply', which was not the intent of [draft] S1. The ISSB could provide more specificity on what it means to 'consider' and explicitly acknowledge that it is possible for a preparer to consider these materials and ultimately determine they should not be applied—and still comply with the requirements of [draft] S1 (if this is the intent of the ISSB). The staff believes that such clarification would be beneficial for preparers and assurance providers.

61. As noted above, the Basis for Conclusions on [draft] S1 noted that an entity could still assert compliance with the Standard even if these materials were not applied. Moving this observation to the Standard could provide confirmation that 'shall consider' does not mandate application of these materials. It may also be useful to note in the Basis for Conclusions that if an entity determines that these materials would not meet the requirements in paragraph 53 of [draft] S1, for example because they would not result in the provision of relevant information, then an entity could decide that they should not be applied. The staff also notes that the wording used in paragraphs 51 and 54 of [draft] S1 ('shall consider') is slightly different to the corresponding wording in IAS 8 ('shall refer to', and 'consider the applicability of'). The wording in IAS 8 may better reflect the intention that these materials must be used as a reference for consideration, to assist in the development of appropriate disclosures.

62. It is also important to note that the specific terminology used, 'shall' versus 'may,' could present or reduce potential challenges for jurisdictional adoption. For example, referring to and/or requiring the use of materials that are not published by the ISSB or governed by the IFRS Foundation, may make incorporation in legislation or regulation more difficult in some jurisdictions.

Appendix C—Relevant staff recommendations (per November 2022 supplementary paper)

This is an extract from the November 2022 supplementary Agenda Paper 3A ***General Sustainability-related Disclosures—Sources of of guidance to identify sustainability-related risks and opportunities and disclosures***

Staff recommendation 5—Open-ended references

80. The staff recommends that the ISSB amend the references to ‘other standard-setting bodies’ (paragraphs 51(c) and 54 in [draft] S1) and ‘entities that operate in the same industries or geographies’ (paragraphs 51(d) and 54) to state that preparers may consider such, both in the identification of sustainability-related risks and opportunities and the identification of disclosures about risks and opportunities, but that such consideration is not required (amend from ‘shall consider’ to ‘may consider’).

81. The staff notes that by allowing entities to refer to other investor-focused materials, this provides further assistance and flexibility to preparers. These open-ended sources broaden the scope of materials that preparers may reference to support the identification of sustainability-related risks and opportunities and related disclosures. This may also reduce transition costs and the reporting burden for preparers, especially if they are already using other investor focused materials to provide disclosures that also meet the objective of [draft] S1.

82. Amending [draft] S1 to state that preparers may consider these sources would address feedback that requiring preparers to consider an extensive list of open-ended sources of material would increase the reporting burden for preparers and complexities for assurance providers.

Staff recommendation 6—GRI Standards and ESRS

83. The staff recommends that the ISSB amend the sources of guidance to explicitly state that preparers may consider the GRI Standards and ESRS to identify disclosures about sustainability-related risks and opportunities that meet the objectives of [draft] S1. However, the staff does not recommend including these materials as a source in the identification of sustainability-related risks and opportunities. This differs slightly from staff recommendations 4 and 5, as the staff has recommended that preparers, for example, ‘may consider’ the CDSB Framework both for identifying sustainability-related risks and opportunities and for identifying disclosures about these risks and opportunities. The staff believes this slightly different approach is warranted given the investor focus of the CDSB Framework.

84. Given the importance of the GRI Standards and ESRS broadly speaking, referencing them in the sources of guidance could help to improve interoperability and reduce the burden for preparers, especially those who are already using the GRI Standards or those who may be mandated to comply with ESRS. However, unlike the SASB Standards and the CDSB Framework, the GRI Standards and ESRS are not primarily intended to meet the information needs of primary users of general purpose financial reporting.

85. However, the use of these frameworks can produce information that is useful to investors, as a subset of the overall disclosures. This is because both the GRI Standards and ESRS are intended to meet broader information needs including investor information needs. This may be especially true when there is not an applicable IFRS standard to identify the types of information within a sustainability topic that may be material. Even if an entity uses the SASB Standards to identify metrics, preparers may find it useful to apply other standards like these to identify additional material information. And in many

cases, preparers may be using one or both of these standards to produce disclosures, so enabling disclosures from these materials to also be used to comply with IFRS Sustainability Disclosure Standards when they meet investor needs could help to reduce the reporting burden.

86. It is noted that this would be a change from the proposals in [draft S1] which limited the use of standards to those designed to meet the needs of users of general purpose financial reporting. It was not intended that standards written to meet broader stakeholder needs be permitted to be used given the risk that disclosures could be selected from within those materials designed with a broader focus that do not meet the needs of investors. However, given the practical benefits for preparers of being able to source disclosures from the GRI Standards and ESRS and the protections provided by the requirement in [draft] S1 about the required characteristics of the disclosures that must be developed (including that they are relevant to users of general purpose financial reporting), the staff believe that on balance it would be appropriate to refer to these particular sources. It is also noted that these materials can only be referenced to the extent that an IFRS Sustainability Disclosure Standard is not available—so for example S2 must be applied for reporting on climate-related risks and opportunities and the GRI and ESRS requirements will not be applicable.

87. The staff note the range of sustainability-related risks and opportunities covered by both the GRI Standards and ESRS make them particularly useful in the context of [draft] S1, in that the materials referenced in paragraphs 51-54 of [draft] S1 are included in order to enable entities to meet the requirement to provide material information on all sustainability-related risks and opportunities. Some may query the inclusion of the requirements from a single jurisdiction. Staff note that this reflects the breadth of ESRSs being developed. Staff also note that the materials being considered for inclusion in these references in [draft] S1 reflect the current landscape of sustainability reporting and that it will probably be necessary to consider adjustments to the list in the future (including considering whether a separate reference to SASB Standards is still applicable given the manner in which the ISSB builds on those standards).

Achieving an optimal balance

88. The staff has developed the recommendations above in an effort to achieve an optimal balance related to the costs and benefits of referencing materials that better enable preparers to produce disclosures that accomplish the objectives of [draft] S1. For example, the staff has taken a disciplined approach in its recommendations on the materials that must be considered in acknowledgement of the burden that this places on preparers and in the context of the benefits that such requirements are likely to provide users of general purpose financial reporting.

89. The staff assessed many alternatives in developing its recommendations above. Many iterations have been assessed that relate to alternatives on ‘shall consider’ versus ‘may consider’, as well as what can be further amended or clarified in this section of [draft] S1 based on the feedback received through the consultation.

90. Overall, the staff believes that its recommendations achieve an optimal balance while recognising that various alternative options exist, each of which alters the costs and benefits of [draft] S1 based on the factors and considerations discussed throughout this paper. In sum, the staff encourages the ISSB to consider the staff recommendations holistically to achieve an optimal balance.