

## Written evidence from the Institute of Environmental Management and Assessment (IEMA) on the ISSB / IFRS Consultation on Agenda Priorities

### About IEMA

IEMA are the global professional body for over 20,000 individuals and 300 organisations working, studying or interested in the environment and sustainability.

We are the professional organisation at the centre of the sustainability agenda, connecting business and individuals across industries, sectors and borders.

We also help and support public and private sector organisations, governments and regulators to do the right thing when it comes to environment and sustainability related initiatives, challenges and opportunities. We work to influence public policy on environment and sustainability matters. We do this by drawing on the insights and experience of our members to ensure that what happens in practice influences the development of government policy, legislation, regulations and standards.

This response has been created by the IEMA Network on Biodiversity and Natural Capital that includes members working across a range of sectors.

### Executive summary

There is a recognised biodiversity crisis globally and it is therefore concerning that the ISSB/IFRS standards do not currently cover biodiversity, ecosystems and ecosystem services.

IEMA recommends that:

- The priorities for the next projects undertaken by the ISSB/IFRS should be on biodiversity, ecosystems and ecosystem services to create either a new standard or guidance/further requirements that act as a 'bolt on' to the current standards.
- The ISSB/IFRS should support reporting methods already published and used by organisations such as the TNFD to create consistency and confidence for businesses to report.

## Questions and responses

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

Paragraphs 18–22 and Table 1 of the Request for Information provide an overview of activities within the scope of the ISSB’s work.

1 (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  beginning new research and standard-setting projects
- 1  supporting the implementation of ISSB Standards (IFRS S1 and IFRS S2)
- 3  researching targeted enhancements to the ISSB Standards
- 3  enhancing the Sustainability Accounting Standards Board (SASB) Standards

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

Currently standards IFRS S1 and IFRS S2 do not include specific references to nature and biodiversity that are needed to ensure their inclusion in sustainability disclosures. This can be remedied in either of two ways:

- A research project that produces another standard on biodiversity and nature
- A research project that produces additional guidance or requirements on biodiversity and nature that ‘bolt on’ to the current standards

For this reason, we have chosen both **‘beginning new research and standard-setting projects’** and **‘supporting the implementation of ISSB’** as the highest priority. The inclusion of biodiversity, ecosystems, and ecosystem services (BEES) within current or future standards is essential.

Developments in regulations and voluntary standard setters over the last 18 months have helped to increase the visibility and importance of BEES to businesses and their investors, in particular the 23 targets agreed under the Kunming-Montreal Global Biodiversity Framework, with target 15 of particular relevance for the IFRS, alongside developments in Natural Capital Accounting especially the launch of BS:8632 Natural Capital Accounting for Organizations.

In addition, changes in biodiversity management are expected both in the UK and Europe focusing on BEES as a result of initiatives including the expected release of the outputs of the Taskforce for Nature-related Financial Disclosures (TNFD) and the recently released European Financial Reporting Advisory Group’s European Sustainability Reporting Standard (ESRS), among others.

It is important that any guidance or standard on biodiversity and ecosystem services that the IFRS produce recognises what is already published and used by organisations and aligns with them. Consistency will help organisations to feel confident to report as well as promote more and better reporting.

1 (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.

Optional: please explain:

Yes.

The development of guidance or further requirements on BEES that acts as a ‘bolt on’ to the current standards is an option that wasn’t offered. We have outlined our thoughts on this above.

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

Paragraphs 23–26 of the Request for Information discuss the criteria the ISSB proposes to use when prioritising sustainability-related reporting issues that could be added to its work plan.

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

Yes

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

Optional please explain:

Yes, we think that there should be other criteria considered.

We suggest rewording criteria 4 in the list that is already available to: ‘whether the matter poses a systemic risk for companies and institutions and whether global and/or regional legislation may be targeted at businesses’. The context provided for question 1 helps to illustrate why this criteria is useful as a mechanism for ranking future research projects.

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

Paragraphs 27–38 of the Request for Information provide an overview of the ISSB’s approach to identifying sustainability-related research and standard-setting projects. Appendix A describes each of the proposed 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?

The answer to this question might depend upon the type of project undertaken. Writing a new standard, for example, might be more time consuming than creating guidance or ‘bolt on’ requirements that supports the current standards. Regardless, we believe that because BEES is not included at all in the IFRS standards, BEES, in some form, should be a priority and if only a single project is undertaken, then it should be in this area.

3 a) (i) If a single project, which one should be prioritised? You may select from the four proposed projects in Appendix A or suggest another project. Please explain your response.

We think that biodiversity, ecosystems and ecosystem services should be prioritised. As described in question 1 the pace of change and the need to ensure that businesses focus on nature-related risks and opportunities rather than a narrower definition relating to climate is important given the global issues associated with species loss and declines in biodiversity. See also our answer to question 3 a).

3 a) (ii) 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).

If there is more than one project, we believe that BEES is the project that should be prioritised over all the other options. Our reasons are given above.

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

The research project on **biodiversity, ecosystems and ecosystem services** is described in paragraphs A3–A14 of Appendix A to the Request for Information. Please respond to these questions:

4(a) Of the subtopics identified in paragraph A11, to which would you give the highest priority? Please select as many as applicable. Please explain your choice 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. To help the ISSB analyse the feedback, where possible, please provide:

- a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
- your view on the importance of the subtopic with regard to an entity’s sustainability-related risks and opportunities and the usefulness of the related information to investors.
  - Freshwater and marine resources and ecosystems use
  - Land-use and land-use change
  - Pollution (including emissions into air, water and soil)
  - Resource exploitation (for example, material sourcing and circular economy)
  - Invasive non-native species
  - Other—please specify

Each of the elements listed above are included in relevant initiatives, legislation and/or frameworks in the market and as such each are considered a priority area. However, there are several areas in which the ISSB may wish to reflect on the sub-topics chosen.

- It is unclear where ‘biodiversity’ is addressed, i.e. whether it is an overarching element of all sub-topics or whether it has its own sub-topic. We would want biodiversity as an overarching topic with the others underneath where a deeper dive might be required.

- The IFRS could adopt the TNFD recommendations given that it is aligned with the CDSB's application guidance on water and biodiversity. This would allow for interoperability, a smaller project and ensure an explicit reference within the IFRS standards in relation to nature which is currently missing from IFRS S1 or IFRS S2.

4(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?

This is not a simple 'yes' or 'no' question as set out below.

Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will either be (i) substantially different or (ii) substantially the same across different industries, sectors or geographic locations.

It is true that different industries and geographic locations will yield different sustainability risks and opportunities at a micro level. Many of the latest frameworks allow for the use of a materiality process to help identify issues of importance using a macro level framework to help locate micro level information, e.g., TNFD, CDSB application guidance and ESRS.

A step on from the macro level is to take an approach for assessment in relation to the different components of nature. Here the TNFD LEAP process, the Natural Capital Protocol and BS8632 Natural Capital Accounting for Organizations set out a clear process for identifying and evaluating impacts and dependencies and linking these either to risks and opportunities or monetary values. Many of these already published tools could be referenced or used within any project undertaken by the IFRS.

As such the process for the evaluation of a company's impacts and dependencies can be the same. However, location specific information and sector based internal information will lead to the use of different metrics and targets for different companies.

Hence, processes to evaluate Biodiversity, ecosystems and ecosystem services can be the same at a macro level but different at the micro level.

4(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. Please explain your choices and the relative level of priority with particular reference to the information needs of investors. If you would like to suggest materials that are not specified, please select 'Other' and give your suggestion(s) in the comment box. You can suggest as many materials as you deem

necessary. To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

We have set out different disclosure frameworks and initiatives in priority order based on:

- Type (disclosure framework, initiative)
- Geographic focus (global, local)

Highest priority: Relevant international disclosure frameworks opportunities for alignment and interoperability:

- The Taskforce on Nature-related Financial Disclosures (TNFD)
- The Climate Disclosure Standards Board (CDSB) Framework application guidance for biodiversity and water-related disclosures
- The Global Reporting Initiative (GRI) standards (for example, GRI 304 – Biodiversity)
- The European Financial Reporting Advisory Group (EFRAG)

Frameworks/guidance to consider when developing disclosures. Each of these help integrate nature into business decision making and have a bearing on the guidance that the IFRS seek to develop.

Those with a global view are listed as a higher priority

- The Science Based Targets Network – land use, water, oceans (under development) and biodiversity (under development)
- Other: The ISO Natural Capital Accounting
- Other: The ISO Biodiversity
- Other: The TPT Transition Plan Taskforce
- The Capitals Coalition
- The World Benchmarking Alliance
- The European Commission's Align project
- The EU Business and Biodiversity Platform
- The Partnership for Biodiversity Accounting Financials (PBAF)
- The United Nations Declaration on the Rights of Indigenous Peoples – important to recognise but to ensure that the focus of any standard focuses on nature. Note a similar approach has been used by the SBTN and TNFD.

Other country-based regulations/standards:

- UK BNG (biodiversity net gain) using the UK Defra Metric
- BSI Natural Capital Accounting for Organizations

Lower priority, to ensure options for integration and potential for sector specific guidance:

- The SASB Standards
- The Integrated Reporting Framework

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