

The Chair and Vice-Chair of the International
Sustainability Standards Board

By email to commentletters@ifrs.org

Date: 01 September 2023

Dear Chair Faber and Vice-Chair Lloyd,

Re: Railpen's comment letter in response to the International Sustainability Standards Board's Request for Information on Agenda Priorities

Railpen is an investment manager and fiduciary adviser to one of the UK's largest pension funds. We, and our ultimate client, have an inherently long-term investment horizon. We strongly believe that our members' financial best interests are connected to the ways in which companies attend to long-term sustainability risks and opportunities. It is vital therefore that we, as investors in companies, can avail ourselves of timely, reliable, comparable, and decision-useful information on the ways in which corporates manage sustainability-related business risks. At a more general level, capital market participants require access to information that facilitates price discovery and efficient capital allocation. As a result, we continue to offer our strong support to the work of the ISSB including the recent official publication of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. We also place on record our appreciation for the thoroughness of ISSB's due process and the level of stakeholder outreach throughout.

We acknowledge the decisions that were made in response to consultation feedback received on exposure drafts S1 and S2. In our view, as investors and users of sustainability-related disclosures, the priority for ISSB should be to ensure the integrity of the global baseline is retained. The global comparability – not just of the information presented, but the basis of preparation, frequency of reporting, and other 'ground rules' – is essential to the use-case of the disclosure frameworks from an investor's standpoint. The attainment of an endorsement from the International Organization of Securities Commissions (IOSCO) was an important step for achieving a global baseline; attention needs to focus on ensuring consistency across regional jurisdictions/ markets (and preventing some markets opting out or pursuing divergent approaches). Overall, in relation to question 1a, we think option (ii) is the highest priority item for the ISSB.

Further, we believe in the importance of the 'interoperability' of ISSB frameworks with other complementary global frameworks. We welcome the work undertaken to date to simplify, and limit duplication of, disclosure requests of corporates and investors. A 'building blocks' approach is likely to be more efficient for preparers and users and increases the likelihood of the global uptake of ISSB frameworks.

We have agreed with the ISSB's approach to deliver the global baseline using a "climate-first but not climate-only" philosophy. Whilst climate change remains the most discussed sustainability-related business risk, there are many other non-climate sustainability-related value drivers that investors need to understand in order to make informed decisions for their beneficiaries. With regards to question 2, we broadly agree with ISSB's nominated criteria. We

think, however, that criterion 1 could be more explicit as regards financial materiality, because a project could matter to an investor for non-pecuniary reasons but this alone might not be reason for ISSB to prioritise that project. Perhaps wording such as “the importance of the matter to investors in achieving short and long term investment objectives for their beneficiaries” would clarify. Further, in relation to criterion 4, the pervasiveness ought to consider *geographic* pervasiveness because the disclosure requirements ought to serve a *global* baseline so prioritised projects should by design be those with global pervasiveness.

In relation to question 3, we think two projects should be undertaken, of which one should be “Integration in Reporting”. We do not at this stage wish to comment on which of the research and standard-setting projects ought to take priority. In relation to question 7, we think the project would benefit by formally including IASB – in order to maximise adoption and benefit from additional perspectives – though this need not be resourced on a 50:50 basis.

We hope that this response has been of interest. We would be happy to discuss further any of the issues raised above.

Yours sincerely,

Michael Marshall

Head of Investment Risk & Sustainable Ownership
Railpen

About Railpen

Railpen is the trading name of Railway Pension Investments Limited, which is authorised and regulated by the Financial Conduct Authority (FCA). Railpen acts as the investment manager for the railways pension schemes and is responsible for the management of around c. £37 billion of assets on behalf of over 350,000 members. We also operate as an authorised master trust in respect of our Industry-Wide Defined Contribution arrangement that operates for the benefit of members with c. £1.7bn of DC funds included in our total assets under management.

‘Sustainable Ownership’ is Railpen’s approach to incorporating sustainability considerations into the investments it manages on behalf of members. Railpen’s work is enabled by the Trustee’s related investment belief: “Incorporating and acting upon climate risk and other environmental, social and governance factors are significant drivers of investment outcomes and part of our fiduciary duty”.

As one of the largest UK pension funds, and one of the few remaining occupational pension schemes with open, immature, Defined Benefit (DB) sections, we recognise the impact of corporate sustainability on our long-term investments. We have been, and remain, enthusiastic champions for improvements to the quality and completeness of corporate sustainability disclosure, as reflected in our levels of policy engagement and company stewardship focussed on this topic.

You can find out more about our work, including our Net Zero Plan, Stewardship Report and Sustainable Ownership Review on our [website](#).

Appendix: Index of Request for Information questions

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

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

(a) From highest to lowest priority, how would you rank the following activities?

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

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

(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.

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

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

(a) Do you think the ISSB has identified the appropriate criteria?

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

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

Paragraphs 27–38 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?

- (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.
- (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).

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. Please respond to these questions:

(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 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. To help the ISSB analyse the feedback, where possible, please provide:

- (i) a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
- (ii) 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.

(b) Do you believe that sustainability-related risks and opportunities related to this topic 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?

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.

(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. You can suggest materials that are not specified. 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.

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

The research project on **human capital** is described in paragraphs A15–A26 of Appendix A. Please respond to the following questions:

- (a) Of the subtopics identified in paragraph A22, to which would you give the highest priority?

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. You may also suggest subtopics that have not been specified. To help the ISSB analyse the feedback, where possible, please provide:

- (i) a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
- (ii) 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.

(b) Do you believe that sustainability-related risks and opportunities related to this topic 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?

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.

(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. Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You can suggest materials that are not specified. 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.

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

The research project on **human rights** is described in paragraphs A27–A37 of Appendix A. Please respond to these questions:

(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. To help the ISSB analyse the feedback, where possible, please provide:

(i) a short description of the subtopic (and the associated sustainability-related risks and opportunities); and

(ii) 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.

(b) Do you believe that sustainability-related risks and opportunities related to this topic 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?

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.

(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 A36 should be prioritised by the ISSB in pursuing its research? 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. You can suggest materials that are not specified. 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.

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

The research project on **integration in reporting** is described in paragraphs A38–A51 of Appendix A. Please respond to the following questions:

(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?

(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)?

(i) If you prefer a formal joint project, please explain how you think this should be conducted and why.

(ii) If you prefer an ISSB project, please explain how you think this should be conducted and why.

(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.

(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.

(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.

(d) Do you have any other suggestions for the ISSB if it pursues the project?

Question 8 — Other comments

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