From: Eurelectric
To: International Sustainability Standards Board

Brussels, 1 September 2023

Subject: Eurelectric's comments to the ISSB Consultation on Agenda Priorities

Dear Members of the International Sustainability Standards Board,

Eurelectric welcomes the opportunity to provide input to the ISSB Consultation on the agenda priorities of its upcoming two-year plan. We represent over 3500 companies across the electricity value chain, ranging from generation to distribution and supply.

An increasing number of energy companies with international activity need to report on sustainability-related matters in different jurisdictions, in addition to voluntary transparency frameworks. For large power utilities in the EU, reporting under the revised EU Corporate Sustainability Reporting Directive will involve substantial disclosure obligations on material sustainability issues from 2025 onwards. For those market actors, it is essential that different reporting frameworks converge to the extent possible both in terms of approach and content. Our comments focus on the achievement of more interoperability across reporting frameworks (ISSB, ESRS, GRI).

1. Adapting the criteria used to identify sustainability reporting matters[1]

The European Sustainability Reporting Standards (ESRS) drafted by EFRAG and published by the European Commission subject corporate reporting on sustainability-related issues to a double materiality approach. In addition to the factors that may affect the financial performance of a company, this approach considers the impact that a company's activities may have on its operating environment. In that way, the ESRS provide a better understanding of a company's actual or potential positive and negative impacts across various sustainability domains, in particular climate-related risks.

Both the application of the current ISSB standards, as well as the identification of new standard-setting projects would benefit from adopting a similar approach to reporting. Not only would a double materiality approach streamline the criteria for identifying relevant reporting issues; it would also provide a more faithful picture of companies' actual sustainability performance. By integrating this double perspective, the ISSB standards could achieve a higher level of depth and relevance.

This approach aligns with the evolving expectations of stakeholders, who increasingly recognize the interrelation of financial success and broader societal and environmental outcomes. Inclusion of the impact of salient sustainability issues and the double materiality principle would reinforce the

[1] Cf. Question 2 – Criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan.

standards and provide companies with a more comprehensive means to evaluate and communicate their sustainability performance.

2. Adopting standards in line with the current sustainability agenda[2]

Eurelectric support the ISSB's objective of developing new standard-setting projects. We especially welcome the new focus of biodiversity, ecosystems and ecosystem services (BEES), which converges with the ESRS's introduction of environmental standards. A stronger emphasis on the linkages between pollution, biodiversity, and water and marine resources will strengthen the contemporaneous relevance of ISSB standards. The release, for example, of toxins in our environment constitute a growing risk for human, animal and plant health. Likewise, unmoderated resource use is a key limiting factor for future growth of the economy and, indirectly, for biodiversity and good social outcomes.

The measurement of BEES-related risks should be enhanced by quantitative disclosures on key production factors. Numerical reporting is conducive to the international comparability of sustainability-related claims. Relevant variables would include e.g.:

- **Energy consumption:** from fossil and non-fossil sources in percentage;
- **Resource consumption:** materials purchased, waste, and products in kilogram;
- **Water:** consumed in Liters;
- **Chemicals:** consumed per group;
- **Emissions:** direct and indirect CO2 emissions;
- **Workforce:** metrics related to own workforce and value chain workers (see e.g., EU ESRS S1).

At the same time, it is essential that the standards strike the right balance between the strict comparability of data and flexibility for companies to focus on topics that they identify as material. Safeguards should also be considered to avoid the release of commercially sensitive information.

The introduction of standards focused on human rights also goes in the right direction. In this regard, we would like to raise your attention on the approach taken in the EU's ESRS concerning the split between own workforce, value chain workers, communities and customers. While these categories and their implementation in reporting require further guidance, the harmonisation of their approach would promote cooperation across global value chains and simplify compliance with (EU) value chain legislation for our members.

3. Integration in Reporting[3]

We welcome the ISSB's progress towards achieving connectivity between sustainability-related financial disclosures and companies' financial statements. This work can benefit from the incorporation of concepts from the Integrated Reporting (IR) Framework, which establishes well-used guiding principles and content elements that govern the content of an integrated report and explains the fundamental concepts that underpin them. Stronger reference to the main concepts of the IR Framework will promote alignment with international best practice of integrated reporting as well as the upcoming prescriptions of the ESRS.[4]

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[2] Cf. Question 3—New research and standard-setting projects that could be added to the ISSB's work plan, and Question 4 – Biodiversity, ecosystems and ecosystem services.

[3] Cf. Question 7 – Integration in reporting.

[4] Key categories that could be imported from the IR Framework include organizational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook, basis of preparation and presentation. The category "basis of preparation and presentation" would notably provide a better understanding of the scope and methods used for companies' materiality determination process.

In addition, Eurelectric supports further alignment with key reference points for international sustainability standards, such as UN and OECD guidelines. These standards with global reach are widely respected and build on many years of stakeholder consultation.

4. Stakeholder involvement is the key to recognised standards

In conclusion, the ISSB standards can contribute to raising the bar for corporate sustainability reporting around the globe. We support this endeavour and remain committed to future cooperation with the ISSB to ensure that reporting is effective, complete and harmonised. Indeed, transparent standard-setting procedures and comprehensive stakeholder involvement are the key to widely accepted standards.[5]

This involvement should not be limited to the adoption of standards: companies can also benefit from implementation guidance that ensures a common understanding of compliance, assurance and enforcement. Where necessary, standard-setting bodies should also not shy away from phasing in disclosure requirements and simplifying them. A pragmatic approach to reporting may in fact be conducive to implementation. As the entire reporting ecosystem of standard-setters, insurers and enforcers progressively adapt to the new reality of ESG reporting, we look forward to increasing cooperation in the coming years.

We thank you for your attention and remain at your disposal. Should you have any questions, please do not hesitate to contact our Policy Officer in charge of sustainable finance, Max Schneider (mschneider@eurelectric.org).

Yours sincerely,

Charlotte RENAUD
Head of Markets & Customers
Eurelectric

[5] This includes appropriate consultation periods.