

CFO RESPONSE TO THE PROPOSED IFRS SUSTAINABILITY DISCLOSURE STANDARDS

Dear International Sustainability Standards Board,

As a group of Chief Financial Officers (CFOs) convened by Accounting for Sustainability, we welcome the ISSB's consultation on the first two IFRS Sustainability Disclosure Standards. The disclosure of robust, comparable and decision-useful information is vital to address climate, and other environmental and social, risks and opportunities.

As CFOs from a wide range of sectors, we recognize that sustainability disclosures are most effective when they inform decision making – providing comparable, relevant information to investors and other stakeholders. We believe that the ISSB is well-suited to establish a comprehensive baseline which will enhance compatibility and interoperability and, ultimately, enable consistent and comparable information to assess an entity's performance and value.

As the executives responsible for reporting at our organizations, we have been developing the systems and processes needed to prepare robust sustainability-related information in an efficient manner. Based on our experience in providing both financial reporting and sustainability-related disclosures, we believe sustainability reporting standards must:

- 1. Align with relevant existing and emerging sustainability reporting standards to ensure harmonization and convergence, to the greatest extent possible.** There is an urgent need for a global set of internationally recognized sustainability disclosure standards that should build upon the work of the existing bodies, enabling continued convergence and promoting widespread global adoption. The ISSB is in a good position to deliver on this, but it will need to accelerate work with other existing and emerging standard setters to align strongly the concepts, terminology, definitions and effective dates. Reporters need clear guidance and complimentary sets of standards to be able to provide decision-critical sustainability information efficiently and effectively.
- 2. Consider the dynamic, industry-specific nature of materiality and provide clarity around the assessment of users' expectations on what constitutes enterprise value, recognizing that investors may need disclosures on broader social and environmental impacts to assess risk and inform investment decisions.** Clarity on the application of materiality will be particularly important in the context of the changing understanding of environmental and social risks and opportunities over time.
- 3. Have clear definitions and guidelines that enable preparers to report in a transparent, consistent and comparable manner.** This will help to underpin assurability and limit the need for extensive footnotes and supplemental disclosures.

4. **Recognize that reporting is a means to an end, not an end in itself.** Unless the practical challenges around data accuracy and completeness are recognized and addressed within reporting and assurance standards, there is a risk that companies will avoid setting the ambitious targets needed to drive innovation and will divert effort into reporting instead of action. Providing the necessary time and provisions for companies to put in place appropriate processes, controls and technology is essential.
5. **Connect to financial reporting standards and promote integrated thinking as illustrated through frameworks such as the Integrated Reporting Framework.**
6. **Address the broad set of environmental, social and economic issues that materially impact decision making.** It is necessary to move quickly to other topics after climate to capture the interconnectedness of all sustainability topics.

Moving forward, it will be essential that the ISSB is agile. It must respond to real world feedback on the practical application of its standards, and incorporate evolving risks and opportunities associated with social and environmental factors.

We hope that sharing the above observations, based on our extensive experience with reporting and disclosure, will assist the ISSB in the development of the IFRS Sustainability Disclosure Standards. We commend your work to date and support your intention to develop a global, comprehensive baseline for sustainability disclosures.

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Signatories

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- José Angel Tejero Santos, Chief Financial and Sustainability Officer, **Acciona**
- Ray Young, Vice Chairman, **ADM**
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- Maarten De Vries, Chief Financial Officer, **AkzoNobel**
- Paul Verhagen, Chief Financial Officer, **ASM International**
- Roger Dassen, Chief Financial Officer, **ASML**
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