



Better Next
Carmen Perez, Founder and Partner
New York, NY

International Sustainability Standards Board (ISSB)
Emmanuel Faber, ISSB Chair
Sue Lloyd, ISSB Vice-Chair

Re: Public Comment on General Requirements Exposure Draft

May 26, 2022

To the ISSB team:

Thank you to all who contributed to the negotiating and writing of the Exposure Draft. I reviewed the [snapshot linked here](#). Its very existence is a signal of progress and positive momentum. It is monumental to have climate-related disclosure requirements at the global level. I applaud how the effort is informed by and builds upon existing standard-setting organizations. My expertise relates to social issues, or the “S” in ESG, and therefore my comments do not relate to the details of the climate-related requirements.

Main comment: re-consider the exclusive focus on enterprise value.

Currently, the draft says assessing enterprise value is the main use of companies’ disclosures. Investors’ myopic focus on enterprise value for decades is the reason that climate effects have been disregarded by corporate leaders for so long. Therefore, the new standard must more directly shift from the old way of thinking. It must add a modern approach requiring investors to also consider stakeholder treatment in their decisions. Treatment of stakeholders influences enterprise value over the long-term. Financial markets are woefully ill-equipped to assess and reward long-term value in comparison to how they reward short-term value.

Therefore, please edit the exposure draft throughout to couple stakeholder treatment with enterprise value. The final version will not only be monumental in its inclusion of climate related risks but also in pushing investors to make their decisions with contemporary priorities.

Here is a list of the edits needed to include stakeholder treatment.

Page 1

...On its enterprise value and its treatment of stakeholders.

Page 2

...Assessment of enterprise value and the companies' treatment of their stakeholders.

Page 3

.....to assess enterprise value and stakeholder treatment.

Also, add a bullet point

Stakeholder treatment refers to the companies' governance, strategy, risk assessment, and metrics to exhibit how stakeholders are affected by and contribute to the company performance. Stakeholders beyond investors most commonly include customers, employees, suppliers, communities, and government.

Page 5

...enterprise value and treatment of its stakeholders.

Also, the Fair Presentation column on this page requires the company to consider and report information preferred by investors, guided by IFRS and SASB. Then, the company is also required to consider competitors in its industry. A sentence should be added:

The company is also required to disclose its stakeholder assessment. Based on the company's identified stakeholder groups, it should add additional material risks and opportunities to its disclosures.

Page 6

...enterprise value and stakeholder treatment.

Page 7

...enterprise value and stakeholder treatment.

Page 10

...enterprise value and stakeholder treatment.

Page 11

...enterprise value of companies in that industry. Companies are to bear in mind SASB's materiality guidance does not factor in stakeholders other than investors.

Two additional comments not related to stakeholder treatment:

#1

Page 8

Governance column. Text to add at the bottom.

ISSB acknowledges that at the time of the Exposure Draft's writing, the groups of people responsible for corporate governance for the vast majority of companies across the globe are not proportionally diverse to represent the companies' stakeholder groups. The related inequities, in particular racism and patriarchy, are not limited to the corporate sector. Companies are encouraged to disclose how they are mitigating the risks of inequity in governance decision-making processes.

#2

Page 9

Strategy and decision-making column, second bullet point, after "product specifications", add:

..., new learning of an effect related to **climate justice**,

In closing, please make your final decisions not beholden to the groups of people who are powerful now, but instead in preparation for the groups of people who should be powerful in the future. **Standards are sticky and difficult to change.**

Thank you,

Carmen Perez

Carmen@BetterNext.co