July 28, 2022

Dear IFRS Foundation Trustees,

Thank you for the opportunity to comment on the IFRS Foundation's Consultation Paper on the *General Requirements for Disclosure of Sustainability-related Financial Information*. I am providing input on behalf of BlueMark, a dedicated provider of impact verification services for investors and companies. These comments draw on BlueMark's experience completing more than 90 verifications of impact management systems and performance data for a wide range of investors, funds, and companies, as well as my own 30 years of experience in impact investing, traditional finance and risk management, including leading J.P. Morgan's Social Finance business from 2007-2012.

BlueMark is encouraged by the IFRS's collaborative approach and the extent to which ISSB leverages existing standards and initiatives—including TCFD, CDSB and the VRF—through the Technical Readiness Working Group. Indeed, the launch of ISSB is a welcome landmark in the maturation of sustainability reporting and we are enthused by the IFRS's role in developing a more consistent, practical, and standardized reporting framework for the field.

That being said, we believe the standard currently falls short in its stated scope by focusing only on the disclosure of a limited set of information that is considered material to financial decision-making. While ISSB requirements will certainly help to provide a minimum threshold for compliance, the market needs to move beyond a baseline of financially-material sustainability factors to reporting on sustainability and impact factors material to a broader set of affected stakeholders. Only through this approach can the market move to a truly inclusive and impact-accountable model for stakeholder capitalism.

To enable this broader accountability for impact, we encourage ISSB to more explicitly encourage the use of standards, namely the GRI Standards, that clearly account for a broader scope of material information. BlueMark's own experience and research demonstrates that investor appetite goes beyond financially-material sustainability information.

This investor demand is illustrated by our recent Raising the Bar publication - the first in a series of research reports about best practices in impact performance reporting. In our first report, we analyzed a sample of 31 recent impact reports published by private markets general partners (GPs) and consulted 57 diverse industry stakeholders to gain insights into the state of impact performance reporting. While the research is focused primarily on impact reporting in private markets, we believe the insights are relevant to inform how ISSB could broaden its requirements to incorporate a broader set of relevant disclosures.

The research revealed significant agreement among GPs, LPs, and standard-setting bodies on what decision-useful impact reporting looks like – namely that there should be a focus on clarity and completeness:

- **Clarity**: a quality impact report presents impact information in a manner that is easily digestible and that facilitates interpretation among a range of stakeholders.
- **Completeness**: a quality impact report provides the full balance of relevant information needed to understand impact results and risks, including by avoiding the "cherry picking" of positive metrics and case studies.

As part of research into what constituted "complete" impact reporting, we also identified several specific types of information that investors agreed should be included within a quality impact report, including:

1. whether the entity they invest in has any explicit intentions or objectives related to environmental and social sustainability;
2. how the information they are receiving is relevant to those stated objectives (or lack thereof);
3. whether the entity's sustainability impacts are underperforming or overperforming relative to targets and/or external benchmarks;
4. whether key affected stakeholders (e.g., communities, workers, customers) have been identified and represented in the disclosures; and, finally,
5. that the information is transparent regarding potential negative impacts and any key lessons learned.

In general, stakeholders BlueMark spoke to felt that the field has overemphasized standardized metrics and quantitative precision at the expense of important contextual information. The five elements above emphasize the importance of information pertaining to sustainability "outcomes" in addition to the investor appetite for a broader set of contextualized and qualitative information that can help interpret performance. The inclusion of these elements within impact reporting was also endorsed by a group of seven leading asset allocators[1] - further underlining the growing demand for reporting on a holistic set of impacts.

An excessive focus on the need for standardized disclosures can lose sight of what information is truly relevant to sustainability outcomes, and we urge the ISSB to emphasize the importance of the contextual and qualitative information necessary to effectively interpret sustainability metrics and progress indicators. We are encouraged that the Exposure Draft includes consideration of the important qualitative characteristics of useful sustainability information, but companies and investors will likely require more specific guidance and examples.

With IFRS's authority, influence, and collaboration, we are excited about the potential for ISSB to move the financial markets past a minimum baseline to a progressive model for outcome-focused stakeholder capitalism - and we hope our perspectives shared here are constructive in achieving that goal.

Thank you again for taking on this initiative and the opportunity for consultation. We would be happy to discuss any of these points in more detail if helpful.

Best,

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[1]BlueMark (2022): *Joint Statement by Limited Partners on Advancing Best Practices in Impact Performance Reporting*