

Emmanuel Faber, ISSB Chair
Sue Lloyd, ISSB Vice-Chair
International Sustainability Standards Board, IFRS Foundation
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Dear Chair Faber and Vice-Chair Lloyd,

The Global Investors for Sustainable Development (GISD), an Alliance of CEOs convened by the UN Secretary-General, of which we are the Co-Chairs, is pleased to comment on the International Sustainability Standards Board's ("ISSB") Exposure Drafts for Disclosure of Sustainability-related Financial Information and Climate-related Disclosures.

As summarized in our statement below, the proposed standards provide a unique opportunity to achieve what we have advocated for since our convening in October 2019. The standards can support global convergence of sustainability-related disclosure, create a common reporting baseline, and help mainstream sustainability-related issues into regular business strategy and management.

Despite this opportunity, we identify risks that these key benefits will not be achieved. Importantly, we question in the first place the reliance on reporters' interpretation of enterprise value. For a start, a narrow interpretation of enterprise value would mean that the standards leave out sustainability risks and opportunities that materialize over a sufficiently long timeline. Additionally, because the interpretation could vary between companies in the same sector, there is also a real risk of selective disclosure by reporters and unharmonized information for investors.

Addressing these risks will require a transparent and holistic approach, including recommendations on core indicators, along with steps to strengthen the impact of the standards. We therefore practically propose that the recommended standards include clear guidance on what constitutes appropriate sustainability analysis and management, encourage entities to set sustainability targets, ask entities to justify when they do not report on select indicators, require geographically contextualized disclosures, and adopt an explicit long-term time horizon.

In conclusion, we thank you for opening your Exposure Drafts to public consultation and look forward to engaging with you further. In this light, we would welcome a subsequent engagement to explain our reflections in further detail.

Sincerely,

Leila Fourie
Group CEO
Johannesburg Stock Exchange
GISD Alliance Co-Chair

José Viñals
Group Chairman
Standard Chartered Group
GISD Alliance Co-Chair

Global Investors for Sustainable Development (GISD Alliance): Joint Statement on the Standards to be developed by the International Sustainability Standard Board (ISSB)

Our vision

The standards being developed by the ISSB provide a unique opportunity. They can support global convergence of sustainability-related disclosure, create a common reporting baseline, and help mainstream sustainability-related issues into regular business strategy and management. The GISD Alliance supports a wide adoption of the ISSB standards across jurisdictions, as well as interoperability of the ISSB standards with other existing or emerging sustainability standards.

Despite this opportunity, there is a risk that these key benefits will not be delivered. In particular: (i) a narrow interpretation of enterprise value (and the factors that affect it) would mean that ISSB standards could leave out important sustainability risks and opportunities; and (ii) the ISSB standards could result in selective disclosure by reporting companies. To address this risk, solutions lie in a transparent and holistic approach that complement a list of core globally harmonized indicators, along with additional steps to strengthen the impact of the standards, as laid out below.

1. The need for a transparent and holistic approach to assessing enterprise value

The IFRS's current 'building blocks' approach suggests that sustainability issues can be neatly dissociated from each other, so that what is material and immaterial to investors can be easily identified. However, in reality, sustainability issues are dynamic and deeply interlinked and need to be considered holistically.

A transparent and holistic approach to sustainability management and disclosure would enable a company and its investors to account for uncertainty linked to sustainability risks and opportunities. Such an approach is conducive to better capturing enterprise value on two accounts:

- a) Risk management: to enable companies and their investors to protect themselves from sudden shifts in sustainability-related issues and ensure that companies maintain their financial viability and social license to operate.
- b) Business development: to enable companies to identify a wide palette of opportunities.

While the financial materiality of some sustainability issues might not be immediately visible, multiple recent events have shown how quickly and unpredictably things can shift and how interlinked our societies and economies are (e.g., covid-19, 'me too' movement, war in Ukraine, climate-related disasters). As risks materialize, governments may respond with regulatory measures, further affecting enterprise value. To assess the value of an enterprise today, it is therefore critical to consider its ability to react to shifting realities and mega-trends underway, i.e., manage sustainability issues that could become financially material in the future. A clear and consistent approach to identify sustainability-related risks and opportunities is needed to ensure that the information provided is fit-for-purpose.¹

¹ For identification procedures, see the [UNEP FI Holistic Impact methodology](#).

2. The need to avoid selective disclosure by reporting companies

The current ISSB draft standard put the onus for deciding what to disclose on the reporting entity, based on what it considers material to its enterprise value. This could lead to selective disclosure, including two companies operating in the same industry reporting on different sustainability topics if their materiality assessment differs. As a result, investors may not have access to all the information they need to make their own decisions on what they consider material for investment decisions.

To create a global baseline, the ISSB standards should recommend as a minimum that all companies assess a globally harmonized set of core sector-agnostic indicators, which should be complemented by industry-specific indicators. A core list of sector-agnostic indicators will preclude that companies make selective disclosure, intentionally or not, and leave out from disclosure issues that could be important for investors.

The IFRS Sustainability Disclosure Standards could provide the basis for this list of core sector-agnostic indicators, but this would require the ISSB to rapidly expand the number of IFRS Sustainability Disclosure Standards to cover more sustainability-related issues than climate. To achieve this goal, the IFRS S1 General Requirement Exposure Draft should also clearly indicate that the reporting entity shall explain why it considers some issues covered by IFRS Sustainability Standards as not material to enterprise value.

When selecting the next round of IFRS Disclosure Standards, the ISSB should refer to global agreements, such as the Sustainable Development Goals (SDGs) and the goals of the Paris Agreement, as the latter provide the basis to understand where governments are focusing policy attention and what could become sustainability risks and opportunities for enterprise value in the future. It should also build on existing initiatives pursuing this goal.²

In addition, industry-specific indicators are necessary to complement industry-agnostic disclosures and ensure the use of meaningful sustainability indicators and metrics for entities operating in different industries. While the IFRS Sustainability Disclosure Standards seem to have decided to incorporate the industry-based SASB Standards, it would be critical to review and update SASB standards to make sure they reflect current realities and emerging sustainability risks and opportunities.³

3. Additional elements to consider for improving the standards

As a corollary of enabling a broad understanding of enterprise value and creating a global baseline, it is important that the standards:

- **Include clear guidance on what constitutes appropriate sustainability analysis and management.** This includes but is not limited to the process for entities to identify positive and negative impacts associated with their business activities, prioritize sustainability-related issues and assess sustainability performance.⁴
- **Encourage entities to set sustainability targets.** Targets are key to assess whether entities plan to improve their sustainability performance over time and at what pace. They need to include baselines and desired thresholds to assess their level of ambition. Setting science-based targets wherever

² For selecting the issues that need to be covered by the IFRS Disclosure Standards, the ISSB could building on existing initiatives pursuing this goal, such as the UNCTAD ISAR intergovernmental working group of experts.

³ For up-to-date sector-specific indicators see the [GSD report on Sector-Specific SDG-related Metrics for Corporate Reporting](#). Please also see [GSD Recommendations on SDG-related disclosures](#) for more information.

⁴ See the [Impact Management Platform \(IMP\)](#)'s Actions and Landscape of Impact Management for a consensus-driven overview of the practice of impact management.

applicable, such as the ones on emissions reduction, is particularly important to drive sustainable development.⁵ Similarly, SDG-aligned target setting is already widely supported by the private sector.⁶ ISSB standards should aim to capture this type of target.

- **Require geographically contextualized disclosures.** The geographic scope of the sustainability-related disclosures is rightly set to mirror those of financial disclosures, to bear in mind operations and supply chains across multiple countries. This has profound implications for sustainability management and disclosures – not least of which given the relative difference of the importance of sustainability issues in different contexts – which require clarification and specification in the standard.⁷
- **Adopt an explicit long-term time horizon.** The ISSB standards should recommend that entities adopt a sufficiently long-term horizon (20+ years) when identifying sustainability-related risks and opportunities as some may become financially material over time, for instance through on-going regulatory changes and from the accumulation of risks that eventually create significant crises. Even though some sustainability topics may not affect the current costs and revenues of an entity, the likelihood they will in the future makes those topics important to disclose for calculating today's enterprise value. The likelihood of a sustainability topics being financially material may be negligible when considering a five-year time horizon, but could increase significantly for a ten-year horizon. Failing to adopt a long enough time horizon would thus make ISSB standards unable to capture important sustainability risks and opportunities (e.g., tail risks).

Finally, sustainability management and reporting remain complex. Countries are not equally prepared – some may need support to adopt emerging standards. Against this backdrop, we invite the IFRS Foundation to present its vision on: (i) how it plans to support capacity needs in developing countries; and (ii) protect them from negative spillovers (e.g., allowing developing countries time to meet ISSB standards, considering transition pathways from a development perspective, avoiding risks that ISSB standards exclude developing country firms from access to capital markets, or make the price to access capital markets more expensive due to reporting burden).

Who we are:

The Global Investors for Sustainable Development (GISD) is an Alliance of business leaders convened by the United Nations Secretary-General to provide decisive leadership in mobilizing resources for sustainable development (<https://www.gisdalliance.org/>).

This joint statement puts forward our vision to create a sustainability reporting framework, which is fit-for-purpose and supportive of globally agreed ambitions and goals. In addition, specific suggestions for the ISSB's exposure drafts are/will be available in the consultation responses provided directly by the different GISD members.

[DISCLAIMER] This submission reflects the views of the GISD Alliance itself rather than those of any one member or observer organization. Individual GISD Alliance members and observer institutions may have views that differ from those expressed in this document.

⁵ See the [Science-based Target Initiative](#) (SBTi).

⁶ Two examples include the Global Investors for Sustainable Development (GISD) Alliance and the UN Principles for Responsible Banking.

⁷ See [UNEP FI Holistic Impact methodology](#) and [Principles for Responsible Banking](#) for an explanation of the role of context and how this can be embedded in impact analysis and management.