

July 28, 2022

Emmanuel Faber, ISSB Chair  
International Sustainability Standards Board  
IFRS Foundation

## **Comment Letter on the ISSB Exposure Draft IFRS S1 General Sustainability-related Disclosures**

Dear Emmanuel Faber,

The World Benchmarking Alliance (WBA) appreciates the opportunity to provide comments on the International Sustainability Standards Board (ISSB) General Requirements Exposure Draft. As expressed in our [previous comment letter](#), WBA supports the work of the IFRS Foundation to create international sustainability standards as a fundamental step towards reaching global alignment in disclosure standards on sustainability information. WBA also commends the willingness of the IFRS Trustees to move towards global convergence, expecting the coverage of impact on society and the planet.

### **Sustainability disclosures enable stakeholders to drive change**

WBA is an independent, global organisation that assesses, measures, and ranks 2,000 of the world's most influential companies on their contributions to the UN Sustainable Development Goals (SDGs), Paris Agreement and other international norms for sustainable development through free, publicly available benchmarks. Comparable, reliable, and consistent sustainability reporting is critical for WBA's work, as it forms the basis of our assessments of the 2,000 companies, making WBA a user of sustainability disclosures.

Through benchmarking, sustainability disclosures enable different stakeholder groups, including investors, governments, civil society and businesses themselves, to understand and compare company performance and drive the necessary change in the private sector to achieve a more sustainable future and resilient global economy. As our benchmarks follow a two-year cycle, they provide an important feedback loop to policy makers across the globe on both the state of reporting and performance, which can inform policy reviews and measures to improve implementation by regulators. WBA stands ready to support the work of the ISSB in the most constructive way, providing this feedback loop and tailored insights based on our benchmarks, which are free and publicly available. We believe that such insights will also be of value for the forthcoming request for information on the forward-looking agenda priorities.

### **Decision-useful, comparable sustainability disclosure globally is possible, but more clarity is needed**

Shifting to a globally coherent reporting regime is critical, especially to create a level playing field for all companies, and to provide decision-useful information to all stakeholders. The need for this shift has been echoed by IOSCO<sup>1</sup>, the G20<sup>2</sup>, G7<sup>3</sup> and the United Nations<sup>4</sup> respectively. To achieve such a regime and facilitate

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<sup>1</sup> <https://www.iosco.org/news/pdf/IOSCONEWS608.pdf>

<sup>2</sup> <https://www.consilium.europa.eu/media/52730/g20-leaders-declaration-final.pdf>

<sup>3</sup> [https://www.bundesfinanzministerium.de/Content/DE/Downloads/Internationales-Finanzmarkt/G7/g7-meeting-bonn-koenigswinter-communique-en.pdf?\\_\\_blob=publicationFile&v=11](https://www.bundesfinanzministerium.de/Content/DE/Downloads/Internationales-Finanzmarkt/G7/g7-meeting-bonn-koenigswinter-communique-en.pdf?__blob=publicationFile&v=11)

<sup>4</sup> <https://www.un.org/development/desa/financing/sites/www.un.org.development.desa.financing/files/2022-05/E-FFDF-2022-L1.pdf>

global alignment, it is of utmost importance that the ISSB continues to coordinate its work with EFRAG, the SEC and other jurisdictional bodies. WBA warmly welcomes the cooperation with the Global Reporting Initiative and the incorporation of Climate Disclosure Standards Board and Value Reporting Foundation, as this will also help facilitate coherence and comparability for all users of sustainability information. All three organisations have been Allies to WBA's 320+ strong multistakeholder Alliance.

To ensure the disclosure standards are fit for purpose, the guidance for assessing what affects enterprise value should be improved. While the current approach includes elements of impact management and recognises that wider societal impacts are relevant to assess enterprise value, the draft would benefit from more clearly articulating the way in which material topics are assessed. Currently, defining what impacts are relevant for enterprise value, or what significant risks are, including in the long term, is too much left to the preparer, which creates a risk that disclosures remain fragmented and incomparable. Preparers should disclose which sustainability related risks and opportunities are not considered significant and why this is the case, as this is relevant for users and allows for more comparable reporting. It would be relevant to align with international agreements, such as the SDGs and Paris Agreement, since these already have the benefit of an intergovernmental mandate.

#### **Interests of investors and other stakeholders are increasingly aligned, needing information on impacts**

Information on impacts is necessary to understand the sustainability-related risks and opportunities that may affect enterprise value. This could be better reflected in the core content of the text. While information needs from different stakeholders may vary, WBA advocates for **consistent, comparable disclosure frameworks that cater to all users of sustainability information**, as these information needs are becoming increasingly aligned.

Companies do not work in isolation but are part of a broader ecosystem of societal actors. Their sustainability performance is influenced by different stakeholders, including investors, but also civil society, employees, communities, regulatory bodies, etc. These stakeholders need to be equipped with insights on company performance, such as those provided by our benchmarks, but also empowered to engage meaningfully with companies and hold them to account on their long term impacts on people and planet, and a resilient economy. Examples of investors asking for data on sustainability outcomes include the Net Zero Asset Managers Initiative, with 236 asset managers representing \$57.5 trillion now having set net zero targets, and the Investor Alliance for Human Rights, which issued a letter signed by 176 investors, representing USD 4.5 trillion, calling for companies to institute human rights due diligence based on the results of the 2019 WBA Corporate Human Rights Benchmark. In addition, as part of a WBA multi-stakeholder Collective Impact Coalition, investors sent a letter to 100 oil and gas companies urging them act on creating a just low-carbon transition, and to identify, prepare for and mitigate the social impacts of their low-carbon strategies.<sup>5</sup>

By separating the interests of investors, interpreted as enterprise value relevant information, and the interests other stakeholders, **we risk that disclosure requirements for companies still end up fragmented, while information needs from different stakeholders are becoming increasingly aligned**, needing information on entities' impacts. The draft acknowledges that an entity's impacts are a driver of

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<sup>5</sup> See [www.worldbenchmarkingalliance.org/news/investors-write-to-100-oil-and-gas-companies-urging-them-to-put-people-at-the-heart-of-decarbonisation-plans](https://www.worldbenchmarkingalliance.org/news/investors-write-to-100-oil-and-gas-companies-urging-them-to-put-people-at-the-heart-of-decarbonisation-plans)

sustainability-related risks and opportunities, and therefore constitutes relevant information to assess enterprise value. WBA recommends that the ISSB standards takes steps to clearly define disclosure requirements on the environmental and social impacts of companies, as well as company plans and progress to address such impacts.

**The standards architecture should facilitate a holistic approach to sustainability**

While we understand the decision to take a climate-first approach, WBA stresses that this choice should not in any way result in a siloed approach to sustainability topics. For example, without respecting and ensuring a low carbon transition that takes into account workforce and social aspects, transition plans of companies are likely to be unsuccessful, as became clear in our 2021 Just Transition Assessment of 180 high-emitting companies.<sup>6</sup> That is why we advocate for the inclusion of just transition elements in the climate draft already, in the form of meaningful reporting requirements and signposting throughout. In addition, we foresee such integrated thinking to be necessary for other topics that might be considered in the upcoming workplan of the ISSB, including biodiversity, inequality and human rights, and for the full standard architecture to take a holistic approach to sustainability, in line with the SDGs.

Thank you for the opportunity to provide comments and we look forward to continuing the dialogue and contributing to this critical effort through our increasing evidence and data of company disclosures and performance.

Yours faithfully,



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Pauliina Murphy  
Engagement Director  
World Benchmarking Alliance

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<sup>6</sup> <https://www.worldbenchmarkingalliance.org/research/2021-just-transition-assessment/>