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.

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 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 holistic and forward-looking approach to assessing enterprise value

A holistic and forward-looking 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 license to operate.
b) Business development: to enable companies to identify a wide palette of opportunities.

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 deeply interlinked and need to be considered holistically.

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]

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.

---

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

To create a global baseline, the ISSB standards should require as a minimum that all companies report on 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 set of core sector-agnostic indicators should be based on 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. 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.[2]

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.[3]
- **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 applicable, such as the ones on emissions reduction, is particularly important to drive sustainable development.[4] Similarly, SDG-aligned target setting is already widely supported by the private sector.[5] 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.[6]
- **Adopt an explicit long-term time horizon.** The ISSB standards should request entities to 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

---

[2] For establishing the set of core industry-agnostic metrics, the ISSB standards could build on existing initiatives pursuing this goal, such as the UNCTAD ISAR intergovernmental working group of experts. For sector-specific indicators see the GISD report on Sector-Specific SDG-related Metrics for Corporate Reporting. Please also see GISD Recommendations on SDG-related disclosures for more information.
[3] See the Impact Management Platform (IMP)'s Actions and Landscape of Impact Management for a consensus-driven overview of the practice of impact management.
[4] See the Science-based Target Initiative (SBTi).
[5] Two examples include the Global Investors for Sustainable Development (GISD) Alliance and the UN Principles for Responsible Banking.
[6] 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.

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:

UN institutions, agencies, and associated organization who are supporting countries and the private sector to deliver on global goals and agreements, in particular the 2030 Agenda for Sustainable Development, the Paris Agreement, and the Addis Ababa Action Agenda.

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. We are guided by the April 2022 agreement among Heads of State and Government, Ministers and high-level representatives on the need to: (i) make private business more accountable for its impact on sustainable development; and (ii) encourage progress towards globally consistent and comparable international standards for sustainability-related disclosure, by leveraging existing principles, frameworks and guidance.[7]

In addition, specific suggestions for the ISSB's exposure drafts are/ will be available in the consultation responses provided directly by the different UN agencies.

UN DESA — United Nations Department of Economic and Social Affairs (DESA)

UN environment programme finance initiative — United Nations Environment Programme Finance Initiative (UNEP FI)

UNITED NATIONS UNCTAD — United Nations Conference on Trade and Development (UNCTAD)

UNDP — United Nations Development Programme (UNDP)

UNCDF — United Nations Capital Development Fund (UNCDF)

UN GLOBAL COMPACT — United Nations Global Compact (UN Global Compact)

United Nations Regional Commissions

[7] See Outcome Document of the 2022 ECOSOC Forum on Financing for Development