

At this historic juncture in the evolution of effective corporate reporting – with the formation of a global sustainability standard setter for the capital markets – the International Sustainability Standards Board (ISSB), Janine Guillot, CEO, Value Reporting Foundation, explores why this is such a vital opportunity and how we will achieve it.

By Janine Guillot



JANINE GUILLOT is Chief Executive Officer of the Value Reporting Foundation, home of the Integrated Reporting Framework and SASB Standards. Janine has also been appointed Special Advisor of the IFRS Foundation's International Sustainability Standards Board.

The formation of the ISSB is a once-in-a-generation opportunity to establish a global sustainability disclosure standard-setter for the financial markets. Our goal is to embed sustainability disclosure in core capital market infrastructure on the same level as financial accounting, to enhance business and investor decision-making, improve performance and enable effective risk management. Tremendous progress has already been made in recent years.

Major developments over the last decade

A decade ago, when I joined one of the world's largest pension funds as Chief Operating Investment Officer, we knew success lay in paying liabilities over a long period – 50, 75 or 100 years. When we analyzed the factors that delivered these long-term returns, we recognized the need to integrate ESG factors into investment decisions. But there was a barrier to doing this across our \$300 billion multi-asset class pension fund. We couldn't do it in a rigorous, scalable, cost-effective way because we did not have comparable, consistent, reliable ESG data.

Around the same time, two start-ups were launching – the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB). Although launching an ocean apart, they had the same ambitious vision to put sustainability and long-term thinking at the heart of decision-making:

- The IIRC, with its focus on integrated thinking, focused on transforming business decision-making
- SASB, with its industry-specific standards, focused on transforming investor decision-making.

Both worked to connect businesses and investors on the financial impacts of sustainability and to develop a common understanding about drivers of long-term value. In June 2021, the IIRC and SASB merged into the Value Reporting Foundation. By joining forces, we created a global organization with the user base, relationships and intellectual capital to help simplify and shape the field.

THE PATH to global sustainability standards



The opportunity for businesses to shape a global baseline of sustainability disclosure

At the 13th Geschäftsberichte-Symposium, Janine Guillot will provide insights into recent developments in the field of sustainability disclosure, including the development of the International Sustainability Standards Board (ISSB) and opportunities for businesses to shape the new ISSB standards.

Common understanding grows worldwide

This laid a piece of groundwork for the next key milestone. At COP26, the IFRS Foundation announced the decision to launch the International Sustainability Standards Board, a sister to its International Accounting Standards Board. The ISSB will develop a comprehensive global baseline of high-quality sustainability disclosure standards.

The IFRS Foundation also announced that the Value Reporting Foundation and CDSB will merge into the IFRS Foundation, consolidating our resources to support the new ISSB. We will combine the market-led ethos and strong base of market support for the SASB Standards and Integrated Reporting Framework with the IFRS Foundation's strong regulatory and government relationships.

As investors have already coalesced around the frameworks and standards that will be the foundation of the new standards, we expect the IFRS Sustainability Disclosure Standards to have broad support from investors and companies globally. This includes TCFD for climate risk, SASB Standards for industry-specific disclosure, and integrated reporting for connecting financial and sustainability information.

Current market-led initiatives

The ISSB will build on these market-led initiatives and use the IFRS Foundation's experience in creating accounting standards used in more than 140 jurisdictions to bring globally comparable sustainability disclosure to the financial markets.

We know, from the six years of work and public consultation it took to develop the SASB Standards, that sustainability standard-setting is not easy. But with a tremendous sense of urgency around climate risk, and lot of technical work already done, the ISSB is hitting the ground running. We're working hard to prepare exposure drafts of the ISSB's first two standards – a climate standard and a general requirements standard, which we will consult on in Q2 2022.

Former Danone CEO, Emmanuel Faber, has been appointed Chair of the ISSB, and Sue Lloyd (former Vice Chair of the IASB) as Vice Chair. I am also honoured to have been appointed special advisor to the Chair. Work is underway to seat the rest of the Board with a diverse group of experts from around the world and we are actively implementing a multi-location operating model, including significant operations in Europe, the Americas and Asia.

Your support matters

To succeed, it is essential that investors, businesses and key market participants engage in the standard setting process. Please participate in public consultations for the exposure drafts and respond to the ISSB's consultations on an ongoing basis.

The purpose of disclosure and necessity of standards is not just about increasing transparency, it's about enabling efficient and effective allocation of capital and improving performance. In the words of ISSB Chair Emmanuel Faber, "I believe that global, efficient capital markets are a gift that serves society."

We envision a world where companies benchmark their sustainability performance and compete to improve it, just as they compete to improve financial performance. Comparable information on sustainability performance will lead to a race to the top as companies benchmark performance and set stretch targets, and investors reward leading companies with a lower cost of capital. We can then achieve improved business, investment and societal outcomes at scale.

As we endeavor to realize this vision, we look forward to working together to ensure the success of the new ISSB. With your support it has the potential to be the game-changer the world needs.