Statement of Intent to Work Together Towards Comprehensive Corporate Reporting

Summary of alignment discussions among leading sustainability and integrated reporting organisations CDP, CDSB, GRI, IIRC and SASB

Facilitated by the Impact Management Project,
World Economic Forum and Deloitte

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1. INTRODUCTION

In the last two decades, the context in which businesses operate has changed radically – economically, socially and environmentally. As business has benefitted from economic growth, globalisation, increased consumption and fossil fuel supplies, it has reinforced and expanded its role as the major provider of goods, jobs and infrastructure worldwide. As such, its contribution to critical sustainability[1] topics – like climate change, biodiversity, access to medicines, wages and skills – has also grown. At the same time, the rise of technology has ensured that stakeholders, not just shareholders, are now able to challenge businesses on how they behave. As a result, transparent measurement and disclosure of sustainability performance is now considered to be a fundamental part of effective business management, and essential for preserving trust in business as a force for good.

Corporate reporting is a means by which stakeholders, including investors, can understand and evaluate companies' performance, just as companies themselves use information internally to inform decision-making. Financial reporting has matured as a result of internationally recognised accounting standards that bring transparency, accountability and efficiency to financial markets around the world. Sustainability disclosure is necessarily more complex than financial reporting for a number of reasons:

a. Some users of sustainability information, such as providers of financial capital, share the same primary objective as users of financial information – namely to make economic decisions. However, there is a variety of other users and therefore objectives of sustainability information. It is important that a company recognises this when determining which sustainability topics to disclose performance on, as well as in the choice of communication channels.

b. The nature of sustainability topics, including their interest to different types of users of information and their influence on companies' performance, can also change, sometimes slowly but sometimes rapidly. We refer to this concept as "dynamic materiality"[2].

c. There is a common misperception that conflates sustainability information with the expanding eco-system of related ratings, indices and analytical tools, which rely on its disclosure.

Taken all together, these features have created confusion among producers and users of sustainability information[3] – and have made it harder to develop the comprehensive solution for corporate reporting that is urgently needed.

In this paper, five framework- and standard-setting institutions of international significance have come together to help resolve this confusion and to show a commitment to working towards a comprehensive corporate reporting system. GRI, SASB, CDP and CDSB set the frameworks and standards for sustainability disclosure, including climate-related reporting, along with the TCFD recommendations. Taken together, we guide the overwhelming majority of quantitative and qualitative

The Five Framework- and Standard-setting Institutions

CDP

CDSB: Climate Disclosure Standards Board

GRI: Global Reporting Initiative

IIRC: International Integrated Reporting Council

SASB: Sustainability Accounting Standards Board

[1] The concept of sustainable development (sustainability) was described by the 1987 Brundtland Commission Report as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." It is commonly thought to encompass three pillars: economic, environmental and social.
[2] See "Dynamic Materiality: Measuring what Matters" (TruValue Labs, January 2020)
[3] 27 Leading NGOs (2018): "A common standardised reporting framework is a prerequisite to creating a sustainable and just economy and financial system", IOSCO (2020), European Commission (2020), WBCSD and PRI (2020)

sustainability disclosures. The IIRC provides the integrated reporting framework that connects sustainability disclosure to reporting on financial and other capitals. Through this collaboration, our intent is to provide:

- **Joint market guidance** on how our frameworks and standards can be applied in a complementary and additive way;
- **A joint vision** of how these elements could complement financial generally accepted accounting principles (Financial GAAP) and serve as a natural starting point for progress towards a more coherent, comprehensive corporate reporting system; and
- **A joint commitment** to drive toward this goal, through an ongoing programme of deeper collaboration between us, and a stated willingness to engage closely with other interested stakeholders.

On the following pages, we:

- **Discuss the importance of recognising various users and objectives of sustainability disclosure – and the resulting distinctive materiality concepts.**
- **Argue that we have reached a pivotal moment** that could usher in progress towards a more comprehensive solution for corporate reporting; one that is urgently needed to improve enterprises' contribution to sustainable development, to help address climate change and to enable more resilient, efficient financial markets.
- **Address the unique role of frameworks and standards in the sustainability information eco-system.** We are trying to arrive at the same level of maturity as the financial reporting eco-system, where frameworks and standards have: achieved global legitimacy through regulatory mandates or other recognition by policy makers; are shared in the public domain; and enable the preparation of comparable and reliable information that can be consumed by a wide variety of data aggregators, analytics providers, ratings and indices.
- **Outline an approach to standard-setting that results in a globally agreed set of sustainability topics[4] and related disclosure requirements[5] that can serve distinct materiality concepts:** We set out a vision for rigorous and ongoing standard-setting due processes that will result in high-quality global standards, deliver buy in from stakeholders and will enable companies to collect information about performance on a given sustainability topic once, but provide relevant information to different users through appropriate communication channels.
- **Demonstrate how the work of our institutions constitutes a natural starting point** for the development of a comprehensive, globally accepted, corporate reporting system. Our vision includes both financial accounting and sustainability disclosure, connected via integrated reporting. We recognise that a global corporate reporting system is made up of "building blocks" based on distinctive materiality concepts, and that different jurisdictions may move more or less quickly to mandate or recognise all of these building blocks.
- **Describe the importance of taxonomies and technology** to enable sustainability-related data to be structured for sharing and comparison, as well as the importance of a publicly available data platform to democratise access to this information as a public good.

[4] GRI refers to these as Sustainability Disclosure Topics and SASB refers to these as General Issue Categories.
[5] SASB refers to these as metrics and GRI refers to these as reporting requirements.

2. USERS AND OBJECTIVES OF SUSTAINABILITY DISCLOSURE

Reporting of information about businesses' performance on sustainability topics started as a stakeholder-driven accountability initiative just over 30 years ago[6]. Today, sustainability disclosure (also called ESG disclosure – environmental, social and governance – or non-financial reporting) is more relevant than ever for a wide range of audiences including policymakers, consumers, employees, investors and civil society organisations. Leading companies and their boards, who carry the responsibility for all corporate reporting, are now aiming not just to be accountable to shareholders, but also to define their purpose and benefit to all stakeholders.

More recently, research has established that there is also a correlation[7] between performance on certain sustainability topics and drivers of enterprise value creation. Companies themselves, as well as providers of financial capital, want to understand and act on these risks and opportunities. Sustainability disclosure has therefore become increasingly critical, both for investors, as they seek to make robust economic decisions, and regulators, as they look at the overall stability and efficiency of financial markets[8]. Insofar as sustainability disclosure standards capture drivers of enterprise value creation that are not already reflected and disclosed in the annual financial accounts, they are an important complement to Financial GAAP that enables users to make sound economic decisions.

As a result, there are two materiality concepts used by companies for sustainability disclosure:

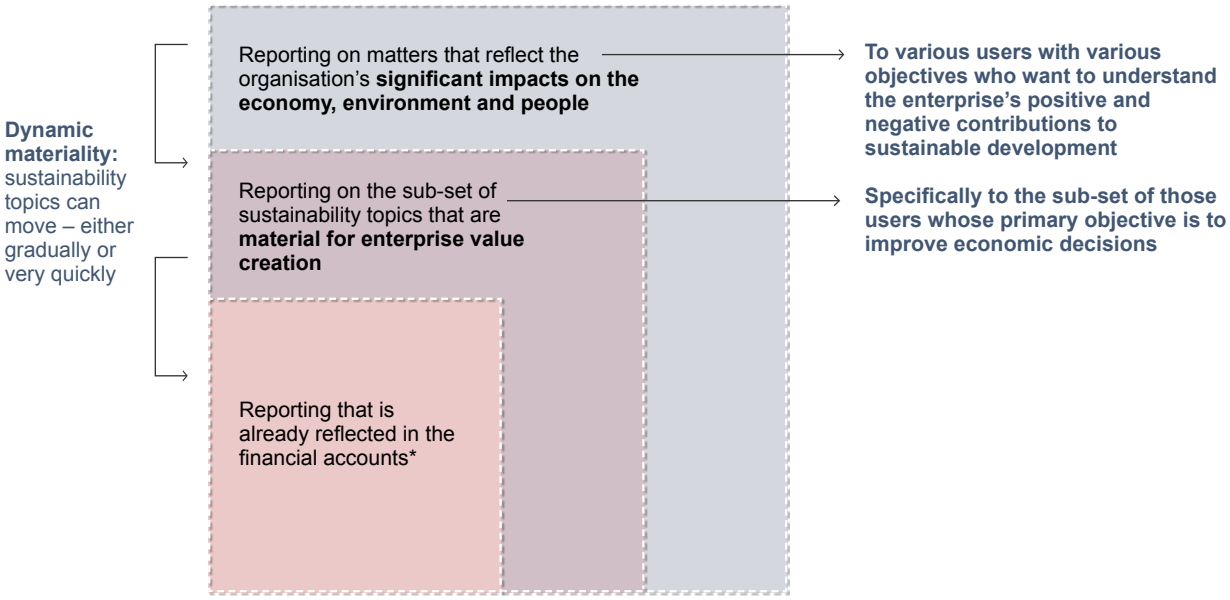
a. A company determines the sustainability topics that are material for disclosure based on **the organisation's significant impacts** on the economy, environment and people, and their importance to its stakeholders. The resulting information can serve a broad range of users and objectives and is often referred to as "sustainability reporting".

b. When a company discloses information to the sub-set of those users whose primary objective is economic decision-making (such as many institutional providers of financial capital), the company delineates the sub-set of sustainability topics that are **material for enterprise value creation**[9], recognising that some of that performance may already be reflected in the annual financial accounts.

On the next page, Figure 1 visualises this idea of "nested" sustainability information that is disclosed by a company. The diagram uses dotted lines to emphasise that materiality is a dynamic concept. Sustainability topics that a company once considered immaterial for disclosure can become material, based on evidence of an organisation's impacts on the economy, environment and/or people. Likewise, some of these sustainability topics can also become material for enterprise value creation, either gradually or rapidly – as with human capital topics such as racial equity and, more recently, the Covid-19 pandemic[10].

[6] Many consider the defining marker to be the publication of the paper "Our Common Future" by the World Commission on Environment and Development in 1987, otherwise known as the Brundtland Report. It developed guiding principles for sustainable development as it is generally understood today.
[7] HSBC analysed shares of over 750 public companies and found that 'ESG-aware' companies did best during the Covid-19 slump. This was echoed by MSCI, which found that corporate bonds and equities with high ESG ratings had outperformed the index during this period.
[8] As the International Monetary Fund said earlier this year, "The Covid-19 pandemic poses unprecedented health, economic, and financial stability challenges. The first priority, of course, is to save lives. But the necessary containment measures to limit the spread of the virus are causing a dramatic decline in economic activity… [while] the projected increase in the frequency and severity of disasters due to climate change is a potential threat to financial stability."
[9] This materiality concept is based on the ability to influence economic decisions, i.e. similar to that which is used in financial reporting.
[10] An example of dynamic materiality and a topic that has quickly become relevant for enterprise value creation: BlackRock stated: "…Because COVID-19 poses an existential threat for many companies, it is also straining the social contract between companies and their employees and other stakeholders. (…) As long-term investors, we believe that companies forced into difficult choices affecting employees, suppliers and local communities (…) need to make prudent, balanced decisions about executive and board compensation and allocation of capital."

Figure 1. Dynamic materiality[11]



*Including assumptions and cashflow projections

[11] We refer to the dotted lines in the figure as "dynamic materiality borders".

3. A PIVOTAL MOMENT: CONDITIONS ARE IDEAL FOR RAPID PROGRESS

Three trends have combined over the last 12 months to accelerate progress towards the sort of comprehensive corporate reporting system that is urgently needed to direct capital to sustainable enterprise, ensure resilient and efficient markets and address the global challenges of inequality, loss of biodiversity and climate change:

a. **There has been a groundswell of demand** to understand the connection between sustainability topics and financial risk and opportunity, along with the contribution of business to achieving the Sustainable Development Goals (SDGs). In August 2019, the US Business Roundtable outlined the purpose of a corporation as to promote "an economy that serves all". A few months later, the World Economic Forum (WEF) updated its Davos Manifesto, claiming that a company's "performance must be measured not only on the return to shareholders, but also on how it achieves its environmental, social and good governance objectives." In parallel, BlackRock and State Street Global Advisors, two of the world's largest asset managers, said publicly in letters to public company CEO's and directors that the time had come for companies to disclose details on the financial risks and opportunities they face from sustainability topics like global warming[12]. In June 2020, the Institute of International Finance (IIF) discussed the growing demand for better ESG disclosures, and the Canada Pension Plan Investment Board (CPPIB) updated its guidance to include support for SASB and TCFD, expressing that its "[policy] reflects the growing body of evidence showing that companies that integrate consideration of ESG-related business risks and opportunities are more likely to preserve and create long-term value".

b. **There is growing appetite from regulators, policymakers and the accounting profession to respond to this demand.** The timeline of these critical events is outlined below:

- **November 2019** The International Federation of Accountants (IFAC) published a point of view that supported a global solution for standards, to achieve relevant, reliable, and comparable narrative information and metrics.
- **December 2019** Accountancy Europe set out an approach for a non-financial standards board (NFSB) under the International Financial Reporting Standards (IFRS) Foundation.
- **January 2020** European Commission announced its proposal to develop non-financial reporting standards that take into account internationally recognised standards and offer a model for what is "agreed at international level".
- **February 2020** The Brydon Review, on behalf of the UK Government, published its recommendation that the audit report better serves the interests of other stakeholders and ensures that companies report with meaning and integrity on the impact of their operations on community and the environment.
- **March 2020** The Norwegian Bank Investment Management (NBIM) similarly published its recommendations seeking more relevant, comparable and integrated disclosures from companies that would allow investors to assess companies' exposures to, management of, and performance on sustainability risks and opportunities.

[12] They requested that all companies make disclosures in line with industry-specific guidelines set out by SASB. BlackRock further requested that its investee companies disclose information in accordance with the Task Force on Climate-related Financial Disclosures (TCFD)'s recommendations.

- **April 2020** The International Organisation of Securities Commissions (IOSCO) acknowledged the role that the driver of global capital markets regulation must play in this area: only by understanding financial and sustainability information together can investors and governments have the necessary insight into company performance.
- **April 2020** The International Monetary Fund (IMF) argued for the importance of developing global mandatory disclosures on climate change risks to sustain financial stability.
- **May 2020** IFRS Foundation Trustees announced the exploration of the Foundation's role in establishing ESG Standards.
- **May 2020** The Investor Advisory Committee of the US Securities and Exchange Commission stated that environmental, social and governance information is no longer a fringe concept, but an integral part of the larger investment eco-system.
- **June 2020** The Institute of International Finance (IIF) discussed the growing demand for better ESG disclosures in their publication.
- **June 2020** IFRS Foundation Trustees agreed that their intention would be to conduct a public consultation on if and how the Foundation should play a role in sustainability standard-setting.
- **July 2020** Eumedion, an investor body, called for the IFRS Foundation to evolve to include a standard-setter for non-financial information.

c. **The independent sustainability standard-setters, together with the integrated reporting framework provider, are collaborating to provide a basis for progress towards a more comprehensive corporate reporting system[13].** As organisations, we recognise how the combination of our framework and standards can help companies present, and users receive, more comprehensive information. However, we also recognise that using our framework and standards as a single coordinated solution must be made easier for the market – and we are committed to working together urgently towards a global, comprehensive corporate reporting system. To this end, various bilateral technical efforts are already underway between our five organisations, with the objective of helping all preparers and users of sustainability disclosure information understand how they can use our respective standards together.

d. At a high-level, we view ourselves as a nested eco-system:

   i. The GRI Standards are developed in the public interest and enable companies to report sustainability information that describes their significant impacts on the economy, environment or people, and hence their contributions – positive or negative – towards sustainable development, and can also be used to describe impacts on the company.

   ii. The SASB Standards and CDSB Framework focus exclusively on enabling companies to identify the sub-set of sustainability information that is material for enterprise value creation, and therefore relevant for users making economic decisions. Whereas CDSB's Framework is industry agnostic and designed to facilitate effective disclosure of

[13] As described in the <IR> Framework, a comprehensive corporate reporting system would also need to include disclosure standards that address manufactured and intellectual capital.

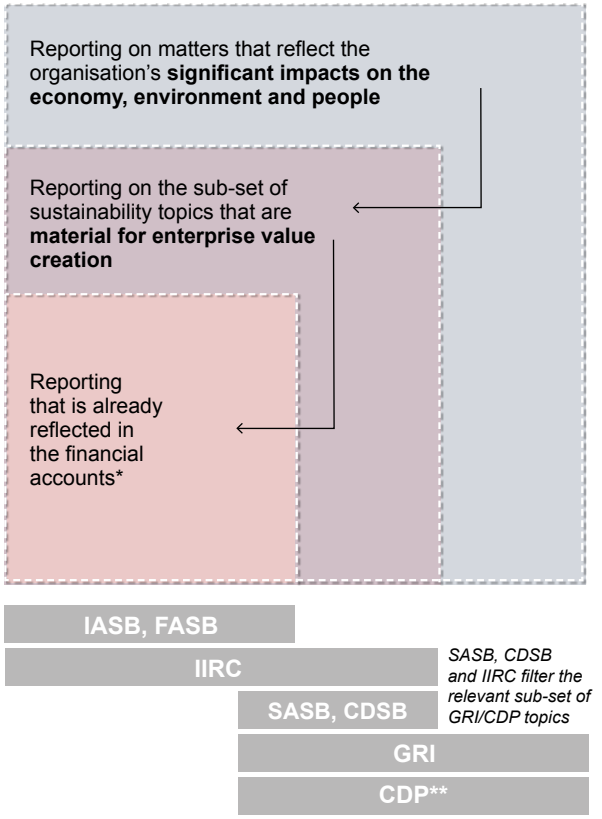
a company's natural capital, environmental and climate-related risks and opportunities, the industry-specific SASB Standards aid companies in preparing disclosures on five dimensions of sustainability, including the environment, social capital, human capital, business model and innovation, and leadership and governance.

iii. The <IR> Framework connects reporting of sustainability information to reporting on financial and other capitals[14].

iv. Finally, all of our organisations acknowledge the crucial role of technology in reporting. This includes the importance of enabling access for all stakeholders to corporate performance on sustainability topics, as CDP's platform does today for climate, water and forests.

This "big picture" view of the relationship between our standards and frameworks, including their relationship to the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB), is illustrated in Figure 2.

Figure 2. Standards address distinctive materiality concepts



* Including assumptions and cash flow projections
** Reflects the scope of the CDP survey, insofar as it functions de facto as a disclosure standard for climate, water and forests, as well as the scope of CDP's data platform

[14] The <IR> Framework includes 6 capitals: financial, manufactured, intellectual, human, social and relationship, and natural.

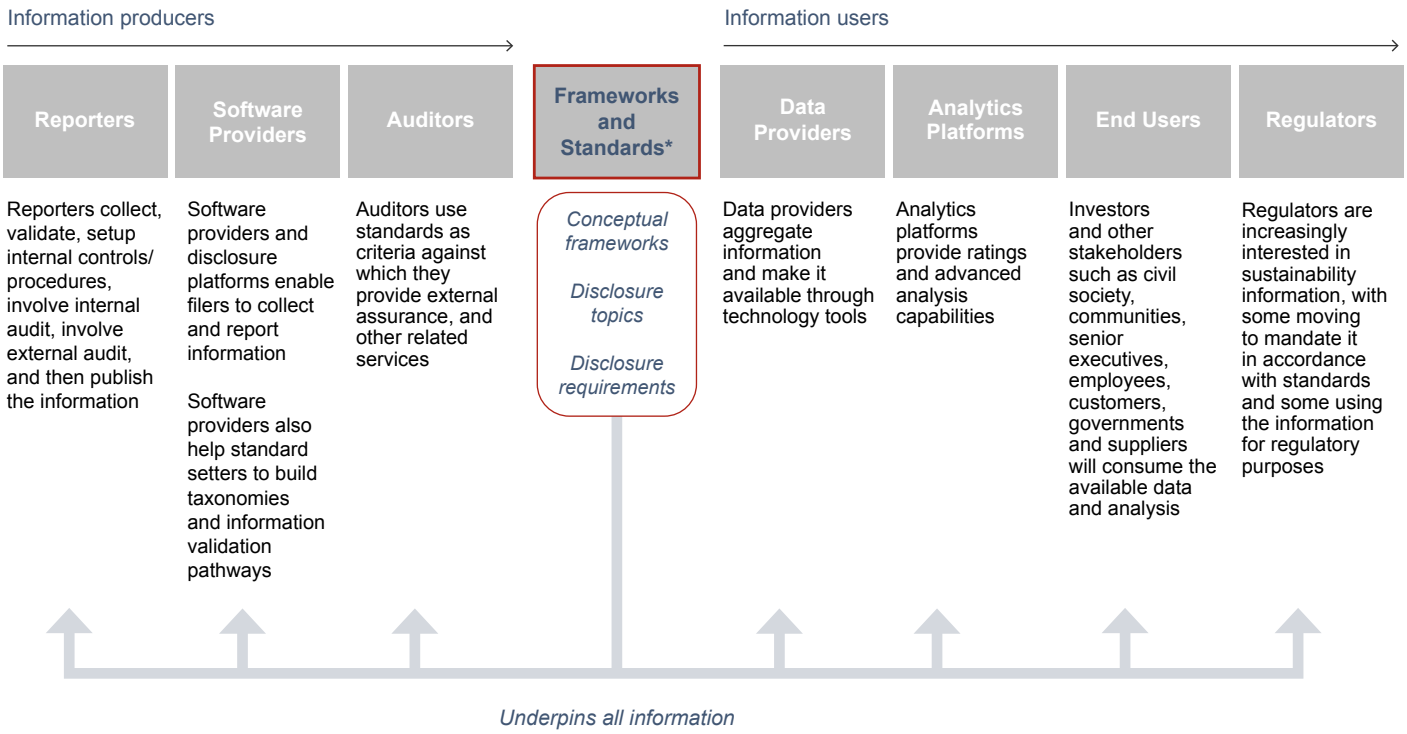
4. A VISION FOR SUSTAINABILITY DISCLOSURE

Frameworks and standards play a unique and critical role in the eco-system

Reported information is most useful when it is consistent across time periods, comparable across companies and geographies, and reliable (i.e., it is prepared subject to strong systems of internal control, board governance and oversight, and is assurable[15]). It is also most useful when it is fit for the purpose of both businesses and users of their information, as determined through independent, rigorous and ongoing stakeholder consultation and refinement.

Reporting frameworks and standards enable companies to report information that meets all of these qualities. In the sustainability disclosure eco-system, these standard-setting organisations are most analogous to traditional financial accounting standard-setters like IASB and FASB. Together, disclosure standards and frameworks help create a foundational layer of high-quality, company-reported information which the rest of the eco-system can rely on to support more efficient markets and more effective decision-making, as shown in Figure 3 below.

Figure 3. Standards ensure high quality, assurable information, on which the eco-system depends



*** Framework:** A set of principles and guidance for "how" a report is structured; **Standards**: Specific, replicable and detailed requirements for "what" should be reported for each topic

[15] The Institute of Chartered Accountants in England and Wales – What is assurance?, Center for Audit Quality – Characteristics of Decision-Useful Information.

In the minds of market participants, however, standard-setters for sustainability disclosure are often collapsed into a group alongside a complex eco-system of data aggregators, analytics providers, ratings and indices. In the financial information eco-system, which is relatively mature, the market is aware of the differences between financial reporting standards and the major ratings and rankers. For example, the market would never confuse a credit rating agency, such as Moody's, Standard & Poor's, or Fitch, with a standard-setting organisation, such as IASB or FASB. Yet, similar confusion is common in the sustainability information eco-system.

As a group of leading standard-setting organisations, we are trying to arrive at the same level of maturity that the financial reporting eco-system has achieved via IFRS and US GAAP, by achieving global legitimacy for sustainability disclosure frameworks and standards, as part of a comprehensive corporate reporting system. Such standards would provide a common set of sustainability topics and related disclosure requirements that would result in high-quality information being shared in the public domain, which can then be consumed by a wide variety of data aggregators, analytics providers, ratings and indices.

In financial reporting, there is market agreement that there should be standards, and market acceptance that such standards require ongoing maintenance and evolution through rigorous, independent standard-setting processes, robust governance and due process oversight. Companies, investors and other stakeholders allocate resources to fund and participate in the standard-setting process, in addition to installing the right oversight through governance structures. It is this collective participation and transparent due process that results in a body of standards that are widely accepted as fit-for-purpose and used globally. We need to create an equivalent mindset when it comes to sustainability disclosure, so that actors coalesce around a set of generally accepted frameworks and standards that have global legitimacy through regulatory mandates or other recognition by policymakers, and engage actively in the related ongoing standard-setting processes. Only then will the proliferation of alternative initiatives stop, companies' frustration be reduced, and quality and consistency of the reported information be improved.

Distinctive materiality concepts are supported by distinctive standard-setting processes

At the heart of this concept of sustainability disclosure standards is agreement, wherever possible and appropriate[16], on a common set of sustainability topics and related disclosure requirements[17]. Achieving this would ensure that companies can collect information about performance on a given sustainability topic once and use that information to meet the needs of different users and their objectives. The result would be reduced confusion and cost for both producers and users of sustainability information and would likely encourage companies to invest in the robust controls and data systems necessary to ensure high-quality information comparable with financial reporting.

At the same time, we see value in standard-setting that achieves two objectives, based on distinctive processes:

- A first objective, using multi-stakeholder consultation, is to establish a globally agreed set of sustainability topics and related disclosure requirements[18], based on evidence of demand among various stakeholders for a disclosure solution. This includes identifying how to disclose comprehensive performance on such topics in the context of organisational

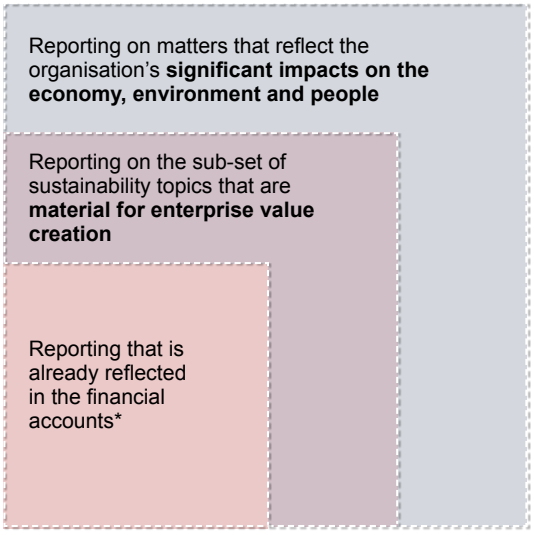
[16] It is important to note that, in some instances, the user's primary objective may result in disclosure requirements that are legitimately different for a given topic, but we believe it is possible to align significantly on common disclosure requirements.
[17] Disclosure requirements is used as a summary term for both quantitative metrics and narrative requirements, including context and explanations.
[18] Disclosure requirements is used as a summary term for both quantitative metrics and narrative requirements, including context and explanations.

activities[19] – and therefore a company's negative and positive contributions to sustainable development. This enables companies to meet the information needs of their various stakeholders with various objectives;

- A second objective, or "filter", that acknowledges the specific user whose primary objective is economic decision-making. This filter identifies, from the agreed set of sustainability topics and their related disclosure requirements, those topics which are reasonably likely to affect a typical company's financial condition (e.g., its balance sheet), operating performance (e.g., its income statement) or risk profile (e.g., its market valuation and cost of capital) in different industries. This additional due process is based on definitions of materiality that are generally consistent with IFRS and US GAAP (see Figure 4 below) and on consultation primarily with investors and companies. This enables companies to disclose sustainability information that is material for enterprise value creation, including its relationship to Financial GAAP, in order to meet the needs of users whose primary objective is economic decision-making. It also improves comparability of information that is provided in companies' disclosures to investors and other providers of financial capital.

The resulting standards would enable companies to collect information about performance on a given sustainability topic once, but provide relevant information to different users through appropriate communication channels (e.g., sustainability reports, annual integrated reports, websites).

Figure 4. Distinctive definitions of material topics



*Including assumptions and cash flow projections
**Language reference from exposure draft and subject to change

GRI: The report shall cover topics that reflect the reporting organisation's significant economic, environmental, and social impacts; or substantively influence the assessments and decisions of stakeholders.

CDSB: Environmental information is material if: the environmental impacts or results it describes are, due to their size and nature, expected to have a significant positive or negative impact on the organisation's financial condition and operational results and its ability to execute its strategy;

Omitting, misstating or obscuring it could reasonably be expected to influence the decisions that users of mainstream reports make on the basis of that mainstream report, which provides information about a specific reporting organisation.

IIRC: A topic is material if it substantively affects the organisation's ability to create value over the short, medium and long term.

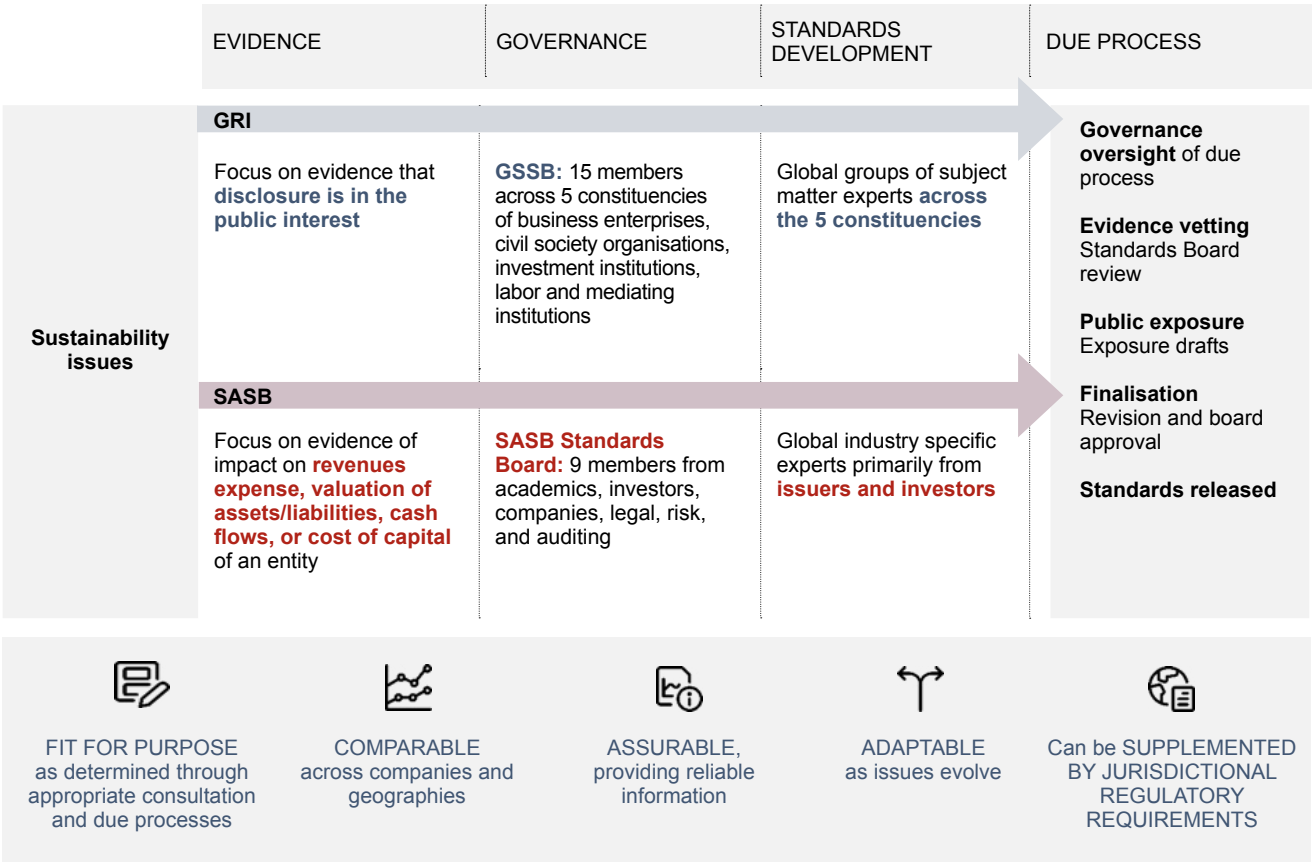
SASB: A topic is financially material if omitting, misstating, or obscuring it could reasonably be expected to influence investment or lending decisions that users make on the basis of their assessments of short-, medium-, and long-term financial performance and enterprise value.**

IFRS: IAS 1 defines materiality as: information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

[19] E.g. GRI's Universal Standards

The distinctive nature of these processes is illustrated in Figure 5 below, which provides a high-level summary of the processes followed by GRI and SASB.

Figure 5. Similar processes, but distinctive objectives, evidence and input



Since organisations are accountable to a wide range of stakeholders, sustainability disclosure standards must encompass standards that meet the needs of a wide range of users, achieving interoperability through use of the same set of sustainability topics and related disclosure requirements, where appropriate. This interoperability could be achieved if there were a formal collaboration model: for example, GRI's due process uncovers sustainability topics and related disclosure requirements, which a reporting organisation may identify as its material impacts on the economy, environment and people, as well as on the reporting organisation itself[20]; SASB's conceptual framework and due process could filter these sustainability topics and related disclosure requirements to identify whether they are reasonably likely to be relevant for enterprise value creation in different industries. SASB's due process would also identify whether there are any legitimate reasons to tailor disclosure requirements for specific industries.

[20] When using the GRI Standards, the organisation prioritises reporting on those topics that reflect its most significant impacts on the economy, environment, and people, including impacts on human rights. In the GRI Standards, these are the organisation's material topics.

5. TOWARDS A COMPREHENSIVE CORPORATE REPORTING SYSTEM

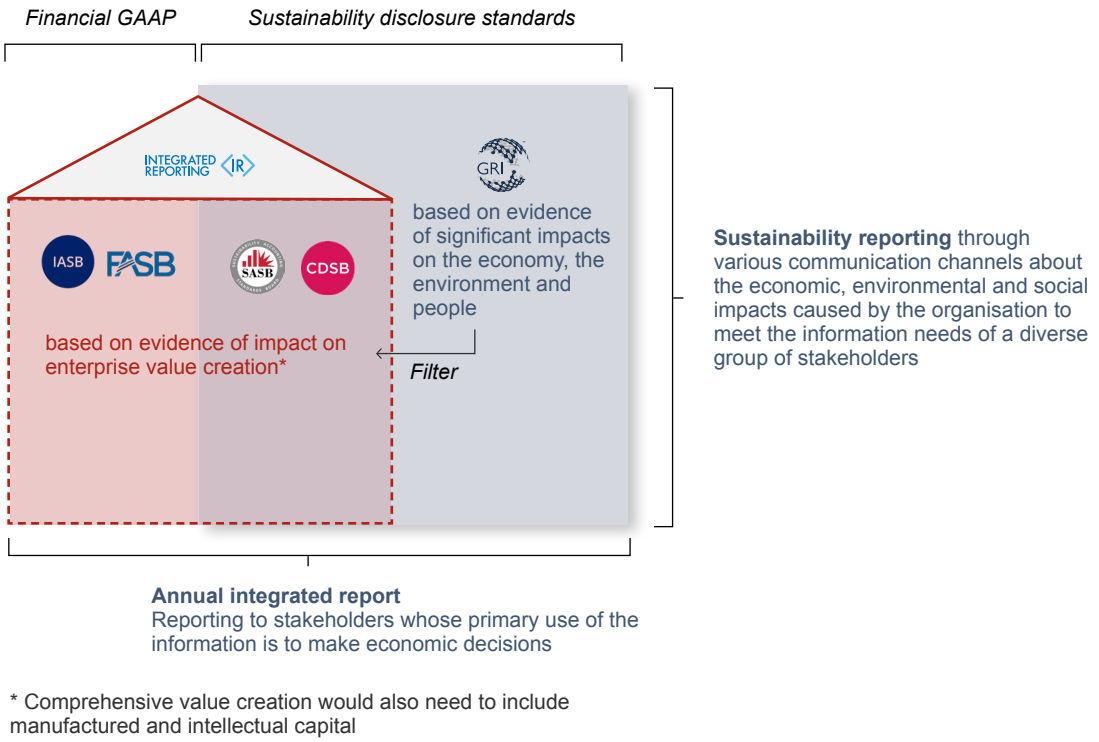
Based on our combined work over many years, a “building-block” approach to a global corporate reporting system is emerging. In the 1970s, the International Accounting Standards were established, which became IFRS in 2001 as the generally accepted language for financial reporting. Their use is now mandated in more than 140 jurisdictions, with US GAAP playing an equivalent role in the United States. Today, the combination of our existing frameworks, standards and standard-setting processes can provide the basis for progress towards a comprehensive corporate reporting system that would enable companies to provide more complete and comparable information to their different stakeholders.

We also recognise the importance of a “stepping stone” approach to harmonisation, which acknowledges the established role of Financial GAAP and the differing perspectives of regulatory jurisdictions around the world on mandating sustainability disclosure to investors and/or all stakeholders. Figure 6 below therefore shows how our current standards and frameworks, alongside the existing financial accounting standard-setters, can immediately support the emergence of a more coherent, comprehensive corporate reporting system, which acknowledges the concept of dynamic materiality and the needs of multiple users. The standards and frameworks that make up the “house” – which might be thought of as the first building block of the system – are all focused on enabling disclosure that is relevant to enterprise value creation. As a result, information produced in accordance with those standards belongs in core communications to investors and financial market regulators, generally in an annual integrated report available in a digital and accessible manner.

The second building block goes beyond disclosure that is relevant for enterprise value creation. The resulting wider set of information is relevant for a broad range of users and objectives – which can include governments, consumers, civil society organisations, employees and of course, a growing group of investors. Such sustainability reporting can be presented through various communication channels, as required for different audiences.

An ongoing formal collaboration model between these building blocks is essential to ensure that companies’ reporting draws from a common set of sustainability disclosure topics and related disclosure requirements, unless there are legitimate reasons for differences. This means that companies need only collect the information once. Given the dynamic nature of materiality, this also ensures that sustainability disclosure topics can move seamlessly into the annual integrated report, as and when there is evidence of a link to enterprise value creation.

Figure 6. Sustainability disclosure standards, as a complement to Financial GAAP



* Comprehensive value creation would also need to include manufactured and intellectual capital

We recognise that there is substantial work to be done to consolidate technical content (where appropriate), to augment the standards[21] and to make the building blocks interoperable. To that end, we have already embarked on bilateral efforts. For example:

a. SASB and CDSB have already jointly articulated to the market their complementary and interlocking nature, most notably through the co-branded publication of a TCFD Implementation Guide and Good Practice Handbook. These two documents combine CDSB's guiding principles and reporting requirements with SASB's industry-specific metrics to provide an integrated solution for companies seeking to report in line with the TCFD recommendations.

b. GRI and the IIRC ran the "GRI Corporate Leadership Group on integrated reporting" that helped companies adopt both GRI and the <IR> Framework.

c. Most recently, GRI and SASB have announced a collaborative workplan, which includes demonstrating how their respective standards can be used concurrently. This is expected to identify further opportunities to collaborate, including the feasibility of joint standard setting activities[22].

[21] Comprehensive value creation would also need to include manufactured and intellectual capital.
[22] Decisions about standard setting, content of standards, and their interpretation are the sole responsibility of the independent standard-setting functions, which rest with the Global Sustainability Standards Board on behalf of GRI, and of the SASB Standards Board on behalf of SASB.

Finally, it is important to acknowledge the role that other initiatives play both in informing sustainability disclosure standards and in contributing to the evolution of standards over time. Whilst these initiatives may not have the same governance or due process as a standard-setter, they often capture the fast evolution of sustainability topics and reflect evolving market needs. Those can be considered as precursors to standards, or de-facto standards, and they often exert a strong normative power on issuers. This is the case of CDP Questionnaires, which were used by more than 8,400 companies, representing greater than 50% of global market capitalisation for disclosure, in 2019. While not directly covered by the proposed architecture for alignment of the standards, they should be recognised as important catalysts of disclosures, and they provide insight that standards-setters should consider in evolving standards content and a source of innovation for future disclosure. In addition, we recognise initiatives[23] that are underway to innovate the nature of corporate reporting further, such as those developing assessment methodologies that would integrate performance on sustainability disclosure standards with Financial GAAP to assess the total value contribution of business to society.

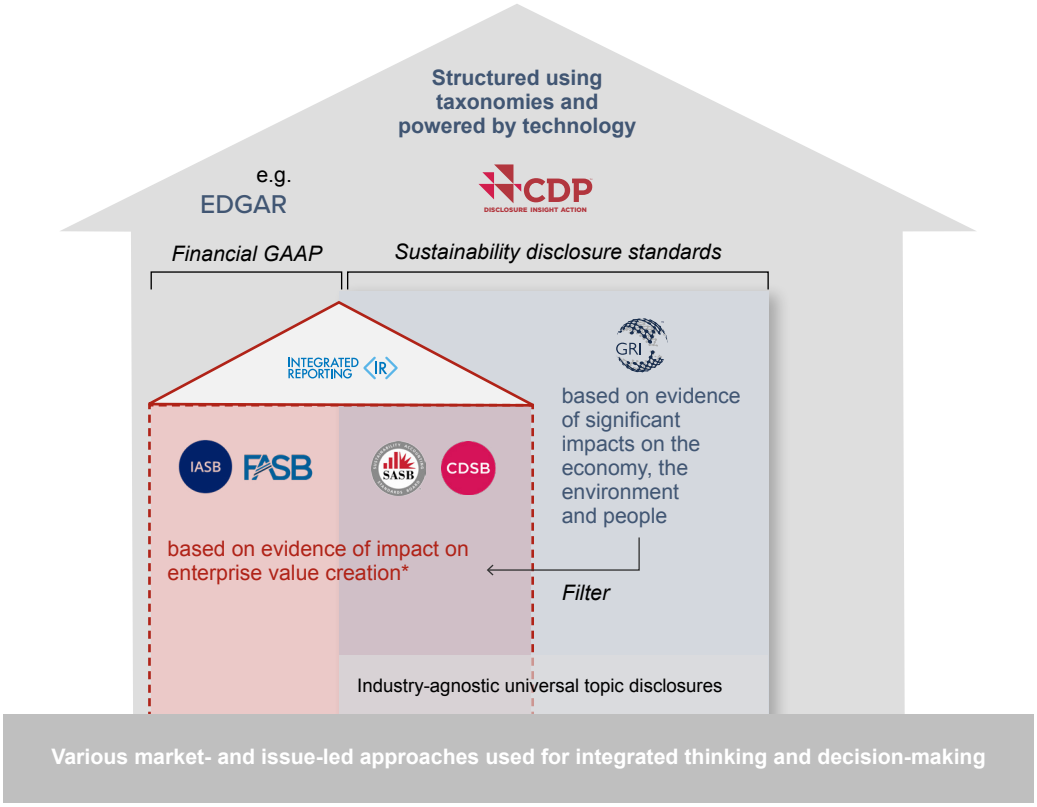
[23] Such as the Value Balancing Alliance and the Impact-Weighted Accounts Initiative.

6. DATA, DIGITISATION AND TECHNOLOGY

Sustainability information, disclosed in accordance with the standards as defined above, must be available and easy for all kinds of users to meet their needs. Structured information enables greater connectivity between producers and users. It allows for information to be easily searched, filtered and aggregated, and integrated into end-user technologies.

In order to achieve this connectivity, it is essential for the data to be structured around agreed taxonomies and be available digitally. In some jurisdictions, it is mandatory for certain financial information to be filed through specific platforms (e.g., EDGAR online in the US) or using specific taxonomies (e.g., XBRL). CDP has offered its platform over the past two decades, which has become the world's largest corporate environmental disclosure repository. The platform is populated with the information submitted to CDP by thousands of companies using its disclosure process, which is based on agreed disclosure requirements and standards (e.g., using the GHG protocol, TCFD or certain GRI Standards). Currently, CDP is in the process of expanding and upgrading its platform to host more sustainability information. CDP is therefore well-positioned to offer the repository for sustainability information (see Figure 7), where not mandated by public authorities, to be disclosed on certain specific databases or filing systems. CDP stores and processes the information using a data model, which offers the opportunity to check for accuracy and completeness. Furthermore, the CDP metadata approach will be able to showcase which data points are aligned with which Standards, as well as with major taxonomies agreed by national authorities.

Figure 7. Digital taxonomies and technology enable data to be structured for sharing and comparison



* Comprehensive value creation would also need to include manufactured and intellectual capital

7. CONCLUDING REMARKS

In this paper, we have set out how we, as five leading independent global frameworks and standard-setters for sustainability and interconnected reporting, are committed to making progress towards more comprehensive corporate reporting. In pursuit of this agenda, we have committed to providing **joint market guidance** on how our frameworks and standards can be applied in a complementary and additive way, and **a joint vision** of how these elements could complement Financial GAAP and serve as a natural starting point for progress towards a comprehensive corporate reporting system. We have also made **a joint commitment** to an ongoing programme of deeper collaboration between us to make the frameworks and standards interoperable. In charting a path forward, we shall use the following considerations to help our navigation:

The time is now: We believe that the conditions are ripe for the development of a market-based and globally coherent solution for sustainability disclosure standards. Climate change, the global pandemic and the increasingly clear connection between sustainability performance and financial risk and return are driving the urgency. Stakeholders across the eco-system have recognised this and, through the various initiatives and calls for action from many players, including policy makers, there is a groundswell of support for a system change. Meanwhile, the increasing collaboration among the standard-setters and frameworks themselves offers an opportunity to greatly accelerate progress. As leading independent global framework- and standard-setters for sustainability and interconnected reporting, our efforts are natural building blocks for progress towards a comprehensive corporate reporting system.

Connected standards relevant to the annual integrated report: Sustainability disclosure that is material for enterprise value creation should ideally be disclosed along with information that is already reflected in the annual financial accounts. It is therefore highly desirable for all these relevant standards to be housed under one roof (see Figure 8 below). This would connect sustainability disclosure standards focused on enterprise value creation to Financial GAAP, with integrated reporting as the conceptual framework linking such sustainability disclosures and Financial GAAP. This model would also enable a system that can integrate the elements set out by TCFD (governance, strategy, risk management, metrics and targets), apply those elements across all sustainability topics and embed them in business with the same level of quality and controls as we see in financial reporting. See Appendix for an illustration of this for climate.

Solution based on public-private partnership: We acknowledge the importance of the model for financial reporting, in which standards are developed through a private and independent standard-setting body, with oversight by public authorities, together with appropriate regulation and enforcement established by regional authorities. This leads to acceptance of the standards by all stakeholders, while providing appropriate legitimacy and a public mandate. We believe this model is essential for sustainability disclosure standards.

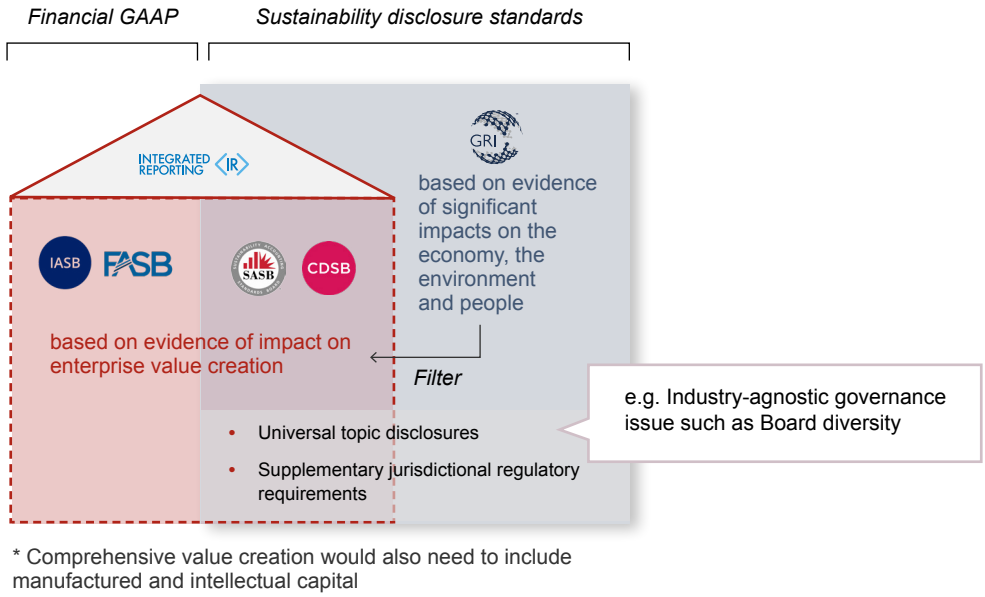
Formal collaboration across the harmonised system: We set out above the “nested” concept of sustainability disclosure as well as the dynamic nature of materiality, recognising that formal collaboration is essential to ensure that disclosure requirements for a given topic are the same across the building blocks, unless there are legitimate reasons for differences.

Recognition of Europe’s leading role: The European Commission has already shown considerable leadership in pursuit of its Green Deal. Europe is in a prime position to mandate *all* building

blocks, which would achieve the model of global standards supplemented by specific jurisdictional regulatory requirements. The EU Taxonomy for sustainable finance provides an example of how global standards can be supplemented by jurisdictional requirements. The role of Europe is therefore crucial in achieving the global solution.

Engagement and call for market support: Finally, we have committed to engage with all stakeholders to achieve the globally accepted comprehensive corporate reporting system that is urgently needed. We are committed to engaging with IOSCO and the IFRS Foundation, including on how to connect sustainability disclosure standards focused on enterprise value creation to Financial GAAP. We are also committed to engaging with other interested stakeholders across the eco-system, including companies, investors, governments (such as the EU, as noted above), and civil society. In developing our vision, we have welcomed the strong role business is already playing to validate the approach we have set out and to act as a catalyst for a system solution. The WEF IBC initiative to develop common metrics draws extensively on our existing standards, illustrating their ability to work in a modular and interconnected way. We shall therefore continue to engage with the WEF.

Figure 8. Universal topic disclosures



We ask you for your help, support and engagement to:

- Recognise that our frameworks and standards naturally form part of a coherent eco-system, and can be used in a complementary way, especially in view of our description of dynamic materiality;
- Provide feedback on the ideas expressed in this paper;
- Engage with us and all parts of the reporting eco-system to increase buy-in and urgent action for change; and
- Be active in supporting and helping to achieve and evolve the vision we have set out.

APPENDIX

Illustration of how our combination of frameworks, standards and technology platforms provide the basis for a comprehensive corporate reporting system on climate change, using the four pillars of the Task Force on Climate-related Financial Disclosures (TCFD).

Governance

Disclose the organization's governance around climate-related risks and opportunities

Recommended disclosures	Mapped disclosures
a) Describe the board's oversight of climate-related risks and opportunities.	GRI Standards *GRI 102* CDSB Framework *REQ-01* SASB Standards *Application Guidance, Section 5.0* <IR> Framework *4.8*
b) Describe management's role in assessing and managing climate-related risks and opportunities.	GRI Standards *GRI 102, 103 w/201 and 305* CDSB Framework *REQ-01, REQ-02, REQ-03* SASB Standards *Application Guidance, Section 5.0* <IR> Framework *4.25, 4.42, 4.50*

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

Recommended disclosures	Mapped disclosures
a) Describe the climate-related risks and opportunities the organization has identified over the short-, medium-, and long-term.	GRI Standards *GRI 102, 103 w/201* CDSB Framework *REQ-03, REQ-06* SASB standards *Disclosure Topics* <IR> Framework *4.23*
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	GRI Standards *GRI 102, 103 w/201* CDSB Framework *REQ-02, REQ-03, REQ-06* SASB standards *Application Guidance Section 5.0, Disclosure Topics, Accounting Metrics* <IR> Framework *4.7,4.25, 4.29, 4.50*
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	CDSB Framework *REQ-03, REQ-06* SASB standards *Application Guidance Section 5, Disclosure Topics, Accounting Metrics* <IR> Framework *4.37, 4.38*

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Recommended disclosures	Mapped disclosures
a) Describe the organization's processes for identifying and assessing climate-related risks.	GRI Standards *GRI 102, 103 w/201 and 305* CDSB Framework *REQ-01, REQ-02, REQ-03* SASB standards *Application Guidance Section 5.0, Disclosure Topics* <IR> Framework *4.22*
b) Describe the organization's processes for managing climate-related risks.	GRI Standards *GRI 102, 103 w/201 and 305* CDSB Framework *REQ-01, REQ-02, REQ-03* SASB standards *Application Guidance Section 5.0, Disclosure Topics, Accounting Metrics* <IR> Framework *4.23*
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	GRI Standards *GRI 102, 103 w/201 and 305* CDSB Framework *REQ-01, REQ-02, REQ-03, REQ-06* SASB standards *Application Guidance Section 5.0, Disclosure Topics* <IR> Framework *3B, 2.26, 4.26, 4.56*

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

Recommended disclosures	Mapped disclosures
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	GRI Standards *GRI 102, 103 w/201, 302, 303, 305, 306* CDSB Framework *REQ-02, REQ-04, REQ-05 and REQ-06* SASB standards *Disclosure Topics, Accounting Metrics, Use of the Standards* <IR> Framework* CDP Questionnaire *C1.3a, C4.2, C4.5a, C9.1, C11.3a, F4.4a, F6.2a, W1.2, W4.1a, W-FB6.4a/W-CH6.4a/W-EU6.4a/W-OG6.4a/W-MM6.4a, W7.4, W8.1a*
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions and the related risks.	GRI Standards *GRI 103 w/201 and 305* CDSB Framework *REQ-04, REQ-05* SASB standards *Disclosure Topics, Accounting Metrics, Use of the Standards* <IR> Framework* CDP Questionnaire *C2.3a, C5.1, C6.1, C6.2, C6.3 C6.5 C6.10 C7.1 C7.1a C-CO7.1b/ C-EU7.1b/ C-OG7.1b*
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	GRI Standards *GRI 102, 103 w/201, 302, 303, 305, 306* CDSB Framework *REQ-02* SASB standards *Disclosure Topics, Accounting Metrics* <IR> Framework* CDP Questionnaire *C4.1 C4.1a C4.1b C4.2 F6.2a W8.1a*

*Various elements of guidance, but no requirements