

26 March 2021

Dear colleagues,

*In recent months, the work of the International Business Council has been a catalyst for progress on environmental, social and governance (ESG) reporting. Now, we want to take the next step, and work with all other actors to ensure we achieve globally accepted ESG standards.*

It is now clear that creating long-term value requires a focus on both financial and sustainability performance. This means we need standards for measuring sustainability performance just as we have for financial performance. To achieve this, we will need to move away from the current “[soup of arbiters](#)” of ESG metrics and disclosures and create globally accepted standards. With this letter, we want to express our support for the organizations working to achieve this goal.

The first challenge is to find common ground on the ESG themes and the metrics that matter. Working with the four leading professional services networks – Deloitte, EY, KPMG and PwC – the World Economic Forum made a contribution on this front last year, identifying 21 core [Stakeholder Capitalism Metrics](#) under the four principles of governance, planet, people and prosperity. The metrics were distilled from the leading sustainability reporting standards and garnered the support of 70 global companies, with more to follow.

Though the identification of these Stakeholder Capitalism Metrics is a step in the direction of standardization, we recognize they operate in a global landscape of *hundreds* of other corporate sustainability standards. That landscape is still so fragmented, chaotic and confusing that any stakeholder wishing to get a comprehensive understanding of a company’s sustainability profile – and to effectively compare firms – cannot do so.

*More global standardization and coordination is thus needed. How do we achieve it?*

There is a template: in financial accounting, standardization has already taken place. Accounting, too, once faced myriad metrics, jurisdictions and organizations, and coordination took decades. But the global accounting rules in place today do ensure that companies of any industry or country are comparable and can be held accountable to investors. To achieve a similar outcome on the ESG front – and to do so fast – we support taking the following three steps.

*First, an independent global standard setting body should develop ESG standards that can be adopted worldwide.*

The IFRS Foundation is well positioned to do this. Last year its trustees [issued a consultation](#) regarding the establishment of a Sustainability Standards Board (SSB). The proposed SSB would sit alongside the International Accounting Standards Board (IASB). The IFRS Foundation would oversee and coordinate the work of both. We support this proposal and are pleased to see that the trustees are moving rapidly to lay the groundwork for the possible establishment of the SSB.

*Second, for the standards to be enforced in individual capital markets, regulatory authorities must endorse their use.*

The International Organization of Securities Commissions (IOSCO) declared that it is [committed to helping advance](#) the IFRS Foundation initiatives to set standards that meet the needs of the capital markets. We welcome this step, as IOSCO gathers more than 100 national financial market authorities, including the U.S. Securities and Exchange Commission (SEC), Japan's Financial Services Agency (FSA), the European Securities and Markets Authority (ESMA), the U.K.'s Financial Conduct Authority (FCA), the China Securities Regulatory Commission, and all other major authorities around the world.

To ensure much-needed consistency across jurisdictions, we also support IOSCO's recommended "[building blocks](#)" approach to establishing a global sustainability reporting system. It would provide a consistent and comparable sustainability-related corporate information baseline across jurisdictions and allow flexibility for coordination on reporting requirements that capture wider sustainability impacts.

*And third, for the IFRS standard setting process to best succeed, it should build on the main reporting initiatives already in use.*

The five leading sustainability and integrated reporting organizations have already [stated their intent](#) to work together on comprehensive corporate reporting: the CDP (formerly known as the Carbon Disclosure Project), the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC), and the Sustainability Accounting Standards Board (SASB). Also important in this regard is the work of the Task Force on Climate-related Financial Disclosures (TCFD), which gathers private sector representatives to recommend climate-related disclosures.

The World Economic Forum Stakeholder Capitalism Metrics draw from and incorporate standards established by these leaders. Our work has included helping to facilitate the collaboration among the five organizations and we look forward to working even more closely with them in support of creating sustainability reporting standards through the SSB.

*These, then, are the steps we need to complete to get to system change on ESG metrics. We support this process and the organizations that are working to achieve it.*

Concretely, we look forward to supporting the IFRS's Sustainability Standards Board, as appropriate, during its establishment and as it delivers on its mandate. We will promote opportunities for high-level public-private dialogue to strengthen strategic alignment on these objectives and will mobilize corporate support at the chief executive level in the global business community. We also encourage capital market regulatory bodies to work with the IFRS Foundation and IOSCO to support the Sustainability Standards Board.

Last week, [the IFRS announced](#) how it sees the next steps in this sustainability reporting convergence, establishing a working group to accelerate the process. We support this initiative. It is only through a global set of standards for sustainability reporting that the private sector can make its full, and necessary, contribution to creating a sustainable society.

*Doing business in more sustainable, inclusive and resilient ways is one of the crucial challenges of our time. We want to lead by example and ensure that we optimize not just for profits, but for progress for people and the planet as well.*

With best regards,

**Brian Moynihan**  
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**Klaus Schwab**  
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