

Illustrated Guidance: Making the Transition from World Economic Forum Stakeholder Metrics to ISSB Standards



In the past five years, the sustainability reporting landscape has evolved at pace, shifting from a specialized to mainstream practice, reflecting how critical sustainability issues are to the credibility and success of every company. With the shift, report preparers have played a key role in driving momentum towards a globally aligned system for sustainability reporting.

In 2019, guided by the growing consensus that long-term value is best generated by taking into consideration the needs and interests of all stakeholders, the World Economic Forum's International Business Council (IBC) led a commitment from over 120 chief executives to align their corporate values and strategies with the UN Sustainable Development Goals (SDGs).

As a result, the IBC established the Stakeholder Metrics (SCM) initiative and released a report in 2020, which proposed a core set of common metrics and recommended disclosures that IBC members and other companies could use to reflect sustainability information in their mainstream reporting. In doing so, they also identified sustainability matters that could help to form the building blocks for a globally aligned system for sustainability reporting.

The initiative has made significant progress towards achieving its two main objectives: to accelerate convergence and global alignment among the leading standard-setters; and to bring greater comparability and consistency to the reporting of sustainability metrics and disclosures.

Notably, the SCM initiative coalition engaged with the technical readiness working group established by the IFRS Foundation. The work of the TRWG led to the foundation of the International Sustainability Standards Board (ISSB) in 2021. Under the current memorandum of understanding with the ISSB, the Forum continues to work closely with ISSB technical staff, providing insights from the SCM work and offering a private sector perspective as the ISSB advances in its standard-setting agenda.

With the increasing adoption of ISSB Standards across jurisdictions throughout the world, combined with strong and clear investor demand, companies will increasingly need to integrate these standards into their practices to meet jurisdictional requirements and investor expectations. This document provides helpful guidance for organizations preparing to transition from the voluntary reporting of SCM to applying the ISSB's IFRS Sustainability Disclosure Standards (ISSB Standards). The Forum will continue to equip practitioners and companies to be prepared for the adoption of current and future ISSB Standards.

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The SCM Initiative

The World Economic Forum International Business Council (IBC) Stakeholder Metrics (SCM) initiative set out to identify a set of ESG metrics and disclosures that reflected important aspects of value creation, were universally relevant across sectors and geographies and could be reflected in the annual reporting of organizations. The initiative responds to the need for organizations to build their resilience and enhance their social licence to operate, through greater commitment to long-term, sustainable value creation that responds to the wider demands of people and the planet.

The key aims of the project included encouraging companies to reflect the Stakeholder Metrics in their reporting and to encourage greater cooperation and alignment among standard-setters and other actors to catalyse progress towards a systemic global solution for sustainability reporting. The Stakeholder Metrics have been effective in supporting improved sustainability disclosures. They provide a helpful basis for those companies preparing to apply the ISSB's IFRS Sustainability Disclosure Standards (ISSB Standards). In this regard, the IBC organizations support the objective of establishing a global baseline of consistent and comparable sustainability information addressing the needs of global capital markets based on the ISSB Standards.

Role of SCM

Now that the ISSB Standards have been issued, and jurisdictions are introducing new mandatory sustainability reporting requirements, the Stakeholder Metrics continue to play two important roles.

- *Capacity building*: The metrics offer a useful tool to help organizations proactively build the necessary reporting infrastructure and capabilities that will be essential for compliance with mandatory reporting requirements. They also help organizations to identify sustainability matters that should be integrated into their strategy and business model, and therefore help to enhance integrated thinking.
- *Source of guidance*: For organizations that are applying the ISSB Standards, industry practice based on application of the metrics can be a source of guidance to inform their thinking when identifying sustainability-related risks and opportunities and material information.

SCM: metrics and pillars

[The SCM were published in 2020](#), presented as core and expanded metrics. Where possible, the metrics were derived from existing sustainability standards and frameworks.

- **Core metrics** – 21 largely quantitative metrics for which information was already being reported by many organizations, focusing primarily on activities within an organization's own boundaries
- **Expanded metrics** – 34 metrics and disclosures that were less common in existing practice, including disclosures relating to the value chain or requiring more complex impact measurement

The metrics are organized under **four pillars**:

- Principles of governance
- Planet
- People
- Prosperity

Relevance of Stakeholder Metrics when applying ISSB Standards

The ISSB has issued two standards: *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and *Climate-related Disclosures* (IFRS S2).

IFRS S1 requires organizations to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect their prospects, which are described as an organization's cash flows, access to finance or cost of capital over the short, medium, or long term.

When applying the ISSB Standards, an organization is required to:

- Identify the sustainability-related risks and opportunities that could reasonably be expected to affect its prospects
- Disclose material information about those risks and opportunities

In preparing its disclosures, the preparer must apply the ISSB Standards as a whole, including both the general requirements and the topical standards (IFRS S2 is the only topical standard issued to date). IFRS S1 includes content to help preparers identify sustainability-related risks and opportunities in the absence of an ISSB Standard addressing a particular sustainability topic.

How the SCM can be useful to support the application of the ISSB Standards is explained below.

Identifying sustainability-related risks and opportunities

When identifying sustainability-related risks and opportunities that could reasonably be expected to affect an organization's prospects under IFRS S1, organizations may refer to industry practice – specifically they may refer to and consider sustainability-related risks and opportunities identified by entities that operate in the same industry(s) or geographical region(s).

This means when the themes set out under the four pillars in the SCM have been used by companies, they may be relevant in assisting in the identification of sustainability-related risks and opportunities. (Note that this would be in addition to the requirement in the ISSB Standards to consider the disclosure topics in the SASB Standards for the industry activities relevant to the organization.)

The themes set out in the SCM were identified based on industry practice and can act as a starting point to inform an organization's thinking and offer a useful source of guidance when identifying sustainability-related risks and opportunities.

The core themes in the SCM are as follows:

Pillar	Theme
Principles of governance	Governing purpose Quality of governing body Stakeholder engagement Ethical behaviour Risk and opportunity oversight
Planet	Climate change Nature loss Freshwater availability
People	Dignity and equity Health and well-being Skills for the future
Prosperity	Employment and wealth-generation Innovation of better products and services Community and social vitality

Identifying material information

IFRS S1 defines information as material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports (existing and potential investors, lenders and other creditors) make on the basis of those reports.

When identifying material information about the sustainability-related risks and opportunities that have been identified,

an organization is able to refer to the information, including metrics, disclosed by entities that operate in the same industry or industries or geographical regions. On this basis, an organization may refer to the metrics and disclosures set out under the four pillars in the SCM to identify relevant disclosures when applying IFRS S1. (Note that this would be in addition to the requirement in the ISSB Standards to consider the metrics and disclosures in the SASB Standards for the industry activities relevant to the organization.)

Example in practice

An organization, for example, may look at the disclosures made by its peers through SCM to identify sustainability-related risks and opportunities in its management of human resources that are reasonably likely to impact the organization's future prospects. The core metrics include three themes under the People pillar that could be relevant: Dignity and equality, Health and well-being; and Skills for the future.

Considering industry practice, the preparer could conclude that some or all of these themes are relevant when identifying the organization's sustainability-related risks and opportunities. Thus these themes, and the accompanying descriptions in the SCM report, could form a starting point for setting out the risks and opportunities related to those themes. For example, if addressing skills for the future, an organization may find it helpful to reflect on:

1. How access to skilled workers is a key factor in its future success
2. How it is addressing any skills gap challenges, including through investment in training, education and reskilling its workforce
3. How it can harness the opportunities of changing work patterns and workplaces due to new tools and technologies
4. How it is able to boost employee engagement and productivity and have an advantage in attracting and retaining skilled talent, through prioritizing the organization's values and building a more diverse and inclusive culture

When identifying material information, a preparer needs to apply the disclosure requirements in IFRS S1 that address core content in relation to the risks and opportunities identified (governance, strategy, risk management, metrics and targets).

In the absence of an ISSB Standard on a particular sustainability topic, a preparer could consider the disclosures provided by other entities in the same industry or geography. On this basis, an organization could refer to the SCM to help identify material information about a particular risk or opportunity. In this example, had the preparer identified diversity and inclusion as a sustainability-related risk or opportunity, they could consider the disclosures provided by their peers that resulted from a metric identified in the SCM: the percentage of employees per employee category, by age group, gender and other indicators of diversity (e.g., ethnicity).

Note: The preparer could also identify specific disclosures and metrics on sustainability matters from standard setting bodies whose requirements are designed to meet the information needs of providers of financial capital. The preparer may also consider the disclosures and metrics from the Global Reporting Initiative (GRI) Standards or the European Sustainability Reporting Standards (ESRS) to help identify material information to the extent that information meets the objectives of IFRS S1 (including that it is relevant for providers of financial capital).

Disclosure of sources of guidance

IFRS S1 requires disclosure of the sources of guidance an organization has applied in preparing its sustainability-related financial information. Therefore, if an entity had identified disclosures based on Stakeholder Metrics as a source of guidance, it should disclose that fact.