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**Organization:** California Public Employees' Retirement System (CalPERS)

We commend the INCR Listing Standards Drafting Committee for their work on developing the draft standards and their continued dialogue with NASDAQ OMX. Navigating the evolving landscape of sustainability disclosure is tricky and we want to acknowledge the committee's hard work to align the draft standards with the various sustainability disclosure initiatives that already exist.

CalPERS believes that long-term value creation requires the effective management of the three forms of capital: financial, human and physical. As a provider of capital to corporations we expect fair, accurate, comparable and timely reporting on how these three forms of capital are employed to generate sustainable economic returns.

Overarching comment: The purpose of this consultation is to *'help build global investor support for a listing standard for stock exchanges on corporate sustainability disclosures'*. Stock exchange listing standards are an important tool – but we need to remember that the primary audience for such disclosures are capital providers and thus disclosures need to be relevant to shareowners (i.e. the target audience is not *all* issuer stakeholders). While the paper makes reference to 'the integration of financial and ESG information' – the framing of the proposed standards, and the standards themselves, are not grounded in a holistic vision of the three forms of capital. As a result, the proposed standards are perceived to be somewhat divorced from taking an 'integrated' perspective on financial and sustainability factor disclosure. As they stand, we are concerned that the proposed standards may contribute to the continued separation of sustainability and financial disclosures. We also recommend that the proposed standards be reviewed in three years, at which time the work of the IIRC and SASB will be complete and alignment with these initiatives can occur.

1) Materiality Assessment:

a. Are there any strong reasons not to mandate the materiality discussion? (Q1)

i. Given that the IIRC's framework for Integrated Reporting and SASB's industry-specific sustainability standards are under development, we recommend, for the time being, that reporting on material sustainability factors (see note below) be on a comply or explain basis. We are most interested for companies to report how, what, and why relevant sustainability factors are identified, assessed, and considered in business strategy and risk management discussions and decision-making processes. As it stands, the proposed mandated materiality assessment (M1) is overly prescriptive and does not take into consideration other emerging frameworks (e.g. integrated reporting).

b. Should the materiality assessment explicitly include short, medium, and long-term, as well as 'indeterminate,' timeframes for reporting risks and opportunities? (Q2)

i. We support the integration of relevant sustainability factors in corporate disclosures – this covers factors that are material today, but also those factors that may

not be presently deemed material, but will most likely become material over a medium to long-term time horizon and impact long-term value creation. We caution the committee in framing the issue of materiality too narrowly and suggest the ‘materiality section’ (page 8-9) be revised in light of these comments. It is important that the materiality assessment take into account the connectivity and interdependencies between the full range of factors (which may not be covered as listed in the consultation paper) that have a material effect on an company’s ability to create and preserve value over the short, medium and long term.

## 2) GRI Content Index:

a. Is the GRI Content Index the best way to give investors some disclosure consistency without being overly prescriptive for companies? (Q4)

i. We strongly feel that the GRI Content Index should not be referenced in the proposed standards. Highlighting GRI-based corporate disclosures will continue to lead us down the path of sustainability reporting divorced from financial factors as opposed to an integrated reporting approach. In addition, we find GRI-based disclosures do not address the needs of capital providers like ourselves. We recommend that companies and investors contribute to the development of SASB’s industry-specific standards along with piloting the IIRC’s integrated reporting framework.

## 3) Corporate ESG Disclosure

a. Should the exchanges, rather than the issuers, determine the format and location of the sustainability reporting? (Q8)

i. Companies, at this time, should be given the flexibility to determine the reporting format of sustainability factors.

b. Do you agree with the current list of ESG issues and examples? (Q9)

i. CalPERS broadly agrees with the sustainability factors identified, however it is important to highlight that these factors may not impact or be relevant for all sectors (i.e. they may not be cross-cutting). In addition, we recommend framing the factors listed within the three forms of capital: financial, human, and physical – this will help to further ground the proposed standards in economics as opposed to keeping them removed from the financials.