



IFRS Alert

IFRS Foundation announces next steps on sustainability

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Executive summary

The IFRS Foundation (the Foundation) has confirmed there is an urgent need for global sustainability reporting standards. Given this its Trustees are continuing their work on the establishment of an international sustainability reporting standards board within the existing governance structure of the Foundation.

The intention is for the Trustees to produce a definitive proposal (including a road map with timeline) by the end of September 2021, possibly leading to an announcement on the establishment of a sustainability standards board at the meeting of the United Nations Climate Change Conference COP26 in November 2021.

This alert outlines the Foundation’s views about the strategic direction of its new board and their intended next steps.

In 2020, the Foundation requested feedback on its ‘Consultation paper on sustainability reporting’. A huge amount of support, contained in 576 comment letters, for urgent action to be taken on this initiative was received by the Foundation.

The Foundation has acknowledged the need for global sustainability reporting standards and the role it could play in their development. The International Organisation of Securities Commissions (IOSCO) in late February 2021 said there was an urgent need for globally consistent, comparable, and reliable sustainability disclosure standards and it announced its priorities and vision for a Sustainability Standards Board (SSB) which closely align with those set out by the Foundation.

The Foundation has reached the following views about the strategic direction of the new SSB:

Strategic direction	Conclusions reached
Investor focus for enterprise value	The focus of the SSB would be on information that is material to the decisions of investors, lenders and other creditors (ie participants in capital markets).
Sustainability scope, prioritising climate	The initial focus of the SSB would be on climate-related reporting (due to the overall urgency of this issue), while also looking at the information needs of investors, lenders and creditors on other ESG (environmental, social and governance) matters.
Build on existing frameworks	The SSB would build upon the efforts and progress made on Climate related Financial Disclosures by the Financial Stability Board’s Task Force (TCFD). The SSB will consider their approach to climate-related disclosures as a potential basis for the SSB to develop climate-related reporting standards.
Building blocks approach	Standards issued by the SSB would provide “a globally consistent and comparable sustainability reporting baseline, while also providing flexibility for coordination on reporting requirements that capture wider sustainability impacts.”



Next steps

The Foundation is planning on releasing a feedback statement which will provide a summary of the responses to their 2020 consultation paper on sustainability and explain how they impacted the above decisions. Its intention is to then to release a proposal of the changes that are required to the constitution of the Foundation and open this up for comment. These changes would be necessary to facilitate the formation of the SSB and the Trustees have indicated the comment period for this will likely be 90 days.



Our thoughts

We welcome this announcement from the Foundation and believe the formation of a SSB will a major step forward. With IOSCO announcing its intention to work with the Foundation to establish a new board for setting sustainability reporting standards that meet the needs of the capital markets, rapid progress on the future endorsement of a board and its standards is highly likely. The Trustees have recognised the importance for the public interest of reporting standards that address enterprise value, which captures expected value creation for investors in the short, medium and long term as well as value creation for society and the environment as a whole.

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