



IFRS® Foundation

Agenda paper 1

# Sustainability Reporting

IFRS Advisory Council  
Lee White Executive Director  
April 2021



# Update since February Advisory Council meeting

# March Trustee meeting

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- The Trustees of the IFRS Foundation met 2-4 March 2021 to continue their analysis and discussions of the feedback received to their Consultation Paper on Sustainability Reporting
- Between their February and March meetings IOSCO issue a public statement announcing IOSCO's intention to work with the IFRS Foundation in developing a plan to establish a new board for setting sustainability reporting standards that meet the needs of the capital markets — This will include consideration of future endorsement of the new board and its standards

# March Trustee Meeting statement

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- Based on the feedback to the 2020 Consultation, and encouraged by the IOSCO Board statement, the Trustees reached the following views about the strategic direction of a new board:
  - **Investor focus for enterprise value:** the new board would focus on information that is material to the decisions of investors, lenders and other creditors
  - **Sustainability scope, prioritising climate:** due to the urgent need for better information about climate-related matters, the new board would initially focus its efforts on climate-related reporting, while also working towards meeting the information needs of investors on other ESG (environmental, social and governance) matters
  - **Build on existing frameworks:** the new board would build upon the well-established work of the Financial Stability Board's Task Force on Climate related Financial Disclosures (TCFD), as well as work by the alliance of leading standard-setters in sustainability reporting focused on enterprise value. The Trustees will consider the prototype proposed by the alliance for an approach to climate-related disclosures as a potential basis for the new board to develop climate-related reporting standards. To prepare for this work, the IFRS Foundation will initiate a process of structured engagement with the relevant organisations
  - **Building blocks approach:** by working with standard-setters from key jurisdictions, standards issued by the new board would provide a globally consistent and comparable sustainability reporting baseline, while also providing flexibility for coordination on reporting requirements that capture wider sustainability impacts

# March Trustee statement

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- The Trustees of the IFRS Foundation today announced the formation of a working group to accelerate convergence in global sustainability reporting standards focused on enterprise value and to undertake technical preparation for a potential international sustainability reporting standards board under the governance of the IFRS Foundation
- Specifically, the working group will provide technical recommendations, including further development of the prototype built on the TCFD recommendations, as a potential basis for the new board to build on existing initiatives and develop standards for climate-related reporting and other sustainability topics. The group will also review how technical expertise and content might potentially be transitioned to the new board under the IFRS Foundation's governance structure, with a view to facilitating consolidation and reducing fragmentation in sustainability reporting standards.

# IOSCO statement – 30 March

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- IOSCO announces today the establishment of a new Technical Expert Group (TEG) under its Sustainable Finance Task Force (STF). The TEG will work closely with the IFRS Foundation's working group and will be tasked with reviewing and assessing its technical recommendations focused on enterprise value creation.
- As part of this, the TEG will assess refinements to the prototype and its content, including industry-specific metrics. The TEG will consider whether the refined prototype could be a sound basis for the development of an international reporting standard under the SSB, with a focus on enterprise value, that will:
  - meet the capital market's core information needs and serve as a baseline for consistent and comparable approaches to mandatory sustainability-related disclosures across jurisdictions
  - be compatible with existing accounting reporting standards and promote good governance of sustainability-related disclosures among preparers
  - form the basis for the development of an audit and assurance framework

# IOSCO statement – 30 March continued

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- This preparatory work will inform IOSCO's views on its potential endorsement of the SSB as the global standard-setter for sustainability-related corporate reporting. Subject to the outcome of its assessment, IOSCO views the proposed SSB and its future standards as a promising solution for achieving consistent, comparable, and reliable cross-border sustainability-related reporting requirements and would encourage IOSCO members and relevant authorities to consider the standards when setting sustainability-related disclosure requirements.

# Next steps

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- The Trustees intend to publish:
  - a feedback statement that summarises the responses received to their 2020 Consultation, and
  - for public comment the proposed changes to the Foundation's Constitution necessary to formalise the establishment of a new board (any changes to the Constitution are subject to a public consultation with a 90-day comment period)
- The Trustees will continue to engage with the Monitoring Board and be informed of their views to proposed changes
- The Trustees remain on track to make a final determination about a new board in advance of the November 2021 United Nations COP26 conference



# Breakout session

Potential Amendments to the IFRS Foundation Constitution

# Breakout session

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- This session is structured to assist the discussion with the Advisory Council by raising open questions concerning the relevant areas of potential change and for the IFRS Foundation representatives to be informed of their views and thoughts.
- It is important to note that in considering changes that can occur which ones *require* the change to the IFRS Foundation constitution.
- The proposed changes to the Constitution will be published for comment (planned for end of April) and it is considered that a 90-day consultation period would be appropriate. Final approval of the changes to the Constitution would occur after the consultation has been concluded, the feedback analysed and 75% of Trustees supporting changes.

# Breakout session

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Areas that we wish to discuss:

1. Advisory Council
2. New sustainability reporting standards board – its size, composition, geographic representation and name
3. Trustees – size, geographical representation and their background/experience
4. Name of the IFRS Foundation
5. Interpretations Committee
6. Multi stakeholder expert consultative committee

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