



The Chairman
IFRS Foundation Trustees
IFRS Foundation
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Dear Trustee

AFRICA INTEGRATED REPORTING COUNCIL COMMENTS ON THE CONSULTATION PAPER ON SUSTAINABILITY REPORTING

The African Integrated Reporting Council (AIRC) is a council established by the Pan African Federation of Accountants (PAFA) and the World Bank to promote and support implementation of integrated thinking and reporting in Africa. The council comprise of two senior officials (Professional Accountancy Organization and Stock Exchange) from 8 countries: Botswana, Kenya, Mauritius, Morocco, Namibia, Nigeria, South Africa and Zimbabwe.

The AIRC welcomes the opportunity and presents in the annexure that follows, its responses to the *Consultation Paper on Sustainability Reporting* issued by the Trustees of the IFRS Foundation (Trustees). AIRC commends the IFRS Foundation for recognising and aiming to address the need to fill the gap that exists in sustainability reporting.

Yours sincerely

Africa Integrated Reporting Council Secretariat

Alta Prinsloo
Chief Executive Officer
Pan African Federation of Accountants

Patrick Kabuya
Senior Governance Specialist
World Bank

Annexure

Question 1

Is there a need for a global set of internationally recognised sustainability reporting standards?

(a) If yes, should the IFRS Foundation play a role in setting these standards and expand its standard-setting activities into this area?

(b) If not, what approach should be adopted?

Response

AIRC strongly believes that there is a need for a set of internationally recognised sustainability reporting standards to address the current fragmentation in sustainability reporting which impedes the usefulness, consistency and comparability of corporate reports.

Given its extensive experience and proven track record in high quality, internationally recognised standards, the IFRS Foundation (Foundation) is best placed to play a leading role in the development of internationally recognised sustainability reporting standards. To this end, AIRC supports an expansion of the IFRS Foundation's standard setting activities into the area of sustainability reporting.

Question 2

Is the development of a sustainability standards board (SSB) to operate under the governance structure of the IFRS Foundation an appropriate approach to achieving further consistency and global comparability in sustainability reporting?

Response

AIRC agrees with the Trustees assessment that the most appropriate course of action is to create a stand-alone SSB. As indicated above, the IFRS Foundation's proven track-record places it in good stead to give such board the legitimacy necessary for global acceptance and adoption of its standards, thereby enabling the achievement of consistency and comparability in sustainability reporting.

Question 3

Do you have any comment or suggested additions on the requirements for success as listed in paragraph 31 (including on the requirements for achieving a sufficient level of funding and achieving the appropriate level of technical expertise)?

Response

AIRC is in agreement with the stated requirements for success as listed in paragraph 31. Timeliness will also be a critical success factor given the urgency that already exists for cohesive sustainability reporting. The SSB composition is another critical success factor in terms of diversity in gender, professional background, geography, areas of technical expertise in sustainability, etc. To achieve the objective of reducing fragmentation and inconsistency and ensure usefulness and comparability in data and information across jurisdictions, standards developed by the SSB should require quantitative

metrics wherever possible and not be limited to qualitative disclosures only. Further, the SSB should closely collaborate and consider the standards and frameworks already developed by the existing voluntary sustainability reporting standards and framework setters. These institutions have developed and accumulated valuable information, resources and relationships that could benefit the work of the SSB.

Question 4

Could the IFRS Foundation use its relationships with stakeholders to aid the adoption and consistent application of SSB standards globally? If so, under what conditions?

Response

The fact that the IFRS Foundation, through the IASB, has successfully galvanised 144 jurisdictions globally to adopt and implement IFRS is testament to the strength of the Foundation's relationship with a wide range of stakeholders; this will be central to aiding global adoption and consistent application of any sustainability standards. Ongoing engagement with regional and national standard setters, regulators, market participants, UN, EU, Development Finance Institutions, institutional investors and other key stakeholders will help to establish a critical mass of jurisdictions where the sustainability standards could become mandatory or recommended. Stock exchanges will also serve as important allies in driving the use of the standards amongst their listed companies.

Question 5

How could the IFRS Foundation best build upon and work with the existing initiatives in sustainability reporting to achieve further global consistency?

Response

The existing standards and frameworks should serve as a starting point for the work of the SSB, enabling the SSB to leverage the expertise, experience and relationships that already exist in the existing initiatives and avoid duplication of efforts.

AIRC supports the building blocks approach as published by the International Federation of Accountants (IFAC) in their publication [Enhancing Corporate Reporting: The Way Forward](#) as outlined below:

- BLOCK 1: The SSB should establish a core set of standards addressing sustainability through an investor-focused lens—requirements for material nonfinancial information focused on company performance, risk profile, economic decisions and “enterprise value creation.” This information will be of interest to investors, is consistent with the work of the IASB, and will attract global support.*
- BLOCK 2: The SSB should collaborate with respect to reporting requirements primarily designed to address broader, material sustainable development and company impacts on economy, environment, and people. These requirements may ultimately be incorporated or endorsed into SSB standards.*
- BLOCK 3: A global system must anticipate some jurisdictions-specific requirements that support local public accountability.*

Question 6

How could the IFRS Foundation best build upon and work with the existing jurisdictional initiatives to find a global solution for consistent sustainability reporting?

Response

Similar to the response to Question 5 above, AIRC's view is that engagement with or – at minimum – consideration of existing jurisdictional initiatives will be necessary for the SSB to minimise duplication of efforts, draw on the best available resources and expertise, and enhance acceptance at jurisdictional level of the global standards set by the SSB.

Question 7

If the IFRS Foundation were to establish an SSB, should it initially develop climate-related financial disclosures before potentially broadening its remit into other areas of sustainability reporting?

Response

To effectively address the issue of fragmentation in sustainability reporting, the SSB's initial work should not be focused on climate-related disclosures only. This would leave a gap in terms of the framework or standards to be applied for other sustainability reporting. Limiting the standards in this manner is likely to "muddy the waters" further by adding to the list of possible frameworks or standards from which to select. AIRC therefore disagrees with a "climate-first" approach for the SSB.

AIRC proposes that SSB should start by developing a conceptual framework of sustainability reporting and designing a work plan that incorporates all elements of sustainability not just climate change. As noted above, SSB should leverage on already developed standards and frameworks.

SSB should also design a framework and process that will connect the financial information (prepared using IFRS) and sustainability information (prepared using sustainability standards). In this regard, AIRC is of the view that the International Integrated Reporting Framework could serve as a reference point to achieve this connection.

Question 8

Should an SSB have a focused definition of climate-related risks or consider broader environmental factors?

Response

As indicated in the response to Question 7, the SSB should broaden its scope to include relevant ESG/sustainability topics albeit initially limited to those relevant to investors as per paragraph 50.

Question 9

Do you agree with the proposed approach to materiality in paragraph 50 that could be taken by the SSB?

Response

AIRC supports the gradualist approach proposed in the Consultation. However, a process, with defined timeliness, should be put in place on how and when to transition to double materiality. The recent developments have provided evidence that more than 80% of company value comprise of intangible capitals, the balance being financial capital. Therefore, it's important to start considering materiality relating to intangible capital providers in the reporting architecture in the medium term.

Question 10

Should the sustainability information to be disclosed be auditable or subject to external assurance? If not, what different types of assurance would be acceptable for the information disclosed to be reliable and decision-useful?

Response

Yes. It is critical that sustainability information developed in accordance with the SSB's standards is capable of being subjected to external assurance. Assurance is an important "trust indicator" in corporate reporting and contributes to enhancing user confidence in the information disclosed. In this regard, SSB should collaborate and take into account the work being doing by The International Auditing and Assurance Standards Board Emerging forms of External Reporting (EER) Task Force.

Question 11

Stakeholders are welcome to raise any other comment or relevant matters for our consideration.

Response

Given that most African countries fall within the small, medium and emerging markets where Small and Medium Entities form the majority of those economies, it is important that the IFRS Foundation takes these factors into consideration and develop standards that are not complex and onerous, as adoption would be impacted negatively if the cost of implementation is deemed to outweigh the benefits thereof. For example, the SSB could follow the IFRS for SMEs approach. Engaging these markets at the initiation phase will be critical for success.