Response in my personal capacity to the Consultation Paper on Sustainability Reporting by the IFRS Foundation – Professor Mervyn King SC

A. Introduction

1. I have practised as a commercial barrister, took Senior Counsel status in 1975 and was appointed to the bench of the Supreme Court of South Africa between 1977 to January 1980 when I resigned. Many of my clients in the corporate world then asked me to join their boards as a non-executive director. This started my career in business and I became the chairman and director of companies listed on the London, European and South African Stock Exchanges.
2. Consequently I have both an academic and practical experience of the governance of limited liability companies and other organizations.
3. In 1992 I was asked to form a committee to issue guidelines for the majority of my fellow citizens in South Africa how to direct and manage a company in a world in which, through the Apartheid legislation, they had been excluded.
4. The first King Report issued in 1994, (the committee referred to the Report under my name as chair) I steered the committee away from a model based on the primacy of the shareholder because I realised that it would have been rejected by the majority of my fellow citizens.
5. The King Committee in 1994 advocated a new model that a board should apply its collective mind to learning and understanding the legitimate and reasonable needs, interests and expectations of the stakeholder groupings pertinent to the business of the company and take them into account but always make a business judgment call in the best interests of the company. This invariably would lead to trade-offs between the interests and expectations of the various stakeholders and would benefit one stakeholder above another. From the point of fairness in governance the board would be able to show

that it had taken account of the interests of stakeholders in making a decision in the best long term interest of the company.

6. I pointed out that there should be a focus on the long term interests of the limited liability company, an incapacitated, artificial person that has no heart, mind, soul or conscience of its own, and that its heart, mind, soul and conscience is that of its corporate leaders, more pertinently its board of directors.
7. In 2001 I was asked to chair the Eminent Persons Group at the United Nations to oversee the Governance and Oversight Provisions of its various agencies. In this regard I worked with the UN Community on Trade and Development and, inter alia, the UN Environmental Programme. In consequence I became steeped in the question of sustainability and the relevance of it in the operation of companies. I contended that companies acted in the triple context of the economy, society and the environment and yet directors were only reporting on the financial aspects. I believed that a second corporate governance report recommending sustainability reporting was necessary. So the second King Report was issued in 2002 recommending sustainability reporting according to the Global Reporting Initiative's (GRI) then G2 Guidelines. The Johannesburg Stock Exchange (JSE) adopted the King II Report as a listing requirement.
8. There were now financial and sustainability reports being issued by companies. This led to a discussion about connected or integrated reporting. The latter won the day and the GRI, of which I was then the chairman, working together with HRH Prince Charles' Trust, Accounting for Sustainability (A4S), formed the International Integrated Reporting Council (IIRC) in 2010, of which I became the chair.
9. It took the IIRC some two and a half years, after consulting with iconic companies and many professionals around the world about the need to integrate the financial with the so-called non-financial, to develop an Integrated Reporting (IR) Framework. The International <IR> Framework was issued in December 2013.

10. In 2009, the King Committee (King III) recommended integrated thinking and doing an integrated report for companies listed on the JSE which was adopted as a listing requirement.
11. The question of adherence to corporate governance codes around the world was becoming a mindless, checklist exercise. By this time, namely 2015, corporate reporting had become outcomes based with the IR Framework of 2013 and 193 countries had agreed to the Sustainable Development Goals (SDG) of the United Nations, which were all outcomes based except for SDG 17 – on co-operation and collaboration. The question was asked whether the governance of corporations should not also be outcomes based. This question was debated fiercely by the members of the King Committee and over a period of time we sought input from national and international professionals and practitioners. The result was the issue of the King IV Report in 2016 which recommended a mindful outcomes based approach to corporate governance. This too became a listing requirement of the JSE.
12. As chairman of the IIRC I had supported the formation of the Corporate Reporting Dialogue in 2015 in an endeavour to have convergence of the Framework Providers in the ESG space, so that preparers had a harmonized standard of sustainability reporting. This was so because comparability was being diluted with the different frameworks and was adding to complexity and cost for preparers.
13. In March 2019 I spoke at an IIRC international conference in London about my concern that Framework Providers in the ESG cluster, although well intended, unfortunately saw themselves as competitors. There should not be competition, I argued, on the question of public interest issues with the same public good outcome. I said it was a social outrage for these Framework Providers to see themselves as competitors rather than collaborators on public interest issues following SDG 17.

14. I am currently chair emeritus of the King Committee, the GRI, the IIRC and of the intended Value Reporting Foundation.
15. I make the above disclosures to declare any perceived conflict of interest and so that the reader of my submissions to the Consultation Document will see that I do so on an informed basis. The submissions I make hereunder are made personally and in my earnest belief that the time has come in the long term best interest of prosperity, people and planet to have a comprehensive corporate reporting system. In this regard I have spent much time in deliberation and discussion with interested parties.

B. Sustainability reporting

1. The lifeblood of the duty of a board to be accountable is in the quality of the information in its reports. Universally, directors owe their duties of good faith, skill, care and diligence to the company and not to any particular stakeholder. This is the tragedy of the concept of the primacy of the shareholder throughout the latter half of the 19th and the whole of the 20th century because it led to the 20th century being one of unsustainable development. We ended the 20th century realising that companies in making profits were using natural assets faster than nature was regenerating them. Clearly this was not a sustainable way of conducting business.
2. With natural assets declining faster than nature was regenerating them and population increasing with the consequential increased demand for product, sustainability reporting by companies was becoming more and more important to the capital markets of the world as well as the trustees of pension funds and the directors of financial institutions.
3. The GRI, which was founded in 1997, is the pioneer on sustainability reporting, but with the realisation of the importance of it, other organisations started occupying this space.

Consequently the formation of other framework providers on sustainability issues. This resulted in a dilution of comparability and confusion for preparers and users.

4. Institutions such as the International Federation of Accountants (IFAC) have concluded that there is a need to establish a Sustainability Standards Board (SSB), or as some entities have named it, a non-financial standards board. I am not enamoured with the phrase "non-financial" because the so-called non-financial aspects have financial outcomes. Great institutional bodies around the world have come to the same conclusion.
5. Various organisations have now started addressing the issue of international consistent standards for sustainability reporting. There is now a global push for the establishment of a SSB. In order to do this, there will have to be compromises by the Framework Providers in the ESG cluster in order to harmonize their standards.

C. <u>The different streams in the creation of a SSB</u>

1. Because of the cry for a SSB, there have been various international bodies that have become involved. All these bodies are aiming for the same public good outcome that is to establish a SSB with harmonized standards from the group of five referred to below in the long term interests of prosperity, people and planet. That is the what. The when is common cause. It is urgent to start doing it now. The question of who is addressed in this response to the IFRS Consultation Paper.
2. Since the general acknowledgement that there is a need to establish a SSB, the Global Corporate Reporting system has seen many developments:

   2.1 The European Commission through its Advisory Group is looking at redesigning the EU non-financial reporting standards.

   2.2 The International Organisation of Securities Commission (IOSCO) has said that it would engage in the work which the IIRC says it will do together with the CDP, the GRI, the SASB and the CDSB to create a system of reporting to "safeguard the public interest in any future framework or ESG disclosure." The chair said that he expects the work between IOSCO and the aforesaid framework providers to come together with the work of the IFRS and that "taken together, these steps may lead to the foundation of a structure that can deliver a more coherent and comprehensive corporate reporting system."

2.3 There is a statement of intent between the IIRC, CDP, CDSB, GRI and SASB (the group of five) to develop a global comprehensive corporate reporting system that includes financial and sustainability reporting connected by integrated reporting. Recently this group issued an open letter to IOSCO which should cement their collaboration with IOSCO. The group intends to shortly issue a report showing how they can harmonize their standards. The CDSB has announced its intent to join the group on this exercise.

2.4 The World Economic Forum together with the Big 4 Accounting firms has published a report entitled "Towards common metrics and consistent reporting of sustainable value creation." This consortium has said that its report is complementary with the joint statement issued by the group of five. These metrics are aligned to the GRI Standards. This was to be expected because not only is the GRI the pioneer of sustainability reporting, being founded in 1997, but has a huge amount of accumulated knowledge on the subject.

2.5 The Financial Reporting Council of the United Kingdom has issued a paper for corporate reporting to be in three separate reports under business, finances and public interest with support for the SASB standards.

2.6 IFAC has called for the establishment of a SSB which would be parallel to the International Accounting Standards Board (IASB) using the same mature standard setting methods, with the public reach and approval that is bestowed on the IASB through the public authority members of the IFRS Monitoring Board. IFAC believes the SSB could be achieved with a building blocks approach with the group of five and that "financial and non-financial information should be connected through a conceptual framework. Integrated reporting principles and the work of the TCFD should serve as a starting point."

2.7 The IFRS Foundation has issued its Consultation Paper to see whether it should extend its mandate to include sustainability reporting. In the Consultation Paper it effectively asks two questions. Assess the global demand for an international sustainability reporting standard and to what extent it might be a party to the development of such a standard.

3. It is in the interests of the three critical dimensions for sustainable development, namely the economy, society and the environment, that a harmonized SSB be established. The above mentioned bodies forming tributaries into this river of demand for a SSB should collaborate in establishing such a SSB. At present there is goodwill and an inclination to adopt a collaborative approach.
4. It is the board of a limited liability company who is accountable for what has happened in the activities of a company in producing its product or rendering its service.
5. Material matters should be defined as issues that are reasonably likely to impact, either positively or negatively on the operating performance of a company and whether they could significantly affect enterprise value creation. The critical question on materiality should be how has the company made its money.
6. The board has to connect or integrate the financials with the non-financials and highlight that which is material, not in IFRS or SSB speak but in clear, concise and understandable language. It should also give some outlook, for example the challenges and uncertainties facing a company in trying to achieve its business model in which the SDGs pertinent to the business of the company should have been embedded.
7. The IFRS Foundation does not have to reinvent the wheel in establishing a SSB with standards harmonized (as far as possible) and connecting the financial and non-financial under its existing structure. This is so not only because the pioneers of sustainability and

integrated reporting are members of the group of five, but collaboration has led to the intended merger of SASB and the IIRC.

8. This merger is of great significance in the establishment of a SSB. This is so because the IFRS Foundation does not have competency or capacity to do standard setting for sustainability issues. But the merger is as Bob Eccles has said, a "catalytic event that will enable the SSB to get a fast start." A combined entity, "the Value Reporting Foundation", could eventually integrate other entities focused on enterprise value creation, and the Foundation and CDSB have jointly signalled interest in entering into exploratory discussions in the coming months."

9. Further, what has been referred to as the three box framework in the statement by the group of five represents financial reporting standards in the smallest box, which in turn sits inside a box of sustainability issues material to enterprise value creation which is the focus of the SASB standards and the third box refers to sustainability issues with both positive and negative impacts on society, the environment and the economy which is the focus of the GRI. Many of the GRI standards may in the long term become important to providers of financial capital but that is a matter for the ongoing development of the SSB standards.

10. The providers of financial capital, as defined in the IR Framework, being investors, lenders and creditors do an ESG audit on a company before investing in the equity of that company or providing it with loans and credit. So ESG factors are not overlooked by providers of capital.

11. One thing is clear is that there is now a clarion call for a sustainability standards board so as to have one harmonized standard for providers of financial capital to use in making their judgment calls. What is also clear is that the financial and the non-financial need to be connected. No stakeholder should be looking at ESG issues as something separate from the financials and vice versa. To integrate these financial and sustainability issues in a report and thinking about them on an integrated basis in developing a business model, in which should

be embedded the SDGs pertinent to the business of the company, will be aided by the establishment of standards for financial and sustainability reporting that have rigor and use language which enables assurance.

12. The issue of scope of the contemplated SSB is important. The IASB exists to serve the information needs of the providers of financial capital. The SASB standards have endeavoured over the last nine years to identify which sustainability issues are relevant to providers of financial capital in 77 specific industries.
13. As Barker, Eccles and Serafeim state in their article, “In contrast the GRI is focused on the entire range of sustainability issues that matter to society as a whole.” As they point out, an issue that is not currently relevant to the providers of financial capital can become so for many reasons. The solution the authors suggest is for the “SSB to work within its remit of providing information to capital markets while coordinating with groups like GRI, which have concern for sustainable development that extends beyond investors focus on enterprise value creation over the short, medium or long term. Creating visibility for these issues can enable civil society to spur regulations and laws that may make these issues material for investors, thereby supporting both public and private sector initiatives to address the challenges of sustainable development.”
14. Reality dictates the acceptance of the fact that many preparers use the standards of the GRI, SASB and the CDSB in order to do their sustainability reports. This is so in the words of a chairman of a large listed company; “to meet what we believe is a discharge of our duty of accountability to various stakeholders important to the business of the company.” Hence my statement that if possible any task team developing the SSB must endeavour to harmonize the standards of at least the members of the group of five. As aforesaid, this will take compromise and intellectual honesty driving harmonized sustainability standards in the long term best interests of prosperity, people and planet. Whilst the driver should be the enterprise value creation it has to be accepted that many standards looked at through a civil

society lens, whilst not financially material at present, could become financially material over the medium or longer term.

15. A sustainability standards board cannot merely adopt the standards of any particular standard setter in the group of five. There has to be harmonization.

D. <u>Collaboration</u>

1. The most important of the SDGs is 17, cooperation and collaboration. We have seen in the pandemic the collaboration in regard to finding a vaccine. As set out above, there are several tributaries flowing towards the river of a SSB. Having achieved collaboration between the Framework providers in the ESG cluster it would be ironic if those bodies in favour of establishing a SSB started competing with one another.
2. The above bodies should collaborate to establish this harmonized SSB under the IFRS structure with its public authorities as members of the Monitoring Board. It may be argued that these public authorities are in the global financial space but civil society organisations with a focus on ESG issues can be added as members of the Monitoring Board. Further, it can never be ignored that the so-called non-financial issues, such as reputation, health and safety, adherence to human rights, good environmental practices, etc. have financial outcomes.
3. In my submission, the IFRS is in a better position to establish a SSB than any other party. This is so because the monitoring board has public authority membership. There is maturity in this structure and years of experience in standard setting on a global basis. There is an understanding of consistency in reporting and the need for comparable information whilst having an existing relationship with national regulators and governments in the corporate reporting space in 144 jurisdictions.

E. Requirements for success

1. The first issue is an endeavour to ensure the establishment of a robust, reliable and transparent harmonized SSB for preparers.
2. The second important element is an acceptance that the lifeblood of boards discharging their duty of accountability is the quality of information in the board's reports, financial and non-financial. Here the proposed structure under the IFRS Foundation is the most suitable with its public authority oversight over standard setting leading to consistency and comparability of information.
3. There must be a flexible approach to the criteria for success set out in paragraph 31 of the Consultation Paper. Nothing must be seen as rigid and being achieved in its own silo.
4. Each of these in turn need to be considered in the context that there is now global support for the establishment of a SSB.
5. There are national initiatives promoting integrated reporting which have been established around the world. They are known as <IR> national committees. For example, the reader can refer to the IRCSA's website www.integratedreportingsa.org The GRI also has national committees established around the world. With collaboration being the thrust of the statement of the group of five these national bodies can promote the new SSB.
6. The establishment of a SSB parralel with the IASB and connecting the material information from the two reports can blossom into a global corporate reporting system. The building of an effective global system of reporting depends on the quality of connecting the financial and non-financial information. Here the IIRC has the skill and knowledge as well as the Framework which can be adopted to integrate the information coming from the IASB and a SSB. The establishment of a SSB as another arm under the monitoring and trustee boards should embellish and not compromise the IFRS Foundation.
7. On the question of materiality I refer to that set out above in paragraph C5.

F. Achieving assurance

1. The IIRC has endeavoured, in the IR Framework, to use language which assists the IAASB in developing standards for a limited and reasonable assurance of an integrated report.
2. In this regard there are several integrated reports which have now been assured.
3. The language in the <IR> Framework is assurance friendly and to ensure that assurance can be achieved the task team finalising the standards of a harmonized SSB should work closely with the IAASB in regard to any required amendments to the <IR> Framework or any ESG standards. ISAE 3000 (Revised) is already being used to give limited assurance on integrated and sustainability reports or parts thereof.
4. In working closely with the IAASB I am confident that the language of the standards of a SSB could be assurance friendly and an international standard of assurance of a sustainability report can be achieved.

G. A gradual approach?

1. The greatest risks to business in the longer term will be cybersecurity and climate change.
2. Consequently there is a need for a focus on cybersecurity and climate change issues.
3. But to focus on only these two critical elements and leave out other sustainability issues will result in a continuation of clutter, complexity, lack of comparability and confusion for preparers, users and providers of capital.
4. This is so because the preparer will follow the SSB standards for reporting on these two critical issues but there are many other issues of sustainability involving standards in the ESG

cluster, whether adopting the SASB or the GRI approach. The result of a gradual approach will be that preparers will have reports dealing with climate change following the SSB standards but with other sustainability issues adopting standards or guidance developed by the several other framework providers in the ESG cluster.

5. A gradual approach dealing, for example, only with climate change would leave many sustainability aspects open for reporting based on other frameworks.
6. The IFRS Foundation should seize the moment and establish a SSB. The IFRS Foundation does not have to reinvent the wheel because of the collaboration of the group of five.
7. GRI and SASB on July 13, 2020 issued a statement of collaboration of their two standards in the sustainability reporting space. They acknowledge that the sustainability reporting landscape has become complicated because of the different standards. But some companies have used both standards.
8. Janine Guillot, the CEO of SASB and CEO elect of the VRF, said in July "In a post-covid world companies will increasingly be expected to disclose their performance in a range of ESG topics. The pandemic has demonstrated that so-called non-financial information can indeed highlight material financial implications. This makes the collaboration between SASB and GRI and the increased clarity it will bring for all stakeholders all the more timely."
9. It must be remembered that GRI and SASB provide compatible standards for sustainability reporting but they are designed to fulfil different purposes, are based on different approaches to materiality and focused through different lenses. SASB through an investor lens and GRI through a civil society lens.
10. I cannot improve on the explanation on SASB's website of the different approaches to sustainability reporting between SASB and GRI:

- SASB's industry's specific standards identify the sub-set of sustainability/related risks and opportunities most likely to affect a company's financial condition (e.g. its balance sheet), operating performance (e.g. its income statement) or risk profile (e.g. its market valuation cost of capital).

- The GRI Standards focus on the economic, environmental and social impacts of a company and hence its contributions – positive or negative – towards sustainable development. Users of the GRI Standards identify issues that are of primary importance to their stakeholders. If not already financially material at the time of reporting, these impacts may become financially material over time. They provide both framework and supporting standards on a wide range of sustainability topics and are aligned with international instruments for responsible business behaviour.

11. Consequently the IFRS Foundation should expand its mandate and endeavour to harmonize the standards which are most likely to affect the financial conditions of companies, their operating performance and the impacts on the three critical dimensions for sustainable development, the economy, society and the environment. With the collaboration stated in the work together document issued by the group of five and the statement of collaboration issued between the GRI and SASB in July 2020, the impacts on the economy, society and the environment, be they positive or negative, can be added as standards when these impacts are or become financially material over time.
12. It would be an act of responsibility for the IFRS Foundation to ensure that there is a parallel structure with the IASB to set standards on sustainability reporting which can be adopted globally under its structure aided by the intellectual capital of the five collaborators. Human kind does not have time for the proposed gradual approach.
13. The guiding principles and the content elements in the IR Framework are essential to guide a board to apply its mind to connect the material matters in the financial and non-financial reports. The two need to be connected and the most informed body of persons to do so, following the guidance of the IR Framework, is the company's board.

14. In the Oil and Gas Industry, some companies are adopting SASB standards, others GRI standards. If there is confusion in preparation, imagine the confusion for asset managers and asset owners in trying to make an informed decision about whether their beneficiaries' money should continue to be invested in the equity of any particular company.
15. The IFRS Foundation has a responsibility to planet and people to ensure that there is a parallel structure with the IASB to set standards on sustainability reporting which can be adopted globally under its structure aided by the intellectual capital of the group of five.

H. <u>Value creation, preservation and erosion</u>

1. As with financial reporting an international framework for non-financial reporting would help to ensure that the standards are consistent and that similar transactions are treated in the same way so as to provide useful information for stakeholders.
2. On the question of materiality the most informed body of persons both in regard to financial and so-called non-financial issues is the board.
3. The board has to spend more time understanding the financial and non-financial information and report it not in IFRS or SSB speak, but in clear, concise and understandable language in an integrated report.
4. Financial institutions and pension funds are dealing with their beneficiarys' moneys. These are the people walking in the cities of the world. The trustees of pension funds, for example, need to make an informed assessment that the company in which they are investing their beneficiarys' moneys has a long term value creation process and will, as a matter of probability, be operating in 25 years' time when they have to pay out the pensions of those beneficiaries, according to an actuarial calculation. That is why a trustee needs to make an informed assessment as to whether the company has a value creation process which is in

the long term best interests of the health of the company. And that is why trustees and directors of financial institutions are doing their own evaluation of how an investee company has dealt with ESG issues.

5. The accountant today looks not only at profit, which was the case under the financial capital model underpinned by the primacy of the shareholder, but at the whole value creation process. He or she has to ensure that there is accountability not only for value creation but value erosion as well. That is why the nomenclature of Chief Value Officer today is more appropriate than Chief Financial Officer. Particularly is this so with the establishment of a SSB.
6. In the value creation process of embedding SDGs pertinent to the business of the company into the company's business model and strategizing on how to eradicate or ameliorate adverse impacts on people and planet, the accountant with his or her public interest training is playing a huge role. Accordingly the subtitle of the book on the Chief Value Officer, is "Accountants can save the planet."

I. <u>Some conclusionary thoughts</u>

1. There is a clarion call for an international standard of sustainability reporting as there is an international standard of financial reporting through the IASB. Who should do it, is the critical question. In my judgment, the IFRS Foundation has the best structure for oversight over a SSB.
2. In purely business terms the easiest route would be for the IFRS Foundation to acquire the group of five. They have skilled executives who could form the pool from which the executive team of the SSB can be formed. Close collaboration between the IFRS Foundation and the five collaborators would be akin to an acquisition. Also the separate funding of the five collaborators would be pooled.

3. On connecting the financial with the non-financial and vice versa, the pioneer and the body with the wealth of accumulated knowledge in integrating the financial with the so-called non-financial information, is the IIRC. The <IR> Framework should be used for integrating this parallel information under the IFRS Foundation.

4. Information is the lifeblood of accountability and to have the IASB and a SSB under the IFRS Foundation will be a step forward in establishing a global comprehensive corporate reporting system in the interests of society, the planet and those who come after us. To have a global corporate reporting system is critical for humankind in endeavouring to achieve the outcomes envisaged in the SDGs.

5. The connection between the financial and the non-financial can be supplemented by the management commentary on the financial statements. Alternatively the content of the revised commentary can be included in the integrated report connecting the financial to the non-financial and vice versa. IOSCO has emphasized that the disclosure of sustainability issues is imperative in order to have sustainable finance.

6. Constitutions will have to be expanded so as to empower the IFRS Foundation to form and monitor a SSB. And there will have to be a name change. I suggest The International Reporting Standards Board. A name reflective of the end game.

7. The IFRS task force for setting up a SSB should work on a collaborative basis with the other entities who are in favour of a SSB. Thus the task force should work closely with the European Financial Reporting Advisory Board (EFRAG), the WEF Consortium, IOSCO and the group of five. The IIRC, with its pioneering accumulated knowledge, can capacitate the task force in establishing the connected or integrated reporting between the financial and so-called non-financial aspects.

8. The IFRS Foundation should not have a gradual approach and focus solely on climate related disclosures. This would leave many sustainability issues to be reported on and other frameworks will be used which will continue the confusion instead of eliminating it.

9. Assurance is a critical issue. The proposed SSB would have to ensure that the language used is assurance friendly and the task team should work closely with the IAASB in the choice of language to assist the IAASB with standards for assurance purposes.

J. <u>Answers to questions</u>

1. Question 1: For the reasons set out above there is a need for a global set of internationally relevant, harmonized, comparable and assurable sustainability reporting standards. The IFRS Foundation has the structure and the experience of standard setting to get the job done.

2. Question 2: There can be no more appropriate approach then the proposed SSB to fall under the IFRS Foundation structure. It will be monitored by a body made up of public authorities and experience in standard setting. The accountant is the trained professional on collecting information and reporting on it, particularly public interest issues. The accountant of today does not only focus on the financial aspects and the drafting of an AFS according to IASB standards for consideration by an audit committee. He or she deals with the whole value creation process from inputs to outcomes. Consequently the appellation Chief Financial Officer has become a misnomer and he or she is really a Chief Value Officer. Universities are now starting to teach accountants to be Value Officers rather than merely Financial Officers. Here again the governance of financial and so-called non-financial reporting should fall under the IFRS Foundation because financial practitioners are becoming Value Officers and universities are now starting to certificate accountants as Value Officers.

3. Question 3: The requirements for success are sufficient but they must not be applied rigidly. Flexibility is required because none of these requirements for success should impede the establishment of a SSB which is so critical to a global reporting system. There is no time left for further consideration. The time to do it is now. The timeline for the SDGs is 2030.

4. Question 4: The IFRS Foundation has relationships with regulators and governments in 144 jurisdictions. It is the perfect body to aid the adoption and consistent application of the standards of a SSB and to do so globally, assisted by the GRI and IIRC national committees established around the world.

5. Question 5: The IFRS Foundation must rely on the work already done in the sustainability field and work with the group of five. Every framework provider should, in the public interest, have a collaborative approach consistent with SDG 17 in ensuring the establishment of a SSB. This will require compromises in the house of any framework provider but those compromises to achieve a consistent standard of sustainability reporting are in the public interest. The group of five are already working with the CDSB and the TCFD. The global need for collaboration on corporate reporting is a process whose time has come.

6. Question 6: The IFRS Foundation can work with the existing national committees of the GRI and the IIRC established around the world. These national committees are motivated and can play an important role in ensuring the global success of the proposed SSB. This would be and be seen to be global support for consistent sustainability and integrated reporting.

7. Question 7: The IFRS Foundation should not initially develop climate related financial disclosures before potentially broadening its remit into other areas of sustainability reporting. This would leave the preparer using other frameworks to report on these other areas of sustainability. Confusion would still reign and the purpose of a SSB eliminating or at least reducing confusion would not be achieved. It is earnestly recommended that the IFRS Foundation does not adopt this gradualist approach but should use the standards of the group of five to develop a harmonized SSB with their stated collaboration.

8. Question 8: The SSB should not focus merely on climate related risks. It would be a weakness in the establishment of a sustainability reporting framework to only deal with some issues and leave other issues to be reported on in terms of other frameworks.

9. Question 9: The approach to materiality of a SSB should be that set out in paragraph C5 above.

10. Question 10: The sustainability information should be subject to external assurance. In this regard the IFRS Foundation's task force should work closely with the IAASB to ensure that the language used in establishing a SSB is assurance friendly.

11. Question 11: The who, the what and the when. The what has been decided by this clarion call from regulators, framework providers, preparers and users that there should be an international sustainability standards board as there is an international accounting standards board. The when is now because of the urgency from the viewpoint of prosperity, planet and people. The who is the critical issue. It is more recognisable and more globally acceptable from a credibility point of view to have a SSB falling under the structure of the IFRS Monitoring Board which has pubic authority members. Other entities do not have this global authoritative structure and a relationship with regulators and governments in 144 jurisdictions. Who should do it and who would have the best global recognition in doing it is answered by referring to the history of the IFRS Foundation and its present structure.

K. Final comment

For years I have been party to endeavouring to get convergence of framework providers in the ESG cluster. It would be a great irony if there is not collaboration between global entities in establishing a SSB under the IFRS Foundation when the call for collaboration between framework providers in the ESG cluster has now been answered.

________________________________ __10 December 2020____________

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