

To: Erkki Liikanen, Chair of the IFRS Foundation Trustees
From: Durham University Business School's Ethical Finance, Accountability and Governance Centre

Durham University is a world top 100 university. Durham University Business School is known for its global reputation, its impact on policy and practice and its strong focus on ethics, responsibility, and sustainability. The MBA is ranked 5th globally by the FT Global MBA – Corporate Social Responsibility and 29th globally by the Corporate Knights Better World MBA ranking.

Researchers at the Ethics, Finance, Accountability and Governance Centre conduct empirical quantitative and qualitative research by bringing together an experienced team of researchers across the disciplines of Durham University Business School. The expertise of the centre is complemented by a group of internationally excellent scholars, practitioners who are affiliated as associate members, honorary professors and advisory board members.

The professoriate signatories to this letter all have well-established long-term research records in critiquing proposals for accounting standards setting systems, individual accounting standards and related pronouncements issued by standard setting bodies.

Research informed observations that should inform the IFRS approach

The following observed requirements are informed by our research and additional research detailed [here](#)¹.

1. There needs to be a common definition of sustainability reporting that is related to the achievement of sustainable development from which to develop a unitary sustainability reporting framework (see Slack and Campbell, 2016). The definition provided by the GRI in their response to this consultation has world-wide acceptance and is appropriate.
2. Reporting on the impact *of* organisations on the environment, society and the economy is vital for investors being able to earn long term returns and less volatility (Abdelsalam & Chantziaras, 2020).
3. Organisations must understand the sustainable development context in which they are operating and develop measurable targets consistent with achieving sustainable development.
4. Material disclosure on both the impact on and of the organisation are increasingly, and should, be incorporated into the front end of annual reports and be reflected through financial reporting standards for statutory statements. Additional sustainability disclosures for a range of stakeholders are made across various types of external disclosure mechanisms².

¹ The link is to references supporting the submission of Professors of Accounting researching sustainability accounting and reporting.

² A GRI checklist is provided so that readers can easily locate disclosures.

5. Integrated thinking needs to explicitly incorporate sustainable development thinking (see Adams, 2017a,b, 2020; Adams et al 2020).
6. A multi-stakeholder approach is needed for developing standards that incorporate sustainable development thinking and/or address sustainability performance.

Our proposed way forward

Our recommended way forward for IFRS to facilitate achieving these requirements is that IFRS:

- A. engage with the GRI to facilitate making reporting on the impact *of* an organisation and the development by organisations of science-based targets mandatory.
- B. engage with the Value Reporting Foundation and GRI to develop an overarching Conceptual Framework for corporate reporting informed by the International <IR> Framework and with explicit reference to sustainable development risks and opportunities and incorporating them into strategy to more fully enable longer term analysis (and see Slack and Tsalavoutas, 2018 and Adams, 2017a,b).
- C. incorporate additional reporting on risks, opportunities and scenario analysis relating to sustainable development issues into the Conceptual Framework and existing IFRS standards informed by the TCFD recommendations and the SDGD Recommendations (Adams et al 2020)³.
- D. ensure all levels of IFRS and its governance have some expertise in sustainable development, including the IASB.

Options for achieving this

Options for achieving these outcomes that are not mutually exclusive, are:

- a) including skills in sustainable development implications on the IASB;
- b) establishing a new board with a name appropriate for its scope;
- c) establishing a coordinating body across IFRS, the VRF and GRI to develop a conceptual framework for corporate reporting.

Signatories to this letter dated 18th December 2020

Professor Omneya Abdelsalam
Professor Carol Adams
Professor Russell Craig

Professor Frank Mueller
Professor Richard Slack

³ For example, IAS 1 (i.e. key estimations and uncertainties) as well as IFRS 6 (Exploration for and Evaluation of Mineral Resources), IAS 36 (Impairment of Assets) and IAS 37 (Provisions, Contingent Liabilities and Contingent Assets)

Selected references:

Abdelsalam, O. and Chantaziars, A. (2020), Determinants of SDGs performance: Evidence from Global Sample, Newton Fund Project Report, Durham University.

Adams, CA (2020) [Sustainable Development Goal Disclosure \(SDGD\) Recommendations: Feedback on the consultation responses](#), published by ACCA, IIRC and WBA. ISBN-978-1-898291-33-6

Adams, C A, with Druckman, P B, Picot, R C, (2020) [Sustainable Development Goal Disclosure \(SDGD\) Recommendations](#), published by ACCA, Chartered Accountants ANZ, ICAS, IFAC, IIRC and WBA. ISBN: 978-1-909883-62-8

Adams, C A (2017a) *The Sustainable Development Goals, integrated thinking and the integrated report*, IIRC and ICAS. ISBN 978-1-909883-41-3. Read [here](#).

Adams, CA, (2017b) Conceptualising the contemporary corporate value creation process, *Accounting Auditing and Accountability Journal* 30 (4) 906-931 <http://dx.doi.org/10.1108/AAAJ-04-2016-2529>

Slack, R. and Tsalavoutas, I. (2018) Integrated Reporting decision usefulness: mainstream equity market views. *Accounting Forum*, Vol. 42, No. 2, pp. 184-198

Slack, R. and Campbell, D. (2016), *Meeting user's information needs: the use and usefulness of integrated reporting*, Association of Certified Chartered Accountants, ACCA, London.