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22 December 2020

Dear Trustees of the IFRS Foundation,

Invitation to comment – IFRS Foundation Consultation Paper on Sustainability Reporting

Ernst & Young Global Limited, the central coordinating entity of the global EY organisation, welcomes the opportunity to offer its views on the Consultation Paper (CP) on Sustainability Reporting issued by the Trustees of the IFRS Foundation (the Foundation).

Sustainability and sustainability reporting have become key in today's business environment. Stakeholders are increasingly relying on non-financial information provided by entities to make informed decisions. A company's long-term value and resiliency are increasingly seen as tied to the value it can deliver to both its investors and a broader group of stakeholders, including society at large, rather than just its historical financial performance. Sustainability reporting standards can contribute to transparency and consistency in the way entities report. We recognise the need and the current demands for a globally accepted set of standards for sustainability reporting and support the development of a comprehensive global framework.

We believe that certain criteria need to be met to enable an organisation to be a successful global standard setter, many of which are already identified in the CP. We trust that the Foundation will form and oversee a sustainability reporting standard-setter in a manner that would meet those criteria. As such, we support the Trustees' recommendation to create a Sustainability Standards Board (SSB) that would operate under the governance of the Foundation, among other things, to promulgate global sustainability reporting standards and facilitate a greater nexus between financial and non-financial information. This will help entities report on their long-term value to investors and other stakeholders including society at large.

Global sustainability standards should respond to stakeholders' information needs and expectations in a balanced way and should cover pertinent sustainability factors that focus on environmental, social and governance matters. In doing so, they should clearly define the meaning of sustainability to ensure a common understanding. Although we understand and support the view that priority should be given to those matters that are more time-critical, such as climate-related risks, from the outset, it must be clear that the goal is to set a comprehensive and consistent set of standards. Since reporting on sustainability is a dynamic field, the choice of exact topics and the order in which they are addressed may develop over time.

We believe that it is key to clearly establish the scope and boundaries of sustainability reporting standards. The CP describes the scope by reference to a materiality concept. However, we are concerned that this term could be confused by the concept of 'materiality' that is used in financial reporting. We believe that the fundamental scope question is whether sustainability reporting should follow the 'capital markets approach' or the 'multi-stakeholder approach'. Given the stated objective of the Foundation, as per its Constitution, is to focus on capital markets, we understand the natural inclination of the Foundation to focus on sustainability information relevant to capital markets. However, demand for sustainability information produced by entities is not limited to capital markets. Moreover, the distinction between the capital markets approach and the multi-stakeholder approach will blur over time as the links between externalities and direct or indirect effects on an entity's future cash flows become clearer. This is because other stakeholders' views can actually impact an entity's long-term value. There is an ongoing shift from the view that the primary purpose of entities is to enhance and protect value for investors and other market participants to the view that corporations are better able to deliver long-term value to capital markets when they understand and address the needs of their customers, employees, investors, regulators and other key stakeholders. Also, all stakeholders, including investors, benefit from sustainability reporting standards that are globally consistent. Therefore, if the Foundation chooses the capital markets approach as referred to in the CP, we recommend that the Foundation reconsiders that choice once further experience has been gained with setting sustainability standards.

Sustainability reporting is increasingly relevant for the investment decisions of investors, the credit decisions of lenders and other key decisions made by other stakeholders (e.g., employees, regulators, members of the communities in which the business operate and business counterparts). Therefore, we believe that the global sustainability standards should be promulgated following the same or similar quality standards as those that apply to financial reporting overseen by the Foundation, taking into consideration the differences in nature and complexity of the information. Given the reliance on the accuracy of such information, it also follows that the resulting sustainability information should be subject to the same assurance such as audit and/or review requirements for financial information. Assurance on sustainability reporting should be subject to standards akin to those that apply to assurance on financial reporting, in terms of competency, high ethical standards (including independence), quality and external supervision.

Our detailed responses to the questions are set out in the Appendix to this letter.

Should you wish to discuss the contents of this letter with us, please contact Leo van der Tas, Global Leader IFRS Services at the above address or on +31 88 407 5035.

Yours faithfully

Marie-Laure Delarue
Global Vice-Chair – Assurance

Ruchi Bhowmik
Global Vice-Chair – Global Public Policy

Ernst + Young Global Limited

Appendix - Responses to specific questions

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?

We agree that there is a current need for a set of global sustainability reporting standards and we strongly support the development of a comprehensive global framework for sustainability reporting that will include robust reporting standards on sustainability. We acknowledge that sustainability reporting has attracted increasing interest of various stakeholders in recent years. For example, in making investment decisions, institutional investors are increasingly relying on non-financial data, including sustainability metrics alongside traditional financial statements. Also, insurers, assets managers and banks have expressed eagerness for quality and consistency in sustainability disclosures that are relevant and reliable and which enable them to make their business decisions. Moreover, the current COVID-19 crisis has highlighted the importance of sustainable and resilient business models to support the economic recovery strategies of entities, along with insightful reporting to provide stakeholders with a clear understanding of those models when making informed investment and other related decisions. The pandemic has also raised awareness of the inextricable links between the environment, society and the regulatory and policy environment. As such, it demonstrates that the current debate around the need for a more robust sustainability reporting framework is a timely and urgent one.

Over the last several years, we have observed a proliferation of initiatives in the field of sustainability reporting and, more generally, non-financial information. A plethora of frameworks, methodologies and metrics for sustainability reporting have been developed to meet the evolving information needs of the investment community and in response to the broader public expectations of the role of businesses in society. However, the very existence of multiple frameworks and methodologies with different perspectives contradicts the greater goal of global standards. The private sector broadly is calling for more organisation, convergence, and global guidance in this space, as evidenced by the World Economic Forum International Business Council (WEF-IBC) initiative. Now is the time to consolidate and we believe the Foundation, with the help of the various initiatives referred to above, can be instrumental in bringing together the knowledge and experience gained over the years and develop a global set of sustainability standards.

We believe that certain criteria need to be met to enable an organisation to be a successful global standard setter, many of which are already identified in the CP. Below, we discuss the various criteria that we believe are key.

We understand the urgency of the matter does not allow for the Foundation to recommend starting with first developing a comprehensive framework (similar to the Conceptual Framework that has been developed for financial reporting) before developing individual standards. However, we believe that establishing an overall objective and getting commitment on that objective is fundamental before proceeding with the development of any standards.

That is, the development and acceptance of standards depend on their overall objective being clearly defined and understood. 'Sustainability' is a commonly used term, although not clearly defined and, therefore, not perceived in the same way by all users. Human rights, gender equality, climate change, social impact, economic impact, biodiversity and, as has emerged recently, public health, are only some of the sustainability factors that are gaining importance and attention among stakeholders. Therefore, we consider that defining the term is a key initial step in order to be able to determine the overall objective and the scope of global sustainability reporting standards. Moreover, since the development of global standards in sustainability is expected to be a significant investment, before proceeding with this undertaking it will be necessary to safeguard the commitment of a sufficiently broad range of national regulators and users to ensure that the standards will achieve their overall objective and receive broad acceptance.

Other important criteria are due process and network. In particular, the Foundation is a body with strong infrastructure that is internationally recognised and trusted by global organisations, auditors and oversight bodies and it is impartial and independent from external factors (e.g., political interference). We believe that its established international relationships will significantly contribute to achieve sufficient level of support from governments, regulators and national standard-setters as well as to collaborate and work closely with stakeholders in connection with standard setting (i.e., broad consultation and accountability). We consider the Foundation's ability to cooperate and coordinate with other standard-setters and framework developers who have significant international influence in sustainability reporting critical to achieving global consistency and reduce complexity. Finally, we believe that the Foundation can introduce the discipline that exists in financial reporting into sustainability reporting and build on the linkage between them, while respecting their different perspectives as explained in Question 2.

The Foundation has strong expertise in overseeing standard-setting and due process that will enable it to effectively oversee the development of standards acceptable to both developed and developing jurisdictions and deliver them within the expected timeframe. Balancing due diligence and speed will be a challenge. Therefore, due to the urgency of the project, ensuring a timely standard setting process will be key for its success, as highlighted in Question 2.

However, to date, the Foundation and its bodies have focused on financial reporting, making it paramount that the governance structure has a balanced composition of oversight boards and the appropriate technical know-how in sustainability reporting. Therefore, for the sustainability project, the Foundation will need to ensure that the staff and members in the governance bodies involved have strong technical skills and experience in the various aspects of sustainability reporting. If it is decided that the scope of the global standards should extend beyond the capital markets approach and address the needs of a wider target group (i.e., multi-stakeholder approach), the representation of a wider group of stakeholders in the governance structure may need to be considered. Furthermore, the Foundation will need to secure the appropriate level of funding and obtain financial support necessary for this undertaking to materialise. Given that the Foundation is also involved in financial reporting through the International Accounting Standards Board (IASB), the sustainability reporting project should not take resources away from the financial reporting responsibilities of the Foundation and should not jeopardise the Foundation's good reputation in financial reporting.

We trust that the Foundation will form and oversee a sustainability reporting standard-setter in a manner that would meet the criteria above. As such, we support the Trustees' recommendation to set standards in this area.

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?

We agree that a separate body dedicated entirely to the development of sustainability reporting standards under the governance of the Foundation is the preferred option among those explored by the Trustees described in paragraph 22 of the CP. Therefore, we support the creation of a separate board – the SSB – but we believe it is of utmost importance that:

- The SSB, the staff and its oversight bodies (e.g., the Trustees, the Monitoring Board) have the appropriate technical expertise in sustainability and setting reporting standards and are able to act in a timely manner to develop the standards in response to the urgency of the need.
- The composition of the SSB and the expertise and knowledge of the SSB members and staff needs to be adequate. This would include knowledge of current requirements and stakeholder needs in various jurisdictions, including developed and developing countries. Also, at the level of the oversight bodies (e.g., the Trustees, the Monitoring Board) sufficient expertise and knowledge needs to be present in both financial and sustainability reporting. The funding structure needs to be balanced and adjusted to the requirements of sustainability reporting to ensure adequate global representation.
- The composition of the bodies of the Foundation overseeing the SSB may have to be revisited, if the Foundation chooses or evolves to the multi-stakeholder approach.
- Close connection with the IASB is ensured to achieve appropriate connectivity and synergies with financial reporting and promote the interconnection between financial and non-financial information. There are financial reporting aspects as well as non-financial reporting aspects on which the IASB and the SSB will need to collaborate so that they are treated as one consistent topic and addressed on a comprehensive basis. For example, in a global economy where a significant part of the enterprise value is comprised of intangible assets, and also part of value is not captured on the balance sheet, entities will still need to disclose further information about how intangible assets such as brand, innovation, culture, data and talent management contribute value to the entity and society at large. It is important to capture those intangible assets that fail to meet the criteria for recognition in the financial statements.
- As highlighted in Question 1, notwithstanding the need to establish strong connectivity between the IASB and the SSB, it will be critical for the SSB to be able to set up its own operational model, taking into consideration the difference in the nature of the topic it is dealing with, the maturity of the standards and the environment within which the sustainability reporting standards will have to be implemented.
- Consultation with stakeholders is conducted such as with:
    - Key relevant global bodies or authorities to ensure coherence and alignment with related initiatives on sustainability matters at international level;
    - Key stakeholder groups (investors, preparers, auditors/accountants, academics) who could provide independent and challenging views; and

- o Other groups, to the extent possible (e.g., civil society representatives/Non-Governmental Organisations, Market Regulatory Authorities, Data Provider/Data Repositories) for a broad alignment on the proposed standards and their evolution over time.

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)?

Firstly, we reiterate the criteria for a successful standard setter, as set out in our response to Questions 1 and 2 above. Also, we agree with all items listed in paragraph 31 (a) to (g) and, in particular, we note the requirements for achieving a sufficient level of funding and the appropriate level of technical expertise.

With respect to these considerations, we would also suggest that the following be considered:

- Regarding point (b), i.e., working with regional initiatives, further explanation of how the collaboration with regional initiatives can best be achieved, (e.g., establish a working relationship with regions rather than a purely consultative relationship, adopt best approaches from regional initiatives to use as a basis for the global standards)
- Regarding point (f), connectivity and integration with financial reporting is a key success factor for the acceptance and application of sustainability standards. Therefore, the use of the concept of 'synergies' requires careful consideration as we believe that the objective should be to clearly set the scope of financial information and non-financial information and establish a coordinated model in order to minimise expectation gaps.

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?

We believe that the Foundation is well placed to use its relationships with stakeholders to facilitate the process of global sustainability standard setting and their adoption. In fact, we consider this to be a critical element to ensure that the sustainability standard setting will be successful. As explained in our responses to Question 1 and Question 3 above, we believe the Foundation's current relationships with various stakeholders (e.g., governments, regulators and national standard-setters as well as preparers and investors) would be key to facilitate broader adoption and global consistency and reduce complexity in sustainability reporting. Also, the commitment from governments and regulators to accept and, as applicable, endorse the standards is important for their successful application worldwide.

Notwithstanding the above, given that the sustainability standards should be responsive to the stakeholders' information needs and expectations, it is essential, as a preliminary step to clearly define the target 'user groups' for whom the standards are intended. Users to be considered as intended 'user groups' include: shareholders, creditors, employees, suppliers and business partners, policy makers, regulatory bodies, and society at large (civil society organisations and citizens). Each of these groups expresses different interests and might affect the principles and structure of the standards. Therefore, it is important for the Foundation to establish a common understanding of what it aims to achieve through the standards, including communication with intended stakeholders. For example, the IASB is well connected with several organisations with which it conducts meetings to gather feedback, trade ideas and set priorities in order to develop implementation guidance. Similar mechanisms can be also adopted in sustainability reporting. The wider the acceptance of the standards by a broad group of stakeholders, the more effective they will be.

Question 5

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

As mentioned in Question 1, a multitude of non-financial reporting frameworks and standards currently exists. Some seem to prevail in current reporting practices, such as those of the Global Reporting Initiative (GRI), Task Force on Climate related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). There have also been efforts, like the WEF IBC to curate among a large set of metrics that is relevant to various stakeholders, that can contribute to the evolving discussion around the reporting of non-financial metrics. The European Union (EU) has also taken the initiative to set up a standard setter for non-financial reporting. Although none of these sets of standards and initiatives, taken in isolation, is sufficiently effective at an international level to fit the Foundation's definition and scope for broader reporting of sustainability information, they provide excellent input to the SSB's standards setting activities.

We believe that, in its oversight role of the SSB, the Foundation's priority should be to set an overall objective for those sustainability standards and establish a common understanding of that objective among stakeholders. Only after having done that, it should work on a global sustainability framework by drawing upon existing approaches, academic work and international initiatives. The existing initiatives should be assessed from a general perspective with regard to the quality of sustainability information such as faithful representation, relevance, understandability, comparability, verifiability and timeliness. Also, they should be assessed on the basis of substance i.e., number and quality of proposed indicators and a proper trade-off between costs and benefits.

Moreover, differences in types of entities and industry specifics represent a key challenge for developing broadly applicable sustainability standards or metrics. We believe that the only way to achieve greater comparability is to define a core set of metrics for transversal issues like CO2 emissions and sector-specific requirements and metrics for other issues like responsible products. To this end, the concept of 'sector' should be clearly defined to avoid the misinterpretation and inappropriate use of the standards. Furthermore, room should also be made for entity-specific material disclosures and related metrics in addition to regulatory requirements that build from an understanding of the entity's activities. This will allow a broad application of the standards while considering sector specificities.

The aforementioned views do not necessarily mean that global sustainability standards designed by the SSB should choose one of the existing initiatives in sustainability reporting as a starting point and make the necessary adjustments to it. Rather, as explained above, the SSB should clearly define its own objective and seek the agreement of stakeholders to those objectives. This would not only avoid developing disclosure requirements with little value, it would also provide the basis for drawing as much as possible from existing approaches to achieve that objective and safeguard the development of a coherent set of standards. We note that in financial reporting under IFRS, the concept of ‘framework’ and ‘materiality’ are well known and understood by entities and stakeholders. Therefore, this is something to be considered as a success factor of the global sustainability standards in terms of their acceptability by users. Furthermore, a breakdown of sustainability areas can be made in order to have separate standards for each area of sustainability (e.g., environmental aspects, employee aspects, etc.) that will need to be applied only if relevant and material.

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?

In certain jurisdictions (e.g., within the EU and South-Africa), reporting on non-financial information has become common practice, yet it is subject to different voluntary reporting schemes, requirements and metrics. Some countries have also passed legislation to make assurance on non-financial information mandatory. We acknowledge the rationale and good intent behind each of these initiatives and believe that these may meet the current demand on sustainability reporting. In the longer run, however, we believe that the coexistence of different sustainability requirements may lead to contradictory requirements. As a result, policy makers and investors are currently expressing concerns about the reliability, comparability and relevance of what is disclosed.

We agree that collaborating with jurisdictional initiatives is the best way to work towards a global solution for consistent sustainability reporting. This insight will be necessary for the SSB to develop global standards with the potential of local application. Moreover, as indicated in Question 4, collaboration with the jurisdictions is essential to ensure the commitment of local governments and regulators to accept and endorse the global sustainability standards. Using available mechanisms to communicate at jurisdiction level and obtain feedback, exchange ideas and set priorities or even share the work that needs to be done for global standard setting (e.g., by delegating some activities to national standard setters or co-development of standards with national or regional standard setters) would contribute in enhanced collaboration and expediency. However, it is important for both sides to commit to this collaboration now and in the future. That is, the SSB should continuously seek to cooperate with the jurisdictions and, in turn, the jurisdictions should seek to cooperate with 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?

We do not believe the remit of the SSB should initially be restricted to climate-related financial disclosures. Rather, it should be clear from the outset that the goal of the SSB is to develop a global set of sustainability reporting standards. However, we generally believe that the prioritisation of projects within the sustainability area should align with the priorities of stakeholders including regulators and oversight authorities. As long as the focus is the same, the chances of the global sustainability standards becoming relevant and accepted increases accordingly.

We observe that in many jurisdictions, climate-related risks are currently the top priority of regulators and oversight authorities. Therefore, we agree that the SSB's initial focus could be the development of climate-related financial disclosures. However, we believe that, ultimately, the global sustainability reporting standards should cover a broader set of sustainability factors, such as economic, social, environmental and governance issues, including employee-related matters and human rights. The standards on climate-related financial disclosures should not be seen as a separate standard that is disconnected from other sustainability factors. Instead, they should be treated as part of a broader framework that needs to be developed in parallel to achieve a robust set of sustainability standards. Given that the focus may differ over jurisdictions and time, commitment from local regulators and standard setters to recognise the Foundation's work can only be achieved if the SSB, commits to a broader perspective of sustainability than just climate-risk. Also, as indicated in our response to Questions 1 and 2, an appropriately expeditious standard setting process is a requirement for success and prioritising climate-risk should not preclude working in parallel on other aspects of sustainability.

As mentioned above, we believe that sustainability reporting over time needs to reflect different dimensions and not be confined to climate-risk or environmental dimensions only. A flexible approach will be key to ensure that any classification of sustainability factors is adjusted in time to reflect the evolution of sustainability factors and long-term value drivers.

Question 8 Should an SSB have a focused definition of climate-related risks or consider broader environmental factors?

As explained in our response to Question 7, since the ultimate target of global sustainability reporting standards should be to cover sustainability in a broader sense, including economic, social, environmental and governance issues and beyond, we believe that starting with the broader environmental factors would be closer to that ultimate perspective than a narrow definition of climate-related risk would be.

Question 9

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

The concept of materiality is broadly understood by entities as it is widely used for financial reporting purposes. However, 'materiality' as used in the CP refers to a different dimension, i.e., the scope of sustainability reporting. We believe that since the existence of diverse interpretations may create confusion for stakeholders, it may be more helpful to use the terms 'capital markets approach' and 'multi-stakeholder approach' instead of 'single' and 'double' materiality.

We understand the Trustees' concern that starting with the multi-stakeholder approach may substantially increase the complexity of the sustainability standard setting process and could potentially impact or delay the adoption of those standards. Also, the capital markets approach is more closely aligned with the Objectives of the Foundation as stated in paragraph 2 of its Constitution. Therefore, we understand the natural inclination of the Foundation to focus its efforts on the sustainability information that is most relevant to investors and other market participants i.e., capital markets approach. This, however, should not mean the input should only come from investors, rather the acceptance and commitment of the global standards requires input from a broad range of constituents, just as the IASB is asking for input from a broad range of stakeholders. However, we acknowledge that the responsibility for sustainability is broad and that the capital markets approach cannot provide the entire picture of sustainability reporting. Moreover, the distinction between the capital market approach and the multi-stakeholder approach will blur over time as the links between externalities and direct or indirect effects on the future cash flows of the entity become clearer. This is because other stakeholders' views can actually impact an entity's long-term value. There is an ongoing shift from the view that the primary purpose of entities is to enhance and protect value for investors and other market participants to the view that corporations are better able to deliver long-term value to capital markets when they understand and address the needs of their customers, employees, investors, regulators and other key stakeholders. As societal and financial values further converge, investors realise that the effect of the entity on the environment may not have direct cash flow consequences today, but may lead to regulations, actions and behaviours that will affect the entity's long-term value and viability. Therefore, making a distinction between what is relevant only to investors and what is relevant only to the other decision makers is going to be increasingly difficult. Should the Foundation choose to start with the capital markets approach, as referred to in the CP, we would recommend the Foundation to reconsider that choice once further experience has been gained with setting sustainability standards.

To illustrate the above, we note that the growing alignment of the capital markets and multi-stakeholder approaches is particularly true for climate-related risks. Direct cash flow effects would include the financial impact of carbon emissions on entities that are derived from carbon emissions reporting as part of a carbon emission pricing system. As such, clarifying how to report on carbon emissions (absolute or intensity, scope 1, 2 or 3) is paramount. Another example is the use in some jurisdictions of a sustainability taxonomy based upon metrics, as that directly drives investor behaviour. There are also indirect effects on future cash flows through loss of reputation, changes in customer behaviour, supply chain disruption, etc. The capital markets and multi-stakeholder approaches are also aligned, at least on carbon emissions, where governments have committed to carbon neutrality, thereby internalising the externalities of carbon emissions.

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?

Sustainability reporting is increasingly relevant for the investment decisions of investors, credit decisions of lenders and other key decisions made by other stakeholders (e.g., employees, regulators, members of the communities in which the business operate and business counterparts). Therefore, we believe that the global sustainability standards should be promulgated following the same or similar quality standards as those that apply to financial reporting overseen by the Foundation, taking into consideration the differences in nature and complexity of the information. Given the reliance on the accuracy of such information, it also follows that the resulting sustainability information should be subject to the same assurance, such as audit and/or review requirements for financial information. Assurance on sustainability reporting should be subject to standards akin to those that apply to assurance on financial reporting, in terms of competency, high ethical standards (including independence), quality and external supervision.

We support a common assurance standard for sustainability reporting that should be implemented globally in a consistent manner. Currently, the International Standard on Assurance Engagements (ISAE) 3000 is the international assurance standard that is applied most commonly, and it requires as a pre-condition that the framework has criteria that are ‘suitable’. The International Auditing and Assurance Standards Board (IAASB) is seeking to develop guidance for assurance engagements with respect to Extended Forms of External Reporting (currently under consultation) with the primary purpose of assisting assurance practitioners in determining how to apply ISAE 3000 to these evolving frameworks (or entity-developed frameworks). The aim of the SSB should be to develop global sustainability standards that can be evaluated by ISAE 3000 and Extended External Reporting (EER) to ensure that they result in relevant, complete, reliable, neutral and understandable information.

To avoid confusion for users, comparability between the level of assurance for sustainability engagements and the level of assurance to be applied in the audit of the financial statements is critical. In recognition of the fact that reasonable assurance on sustainability reporting, at least in the short term, may be challenging due to the relative lack of maturity and lack of suitable skills, limited assurance might be a temporary approach, provided that a minimum level of work effort (including substantive testing) is performed which should then turn into a reasonable assurance in the mid to long term.

Question 11 Stakeholders are welcome to raise any other comment or relevant matters for our consideration.

We recommend that the sustainability disclosures are integrated into the management report to ensure that they require the same level of responsibility from management, governing bodies and statutory auditors and the same deadlines.

The expected advantages of integrating the sustainability disclosures into the management report are many. The preparation of one report, for which management is responsible and which is subject to similar assurance procedures for both financial information and sustainability provides a single source of information for shareholders, the investment community and other stakeholders. Furthermore, the publication of sustainability information together with financial information helps to avoid the perception – as reported in some cases – that sustainability is less important and does not necessarily affect the performance of the entity.

Although it is not the preferred option, if sustainability information were to be published in a separate report, it should be subject to the same responsibilities and deadlines that are applicable when sustainability disclosures are integrated into the management report.