



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
Organización Internacional de Comisiones de Valores  
المنظمة الدولية لهيئات الأوراق المالية

23 December 2020

**Ref:** 2020/O/STF/IFRS F./ET/142

## **IOSCO response to the IFRS Foundation Consultation on Sustainability Reporting**

IOSCO<sup>1</sup> welcomes the Consultation Paper on Sustainability Reporting published by the Trustees of the IFRS Foundation on 30 September. IOSCO welcomes the Trustees' exploring the role that the IFRS Foundation can play in sustainability reporting.

The consultation offers an important opportunity for stakeholders to offer views on how the IFRS Foundation can best contribute in this area, including on the proposal to establish a new Sustainability Standards Board (SSB).

IOSCO supports the IFRS Foundation Trustees' engagement in sustainability reporting, including its consideration of the creation of an SSB. IOSCO has long supported the IFRS Foundation in order to meet our shared objectives of promoting and facilitating transparency within the capital markets. Subject to meeting the 'requirements for success' set out in the consultation paper and other observations set out below, IOSCO considers that the creation of an SSB could help to meet these shared objectives. IOSCO commits to continuing to work with the IFRS Foundation as it considers how best to proceed post-consultation, to meet the needs of global capital markets and serve the public interest.

### **Background to IOSCO's work on sustainability disclosures**

Securities regulators and other capital market authorities are responsible for the oversight of capital markets. These authorities often have responsibilities for regulating the form and content of financial reporting for those markets and for the application and enforcement of accounting standards, auditing standards, and disclosure regulations.

The organization's membership regulates more than 95% of the world's securities markets. Its objectives include investor protection, maintaining fair, efficient and transparent markets, and

---

<sup>1</sup> The IOSCO Sustainable Finance Task Force (STF) has drafted this letter on behalf of IOSCO in response to the IFRS Foundation's Consultation Paper on Sustainability Reporting. IOSCO's Policy Committee on Issuer Accounting, Audit and Disclosures (Committee 1) also provided input to the STF.



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
Organización Internacional de Comisiones de Valores  
المنظمة الدولية لهيئات الأوراق المالية

seeking to address systemic risks. The principles of full, timely, and fair disclosure of current and reliable information material to investment decisions underpin these objectives.

A key theme in IOSCO's report, *[Sustainable Finance and the Role of Securities Regulators and IOSCO](#)*, published in April 2020, was the need to improve the comparability of issuers' sustainability-related disclosures. The report highlighted potential issues arising from multiple and diverse sustainability frameworks and standards.

The report noted that “the voluntary and high-level nature of many of the frameworks and the lack of binding obligations, may impair the objectives of the initiatives to provide relevant and material information to investors and other stakeholders.”

Further to this report, IOSCO's Sustainable Finance Taskforce (STF) launched a dedicated workstream with a view to improving securities issuers' sustainability-related disclosures. This work has been underway since June. The group is working to identify material and decision-useful categories of disclosures for investors and other market participants. It is also considering how IOSCO can influence the direction of ongoing industry initiatives in this area, building on existing frameworks and standards.

As part of this work, IOSCO has opened a constructive dialogue with the IFRS Foundation. IOSCO looks forward to continuing this dialogue, with a particular focus on exploring the option of establishing a new SSB to sit alongside the International Accounting Standards Board (IASB).

### **How the IFRS Foundation's proposals can help**

IOSCO supports the establishment of an SSB under the IFRS Foundation subject to Trustees' consideration of how the 'requirements for success' set out in the consultation paper are met. Establishing a global system architecture for sustainability reporting under the IFRS Foundation could help to promote consistency and comparability across borders and reduce the risk of fragmentation.

Robust sustainability reporting standards, interconnected with financial reporting standards, would also support audit and assurance – enhancing the market's trust in sustainability disclosures, and laying the foundations for mandatory corporate reporting on sustainability internationally.

Calle Oquendo 12  
28006 Madrid  
ESPAÑA  
Tel.: + 34 91 417.55.49 Fax: + 34 91 555.93.68  
[mail@iosco.org](mailto:mail@iosco.org) - [www.iosco.org](http://www.iosco.org)



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
Organización Internacional de Comisiones de Valores  
المنظمة الدولية لهيئات الأوراق المالية

As the Trustees consider the feedback to their Consultation Paper, IOSCO offers the following observations that will be essential to be addressed.

As observed in IOSCO's April 2020 report, the success of IFRS (and International Standards on Auditing - ISAs) is based on certain key governance characteristics including: (i) public accountability and the independence of its respective standard setting bodies; (ii) rigorous, transparent and participatory due process; (iii) a clear mission statement and a defined targeted audience; (iv) assurance standards applying to the information published; and (v) a robust process for selecting topics for new standard setting that focus on specific accounting issues where enhanced comparability would be meaningful.

Should the Trustees proceed with the proposal to introduce an SSB, it will be critical that the IFRS Foundation maintains these features in its governance arrangements. This is one of the 'requirements for success' that the Trustees set out in the consultation paper. IOSCO agrees that the IFRS Foundation Trustees should be satisfied that these requirements are met as a prerequisite to the IFRS Foundation's establishing an SSB.

IOSCO also notes the importance of securing the right expertise for developing sustainability reporting standards – including at the Trustee and Board levels – acknowledging that this expertise is distinct from traditional financial reporting expertise. It would also be essential to secure appropriate funding and resourcing, with appropriate processes to safeguard the current and future funding of the IASB. The Board should also be of sufficient size, with appropriate diversity in members' backgrounds. The Board should also aim to maintain geographic representation, which has been a strength of the IFRS Foundation and is outlined in the IFRS Foundation Constitution.

Furthermore, the IFRS Foundation should retain the main features of its due process, based on extensive outreach and engagement with key stakeholders. This may need to be extended to include wider users of non-financial information. Meeting these requirements will help to ensure that the IFRS Foundation can take on a role in setting sustainability reporting standards without compromising its existing mission and the high-quality standard-setting process in the IASB.

The Trustees should ensure that their efforts build from existing content. It will therefore be important that the Trustees explore interactions with other public and private sustainability initiatives underway internationally, including efforts to consider how existing principles, frameworks and standards can be combined to form the basis for a comprehensive corporate reporting system.

Calle Oquendo 12  
28006 Madrid  
ESPAÑA  
Tel.: + 34 91 417.55.49 Fax: + 34 91 555.93.68  
[mail@iosco.org](mailto:mail@iosco.org) - [www.iosco.org](http://www.iosco.org)



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
Organización Internacional de Comisiones de Valores  
المنظمة الدولية لهيئات الأوراق المالية

One such initiative involves an alliance of five sustainability reporting organisations (“the alliance”).<sup>2</sup> IOSCO notes that the alliance recently published a [‘prototype’ climate-related financial disclosure standard](#). The prototype demonstrates how existing frameworks and standards could be used together with the TCFD’s recommendations to provide a running start for the development of global standards for sustainability-related financial disclosure.

### **IOSCO’s role**

IOSCO will continue to explore these issues further with the IFRS Foundation Trustees. If the IFRS Foundation decides to move ahead following the feedback to the consultation paper, IOSCO stands ready to help design the governance and address the issues raised above.

IOSCO is in a unique position to assist the IFRS Foundation in shaping its future role in corporate reporting on sustainability, given its long history of collaboration with the IFRS Foundation. In 2000, IOSCO issued a [Resolution](#) that set the foundation for the adoption of IFRS across member jurisdictions. Today, 144 jurisdictions use IFRS. And, in 2009, IOSCO worked with the IFRS Trustees to establish a Monitoring Board of public authorities. The Monitoring Board, currently chaired by Jean-Paul Servais as the Vice-chair of the IOSCO Board, oversees the IFRS Trustees to ensure that they discharge their duties in accordance with the IFRS Constitution.

As described above, we encourage the IFRS Foundation to continue to engage inclusively with global stakeholders as it considers further its proposals, including relevant public authorities and other sustainability reporting organizations.

In this context, the alliance issued an [open letter](#) to the chair of the IOSCO STF. In their [letter](#), the alliance encouraged IOSCO to engage with their work and help facilitate and coordinate the live initiatives in this area. In [reply](#), the STF Chair reiterated IOSCO’s commitment to continuing to work closely with both the IFRS Foundation and the alliance of standard setters.

IOSCO sees an urgent need to improve the completeness, consistency and comparability of sustainability reporting. Together, the IFRS Foundation’s consultation and the collaborative

---

<sup>2</sup> Facilitated by the Impact Management Project, the World Economic Forum and Deloitte, the alliance comprises CDP, the Climate Disclosure Standards Board, The Global Reporting Initiative, the International Integrated Reporting Council and the Sustainability Accounting Standards Board.



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organizaç o Internacional das Comiss es de Valores  
Organizaci n Internacional de Comisiones de Valores  
المنظمة الدولية لهيئات الأوراق المالية

initiative of the alliance of sustainability reporting organizations can further efforts to facilitate comparable high-quality international standards that provide the *content* that capital markets need, within a *transparent* standard-setting architecture with a robust and inclusive *governance* structure.

To meet investors' needs, these standards should be high quality, principles-based, harmonized globally to the extent feasible and sufficiently flexible to accommodate different types of companies and industry sectors.

IOSCO can also play an important role in ensuring that any future standard-setting architecture under the IFRS Foundation has the flexibility to interact effectively with any jurisdiction-specific standards that may be developed, and distinct materiality concepts that may be applied, to address particular sustainability-related public policy objectives.

This would be consistent with the 'building blocks' approach that the alliance set out in their ['Statement of Intent'](#).

IOSCO supports these initiatives and is committed to helping them progress rapidly to deliver a comprehensive global corporate reporting system that meets the needs of capital markets and serves the public interest, with the attributes that have been discussed in this letter.

Yours sincerely,

Erik Thed en  
Chair  
Sustainable Finance Task Force  
International Organization of Securities Commissions

Calle Oquendo 12  
28006 Madrid  
ESPA A  
Tel.: + 34 91 417.55.49 Fax: + 34 91 555.93.68  
[mail@iosco.org](mailto:mail@iosco.org) - [www.iosco.org](http://www.iosco.org)