

Mr Erkki Liikanen
IFRS Foundation
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December 2020

Dear Mr. Liikanen and the Trustees of the IFRS Foundation,

Response to the IFRS Foundation Consultation Paper on Sustainability Reporting

Thank you for the opportunity to respond to this most timely and important paper.

Currently, I serve as Chair of the International Integrated Reporting Council Governance and Nominations Committee, a member of the Public Interest Oversight Board, Chair of the Steering Committee of the Non-Financial Digitisation Working Group facilitated by the Impact Management Project (IMP), Chair of the Abu Dhabi Global Market Regulatory Committee, as a Non-Executive Director of Singapore Exchange Limited, amongst other global committees and projects. I am a former Chair of the Executive Committee of IOSCO. I have read the IIRC submission and agree fully with it. This submission is made in my personal capacity.

I am joined in this submission by Liv Watson, a founder of XBRL and Chair of IMP's Non-Financial Digitisation Working Group also in her personal capacity. Ms. Watson has served in several leadership positions related to the XBRL standard around the world, including as a member of the IFRS XBRL Advisory Committee and the XBRL International Steering Committee. Liv is also an IMA® (Institute of Management Accountants) Global Board member. For the past 10 years, Liv has also served as the Senior Director of Strategic Customer Initiatives at Workiva Inc., serving over 70% of fortune 500 companies with their statutory reporting requirements.

This submission addresses Question 11: *Stakeholders are welcome to raise any other comment or relevant matters for our consideration.*

Traditional business models are being challenged by two concurrent forces, climate change, and the fourth industrial revolution. The data revolution has transformed how business is done, the relationship with the consumers, employees, shareholders, communities, and other stakeholders. Technology and business are now fully intertwined.

Governments, citizens, consumers, employees, service providers, suppliers, regulators, standard setters, preparers, corporates, investors, all increasingly expect financial and non-financial information to be available, accessible, discoverable, digitised, comparable,

assurable, trustworthy, and clear; to build trust, to enable accountability, to enable integrated thinking and reporting, and most importantly, to inform decision making.

The focus of this brief submission is technology and in particular a call for a new Sustainability Standards Board which is the subject of such positive acclaim by many submitters, to ensure that whatever standards are formulated and delivered are digitised and capable of both machines and human readability. The actual setting of these standards should be accompanied by a parallel workstream of digitisation to ensure that they are ready and suitable for 21st century adoption and use.

The digitisation strategy should ideally have as its endgame a process of developing and upgrading established taxonomies running in parallel with the standard-setting process. There needs to be strong coherent data governance around all business reporting frameworks and equally strong appropriate governance of both the standard-setting and digitisation processes. In the past, digitisation has followed long after the setting of standards and the taxonomies for the standards have often been developed without much regard for other existing taxonomies, or interoperability. The establishment of a Sustainability Standards Board provides a perfect opportunity to establish a global taxonomy that will interrelate with the current IFRS taxonomy for financial reporting and, through the work of a global taxonomy registry of taxonomies, could interrelate with a number of other taxonomies as well. Some work has started on this task.

The Impact Management Project (IMP), a forum for building global consensus on how to measure, manage and report impacts on sustainability, facilitates a structured network of 16 standard-setting organisations that, through their specific and complementary expertise, are coordinating efforts to provide complete standards for measurement, management, and reporting of impacts on sustainability. This effort is facilitated by the IMP, World Economic Forum, and Deloitte.

This work has recognised the need to focus on the 4th Industrial revolution and in particular the digitisation of standards. Currently, the standards of the various Network Members are found in a number of taxonomies that are not connected or interoperable.

The IMP is also convening several standard-setting organisations and experts in digitisation to assess the important relationship between non-financial frameworks, standards, and structured information, which could be enabled through a global registry of digital taxonomies. This is requiring significant collaborative engagement to examine how globally consistent, harmonious principles and rules for data processing and information exchange could be developed, enabling harmonious, machine-readable data standards, aligned benchmarks, and the sharing of best practices. Taxonomies can only reach their full potential if they are trusted and authoritative digital versions of the standards and frameworks they represent.

A global registry of taxonomies could support this by providing:

- A place for standard-setters to list their taxonomies, making them searchable and easily accessible;

- A trusted place for users of taxonomies (e.g. software vendors, data aggregators, regulators) to find taxonomies for different standards;
- Consistency in how the data definitions that make up a taxonomy are applied, which would enable comparability between standards and the ability to translate between them;
- The technical infrastructure to facilitate maintenance of and improvements to taxonomies as standards develop.

The development of digital sustainability standards and an interoperable network of taxonomies will finally enable the comparability, interoperability, and reconciliation which is demanded by so many stakeholders in the global reporting ecosystem.

The consideration of the digitisation of standards from the start of the standard-setting process will ensure they are ready for use in modern reporting frameworks. It will obviate the translation errors and confusion caused by inconsistent data definitions and governance of taxonomies and data processes. It will also enable easier assurance and thereby engender trust in their use, as increasingly the audit profession uses artificial intelligence and other digital tools to facilitate audit and assurance.

While not within the remit of the IFRS Foundation, the digitisation of audit and ethics standards should also be considered by the standard setters of these important elements of the global data ecosystem, IAASB and IESBA. This combined data ecosystem is a combination of relevant data streams and the technologies used to integrate information feeding a particular process or set of functionalities, and digitisation would be a further step to facilitate assurance across the entire landscape of the data ecosystem.

With the advent of substantially expanded computing and storage capabilities, progressively more complex algorithms, and access to formerly unthinkable exogenous big data, the data ecosystem is facilitating increasingly automated and uninterrupted business measurement and assurance processes that reflect the rhythm and nature of current business events and data sources.

As the world emerges from the global pandemic we are seeing an acceleration of the use of digitisation in every aspect of life. The implementation of the United Nations Sustainable Development Goals provides a post-pandemic pathway to a more equal, socially, and environmentally responsible, global economic recovery. The establishment of global digitised sustainability standards will also enable measurement and comprehension of the intersection of work by business and others in the implementation of these important goals.

The IFRS Foundation is the most respected global reporting standard-setter in the world. It is recognised as such by the global securities market regulator IOSCO, and through this consultation, it holds the keys to the establishment of vitally necessary pieces of global reporting architecture.

Let us make sure that when this exciting new standard-setter is established it will be digitally ready for immediate use in the 21st century and beyond!

Jane Diplock AO

A handwritten signature in blue ink that reads "Jane Diplock". The signature is written in a cursive style with a large initial 'J' and a long, sweeping underline.

Liv Watson

A handwritten signature in blue ink that reads "Liv Watson". The signature is written in a cursive style with a large initial 'L' and a long, sweeping underline.