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Open Letter to Erkki Liikanen, Chair of the Trustees of the IFRS Foundation, in response to the Consultation Paper on Sustainability Reporting

Environmental and social sustainability – expressed for example in the Sustainable Development Goals (SDGs) - is essential for a healthy, functioning society, and therefore also for the long-term success of the corporate sector and its investors.

Yet the current environmental and social impact of the corporate sector is dangerously unsustainable. Climate change is an existential threat to the global economy, as is the depletion of natural resources such as fresh water, forests and biodiversity. The social impact of inequality, in its many forms, is a related and similarly urgent challenge to economic prosperity.

The economic argument for sustainable development is overwhelming. The costs from failing to develop sustainably far exceed those from making the transition. It follows that environmental and social impact are increasingly matters that impact business resilience and long-term financial performance and, as such, fall within the fiduciary duties of company directors and institutional investors alike.

The transition to a sustainable economy changes the information needs of investors in capital markets. When sustainable business operations are strategically central to a corporation's long-term licence to operate, sustainability information is no longer a 'nice to have'. Moreover, such information must be connected with financial reporting, because the evaluation of prospective sustainability performance is inseparable from that of prospective financial return and risk.

International financial reporting standards (IFRS) provide global investors with mandatory, rigorous and comparable financial accounting information. There is no equivalent provision of sustainability information, which remains voluntary, of mixed quality and lacking in comparability. There is therefore an urgent information gap in global capital markets.

Filling that gap requires a standard setter that can deliver the following.

- Global standards. Meeting the information needs of global investors requires a standard setter to have established relationships with governments, regulators and other capital market authorities across different countries, enabling its standards to become mandatory.

- Legitimacy and recognised authority. A standard setter must have credibility and accountability, which requires robust governance and oversight, including due process that responds effectively to stakeholders' interests.
- Expertise in standard-setting. A standard setter must have the specialist skill required to draft reporting standards that generate relevant and reliable information, including measurement criteria and disclosure requirements.
- Connection between sustainability reporting and IFRS financial reporting. A conceptually coherent approach is required to connect sustainability and financial reporting standards, including maintaining an approach to materiality that provides investors with information relevant to capital allocation decisions.
- Urgent response. The climate emergency, in particular, calls for a standard setter to be 'up and running' quickly.

The IFRS Foundation is the only body in the world that meets all these criteria.

We strongly welcome the IFRS Foundation's initiative in consulting on the issues above, and we urge an expansion of its remit to create a Sustainability Standards Board. This would be the most effective way to provide global sustainability reporting standards, so filling a critical information gap in the capital markets. We likewise urge IOSCO and the IFRS Monitoring Board to give their full support to the Trustees of the IFRS Foundation in making the Sustainability Standards Board a reality.

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Vivienne Cox

Vice-Chair of the Board

Robert Eccles

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Chair of the Board

Peter Tufano

Peter Moores Dean and Professor of Finance

Appendix – Academic Endorsements

The views expressed in this letter are endorsed by the following academics. These endorsements are in personal capacities; they do not represent official positions of the listed universities, or other institutions.

1. Yichen Shi, Professor and Vice Dean, International Institute of Green Finance (IIGF), Central University of Finance and Economics (CUFE), Beijing
2. Jae Yong Shin, Professor, Seoul National University
3. Woo-Jong Lee, Professor, Seoul National University
4. Minghua Gao, Professor and Director of Research Center for Corporate Governance and Enterprise Development, Beijing Normal University
5. Nelson Carvalho, Senior Professor, Department of Accounting and Actuarial Sciences, University of São Paulo
6. Eduardo Flores, Assistant Professor of International Accounting and Finance Topics related to ESG, Department of Accounting and Actuarial Sciences, University of São Paulo
7. Rodolphe Durand, Joly Family Professor of Purposeful Leadership, Strategy Department, Founder and Academic Director, Society and Organizations (S&O) Institute, HEC Paris
8. Soohun Kim, Assistant Professor, School of Management Engineering, KAIST, Seoul
9. Julian Kölbel, Postdoctoral Researcher, University of Zurich
10. Roberto Rigobon, Society of Sloan Fellows Professor of Management, Professor, Applied Economics. Massachusetts Institute of Technology Sloan School of Management
11. Lin Lerpold, Associate Professor at the Stock School of Economics and Vice Chair Board of Directors
12. Ioannis Ioannou, Associate Professor of Strategy and Entrepreneurship, London Business School
13. Florian Berg, Researcher, Massachusetts Institute of Technology, Sloan School of Management
14. Jason Jay, Senior Lecturer, Massachusetts Institute of Technology, Sloan School of Management
15. Jon Lukomnik, Senior Fellow, High Meadows Institute and former Pembroke Visiting Professor of International Finance, Judge Business School, University of Cambridge
16. Joachim Schwalbach, Professor em. of International Management, Humboldt-Universität zu Berlin
17. John Sterman, Jay W. Forrester Professor of Management, Director, MIT System Dynamics Group, Director, MIT Sloan Sustainability Initiative, MIT Sloan School of Management
18. Beatrice Crona, PhD, Executive Director, Academy Program on Global Economic Dynamics and the Biosphere, The Royal Swedish Academy of Sciences
19. Falko Paetzold, Assistant Professor in Social Finance, EBS University; Managing Director, Center for Sustainable Finance and Private Wealth (CSP), University of Zurich

20. Witold Henisz, Deloitte & Touche Professor of Management, The Wharton School, University of Pennsylvania
21. Markus Leippold, Professor of Financial Engineering, Department of Banking and Finance University of Zurich
22. Timo Busch, Professor, Faculty of Business, Economics and Social Sciences, University of Hamburg
23. Cristiano Busco, Professor of Accounting and Reporting, Luiss Business School, Rome / Roehampton Business School, London
24. Rob Bauer, Professor of Finance, Elverding Chair: "Sustainable Business, Culture and Corporate Regulation," Chair Institutional Investors, School of Business and Economics, Maastricht University
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32. Caroline Flammer, Associate Professor and Dean's Research Scholar, Questrom School of Business Boston University
33. Tensie Whelan, Professor and Director of Stern Center for Sustainable Business, NYU
34. Costanza Consolandi, Associate Professor of Corporate Finance, University of Siena
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37. Sarah Kaplan, Distinguished Professor and Director, Institute for Gender and the Economy (GATE), Rotman School of Management, University of Toronto
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43. Jun Qian, Professor of Finance and Executive Dean, Fanhai International School of Finance, Fudan University
44. Belinda Bell, Programme Director, Cambridge Social Ventures, Cambridge Centre for Social Innovation, Cambridge Judge Business School, University of Cambridge
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61. Soichi Tsumuraya, Associate Professor, Graduate School of Business, Hitotsubashi University
62. Ryohei Yanagi, Visiting Professor, Waseda University Graduate School of Accountancy
63. John P Weyant, Professor of Management Science and Engineering and Director of the Energy Modeling Forum (EMF) at Stanford University
64. Ashby Monk, Executive and Research Director, Stanford Global Projects Center (GPC), Stanford University
65. Andrew Peterman, Adjunct Professor of Civil and Environmental Engineering and Executive Director, Center for Integrated Facility Engineering (CIFE), Stanford University
66. Alicia Seiger, Lecturer, Stanford Law School, and Managing Director of the Sustainable Finance Initiative, Precourt Institute for Energy, Stanford University

67. Dane Rook, Research Engineer, School of Engineering, Stanford University
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