



23 December 2020

IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD

Email: commentletters@ifrs.org

To the IFRS Foundation Trustees

Submission on IFRS Foundation consultation paper on sustainability reporting

The Institute of Directors in New Zealand (IoD) appreciates the opportunity to comment on the International Financial Reporting Standards Foundation's (the IFRS Foundation) [consultation paper](#) on sustainability reporting.

Sustainability reporting is becoming increasingly important as organisations respond to growing expectations from consumers, investors and other stakeholders. The number of frameworks and forms of reporting has created a complex reporting environment and we welcome the IFRS Foundation's consultation about the need for a global set of internationally recognised sustainability reporting standards.

About the Institute of Directors

The IoD is New Zealand's pre-eminent organisation for directors and is at the heart of the governance community. We believe in the power of governance to create a strong, fair and sustainable future powered by best practice governance. Our role is to drive excellence and high standards in governance. We support and equip our members who lead a range of organisations from listed companies, large private organisations, state and public sector entities, small and medium enterprises, not-for-profit organisations and charities.

Our Chartered Membership pathway provides standards for director professionalism in New Zealand, including through continuing professional development requirements.

In our 2020 *Director Sentiment Survey* 67 per cent of directors agreed that environmental and social issues are very important to their business. While 13 per cent of directors said they included disclosures on climate-related risks and/or the impact of climate change on their organisations in their latest annual reports, this was higher (at 42%) for directors of publicly-listed companies.

Overview of the IFRS Foundation's consultation paper

The IFRS Foundation was established to develop a single set of globally accepted accounting standards (IFRS Standards) and to promote and facilitate adoption of the standards. As part of its five-year review of its strategy the trustees of the IFRS Foundation have published a consultation paper,

which poses a number of high level questions about sustainability reporting including:

- is there a need for a global set of internationally recognised sustainability reporting standards?
- if yes, should the IFRS Foundation play a role?
- is a new Sustainability Standards Board, within the IFRS Foundation, an appropriate approach?
- what are the views on requirements for success?

Three high-level options are put forward for how the IFRS Foundation could approach sustainability reporting:

- maintain the status quo
- facilitate existing initiatives
- create a Sustainability Standards Board (governed by the IFRS Foundation) and become a standard-setter working with existing initiatives and building upon their work. This option is considered the best of those discussed to assist in reducing complexity and achieving comparability in sustainability reporting.

IoD comments

The value of extended external reporting (beyond usual types of financial information) is now widely recognised and expected. There is also a growing shift from voluntary to mandatory requirements.

In September 2020, the New Zealand Government announced that climate-related financial disclosures will be mandatory (on a 'comply or explain' basis) for publicly-listed companies and large insurers, banks and investment managers. This new reporting regime will be based against standards issued by New Zealand's External Reporting Board (XRB) developed in line with the global Task Force on Climate-related Financial Disclosures (TCFD) framework.

Due to the evolution of a number of forms and frameworks for sustainability reporting the system is complex, however there are recent developments aimed at addressing this.

- Integrated Reporting
- The Global Reporting Initiative (GRI)
- CDP a global disclosure system on environmental impacts
- Climate Disclosure Standards Board (CDSB)
- Sustainability Accounting Standards Board (SASB)
- The Task Force on Climate-related Financial Disclosures (TCFD) framework
- The World Economic Forum's report *Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation (2020)*
- Other sustainability reporting eg on the UN Sustainable Development Goals (SDGs).

In September 2020, five global organisations; the CDP (a global disclosure system on environmental impacts), the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB), issued a *Statement of Intent to Work Together Towards Comprehensive Corporate Reporting* (the Joint Statement), aiming to achieve global comparability and reduce complexity. Further to this in November the IIRC and the SASB announced they would merge and form the Value Reporting Foundation.

It is critical that this complexity is reduced and greater global cohesion consistency and comparability in reporting is achieved. An absence of commonly accepted standards and the inability to compare

information has proved challenging for many organisations wanting to develop their sustainability reporting and for stakeholders wanting better disclosure of climate risks and sustainability initiatives.

We agree there needs to be a global authoritative organisation setting sustainability reporting standards. The IFRS Foundation is well placed to take on this role given its role in global financial reporting. It is however critical that it works with other existing organisations to harness their expertise, to avoid re-inventing another wheel or adding more complexity or duplication to an already crowded sustainability reporting environment.

Careful consideration will need to be given to the existing work done by other standard-setting bodies and regional initiatives, and any mandatory regimes already in place, to ensure the development of a globally accepted set of standards and to minimise the number of competing frameworks and the risk of increasing fragmentation globally.

Conclusion

We welcome the IFRS Foundation's initiative to achieve further global consistency and reduce complexity in sustainability reporting. The IFRS Foundation is well placed to be a lead authority in this area. It will be important to work with existing frameworks and other initiatives to develop a global set of standards that will provide clarity, coherence, comparability and reduce competition between frameworks.

We appreciate the opportunity to comment on the consultation paper on behalf of our members.

Yours sincerely,



Felicity Caird

General Manager, Governance Leadership Centre and Membership