

July 22, 2021

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

Dear Mr. Liikanen & the IFRS Foundation Trustees,

IFAC (International Federation of Accountants) is pleased to respond to the IFRS Foundation's **Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards** (the "Exposure Draft" or "ED"). As the global voice of the accountancy profession, IFAC represents over 180 Professional Accounting Organizations (PAOs) in 135 jurisdictions, thereby representing over three million professional accountants worldwide.

As we noted in our [comment letter](#) to the IFRS Foundation Consultation in 2020, IFAC has conducted extensive engagement with its membership and other stakeholders regarding i) the need for a global approach to sustainability-related reporting that serves the public interest and ii) the leading role that the IFRS Foundation should play in establishing such a global system.

IFAC reiterates that, with its independence, good governance, and track record of due process, **the IFRS Foundation is uniquely positioned to establish an independent International Sustainability Standards Board (ISSB) alongside the IASB and under the existing governance of the IFRS Foundation, incorporating appropriate and targeted amendments proposed in this Exposure Draft that are designed to pattern the ISSB after the IASB.** Further, the IFRS Foundation is also uniquely positioned to promote sustainability-related reporting that will garner support from necessary stakeholders such as the governments of the G7 and G20 governments, the Financial Stability Board, and IOSCO, among others.<sup>1</sup>

IFAC strongly supports, on behalf of the global profession, the four-point strategy proposed for the new ISSB:

1. Investor focus on enterprise value – The ISSB will focus on information material to decisions of investors and other participants in the world's capital markets.<sup>2</sup>
2. Prioritizing climate – The ISSB will initially focus on climate-related reporting while also moving quickly towards the needs of investors regarding other ESG matters.

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<sup>1</sup> G7: [G7 Finance Ministers and Central Bank Governors Communiqué](#)

G20: [Third Finance Ministers and Central Bank Governors meeting Communiqué](#)

FSB: [FSB Roadmap for Addressing Climate-Related Financial Risks](#)

IOSCO: [IOSCO elaborates on its vision and expectations for the IFRS Foundation's work towards a global baseline of investor-focussed sustainability standards to improve the global consistency, comparability and reliability of sustainability reporting](#)

<sup>2</sup> IFAC believes that this focus is consistent with recommendations from [The Way Forward](#) roadmap calling for the establishment of a new ISSB. Specifically, the ISSB will determine reporting requirements for material non-financial [i.e., sustainability-related] information focused on **company performance, risk profile, economic decisions and enterprise value creation**. This focus is consistent with the work of the IASB and will attract board global support.

3. Build upon existing frameworks - The ISSB will build on well-established work of the TCFD, as well as work by the “alliance” of leading standard-setters in sustainability and integrated reporting focused on enterprise value.
4. Building Blocks Approach – The ISSB will issue standards that provide a globally consistent and comparable baseline of sustainability information, while working with standard-setters from key jurisdictions to provide flexibility for coordination on reporting requirements that capture wider sustainability impacts.

We agree with IOSCO that investors are not currently getting the information they need from sustainability disclosures and that these four strategic elements are key to the success of the ISSB initiative.

Finally, respecting stakeholder engagement and due process, the IFRS Foundation must continue to make as much progress as possible in the shortest amount of time, while remaining focused on high-quality outcomes. The speed with which jurisdiction-specific initiatives are developing requires a timely response by the ISSB—to demonstrate the value of its standard-setting work, the value of its collaboration with regional efforts, and to mitigate unnecessary regulatory fragmentation. Attention to detail is an important part of the culture of legitimate standard-setting—and rightfully so. However, the speed required necessitates flexibility and agility in organizational arrangements—all subjected to transparency, public scrutiny, further due process, and future IFRS Foundation strategic reviews. In our analysis, the proposed amendments appropriately incorporate this imperative, which underlies all other criteria for success.

Our responses to the specific questions of the ED are attached. IFAC stands ready to engage with the IFRS Foundation, as well as our member bodies and other stakeholders, and to serve in any future capacity that helps ensure the success of this important initiative.

Sincerely,



Kevin Dancey, CEO IFAC

## IFAC RESPONSE TO

*Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards*

<b>Name of Respondent</b>	Kevin Dancey
<b>Organization</b>	IFAC (International Federation of Accountants)
<b>Jurisdiction</b>	Global
<b>Contact</b>	Kevin Dancey, CEO
<b>Date</b>	July 22, 2021



No.	Question	Response
<b><i>Proposal 1—Expand the Foundation’s remit to create a new board that will set IFRS sustainability standards</i></b>		
1.	Do you agree that the amendments proportionately reflect the Trustees’ strategic direction, considering in particular:	<p><b>YES - The amendments proportionately reflect the Trustees’ strategic direction.</b></p> <p>IFAC strongly supports the existing governance structure of the IFRS Foundation to oversee a new ISSB. Areas where substantive changes are <b>not</b> proposed or required include:</p> <ul style="list-style-type: none"> <li>• <u>Monitoring Board</u>—with its current composition and expertise will be able to serve in its current capacity as the part of the IRFS Foundation governance structure, which would include both the IASB and a new ISSB.</li> <li>• <u>IFRS Trustees</u>—the composition and expertise of which does not need to be amended at this time, acknowledging that Trustee membership and expertise may be adjusted as necessary in coming years and that its current well-balanced geographic diversity continues.</li> <li>• <u>Multi-Stakeholder Expert Consultative Committee</u>—fits within the IFRS Foundation’s current structure (not requiring reference in the IFRS Constitution) and will serve to inform the standard-setting process of a new ISSB.</li> <li>• <u>IFRS Advisory Council</u>—does not require any substantive amendments and will continue to provide strategic advice to the IFRS Trustees, the IASB, and the new ISSB—acknowledging the Council’s expertise may be adjusted as necessary in coming years.</li> <li>• <u>IFRS Interpretations Committee</u>—should continue its current operations, with the need for a sustainability-specific interpretations committee to be evaluated after the standards of the new ISSB have been in use for a period of time.</li> <li>• <u>Due process</u>—should be evaluated by the Trustees’ Due Process Oversight Committee and the working group on technical readiness to consider further the new board’s due process requirements.</li> </ul>

	<p>(a) the proposed amendments to the objectives of the Foundation, outlined in the proposed new section 2b of the Constitution, as set out in Appendix A; and</p> <p>(b) the proposed amendments to reflect the structure and function of the new board, outlined in the proposed new sections 43–56 of the Constitution, as set out in Appendix A?</p>	<p>(a) <b>YES, IFAC supports proposed amendments in section 2b of the Constitution and Appendix A; including expanding the objectives of the IFRS Foundation to encompass the development of a single set of high-quality sustainability standards that provide decision-useful information to help investors and other participants in the world’s capital markets and that connect with multi-stakeholder sustainability reporting.</b></p> <p>(b) <b>YES, IFAC supports amendments to reflect the structure and function of the new board, outlined in the proposed new sections 43-56 of the Constitution, as set out in Appendix A, including:</b></p> <ul style="list-style-type: none"> <li>• <u>Setting qualifications</u> - of ISSB members that mirror those for the selection of IASB members—the main qualifications being professional competence and relevant professional expertise with a diverse range of expertise and roles relevant to sustainability such that, as a group, members can contribute to the development of high-quality, global sustainability standards, while acting in the public interest.</li> <li>• <u>Appointing a Chair and Vice-Chair</u> - similar to the current IASB, and allowing them, as the ISSB is being established, to seek public input on the new board’s proposed work plan.</li> <li>• <u>Appointing a majority of ISSB members to be full-time</u> – while allowing part-time members for flexibility, if needed, subject to demonstrating a sufficient level of independence from their other employer arrangements.</li> <li>• <u>Remunerating ISSB members</u> - at rates commensurate with their responsibilities, as determined by the IFRS Trustees.</li> <li>• <u>Allowing “at-large” seats</u> – of no more than four to provide flexibility in attracting appropriate candidates (including investor users), while retaining geographic diverse membership (i.e., 3 members from each of the Americas, Europe, and Asia-Oceania regions plus one member from Africa).</li> <li>• <u>Staggering member terms</u> - of no more than five years, subject to re-appointment for no longer than a combined ten-year term—similar to that of the IASB.</li> <li>• <u>Liaising with stakeholders</u> - in the development of sustainability standards and in promoting the convergence of national and regional sustainability reporting requirements.</li> <li>• <u>Conducting meetings</u> – that are open to the public.</li> </ul>
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No.	Question	Response
<b><i>Proposal 2—Create the International Sustainability Standards Board under the Foundation’s governance structure to set IFRS sustainability standards</i></b>		
2.	On the potential naming of the new board and its associated standards, do you agree that ‘the International Sustainability Standards Board (ISSB)’ setting ‘IFRS sustainability standards’ accurately describes the function of the new board and its associated standards?	<p>Yes, we agree that the “International Sustainability Standards Board” (“ISSB”) is an appropriate name for the new board. Furthermore, this nomenclature has gained sufficient traction amongst key stakeholders, including the G7, FSB, IOSCO among others. The name “International Sustainability Standards Board” appears in IFAC’s Way Forward roadmap (September 2020), but alternatives that appropriately reference “sustainability,” focus on “standards” and sufficiently preserve the overall IFRS brand may also be suitable. [We note that “ISRS” is used in the IAASB’s International Standard on Related Services (ISRS) 4400 (Revised).]</p> <p>Yes, we also agree that the language “IFRS sustainability standards” accurately describes the function of the new board and its associated standards and also serves to distinguish them from the work of the IASB, while leveraging the global recognition of the “IFRS” brand.</p> <p>We acknowledge that “sustainability” terminology may be interpreted or used differently by stakeholders. We believe that the term “sustainability” is broadly understood to refer to information related to environmental, social, or governance (“ESG”) matters (be they related to reporting on investor focused sustainability information material to enterprise value and the effective functioning of global capital markets <u>or</u> multi-stakeholder focused sustainability reporting that captures impacts of a reporting entity on economy, environment and people) and therefore is consistent with the public expectations for the work of this board.</p>



No.	Question	Response
<b><i>Proposal 3—Consequential amendment to the Foundation’s governance</i></b>		
3.	Do you agree with this proposed consequential amendment, outlined in proposed new sections 60 and 61 of the Constitution, as set out in Appendix A?	YES. IFAC supports this proposed amendment in light of a governance structure that will encompass two separate boards, given that strategic connectivity between them will enhance their separate but mutual success.

No.	Question	Response
<b>Other Matters</b>		
4.	<p><b>Are there any other matters you would like to raise in relation to the proposed targeted amendments to the Constitution?</b></p>	<ol style="list-style-type: none"> <li>1. IFRS Foundation must continue to make as much progress as possible in the shortest amount of time, while remaining focused on high-quality outcomes. In our view, the proposed amendments appropriately incorporate this imperative and the future actions of the IFRS Foundation should continue to focus on this key criterion for success.</li> <li>2. We believe that establishing the proposed multi-stakeholder expert consultative committee draws on the IFRS Foundation's expertise and track record of structured stakeholder engagement in standard-setting (e.g., the Accounting Standards Advisory Forum—ASAF) and is a critical mechanism for fulfilling the objectives outlined in the proposed new section 2b with respect to connecting the work of the ISSB with multi-stakeholder sustainability reporting (i.e., achieve “interoperability”), offer useful technical input to the ISSB, and provide a forum for more diverse stakeholder representation (i.e., beyond the composition of the IFRS Foundation Trustees or the IFRS Advisory Council).</li> <li>3. Stakeholders would benefit from enhanced organizational diagramming and definitions of key terminology, given the introduction of the new multi-stakeholder body, the establishment of a new ISSB, the addition of new technical staff, and the role of the Technical Readiness Working Group—amongst pre-existing components of the IFRS governance/structure.</li> </ol>