

IFAC Supports World Economic Forum Initiative

Consultation Draft: Toward Common Metrics and Consistent Reporting of Sustainable Value Creation

IFAC stands ready, as a global voice and convener of the accountancy profession, to facilitate coordination, assimilation, and convergence in sustainable reporting approaches. IFAC supports this initiative as a catalyst to challenge policy makers, regulators, and ESG metric providers to get the job done, now.

As Network Partners in the B20, IFAC looks to stand with the World Economic Forum (WEF) at upcoming 2020 and 2021 G20 meetings to encourage timely coalescence around best market practices—and ultimate acceptance of high-quality standards—before jurisdiction-specific regulatory intervention occurs.

The WEF consultation, [Toward Common Metrics and Consistent Reporting of Sustainable Value Creation](#), makes a valuable contribution in the dialogue amongst all stakeholders, including IFAC, who share a common interest in **relevant, reliable, and comparable corporate reporting** with respect to measures related to value creation, sustainability or environmental, social, and governance factors. This information is needed to enhance confidence in companies and financial markets,¹ and is explored in greater depth with IFAC’s Point of View on [Enhancing Corporate Reporting](#).

IFAC applauds members of the International Business Council (IBC) for their leadership on aligning corporate goals with social good—as represented by the UN Sustainable Development Goals (SDGs). Corporate reporting that addresses topics consistent with the SDGs delivers transparency on how entities positively or negatively impact society. It answers the call from investors and other providers of capital for better, broader information and opportunities to support sustainable and less carbon-reliant business models.²

¹ [IFAC Point of View on Enhancing Corporate Reporting](#)

² [How to Invest: Ten Big Trends of the 2020s](#) – Ruchir Sharma, Head of Emerging Markets & Chief Global Strategist, Morgan Stanley Investment Management. Trend #10 predicts the rise of “moral capitalism” in the 2020s through the emergence of “...firms that promise to invest in socially and environmentally responsible ways; assets managed by these firms in developed markets doubled between 2012 and 2018 to \$30 billion. With support from millennial investors, they are becoming symbols of a new moral capitalism.”



1. Rationalization Towards a Global System

The current reporting ecosystem for addressing these issues, consisting of multiple and competing reporting workstreams, does not best serve the interests of capital markets, companies or their stakeholders. Agreeing a set of reporting metrics, as set forth in the initiative’s white paper, is useful for encouraging collaborative, timely work towards the **alignment, harmonization, and convergence among existing frameworks and standards**. IFAC strongly supports a global approach to ESG metrics and disclosures. A fragmented approach leads to inefficiency, regulatory arbitrage, and increased costs for both companies and their investors and stakeholders.³ Implementation by IBC members, with the support of the accountancy profession, could further differentiate the impact of this initiative.

2. Timeliness is Key

We agree with the sentiments of the Chair of the Corporate Reporting Dialogue (CRD) that there is an urgent need. Alignment, harmonization, and convergence **must take place before regional or jurisdiction-specific initiatives create fragmentation that becomes standard practice**—impeding the goal of consistent reporting of relevant, reliable, and comparable information. Therefore, we encourage “leaders of framework providers and standard setters globally to be enablers and not a barrier” to enhancing corporate reporting.⁴ Leaders in the accountancy profession must also collaborate and find areas of agreement. Collaboration with existing standard-setters and frameworks—during future consultation phases of this initiative—can increase acceptance of the final work product.

3. Taking a Modular Approach

We support the WEF’s efforts to **build upon existing, metrics and disclosures already developed by standard-setting organizations** like the Global Reporting Initiative, the Sustainable Accounting Standards Board, and others within and outside the CRD who have demonstrated expertise. The experience and resources of these organizations must be leveraged. In particular, we encourage the WEF to address both societal and company performance impacts and to anticipate the need for supplemental, jurisdiction-specific metrics and disclosures—especially with respect to reporting on social impacts.⁵ Finally, due process is essential. There is no substitute for thorough, transparent and participatory standard-setting involving all relevant stakeholders.

³ [IFAC Response to Consultation on Interconnected Standard Setting for Corporate Reporting](#)

⁴ [The Challenges for Corporate Reporting Post COVID-19](#)

⁵ For example, guidance with respect to [climate-related information under the European Commission’s Non-Financial Reporting Directive](#) (p. 7) illustrates that investors may be interested in *both* the impact of climate change on a reporting entity’s performance (i.e., “financial materiality”) as well as that entity’s impact on climate. Meanwhile, other jurisdictions, including the United States, may have greater focus on corporate reporting that is, first and foremost, financial performance motivated and may also be more industry specific. The European Commission’s ongoing Non-Financial Reporting Directive consultation illustrates the importance of jurisdiction-specific requirements and resulting risk of regulatory fragmentation.



4. Role for Frameworks & Standards

The International Integrated Reporting Framework (IR Framework) provides best practices for a comprehensive approach to corporate reporting. It brings context to how reported metrics and disclosures inform stakeholders about a company’s ability to create value in both the short and long-term—consistent with the principles, people, planet and prosperity pillars of the WEF’s initiative. The IR Framework also specifically addresses intangibles, intellectual assets and other elements of value creation that may not be captured by metrics focused solely on ESG factors.

However, a framework alone does not achieve relevant, reliable and comparable corporate reporting. Coalescence around a set of high-quality standards, or best practices, that specify *what* metrics and disclosures are reported is required. We support the WEF initiative’s focus on sustainable value creation and we encourage the IIRC to use its 2020 strategic review as an opportunity to determine how the IR Framework can best be a central component of a global system of ESG metrics and disclosures.

5. Role of Assurance

Assurance is critical to confidence in all corporate reporting. However, assurance is most effective when applied against metrics and narrative disclosures that are supported by clear best practices or reporting standards.⁶ The International Auditing and Assurance Standards Board’s Extended External Reporting effort seeks to advance assurance with respect to non-financial information. This will serve to improve user confidence in what is reported, assist companies in developing systems and processes, and promote comparability.⁷

6. Engagement of the Profession

As the voice of the global accountancy profession, IFAC is pleased to see direct engagement by our colleagues from the largest network firms. The profession is critical to evidence-based decision making, reliable information gathering, and consistent, comparable corporate reporting—be it ESG-focused or otherwise. Active engagement by the profession—through this initiative and by assisting companies in the implementation of its metrics and disclosures—will maximize the benefits of a global solution to non-financial reporting that best serves shareholders and the broader public interest. The profession must meet the challenge of relevant, reliable, and comparable ESG metrics and disclosures.

⁶ [IFAC Point of View on Enhancing Corporate Reporting - Role of the Accountancy Profession in Enhancing Corporate Reporting](#)

⁷ [Public Consultation on Proposed Guidance: Extended External Reporting \(EER\) Assurance \(March 2020\)](#)