

18 December 2020

Mr Erkki Liikanen
Chair of Trustees
IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf London E14 4HD
United Kingdom

via email: commentletters@ifrs.org

Dear Mr Liikanen,

Consultation Paper on Sustainability Reporting

Thank you for the opportunity to provide comments on the IFRS Foundation Trustees Consultation Paper on Sustainability Reporting.

The Australian Institute of Company Directors' (**AICD**) mission is to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. The AICD's membership reflects the diversity of Australia's director community, our membership of more than 45,000 is drawn from directors and leaders of not-for-profits, large and small businesses and the government sector.

General comments

The AICD supports the proposal in principle.

The AICD supports the aim of a global set of internationally recognised sustainability reporting requirements, supporting comparability and consistency. We consider the IFRS Foundation proposal to establish a Sustainability Standards Board (**SSB**), drawing on existing international governance and frameworks, a positive development.

We believe a rationalisation approach and a framework that might make it easier for directors to report against a single, commonly understood set of standards – rather than a multiplicity of overlapping and potentially conflicting standards – is a good thing for companies, investors and the broader stakeholder community.

For this to succeed, it is critical that IFRS creates a rationalised standard. It would be a poor outcome if IFRS merely added to the multiplicity of standards that already exist. In our view, this will require significant outreach from IFRS at a preliminary stage.

If the Sustainability Standards Board (**SSB**) is to be initially climate focussed, it should look to the Task Force on Climate-Related Financial Disclosures (**TCFD**) given the degree of market and regulatory acceptance globally. Entities that have already gone to significant effort to report against TCFD should not be required to commence that work again.

Comments on questions for consultation

Question 1	Is there a need for a global set of internationally recognised sustainability reporting standards? If yes, should the IFRS Foundation play a role in setting these standards and expand its standard-setting activities into this area? If not, what approach should be adopted?
	Yes - the multiplicity of standards and frameworks is unhelpful. The IFRS Foundation is well-placed to lead development of standard-setting, governance, outreach and oversight.
Question 2	Is the development of a sustainability standards board (SSB) to operate under the governance structure of the IFRS Foundation an appropriate approach to achieving further consistency and global comparability in sustainability reporting?
	Yes, for the reasons set out above.
Question 3	Do you have any comment or suggested additions on the requirements for success as listed in paragraph 31 (including on the requirements for achieving a sufficient level of funding and achieving the appropriate level of technical expertise)?
	No comment.
Question 4	Could the IFRS Foundation use its relationships with stakeholders to aid the adoption and consistent application of SSB standards globally? If so, under what conditions?
	Yes, drawing on well-established stakeholder relationships. We encourage collaboration with national standard setters who would apply standards in their jurisdictions.
Question 5	How could the IFRS Foundation best build upon and work with the existing initiatives in sustainability reporting to achieve further global consistency?
	Wherever possible, the new SSB should seek to build upon existing widely supported initiatives, in particular TCFD. Those organisations should be closely engaged from the outset on the scope and remit of the proposed SSB and avenues identified for incorporating their standards into the framework.
Question 6	How could the IFRS Foundation best build upon and work with the existing jurisdictional initiatives to find a global solution for consistent sustainability reporting?
	No comment.
Question 7	If the IFRS Foundation were to establish an SSB, should it initially develop climate-related financial disclosures before potentially broadening its remit into other areas of sustainability reporting?
	Yes, if this is the most manageable approach to establishing the SSB. In order to achieve the rationalisation of standards sought by IFRS, the broadening of the remit should occur as soon as possible.
Question 8	Should an SSB have a focused definition of climate-related risks or consider broader environmental factors?
	The initial workplan should be on climate-related risks if this is the most manageable approach. Dependent on success, this should encompass other environmental factors as soon as possible.

Question 9

Do you agree with the proposed approach to materiality in paragraph 50 that could be taken by the SSB?

We appreciate the argument that the SSB will need to take a “gradualist” approach to this issue. However, standards should consider Scope 3 emissions - that is emissions occurring in the value chain (both upstream and downstream), as contemplated by TCFD or this will not achieve the rationalisation objective.

Question 10

Should the sustainability information to be disclosed be auditable or subject to external assurance? If not, what different types of assurance would be acceptable for the information disclosed to be reliable and decision-useful?

Ideally, the standards that are created should be auditable and subject to external assurance for at least some entities.

We hope our response will be of assistance. If you would like to discuss any aspects further, please contact David McElrea, Senior Policy Adviser at dmcelrea@aicd.com.au, or Christian Gergis, Head of Policy at cgergis@aicd.com.au.

Yours sincerely,



Louise Petschler GAICD

General Manager, Advocacy