

Mr Erkki Liikanen
Chair of the Trustees of the IFRS Foundation
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CFOF's response on the IFRS Foundation Trustees Exposure Draft (ED) Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards

Dear Mr Liikanen

The CFO Forum (CFOF) welcomes the opportunity to provide feedback on the Exposure Draft (ED) that outlines proposed targeted amendments to the IFRS Foundation Constitution to accommodate an International Sustainability Standards Board (ISSB) to set IFRS Sustainability Standards.

We support the ongoing work of the IFRS Foundation to develop internationally-accepted sustainability standards, to avoid unnecessary duplication and fragmentation while ensuring a high degree of integration and connectivity between Financial Reporting and Sustainability Reporting.

The intention of the ISSB to build on existing relevant and well-established guidance for Sustainable Reporting as well as its commitment to collaborate with relevant organizations, initiatives and jurisdictions from the beginning is welcomed and important to achieve a globally consistent and comparable baseline for Sustainability Reporting while ensuring flexibility for coordination on wider Sustainability Reporting requirements. In particular, the ISSB should closely collaborate with EFRAG (and other standard setters, including those in the US, as relevant) to ensure relevance for and compatibility with what is or will become mandatory in the EU (and in other jurisdictions that have already advanced in this area). Furthermore, with regard to climate-related reporting, we strongly support the IFRS Foundation's intention to build on the well-established work of the Task Force on Climate-related Financial Disclosures (TCFD).

In order to achieve a global solution for Sustainability Reporting we see a broad **materiality** perspective (rather than "outside-in materiality" only) and a comprehensive ESG **scope** (rather than coverage of climate only) as essential success factors.

Materiality:

Considering the increasing political debate on ESG matters and the growing awareness of a broad range of stakeholders (including investors), we have concerns that only focusing on the enterprise value and to service investor's information needs from an outside-in perspective only will not lead to global acceptance and relevance. Limiting the perspective to the outside-in view only will lead to complexity and fragmentation in the Sustainability Reporting as undertakings will need to consider additional standards to meet stakeholders' (including investors') increasing information demands around sustainability matters, which go beyond impacts on enterprise value.

Scope:

While the importance and urgency of environmental matters is indisputable and we support any efforts to improve transparency and comparability in this regard in the short term, we generally consider the other dimensions of ESG (“S” and “G”) as also important and recommend the ISSB to cover them in a timely manner as well. Pursuing a climate-only approach for too long will force companies to use more than one standard risking a fragmented and complex Sustainability Reporting landscape and likely limiting the global acceptance and relevance of the ISSB. Taken together, in our view, the scope extension needs to be subject to an ambitious timeline which needs to be communicated early on for jurisdictions and other standard setters to be able to collaborate with the ISSB and build on / extend the ISSB’s standards, as these are intended to represent the global baseline of the building blocks approach.

While urging to consider a broad materiality perspective (i.e. beyond outside-in impacts) we believe that an adequate building blocks approach might mitigate the above-mentioned issues. However, we consider several aspects to be of utmost importance to achieve this:

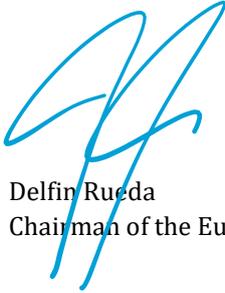
- As the ISSB’s standards should represent the baseline for Sustainability Reporting of the building blocks approach, it is crucial to jurisdictions and other standard setters to have **clarity early on** about what will and will not be covered by the ISSB with a concrete timeline in order to determine what needs to be covered in addition.
- **A close dialogue and early on collaboration with the EU and EFRAG** as the standard-setting body as well as with other jurisdictions and standard setters in analogy is a key prerequisite to achieve a baseline for Sustainability Reporting and an appropriate building blocks approach. In particular, the ISSB’s standard-setting structure must allow for other standard setters to be embedded in the global standard-setting environment to enable a co-constructive approach that allows for standard-setting activities to be conducted in parallel, yet without overlaps and inconsistencies. We have strong concerns that a successful building blocks approach can be achieved ex post at all or without significant frictions, and thus strongly recommend a co-constructive approach which enables parallel working from the beginning.

Finally, we would like to raise two further aspects which are of key relevance in our view:

- While we agree that fieldwork should not generally be a mandatory step of the Sustainability Reporting standard-setting process, we would like to highlight that it is particularly useful to provide evidence on practicability, proportionality and feasibility. Experience from standard-setting in Financial Reporting has shown the importance of appropriate field testing, and this may be even more relevant for Sustainability Reporting which is, in comparison, less mature. Accordingly, we would urge the ISSB to thoroughly consider whether fieldwork should be conducted and in case of doubt collect views from users and preparers via public consultation. In this regard, we would like to emphasize that fieldwork can take different forms and must not necessarily always involve case studies / simulations which require a considerable amount of time.
- To ensure legitimacy, besides appropriate measures with view to, for example, governance and due process, we believe that funding and the extent to which the ISSB will be able to ensure appropriate technical expertise in a timely manner and from the beginning are also of particular importance.

Members of the CFO Forum look forward to continuing to share their perspectives with the IFRS Foundation in this important initiative and to further discuss the above-mentioned aspects around Sustainability Reporting.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'DR' or similar initials, written in a cursive style.

Delfin Rueda
Chairman of the European Insurance CFO Forum

About the European Insurance CFO Forum and its work

The European Insurance CFO Forum ('CFO Forum') is a high-level discussion group formed and attended by the Chief Financial Officers of major European insurance companies. Its aim is to influence the development of financial reporting, value based reporting, and related regulatory developments for insurance enterprises on behalf of its members, who represent a significant part of the European insurance industry. The CFO Forum was created in 2002. More information on the CFO Forum is available at www.cfoforum.eu.