

MEMO# 33015

January 4, 2021

ICI Submits Response to IFRS Consultation on Creation of New Sustainability Standards Board

[33015]

January 4, 2021 TO: ICI Members

ICI Global Members

Accounting/Treasurers Committee

ESG Advisory Group

ESG Task Force

ICI Global Regulated Funds Committee

ICI Global Regulated Funds Committee - Asia

SEC Rules Committee SUBJECTS: Disclosure

ESG

International/Global RE: ICI Submits Response to IFRS Consultation on Creation of New Sustainability Standards Board

We submitted the attached response last week to the IFRS Foundation's consultation on whether it should create a second board—the Sustainability Standards Board (SSB).[\[1\]](#)

According to the consultation paper, a new SSB would leverage existing sustainability reporting frameworks; initially focus on climate-related sustainability information; and approach materiality by focusing its work on information most relevant to investors and markets.

Our response is cautiously supportive of the IFRS effort as long as it meets the following five requirements:

1. **Focus on sustainability information that is not reflected in the financial accounts, but which is nevertheless material to enterprise value creation over the short, medium, and long term.** We agree with the proposal to focus on disclosure standards from a financial materiality perspective.
2. **Leverage existing global sustainability standards that have broad investor support, particularly the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD).** We reference the recent ICI Board statement in support of SASB and TCFD. We also emphasize the importance of SASB's industry-specific approach to disclosure.

3. **Develop a governance structure that appropriately represents the interests of investors.**
4. **Create a balanced funding model to ensure an SSB's independence and avoid undue influence of third parties and conflicts of interest.**
5. **Ensure sufficient coordination among international regulators to facilitate cohesive baseline disclosure of sustainability information that is material to enterprise value creation.**

We also make the point that mandatory third-party assurance of issuer sustainability reporting is premature, but that the standards should be developed in such a way as to enable third-party assurance once the standards have matured and the cost-benefit dynamic is favorable.

Linda M. French
Assistant Chief Counsel, ICI Global

Dorothy M. Donohue
Deputy General Counsel - Securities Regulation

Gregory M. Smith
Senior Director, Fund Accounting and Compliance

[Attachment](#)

endnotes

[1] Our summary of the consultation is *available at* https://www.ici.org/my_ici/memorandum/memo32943. The consultation is *available at* <https://www.ifrs.org/projects/work-plan/sustainability-reporting/comment-letters-projects/consultation-paper-and-comment-letters/#consultation>.

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.