

MEMO# 33165

March 8, 2021

IFRS Foundation Trustees Announce Strategic Direction for Establishment of International Sustainability Reporting Standards Board

[33165]

March 8, 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: IFRS Foundation Trustees Announce Strategic Direction for Establishment of International Sustainability Reporting Standards Board

On March 8, 2021, the Trustees of the International Financial Reporting Standards Foundation (IFRS Foundation) announced the strategic direction and further steps for its work on the establishment of an international sustainability reporting standards board within the existing governance structure of the IFRS Foundation.[\[1\]](#) The Trustees stated that, based on the feedback to the 2020 consultation[\[2\]](#) and encouraged by the IOSCO board statement,[\[3\]](#) they have reached the following views about the strategic direction of a new board:

- **Investor focus for enterprise value:** the new board would focus on information that is material to the decisions of investors, lenders and other creditors.
- **Sustainability scope, prioritising climate:** due to the urgent need for better information about climate-related matters, the new board would initially focus its efforts on climate-related reporting, while also working towards meeting the information needs of investors on other ESG (environmental, social and governance) matters.
- **Build on existing frameworks:** the new board would build upon the well-established work of the Financial Stability Board's Task Force on Climate related Financial Disclosures (TCFD), as well as work by the alliance of leading standard-

setters in sustainability reporting focused on enterprise value. The Trustees will consider the prototype proposed by the alliance for an approach to climate-related disclosures as a potential basis for the new board to develop climate-related reporting standards.^[4] To prepare for this work, the IFRS Foundation will initiate a process of structured engagement with the relevant organisations.

- **Building blocks approach:** by working with standard-setters from key jurisdictions, standards issued by the new board would provide a globally consistent and comparable sustainability reporting baseline, while also providing flexibility for coordination on reporting requirements that capture wider sustainability impacts.

The Trustees will publish for public comment the proposed changes to the Foundation's *Constitution* necessary to formalize establishment of a new board, including its composition. Any changes to the *Constitution* are subject to a public consultation with a 90-day comment period.

The Trustees plan to make a final determination about a new board in advance of the November 2021 United Nations COP26 conference.

Annette Capretta
Associate General Counsel

endnotes

[1] See IFRS Press Release, *IFRS Foundation Trustees announce strategic direction and further steps based on feedback to sustainability reporting consultation* (March 8, 2021), available at <https://www.ifrs.org/news-and-events/2021/03/trustees-announce-strategic-direction-based-on-feedback-to-sustainability-reporting-consultation/>.

[2] See IFRS Foundation, *Consultation Paper on Sustainability Reporting* (September 2020), available at <https://cdn.ifrs.org/-/media/project/sustainability-reporting/consultation-paper-on-sustainability-reporting.pdf?la=en>; see also ICI Memorandum No. 33015 (January 4, 2021) summarizing ICI's response to the consultation, available at https://www.ici.org/my_ici/memorandum/memo33015.

[3] See ICI Memorandum No. 33131 (February 25, 2021), summarizing the IOSCO report, available at https://www.ici.org/my_ici/memorandum/memo33131.

[4] See *Reporting on enterprise value; Illustrated with a prototype climate-related financial disclosure standard* (December 2020), available at https://29kjwb3armds2g3gi4lq2sx1-wpengine.netdna-ssl.com/wp-content/uploads/Reporting-on-enterprise-value_climate-prototype_Dec20.pdf.