

11th December 2020

IFRS Foundation Columbus Building
7 Westferry Circus
Canary Wharf
London, E14 4HD
United Kingdom

Re: Climate Disclosure Standards Board's (CDSB) response to the IFRS Foundation Consultation Paper on Sustainability Reporting

Dear Mr. Liikanen & the IFRS Foundation Trustees,

The Climate Disclosure Standards Board (CDSB) would like to thank the International Financial Reporting Standards (IFRS) Foundation for the opportunity to provide comments on its Consultation Paper on Sustainability Reporting.

CDSB, an international consortium of business and environmental NGOs, was founded in 2007 in response to the absence of an internationally recognised mainstream reporting standard for climate-related issues, before expanding its scope in 2015 to encompass natural capital. CDSB is committed to advancing and aligning the global mainstream reporting model and equating financial capital with natural capital, understanding that both are essential for understanding corporate performance. It is, after all, the case that our economies, lives and well-being are reliant on nature and its many interconnecting systems. By offering the market a framework for reporting climate and environmental information with the same rigour as financial information, CDSB works to foster resilient capital markets and contribute to ensuring the sustainability of our economic, social, and environmental systems.

The CDSB Framework is used by large-listed companies globally, referenced in government guidance to reporting regulation in the Commission Guidelines on Non-Financial Reporting, the UK Companies Act 2006, and stock exchange guidance across the world. The CDSB Framework was also foundational to the Recommendations of the Task Force for Climate-related Financial Disclosures (TCFD). We have thoroughly supported the implementation of the Recommendations, such as through our hosting of the TCFD Knowledge Hub and offering the market guidance on meeting the recommendations effectively and efficiently.

However, it remains the case that companies are reporting to capital markets on climate-related issues and wider natural capital in varying degrees of quality and from different perspectives. The resulting inconsistencies and incomparability plague understanding and decision making, severely impeding the task at hand – efficiently directing financial capital to where it is needed to address the globally agreed Paris Agreement and Sustainable Development Goals with the urgency that they demand and thus ensuring financial stability.

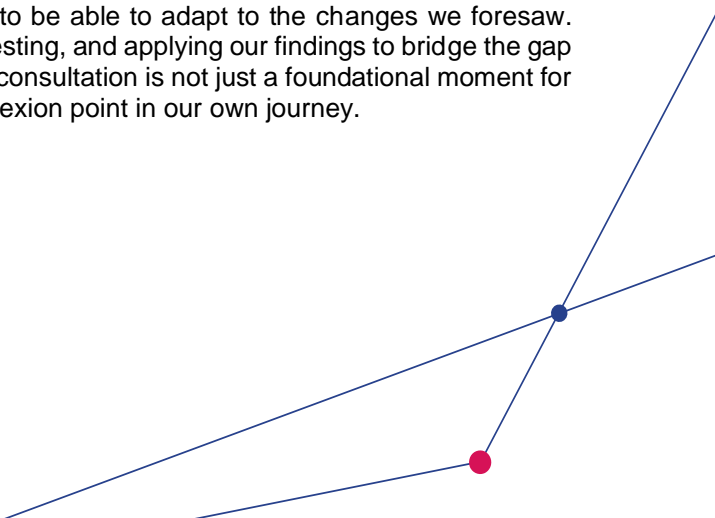
It is for these reasons that CDSB very much welcomes the IFRS Foundation's proposals and consultation on sustainability reporting.

The incorporation of CDSB's thinking and materials into the work of the IFRS Foundation has been core to our mission. At CDSB's inception, it was clear that accounting for climate in a clear, consistent and comparable way was an essential tool for the global market to be able to adapt to the changes we foresaw. CDSB now has almost 15 years of market practice, thinking, testing, and applying our findings to bridge the gap between IFRS and environmental reporting, and so this IFRS consultation is not just a foundational moment for climate and environmental reporting generally, but also an inflexion point in our own journey.

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We are greatly encouraged then that the proposals of the IFRS Foundation in the consultation fit closely and productively with the outlook and approach that CDSB has worked to foster. We therefore see that CDSB can be a valuable partner, both technically and strategically, to the IFRS Foundation as it works to establish and ensure the success of a future SSB.

In supporting the overall ambition of the IFRS Foundation in this consultation, CDSB wishes to stress the following points, which we see as harmonious and necessary to achieving the goals of a future SSB and the mission of ensuring economic, social and environmental sustainability:

- **Speed:** From our perspective, society as a whole is running out of time to address the globally agreed Paris Agreement and Sustainable Development Goals, and an authoritative organisation such as IFRS is required to consolidate the space and provide swift guidance to companies on what they need to do from a reporting and disclosure perspective. Businesses have multiple priorities and resources are often strained – clear reporting guidance is required to bring the transparency by enhancing comparability and quality of sustainability information, enabling investors and other market participants to identify opportunities and risks and make informed economic decisions.
- **Climate first, but quickly consider other material areas:** In supporting the approach offered in the consultation, CDSB further suggests that it would be highly beneficial for a schedule of activities and map of imagined reporting system of a SSB to be developed coincidentally with the climate-related standard. This would offer assurance to the market that a future SSB intends to offer reporting standards for the systemic environmental and social issues beyond climate change that are increasingly important and material for companies and investors.
- **Materiality & collaboration:** CDSB agrees with the approach to materiality offered and believe it is essential for the decision-usefulness of sustainability information that it to be subject to the same materiality tests as other information in the mainstream report. While CDSB can appreciate the ambitions of employing double materiality, we believe it is important, though, for a future SSB to fully appreciate the dynamic nature of materiality for corporate sustainability issues. The appreciation of this dynamism and mutability could be expressed in the board composition and approach to standard development, for instance, and building upon best practice by leveraging partnerships and experts via collaboration.
- **Build on existing practice:** In close connection with our emphasis on speed and collaboration, CDSB believes it essential for the IFRS Foundation to build on existing, market-tested mainstream reporting practices for climate-related and wider sustainability issues. This includes, principally, the collaborative paper from CDP, CDSB, GRI, IIRC and SASB that proposes the structure and content of a climate-related disclosure standard that fits with the work of the IFRS as well as the CDSB Framework and associated application and accounting guidance for climate issues.
- **Promote organisational change:** We understand that reporting and disclosures need to promote organisational change, via enhanced business strategy and operations, but this is hampered with multiple standards and frameworks.

Our comments in full are provided below. Please do not hesitate to contact me directly (mardi@cdsb.net) or CDSB's Technical Director, Ravi Abeywardana (ravi.abeywardana@cdsb.net), if you have any questions.



Mardi McBrien
Managing Director, Climate Disclosure Standards Board (CDSB)

CDSB Responses to Consultation Questions

Question 1: Is there a need for a global set of internationally recognised sustainability reporting standards? (a) If yes, should the IFRS Foundation play a role in setting these standards and expand its standard-setting activities into this area? (b) If not, what approach should be adopted?

Yes

CDSB strongly believes that there is a need for a global set of internationally recognized material sustainability reporting standards¹ and, further, that the IFRS Foundation should play an instrumental role in setting these standards by expanding its standard-setting activities.

It is hoped that an international set of mainstream sustainability reporting standards would go a long way to solving the complexity and fragmentation issues that frustrate report preparers and users presently, and therefore help ensure that the market is provided with the necessary high-quality information for capital allocation towards sustainable, long-term value creation. With its expertise, experience, authority and reach in standard setting, the IFRS Foundation with the appropriate coalition of partners offers the opportune route for establishing a suite of sustainability reporting standards and ensuring their uptake at scale with the necessary speed.

In the responses below, CDSB further explains its reasoning for supporting the IFRS Foundation in expanding its standard setting remit to include climate-related and other sustainability issues, and offers several key considerations for the next steps for the IFRS Foundation and the establishment of a SSB. It is essential, for both coherency and urgency, we argue, to leverage upon the experience and expertise of the five global organisations - CDP, CDSB, GRI, IIRC and SASB - whose frameworks, standards and platforms guide the majority of sustainability and integrated reporting, and who have been working collaboratively towards aims shared by that of a future SSB, with our upcoming paper helpfully offering a potential structure and content.²

As the approach develops, we would highlight two areas for consideration by the IFRS Foundation:

First, depending on the remit of the SSB, certain information may fall outside of what may be covered by its standards. If this is the case, it is essential that the SSB establishes a bridge with standards that cover such information, such as the GRI standards and CDP platform, to ensure that reporting on all sustainability matters evolve in a connected and comprehensive manner.

Second, an international set of standards may not be able to capture all regional or national innovations and developments. As such, the SSB's work programme and standards should be established in a manner that allows for standardisation on as broad of a list of standards as possible but should also allow for extensions to its standards by jurisdictions. This would ensure maximum consistency, while allowing for innovation and experimentation that is necessary considering the dynamic nature of materiality and regional differences in sustainability concerns. Such experimentation may also result in approaches that may be deemed appropriate for implementation on the international level, in which case the SSB could serve as the platform for tracking these approaches and act as the platform for developing an internationally consistent standard on the matter.

¹ Though CDSB appreciates the reasoning behind the IFRS Foundation referring to a Sustainability Standards Board, we do have concerns that such a name may confuse some market actors given that sustainability reporting is more commonly related to impact-focused reporting rather than that which focusses on material environmental and social issues, as the Foundation advocates for in this consultation paper.

² Once published, will be available from: <https://www.impactmanagementproject.com>

CDSB, along with the leading sustainability and integrated reporting organisations, have outlined a similar model in our *Statement of Intent*.³

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

CDSB very much agrees with the argument that the governance structure of the IFRS Foundation is a highly appropriate approach to achieving consistency and comparability in sustainability reporting globally. Such an approach would fit with the proposals of Accountancy Europe⁴ that garnered much attention and the system imagined by IOSCO in its recent public letter to CDSB and other international sustainability standard setters.⁵

CDSB's view is that a SSB operating under the governance of the IFRS Foundation would best ensure that climate-related and wider sustainability standards are produced to be harmonious and complementary with financial standards and vice versa, ensuring transparency, accountability and efficiency. As Nick Anderson has demonstrated, existing IFRS Standards can already be used to report on climate-related risks and opportunities,⁶ which CDSB have similarly shown in its *Uncharted waters*⁷ paper and report from its Climate Accounting Standards group of experts.⁸ Building on this work and more comprehensively making the appropriate connections between narrative sustainability disclosures and financial reporting is essential to the success of a possible SSB. The IFRS should therefore also consider how the governance of the financial and sustainability standard setting processes can best interact.

In addition, the common set of users and audience between IASB and a future SSB adds further weight to the favourability of the latter operating under the governance of the IFRS Foundation. In so doing, this would mean that one overarching body was responsible for the standard setting process for the majority of public company annual reporting. Further, CDSB sees that developing a future SSB under the governance of the IFRS Foundation would favour the swifter development of climate-related and other sustainability standards than the development of a whole new organisation and governance process. Scientific evidence highlighting the short timeframe to address certain sustainability issues,^{9 10} as well as the calls of speed from the market and wider society are well founded and should be a fundamental consideration for the IFRS Foundation and other reporting organisations presently. As we encourage the use of, and development upon, the reporting content and practices that are already established, such as the TCFD Recommendations, so we encourage the utilisation of well-formed governance processes to ensure as streamlined a process as possible for a future SSB.

For these reasons, we see that the IFRS Foundation is the ideal means of governing an SSB.

It should be emphasised, though, that the success of such a governance structure is highly dependent on populating the future boards and other bodies with persons of the appropriate experience, skills and influence to best ensure the SSB achieves its goals. As well as representation from existing mainstream sustainability

³ <https://impactmanagementproject.com/structured-network/statement-of-intent-to-work-together-towards-comprehensive-corporate-reporting/>

⁴ <https://www.accountancyeurope.eu/wp-content/uploads/191220-Future-of-Corporate-Reporting.pdf>

⁵ <https://www.iosco.org/library/speeches/pdf/20201029-Erik-Thed%C3%A9n.pdf>

⁶ <https://cdn.ifrs.org/-/media/feature/news/2019/november/in-brief-climate-change-nick-anderson.pdf?la=en>

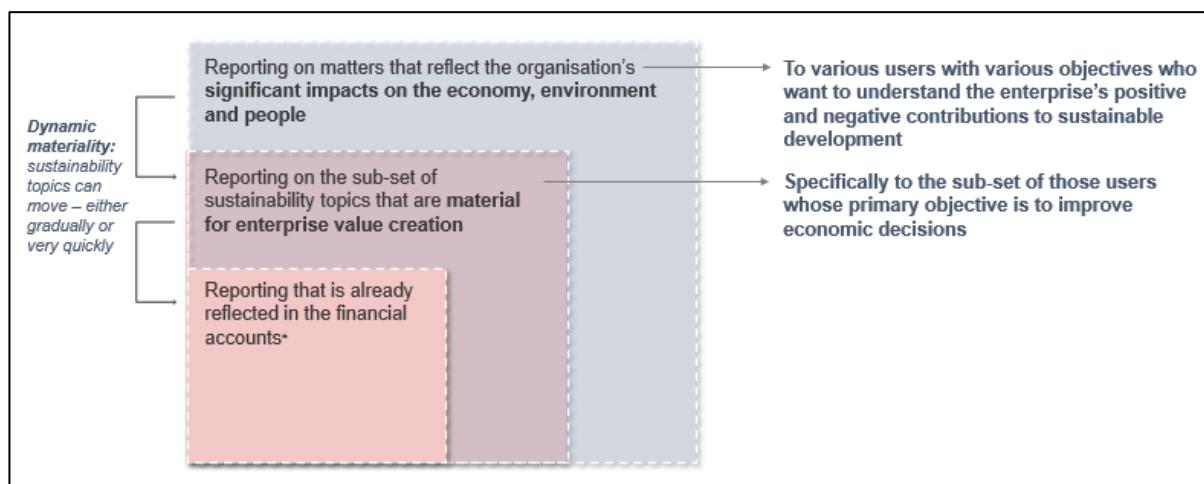
⁷ https://www.cdsb.net/sites/default/files/uncharted_waters_final.pdf

⁸ <https://www.cdsb.net/ClimateAccounting>

⁹ https://www.cdsb.net/sites/default/files/implications_of_climate_science_for_financial_markets_cdsb_0.pdf

¹⁰ <https://www.cdsb.net/natural-capital/912/can-we-bring-nature-back-brink>

standard setters, such as CDSB, SASB and IIRC under the Value Reporting Foundation and others, CDSB believes it important for other sustainability reporting organisations that respond to stakeholders additional to providers of capital are represented. The materiality of corporate sustainability issues is dynamic, meaning that the concerns of one stakeholder group may quickly become material for financial decision-makers (see figure below). As such, representation from organisations such as GRI, CDP and the Capitals Coalition is important to ensure reciprocity and responsiveness in the reporting landscape.



What's more, as an area that is increasingly driven by regulation, it is crucial that the governance of the SSB includes appropriate Government representation, to ensure that the SSB's standards are fit for implementation globally, to ensure that they are responding to national and regional policy priorities, as well as to ensure support for their implementation in support of policies. Finally, CDSB sees great benefit in the representation of international experts on climate and wider sustainability issues, such as from UN agencies and the OECD, to keep apace with the latest research and developments.

This broad coalition of representatives feeding into and directing the work of a future SSB would best ensure its success in producing standards that elicit decision-useful information in the context of the company and its relations to environments and societies around it.

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)?

The list of requirements for success set out in paragraph 31 appear comprehensive and should offer a useful basis for determining the next steps for the proposed SSB.

Given CDSB's 15 years' experience and unique expertise, position in the market and collaboration with other sustainability reporting organisations, requirements (b), (d) and (f) are of particular importance, with requirements (a) and (g) also of interest.

Our thoughts on requirement (b) set out in response to Question 6, emphasising the need for continuing collaboration and a global baseline of standardised reporting for climate and wider sustainability issues. With regard to requirement (d), the achievement of technical expertise, we propose, as outlined in response to Question 5, that the key mainstream sustainability reporting organisations should become an integral part of a future SSB, so guaranteeing that the skills and expertise developed over recent years are put to appropriate use to ensure delivery of outputs that in line with the timelines required to respond to sustainability risks. In

response to requirement (f), we hold that the effective appointment of the key personnel for a future SSB will go a long way to ensure a collaborative structure and culture with financial reporting. By this, we mean ensuring that a future SSB is tooled with the expertise and skills at the interface of corporate sustainability and accounting from business, finance, regulation and reporting.

Similar to requirement (a), the mandate of CDSB is for investors and other market participants to receive decision-useful information. With that in mind, CDSB believes that support from authorities, regulators and market actors will come from a future SSB consolidating and building upon existing best practice, both corporate practice and disclosure frameworks and standards. The latter is explored in CDSB's response to Question 5 below. Finally, regarding requirement (g), CDSB sees that the most productive means of ensuring the mission and resources of the IFRS Foundation is for the relationship between IASB and a future SSB to be thoroughly and well defined, ensuring that the independence and interconnection of each is clearly articulated. CDSB further sees this as an essential component to the technical complementarity of the financial and sustainability standards.

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?

CDSB believes that the IFRS Foundation could most definitely use its relationships with key stakeholders to aid the adoption and consistent application of a climate-related and subsequent standards of a future SSB. This adoption and consistent application of these future standards will, to a significant degree, be dependent on their quality and market appropriateness. As CDSB argues elsewhere in this consultation response, we believe that the IFRS Foundation is the ideal vehicle for a future SSB to develop high-quality standards. These responses additionally offer further guidance on how the IFRS Foundation may build upon its experience and expertise to meet such demands.

Additional to the quality of the standards themselves, CDSB sees that it is essential for the IFRS Foundation to foster confidence in the standard setting processes of the SSB in the same way that it has with the IASB. In its 2017 paper on standard setting in the 21st century, Accountancy Europe set out six essential principles – legitimacy, independence, transparency, public accountability, due process, and balanced membership – to meet the expectations of stakeholders.¹¹ CDSB sees that these six principles and the accompanying guidance are essential to the possibility of a future SSB and offer the essential base for the IFRS Foundation to be able to use its relationships with stakeholders to aid the adoption and consistent application of material sustainability standards.

Question 5: How could the IFRS Foundation best build upon and work with the existing initiatives in sustainability reporting to achieve further global consistency?

In partnership with the other key international sustainability reporting organisations, CDSB has been working on how the existing frameworks and standards could be brought together to provide an architecture for global sustainability reporting. In our collaborative paper to be released in December, the five sustainability reporting organisations built on existing research and thought leadership, such as by the Corporate Reporting Dialogue,¹² IOSCO,¹³ TCFD¹⁴ and Accountancy Europe,¹⁵ and offers a proposal of what would constitute the structure, principles and content elements of a conceptual framework and climate-related disclosure standard for an

¹¹ <https://www.accountancyeurope.eu/wp-content/uploads/170609-Standard-setting-21st-century-June-2017.pdf>

¹² https://corporatereportingdialogue.com/wp-content/uploads/2019/09/CRD_BAP_Report_2019.pdf

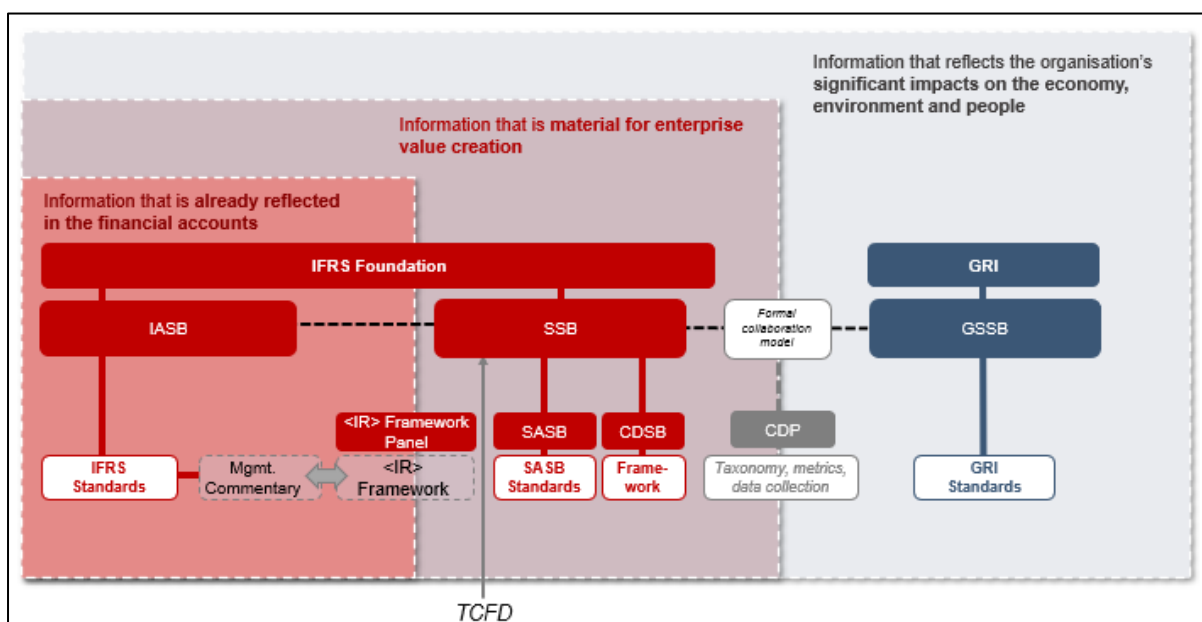
¹³ <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD652.pdf>

¹⁴ <https://www.fsb.org/wp-content/uploads/P291020-1.pdf>

¹⁵ <https://www.accountancyeurope.eu/wp-content/uploads/191220-Future-of-Corporate-Reporting.pdf>

organisation such as SSB.¹⁶ The outline of the climate-related standard offered in the paper is, importantly, aligned with and builds on the TCFD Recommendations. The paper demonstrates the complementarity of the key mainstream sustainability frameworks and standards with one another and the IFRS Conceptual Framework and Practice Statement 1 on Management Commentary. The architecture offered by CDSB and the other sustainability reporting organisations responds clearly and helpfully to this consultation, providing a productive basis for the IFRS Foundation and a future SSB in its work going forward.

With regards to how the IFRS Foundation may best work with existing initiatives, we believe that it would be most productive for progress for the key mainstream sustainability reporting organisations, such as CDSB, IIRC, SASB and TCFD, to merge and be adopted by the IFRS Foundation to become the foundation of a future SSB. CDSB are encouraged by the recent announcement by IIRC and SASB in forming a unified organisation, The Value Reporting Foundation, and see it as a concrete base to build a more unified corporate reporting system. As such, CDSB will in the coming months be endeavouring to incorporate its important work with the new body. These developments will most certainly be to the benefit of a future SSB. It should be noted, though, that to best ensure reciprocity and harmonious strategies and ambitions, we hold that a future SSB should foster a formal collaboration model with impact-focussed sustainability reporting organisations, chiefly CDP and GRI. A postulation of these proposals is illustrated below.



With appreciation of the urgency that is necessary in developing an internationally recognized climate-related standard, CDSB envisions a second path forward for a future SSB: the adoption of CDSB and its materials as a basis for the SSB. CDSB was, after all, set up in 2007 in the absence of the IFRS Foundation committing to working on climate-related disclosures, and has since then worked to adapt and build on the approaches of the mainstream report and financial statements to allow for the disclosure of decision-useful climate-related information to providers of capital. This alignment with the work of the IFRS is evident in the results presented in the collaborative paper noted above, as is that with the TCFD Recommendations. Beyond the CDSB Framework, CDSB's climate reporting expertise are evident in its climate accounting work¹⁷ and its

¹⁶ Once published, will be available from: <https://www.impactmanagementproject.com>

¹⁷ <https://www.cdsb.net/ClimateAccounting>

climate reporting guidance.¹⁸ In addition, building on its alignment with the TCFD, CDSB has supported the uptake of recommendations in a multifaceted manner, often in close partnership with the TCFD Secretariat. Taken as a whole, then, we believe that CDSB offers an efficient and effective basis for a future SSB to develop a climate-related reporting standard before broadening out to other sustainability concerns.

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?

An active bi-directional dialogue between the SSB and jurisdictional initiative is crucial to the success of the aims set out by the IFRS Foundation. It is essential that there is a *globally standardized baseline* of reporting standards that ensures comparability of a core set of information. At the same time, it is equally essential to ensure that a globally aligned reporting foundation allows for jurisdictional *extensions* to support national or regional policy priorities (e.g. the EU's sustainable finance agenda), foster innovation and thereby developing and testing approaches that may be suitable for global adoption and dissemination through the SSB.

To ensure this, the SSB should:

- Include jurisdictional representation in its governance, perhaps through a dedicated working group or advisory group or similar;
- Actively include in its work programme the stocktaking and assessment of jurisdictional developments with the aim of determining whether they should be adopted on an international level;
- Working with its jurisdictional representation, develop a model standard setting framework that allows for extensions to be developed on the national level that are compatible with an international core set of standards; and
- Similar to the role that the IASB has played in the alignment between national GAAPs, the SSB should also proactively act as a platform for dialogue and alignment to further interjurisdictional consistency between country- or regional-level nuances and extensions.

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?

CDSB agrees with the proposal for an SSB to initially develop climate-related standard before quickly and definitively broadening its focus to other sustainability issues.

From our research,¹⁹ engagement activities and wider studies,²⁰ CDSB holds that climate-related disclosure is presently the most developed area of reporting for mainstream audiences of common environmental and social issues. Indeed, the uptake of mainstream climate reporting has benefited from the development of reporting frameworks, standards, and guidance for companies, most importantly the TCFD Recommendations. A future SSB developing a climate-related standard would, therefore, have a useful array of previous work, such as the proposals of the recent collaborative paper expanded upon in response to Question 5, and existing practice to build upon as well as an already receptive audience of report preparers and users for consultation and assistance. As such, CDSB sees that the initial development of a climate-related standard for a future SSB offers the opportunity for an effective and speedy “road testing” of the standard-setting process before the remit is widened to other material sustainability issues.

In supporting the approach offered in the consultation, CDSB further suggests that it would be highly beneficial for a schedule of activities and map of imagined reporting system of a SSB to be developed

¹⁸ <https://www.cdsb.net/sites/default/files/climateguidancedoublepage.pdf>

¹⁹ https://www.cdsb.net/sites/default/files/cdsb_eu_environmental_disclosure_in_2020_spreads.pdf

²⁰ https://docs.wbcsd.org/2020/10/WBCSD_Reporting_Matters_2020.pdf

coincidentally with the climate-related standard. This would offer assurance to the market that a future SSB intends to offer reporting standards for the systemic environmental and social issues beyond climate change that are increasingly important and material for companies and investors. For example, would it be the case of developing a series of issue-specific standards, like the climate-related one proposed here, or the development of a broad sustainability framework? If the former, which issues will be broached following climate? This would offer market actors and stakeholders further confidence in the approach being undertaken, which would be further supported with proper consultation on such a schedule or proposed system for a SSB to take forward. Indeed, seeing issues and considerations that interact with material sustainability reporting included in the upcoming IASB workplan would further assure interested parties and indicate the intention of the coherent development of financial and sustainability reporting.

Question 8: Should an SSB have a focused definition of climate-related risks or consider broader environmental factors?

CDSB's original reporting framework of 2010 focused wholly on climate change, but it was later felt that material climate change issues could not be reported on in the most complete, accurate and decision-useful way if separated from interconnecting environmental issues. For this reason, the CDSB Framework expanded its scope to consider natural capital and all material environmental concerns in 2015.

Intellectually and positionally, then, CDSB would instinctively favour the consideration of broader environmental factors to achieve a systemic understanding of a company's governance and strategy, risks and opportunities, position and performance, and outlook. However, in this case, CDSB favours the former option of a focused definition for two key and interrelated reasons.

First, adopting a focused definition of climate-related risks and opportunities would streamline the development of the standard, better meeting the urgency demanded by report preparers and users. The more defined focus would allow a future SSB to build more directly on the work of the TCFD, for instance, whose recommendations have been so positively received by actors across the reporting landscape. CDSB sees that the success of the TCFD Recommendations has in part been down to its very definite remit, offering an approach that better tends towards consistency and comparability. In much the same way, a future SSB adopting a focussed definition of climate-related risks and opportunities would better ensure meeting these key characteristics of high-quality reporting and, therefore, providing the market with greater confidence in all future material sustainability standards.

As outlined in response to Question 7, CDSB sees great benefit in promptly setting out a roadmap of development for a future SSB. This would hopefully ensure those concerned that a focussed definition of climate loses the systemic interconnections of climate change with other environmental and social issues of the intention of creating a more comprehensive suite of reporting standards for material sustainability issues.

Question 9: Do you agree with the proposed approach to materiality in paragraph 50 that could be taken by the SSB?

Yes

CDSB agrees with the approach to materiality offered and believe it is essential for the decision-usefulness of sustainability information that it to be subject to the same materiality tests as other information in the mainstream report. CDSB has been advocating for such a materiality approach to climate-related and wider sustainability reporting since its founding in 2007. Additionally, while CDSB can appreciate the ambitions of employing double materiality, we share the concerns raised in paragraph 50 with respect to this and agree with the necessity of not further delaying action and initially focusing its efforts on the sustainability information most relevant to investors and other market participants.

We believe it is important, though, for a future SSB to fully appreciate the dynamic nature of materiality for corporate sustainability issues. Fast moving developments in science and technology, policy and regulation, and social and customer movements mean that the material sustainability issues of today for a particular company are likely to be different in a number of years' time in terms of composition and operational, strategic or financial impact. The appreciation of this dynamism and mutability could be expressed in the board composition and approach to standard development, for instance.

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?

Yes

CDSB believes that companies should strive to apply the same rigour and responsibility to material climate-related and sustainability information included in the mainstream report as other information in the annual report. To put such sustainability information to use in decision-making and to be weighed against or connected with financial information, investors and other users need to be assured of that it is well-supported and credible. For these reasons, CDSB sees that it should be the ambition for a future SSB to strive for information to be subject to reasonable assurance. We say this, though, appreciating that this may take a few years to achieve for certain types of sustainability information and acknowledge that limited assurance may be more appropriate for certain information types. In the meantime, it may be most beneficial for a future SSB to promote systems of quality third-party review and verification for more difficult to assure information types.

That said, we find encouragement in the recent work of IAASB on the audit of climate-related financial disclosures,²¹ which was produced in response to papers from IASB²² and AASB and AUASB.²³ CDSB sees this as evidence of readiness and responsiveness in the assurance profession to developments such as a future SSB. Indeed, in its response to the Accountancy Europe paper on interconnected standard setting, the Centre for Audit Quality (CAQ) offer support for the need for third-party assurance of sustainability information offered to investors in the mainstream report.²⁴ The letter further sets out that CAQ sees that a globally accepted set of sustainability reporting standards, as envisioned with a SSB, would very much support efforts towards the assurance, a position which CDSB also holds. By building on existing practices that the market has experience of, a future SSB could better ensure the assurance of information and make it more useful for report users.

Question 11: Stakeholders are welcome to raise any other comment or relevant matters for our consideration.

We reiterate the need for setting out a roadmap of future work, whether before or alongside a climate-related disclosure standard, for the benefit of users, preparers, and other relevant stakeholders. Similarly, it is important that the IFRS Foundation utilises and builds on existing work around XBRL and sustainability reporting, as well as broader technological developments in reporting.

In relation to a climate-related disclosure standard, we encourage the consideration of integrating the use of Science Based Targets and other non-arbitrary approaches into goal and pathway setting for companies. Such initiatives could be expanded by the IFRS to also cover the related financial risks and opportunities.

²¹ <https://www.ifac.org/system/files/publications/files/IAASB-Climate-Audit-Practice-Alert.pdf>

²² <https://cdn.ifrs.org/-/media/feature/news/2019/november/in-brief-climate-change-nick-anderson.pdf?la=en>

²³ https://www.aasb.gov.au/admin/file/content102/c3/AASB_AUASBJointBulletin.pdf

²⁴ https://www.thecaq.org/wp-content/uploads/2020/06/CAQ_Comment-Letter_Accountancy-Europe_Cogito-Paper-%E2%80%93-Interconnected-Standard-Setting-for-Corporate-Reporting.pdf

Finally, the IFRS Foundation should consider the important role of small-medium enterprises (SMEs) and how they feature in the global sustainability reporting system. Ways in which this could be explored include (but are not limited to): promoting SME representation at Board-level, and developing or tailoring standards for SMEs, such as 'Sustainability Reporting Standards for Smaller Entities'.