

July 29, 2021

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



RE: IFRS Foundation Exposure Draft on Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards

Dear Mr. Liikanen:

The Institute of International Finance (IIF), via its Sustainable Finance Working Group and its Senior Accounting Group, welcomes the opportunity to comment on the IFRS Foundation Exposure Draft on [Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards](#).

While the IIF and its member firms do not have specific comments on the proposed targeted amendments to the IFRS Foundation Constitution to accommodate an International Sustainability Standards Board (ISSB) to set IFRS sustainability standards, we would like to take this opportunity to again commend the IFRS Foundation for this important initiative, and reiterate key points conveyed in our [IIF response letter to the IFRS Foundation Consultation Paper on Sustainability Reporting](#).

The IIF has publicly communicated the position that an internationally recognized and convergent framework for the reporting of sustainability-related information, including environmental, social, and governance factors, is urgently needed.¹ While the proliferation of multiple voluntary reporting frameworks has stimulated innovation in disclosure practices, it has also resulted in a diverse array of standards, frameworks, and indicators. The widespread recognition of urgent sustainability challenges—notably climate change—as core strategic concerns for corporates and financial institutions creates a pressing imperative for alignment. We therefore fully support the IFRS Foundation’s initiative in this field and, more specifically,

¹ See, for instance, the IIF Position Paper “[Building a Global ESG Disclosure Framework: A Path Forward](#)” (June 2020).

welcome the IFRS Foundation's plan to create an ISSB as a global standard setter for sustainability reporting. We also support the IFRS Foundation's naming proposal of 'the International Sustainability Standards Board (ISSB)' and the 'IFRS sustainability standards' (Question 2).

As mentioned in our previous letter, we believe the IFRS Foundation should build on the established work and accumulated knowledge of organizations already operating in the sustainability reporting space. We therefore welcomed the IFRS Foundation's [March announcement](#) which clarified the intention to build upon the work of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Since their finalization in 2017, the TCFD Recommendations have provided a valuable framework to guide climate-related financial disclosures and should serve as the basis for any climate-related components of a broader sustainability reporting standard.

We also appreciate that the IFRS Foundation will consider the [prototype](#) proposed by the alliance of leading sustainability and integrated reporting organizations, including CDP, Climate Disclosure Standards Board (CDSB), Global Reporting Initiative (GRI), and the Value Reporting Foundation. The IIF welcomes this kind of collaboration between voluntary standard setters, which is crucial to work towards harmonization and leverage existing frameworks.

We also emphasized in our previous letter that the IFRS Foundation, recognizing different approaches to disclosure across jurisdictions, should aim to develop a common sustainability reporting framework as a baseline. We therefore welcomed the IFRS Foundation's decision to introduce a 'building blocks' approach by providing a globally consistent and comparable sustainability reporting baseline that still leaves flexibility to go beyond and capture wider sustainability impacts. To achieve such a baseline and building blocks approach, we believe that close dialogue and collaboration among jurisdictions and standard setters is a key prerequisite. In particular, the ISSB's structure should allow for other global standard-setting bodies to engage and conduct their own related activities in parallel, while avoiding overlaps and inconsistencies. It will be crucial that the work of the IFRS Foundation is not in conflict with existing (jurisdictional) frameworks, and that there is a clear and direct route towards global adoption.

We acknowledge the IFRS Foundation's decision to take an investor focus for enterprise value as well as an (initial) focus on climate-related information. We would like to reiterate our opinion that, in due course, covering ESG matters comprehensively will be key to achieving the greatest possible impact. This would ensure alignment with existing market practices, evolving supervisory expectations, and private-sector initiatives. It will also provide a path to address issues arising from the intersection of sustainability reporting and financial reporting.

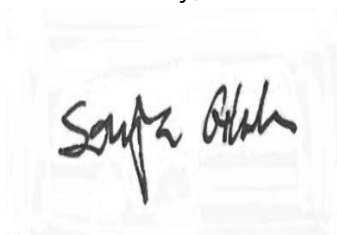
As noted in our previous letter, sustainable finance and other sustainability initiatives are a fast-moving area and rapid progress is needed on reporting. Given the urgency of the global climate agenda, faster progress is required for non-financial reporting than was needed for harmonizing

financial accounting standards—including the almost global adoption of International Financial Reporting Standards (IFRS). We therefore welcome the indicative timeline set out by the International Organization of Securities Commissions (IOSCO) in their June 2021 [Report on Sustainability-related Issuer Disclosures](#) to expect an ISSB final climate standard by June 2022. It would be beneficial for the ISSB’s timeline to be an anchor for other related efforts on climate-related reporting and disclosure so that tools, experience and expectations develop in step.

We are grateful for the opportunity to provide feedback throughout the process. Close ongoing dialogue between policymakers and the global financial services industry will be important to ensure that a harmonized framework is reflected in regulatory and policy instruments, supervisory expectations, as well as by firms in their planning processes. The IIF looks forward to playing a role in facilitating engagement between regulators, standard setters, existing frameworks, and the financial industry to achieve this objective.

We hope that you will find our comments useful and constructive. The IIF remains committed to active participation on the development of sustainability reporting and looks forward to engaging further with you on this topic. If you have any questions, please feel free to contact the undersigned at sgibbs@iif.com or aportilla@iif.com.

Yours sincerely,



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