IFAC calls for a new Sustainability Standards Board alongside the IASB

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The time for a global solution is now—to answer the demand from investors, policymakers and other stakeholders for a reporting system that delivers consistent, comparable, reliable, and assurable information relevant to enterprise value creation, sustainable development and evolving expectations. A fragmented approach perpetuates inefficiency, increased cost, and a lack of trust. Important work is underway (e.g., WEF/IBC metrics, IOSCO's task force, EFRAG's preparatory work, and alignment between the leading reporting initiatives), and these efforts should continue and ultimately contribute to the emerging global system.

STRUCTURE

- The IFRS Foundation, with an enhanced remit and composition, should create an International Sustainability Standards Board ("ISSB"), leveraging the independence and success of IFRS governance (i.e., Monitoring Board and IFRS Foundation Trustees) to develop global standards and rationalize the current fragmented ecosystem.
- Clear support from global institutions like IOSCO and appropriate funding are critical to success.
- The IASB must remain focused on financial reporting standards. Coordination between the ISSB and IASB will be necessary to avoid overlaps and gaps (e.g., Management Commentary).
- Applicability of ISSB standards should be determined (e.g., SMEs vs. PIEs).
- The ISSB should engage with both IFRS and non-IFRS jurisdictions to encourage global adoption and use.
- The ISSB should adopt a "building blocks" approach, working with and leveraging the expertise and disclosure requirements of leading initiatives, including CDP, CDSB, GRI, IIRC, and SASB.

BUILDING BLOCKS

- **Block 1:** Requirements for material non-financial information focused on company performance, risk profile, economic decisions and enterprise value creation should be the remit of the ISSB. This focus is consistent with the work of the IASB and will attract broad global support.
- **Block 2:** The ISSB should also collaborate with respect to reporting requirements designed to address broader, material sustainable development and company impacts on economy, environment, and people. These requirements may ultimately be incorporated or endorsed into ISSB standards.
- **Block 3:** The system should accommodate supplemental jurisdictional requirements to support local public accountability. These should not detract from Blocks 1 or 2 and may be absorbed into them over time.
- **Framework:** Financial and non-financial information should be connected through a conceptual framework. Integrated reporting principles and the work of TCFD should serve as a starting point.

GLOBAL APPROACH

A new standard setting board is necessary to build and coordinate a coherent global system of interconnected corporate reporting.

COMPLETING THE ECOSYSTEM

- Corporate governance must evolve to provide effective oversight of expanded reporting obligations.
- Enhanced corporate controls and data systems will be necessary to generate high quality information.
- Assurance is a necessary component of the global system. The work by the IAASB will play a critical role.
- Reporting standards and assurance processes must be digital ready.
- Professional accountants and firms need to continue to enhance their competencies to prepare and assure this new information and work closely with experts in sustainability and other fields.
- Providers of sustainability/ESG ratings, rankings or indices should embrace the development of global reporting requirements so that consistent, comparable, reliable, and assurable information can be incorporated into their work.
- Public sector reporting should also evolve to require more comprehensive information.

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