



20 August 2021

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

Via email: commentletters@ifrs.org

Dear Sir/Madam,

Re: Exposure Draft Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards (the “ED”)

The Corporate Reporting Users’ Forum (CRUF) are delighted to respond to the IFRS Foundation’s consultation on the Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards.

The CRUF was established in 2005 and we have been holding regular meetings since. The CRUF ESG subgroup has prepared this comment letter based on discussions in CRUF meetings and has reflected input from territory CRUFs globally.

Responses to the questions raised in the consultation that relate to the issues that concern investors are set out below. As always, we do not seek to reach a consensus within the CRUF but to reflect a broad spectrum of users’ views. Our comments are based on our professional experience as users of corporate reporting.

Overall comments

The CRUF supports the proposed targeted amendments to the IFRS Foundation Constitution to accommodate an International Sustainability Standards Board (“ISSB”) to set IFRS Sustainability Standards, in addition to its International Accounting Standards Board (“IASB”) setting IFRS Accounting Standards. This support derives from a clear need for the standardisation of sustainability information disclosed by companies and a consolidation of the plethora of topical sustainability protocols that are currently being developed. CRUF believes that the existing IFRS framework for international accounting standards will be a good basis and starting point for developing and setting international sustainability standards. We are pleased that a number of the views we expressed in our [response](#) to the IFRS Foundation’s consultation paper on sustainability reporting dated 23rd December 2020 are reflected in this ED.

The CRUF agrees with the views reached by the Trustees in the introduction to the ED that:

- The new board would focus on information that is material to the decisions of investors and other participants in the world’s capital markets (recognising an investor focus on enterprise value).

- Due to the urgent need for better information about climate-related matters, the new board would initially focus on climate-related reporting while also moving quickly to work towards meeting the information needs of investors on other environmental, social and governance (ESG) matters.
- The new board would build on the well-established work of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD), as well as work by the alliance of leading standard-setters in sustainability and integrated reporting focused on enterprise value.
- 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 CRUF ESG subgroup is keen to focus its time on the work of the IFRS Foundation in developing the ISSB and IFRS Sustainability Standards, initially in the climate-related areas. We also request that the IFRS Foundation acts urgently to form the ISSB given the obvious need for swift changes in global behaviour. The IFRS Foundation should understand that the user voice will be particularly important in this respect. It will also be important that this process is not delayed or distracted by any over-politicisation or virtue-signalling by vested interests outside of corporate reporting users. As a result, the CRUF ESG subgroup offers itself to the IFRS Foundation and ISSB, when formed, as a sounding board for feedback, ideas and comments in developing its sustainability standards.

We have no significant concerns with the proposed Constitution. However, we would like to raise our concerns in respect of developing sustainability standards more generally, but understand that these may need to wait until the ISSB is set up and relevant projects start. Our concerns include:

- How materiality should be determined;
- Greenwashing and the potential for preparers to provide boilerplate reporting;
- How widely the standards will be endorsed and/or adopted; and
- Whether any reporting under the sustainability standards will need assurance.

CRUF's responses to the consultation questions

Question 1: Do you agree that the amendments proportionately reflect the Trustees' strategic direction, considering in particular:

(a) the proposed amendments to the objectives of the Foundation, outlined in the proposed new section 2b of the Constitution, as set out in Appendix A; and

(b) the proposed amendments to reflect the structure and function of the new board, outlined in the proposed new sections 43–56 of the Constitution, as set out in Appendix A?

Yes, except for section 45.

In respect of section 45, we suggest Africa should have three members (rather than one), increasing the overall board numbers, to provide a better cross-continental balance.



Question 2: On the potential naming of the new board and its associated standards, do you agree that 'the International Sustainability Standards Board (ISSB)' setting 'IFRS sustainability standards' accurately describes the function of the new board and its associated standards?

Yes.

We support the retention of the Foundation's formal name, the IFRS Foundation, for the reasons stated in the ED.

Question 3: Do you agree with this proposed consequential amendment, outlined in proposed new sections 60 and 61 of the Constitution, as set out in Appendix A?

Yes.

Question 4: Are there any other matters you would like to raise in relation to the proposed targeted amendments to the Constitution?

No, we have no other matters or concerns to raise.



About the Corporate Reporting Users' Forum (CRUF)

The CRUF was set up in 2005 by users of financial reports to be an open forum for learning about and responding to the many accounting and regulatory changes that affect corporate reporting. In particular, participants are keen to have a fuller input into the deliberations of accounting and auditing standard setters and regulators. CRUF participants include buy and sell-side analysts, credit ratings analysts, fund managers, investors and corporate governance and ESG professionals. Participants focus on equity and fixed income markets. The Forum includes individuals with global or regional responsibilities and from around the world, including Australia, Canada, France, Germany, Hong Kong, India, Japan, New Zealand, South Africa, UK and USA.

The CRUF is a discussion forum. Different individuals take leadership in discussions on different topics and in the initial drafting of representations. In our meetings around the world, we seek to explore and understand the differences in opinions of participants. The CRUF does not seek to achieve consensus views, but instead we focus on why reasonable participants can have different positions. Furthermore, it would not be correct to assume that those individuals who do not participate in a given initiative disagree with that initiative. This response is a summary of the range of opinions discussed at the CRUF meetings held globally. Local country differences of opinion are noted where applicable.

Participants take part in CRUF discussions and joint representations as individuals, not as representatives of their employer organisations. Accordingly, we sign this letter in our individual capacity as participants of the Corporate Reporting Users' Forum and not as representatives of our respective organisations. The participants in the Forum that have specifically endorsed this response are listed below.

Signatures

Charles Henderson

UK Shareholders' Association

Prof. Dr. Ralf Frank

GISMA Business School

Jane Fuller, FSIP

Peter Parry

UK Shareholders' Association

Peter Elwin

Greg Collett CFA

Pictet Asset Management



Lothar Weniger
ALIAG

Chie Mitsui
Nomura Research institute

Yosuke Mitsusada

Naoki Hirai
Nomura Securities Co., Ltd