December 22, 2020

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

By e-mail: commentletters@ifrs.org

Re: IFRS Foundation Consultation Paper on Sustainability Reporting

Dear IFRS Foundation Trustees:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 22,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above-captioned consultation paper.

The NYSSCPA's Sustainability Accounting and Reporting Committee deliberated the consultation paper and prepared the attached comments. If you would like additional discussion with us, please contact Ilene L. Persoff, Chair of the Sustainability Accounting and Reporting Committee, at (631) 427-4545, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Edward L. Arcara
President

Attachment

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

IFRS FOUNDATION CONSULTATION PAPER ON SUSTAINABILITY REPORTING

December 22, 2020

Principal Drafters

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New York State Society of Certified Public Accountants

Comments on

IFRS Foundation Consultation Paper on Sustainability Reporting

We welcome the opportunity to respond to the International Financial Reporting Standards (IFRS) Foundation's invitation to comment on its *Consultation Paper on Sustainability Reporting*. We offer our responses to the Questions for Consultation below.

Questions for Consultation

Question 1: Is there a need for a global set of internationally recognized sustainability reporting standards?

(a) If yes, should 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?

Response: Yes, there is an urgent need for a global set of generally accepted sustainability accounting and reporting standards. The current issue is that the existence of multiple Environmental, Social and Governance (ESG) standards and reporting frameworks, covering different countries and industries, has created confusion and a rationale for companies to wait, before reporting anything. When companies do report, their reports lack consistency and comparability.

1(a): The IFRS Foundation has tremendous influence as its financial reporting standards are mandatory in 144 jurisdictions. It is a natural extension to expand their global leadership role by setting international sustainability accounting and reporting standards.

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?

Response: This structure is the best approach to establishing consistent and comparable international sustainability accounting and reporting standards. Standardization will advance the goal of comprehensive corporate reporting, by creating a single globally recognized authority for guidance on both financial and sustainability reporting, which would in turn facilitate the creation of integrated reports.

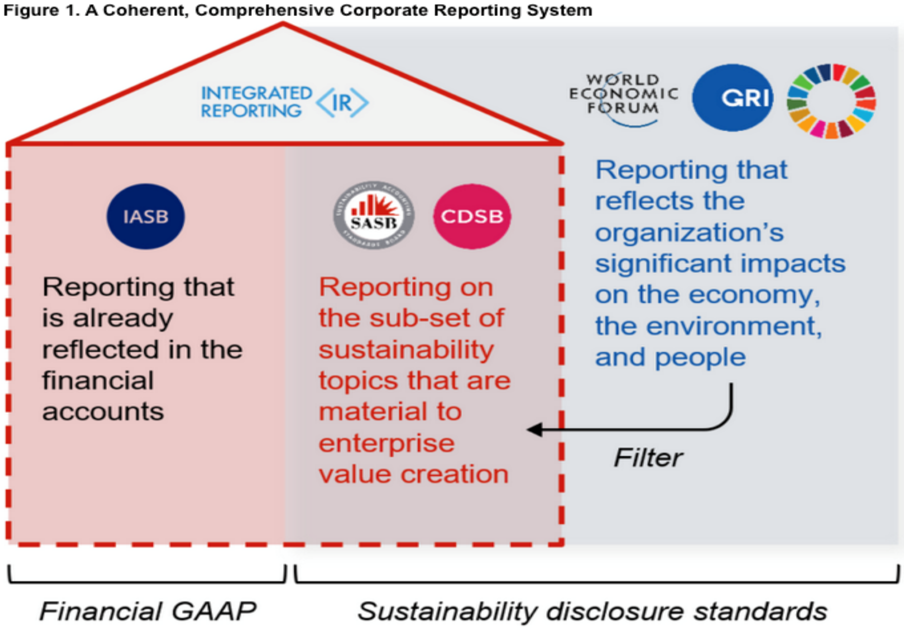
Question 3: Do you have any comment or suggested additions on the requirements for success as listed in paragraph 31 (including on the requirements for achieving a sufficient level of funding and achieving the appropriate level of technical expertise?

Response: In regard to an appropriate level of technical expertise (paragraph 31(d)), we believe the IFRS Foundation should avoid the expenses, conflicts and delays that will occur if they strive to recreate the existing expertise and processes of the leading sustainability and integrated reporting organizations, namely the Carbon Disclosure Project (CDP), the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC), and the Sustainability Accounting Standards Board (SASB), referred to as the "Group of 5." We suggest providing seats on the envisioned SSB board to at least two representatives from the Group of 5 and encourage the SSB to delegate a significant amount of their work to the Group of 5. Regarding paragraph 31(e) for a sufficient level of funding, the IFRS Foundation may want to consider requiring support fees from corporate issuers, investors and their auditors.

Question 4: Could the IFRS Foundation use its relationship with stakeholders to aid the adoption and consistent application of SSB standards globally? If so, under what conditions?

Response: Yes. It is important for the IFRS Foundation to build upon the work they are doing with the International Organization of Securities Commissions (IOSCO), the Task Force on Climate-related Financial Disclosures (TCFD) and with the Corporate Reporting Dialogue (CRD) which includes the Group of 5 as described in Annex C. We believe that by continuing to work with these stakeholders, it will help the SSB create global sustainability standards. The Group of 5 co-authored a "Statement of Intent to Work Together Towards Comprehensive Corporate Reporting" (Joint Statement). The Joint Statement "…identifies the key building blocks in that [coherent, comprehensive corporate reporting] system." [1] The figure below illustrates how they might fit together under the IFRS umbrella (See Figure 1). We concur with this depiction as illustrated in Figure 1 from the SASB blog.

Figure 1. A Coherent, Comprehensive Corporate Reporting System



Source: Joint Statement and SASB blog dated 11/6/20 by Janine Guillot, CEO

[1] "IFRS Foundation Aims for Coherence, Not Complexity - SASB," by Janine Guillot, www.sasb.org/blog dated November 6, 2020.

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

Response: The year 2020 saw two major initiatives/developments in sustainability reporting: 1) the Joint Statement by the Group of 5, and 2) the World Economic Forum International Business Council's (WEF IBC) white paper titled "Measuring Stakeholder Capitalism Towards Common Metrics and Consistent Reporting of Sustainable Value Creation.". As SASB stated, "we believe this shared vision [in the Joint Statement] can serve as a useful starting point for the [IFRS] Foundation's work."[2] We concur with this statement from SASB; the IFRS Foundation should build upon the work in the Joint Statement and structure the SSB in a manner that maintains the ongoing involvement of the Group of 5 as illustrated in Figure 1 above.

In addition, the WEF IBC white paper is based upon existing standards from the Group of 5; that white paper could serve as the basis for SSB's first global standards. The most efficient and effective way to start harmonizing the SSB's standards is by adopting and supporting these two initiatives and not signaling that everyone should stand by while the envisioned SSB comes up with its unique standards.

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?

Response: We concur with the Joint Statement's "approach to harmonisation, which acknowledges the established role of Financial GAAP and the differing perspectives of regulatory jurisdictions around the world on mandating sustainability disclosure to investors and/or all stakeholders" [Joint Statement, p.13]. By adopting this approach, SSB can use this as a global initiative to cooperate with regional and jurisdictional public policy initiatives, especially with the European Union, e.g., with their Non-Financial Reporting Directive.

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 the areas of sustainability reporting?

Response: No, the SSB should not limit itself to only climate-related disclosures. The SSB should address, as SASB stated "the full range of sustainability factors that are material to enterprise value creation - <u>E, S, and G</u> - while also prioritizing one of the most urgent of those issues: climate change."[3]

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

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[2] "IFRS Foundation Aims for Coherence, Not Complexity - SASB," by Janine Guillot, www.sasb.org/blog dated November 6, 2020.

[3] "IFRS Foundation Aims for Coherence, Not Complexity - SASB," by Janine Guillot, www.sasb.org/blog dated November 6, 2020.

Response: Paragraph 43, describes the WEF IBC initiative as proposing "a flexible structure that would initially focus on climate but would be able to enlarge its scope in due course." Consistent with our response to Question 7, we see no reason for the envisioned SSB to limit its remit to only climate-related disclosures. This is another reason for our view that the SSB should structure itself to delegate to and coordinate with the Group of 5 in the Joint Statement.

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

Response: We agree and concur that it is consistent with the work of the International Accounting Standards Board (IASB).

Question 10: Should the sustainability information to be disclosed be audit-able 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.

Response: As CPAs, we believe that a company's sustainability report must be auditable and subject to external assurance. We highly recommend two levels of assurance in accordance with the American Institute of Certified Public Accountants (AICPA) Attestation Standards: 1) "Examination engagement" - the accountant (or CPA) "obtains reasonable assurance,", or 2) "Review engagement" - the accountant (or CPA) "obtains limited assurance."

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

Response: We have the following recommendations:

1. Amend the name of the SSB to: International Sustainability Standards Board (ISSB) which is consistent with IFSB and IASB. It will also distinguish itself better from the SASB.

2. We recommend the term Sustainability Accounting to describe the field of ESG reporting, sustainability disclosure, sustainability reporting, etc.

3. Develop an International Glossary on Sustainability Terms, to include such terms as: sustainability, sustainability accounting, ESG Reporting, double materiality, climate-related risks, etc.