

Response to IFRS Foundation Consultation Paper on Sustainability Reporting

Overview

The Irish Funds Industry Association (“**Irish Funds**”) is the representative body for the international investment funds industry in Ireland. Our members include fund managers, fund administrators, transfer agents, depositaries, professional advisory firms and other specialist firms involved in the international fund services industry in Ireland. By enabling global investment managers to deploy capital around the world for the benefit of internationally based investors, we support saving and investing across economies. In regard to those activities, we are highly supportive of the goals of sustainable finance and engaged on this agenda, in particular in relation to the various policy initiatives under the EU’s Action Plan on Sustainable Finance.

We are keen to ensure that industry is well positioned to rise to the challenges and harness the opportunities that the sustainable finance agenda presents. We are also keen to ensure that investors have sufficient information regarding sustainability matters in order for them to make informed decisions. Consequently, we fully recognise the need for and benefit of a consistent, common international framework on sustainability reporting that will provide the bedrock for sustainable finance.

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?

We are supportive of and agree with the need for a global set of internationally recognised sustainability reporting standards to allow for consistency, comparability and transparency of reporting for all stakeholders.

The IFRS Foundation’s track record and expertise in standard-setting, and its relationships with global regulators and governments around the world, does place the IFRS Foundation in

a strong position to play a significant role in this area, as long as the appropriate technical expertise can be added and also being mindful of the need to consider industry specific requirements. It is also imperative that the IFRS Foundation build upon and work with the existing initiatives in sustainability reporting. We think that the role of the IFRS Foundation should be to foster convergence and then help with the endorsement of the work that has already been carried out, rather than starting from scratch.

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?

The framework and procedures of the IFRS Foundation could be adapted by the SSB, however, having a clear distinct board responsible for the sustainability standards does make sense as the expertise required for the sustainability reporting standards would be different to the skills required for financial reporting standards. The SSB would need to bring in specific expertise, at both governance and staff levels, and should draw on the capabilities of the existing private sector initiatives.

The separate board would also reinforce the focus of the SSB on meeting the needs of investors and other primary users of corporate reporting in relation to material sustainability factors to support economic decision making.

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)?

We agree with the requirements for success as listed and we would note the need to allow for the involvement of industry body expertise to ensure that sector / industry specific requirements are incorporated.

A key requirement of success is one of urgency. This is needed as there are various existing frameworks, so time is an important factor here to mitigate against further divergence.

A factor in the success of the existing sustainability framework and standards setters is the community that they have built of reporters and users of sustainability information. The SSB would, through its relationship with the IFRS, bring to that community the supranational and national regulators and public policy bodies that will play a central role in ensuring the global adoption.

The key measure of success is implementation by all financial reporting oversight bodies, irrespective of IFRS users or any other financial reporting frameworks.

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?

In order to ensure a global set of consistent and comparable SSB standards, it is imperative that the IFRS Foundation makes full use of its relationships with all stakeholders to ensure that there is full backing, support and engagement. Key stakeholders should potentially be brought on to the SSB to ensure the required technical expertise is represented.

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

A lot of very good work has already been carried out and it is important for the IFRS Foundation to not start from scratch. A consultative consensus driven approach to streamline the existing initiatives into a single consistent global framework is required. The aim of the IFRS Foundation is to reduce complexity so the aim here should not be to add another layer of reporting.

Communication is key and all stakeholders should be invited to a roundtable open discussion to agree and support the path forward.

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?

As with our response to Question 5 – early engagement, clear, open communication and building on the strong foundations already laid is the key path forward for a global solution for consistent sustainability reporting.

It would make sense for the SSB to map the existing and proposed public policy measures (market and sector level). This can assist in identifying what is broadly a common approach and thus could be considered for a global standard and what is region- or market-specific and should be kept local and supplementary to a globally adopted standard. Again, we want to avoid duplication of work and compliance.

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?

Taking into account the reasons outlined, especially with regard to the urgency of action to ensure convergence, we agree with this approach.

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

As a first step the SSB should focus on defined climate-related risks and disclosures before broadening the scope into other areas. It should be ensured that definitions and requirements are aligned and consistent with those already covered by the various existing initiatives and regulations.

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

We agree with the proposed approach by the SSB. The materiality benchmark should be driven by financially material business relevant ESG factors. A well-defined materiality framework on an industry sector specific basis relating to non-financial information would aid in bringing clarity and consistency. This would also make the information and disclosures more relevant to the user, as they would be disclosed in line with industry sector guidelines.

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

Independent third-party assurance over the non-financial disclosures will enhance the integrity and credibility of the information which is disclosed. A specific assurance standard will need to be developed and should be on an international and sector-specific basis. Transition in the level of assurance being provided (from limited to reasonable assurance) may be on a progressive basis, given the evolving nature of this area.

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

Not all information which is included within the annual report and financial statements (potentially including the disclosure of ESG risks which have been deemed to be financially material) is covered by the statutory audit opinion. Therefore, the potential for the non-financial information to be included in a separate report, which would be issued at the same time as the annual report, should be considered. While there are pros and cons to such an approach, having two separate reports would clarify to the reader the information which is covered by each opinion. The separate sustainability report would also align with the development of the separate sustainability standards board. This would also reflect the increasing importance of these non-financial disclosures.