

December 28, 2020

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

**Re: IFRS Foundation *Consultation Paper on Sustainability Reporting***

Dear Mr. Liikanen & the IFRS Foundation Trustees,

CBARI is The Brazilian Network for Integrated Reporting. Since 2012 we have been engaged in sponsoring Integrated Reporting Framework in Brazil. Our efforts are a consequence of realizing that financial information and ESG one (environmental, social responsibility and corporate governance) should be presented upon an integrated platform in such a way that stakeholders would have a holistic view of the company. Thus, we understand that IFRS Foundation can play a unique role of establishing standards for sustainability reports that would be aligned to the same high-quality ones now produced for financial purpose.

CBARI accounts for approximately 734 independent participants (accountants, practitioners, academic, sustainability consultants, market associations) who met online on December 15, 2020 in order to consolidate the answer to the eleven questions presented in your Consultation Paper hereby presented.

### **Questions for Consultation**

**1. Is there a need for a global set of internationally recognized sustainability reporting standards?**

Sustainability reports continue to gain importance for the market. Despite differences in scope and motivation, all stakeholders share a common message: **there is an urgent need to improve consistency and comparability in sustainability reports.**

CBARI understands that there is only one possible answer to this question: **YES**, the world needs a set of global standards for sustainability reporting. Although the importance of the information presented in sustainability reports is no longer contested, the proliferation of standards that today exist far from contributing to their broad adherence and quality, has resulted in confusion in the market that assume these standards as competing with each other instead of non-for-profit initiatives. Additionally, these standards do not have any

mechanism that protects the public interest and companies choose which standard to use due to its better presentation to the market. Such practice hinders comparability and makes the process of generating assurance standards for such reports difficult to be achieved.

**(a) If yes, should the IFRS Foundation play a role in setting these standards and expand its standard-setting activities into this area?**

**YES.** IFRS foundation already has in place a due process and governance structure that make **IFRS standards acceptable and respected by market and regulators cross the world.** CBARI understand that sustainability reports made by IFRS Foundation structure would be more likely to make financial and “ESG” information integrated.

Additionally, we endorse the open letter from CDP, CDSB, GRI, IIRC, and SASB that says:

*Our standards and frameworks act as a starting point for the technical content, while the IFRS Foundation could provide an appropriate governance architecture to achieve global acceptance. Integration with the IFRS Foundation’s governance and oversight could deliver internationally-accepted institutional arrangements for sustainability disclosures relevant for the capital markets, ensuring robust governance, rigorous due process and independent standard-setting, within the context of accountability to public authorities who foster outcomes that are in the public interest. This public/private model has proven to be effective in leading to general acceptance and widespread adoption of financial accounting standards.*

We also endorse IFAC’s response to the present Consultation

*A framework such as Integrated Reporting, in conjunction with the IASB’s Management Commentary, and the work of the TCFD with respect to climate can provide the basis for connecting financial and sustainability reporting. However, the new board’s initial focus should not be diverted from its standard-setting work. The IIRC’s recent strategic consultation, along with its merger with the SASB, provides an opportunity to enhance a framework that accommodates a global system for sustainability reporting and connects it with financial reporting.*

- 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?**

YES. The structure, governance and due process currently in place at the IFRS Foundation form the fundamental basis for the sustainability reporting standards created by it to be quickly recognized and accepted by markets and regulators.

However, it is essential that there is no conflict with the activity, staff and budget today dedicated to the IASB and IFRIC. For that, the creation of SSB becomes the natural solution. However, it must be ensured that the SSB is equipped with a Board, Advisory Council and staff of sustainability experts. The Board of Trustees will also need to be expanded to include specialists on the subject. IFRS Foundation should consider the possibility of inviting the current standards setters on sustainability to be part of SSB either as Board Members and/or Advisory Council participants.

- 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)?**

CBARI understand that IFRS Foundation has done a very good job in mapping what should be done in paragraph 31. As for the budget requirement, we are of the opinion that there is enough interest for good and comparable sustainability standards in the world for an appeal for sponsoring to find a positive response from market institutions.

- 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?**

YES, CBARI understands that the current relationships between IFRS Foundation and its stakeholders would help to prepare the path for acceptance of sustainability standards in the future by markets and regulators.

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

CBARI endorses the response of IFAC that recommends the building block approach.

**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?**

CBARI understand that, even though some jurisdictions already have initiatives related to sustainability reports, they would welcome the possibility of having a global set of standards that would make those reports comparable across the world. As a great part of these jurisdictions are users of IFRS for accounting reports, standards enacted by IFRS Foundation would be more likely to be endorsed by their regulators.

**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?**

CBARI understand that to start with climate-related standards would give SSB some time to consolidate its mission as, due to TCFD initiatives, climate related reports are ahead of other sustainability aspects. Notwithstanding, we think that might be viewed as a reduction of those additional aspects in importance, which would not be advisable. So we do recommend that SSB starts with a more balanced program from the beginning.

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

CBARI endorses the position of IFAC and GRI for this question.

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

No. CBARI understand that a single materiality approach would fail to deliver the necessary consideration to ESG aspects and thus make SSB just one more standard setter to address specific sustainability aspects.

**10. 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?**

**Yes.** CBARI considers that the possibility of being auditable is of utmost importance to grant reliability to sustainability reports. As a result, we fully endorse IFAC response to this question.

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

CBARI endorses the additional points presented by IFAC related to SMEs, emerging economies, technology and data & information services.



**Vania Maria da Costa Borgerth**  
Head of CBARI