

29 July 2021

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

Dear Trustees,

RESPONSE TO EXPOSURE DRAFT (ED) ON PROPOSED TARGETED AMENDMENTS TO THE IFRS FOUNDATION *CONSTITUTION* TO ACCOMMODATE AN INTERNATIONAL SUSTAINABILITY STANDARDS BOARD TO SET IFRS SUSTAINABILITY STANDARDS

The Institute of Singapore Chartered Accountants (ISCA) appreciates the opportunity to comment on the ED above published by the IFRS Foundation Trustees (the “Trustees”) in April 2021.

ISCA sought views from its members through a one-month public consultation and from the ISCA Sustainability and Climate Change Committee (formerly known as the Corporate Reporting Committee) which comprises individuals with significant experience and subject matter expertise in sustainability-related matters, including experienced practitioners from large accounting firms.

We are delighted to hear about the widespread global support for the IFRS Foundation to play a role in sustainability reporting. We are further encouraged by the Trustees’ decision to proceed with proposed plans for a new board to build on existing frameworks to accelerate convergence in global sustainability reporting standards focused on enterprise value. Already, the proposed plans have brought leading standard-setters and important stakeholders together under the IFRS Foundation’s newfound mission to address fragmentation in sustainability reporting standards, and we are optimistic that this momentum will continue to grow.

We agree broadly with the proposed targeted amendments to the IFRS Foundation *Constitution*, as set out in Appendix A of the ED, to accommodate an International Sustainability Standards Board (ISSB) to set IFRS sustainability standards. The amendments impose an appropriate structure and discipline for standard-setting, yet still retaining sufficient flexibility for the ISSB to issue sustainability reporting standards on a timely basis to meet urgent needs.

Notwithstanding this, we would like to provide our feedback to Questions 1 and 2 in the ED.

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?

1. Additional differentiation required between the International Accounting Standards Board (IASB) and ISSB

The ED explains that the proposed amendments to create the ISSB deliberately reflect the structure and function of the IASB where possible, with deviations to allow for the ISSB to reach an appropriate level of maturity in its standard-setting and develop its technical expertise within the confines of the Trustees' strategic direction.

The ED also clarifies that the ISSB would focus on information that is material to the decisions of investors and other participants in the world's capital markets. By extension, the strategic direction of the ISSB will be to develop standards for reporting on sustainability matters that create or erode enterprise value. This would ensure that the ISSB's standards remain aligned with the IFRS Foundation's current mission and expertise and do not necessitate a fundamental restructuring of the IFRS Foundation's governance model.

While we value the intention for alignment with IASB, we feel that further differentiation is required to distinguish the ISSB from the IASB, especially on the objectives set by the IFRS Foundation for the ISSB as stated in Section 2b of Appendix A.

Section 2b of Appendix A states that the objectives of the IFRS Foundation are:

through the ISSB, to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted sustainability standards based upon clearly articulated principles.

These standards should require high quality, transparent and comparable information in corporate reports to help investors and other participants in the world's capital markets in their decision-making and connect with multi-stakeholder sustainability reporting.

- (i) Clarity on the scope of the standards

We are concerned that the link to sustainability reporting in the objectives of the ISSB might be too tenuous by only stating that the reported information should *connect* to multi-stakeholder sustainability reporting. It is also not immediately clear what is meant by connecting with multi-stakeholder sustainability reporting.

This makes it plausible that the objectives of the ISSB may be interpreted as a precursor to sustainability reporting or separate from it altogether. In any case, this does not proportionally reflect the strategic direction of standard-setting by the ISSB that is laid out in paragraph 2 of the ED.

(ii) Consideration of stakeholders beyond capital markets

Sustainability reporting encompasses topics that are wide-ranging and rapidly evolving. These topics could go beyond only the needs of investors and other participants in the world's capital markets.

As it is becoming increasingly clear that the impact from corporate actions is not limited only to investors or capital markets participants, it would be meaningful for the objectives of the ISSB to be inclusive of the needs of other stakeholders as well. We suggest for this to be considered in the objectives under Section 2b of Appendix A.

On a related note, we wish to also suggest for the addition of more robust requirements in Section 46 of Appendix A for the engagement of relevant stakeholders. These stakeholders could be specified to include civil society, labour, trade associations, non-governmental organisations and governments to ensure the perspectives of key stakeholders are obtained as part of the standard-setting process.

2. Engagement between the IASB and ISSB

The Trustees have identified the development of a structure and culture that seek to build effective synergies with financial reporting as a key requirement for success. However, the proposed structure and division of chapters in the *Constitution* give an impression, even if only visually, that the IASB and ISSB are two distinct boards and operate individually.

We believe that it is essential, moving forward, for both IASB and ISSB to work together closely to avoid unnecessary divergence in requirements, which could cause further confusion amongst users.

We recommend for the Trustees to consider institutionalising the common vision and mutual goals of both the IASB and ISSB in the objectives of the IFRS Foundation, as set out in Section 2 of Appendix A. These should include the joint development of disclosures on topics with both financial reporting and sustainability reporting implications.

To support this objective and provide how it can be achieved, the Trustees should also dedicate a chapter in the *Constitution* to details on the relationship and engagement between the IASB and ISSB. This chapter could include guidelines for representatives from both Boards to (i) observe the meetings of both Boards; and (ii) meet periodically and discuss pertinent updates or issues. It is also equally important to minimise any duplication of effort in standard-setting activities by clearly stating the boundaries of the Boards' individual responsibilities and how these parameters interplay with each other.

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?

1. Potential ambiguity over exact scope of the standards developed by the ISSB

It is not obvious from the term "IFRS sustainability standards" that the standards relate to information in sustainability reporting or corporate sustainability actions/decisions. Moreover, the objectives in Section 2 of Appendix A refer to the standards developed by the IASB as "financial reporting standards", whereas those developed by the ISSB are referred to as "sustainability standards". The inconsistency in terms used for the IASB and ISSB could create unnecessary confusion that the scope of the ISSB's standards extends beyond reporting.

We suggest for the standards developed by the ISSB to be named "IFRS sustainability reporting standards" for the avoidance of doubt.

Similarly, we would like to suggest for the word "reporting" to be included in the new board's name, i.e. International Sustainability Reporting Standards Board. Without the word "reporting", the term "sustainability" implies a very broad remit.

Should you require any further clarification, please feel free to contact myself, Mr Terence Lam, Senior Manager, or Mr Donaphan Boey, Manager, Technical: Sustainability & Climate Change, from ISCA via email at jumay.lim@isca.org.sg, terence.lam@isca.org.sg, or donaphan.boey@isca.org.sg respectively.

Yours faithfully,



Ms Ju May, LIM
Deputy Director
TECHNICAL: Financial Reporting;
Ethics & Specialised Industries;
Audit & Assurance;
Sustainability & Climate Change