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FAR response to IFRS Consultation Paper on Sustainability Reporting

FAR, the institute for the Accountancy Profession in Sweden, is responding to the IFRS foundation invitation to comment on the Consultation Paper on Sustainability Reporting. Overall, we support the IFRS consultation. FAR believe that IFRS foundation is a suitable organization with sufficient global recognition and experience in standard setting. For the reporting standard to be recognized and not only a “new” standard among others, FAR believe that the standard should be global and ensure that the standard developed is suitable for assurance. FAR and the audit profession have an important role to play in quality assured sustainability reporting and welcome a continued collaboration with IFRS foundation.

1. Is there a need for a global set of internationally recognized 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?

Yes, a global standard is needed to ensure consistent and comparable sustainability reporting. It is FAR’s opinion that IFRS foundation with its global reach and recognition is well positioned to take the role of developing these standards.

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, FAR believe this is an appropriate approach.

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)?

FAR supports the suggested requirements for success listed in paragraph 31. In addition, FAR would argue that it is essential to decide and clearly disclose who the reporting is for and the purpose of such reporting.



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?

IFRS Foundation with its global reach, recognition and experience in develop and implement global standards is a clear advantage in implementing consistent application of SSB standards globally.

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

IFRS Foundation should build upon and work with existing initiatives. FAR believe that there is not one single framework or initiatives that should be adapted but build on the existing ones. The World Economic Forum and its "Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation" is one example of such approach. FAR also believes in the concept of Core and expanded metrics concept suggested by WEF and something to consider by the IFRS Foundation.

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?

For companies active in Europe it is essential that IFRS foundation leverage on the work performed by EU (EFRAG), as companies under EU law will be obliged to follow the reporting requirements set by EU. In the same manner IFRS Foundation need to ensure other requirements in other jurisdictions as well as stock market requirements. It is essential to ensure a common framework rather than just another framework/standard.

In addition, FAR would like to emphasize that speed is essential as many initiatives are developing right now.

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?

IFRS Foundation should focus on a broader disclosure than only climate-related financial disclosure. FAR acknowledges that climate-related disclosures are a priority for many, but an only climate-related approach would not meet stakeholders expectations and needs. As such there would need to be parallel reporting with the suggested approach and this would risk substantial extra burden on companies and also potentially harm initial consistent reporting.

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

As described under question 7 FAR believe that SSB should take a broader focus than only climate-related factors. Important to consider however is scope and boundaries of the reporting to ensure comparability and burden on companies. Consider the Core and expanded approach as mentioned under question 5.

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

Yes, FAR agrees with the suggested approach to initially focus on the sustainability information most relevant to investors and other market participants.

SSB should be open to expand scope as the standards evolve and potentially also the change of information relevant to investors and other market participants.

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, the ultimate goal must be same level of assurance for sustainability information as financial information in a combined report. However, one should acknowledge that this is a journey and limited assurance may be the first step. The audit profession is well suited to perform this assurance. The profession has long experience of such assurance and its stakeholders. The profession is also independent and governed by clear ethical rules and overseen by oversight body in respective jurisdiction.

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

FAR would like to stress the importance to interconnect with the efforts performed by EU to ensure consistent standards.

We would also like to emphasize that this should not only be a sustainability reporting effort. It is essential that financial reporting evolved together with the progress of sustainability reporting. IFRS Foundation is well suited to ensure that this happen.

Lastly, depending on the complexity of the standard IFRS Foundation should ensure to consider the small and medium-sized enterprises by possible proportionate reporting in accordance to a future standard.

FAR



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