



IFRS Foundation  
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Canary Wharf  
London E14 4HD  
United Kingdom

19 August 2021

Dear Trustee,

**Re: IFRS Foundation Exposure Draft: Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards**

BUSINESSEUROPE is pleased to provide comments on the Exposure Draft (ED). As we stated in our comment letter to the IFRS Foundation Trustees Consultation Paper on Sustainability Reporting, if sustainability reporting standards should be developed, BUSINESSEUROPE believes that in principle, this would be more appropriate at international level, based on existing international reporting frameworks. This could help with the consolidation and convergence of sustainability reporting standards, ensuring a more level-playing field for companies operating globally. It could also help to increase the global comparability and transparency of reports, where this is necessary, feasible and desirable. When this is the case, at the very least, companies should have flexibility to report on the sustainability information considered material/relevant, taking account of their specificities.

The diversity between companies means that ensuring comparability is not always possible, even within sectors. Today, companies are spending significant resources preparing non-financial reporting, partly because the lack of harmonized and globally accepted standards often leads to duplication of reporting in some areas and potential gaps in others. A global set of internationally recognized sustainability reporting standards would have value if it ensured more cost-efficient reporting and helped to remove duplicating or contradictory reporting requirements.

Considering that European companies and the European economy are part of the global economy, and that many of the relevant issues are global by nature, we strongly believe that European initiatives should to the largest extent possible be aligned with international accepted frameworks having respect for their difference in purpose, approach and audience. In view of this, a global set of internationally recognized sustainability reporting



standards, building on existing frameworks/standards, would in principle be more appropriate than different regional or national reporting frameworks.

We believe that the IFRS Foundation is in a good position to function as a focal point for this consolidation and potentially expand the standard setting activities into this area, drawing on the expertise and knowledge from international standard setting and reporting in the financial area whilst fully acknowledging the differences between financial and non-financial reporting. Therefore, in principle, the IFRS Foundation's efforts to drive international convergence in this area could be beneficial.

Based on this, we provide our comments in relation to the specific questions raised in the ED in the appendix.

If you require any further information upon these matters, please do not hesitate to contact us.

Yours sincerely,

Erik Berggren  
Senior Adviser



## Appendix

### 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**

We agree with the proposed amendments. We have an observation regarding the description of the objectives of the IASB and the new ISSB.

The role of the IASB is described in following way in section 2a (not amended) of the Constitution.

*through the IASB, to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. These standards should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world's capital markets and other users of financial information make economic decisions.*

In the proposed section 2b of the Constitution the objective of the IFRS Foundation related to new Board (ISSB) is described as:

*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.*

We find this description appropriate and line with section 2a.

**(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?**

We agree with the proposed amendments.

### 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?



We do not support the proposal to call standards from the ISSB “IFRS sustainability standards”. Instead we propose to call them “International Sustainability Reporting Standards (ISRS)”.

**Question 3**

**Do you agree with this proposed consequential amendment, outlined in proposed new sections 60 and 61 of the Constitution, as set out in Appendix A?**

We agree.

**Question 4**

**Are there any other matters you would like to raise in relation to the proposed targeted amendments to the Constitution?**

In the ED, areas are discussed where substantive amendments to the Constitution are not proposed. This includes e.g. the composition and the expertise of the Trustees. The argument for not amending the Constitution on the point is explained in the following way (§10 (b) ED):

*The Trustees do not propose that the requirements in relation to the size or specific expertise of the Trustee body should be amended. No substantive amendment is needed because the Constitution already states that the Trustees ‘shall comprise individuals that, as a group, provide a balance of professional backgrounds, and have an interest in promoting and maintaining transparency in corporate reporting globally’, but the Trustees wanted to note that their professional backgrounds will ‘ensure a broad set of skills, experience and perspectives’ (see sections 6 and 7 of the Constitution, as set out in Appendix A). Therefore, the Trustees expect that its membership and its expertise can be sufficiently adjusted where necessary in the coming years as the regular rotation of its membership takes place.*

While this might seem just to be a matter of wording in the Constitution, we believe that the IFRS Foundation should think further about this issue. A change in the role of the Foundation to cover sustainability reporting should have an impact also on the number, expertise and composition of the Trustees. One reason for this is the selection of members for the new Board (ISSB), according to the criteria as set out in the proposed amendment of section 44 of the Constitution, as well as in the annex to the Constitution listing criteria for ISSB members. Therefore, we urge the IFRS Foundation to take an active approach in ensuring that new Trustees are appointed in the short term that have a high degree of understanding of the challenges related to sustainability reporting and standard-setting in this area. To conclude, we believe that the composition and expertise of the Trustees should be added to Appendix B to the ED; *Parallel work streams on the key requirements for success.*

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