



Purpose-driven Business Reporting in Focus

Building momentum towards comprehensive global standards

Purpose-driven Business Reporting in Focus is a partner publication to Deloitte's IFRS in Focus. It provides updates on developments in purpose-driven business practices that are impacting corporate reporting, including progress towards sustainability standards. This publication is aimed at preparers of corporate reports, as well as their users and auditors.

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- The IFRS Foundation Trustees issued their consultation paper on sustainability standard-setting. IFAC has called this a 'critical step on the path towards a global solution to sustainability reporting'.
- The Chair of IOSCO's Task Force on Sustainable Finance, Erik Thedéen, said that the statement of intent to work together from the five leading international sustainability standard-setters and frameworks and the IFRS Foundation's consultation paper to assess demand for global sustainability standards may lead to the foundation of a structure that can deliver a more coherent and comprehensive reporting system.
- A recommendation has been made by the B20 (the official voice of the business community to the G20) that the Financial Stability Board, in coalition with international accounting standards bodies and initiatives, should promote alignment on disclosures across ESG factors and to enhance reporting by publicly traded corporations, including designing a mechanism to assure reported information.
- In Europe, the financial advisory group EFRAG has launched a task force to undertake preparatory work for the elaboration of possible EU non-financial reporting standards in a revised Non-Financial Reporting Directive (NFRD). The president of EFRAG is also seeking input from stakeholders about the possible changes to the governance and financing of EFRAG, in the event it is given responsibility for the development of EU non-financial reporting standards.

As set out in our recent [IFRS in Focus](#), the Trustees of the IFRS Foundation (IFRSF) have published a consultation paper to assess demand for global sustainability standards and what role the IFRSF might play. One option outlined in the consultation paper is for the IFRSF to establish a new sustainability standards board to sit alongside the IASB. In an [article](#), IFRSF Trustee Teresa Ko, writes that the proposal builds on the strengths of the existing model: a 'public interest focus and accountability, full consultation, governance structure and transparent and participatory due process'. She also emphasises the benefit of introducing a sustainability standards board alongside the existing IASB to develop 'a structure and culture that seek to build effective synergies with existing financial reporting'.

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Organisations around the world have already welcomed the consultation. The International Federation of Accountants (IFAC) has [‘applauded’ the IFRS Foundation Trustees](#) for their initiative. According to IFAC, this marks a critical step on the path towards a global solution to sustainability reporting, that they called for in their earlier roadmap: [Enhancing Corporate Reporting: The Way Forward](#). IFAC CEO, Kevin Dancey, said, “The IFRS Foundation—with its backing by public authorities, independence, and globally-respected governance and due process—is the appropriate home for a new sustainability standards board.”

Deloitte noted in a [statement](#) that the scale of the challenges and the increasing momentum from all stakeholders for a global solution for sustainability reporting standards make the undeniable case for immediate action. Deloitte sees an overwhelming need for urgency, and therefore welcomes this timely consultation.

The consultation follows a [Statement of Intent](#) that was published by the five leading international sustainability standard-setters and frameworks (CDP, the Climate Disclosures Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB)). The Statement of Intent sets out a vision towards a comprehensive corporate reporting system and makes a joint commitment to work together to achieve this outcome. They also committed to work with stakeholders in achieving this outcome, including the IFRS Foundation. In an open [letter](#), the five organisations wrote ‘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.’

That letter also called on the International Organization of Securities Commissions (IOSCO) to play a critical role ‘in accelerating the system change by facilitating cooperation among the necessary elements of this global architecture for consistent reporting of sustainability information that is relevant for enterprise value creation’. In response to this, Erik Thedéen, the Chair of the IOSCO Task Force on Sustainable Finance, said that while the initiatives of the IFRSF and the sustainability standard-setters are currently running in parallel, he expects them to come together, to lead to the foundation of a structure that can deliver a more coherent and comprehensive corporate reporting system.

Mr Thedéen stated that he is hopeful the initiatives can deliver a system that meets the information needs of capital markets, operates with a governance model that serves the public interest and can potentially be integrated with existing regulatory frameworks across IOSCO member jurisdictions.

Active support from policy-makers will therefore also be essential to accelerate global sustainability standards. The G20 countries have received a recommendation from its business advisory group, the B20, on how existing disclosure frameworks that set voluntary guidelines could be used to provide non-financial information to investors, lenders, insurers and other stakeholders about ESG risk and performance. In its report titled [Realizing Opportunities of the 21st Century for All](#), the B20 recommends that the G20 mandate the Financial Stability Board, in coalition with international accounting standards bodies and initiatives involved in the Corporate Reporting Dialogue, to promote alignment on disclosures across ESG factors, to enhance reporting by publicly traded corporations, including setting a path to encourage widespread ESG disclosures, and designing a mechanism to assure reported information.

In a further development, a forum for public authorities, the International Platform on Sustainable Finance (IPSF), has announced a working group on corporate environmental-related disclosures. IPSF’s [annual report](#) notes that ‘This working group will facilitate the exchange of views and information on national and international policy and regulatory developments regarding environmental-related reporting, with the aim of supporting the further alignment of disclosure requirements across IPSF member jurisdictions.’

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EU non-financial reporting standards

Meanwhile, the EU continues to pursue its project to consider possible EU non-financial reporting standards. To undertake preparatory work for the elaboration of a legislative proposal to revise the Non-Financial Reporting Directive (NFRD), the European Financial Reporting Advisory Group (EFRAG) has launched a [task force](#). Following the first meeting on 11 September 2020, the approved work plan and organisation of the task force is based on the following three-phase approach:

- Phase 1—Assessment (October 2020). For this phase, the task force has been split into six streams, each of them focusing on a specific aspect of the overall scope of work:
 - EU non-financial information requirements momentum and coherence—This stream is responsible for mapping all current, developing and expected European initiatives having non-financial requirements and/or implications.
 - Possible input from existing initiatives—This stream is responsible for mapping and assessing international initiatives and identifying relevant elements in close cooperation with these organisations.
 - Conceptual framework for non-financial information—This stream is responsible for reviewing, analysing and assessing core structural elements of framework nature.
 - Interconnection between financial and non-financial information—This stream is responsible for identifying financial information limits and mapping the complementarity of the two dimensions of corporate reporting.
 - Focus on non-financial information for financial institutions—This stream is responsible for assessing the current situation and identifying issues specifically linked to asset management, banking and insurance activities.
 - Current non-financial information reporting practices and formats—This stream is responsible for assessing management reporting practices and digitisation progress, as well as identifying hurdles for stakeholders, especially for small and medium-sized enterprises.
- Phase 2 (November/December 2020)—Proposal: During this phase, possible scenarios will be designed, detailed recommendations elaborated and formal outreaches initiated.
- Phase 3 (January 2021)—Outreach and conclusion to finalise the recommendations and integrate feedback from key stakeholders before the delivery of the final report.

In a related development, the EFRAG Board President, Jean-Paul Gauzès, has been asked by the European Commission (EC) to provide recommendations in a personal capacity about the possible changes to the governance and financing of EFRAG, in the event it were entrusted with the responsibility for the development of EU non-financial reporting standards. On 1 October, Mr Gauzès issued an open request for feedback, which is due by 30 October. These proposals will be subject to further public consultation.

The project to revise the EU NFRD is currently running in parallel to the global developments. As Mr Thedéen has pointed out, we need to guard against the risk of regulatory fragmentation and promote a complementary approach between global and regional initiatives: 'Striving towards a global solution does not mean that we should stop with the various regional initiatives. The EU Action Plan on Sustainable Finance for instance includes several legislative actions that will require the private sector to consider and to integrate sustainability into their business. This is really good. But in order to avoid fragmentation and to find a solution that is scalable and can operate internationally, we also need to work globally.'

Further information

If you have any questions about the contents of this newsletter please speak to your usual Deloitte contact or get in touch with Veronica Poole (vepoole@deloitte.co.uk) or Kristen Sullivan (ksullivan@deloitte.com).



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