

POSITION PAPER



IFRS Foundation: Consultation Paper on Sustainability Reporting

WSBI (World Savings and Retail Banking Group)

ESBG (European Savings and Retail Banking Group)

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WSBI



ESBG



WSBI-ESBG welcomes the opportunity to comment on the IFRS Foundation's Consultation Paper on Sustainability Reporting.

Question 1 Is there a need for a global set of internationally recognised 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, we consider there is a need for a global set of internationally recognised sustainability reporting standards.

Given the background and the expertise in creating financial reporting, WSBI-ESBG considers the role of IFRS should be leading the standard-setting process. We particularly value the transparency on due process procedures and the track record and expertise of the Board of IFRS. We consider IFRS should provide itself with new members and new competencies.

Nevertheless, given the urgency of moving forward in non-financial reporting, we welcome the lead Europe has taken in this matter and we fully support Europe work on non-financial reporting.

Question 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, we consider the creation of a sustainability standards board (SSB) would be a good approach to achieve further consistency and global comparability in sustainability reporting.

In our view the SSB should be a parallel structure to the IASB, having the same highest hierarchy level.

We also consider it would be a good mechanism to merge of the global climate agenda, faster progress is required for non-financial reporting communication and dialogue, nominating some members (for example, 1 or 2 members) to be part of the two Boards.

Question 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)?

In our view, it is crucial to count on the support and participation of global, regional, national and local initiatives, nevertheless we think the proper mechanism to do so would be through consultations, requests for feedback, etc., but not having fixed seats on the Board, in order to maintain independency and balanced composition of the BBS.

Question 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, we consider that IFRS Foundation could use its relationships with stakeholders, prevailing the focus on transparency, as business as usual in IFRS. Same transparency would be desirable regarding costs and expenses on developing and maintaining these relationships.

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

Question 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?

In our view it is crucial to count on the support and participation of global, regional, national and local initiatives, and jurisdictional initiatives, nevertheless we think the proper mechanism to do so would be through public consultations, requests for feedback, etc., not having fixed seats on the



Board nor in other kind of structure (committees, technical groups, tasks forces, etc.), in order to maintain independency and balanced composition of the IFRS structures.

Question 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?

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

We consider disclosure related to all dimensions of sustainability (environmental, social and governance) should be addressed at the same time. Climate impacts and risks are directly linked to other environmental issues, and all of them could have social consequences, so that should be disclosed at the same time, giving a complete view to stakeholders. Hence, in our view, sustainability reporting standards should be developed entirely from the beginning.

Sustainability Standards Board's focus should include all dimensions of sustainability (environmental, social and governance). One of the main objectives of the sustainability reporting is to respond to the demand of stakeholders to improve the consistency and comparability of sustainability reporting, whatever the nature of material topics of the companies are. Prioritizing climate leaves behind other environmental aspects that could be key in terms of impact, risks, business opportunities..., depending on the company (for example, renewable energy generation has a low negative impact on climate change, but could have high negative impact on biodiversity). Sustainability reporting should give a complete picture of companies, of all industries.

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

WSBI-ESBG agrees with a double-materiality approach. As it is mentioned in the Guidelines on reporting climate-related information of the European Commission (referred into the IFRS consultation), this approach covers both financial materiality and environmental and social materiality, in a way that includes all relevant information that is necessary for the understanding of a company. If the development by SSB is gradualist and if the efforts of SSB focuses on the most relevant information to investors and other market participants, we consider the double-materiality approach should maintained, even prioritizing the most relevant topics.

Question 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?

WSBI-ESBG considers of paramount importance the sustainability information to be disclosed and be subject to external assurance. One of the main significant problems of sustainability information, identified by stakeholders, is the limited reliability and comparability it has.

Assurance is essential to ensure the reliability of disclosed information and to achieve the final goal of the reporting.

The type of assurance should depend on the company, beginning from limited assurance and improving it according to the relevancy and readiness of the indicators.

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

- It would be very useful to have a tentative/indicative calendar of deadlines to give our feedback to the Consultation. This is an urgent topic and there are some other initiatives that could condition/complete/ overlap... the IFRS initiative.
- Timeline to develop sustainability standards board (SSB).
- Timeline to sustainability standards.



About WSBI (World Savings and Retail Banking Institute)

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WSBI represents the interests of 6,760 savings and retail banks around the world. WSBI focuses on international regulatory issues that affect the savings and retail banking industry. It supports the aims of the G20 in achieving sustainable, inclusive, and balanced growth, and job creation, whether in industrialised or less developed countries. Supporting a diversified range of financial services to meet customer need, WSBI favours an inclusive form of globalisation that is just and fair. It supports international efforts to advance financial access and financial usage for everyone. WSBI members have total assets of \$16 trillion and serving some 1.7 billion customers in nearly 80 countries who seek retail banking services. WSBI members are committed to further unleash the promise of sustainable, responsible 21st century banking.



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About ESBG (European Savings and Retail Banking Group)

ESBG represents the locally focused European banking sector, helping savings and retail banks in 21 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 900 banks, which together employ more than 650,000 people driven to innovate at roughly 50,000 outlets. ESBG members have total assets of €5.3 trillion, provide €1 trillion in corporate loans (including to SMEs), and serve 150 million Europeans seeking retail banking services. ESBG members are committed to further unleash the promise of sustainable, responsible 21st century banking. Our transparency ID is 8765978796-80.



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