

International Accounting Standards Board  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

Bern, 23 December 2020

**Comment letter on the consultation paper “Sustainability Reporting”**

Dear Madam, dear Sir

SwissHoldings, the Swiss Federation of Industrial and Services Groups in Switzerland, represents 59 Swiss groups, including most of the country’s major industrial and commercial enterprises. We very much welcome the opportunity to provide comments on the consultation paper regarding Sustainability Reporting.

ESG-related disclosures have gained significant importance in the past few years. The current situation with a wide variety of demands of sustainability related information and a large number of optional metrics, standards, indexes and reporting frameworks has become an increasing challenge for reporting entities with growing administrative costs as a result.

In our opinion, the IFRS Foundation should play a lead role in the standard-setting efforts, acknowledging the importance of materiality and building on the main sustainability frameworks and standards that already exist. The introduction of a widely accepted ESG reporting framework would significantly reduce the complexity and improve comparability across ESG reporting.

We have included our responses in the Annex below. Please contact us if you require additional information.

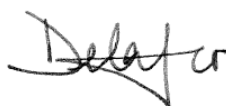
Yours sincerely

**SwissHoldings**

Federation of Industrial and Service Groups in Switzerland

A handwritten signature in black ink, appearing to read "Dr Gabriel Rumo".

Dr Gabriel Rumo  
Director

A handwritten signature in black ink, appearing to read "Denise Laufer".

Denise Laufer  
Member Executive Committee



## ANNEX

### 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?*

SwissHoldings believes that there is a need for a global set of internationally recognized sustainability (ESG) reporting standards. The introduction of such a framework would significantly reduce the complexity and improve comparability across ESG reporting. At international level, there are numerous initiatives which differ in scope, objective primary users and requirements regarding transparency. Information disclosed needs to be streamlined, as the multiplicity of documents, standards on specific issues and ad hoc requests is unsatisfactory, both for companies and for users who ask for greater comparability. A specification in ESG-standards would further help ensure a focus on key material indicators that are of immediate interest and decision-useful to users of corporate reporting.

The IFRS Foundation should take the lead on the standard-setting effort, leveraging and building on the main sustainability frameworks and standards that already exist.

### 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?*

SwissHoldings supports the creation of a sustainability standards board (SBB) that is dedicated to the development of ESG-standards and that operates under the governance structure of the IFRS Foundation, leveraging the foundation's background, expertise, and global standard-setting network. The IFRS Foundation's role regarding financial information is significant and well-recognised. The need to adequately include sustainability-related risks and opportunities in the corporate reporting themselves is an increasing demand from investors, as it is important to properly articulate financial and non-financial information.

Establishing a separate Sustainability Standard Board (SSB) under the direction of the IFRS Foundation seems appropriate, since this allows building on governance structures already known and proven; it can thus be expected that most practitioners and stakeholders would accept the SSB's statements. Such a governance structure would facilitate a regular dialogue between SSB and IASB as well. In addition, the official link to the IFRS Foundation could improve cooperation and coordination between the international stakeholder groups (such as governments, supervisory authorities, etc.) to which the sustainability reporting applies.



### 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 addition to the success factors enumerated in paragraph 31, we suggest.

- Providing clarity on the standard-setting due process and approach (e.g. stakeholder engagement and consultation);
- Building upon and absorbing existing frameworks, standardizing the next era of ESG reporting to bring about conceptual clarity, comparability and assurance;
- Another success factor is "speed". The SBB should aim at developing the first consolidated set of rules for the ESG reporting in a timelier manner than with the normal process for developing a new IFRS standard, which can take several years. To achieve this, it is important to leverage on already existing frameworks.
- Ensuring full-time, independent board members and staff which are responsible for developing standards for non-financial reporting. The current institutional mandate and functioning of the IFRS Foundation represents a useful benchmark in this respect. However, the governance structure should contain an explicit reference to the participation of corporates. There are too many international and regional initiatives which have insufficiently taken preparers on board, leading to standards which are not fit for use by corporates.
- Consulting with new and relevant ESG reporting organizations, initiatives and concepts, considering their inputs and views in order to build a state-of-the-art and future-oriented ESG (2.0) reporting framework.

### 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?*

We support the use of IFRS Foundation relationships with stakeholders to ensure the adoption, consistent application and wider social acceptance of SSB standards. For this, we strongly recommend following an open and transparent process, with a special focus on the research and consultation phases.

### Question 5

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

To achieve global consistency, the IFRS Foundation should take the lead on developing ESG reporting standards, building upon and absorbing the work performed by the main ESG reporting frameworks in their respective fields.

We believe that the Sustainability Standards Board should take note and incorporate work that has been developed already such as the efforts undertaken by the group of 5 (CDP, CDSB, GRI, IIRC/SASB) and especially the Sustainability Accounting



Standards Board framework. This framework is focused on enterprise value creation and addresses all the material factors: environmental, social, human capital and governance; not just climate.

The most important criteria for the success of a future global sustainability reporting standard is its capacity to be applied effectively and at reasonable cost by preparers, and to be decision-useful for issuers, investors, and other interested stakeholders. Thus, we think the first step should aim at developing a set of common principles for all existing and future standardisation initiatives.

To overcome the competition and struggle for influence of existing initiatives, the SSB would have to work with all the stakeholders to convince them to cooperate in the interest of convergence and consistency which they have so far failed to achieve.

### **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?*

We believe the IFRS Foundation should take the lead and build the overarching reporting framework in line with national / regional initiatives and expectations but leave space for specific materiality considerations. The IFRS Foundation shall acknowledge and build on the developments already underway at the level of individual and regional jurisdictions. In Europe for example, there have been legal requirements for sustainability reporting in place since many years. These requirements are incorporated in the Non-financial Reporting Directive (NFRD) as well as in the European Action Plan on Sustainable Finance. It is important that the set of reporting rules of the SBB can both match the ambition of the most advanced jurisdictions, while allowing for the adoption of standards in a gradual way by other jurisdictions.

### **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?*

We strongly recommend focusing on the full range of sustainability factors that are material to enterprise value creation. In our view, this should be an immediate priority for the SSB. While environmental-related disclosures are relevant, social and governance aspects are equally important. The COVID-19 pandemic has especially highlighted the importance of social aspects. Furthermore, the development of general principles for ESG reporting such as materiality, the definition of main "Building Blocks" is of equal importance.

A "climate-first" approach" is though understandable since the topic is currently high on the global agenda. However, depending on the speed of standard development, this strategy risks leading to a de facto "climate-only" approach. Furthermore, it needs to be taken into account that there exists already a well-established set of principles



for the disclosure of climate-related information such as the Task Force on Climate-related Financial Disclosures TCFD.

#### **Question 8**

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

The SSB should focus on broader environmental factors. Social aspects have recently gained significance, especially due to COVID-19. Given their importance, the SSB should expand its mandate to include social- and governance-related aspects, giving equal weight to both.

#### **Question 9**

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

The principle of materiality is crucial in sustainability, as it highlights the differentiation in impacts and capacity for action on the various issues, considering the companies specificities. The materiality principle in the context of sustainability information needs to be clarified, considering consistency with financial materiality. SwissHoldings supports the proposal of the IFRS foundation to initially focus on topics in the ESG reporting which are relevant to investors (e.g. material for the enterprise value creation). This focus reduces complexity and facilitates the cooperation with other ESG frameworks and institutions being active in this area. Thus, the SSB should begin with material, industry specific metrics and adopt a wider approach over time, e.g. evolving to double materiality, which is a more complex area.

#### **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 decisionuseful?*

To provide companies and audit firms time to introduce and adapt to the new reporting (and potentially assurance) standards, we recommend adopting an initial phase with a limited assurance review.

#### **Question 11**

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

SwissHoldings perceives that the need for a new set of ESG reporting rules results also from the fact that the current IFRS framework seems not always to sufficiently provide the information the primary users of financial statements needs for their decision-making. ESG information is missing, but not only. Other information is required which is until now included in the Management Commentary, especially in areas such as intangible assets, business model, etc. (see IR Framework). The IFRS



foundation shall therefore closely align its efforts regarding Sustainability reporting with its current project “IFRS Practice Statement 1 Management Commentary”.

