

Emmanuel Faber, ISSB Chair  
Sue Lloyd, ISSB Vice-Chair  
International Sustainability Standards Board  
IFRS Foundation

Brussels, 29 July 2022

## Comment Letter on the Exposure Draft IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information

Dear Chair Faber and Vice-Chair Lloyd,

I am writing to you today on behalf of the EACT to express our strong support for the work undertaken by the IFRS Foundation to establish international sustainability disclosure standards and create a global baseline for sustainability reporting.

The EACT (The European Association of Corporate Treasurers) brings together 14 000 treasury professionals active in 22 countries in non-financial companies, working for around 6500 individual companies representing the real economy end-users of financial services and preparers of sustainability information.

We believe that climate change and sustainability issues pose a fundamental challenge to the way we live, and that action and innovative solutions are needed to help move the world towards the goals of the Paris Agreement and a sustainable future.

Sustainability reporting is a part of the solution, as a single global baseline for sustainability reporting can help foster not only increased transparency and comparability of information, but also increased accountability – allowing consumers and stakeholder to follow the progress of companies' sustainability journeys.

Sustainability reporting standards need to be fit for purpose, simple to implement, and interoperable – with the view to ensure relevant, comparable, coherent and decision-useful reporting.

With that in mind, we welcome the ISSB exposure draft approach that seeks to build on existing sustainability disclosure standards, including the TCFD framework, as well as Sustainability Accounting Standards Board (SASB) and Global Reporting Initiative (GRI) standards.

We would also like to highlight several points that will be key to ensure simplicity, interoperability, as well as relevance and comparability of information:

- 1) **International alignment should be a priority.** Our members would encourage further work on international alignment on sustainability disclosure requirements. The consolidation with SASB and the Memorandum of Understanding between the International Financial Reporting Standards (IFRS) and the Global Reporting Initiative are a solid starting point, but further efforts will be needed to align across the different sustainability standards currently under development. This

includes further convergence between the ISSB, the European Financial Reporting Advisory Group (EFRAG) at EU level and the Securities and Exchange Commission (SEC) in the United States.

- 2) **Ensuring compatibility between the single materiality under IFRS S1 and the double materiality approach.** The IFRS exposure draft provides a strong starting point that can help create a baseline capturing risks and opportunities posed to the enterprise value of a company. At the same time, certain companies and stakeholders will want to go beyond this view of materiality – reporting on sustainability risks and opportunities even where they have no bearing on enterprise value creation. Having a building-block approach to materiality can ensure coherence between ISSB standards and future national level requirements in different jurisdictions (e.g. in the EU). The enterprise value approach in IFRS S1 should therefore be kept simple and allow for interoperability, and proposed metrics and targets should be compatible with other standards currently under development.
- 3) **Further clarity for entity-by-entity reporting requirements.** Requirements for entities within a consolidated group should be clearly defined with the view to limit complexity and cost, while at the same time incentivizing early adoption of ISSB standards. IFRS S1 Exposure Draft should clearly specify requirements for group and individual legal entities, with a nuanced approach that also ensures that risks are not being omitted.

We hope the above high-level comments can serve as constructive input and would like to again express our support for the pioneering work being undertaken by the IFRS Foundation and the ISSB to set up comprehensive, fit-for-purpose standards that can act as a global baseline for sustainability reporting.

Best regards,

François Masquelier

EACT Chair