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International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores
المنظمة الدولية لهيئات الأوراق المالية

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Madrid, 10 May 2021

IOSCO sees strong support for its vision for an International Sustainability Standards Board under the IFRS Foundation

To support its work on securities issuers' sustainability-related disclosures, the Sustainable Finance Taskforce (STF) of the International Organization of Securities Commissions (IOSCO) held two roundtables on 26 April and 7 May 2021-- the latter jointly organized with the World Economic Forum (WEF). The objective of the roundtables was to engage in a constructive dialogue with global stakeholders on IOSCO's priorities to enhance the reliability, comparability and consistency of sustainability-related disclosures and collect views on the practical implementation of a global system architecture for these disclosures.

The roundtables were attended by senior representatives from a wide range of stakeholder groups, spanning IOSCO STF member jurisdictions, including international and multilateral organizations, sustainability reporting organizations; global asset managers and other capital markets participants; corporate issuers; accounting firms and the accountancy profession; the IFRS Foundation; and IOSCO member authorities.

Participants emphasized the importance of continuing the pace and building on the existing momentum to deliver the urgent improvements needed in sustainability reporting. Across the two sessions, there was strong support for the key elements of IOSCO's vision for an International Sustainability Standards Board (ISSB) under the IFRS Foundation and a clear willingness among participants from all stakeholder constituencies to work collaboratively with IOSCO and the IFRS Foundation to deliver this vision. There was also broad-based agreement that, building on existing initiatives, the ISSB would be able to deliver high-quality international sustainability-related reporting standards to address the priority needs of capital market participants on a reasonable timeframe.

Roundtable participants identified some important matters for IOSCO to consider before recommending to its members that ISSB standards be used for cross-border offerings or when setting sustainability reporting requirements at the domestic level. IOSCO will reflect on the detailed feedback received.

Across the two sessions, IOSCO gathered views and feedback from stakeholders on three main topics:

- (i) how best to give the ISSB a *running start* in the development of investor-oriented standards with an enterprise value lens by building on the existing content of leading sustainability reporting organizations and the

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recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD)

- (ii) how to accelerate the implementation of ISSB standards and set a clear pathway towards adoption as a baseline for consistent and comparable approaches to mandatory sustainability-related disclosures across jurisdictions.
- (iii) how in practice to deliver a *building blocks* approach, which sets ISSB standards as a common global baseline and ensures effective interoperability with any complementary standards to meet the demands of other stakeholders or jurisdiction-specific requirements.

Among the main messages from the roundtables:

- Roundtable participants were united in their support for globally aligned reporting standards to promote comparability of sustainability-related disclosures across jurisdictions and to avoid market fragmentation. Many participants stressed that voluntary disclosure would not be enough and hence supported clear pathways towards mandatory reporting requirements aligned across jurisdictions, along with robust frameworks for audit and assurance.
- There was good support for taking as a starting point the climate-related financial disclosure [prototype](#) developed by the ‘group of five’ leading sustainability reporting organizations, published in December 2020. This prototype builds from the TCFD’s recommendations and other existing content. Roundtable participants agreed that the prototype would be a sound basis on which to develop a *climate first* reporting standard that could set a common baseline for globally consistent and comparable sustainability-related disclosures across jurisdictions. However, participants stressed the importance of setting a clear roadmap to extend the scope of standards to a wider spectrum of sustainability topics on an accelerated timeframe.
- Participants noted the importance of the work of the newly-formed IOSCO Technical Expert Group (TEG), in close cooperation with the IFRS Foundation Technical Working Group (TWG), to assess the key features of the prototype. Priority areas of focus suggested by participants included:
 - emphasis on quantitative metrics and standardization to promote consistency and comparability
 - clarity on how to report forward-looking metrics, as well as on methodologies for scenario analysis
 - encouragement of a strong linkage between sustainability reporting and financial statements, including disclosure of key assumptions

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- a need for industry-specific standards and metrics to accommodate the different dependencies on natural, social and human capital across different sectors of the economy
- promotion of digitization by developing a taxonomy for sustainability-related reporting in a structured electronic, machine-readable format
- Feedback from participants also underscored the need for a global architecture that is sufficiently flexible to accommodate a *building blocks* approach. There was support for IOSCO's vision of a multi-stakeholder consultative committee under the IFRS Foundation to advise the ISSB and to promote interoperability with any sustainability reporting standards that extend beyond the common baseline of enterprise value-oriented standards. However, participants stressed the importance of clearly articulating the purpose of such a committee as an advisory body to the ISSB and developing a structure and membership under the IFRS Foundation consistent with that purpose.
- The IFRS Foundation was also encouraged to leverage existing advisory groups within its architecture that provide input to the standard setting process. In this way, the ISSB would benefit from the existing inclusive and multi-stakeholder due process already in place, including channels for consultation with stakeholders across regions. Importantly, the proposed consultative committee should complement – and not supersede – existing advisory groups and outreach arrangements.
- Finally, discussions noted that the design of ISSB standards should allow for interoperability, not only with jurisdiction-specific requirements that go beyond enterprise value creation, but also for the expansion of scope to other sustainability topics beyond climate and ongoing standards evolution to accommodate the dynamic materiality of sustainability topics over time.

IOSCO greatly appreciates the participation from a wide array of senior stakeholders and for the depth of the feedback received. These insights will be incorporated into IOSCO's upcoming report on issuers' sustainability disclosures, which is expected to be published in June.

Ashley Alder, IOSCO Chair and Chief Executive Officer of the Securities and Futures Commission (SFC) of Hong Kong, said: *"I would like to thank Professor Klaus Schwab, WEF Chairman, and his team for the invaluable cooperation in co-hosting the IOSCO strategic roundtable. We are greatly encouraged by the feedback received from global stakeholders and their strong support for IOSCO's strategic vision towards the establishment of a global sustainability reporting standard setting architecture under the IFRS Foundation. The IOSCO Technical Expert Group, in close coordination with the IFRS Foundation Technical Working Group, will be focusing its efforts in the next few months to ensure that the enhanced prototype delivers the content needs identified by stakeholders so that it can be used as a sound basis for the development of a global standard by the ISSB."*

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Erik Thedéen, Chair of the IOSCO Sustainable Finance Task Force and Director General of Finansinspektionen of Sweden, said: *“IOSCO is making significant progress in helping the establishment of the ISSB by COP 26 in November 2021 with a view to delivering a global baseline of investor-oriented sustainability-related disclosure standards focused on enterprise value creation which can be rapidly adopted and mandated across jurisdictions. This will drive much-needed international consistency. We will continue to engage with key jurisdictions and other stakeholders across the official and private sectors to promote appropriate implementation of the proposed building blocks approach.”*

NOTES TO THE EDITORS

About IOSCO

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in some 130 jurisdictions and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions and is currently made up of 33 securities regulators. Mr. Ashley Alder, the Chief Executive Officer of the Securities and Futures Commission of Hong Kong, is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, The Bahamas, Belgium, Brazil, China, Egypt, France, Germany, Hong Kong, India, Ireland, Italy, Japan, Korea, Malaysia, Mexico, Morocco, Nigeria, Ontario, Pakistan, Portugal, Quebec, Russia, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States of America (both the U.S. Commodity Futures Trading Commission and U.S. Securities and Exchange Commission). The Chair of the European Securities and Markets Authority and the Chair of IOSCO's Affiliate Members Consultative Committee are also observers.
3. The Growth and Emerging Markets (GEM) Committee is the largest committee within IOSCO, representing close to 80 per cent of the IOSCO membership, including 11 of the G20 members. Dr. Mohammed Omran, Executive Chairman of the Financial Regulatory Authority, Egypt, is Chair of the GEM Committee. The committee brings members from growth and emerging markets together and communicates members' views and facilitates their contribution across IOSCO and at other global regulatory discussions. The GEM Committee's strategic priorities are focused, among others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.
4. IOSCO aims through its permanent structures:

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- to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
- to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
- to exchange information at both global and regional levels on their respective experiences to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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