

HKAB’s Comments on IFRS Exposure Draft "Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards"

IFRS Question	HKAB Comments
Proposal 1—Expand the Foundation’s remit to create a new board that will set IFRS sustainability standards	
<p>Do you agree that the amendments proportionately reflect the Trustees’ strategic direction, considering in particular:</p> <p>a) the proposed amendments to the objectives of the Foundation, outlined in the proposed new section 2b of the <i>Constitution</i>, as set out in Appendix A; and</p> <p>b) the proposed amendments to reflect the structure and function of the new board, outlined in the proposed new sections 43–56 of the <i>Constitution</i>, as set out in Appendix A?</p>	<p>In paragraph 2(b) of Appendix A, it is proposed to add to the objectives of the IFRS Foundation “<i>through the ISSB, to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted sustainability standards based upon clearly articulated principles. These standards should require high quality, transparent and comparable information in corporate reports to help investors and other participants in the world’s capital markets in their decision-making and connect with multi-stakeholder sustainability reporting.</i>” Paragraph 2 of the ED also states that “<i>the new board would focus on information that is material to the decisions of investors and other participants in the world’s capital markets</i>”.</p> <p>We consider that the users of sustainability reports should be much wider. Focusing on investors and the capital markets would potentially provide bias reporting in terms of meeting user needs.</p> <p>In the Consultation Paper on Sustainability Reporting issued by the IFRS Foundation in September 2020, paragraph 31(a) and (b) states that the Trustees consider the following requirements, amongst others, essential for success in assessing whether the new board should be established:</p> <p>(a) achieving a sufficient level of global support from public authorities, global regulators and market stakeholders, including investors and preparers, in key markets;</p> <p>(b) working with regional initiatives to achieve global consistency and reduce complexity in sustainability reporting.</p> <p>If the Trustees consider that the support of the groups of stakeholders mentioned in paragraph 31(a) and achieving global consistency are essential, it would be logical to expect that the sustainability standards would also be set to cater for the needs of groups of stakeholders that are wider than investors and the capital markets.</p>

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	<p>In addition, it appears that reporting under European Union (“EU”) law seeks to meet the needs of wider groups of stakeholders. The European Commission states on its website that “<i>EU law requires certain large companies to disclose information on the way they operate and manage social and environmental challenges. This helps investors, civil society organizations, consumers, policy makers and other stakeholders to evaluate the non-financial performance of large companies and encourages these companies to develop a responsible approach to business</i>”. It would therefore be important to take these requirements into consideration in assessing whether global consistency and reduction complexity in sustainability reporting can be achieved, as EU law affects a large number of countries in the world.</p> <p>Based on the above point of view, we suggest that the full or detailed objectives beyond those noted as “<i>to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted sustainability standards based upon clearly articulated principles</i>” should be determined after establishing the ISSB and the ISSB having the opportunity to agree such objectives.</p>
Proposal 2—Create the International Sustainability Standards Board under the Foundation’s governance structure to set IFRS sustainability standards	
On the potential naming of the new board and its associated standards, do you agree that ‘the International Sustainability Standards Board (ISSB)’ setting ‘IFRS sustainability standards’ accurately describes the function of the new board and its associated standards?	We agree that the potential naming could achieve an emphasis of “sustainability” to the public.
Proposal 3—Consequential amendment to the Foundation’s governance	
Do you agree with this proposed consequential amendment, outlined in proposed new sections 60 and 61 of the <i>Constitution</i> , as set out in Appendix A?	We agree with the proposed consequential amendment as it facilitates the clarification of reporting lines to IASB and ISSB and enhances the day-to-day management.
Other matters	
Are there any other matters you would like to raise in relation to the proposed targeted amendments to the <i>Constitution</i> ?	We do not have other matters to raise.