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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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IOSCO elaborates on its vision and expectations for the IFRS Foundation’s work towards a global baseline of investor-focussed sustainability standards to improve the global consistency, comparability and reliability of sustainability reporting

The Board of the International Organization of Securities Commissions (IOSCO) has today published a [report](#) on issuers’ sustainability-related disclosures. The report, developed by IOSCO’s Sustainable Finance Taskforce (STF), reiterates the urgent need to improve the consistency, comparability and reliability of sustainability reporting for investors. Over the year since the STF was established, global momentum has been building in both public and private sector initiatives on sustainability-related disclosures. IOSCO’s work aims to support investors’ evolving informational needs and the ability of markets to price sustainability-related risks and opportunities and support capital allocation.

An important aspect of IOSCO’s work has been engagement with the International Financial Reporting Standards (IFRS) Foundation’s efforts to develop a common set of global sustainability standards to help meet investor needs and to set a sound baseline for jurisdictions to consider when setting or implementing their sustainability-related disclosure requirements. The IFRS is seeking to establish an International Sustainability Standards Board (ISSB) to sit alongside the International Accounting Standards Board (IASB), and the Report elaborates on IOSCO’s vision and expectations for an ISSB. The G7 Finance Ministers and Central Bank Governors recently [welcomed](#) the IFRS Foundation’s programme of work to develop a “*baseline standard under robust governance and public oversight, built from the TCFD framework and the work of sustainability standard-setters*”.

IOSCO plans to consider potential endorsement of future standards issued by the ISSB to use for cross-border – and potentially also domestic – purposes to guide issuers’ sustainability-related reporting in their jurisdictions. Potential endorsement will require that IOSCO’s expectations regarding strong governance and decision-useful content are satisfied.

IOSCO recognises that individual jurisdictions have different domestic arrangements for adopting, applying or otherwise availing of international standards.¹ It will be important for individual jurisdictions to consider how the common global baseline of standards might be adopted, applied or otherwise utilized within the context of these arrangements and wider legal and regulatory frameworks, in a way that promotes consistent, comparable and reliable sustainability disclosures across jurisdictions. It will also be important for any international

¹ IOSCO recognises that some jurisdictions’ domestic efforts to adopt disclosure requirements may proceed on a more accelerated timeframe.

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standards to be applied in a flexible and scalable way that recognises the different needs, profiles and resources of different jurisdictions and issuer communities.

Ashley Alder, IOSCO Chair and Chief Executive Officer of the Securities and Futures Commission (SFC) of Hong Kong, said: *“Full, timely and comprehensive corporate level reporting, including of sustainability-related information, is absolutely foundational for the proper functioning of markets and for investor protection. This report sets out IOSCO’s vision for a global baseline of investor-focussed sustainability standards under the IFRS Foundation to improve the global consistency, comparability and reliability of sustainability reporting. It is imperative that the ISSB establish strong governance, proven independence and rigorous due process. The ISSB’s planned ‘climate first’ approach is a sensible one, and I look forward to seeing the ISSB move quickly to meet investors’ needs for information about other ESG topics.”*

Erik Thedéen, Chair of the IOSCO Sustainable Finance Task Force and Director General of Finansinspektionen of Sweden, said: *“IOSCO is engaging closely with and monitoring the IFRS Foundation Trustees’ technical preparatory work on the design and establishment of the ISSB by November 2021. Provided that IOSCO’s expectations are satisfied, we will consider setting a pathway for the ISSB’s sustainability standards to serve as the global baseline for consistent, comparable, and reliable sustainability reporting and encouraging relevant authorities to consider those standards in their approaches to mandatory sustainability-related disclosures. I look forward to the work of the Technical Expert Group over the coming months to help IOSCO form its views on the potential endorsement of the ISSB and to the upcoming complementary IOSCO consultation reports on asset managers’ sustainability-related disclosures and on ESG data and rating providers.”*

The key messages of the report can be found below in the accompanying Fact Sheet.

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FACT SHEET

The report focuses on the three key elements of IOSCO vision for improvement in issuers' sustainability-related disclosures, as set out in the Board's [press release](#) in February 2021, namely:

Establishing an ISSB with a strong governance foundation

- The ISSB potentially could deliver a global set of investor-oriented sustainability-related disclosure standards focussed on enterprise value creation, which jurisdictions could consider when setting or implementing sustainability-related disclosure requirements as appropriate and consistent with their domestic legal frameworks.
- The ISSB could benefit from the IFRS Foundation's three-tier governance structure, which was designed to include key governance attributes to support a global standard-setter. These include public accountability by the IFRS Foundation Trustees to capital market authorities represented in the IOSCO-chaired [Monitoring Board](#), technical competence and independence of the standard setting body, as well as rigorous, transparent, inclusive and participatory due process.
- IOSCO is engaging with the IFRS Foundation Trustees as they consult on targeted amendments to the IFRS Foundation Constitution to give effect to an ISSB and develop a potential framework for initial international standards. The report provides input to the IFRS Foundation on governance features and mechanisms for stakeholder engagement that will be essential to the success of the ISSB initiative.
- As announced in IOSCO's [press release](#) in March 2021, IOSCO has established a [Technical Expert Group \(TEG\)](#) to engage with the IFRS Foundation. The TEG has commenced work to assess the technical recommendations for the ISSB that the Trustees are developing as part of their work and will evaluate their fitness for purpose as a basis for the ISSB's future standards. The TEG's work is also considering matters such as due process and stakeholder outreach, as well as connectivity with financial statements, audit and assurance and the ISSB's future digitisation strategy.
- In a second phase, following the establishment of the ISSB, the TEG's work will inform IOSCO's views on its potential endorsement of the ISSB's standards.

Building on Existing Efforts

- IOSCO continues to encourage the ISSB to leverage the content of existing sustainability-related reporting principles, frameworks and guidance, including the

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recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), as it develops investor-oriented standards focused on enterprise value.

- IOSCO remains of the view that an ISSB should first meet investors' urgent needs for consistent and comparable information on climate-related matters but should then move forward quickly – and on a defined timeline – to develop standards that address other environmental, social, and governance (ESG) topics. IOSCO will continue to encourage the IFRS Foundation Trustees to make rapid progress and to apply a rigorous, due process that ensures a high-quality outcome.
- The IFRS Foundation Trustees have established a Technical Readiness Working Group (TWG) of experts to develop technical recommendations to give the new ISSB a running start in developing an initial standard. The TWG is developing the Prototype climate-related financial disclosure standard published by an alliance of leading sustainability reporting organisations in December 2020, which has the TCFD's recommendations at its foundation. The TWG will also make recommendations on how the Prototype can accommodate expansion to other ESG topics. IOSCO's TEG participates in the TWG as an observer.
- The report sets out some recommended enhancements to the Prototype that IOSCO's TEG has communicated to the TWG. Among these, the report suggests: (i) further development of quantitative metrics, including at the industry/sectoral level; (ii) clarification of forward-looking metrics and scenario analysis methodologies; and (iii) enhancements to the conceptual framework that links sustainability reporting and financial statements.

Encouraging a 'Building Blocks' approach

- IOSCO encourages the IFRS Foundation Trustees to also consider ways to facilitate flexibility for interoperability with complementary reporting requirements that some jurisdictions may set beyond the ISSB's baseline. Such complementary reporting requirements may, for instance, seek to capture wider "inside-out" sustainability impacts. Jurisdictions could consider building upon the future set of global sustainability standards when setting or implementing their mandatory reporting requirements
- The report elaborates on IOSCO's recommendation that the IFRS Foundation establish a multi-stakeholder expert consultative committee, within its structure, to support the practical delivery of such a 'building blocks' approach. In parallel with the TWG, the IFRS Foundation Trustees are exploring the establishment of a committee on these lines.

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What's Next?

IOSCO will continue its engagement with the IFRS Foundation Trustees as they continue their technical preparations towards potentially establishing an ISSB by November 2021 – while also engaging with other stakeholders. This is a key consideration in the IOSCO STF's next steps on corporate issuers' sustainability-related financial disclosures.

IOSCO's next steps will also include work on: (i) securities regulators' supervision of sustainability-related disclosures; and (ii) the development of an audit and assurance framework and related standards for corporate sustainability-related disclosures.

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 made up of 34 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, Kenya, Korea, Malaysia, Mexico, Morocco, Nigeria, Ontario, Pakistan, Portugal, Quebec, Russia, Saudi Arabia, Singapore, South Africa, 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 10 of the G20 members. Dr. Mohammed Omran, Executive Chairman of the Financial Regulatory Authority, Egypt, is the 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.

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4. IOSCO aims through its permanent structures:

- 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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Carla Vitzthum

Email:

Website:

Twitter:

+ 34 697 449 639

carla@iosco.org

www.iosco.org

[@IOSCOPress](https://twitter.com/IOSCOPress)