

Response to IFRS Foundation consultation paper on sustainability reporting

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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?*

European insurers recognise that an international approach to sustainability reporting standards is needed considering the global nature of their investments and activities. We recognise that a global sustainability standard would avoid fragmentation and reduce compliance costs for reporting companies, improve the comparability and availability of data and market transparency for investors, build up international regulation capacities and turn international competition into an important driver for sustainable growth and help achieve a common language in the field of sustainability / non-financial reporting.

We also recognise that the International Accounting Standards Board (IASB) has a network of professionals with broad expertise, is experienced in coordinating organisational structures and procedures and can lead to connectivity between the Sustainability Standards Board (SSB) and IASB to ensure the compatibility of financial and sustainability reporting.

However, whilst we support the development of global standards, it is too early to decide if the IFRS Foundation should expand its role into non-financial reporting standards. We would like to stress how important it is to achieve global acceptance by policymakers and businesses of any such global standards rapidly if they are to be successful. If there is no global support for the SSB, its standards for sustainability reporting might simply become another reporting standard. Unless there is global support for the development and adoption of such standard, there will be level playing field concerns.



The EU is already taking the lead in developing sustainability standard and we fully support the EU's initiative. The EU initiative comes at a crucial time considering the current climate urgency and is one of the EU's top priorities on which it will further engage (eg through the EU taxonomy, SFDR, NFRD review etc). We believe that the work that is currently taking place at the European level should be used as a strong basis to develop global standards.

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

Considering the reservations mentioned in question 1 and the initiative launched at European level, we believe that it is too early to determine whether to give a mandate to IFRS Foundation to elaborate *sustainability reporting standards*.

As mentioned above, the EU is already taking the lead in developing sustainability standard and we fully support the EU's initiative. The EU initiative comes at a crucial time considering the current climate urgency and is one of the EU's top priorities on which it will further engage (eg through the EU taxonomy, SFDR, NFRD review etc). In developing this standard, it is important that the EU considers international developments and should seek international agreement over time. We believe that the work that is currently ongoing at the European level should be used as a strong basis to develop global standards.

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)?

Cooperation with regional initiatives is key: global standardisation should be based on principles, definitions and frameworks from jurisdictions that have already reached a high level of maturity in those matters, like the European Union.

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 recognise that the IFRS Foundation's key strength is its network of stakeholders and we agree that it should be used to aid the potential adoption and consistent application of sustainability reporting standards globally.

Question 5: How could the IFRS Foundation best build upon and work with the existing initiatives in sustainability reporting to achieve further global consistency?

If the IFRS Foundation receives a mandate to develop sustainability standards, we would suggest that the first step be to take stock and make a thorough analysis of existing frameworks, with a particular interest in EU initiatives. The SSB could then consult stakeholders like the IASB does for financial reporting matters.

Any international standard should be built based on previous public standards already developed, such as the European non-financial standard which is expected to precede any international standard.

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?

Through the European Action Plan on Sustainable Finance and the development of the SFDR, Sustainable Finance Taxonomy and review of the NFRD, the EU has established itself at the forefront of sustainable reporting. It is expected that a European sustainable reporting standard will be established within the next three years. Should the IFRS Foundation receive a mandate to develop sustainability standards, the IFRS Foundation should build strongly on what has been developed by the EU to ensure consistent sustainability reporting.

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?

Current regulatory requirements in Europe for sustainability reporting are not limited to climate-related disclosures, but also encompass governance and social aspects.

If the IFRS Foundation receives a mandate to develop non-financial standards, as stated above, the SSB should consider broader sustainability factors and not only climate-related risks.

Question 8: Should an SSB have a focused definition of climate-related risks or consider broader environmental factors?

If the IFRS Foundation receives a mandate to develop non-financial standards, as stated above, the SSB should consider broader sustainability factors and not only climate-related risks.

Question 9: Do you agree with the proposed approach to materiality in paragraph 50 that could be taken by the SSB?

European insurers believe the double materiality perspective is key and represents a core aspect of non-financial information. The focus on materiality only for investors of existing non-financial standards has been criticised by various stakeholders. As there are significant differences in the nature and complexity of financial and non-financial information, a different materiality concept should apply. The concept of materiality for sustainability should include the relevance for the company's financial performance and the consequences for society and the environment. Therefore, the concept of double materiality (ie materiality that accounts for the impact of the environment on companies and companies' impact on the environment) is appropriate for non-financial reporting.

However, consideration of the impact of the company on the environment needs to be limited to the consequences of that impact on the risks and opportunities for the company, as that reflects the interest of relevant stakeholders

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 decision-useful?

Insurance Europe supports a "phased in" approach, where mandatory assurance is only required after international assurance standards have been developed, globally accepted and relevant in the reporting world, have fostered the maturity sustainability reporting, and have proven to avoid conceptual and practical challenges for companies applying them.

Question 11: Stakeholders are welcome to raise any other comment or relevant matters for our consideration.

No additional comments.



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