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IFRS Foundation

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Reference: Consultation Paper on Sustainability Reporting

The Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee)¹ welcomes the opportunity to respond to the Consultation Paper on Sustainability Reporting.

We are a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidance for Brazilian companies.

If you have any questions about our comments, please do not hesitate to contact us at operacoes@cpc.org.br.

Yours sincerely,



Rogério Lopes Mota
Chair of International Affairs
Comitê de Pronunciamentos Contábeis (CPC)

¹The Brazilian Accounting Pronouncements Committee (CPC) is a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidances for Brazilian companies. Our members are nominated by the following entities: ABRASCA (Brazilian Listed Companies Association), APIMEC (National Association of Capital Market Investment Professionals and Analysts), B3 (Brazilian Stock Exchange and Mercantile & Future Exchange), CFC (Federal Accounting Council), FIPECAFI (Financial and Accounting Research Institute Foundation) and IBRACON (Brazilian Institute of Independent Auditors).

Question 1

Is there a need for a global set of internationally recognised sustainability reporting standards?

If yes, should the IFRS Foundation play a role in setting these standards and expand its standard-setting activities into this area?

If not, what approach should be adopted?

CPC's Response

Yes, we believe that a global set of internationally recognized sustainability reporting standard is a necessity as it would contribute to reduce the proliferation of various frameworks now in place generating fragmentation and inconsistency making comparability difficult .

We understand that that IFRS Foundation should embrace the creation of a new standard setting board in charge of issuing sustainability standards with the goal of have them adopted globally.

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?

CPC's Response

We understand that a sustainability standards board (SSB) working together with entities that already have been issuing standards in this area could help to achieve further consistency and global comparability in sustainability reporting.

The creation of a separate sustainability SSB ("New SSB") would benefit from the governance and due process already in place at IFRS Foundation and would allow consistency in the work plan of the IASB and the New SSB. At the same time, the global recognition of the independence, credibility and quality of IFRS Foundation as the house of the a credible standard setter(IASB) would make the acceptance of any standard issued by the New SSB more easily accepted than any initiative made by any other current sustainability institution.

We want to stress out, though, that it is very important that this Board should be completely separated from the IASB, including its governance and funding structure.

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)?

CPC's Response

Regarding 31 (e), our preference is to obtain the financial support from stakeholders as they are the ones which have been requiring the company's sustainability reports that are more understandable and comparable.

In our view, 31 (b) it is one of the most important items, the New SSB needs to be capable to persuade regional stakeholders in the world to adopt the new sustainable standards.

In our view, this can only be possible working with regional initiatives to understand what countries have related to sustainability framework, standards, rules and trying to promote together with local regulators, authorities, market stakeholders, a culture of having only one global and high quality set of standards which will have effective synergies with financial reporting.

Sustainability has been a frequent topic in the investors community for a while. Many of them would welcome the opportunity of having more consistent and reliable information on this topic. The assurance of the sustainable reporting would also be an urgent need and the New SSB would collaborate with the International Auditing and Assurance Standards Board (IAASB) on this regard. In this sense, we believe that obtaining financial support from stakeholders could end up being easier than that to support the current accounting due process.

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?

CPC's Response

Yes, trying to promote together with local regulators, authorities, academics, market stakeholders a culture of having only one global and high-quality set of standards related to sustainability.

Question 5

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

CPC's Response

Despite the fact that we agree that the existing standards should be used to speed up of the issuance of the new sustainable standards, we believe the final assessment of this should be made by the New SSB and not by the IFRS Foundation itself that should not be involved in the technical discussion of such standards.

In principle, since there are many agents that have been working on establishing good practices on sustainability reports such standards could be used as a starting point and base for consultation in the preparation of the new global and high quality set of standards on sustainability.

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?

CPC's Response

IFRS Foundation should lead the discussion among regulators, authorities and market stakeholders in order to bring parties together to realize that having only one set of sustainability standards would turn the reports more comparable, transparent, reliable, which would result that these report would not only be auditable, but even the current financial reports would gain in quality and synergy.

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?

CPC's Response

Our view is that the IFRS Foundation should support to develop disclosures into all areas of sustainability reporting and the concept of ESG and its main pillars, not focusing primarily in climate-related, as all areas are important and have such urgency to be addressed (e.g.: people). We know that the development of high quality standards with the intent of being adopted globally take time, for start focusing in one and when this is ready starts another one.

Question 8

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

CPC's Response

In line of what we answered in question 7, we believe that it should consider broader environmental factors.

Question 9

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

CPC's Response

We agree because double-materiality approach can cause some confusion in the stakeholders and generate segregation when the main advantage of having New SSB under the umbrella of IFRS Foundation would be a better integration among financial and sustainability reports.

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?

CPC's Response

It would be essential that New SSB work prepare the path for speeding the development of audit standards for integrated sustainability reports. Otherwise, sustainability reports would go on been viewed as less reliable than financial ones which would affect their capability of being used as support for decision making processes. Until assurance standards are in place, it would be very useful to implement IFAC's proposal for assurance of Extended External Reporting (EER). See consultation paper of Extended External Reporting.

<https://www.iaasb.org/publications/consultation-paper-extended-external-reporting-assurance>

Question 11

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

CPC's Response

The issuance of the standards might be faster than usually is the issuance of the IFRS standards, as this theme is an urgent matter to investors.

As the global Market have been pressuring to high quality standards on sustainability, it is of utmost importance that, despite using the same due process now working for accounting standards, the generation of sustainability ones would be done in a shorter period of time.