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IFRS 2024 Symposium

Five Takeaways

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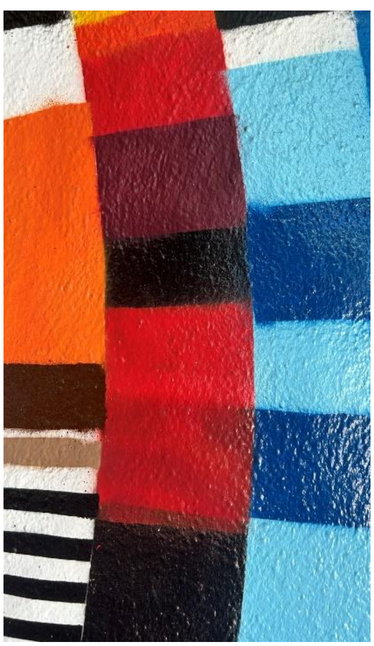
I attended the IFRS Foundation's Sustainability Symposium February 22, 2024 at the Jacob Javits Convention Center in New York. This is the first major symposium since ISSB released S1 and S2 [global] sustainability disclosures standards for general and climate-specific disclosures in financial filings. The hall was packed with ~1,200 attendees, with hundreds more viewing online. The program was informative, as were conversations at breaks. Here are five takeaways from the experience.

1. **ISSB is here to stay.** If one excludes the US, approximately half of the remainder of the global economy has signed on to the ISSB standards. Recall SASB – which originated as a US-centric approach - is now a part of the IFRS Foundation, which has promulgated global standards for disclosures in financial filings. What the SEC does (or does not do) on climate disclosures ultimately won't matter much to global companies based in the US. Data enabling many disclosures originates in the supply chain. Symposium attendees consisted of companies, preparers, consultants, other standard setters, government, media and academics.

2. **Standard setters are playing nice – but there is still soup.** IOSCO, WFE, IPSASB, IAASB, IESB all presented [MOUSE was missing.][i]. All gave glowing reports of IFRS/ ISSB progress and their commitment to collaborate. I sensed good faith intent towards consistency and interoperability of relevant disclosure standards. I note, however, that some key players were missing (SEC). Also, these bodies focus on disclosures to investors. Furthermore, "investors" are often discussed as a monolith – and they/ we are anything but. Impact investors, analysts, jurisdictions, industry sectors and topical groups will continue to clamor for reporting and disclosures to meet their own needs. The much maligned "alphabet soup" will be on the menu for years to come.

3. **"Materiality" is [still] lost in translation.** SASB's credibility and success, in my view, was based in no small part on their alignment with the definition of "materiality" for investors as decided by the US Supreme Court. Material issues change over time. The Rana Plaza disaster put safety in the supply chain in the spotlight in 2013. So did the Sony Pictures hack in 2014. Different industries, different topics – but one event can change things. Now the EU Sustainability Reporting Standards will require double materiality assessment as part of sustainability reporting and disclosures. EFRAG (another acronym!) published draft guidelines on double materiality. Some speak with confidence about materiality (single and double), but my take is that the issue is far from settled. At its most fundamental, "material" is what matters. To whom, why, on what basis, and what's it to the reporting entity? The dust is yet to settle.



4. **"Context is the biggest missing issue."** This remark from one presenter was almost an afterthought – yet a banner issue for sustainability reporting, whatever the standard. S/he was describing how they approach sustainability reports and disclosures. Narrative, pretty pictures, tables of data (some relevant, some not) in tiny font. Whether for climate, diversity, plastics, water, or safety – context matters. From the outset, SASB was clear that their mission was to improve the pathway to "decision-useful" sustainability disclosures for investors. Context informs decisions. Here's a [modified] statement from a Sustainability report I read recently: "Our energy savings program saved 1,520 kWh of electricity at our Anytown facility last year." Good or bad? Hard to tell. What percentage reduction was that; were all other factors (production, employees) equal? What is the relative footprint of Anytown to the company's operations – 30%? 2%? What specific activity in the energy savings program was done? Is it replicable, or a one-off?

5. **COSO ICSR is one key to solving the puzzle.** COSO published "Achieving Effective Controls Over Sustainability Reporting (ICSR)" in 2023. I am proud to be an author of this seminal document. It has been favorably received worldwide. Just at the IFRS Symposium, I heard growing interest from Kelowna to Kenya. Sustainability data and information is of interest to a range of stakeholders, each for their own purpose. It all originates with the same building blocks. Robust internal controls can help organizations slice and dice [quantitative] data and [qualitative] information for greater accuracy and confidence in reporting to regulators, investors, and business partners. COSO ICSR is a giant step towards fostering communications and processes between those who know "internal controls" (Finance, Accounting, Internal Audit) and functions providing sustainability information (Environmental, HR, Operations, Procurement, Real Estate).

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[i] Abbreviations in this document: COSO – Committee of Sponsoring Organizations; EFRAG – European Financial Reporting Advisory Group; IAASB – International Auditing and Assurance Standards Board; ICSR – Internal Controls over Sustainability Reporting; IESB – International Ethics Standards Board for Accountants; IFRS -International Financial Reporting Standards; IOSCO – International Organization of Securities Commissions ; IPSASB - International Public Sector Accounting Standards Board ; ISSB –International Sustainability Standards Board; SASB – Sustainability Accounting Standards Board; S1 and S2 – the first two Sustainability disclosure standards published by ISSB; SEC – Securities and Exchange Commission. WFE – World Federation of Exchanges