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28 July 2021

Dear Sir or Madam,

RE: IA Response to IFRS Exposure Draft on Targeted Amendments to the IFRS Foundation Constitution

The IA welcomes this opportunity to provide comments on the ‘Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards’.

The Investment Association champions UK investment management. Our 250 members range from smaller, specialist UK firms to European and global investment managers with a UK base. Collectively, they manage £8.5 trillion for savers and institutions, such as pension schemes and insurance companies, in the UK and beyond.

Our members invest in companies globally on behalf of millions of savers in the UK and around the world, seeking investments that deliver long-term value. Investment managers’ ability to direct where capital is allocated and monitor its use will be a crucial part of building a more sustainable global economy. Meaningful and comparable sustainability reporting allows investors to factor material Environmental, Social and Governance (ESG) issues into their investment process, contributing to more efficient asset valuations and targeted engagements with companies. However, investors are currently not receiving the clear and consistent disclosures from companies they require to fulfil this role.

The IA is committed through the UK’s Asset Management Taskforce’s [recommendations](#) to “support ongoing efforts to harmonise corporate reporting standards for sustainability”. The IA strongly supports the urgent need for internationally agreed sustainability reporting standards. We therefore continue to support the creation of the International Sustainability Standards Board (ISSB) within the IFRS Foundation governance framework and the proposed amendments to the IFRS Foundation Constitution. However, we highlight that the amendments to the Constitution should be more explicit on the need for investor representation on the ISSB.



As noted in our [response](#) to last year's consultation, the IA welcome the findings of this initial consultation that the IFRS' standards will focus on enterprise value for investors as users of corporate reporting and build on the work by existing frameworks, including TCFD, the Value Reporting Foundation and the alliance of leading sustainability reporting organisations. We would reiterate that need to ensure the proposed harmonised standards are developed at pace. We also expect the IFRS Foundation to leverage synergies between the IASB's financial reporting standards and the ISSB's sustainability standards.

A key element of the IA's response to the IFRS Foundation's initial consultation on the creation of the SSB was the need for the standards to meet investor needs as the primary users of corporate reporting. Investment managers' ability to direct where capital is allocated and monitor its use will be a crucial part of building a more sustainable global economy. This can only be effectively achieved where disclosures are consistent, comparable and material, helping investors to integrate climate-related factors into their investment decisions.

Given this pivotal role we would encourage the IFRS to continually consider how the ISSB's standards are meeting investor needs. To ensure that this is achieved from the outset, we would stress the critical importance of significant investor representation on the ISSB, including the chair or vice chair of the Board. As the primary users of the information disclosed by the proposed standards, it is vital that they are well-represented across the governance structure.

At present, the Constitutional amendments state that the ISSB will "comprise a group representing...auditors, preparers, users, academics and market and/financial regulators". We would urge the IFRS to consider drawing a clearer distinction between users more generally, which could refer to any number of stakeholders, and investors, who will be charged with allocating capital on the basis of the disclosures. This would be in line with the "investor focus for enterprise value" outlined in the Consultation introduction. It would also be in line with the language throughout, including the objectives of both the IFRS Foundation and the ISSB to provide corporate reports to help "investors and other participants". We further note that a distinction between investors and users is made in the composition of the Trustees. We encourage the IFRS to embed the importance of investor representation in the ISSB's governance structure in the Constitution.

Investor representation on the ISSB will be vital to developing standards that receive the respect of investors and capital markets internationally, meet investor needs, and facilitate the responsible allocation of capital from the outset.

The IA stands ready to provide any additional feedback to the IFRS Foundation as appropriate.

Yours faithfully,

Andrew Ninian
Director, Stewardship and Corporate Governance