



December 29, 2020

**Submitted electronically**

International Accounting Standards Board  
Columbus Building  
7 Westferry Circus  
Canary Wharf, London E14 4HD  
UK

**Re: Consultation Paper on Sustainability Reporting**

Dear Sir/Madam:

World Council of Credit Unions (World Council) appreciates the opportunity to comment on your Consultation Paper on Sustainability Reporting.<sup>1</sup> Credit unions are cooperative depository institutions and World Council is the leading trade association and development organization for the international credit union movement. Worldwide, there are over 86,000 credit unions in 118 countries with USD 2.6 trillion in total assets serving 291 million physical person members.<sup>2</sup>

**Questions for Consultation**

**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?

Yes, there is a need for internationally recognized sustainability reporting standards; and the IFRS Foundation has the requisite experience and knowledge to play a role in setting these standards. It should be noted that such standards should consider smaller financial institutions and the burden that additional reporting may impose. World Council also suggest flexible standards that would not only allow for smaller and uniquely structured entities such as credit unions to utilize such standards as applicable to the particularities of a financial institution, but will allow all institutions to adjust reporting as necessary during financially taxing times such as the current Covid-19 pandemic. Overall, we support the goal of providing relevant, reliable, comparable, and reliable information on sustainability that will serve the public interest.

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<sup>1</sup> International Accounting Standards Board, *Consultation Paper on Sustainability Reporting* (December 2020); available at: <https://cdn.ifrs.org/-/media/project/sustainability-reporting/consultation-paper-on-sustainability-reporting.pdf?la=en>.

<sup>2</sup> World Council of Credit Unions, *2019 Statistical Report* (2019), available at [https://www.woccu.org/documents/2019\\_Statistical\\_Report](https://www.woccu.org/documents/2019_Statistical_Report).

We further support a role with the international standard setters such as the G20, Financial Stability Board and the Basel Committee on Banking Supervision as we believe gaining support from these entities will lend itself to the overall adoption of accepted sustainability reporting requirements around the world.

### **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?**

Developing an SSB will not only further the consistency and global comparability in sustainability reporting, but the board would also give it the focused attention needed to create, amend, implement and standardize reporting requirements; but not in direct contradiction to already established frameworks. An SSB will be useful in connecting sustainability information with financial reporting.

### **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)?**

World Council suggests that the IFRS include a goal for financial inclusion as a requirement essential for the success of the board's implementation. Sustainability is a global issue that should not be an objective limited to only large and/or highly capitalized financial institutions. We also recommend that IFRS seek expertise from sectors that are often overlooked or often under-represented on policy making boards.

### **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?**

Relationships are generally valuable in acquiring knowledge and direction; however, we caution against allowing these relationships to deter the IFRS' attention from those entities that do not benefit directly from those relationships. Diversifying your relationships would be helpful in receiving a wide range of information and exposure to various issues. Furthermore, building relationships with other standard setting bodies in order to maintain consistency and harmony will be imperative in order to avoid repetitive (and therefore overburdensome) reporting requirements, as well as confusion and conflict.

### **Question 5**

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

Acquiring information from a large cross section of financial entities that are or will be required to engage in sustainability reporting will give a broader view of the financial landscape as it pertains to sustainability reporting. It is important to understand how sustainability reporting standards will affect all types of financial institutions. The ultimate goal is not only to improve sustainability reporting, but environmental issues as a whole. It is important to look at the

broader issue of climate change and maintain a reporting structure that will further that mission.

**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?**

No comment.

**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?**

No comment.

**Question 8**

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

Climate-related risks are distinct and are specific to each jurisdiction based on location and individual environmental issues created by social norms and other considerable factors. The IFRS should consider broader environmental factors and avoid making any definitive annotation which could, in effect, come off presumptive and inadvertently exclude serious environmental issues that affect some within its jurisdiction. Further, the definition of climate-related risks has been and should be researched and studied by experts that are qualified to determine and prescribe such risks.

**Question 9**

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

Yes.

**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?**

No comment.

**Question 11**

World Council would like to request that the IFRS consider financial cooperatives constructing the SSB and sustainability reporting standards that may be required of smaller financial institutions such as credit unions. Credit unions are member-owned financial institutions that provide attainable and affordable financial services to its members. Complex reporting requirements are overburdensome and deplete much need resources. Most have limited financial staff and resources because of their relatively small size (average EUR 20 million in total assets the European Union) and are typically run by volunteer boards and volunteer

employees. Credit unions often have to rely on outside firms and vendors to provide solutions for their accounting needs.

Therefore, we recommend that smaller types of firms such as credit unions or other small and medium-sized enterprises (SMEs) be allowed to utilize a simplified approach or less burdensome reporting requirements such as the approach provided by IFRS 9 for SMEs for expected loss accounting. An approach should be crafted that still meets the principles and goals of sustainable reporting, but in a manner that is workable for smaller types of firms.

World Council appreciates the opportunity to provide comments on the IFRS' Consultation Paper on Sustainability Reporting. If you have any questions, please feel free to contact me at +1 202-510-9347; or at [pmonford@woccu.org](mailto:pmonford@woccu.org).

Sincerely,



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World Council of Credit Unions