



1 Victoria Street
London
SW1 0ET

www.ukcop26.org

Jean-Paul Gauzès
President, European Financial Reporting Advisory Group
Square de Meeûs 35
Brussels
Belgium
B-1000

30 October 2020

Dear Mr Gauzès,

Re: Response to the EFRAG questionnaire

Thank you for your invitation to respond to the EFRAG questionnaire.

Ensuring that every professional financial decision takes climate change into account is critical to the success of COP26. As climate-related risks become better understood, reporting - the disclosure of data - will be critical to embed climate considerations into financial decision making. Investors need to have access to the right information to effectively manage risks and take advantage of opportunities, disclosed according to clear, consistent, and comparable standards across jurisdictions.

The current review of the NFRD is an opportunity to further strengthen climate reporting, creating more coherent standards while meeting growing investor demand for decision-useful information. EFRAG has a key role in advising the Commission and so I'm grateful for the opportunity to respond to your questionnaire. I would like to address your second question in particular, around co-operation with standard-setters and other initiatives.

Whilst global sustainability standards have long-been a distant ambition, in recent months we have seen substantive momentum build behind the development of just that. In September, an alliance of the key voluntary sustainability standard-setters committed to collaborate on the architecture for a global non-financial reporting framework. This group will be publishing a prototype climate standard in early November.

I am pleased to say that global public authorities are stepping into their role of helping to coordinate this momentum, following the lead from the EU in this role. You will have noted the IFRS Foundation's recent publication of a consultation on their potential role in sustainability reporting through the creation of a new global Sustainability Standards Board under their remit. The IFRS Foundation's

global reach, due process and standard-setting expertise places it in a prime position to perform this role. IOSCO's Sustainability Taskforce is also working at pace with both the IFRS Foundation and the aforementioned alliance of voluntary standard setters to facilitate a scalable, worldwide solution to sustainability reporting. To your question on coordination between the financial and non-financial reporting, I believe the IFRS Foundation is also well placed to assist here with its existing oversight of accountancy standards through the IASB.

It is very positive that any EU standards will build on existing reporting standards and frameworks to the greatest possible extent, but they must also seek the greatest possible alignment with new global standard-setting initiatives. To this end, it is important that EFRAG opens a formal, structured dialogue with the IFRS Foundation and IOSCO around their work on sustainability standard-setting. It is right that EFRAG should consider a standard which might result in more ambition than an internationally recognised one, for example by expanding the remit of a standard to capture material external impacts of a company's activities. I believe you can achieve maximum global impact by actively engaging with global standard-setting initiatives so that you only develop EU-specific standards where needs are not met by global standard-setting. With such a global problem, global solutions must be pursued.

Even more importantly, these global initiatives can only succeed with EU and EFRAG support – technical, financial and political. Their failure would be a poor outcome for companies, investors and stakeholders within the EU, but even more so for shaping reporting practices beyond its borders.

Thank you for considering these comments, I'd be very happy to discuss them further.

Yours sincerely

Yasmine Moezinia
Deputy Director COP26

T 07825 318 244
E Yasmine.Moezinia@hmtreasury.gov.uk