



Asociación Española de Contabilidad  
y Administración de Empresas

## AECA IFRS RESPONSE

### Consultation paper on Sustainability Reporting

(29-12-2020)

#### 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?**

**(b) If not, what approach should be adopted?**

(a) Yes. There is a global need for a unique sustainability reporting standard. Especially in Europe, as since a couple of years ago, there is a specific Directive, the non-financial reporting Directive (2014/95/EU) (NFRD) that requires listed, large and SMEs companies from all sectors to disclose in annual basis this kind of information. Considering the scope that IFRS is planning to address, just only climate-related focus, we think that it falls short on the scope at European demands. We truly believe that IFRS should take that role of standardisation of non-financial information in alignment and collaboration with the standard-setting work that the European Commission and EFRAG are also planning. Currently, European demands and needs are broader than climate-related focus and financial materiality. The concept of double materiality and be capable to compare and measure aspects of the environment, social and employee matters; human rights; bribery and corruption are also a primary focus. Besides, the importance of this work should not be only for investors. Europe is also centring its attention to SMEs and a broader audience of consumers and preparers.

#### 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?**

In the short and medium-term, we believe this can be an appropriate strategy as a detailed development of the accounting principles, digitalization strategy and alignment with existing standard setters and regulatory demands for non-financial disclosure or sustainability disclosure are required. So, we agree that a new board structure with its own funding and resources is necessary. Nevertheless, the alignment with the financial channels are key, as the demands of sustainability information do not come in an isolated way, it must connect, integrate with financial impacts and performances. Therefore, it must align, connect and find the perfect synergies as it is expressed in the consultation to IFRS board at all time, since the beginning.

#### 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)?**

Achieving an appropriate digitalization strategy plan. And therefore, achieve also appropriate technical expertise on this regard.

#### 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?**

We truly believe that this is one of the differential points of IFRS foundation, its neutrality, and relationships with a variety of stakeholders and global regulators. Therefore, we agree that IFRS Foundation should and must use its relationships to engage with the relevant global stakeholders on this matter for an easier and more effective adoption. Probably, the foundation will need to strategically plan who to engage with and at what moment. For instance, we can see that in the first stage, a close dialogue and engagement should be moved forward with regional regulators (European Commission, EFRAG ...) , listed and large companies as preparers, investors as users and standard setters (CDP, GRI,TCFD..) and accounting associations to help on the standardisation on the accounting part for sustainability disclosure and also digital standard initiatives/communities such as XBRL international for the digitalization strategy.

As accounting association, AECA is more than happy to share its experience and help IFRS Foundation on this fascinating project.

#### Question 5

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

AECA made the work of trying to align different frameworks (GRI, UNCTAD ISAR-United Nations, TCFD, IAS-IFRS, CDP, ISO, OCDE) under the reporting requirements of the non-financial reporting Directive (NFRD) in Europe and the transposition of the Spanish law. The result of our model and digital strategy can be found here [http://is.aeca.es/wp-content/uploads/2020/11/IRM-FESG\\_4as.pdf](http://is.aeca.es/wp-content/uploads/2020/11/IRM-FESG_4as.pdf) . Our reporting model is recommended by the Spanish Commission (CNMV) for the compliance of the non-financial statement required as part of NFRD.

Our experience told us that each standard uses its own scope of the same reporting concepts, in terms of methodology, units, etc. Therefore, is impossible a direct relationship. We recommend IFRS to lead this normalization process taking the reference of international framework but taking what is a common practices and make a clear reference and description of scope, methodology, units as AECA did. Otherwise, IFRS will end up with the same concept reported in different manners.

AECA is more than happy to share our experience with IFRS Foundation as we have been working on the standardisation and digitalization of the non-financial information since the last 15 years with the collaboration and support of Spanish listed and large companies, along with Spanish authorities and regulators with a clear impact as our work, as it is already recommended by the Spanish law and digital taxonomy is acknowledged by XBRL International in 2013. <https://www.xbrl.org/news/is-fesg-taxonomy-for-integrated-reporting-granted-acknowledged-status/>

#### 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?**

We are in a transformational phase now that we were not a year ago. Now IFRS and the European Commission are working on real terms to achieve a common goal- bring consistency and comparability to the sustainability information. We truly believe that a coherent and operational work with existing standard setters in non-financial space (CDP, SASB...) is necessary to build a common and unique framework but in addition an alignment in approach and focus as the European Commission/EFRAG direction. As it is clear that expectations and results are equal, but the scope of the work is different, however complementary we believe it can

complement to be considered a unique standard due to the combination of both IFRS/SSB and European Commission/EFRAG work.

### 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?**

Climate-related risks are becoming the first priority at a global level. However, in Europe, the demands are a bit more advance due to the years of adoption of the NFRD. Europe requires a broader scope at the topic level and also target audience. For addressing broader aspects, we recommend having a good alignment and coordination with European Commission / EFRAG to become together in one standard for sustainability reporting.

### Question 8

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

IFRS could focus on climate-related risk at short-term taking into consideration aspects of GHG emissions and energy efficiency. In the medium-term can expand to water management efficiency aspects like Waste generation, waste processing, waste recycling.

Leave you below the list of environmental aspects that AECA has found important and relevant as part of the standardisation work our organization have been doing during the last 15 years. Key references for us on the environmental matter were CDP, GRI and UNCTAD-ISAR.

Full list with references can be found here: [https://aecas.es/wp-content/uploads/2020/11/irm-fesg-detailed\\_2020\\_11\\_15.xls](https://aecas.es/wp-content/uploads/2020/11/irm-fesg-detailed_2020_11_15.xls)

CODE	DENOMINATION	DEFINITION	PRESENTATION AND CONSIDERATIONS	REFERENCES
<b>Energy efficiency and emissions</b>				
KPI_E1	Energy consumption	Direct energy consumption.	<b>Presentation</b> Megawatt-hours (MWh) of energy consumed <b>Considerations</b> The consumption of renewable energy and all types of non-renewable energy will be added, breaking down, where appropriate, according to energy source: Electricity, heat, steam and cooling purchased or acquired.	CDP 2018 (C8.2); (GRI); IC (UNCTAD- ISAR)
KPI_E2	Water consumption	Water consumption in cubic meters	<b>Presentation</b> Cubic meters (m3) of water consumed <b>Considerations</b> Sum of all water that has entered the organization's boundaries from all sources (including surface water, groundwater, rainwater, and municipal water supply) for any use during the reference period.	(GRI); IA (UNCTAD- ISAR)
KPI_E3	Carbon emission Scope 1	Greenhouse gas emissions from energy consumption that are owned or controlled by the organization.	<b>Presentation</b> Sum of direct greenhouse gas emissions in metric tons of CO2 equivalent. <b>Considerations</b> Specify the emissions calculation methodology. Consider emissions such as: Stationary combustion - from the combustion of fossil fuels (e.g. natural gas, fuel oil, propane, etc.) for comfortable heating or other industrial applications Mobile combustion - from the combustion of fossil fuels (e.g. gasoline/diesel) used in the operation of vehicles or other forms of mobile transportation Process emissions: emissions released during the manufacturing process in specific sectors of industry (e.g. cement, iron and steel, ammonia) Fugitive emissions: involuntary release of GHG from sources including refrigerant systems and natural gas distribution	CDP 2018 (C6.1)
KPI_E4	Carbon emission Scope 2	Greenhouse gas emissions that are a consequence of company activities, but occur at sources owned or controlled by another company. Includes emissions of energy purchased or acquired and consumed by the company.	<b>Presentation</b> Sum of indirect emissions of greenhouse gases in metric tons of CO2 equivalent <b>Considerations</b> Specify the methodology for calculating emissions. Emissions from the consumption of electricity, steam or other energy sources purchased (eg chilled water) or generated outside the organization.	CDP 2018 (C6.3)
KPI_E5	Carbon emission Scope 3 Upstream activities	Total emissions generated by the transportation and distribution of products purchased in the reporting year, between a company's Tier 1 suppliers and its own operations in vehicles that are not owned or operated by the reporting company (including multimodal shipping) where multiple carriers are involved in the delivery of a product, but excluding fuel and energy products)	<b>Presentation</b> Sum of transport and distribution emissions in Upstream activities in metric tons of CO2 equivalent <b>Considerations</b> Specify the emissions calculation methodology. Include third-party transportation and distribution services purchased by the reporting company in the reporting year (either directly or through an intermediary) including inbound logistics, outbound logistics (for example, of products sold), and transportation and distribution of third parties between the company's own facilities. Emissions can arise from the following transport and distribution activities along the value chain: • Air transport • Rail transport • Road transport • Maritime transport • Storage of products purchased in warehouses, distribution centers and retail facilities. Reference: <a href="http://www.ghgprotocol.org/sites/default/files/ghgp/standards/Scope3_Calculation_Guidance_0.pdf">http://www.ghgprotocol.org/sites/default/files/ghgp/standards/Scope3_Calculation_Guidance_0.pdf</a>	CDP 2018, (C4.1b)
KPI_E6	Carbon emission Scope 3 Downstream activities	Total emissions that occur from the transportation and distribution of products sold in vehicles and facilities that are not owned or controlled by the company.	<b>Presentation</b> Sum of transmission and distribution emissions in downstream activities in metric tons of CO2 equivalent <b>Considerations</b> Specify the methodology for calculating emissions. Emissions from Upstream transportation and distribution may arise from the transportation / storage of products sold in vehicles / facilities that are not owned by the reporting company. For example: • Warehouses and distribution centers • Commercial facilities • Air transport • Rail transport • Road transport • Sea transport. Reference: <a href="http://www.ghgprotocol.org/sites/default/files/ghgp/standards/Scope3_Calculation_Guidance_0.pdf">http://www.ghgprotocol.org/sites/default/files/ghgp/standards/Scope3_Calculation_Guidance_0.pdf</a>	CDP 2018, (C4.1b)
<b>Waste management efficiency</b>				
KPI_E7	Waste generation	Waste generated, hazardous and non-hazardous	<b>Presentation</b> Tons of waste generated <b>Considerations</b> Tons of hazardous waste (in accordance with the provisions of the national legislation of the place of generation) and of non-hazardous waste (all other forms of solid or liquid waste excluding wastewater).	(GRI) IE (UNCTAD- ISAR)
KPI_E8	Waste processing	Managed waste of the total waste generated	<b>Presentation</b> Tons of waste managed <b>Considerations</b> They are the waste generated that has been recycled or re-evaluated, following specific processes	(GRI)
KPI_E9	Waste recycling	Waste that has been reused	<b>Presentation</b> Tons of waste reused, following specific processes	

**Question 9**

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

Yes, but at some point in time should evolve to double materiality to cover European Commission approach and therefore European needs.

**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?**

Yes, it must follow the same level of auditing practices and requirements as the financial information to be considered as a source of truth and reliable. This process is key to put the sustainability information in the same level of assurance as to the financial information and therefore to be considered as part of the decision-making process.

**Question 11**

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

The market will need one standard for Sustainability reporting. We encourage IFRS to work aligned and in constant communication with the European Commission and EFRAG to converge at some point in one standard.

Digitalization strategy is key to be considered as one of the elements of adoption, including digital format representation and data accessibility.

Auditing requirements and practices should be also contemplated and defined for better quality and consideration of this kind of information.

Involve from the beginning key financial actors, from preparers (listed, large, all sectors), users (investors..) and adopters (regulators..) roles and involve as part of the main staff of SSB, experts on data standards and technologies within the financial and sustainability regulatory reporting sector, as well as, accountants.

