High-Level panel: The role of accounting for Sustainable Development: recent trends and challenges

Presented by

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The role of accounting for sustainable development

Philippe Danjou, IASB Member
Why is sustainability relevant to financial reporting?

• Risks to sustainability also represent a financial risk
• Preparers have a duty to present a comprehensive picture to investors
• At the moment, the clearest option is to present information on future risk (eg sustainability) in the “front half” of the annual report (eg in management commentary)
• As financial risk grows, this will also need to be reflected in the financial statements, or the back half of the annual report, eg:
  – through impairment charges
  – through provisions for decommissioning
Sustainability reporting and IFRS Standards

• Some interesting considerations on sustainability reporting within current IFRS Standards, eg:
  – Should we consider fossil fuel reserves as stranded assets?
  – Should we add further information about accounting for non-regenerative resources?
  – Would it be possible to list a carbon footprint cost as a liability?

• IAS 36 already presents a framework for considering sustainability-related risk
  – If cash flows are at risk from regulation associated with sustainability, this may trigger impairment of assets
A framework for sustainability reporting: what’s next?

• This initiative will need to be:
  – Harmonious and standardised
  – Multi-national

• If anyone is to mandate particular inclusions or disclosures, this will need to be at a regulator level

• IASB is keen to play an active role in the development of this important initiative
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