

Sustainability reporting



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“ a laudable
direction of travel ”

Around the world in 80 days

Lovers of Jules Verne's classic will recall how victory was delivered from the jaws of defeat by the gaining of a day as he travelled the globe, crossing the International Date Line ("IDL") from east to west.



Kiribati

The islands of Kiribati could have gone one better. The IDL makes an obliging detour to group the islands together, and the result is the most advanced time zone on Earth, at GMT+14 hours. They have a neighbour on GMT-11 hours, so cross the IDL here and you gain 25 instead of 24 hours!

Look no further, then, if you are interested in unusual tropical holiday destinations. Though you may need to hurry with your booking, because climate change is already running roughshod over this Pacific paradise. This includes biodiversity loss.



Enhancing biodiversity

The Guernsey Financial Services Commission ("GFSC") may not have had Kiribati front and centre of its Enhancing Biodiversity - The Future of Sustainability Reporting in the Bailiwick of Guernsey - A Feedback Paper which considered the responses to the GFSC's July 2024 discussion paper on the topic. However, it is the biodiversity and sustainability concerns, typified by Kiribati, that ought to benefit somehow, at least in principle.

The logic is that sustainability reporting by companies will allow investors to favour the good guys and shun the polluters, and those degrading biodiversity. This is logic that has spectacularly failed under the Trump administration with regard to fossil fuel companies and ESG investment managers. But the US is not the whole planet, and we need to start somewhere if we want to improve our futures.

International Standards

The GFSC's starting point was the International Sustainability Standards Board's "ISSB" two standards. The GFSC's discussion paper asked for responses to a number of questions. These were designed to consider what level of adoption might be appropriate for Guernsey, together with detail relating to Guernsey's profile, its financial sector participants, the role of other reporting frameworks, the likely impact on firms and their clients, and the wider financial sector community.



International Organisation of Securities Commission ("IOSCO")

The ISSB Standards are advisory, but backed by the G20, the Financial Stability Board and IOSCO:

"IOSCO now calls on its 130 member jurisdictions, regulating more than 95% of the world's financial markets to consider ways in which they might adopt, apply or otherwise be informed by the ISSB Standards within the context of their jurisdictional arrangements, in a way that promotes consistent and comparable climate-related and other sustainability related disclosures for investors."

Guernsey has always chosen to implement relevant IOSCO standards; another reason to release a discussion document.

Feedback

The feedback received by the GFSC made clear the value of such an exercise. Its 39 responses indicated a feeling that this was a laudable direction of travel, but that careful examination of the reporting landscape required a measured approach. In addition, variations in the speed, nature, and extent of adoption in other jurisdictions were noted.

GFSC Policy Position

The Feedback paper included a statement on the GFSC's policy position, as follows:

"The Commission confirms that supervised entities are permitted to make disclosures in compliance with ISSB Standards on a voluntary basis¹."

The Commission has no plans to implement mandatory sustainability disclosure standards applicable to the regulated financial services sectors in the foreseeable future.

The Commission will continue to monitor international developments and will continue to work alongside Guernsey Finance, the industry and the States of Guernsey to ensure the Bailiwick has voluntary and other sustainability disclosure standards in place which best fit with the international developments and local needs."

Impact

This will likely be welcome news to Guernsey regulated companies which already undertake significant levels of reporting, and must pass on such costs to their clients. It also leaves door open to voluntary reporting.

BWCI was a respondent to the paper, and is a market-leader in sustainability and related pensions investment consultancy. Please get in touch with mark.colton@bwcigroup.com or your usual BWCI contact, if you would like to discuss further.

¹ International Financial Reporting Standards Foundation, Jurisdictional Guide for the adoption or other use of ISSB Standards: <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/adoption-guide/inaugural-jurisdictional-guide.pdf>