

EFRAG Secretariat  
35 Square de Meeûs  
1000 Brussels (fifth floor)  
Belgium

09 September 2021

To whom it may concern,

Please find below the Association of International Certified Professional Accountants response to the European Financial Reporting Advisory Group (EFRAG) public consultation paper: Due process procedures for EU sustainability reporting standard-setting.

The European Commission's proposal for a Corporate Sustainability Reporting Directive (CSRD) envisages the adoption of EU sustainability reporting standards. The proposal:

- extends the scope to all large companies and all companies listed on regulated markets (except listed micro-enterprises)
- requires the audit (assurance) of reported information
- introduces more detailed reporting requirements, and a requirement to report according to mandatory EU sustainability reporting standards
- requires companies to digitally 'tag' the reported information, so it is machine readable and feeds into the European single access point envisaged in the capital markets union action plan

Below is our response where we provide our general comments on sustainability standard setting and the Corporate Sustainability Reporting Directive (CSRD), alongside some specific comments.

### **About the Association**

The Association of International Certified Professional Accountants® (the Association), representing AICPA® & CIMA®, advances the global accounting and finance profession through its work on behalf of 696,000 AICPA and CIMA members, students and engaged professionals in 192 countries and territories. Together, we are the worldwide leader on public and management accounting issues through advocacy, support for the CPA license, the CGMA designation and specialised credentials, professional education and thought leadership. We build trust by empowering our members and engaged professionals with the knowledge and opportunities to be leaders in broadening prosperity for a more inclusive, sustainable and resilient future.

The American Institute of CPAs® (AICPA), the world's largest member association representing the CPA profession, sets ethical standards for its members and U.S. auditing standards for private companies, not-for-profit organisations, and federal, state and local governments. It also develops and grades the Uniform CPA Examination and builds the pipeline of future talent for the public accounting profession.

The Chartered Institute of Management Accountants® (CIMA) is the world's leading and largest professional body of management accountants. CIMA works closely with employers and sponsors leading-edge research, constantly updating its professional qualification and professional experience requirements to ensure it remains the employer's choice when recruiting financially trained business

leaders.

## Contact

For further information about CIMA and its submission, please contact Ross Archer, Lead Manager – Public Policy at [ross.archer@aicpa-cima.com](mailto:ross.archer@aicpa-cima.com).

## General Comments:

We welcome the approach EFRAG has taken to this consultation and welcome the engagement with stakeholders through the standard setting process. We welcome this public consultation and the opportunity to respond.

We support the EFRAG's objective of a rigorous and transparent due process that underpins the standard setting and also agree with the proposed due process procedures that address the principles of transparency, public consultation and impact.

To meet the growing demands of investors, policymakers, and other stakeholders, a reporting system that produces globally consistent, comparable, reliable, and measurable sustainability information is needed. As such, we are supportive of a global approach to sustainability standard- setting and the proposed Corporate Sustainability Reporting Directive (CSRD).

We support the approach that the IFRS Foundation is undertaking. The IFRS Foundation are intending to leverage standards from existing global frameworks. We support the strategic direction of the CSRD, where it remains consistent with the work of the IFRS Foundation. The EU as they look to expand and introduce new sustainability standards should build on the of work by the IFRS Foundation to create and introduce global standards in this space.

Many businesses operate globally within the EU; therefore, standards developed for use in the EU should be aligned to global standards so businesses can successfully implement the standards across all nations they operate in. If EU standards are entirely different compared to globally agreed standards, this could create duplication and unnecessary bureaucracy for those global organisations.

The Statement of Intent to Work Together Towards Comprehensive Corporate Reporting ("Statement of Intent") issued by the CDP, CDSB, GRI, and the Value Reporting Foundation provides, among other things, a joint vision of how their frameworks and standards could complement financial generally accepted accounting principles (financial GAAP) and serve as a natural starting point for progress towards a more coherent, comprehensive corporate reporting system. It further highlights a joint commitment to drive toward this goal, through an ongoing programme of deeper collaboration between themselves, and a stated willingness to engage closely with other interested stakeholders.

We commend EFRAG's Task Force for undertaking the statement of cooperation with GRI. We believe this is a first step towards working to a global solution and is in this same spirit as the Statement of Intent. We strongly encourage EFRAG to collaborate with other bodies such as the Value Reporting Foundation and those who have signed the Statement of Intent. We also strongly encourage an EFRAG cooperation arrangement with the IFRS Foundation.

## Specific comments on the public consultation:



#### Chapter 4: Agenda setting

Paragraph 4.8: *“The European Commission shall, at least every three years after the application date, review the standard taking into consideration the EFRAG’s Technical Advice and where necessary shall amend the standards taking into account relevant developments, including developments with regard to international standards.”*

In the scenario the new International Sustainability Standards Board (ISSB) will form under the IFRS Foundation, releasing standards based on existing frameworks, there could be a duplication of efforts or conflicting standards developed in the first few years between EFRAG and the ISSB.

Therefore, in order to ensure alignments and reduce overlap, and in the absence of a specific cooperation arrangement as advised above, we suggest regular consultation between both EFRAG and the ISSB to avoid duplication and conflicting standards.

#### Chapter 5: Standard Setting

Paragraph 5.16: *“The implications for the ESRS digital categorisation system are considered by the EFRAG SR Board and EFRAG SR TEG during the development and drafting of new or amended draft standards. The Technical Advice provided to the European Commission is accompanied by the proposed digital guidance.”*

Despite the acknowledgement in Paragraph 5.16 that *“a digital categorisation system to be developed together with the sustainability reporting standards”*, it remains unclear whether such categorisation will be developed and by which entity. Considering that other standard setters (e.g., FASB, IASB) are responsible for standard-setting as well as development and maintenance of the corresponding taxonomies, it might be problematic for the development of the taxonomy, to be a separate activity from standard-setting.

Therefore, we recommend that an EFRAG clearer role in the development of the Taxonomy used by filers to report in accordance with EU standards is stated.

#### **Concluding remarks**

We think it is essential that all market participants work towards a comprehensive global reporting solution that provides transparency into how an enterprise leverages its array of resources to create value over the long term. A lack of consistent standards for reporting sustainability information impacts the quality of information reported and leads to incomparable metrics. Moreover, the role of auditors and Management Accountants is crucial.

Thank you for the opportunity to respond.

Yours faithfully,

Andrew Harding  
**Chief Executive - Management Accounting**