



Department for Business, Energy and Industrial Strategy
1 Victoria Street
London
SW1H 0ET

30 April 2021

To whom it may concern,

Please find below the Association of International Certified Professional Accountants response to the Department for Business, Energy and Industrial Strategy consultation on requiring mandatory climate-related financial disclosures by publicly quoted companies, large private companies and Limited Liability Partnerships (LLPs).

About the Association

The Association of International Certified Professional Accountants (the Association) is the most influential body of professional accountants, combining the strengths of The Chartered Institute of Management Accountants (CIMA) and the American Institute of CPAs (AICPA) to power opportunity, trust and prosperity for people, businesses and economies worldwide. It represents 667,000 members and students across 184 countries and territories in public and management accounting and advocates for the public interest and business sustainability on current and emerging issues. With broad reach, rigor and resources, the Association advances the reputation, employability and quality of CPAs, CGMAs and accounting and finance professionals globally.

About CIMA

The Chartered Institute of Management Accountants (CIMA), founded in 1919, is the world's leading and largest professional body of management accountants, with members and students operating in 179 countries, working at the heart of business. CIMA members and students work in industry, commerce, the public sector and not-for profit organisations. CIMA works closely with employers and sponsors leading-edge research, constantly updating its qualification, professional experience requirements and continuing professional development to ensure it remains the employers' choice when recruiting financially trained business leaders. Chartered Global Management Accountant (CGMA) is the most widely held management accounting designation in the world. It distinguishes more than 137,000 accounting and finance professionals who have advanced proficiency in finance, operations, strategy and management.

CIMA is a founder member of the Association of International Certified Professional Accountants (the Association). In the UK alone, CIMA has more than 80,000 members working across all sectors. With broad reach, rigour and resources, the Association advances the reputation, employability and quality of CPAs, CIMA and CGMA designation holders and accounting and finance professionals globally.

Contact

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

General Comments:

To meet the growing demands of investors, policymakers and other stakeholders, a reporting system that produces globally consistent, comparable, reliable, and assurable sustainability information is needed. As such, we are supportive of a global approach to sustainability standard setting and the proposed formation of an international sustainability reporting standards board under the governance of the International Financial Reporting Standards (IFRS) Foundation.

Further we support the views of the Trustees of the IFRS Foundation about the strategic direction of a new board which would focus on information that is material to the providers of financial capital, initially focus on climate-related reporting (while also working towards meeting the information needs of investors on other ESG (environmental, social and governance) matters; build on existing reporting frameworks; and provide a building blocks approach (i.e., by working with standard-setters from key jurisdictions, standards issued by the new board would provide a globally consistent and comparable sustainability reporting baseline, while also providing flexibility for coordination on reporting requirements that capture wider sustainability impacts.

In order to be successful, regulatory jurisdictions around the world must recognize and have input to this effort. The International Organization of Securities Commissions (IOSCO) has commented on the “urgent need for globally consistent, comparable, and reliable sustainability disclosure standards” and has expressed support for a Sustainability Standards Board under the IFRS Foundation.

On 22 March, 2021 the Trustees of the IFRS Foundation announced the formation of a working group to accelerate convergence in global sustainability reporting standards focused on enterprise value and to undertake technical preparation for a potential international sustainability reporting standards board under the governance of the IFRS Foundation. The working group will provide a forum for structured engagement with initiatives focused on enterprise value reporting.

Need Alignment with a Global Approach

We agree that disclosure of material climate-related financial information, can help support investment decisions aligned with a transition to a low-carbon economy. As noted in the consultation, we agree with and strongly believe that climate change reporting is ultimately done against global standards and we agree that any legislative requirements introduced now should allow for subsequent alignment with global standards for consistent, comparable reporting to be achieved globally. We also believe that the global standards to be developed must leverage existing frameworks as much as possible.

As such it is expected that a global sustainability standards board would build upon the well-established work of the Financial Stability Board’s [Task Force on Climate related Financial Disclosures](#) (TCFD), as well as work by the alliance of leading standard-setters¹ in sustainability reporting focused on enterprise value. As suggested in the consultation, the proposed four pillar approach, based on the TCFD’s framework, appears to create a balance between improving company reporting in this area now and minimising the likelihood of needing further significant legislative changes if international standards are adopted.

¹ CDP, Climate Disclosures Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC), and the Sustainability Accounting Standards Board (SASB)

The Role of the Management Accountant

The management accountant's role in the creation and publication of the financial statements and accompanying reports means they are well placed to deliver on standards reporting around wider disclosures such as those on climate change. The management accountant has a unique focus on how organisations create and preserve value and a recent focus on [business model disclosures](#) shows how a greater understanding of the value creation process, linking this to the wider business ecosystem and performance management means that they are well placed to develop these metrics further.

They also play a critical role in supporting C-suite executives and boards through providing key decision support information and analysis from strategy through to operational execution. This ensures value creation and competitive advantage are maintained where they are deployed effectively. Management Accountants critical role in supporting boards and senior executives and directors at organisations means they are and would be able to support wider disclosures on climate change and sustainability reporting within an organisation.

The Role of the Auditor

As noted in the consultation, auditors play a key role in the production and assurance of financial statements. Third-party assurance from an audit firm can enhance the reliability of ESG information reported by companies, in a manner similar to the process that occurs with audits of financial statements. The auditing profession is a profession steeped in bringing accountability, standards-based analysis and objectivity to the review of company-reported information. Auditors provide the checks and balances that confirm companies have the right internal controls in place and are presenting accurate financial statements. They ensure companies are playing by the same rules and level the playing field for investors to make informed decisions.

Consistent with their public interest role, the auditing profession sees an important role to contribute to the reliability of climate-related financial disclosures and is ready to assist.

Answers to Specific Questions

Question 1: Do you agree with our proposed scope for companies and LLPs?

The definition of a Public Interest Entity (PIE) should align with the European wide definition as in the 2013 Accounting Directive. This includes entities whose transferable securities are admitted to trading on a regulated market, Credit institutions, Insurance undertakings, or Public-interest entities having national significance or economic size.

When considering action in relation to this question the government should consider this alongside their other ongoing consultation - Restoring trust in audit and corporate governance: proposals on reforms – which seeks views on definition of PIEs and widening the scope of businesses counted as PIEs in the UK market place.

Question 4: Do you agree that the Strategic Report is the best place for the disclosure of climate-related financial information by companies?

Yes. We agree that this is better than being part of the financial statements as it will gain a higher profile.

Question 6: Do you agree that requiring disclosure in line with the four pillars of the TCFD recommendations, rather than at the 11-recommendation level is suitable?

We have answered this in our general comments.

Question 12: Do you have any comments regarding the existing enforcement provisions for companies and the BEIS proposal not to impose further provisions?

We feel that the ongoing reviews into the restructure of the new regulator to replace the FRC – Audit Reporting and Governance Authority (ARGA) – should address this question.

Question 13: Do you have any comments regarding duties and enforcement provisions for LLPs?

Please see response to question 12.

Question 14: Do you have any comments on the responsibilities of auditors in relation to climate-related financial disclosures?

With growing calls for standardised, consistent, reliable, and comparable disclosures, we see growing demand for assurance of ESG-related disclosures in order to help enhance confidence and trust in the information. Assurance helps strengthen controls and reporting systems around reporting and enhances the quality of the information, driving more informed and better decision-making. According to the KPMG Survey of Sustainability Reporting 2020, the underlying trend for third-party assurance among the world's 250 largest companies, is that 71 percent receive assurance on their sustainability data and of the top 100 companies by revenue in 52 countries (i.e., 5,200 companies) 49% receive assurance on their sustainability data.

The accounting profession has standards (and guidance²) in place to provide assurance over this information (e.g., International Standard on Assurance Engagements (UK) 3000 (July 2020): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*). Other countries have similar national equivalents (e.g., the AICPA Statement on Standards for Attestation Engagements in the United States). The accounting profession is uniquely qualified in providing assurance, bringing assurance expertise, objectivity, independence and a multi-disciplinary approach (leveraging subject matter experts). The accounting profession is ready to provide assurance over ESG information.

Thank you for the opportunity to respond.

Yours faithfully,



Andrew Harding
**Chief Executive - Management Accounting
Secretary General, CIMA**

² E.g., [Non-Authoritative Guidance on Applying ISAE 3000 \(Revised\) to Extended External Reporting \(EER\) Assurance Engagements](#), [AICPA Sustainability Attestation Guide](#) (applicable in the US)