



INTERCONNECTED STANDARD SETTING FOR CORPORATE REPORTING

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ICAEW welcomes the opportunity to comment on the Accountancy Europe paper on Interconnected Standard Setting for Corporate Reporting published in December 2019, a copy of which is available from this [link](#).

ICAEW strongly supports Accountancy Europe's initiative on this important topic. We agree that now is the right time to redouble efforts to achieve interconnected standard setting for corporate reporting. We agree with the vision of a global corporate reporting structure for reporting on environmental and social issues and calls for system change.

This response of 28 May 2020 has been prepared by the ICAEW Financial Reporting Faculty. Recognised internationally as a leading authority on financial reporting, the Faculty, through its Financial Reporting Committee, is responsible for formulating ICAEW policy on financial reporting issues and makes

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KEY POINTS

Taking the next step in the non-financial reporting debate

1. ICAEW'S 2017 report **What's Next for Corporate Reporting** considered the ongoing debate around non-financial reporting and assessed alternative views on the best way forward. We noted a common concern that the current and growing diversity of guidelines, frameworks and initiatives is confusing and could ultimately undermine the usefulness and credibility of non-financial reporting. Proponents of this view advocated the development of a single new principles-based framework to provide direction on non-financial reporting. Such a framework would be used as the foundation for a common language and consistent measurement bases, with perhaps detailed practical guidance on a sector-by-sector basis on common KPIs and their link to strategy and performance.
2. The 2017 report also outlined the contrary view that a more measured pace of change should be pursued. Those taking this view focused on the importance of embedding experimentation into the process, rather than seeking standardisation at an early stage in the evolution of non-financial reporting practices. Taking this approach would allow evidence to be gathered on the usefulness of innovation before reporters generally are required to adopt it, rather than afterwards. Any confusion caused by the existence of many viewpoints, ideas and initiatives was seen as necessary to the evolution of ideas.
3. In many ways, our assessment in 2017 of the alternative ways to achieve consistency, credibility and an appropriate pace of change for non-financial information remains valid today. However, what has changed is the urgency that is now being expressed around finding a solution. As noted in the Accountancy Europe paper, climate change, environmental degradation, human rights, social concerns, and internally generated intangibles are of growing concern to a wide range of stakeholders. Yet at the same time, the non-financial reporting landscape appears more fragmented than ever, with new requirements, initiatives and guidelines continuing to emerge on a regular basis.
4. We strongly support Accountancy Europe's initiative on this important topic. We agree that now is the right time to redouble efforts to achieve interconnected standard setting for corporate reporting.

The importance of adopting a global approach

5. We agree with the vision of a global corporate reporting structure to address reporting on the environmental and social issues referred to in the paper and the need to respond to calls for system change.
6. In our 2017 report we noted how the development of a single framework for non-financial reporting would necessitate the creation of an authoritative, independent, internationally-recognised umbrella body, supported by relevant organisations in each jurisdiction, to coordinate activities globally and help cement a common viewpoint on the desired direction of travel. To achieve this, it will be very important to ensure the active support and engagement of relevant organisations/bodies currently operating in the non-financial reporting arena.

Achieving effective and sustainable standard-setting

7. We agree with Accountancy Europe that the vision for a global corporate reporting structure is a longer-term goal that will need to be achieved in stages. Achieving effective and sustainable change in corporate reporting will take time and there are important practical challenges that need to be addressed. However, as noted above, given the urgency of tackling the global issues referred to in the paper, we believe that now is the time to act. Indeed, the paper identifies a number of actions that could be taken in the short to medium-term to accelerate the process. ICAEW is developing its thinking on what practical steps might be possible in the short to medium-term, with reference to important developments at both international and European levels, and stand ready to help in these early stages of developing real momentum in the drive towards global interconnected standard setting.
8. As this initiative progresses, we believe it will be vital to ensure continuous and effective dialogue between preparers, investors, regulators and other stakeholders. We expect that views on what is desirable and achievable are likely to evolve over time and, as such, it is important not to pre-judge the outcome at the outset.