STAFF PAPER

November 2017

IASB Meeting

Project	**Wider corporate reporting**
Paper topic	An update on developments

CONTACT(S) David Loweth dloweth@ifrs.org +44(0) 7531 878116
Matt Chapman mchapman@ifrs.org

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (the Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB® Update.

Purpose of this paper

1. The purpose of this paper is to provide the Board with an update on developments in wider corporate reporting (WCR). The paper is primarily for information, but any comments and views that Board members might have would be welcome.

Structure of the paper

2. This paper is structured as follows:
    a. the background is set out in paragraph 3;
    b. the main recommendations of the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) are summarised in paragraphs 3-9 (see also Appendices A and B);
    c. a summary of the European Commission's guidelines on disclosure of non-financial information is at paragraphs 10-14);
    d. the outcome of the consultation by the International Integrated Reporting Council (IIRC) on the use and challenges of the Integrated Reporting (<IR>) Framework is at paragraphs 15-17;
    e. a summary of other developments and reports (paragraphs 18-20 and Appendix C); and
    f. questions for the Board to consider.

Background

3. The Board discussed the role that it should play in the area of wider corporate reporting (WCR) at its meeting in March 2017 (Agenda Paper (AP) 28A for that

The International Accounting Standards Board is the independent standard-setting body of the IFRS Foundation, a not-for-profit corporation promoting the adoption of International Financial Reporting Standards. For more information visit www.ifrs.org .

meeting refers). That agenda paper included the summary results of a staff survey of the extensive WCR landscape and noted that developments in this area continue to be made. This paper provides a summary of some of the major developments since March.

FSB TCFD final report

4. The major development that has occurred has been the publication on 29 June of the final report of the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD). The report contains recommendations for consistent company disclosures in order to help financial market participants understand their climate-related risks. The TCFD's Final Report reflects that of the Task Force's Phase II report, published on 14 December 2016, recommending specific disclosures in four areas (see Appendix A for more detail):
    a. Governance – an organisation's governance around climate-related risks and opportunities;
    b. Strategy – the actual and potential impacts of climate-related risks and opportunities on an organisation's businesses, strategy and financial planning;
    c. Risk Management – how an organisation identifies, assesses and manages climate-related risks; and
    d. Metrics and targets used to assess and manage relevant climate-related risks and opportunities.
5. In developing its proposals, the TCFD has drawn on existing climate-related disclosure regimes and sought to develop a decision-useful framework to harmonise the existing fragmented and incomplete requirements. The TCFD has also considered the interconnectivity of its recommendations with existing financial statement and disclosure requirements, noting that the Board already has Standards to (a) address risks and uncertainties affecting companies (IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) and (b) provide guidance on assessing the impairment of long-lived assets (IAS 36 *Impairment*

of Assets). In the TCFD's view: "The disclosures of both contingencies and management's assessment and evaluation of long-lived assets for potential impairment are critically important in assisting stakeholders in understanding an organization's ability to meet future reported earnings and cash flow goals". (The TCFD's views on accounting considerations remain unchanged from its December 2016 report – see text at Appendix B.)

6. The TCFD recommends that companies provide disclosures in their "mainstream (i.e., public) annual financial filings", noting that: "In most G20 jurisdictions, companies with public debt or equity have a legal obligation to disclose material information in their financial filings – including material climate-related information".

7. The report contains some brief text about the assessment of materiality, but the Task Force encourages that, in relation to the recommended disclosures related to Governance and Risk Management, all companies with public debt or equity should include climate-related disclosures in their public financial filings, rather than each company board and management making their own assessment of materiality[1].

8. The staff view, as reported to the Board in March 2017, remains that the emphasis of the TCFD's recommendations as set out above is on disclosures being made in the 'front-end' of company reports (as part of management commentary or its equivalent), so that at this stage there are no potential implications that could lead the Board to amend its current Work Plan. If the Board decides to take forward any work in the WCR area, then it would examine the TCFD's recommendations – and their implications (including those relating to materiality) - along with other relevant source material.

9. As a reaction to the TCFD's final report, on 18 September, the Sustainability Accounting Standards Board (SASB) and the Climate Disclosure Standards

[1] See TCFD final report, Section C (Recommendations and Guidance), 2.b, page 17, and Section E (Key Issues Conaidered and Areas for Further Work), 2, pages 33-34.

Board (CDSB) issued a paper[2] setting out how the two organisations believe that their approaches are already well-aligned with the TCFD's recommendations, but setting out their commitment to work towards further harmonisation.

European Commission guidelines on the disclosure of non-financial information

10. On 26 June, the European Commission issued its guidelines to companies on the disclosure of non-financial information[3]. The guidelines are non-binding and are designed to assist those large companies and groups (large public-interest entities with more than 500 employees) who are required to disclose in their management reports (or, in certain circumstances, if they wish, in a separate report) certain non-financial and diversity information in accordance with the Non-Financial Reporting (NFR) Directive (Directive 2014/95/EU).
11. The guidelines do not specify any particular reporting framework that should be followed, but give flexibility for companies to "rely on high quality, broadly recognised national, EU-based or international frameworks" when preparing their NFRs.
12. The guidelines share some features with the Board's *Management Commentary* Practice Statement (MCPS), for example in providing in insights into a company's strategy, principal risks, Key Performance Indicators and forward-looking information. But in other areas they go further, whether to reflect later developments (such as reporting on the business model) or specific public policy initiatives (such as reporting on diversity, human rights, anti-corruption and bribery, and conflict minerals).
13. The guidelines also encourage companies to consider the information needs of "all relevant stakeholders" (ie wider than investors) and "focus on information needs of stakeholders as a collective group, rather than on the needs of

---

[2] SASB/CDSB (18 September 2017) *Converging on Climate Risk: CDSB, the SASB, and the TCFD – The Emerging Alignment of Market-Based Approaches to Climate-Related Financial Disclosures*, available at: https://www.cdsb.net/sites/default/files/sasb_cdsb-tcfd-convergingonclimaterisk-091317-web.pdf.

[3] Communication from the Commission, available at: https://ec.europa.eu/info/publications/170626-non-financial-reporting-guidelines_en.

preferences of individual or atypical stakeholders, or those with unreasonable information demands". This could affect the assessment of the materiality of the information to be disclosed, where the guidelines specify that: "The non-financial statement is expected to reflect a company's fair view of the information needed by **relevant stakeholders**" (our emphasis). Elsewhere, the guidelines say that the interests and expectations of relevant stakeholders is one of the factors that "may be taken into account when assessing the materiality of information"[4]. In addition, the NFR Directive requires information to be disclosed to the extent necessary for an understanding of – among other things - a company's "impact of its activity". In the guidelines, the Commission acknowledges that this is a new element to be taken into account in assessing the materiality of non-financial information.

14. At this stage, as with the TCFD recommendations referred to above, if the Board decides to take forward any work in the wider corporate reporting area, then it would examine the guidelines – and their implications - along with other relevant source material.

IIRC Framework Implementation Feedback

15. The International Integrated Reporting Council (IIRC) has itself earlier this year consulted on how the use of the <IR> Framework (published in 2013) is working out in practice and the challenges that preparers and other stakeholders have faced in preparing and using integrated reports. Among other things, the feedback received highlighted that there should be suggested there should be better articulation of the links between financial and non-financial (or "pre-financial") capitals and disclosures, the need for better communication on how other corporate reporting developments can connect to or support the preparation of an integrated report, and the need for guidance to help report preparers better understand how the pieces of the corporate reporting landscape fit together.

[4] But as referred to in paragraph 19(b), tt should be noted that the UK FRC has taken more of a shareholder focus in its proposed amendments to its Guidance on the Strategic Report, which (among other things) incorporates guidance on the transposition of the NFR Directive in the UK.

16. The IIRC published its *Framework Implementation Feedback: Summary Report*[5] on 12 October. The report notes that the feedback to the IIRC indicated that the Framework is standing up well to the challenges of implementation and the IIRC sees no immediate urgency to revise the <IR> Framework. The report also points to several opportunities to provide guidance and examples and take other actions to help report preparers and other stakeholders continue to tackle those challenges. The IIRC has developed an action plan as to how these challenges can be tackled, with a somewhat daunting total of 48 actions (some of which will be easy to achieve, others will be more challenging). A number of the actions are addressed to the Corporate Reporting Dialogue (CRD), of which the Board is a member, as follows:
    a. Action 2 – "Help report preparers access intellectual, human, and social and relationship capital metrics to suit their unique circumstances. Identify relevant and connected metrics and underlying methodologies to facilitate comparisons of strategy, governance, performance and prospects." The lead for this action rests with the IIRC technical function, the CRD and others, with the timing a matter for discussion internally in the IIRC, with the CRD, and with others;
    b. Action 18 – "Maximize synergy between the Framework's materiality approach and those used in other reporting frameworks. Maintain a watching brief over other bodies' projects on materiality (e.g., the International Accounting Standards Board's Definition of Material project) and pursue alignment where appropriate." The lead for this action rests with the IIRC technical function, the CRD, and others with the timing a matter for on-going discussion;
    c. Action 30 – "Promote alignment between reporting frameworks. Collaborate with others to research how the Framework's Guiding Principles align with similar concepts in other reporting frameworks." The

[5] The IIRC report can be accessed at: http://integratedreporting.org/wp-content/uploads/2017/10/Framework_feedback_Sum2017.pdf. .

lead for this action rests with the IIRC technical function, the CRD, and others, with the timing a matter for on-going discussion;

d. Action 48 – “Help report preparers better understand how the pieces of the corporate reporting landscape fit. Collaborate with others under the auspices of the CRD to clearly and succinctly explain the reason for different report forms (in particular, integrated, financial, and sustainability) and how they relate to each other.” The lead for this rests with the IIRC’s technical function, the CRD, and others, with the timing for on-going discussion.

17. The staff take the view that another Action (number 6) is also particularly relevant. This proposes an action for the IIRC technical function to: “Communicate how other corporate reporting developments can connect with or support the preparation of an integrated report. Identify and research corporate reporting developments – with a focus on prominent models and frameworks – for their alignment with Integrated Reporting. The scope might include, for example, the ‘Core and more’ approach of Accountancy Europe and the Financial Reporting Council’s Guidance on the Strategic Report”. The lead on this rests with the IIRC technical function, but the staff believe that the Board can also assist in this, in particular if the Board decides to take on a projectr to revise and update its *Management Commentary* Practice Statement (MCPS) (as outlined in AP 28A).

Other developments and reports

18. Apart from the above, the WCR ‘pipeline’ continues to bring forward developments and reports. A summary of the developments and reports that the staff have reviewed is at Appendix C (Board members should note that specific references from such reports that call for greater coherence between corporate reporting frameworks, guidance and codes, and/or for the Board to take action in this area, are summarised in AP 28A).

19. In the regulatory sphere, we would highlight two developments in particular:

a. the issue in May of a revised version of The Malaysian Code on Corporate Governance, which now includes a specific encouragement for large companies to adopt integrated reporting; and

b. the August consultation by the UK Financial Reporting Council (FRC) to revise and update its guidance on the Strategic Report, to reflect both (a) the transposition into UK law of the EU NFR Directive referred to above; and (b) the need to better reflect the UK legislative requirement on directors to promote the success of the company. The FRC's proposals also place greater emphasis on the notion of value creation. The FRC view is that the NFR Directive requirements form part of the Strategic Report, which retains its shareholder focus, rather than being addressed to a wide range of stakeholders, although in meeting the needs of shareholders, the FRC believes that the information is also likely to be useful to other stakeholders. The consultation closed on 24 October and the FRC is currently considering the responses.

20. Elsewhere, the United Nations (UN)-supported Principles for Responsible Investment (PRI) continues to grow[6]. We reported to the Board in March that, as at 7 March 2017, the PRI had 1,701 signatures. As of 31 October, that number has grown to 1,844. That said, the PRI is aware that no all signatories demonstrate real commitment to its Principles and, on 2 August 2017, issued a consultation paper setting out proposed minimum requirements for signatories to meet, with a view to delisting those who fail to demonstrate progress over a two to three year period[7].

---

[6] Board members will recall that the PRI encourages institutional investors to – among other things – incorporate ESG issues into their investment analysis and decision-making processes.

[7] UN PRI (July 2017) Consultation Paper *Proposals and Methods to Strengthen PRI Signatory Accountability*, available at:

Questions for the Board

1. Does the Board have any comments or views on any of the latest developments and reports? If yes, are there any aspects of the above that Board members would like the staff to investigate further and report back on in more depth, or any aspects or other developments that you feel that have not been covered and should be?

Appendix A

FSB Task-Force on Climate-related Financial Disclosures: Recommendations and Supporting Recommended Disclosures

Governance	**Strategy**	**Risk Management**	**Metrics and Targets**
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	*Recommended Disclosures*	*Recommended Disclosures*	*Recommended Disclosures*
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Appendix B

EXTRACT FROM TCFD FINAL REPORT: ACCOUNTING CONSIDERATIONS (Report, pages 37-38)

"As part of its work, the Task Force considered the interconnectivity of its recommendations with existing financial statement and disclosure requirements. The Task Force determined that the two primary accounting standard setting bodies, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB), have issued standards to address risks and uncertainties affecting companies. Both International Accounting Standard (IAS) 37 "Provisions, Contingent Liabilities and Contingent Assets" and Accounting Standards Codification (ASC) 450 "Contingencies" provide guidance on how to account for and disclose contingencies. Additionally, IAS 36 "Impairment of Assets" and ASC 360 "Long-lived Asset Impairment" provide guidance on assessing the impairment of long-lived assets. The disclosures of both contingencies and management's assessment and evaluation of long-lived assets for potential impairment are critically important in assisting stakeholders in understanding an organization's ability to meet future reported earnings and cash flow goals.

In most G20 countries, financial executives will likely recognize that the Task Force's disclosure recommendations should result in more quantitative financial disclosures, particularly disclosure of metrics, about the financial impact that climate-related risks have or could have on an organization. Specifically, asset impairments may result from assets adversely impacted by the effects of climate change and/or additional liabilities may need to be recorded to account for regulatory fines and penalties resulting from enhanced regulatory standards. Additionally, cash flows from operations, net income, and access to capital could all be impacted by the effects of climate-related risks (and opportunities). Therefore, financial executives (e.g., chief financial officers, chief accounting officers, and controllers) should be involved in the organization's evaluation of climate-related risks and opportunities and the efforts undertaken to manage the risks and maximize the opportunities. Finally, careful consideration should be given to the linkage between scenario analyses performed to assess the resilience of an organization's strategy to climate-related risks and opportunities (as suggested in the Task Force's recommendations) and assumptions underlying cash flow analyses used to assess asset (e.g., goodwill, intangibles, and fixed assets) impairments."

Appendix C

EXAMPLES OF REPORTS AND OTHER DEVELOPMENTS IN WIDER CORPORATE REPORTING: MARCH-OCTOBER 2017

Eccles, R and Kastrapeli, M (March 2017) – The Investing Enlightenment: How Principle and Pragmatism Can Create Sustainable Value through ESG (State Street)
Available at:
http://www.statestreet.com/content/dam/statestreet/documents/Articles/The_Investing_Enlightenment.pdf.

This paper reports the findings of a global survey of 582 institutional investors, evenly split between asset owners and asset managers and equity and fixed income, all of whom were or were planning to practice some type of ESG investing, and 750 retail investors, including some who were not practicing ESG investing.

The authors found support for ESG investing (not surprising given the sample of institutional investors) and demonstrated the upward trend of ESG investment and interest. The report seeks to overcome three main misconceptions about ESG investment: (a) that ESG integration means sacrificing financial returns (only a third of survey respondents thought incorporating ESG factors would mean missing returns); (b) that fiduciary duty precludes ESG integration (only 10% saw this as a barrier); and (c) that performance expectations are too short-term for ESG integration (in fact, 59% saw long-term gains as being more important than short-term ones. From these results, the authors proposed a model by which ESG integration could be adopted effectively.

Accountancy Europe (28 March 2017) – Follow-up Paper: The Future of Corporate Reporting – creating the dynamics for change (Cogito series)
Available at: https://www.accountancyeurope.eu/wp-content/uploads/170322-Publication-Follow-up-paper-on-FoCR.pdf.

The paper follows-up an earlier (2015) paper in Accountancy Europe's Cogito series on the future of corporate reporting, which had proposed a CORE and MORE reporting model (with a CORE report envisaged as an overarching report or executive summary. From this CORE report links would be included, enabled by technology, to MORE reports).

Overall, respondents to the 2015 paper and attendees at events to discuss it indicated that:

- although there is a growing audience for corporate reporting, investors are still seen as the primary users of such reporting. Some respondents proposed to provide financial and non-financial information to the capital providers through the CORE report, and use the MORE reports to cover information needs of other stakeholders;
- financial reporting is not losing absolute relevance: it still has significant confirmatory value, and as such, should be as timely as practicably possible.

However, respondents and attendees at the events also emphasised that:

- the CORE & MORE concept should be clarified, redefined, and further fine-tuned and explained how it relates to integrated reporting;
- it is of the utmost importance that one party (or parties) take(s) firm ownership of a global principles-based non-financial information reporting framework to ensure a certain level of quality and discipline in non-financial information reporting; and
- technology will significantly change the preparation and presentation of corporate reporting going forward.

CPA Canada (Spring 2017) – State of Play: Study of Climate-related Disclosures by Canadian Public Companies
Available at: https://www.cpacanada.ca/en/business-and-accounting-resources/financial-and-non-financial-reporting/sustainability-environmental-and-social-reporting/publications/climate-related-disclosure-study.

This report sets out the results of a CPA-commissioned review of the climate-related disclosures made by 75 Canadian public companies in their 2015 regulatory disclosure filings. The study found that while the majority (79%) are making climate-related disclosures, the nature and extent varies, with a lack of sufficient context and comparability.

The report (page 11) refers to a 2016 survey of Canadian institutional investors which revealed that the majority do consider ESG issues when making investment decisions, but that there is a gap between what those investors want to know (in particular how these issues are related to the company's strategy, risk management and operations) and what information companies actually provide.

ACCA (13 April 2017) – Insights into Integrated Reporting: Challenges and best practice responses
Available at: http://www.accaglobal.com/content/dam/ACCA_Global/Technical/integrate/pi-insights-into-ir.pdf.

This paper reports the results of a review carried out by the ACCA with the IIRC of 41 corporate reports, covering accounting periods up to 31 March 2016, of participants in the IIRC's <IR> Business Network. While setting out the challenges the companies had faced, the report also highlighted the benefits they had achieved through the adoption of <IR>, including their ability to articulate more clearly and fully what truly drives them forward.

Securities Commission Malaysia (26 April 2017) – The Malaysian Code on Corporate Governance
Available at: https://www.sc.com.my/wp-content/uploads/eng/html/cg/mccg2017.pdf.

A revised version of the Malaysian Code on Corporate Governance (MCCG) was published in April 2017. The Code applies a Comprehend, Apply and Report approach (CARE), with a shift from comply or explain to apply or explain an alternative. Among other things, the Code (11.2) encourages large companies to "adopt integrated reporting based on a globally recognised framework".

Japan Ministry of Economy, Trade and Industry (METI) (29 May 2017) – Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation
Available at: http://www.meti.go.jp/english/press/2017/pdf/0529_004b.pdf.

This guide by METI builds on the work of a Study Group on Long-term Investment (established by METI in August 2016) that held discussions on ideal approaches to strategic investment for companies to enhance their mid-term to long-term corporate value, methods that investors should take for evaluating companies from mid-term to long-term perspectives and for companies to disclose information and hold dialogues with investors. This METI guide is designed to help companies in those dialogues and on disclosing their management strategies, non-financial information and other elements. It outlines a basic framework for the disclosure of value, business models, sustainability/growth, strategies, performance and KPIs, and governance.

Climate Disclosure Standards Board (CDSB) (2 June 2017) – Unchartered waters: How can companies use financial accounting standards to deliver on the Task force on Climate-related Financial Disclosures' recommendations? (draft paper)

Available at: http://cdsb.cdnf.net/sites/default/files/tcfd_and_financial_accounting_recommendations_v.1.pdf.

This draft paper sets out the results of a high-level review of principles from certain IFRS Standards that the CDSB believes could be useful for companies responding to the TCFD's recommendations. As well as IAS 36 and IAS 37, which were both referred to in the TCFD's report, the CDSB sees merit – for example - in seeking to analogise various principles contained in the financial instruments Standards (IFRS 7 and IFRS 9) to climate-related financial disclosures, including the fact that (a) IFRS 7 applies to both recognised and unrecognised financial instruments; and (b) that the impairment recognition requirements in IFRS 9 use more forward-looking information to recognise expected credit losses.

Institute of Chartered Accountants in England and Wales (ICAEW) (12 June 2017) – What's next for corporate reporting: Time to decide?
Available at: http://www.icaew.com/-/media/corporate/files/technical/financial-reporting/information-for-better-markets/whats-next-for-corporate-reporting.ashx.

This report takes stock of where corporate reporting stands at present and identifies the key decisions that the authors believe need to be taken before a step change in the quality and usefulness of reports can be achieved, with particular reference to non-financial reporting. The report captures some of the main features discussed with key stakeholders and includes a number of issues that enjoyed substantial support (in a number of sections titled 'What we heard').

International Federation of Accountants (IFAC) (15 June 2017) – Build Trust. Inspire Confidence. The Global Accountancy Profession's Call for Action by G20 Countries

Available at: https://www.ifac.org/publications-resources/build-trust-inspire-confidence.

Among the calls for action advocated by IFAC is the global adoption of the <IR> Framework.

Institut Français des Administrateurs (IFA) (June 2017) – The Board of Directors and integrated reporting

Available at: http://integratedreporting.org/wp-content/uploads/2017/07/IFA_Reporting-Integre%CC%81-2017_EN.pdf.

This report states that one of the key functions of a Board of Directors is to define a value creation strategy for the company's shareholders and notes the IFA's view that integrated thinking and integrated reporting are an inherent part of this function. This report sets out the expected benefit and recommends that directors should formally adopt an integrated thinking and integrated reporting approach.

Eumedion (Netherlands Corporate Governance Forum) (10 July 2017) – Evaluation of the 2017 AGM Season

Available at: https://www.eumedion.nl/en/public/knowledgenetwork/publications/2017-proxy-season-evaluation.pdf.

This report sets out Eumedion's evaluation of the 2016 annual reports and 2017 shareholders' meetings of Dutch listed companies. Among the findings, Eumedion notes and increase in the number of companies producing an 'integrated annual report': 28 (55%) in 2016, in comparison to 18 in 2015 and only 4 in 2014. That said, Eumedion's evaluation is that the quality of such reports varies, with only two being highlighted as examples of best practices.

CDP (July 2017) – The Carbon Majors Database: CDP Carbon Majors Report 2017

Available at: https://b8f65cb373b1b7b15feb-c70d8ead6ced550b4d987d7c03fcdd1d.ssl.cf3.rackcdn.com/cms/reports/documents/000/002/327/original/Carbon-Majors-Report-2017.pdf?1501833772.

This research report reveals that 100 active fossil fuel producers are linked to 71% of global industrial greenhouse gases (GHGs) emissions since 1988.

Economist Intelligence Unit (EIU) (July 2017) – The Road to Action: Financial Regulation Addressing Climate Change

Available at: https://perspectives.eiu.com/financial-services/road-action-financial-regulation-addressing-climate-change.

This report reviews the issues relating to climate-related financial disclosure and investigates the mandates of ten different international, EU and UK financial institutions, all with very different focuses and mandates, to consider what role they play, or could play, in supporting climate-related financial risk reporting. The Board is not one of the ten institutions reviewed, but the report does mention the Board as having a potential role to play.

EU High-Level Expert Group on Sustainable Finance (July 2017) – Financing a Sustainable European Economy (Interim Report)

Available at: https://ec.europa.eu/info/publications/170713-sustainable-finance-report_en.

The European Commission believes that a re-engineering of the financial system is necessary for it to become truly sustainable from an economic, social and environmental perspective. To develop the overall vision of sustainable finance that this requires, the Commission established a High-Level Expert Group (HLEG) to ensure that its approach to sustainable finance is ambitious and at the forefront of innovation. The Group's Interim Report sets out a set of recommendations for action as a basis for discussion. The Group plans to issue its final report in December 2017.

One section (III.7) of the report deals with accounting frameworks (Report, pages 28-30). There are two features to the section. The first deals with the better integration of sustainability into accounting standards. On this issues, there is an incorrect statement on page 29 that: "**The IASB has partnered with the International Integrated Reporting Council (IIRC) and issued a Management Statement akin to an Integrated Report of financial and non-financial information."** The assumption is that this is a reference to the possibility of the Board taking on a project to revise and update the Practice Statement on Management Commentary, and we have pointed out to the HLEG what the real situation is.

The second feature is more substantive. On page 29, the comment is made that: "There is a perception in some quarters that certain accounting standards are making sustainability investment more difficult for sectors with a longer-term focus such as energy and insurance." Mentions are made on the impact that IFRS 9 "may" have on long-term finance, the requirement for mark-to-market valuations, as well the valuation of equity investments.

A Foundation response has also been submitted on this issue, stating the following:

"Long-term investments in equities need accounting requirements that faithfully reflect their economic reality. Under IFRS 9 equity investments are measured at fair value with changes through Profit or Loss to reflect correctly gains (or losses) on equity investments over time. This approach takes account of the fact that the original price of an equity investment becomes less relevant over time.

The Available-for-Sale category of IAS39 (the predecessor of IFRS9), required equity investments to be recorded at fair value on acquisition (usually cost). Changes in fair value each reporting period were recognised outside profit or loss in Other Comprehensive Income. The profit on a long-term equity investment was recognised only on sale, artificially inflating earnings at that point, while the gain had been achieved over a long period. Impairment of lossmaking equity investments was highly problematic and often deferred in an imprudent manner.

In short, IAS 39 gave ample room for earnings management that did not reflect an entity's true performance. We believe the approach taken in IFRS 9 better reflects economic reality and will result in more long-term stability, even if it may lead to some more short-term volatility. Every long-term investor understands that equity investments are subject to both short and long-term value changes, which they have to manage".

UK Financial Reporting Council (FRC) (15 August 2017) – Draft amendments to Guidance on the Strategic Report: Non-financial reporting

Available at: https://www.frc.org.uk/Our-Work/Publications/Accounting-and-Reporting-Policy/Invitation-to-comment-Draft-Amendments-to-Strateg.pdf.

This document contains the FRC's proposed amendments to its *Guidance on the Strategic Report* that are required as the consequence of the transposition into UK law of the EU NFR Directive. The proposals also reflect the FRC's desire to improve the effectiveness of section 172 of the UK Companies Act 2006, which requires a director of a company to have regard to a number of matters, including the long-term impact of any decisions, the interests of stakeholders, and non-financial matters in pursuing their duty to promote the long-term success of the company.

The FRC proposals make clear that the purpose of the strategic report is to provide shareholders of the company with information that will enable them to assess how the directors have performed their duty to promote the success of the company, while having regard to the matters set out in section 172. The document notes that stakeholders as a whole will have an interest in the long-term success of an entity and, in meeting the needs of shareholders, the information in the annual report will also be of interest to other stakeholders and meet many of their information needs. The proposals also place greater emphasis on the notion of value generation.

World Federation of Exchanges (WFE)/United Nations Conference on Trade and Development (UNCTAD) (6 September 2017) – The Role of Stock Exchanges in Fostering Economic Growth and Sustainable Development

Available at: https://www.world-exchanges.org/home/docs/studies-reports/SE&SD-Report17.pdf.

This report examines the role of stock exchanges in promoting economic growth and sustainable development. It notes the growing trend for stock exchanges providing formal guidance to issuers on reporting ESG information. By mid-2017, 32 exchanges provided such guidance, including 17 exchanges that introduced guidance for the first time in 2016 and early 2017.

Accountancy Europe (18 September 2017) – Call for Action: Enhance the Coordination of Non-Financial Information Initiatives and Frameworks/Cogito Paper: Core and More: An opportunity for smarter corporate reporting
Call for Action available at: https://www.accountancyeurope.eu/wp-content/uploads/170918-Call-for-action-letter.pdf.
Cogito Paper available at: https://www.accountancyeurope.eu/wp-content/uploads/170918-Publication-Core-More.pdf.

In the *Call for Action*, Accountancy Europe observes the significant proliferation of initiatives and frameworks around non-financial information reporting, which makes it challenging for those involved to cope with this topic. Accountancy Europe calls for decisive leadership to achieve greater standardisation, and to eventually develop a robust global principles-based reporting framework.

Principles for Responsible Investment (PRI)/UN Global Compact (UNGC) (22 September 2017) – Coping, Shifting, Changing 2.0: Corporate and investor strategies for managing market short-termism
Available at: https://www.unpri.org/news/coping-shifting-changing-pri-ungc-launch-report-on-market-short-termism.

This report sets out a number of strategies for companies and investors to adopt, including recommendations focused on measures that companies can adopt to address the problems caused by market short-termism and actions that investors can take to support companies in those efforts. The recommendations in the report aim to mitigate some of the most serious consequences of short-termism through changes in strategy and practice. They are framed around the belief that companies, with support from investors, can advance strategies that support long-term business growth and improve their impact on society and the environment.

IIRC/Institute of Chartered Accountants in Scotland (ICAS) (26 September 2017) – The Sustainable Development Goals, integrated thinking and the integrated report
Available at: http://integratedreporting.org/wp-content/uploads/2017/09/SDGs_integratedthinking_and_integratedreport.pdf.

This report sets out a framework for an organisation to embed sustainable development issues as set out in the UN's Sustainable Development Goals (SDGs) into its decision-making, strategies and business model, aligned to the <IR> Framework. .

IIRC (26 September 2017) – Investors support Integrated Reporting as a route to better understanding of performance
Available at: http://integratedreporting.org/wp-content/uploads/2017/09/Investor-statement_FinalS..pdf.

This statement, signed by 12 major institutional investors, sets out their view that their investment processes require companies to provide information on their business models, strategies and the resources on which they rely, so that they can understand the long-term return prospects of the businesses in which they invest. They confirm that better reporting and effective communication of how the business works in the long-term "through Integrated Reporting or other approaches, is valued by us and is important in how we allocate capital".

CFA Institute (18 October 2017) – Environmental, Social and Governance (ESG) Survey

Available at: https://www.cfainstitute.org/learning/future/Documents/ESG_Survey_Report_July_2017.pdf.

This report sets out the results of a survey of investment professionals undertaken in May 2017. Some 1,588 CFA members who are portfolio managers and research analysts responded. It highlights that some 73 per cent of investment professionals take ESG factors into consideration in the investment process, with 59 per cent integrating ESG issues into their entire investment analysis and decision-making process. The respondents reported that the three factors that most limit their organisation's ability to use non-financial information in investment decisions are: (1) a lack of appropriate quantitative ESG information; (2) a lack of comparability across firms; and (3) questionable data/lack of assurance.