



Accountancy Europe
Avenue d'Audergham 22-28
1040 Brussels

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Grant Thornton International Ltd
20 Fenchurch Street
Level 25
London EC3M 3BY

Submitted electronically via email (to jona@accountancyeurope.eu)

Interconnected Standard Setting for Corporate Reporting

Grant Thornton International Ltd is pleased to comment on Accountancy Europe's report on 'Interconnected Standard Setting for Corporate Reporting' (the report). We have considered the report and we understand you would like our views on the concept of how best to achieve interconnected standard setting.

Opening remarks

Around the world our member firms have also observed that those charged with governance are confused as to what non-financial information (NFI) reporting framework they should select given the myriad of NFI reporting frameworks and initiatives that currently exist. Given this, if a pathway can be found to co-ordinate, rationalise and consolidate what currently exists via a core set of global metrics that have been developed and reported with the same discipline and rigour as financial information, we believe more insightful and informed decision making will result.

We also concur with the view set out in the paper that interconnected standard setting for corporate reporting is an essential development for the accounting profession, not only in Europe, but around the world. As noted in the paper we agree that stakeholders, as well as shareholders, need to understand both financial information and NFI for better insight into an entity's performance, impacts and dependencies

The criteria identified to evaluate the potential standard setting approaches

We agree the nine criteria that have been set out in the paper to evaluate the various approaches to interconnected corporate reporting standard setting. The reasoning behind the inclusion of each of them is strategic and sound.

However, we would like to suggest that another component brought into the assessment criteria and that is "sector neutrality". Simply put, can the standard be used by reporting entities in all sectors of a country's economy?

While some might argue including this dimension may introduce too much complexity into interconnected standard setting process, if the objective of this initiative is to support improved decision making that adds value to all types of reporting entities within an economy, we see a lost opportunity in limiting this initiatives focus to for-profit reporting entities only. Our view is that the public sector and not-for profit organisations should be included and provide input into Corporate Reporting Foundation.

We believe that including sector neutrality as another evaluation factor is not insurmountable because International Public Sector Accounting Standards as they

currently stand are not materially different from International Financial Reporting Standards in terms of recognition, measurement and disclosure (and the same observation applies to their conceptual frameworks as well).

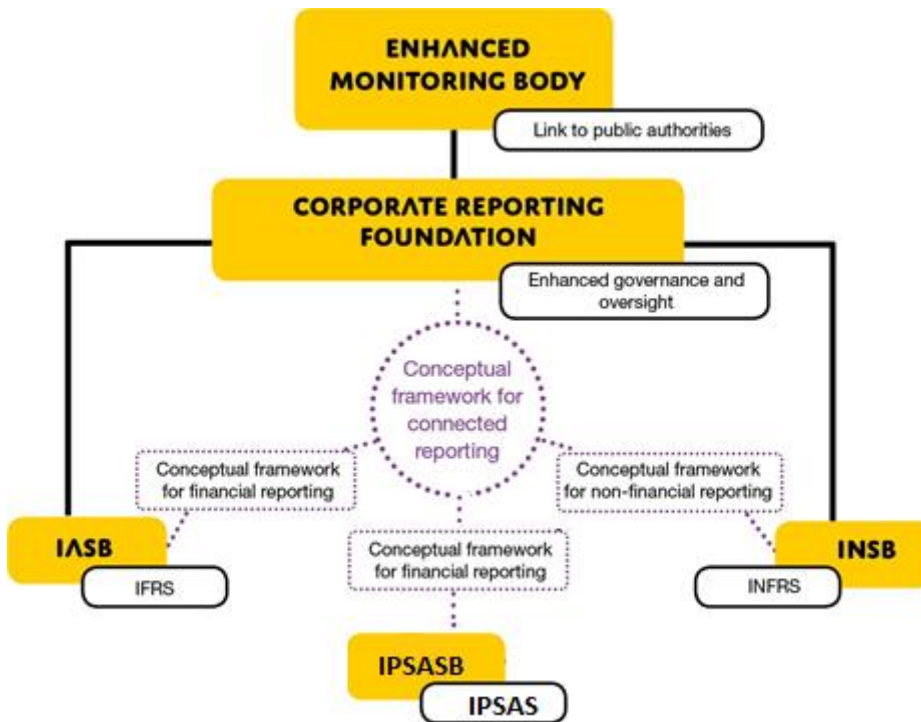
Our view is that if sector neutrality is not considered at the evaluation and design stage, future collaboration opportunities with public sector standard setters might end up being almost impossible to implement, which would be a shame given how much effort the IPSASB has already put into creating standards that require non-financial information to be presented alongside financial information.

Selection of the most appropriate reporting structure

Our view is that the four approaches set out in the paper are all possible and we agree with the benefits and challenges that were set out for each approach. Those tables provide a useful framework for evaluating how best to implement each approach, and perhaps more importantly, where things could go wrong.

On balance we support Approach 4 because we believe this should be a long-term objective to aspire to. However, we would like to see the public sector brought into the mix.

We set out below what we would like to see:



We appreciate that this tripartite arrangement involving the IPSASB introduces another layer of complexity and required co-ordination, but we believe this arrangement is workable and it would certainly bring valuable contributions and insight into the value creation process – particularly in the longer-term.

Other observations

A critical success factor to interconnected reporting is that a variety of assurance procedures can be applied to any guidance that might emerge from this new arrangement. With the International Auditing and Assurance Standards Board currently working on 'Enhanced External Reporting' we would encourage early engagement with them in the process.

Research clearly shows that greater value is attributed to financial and non-financial information that has been independently assessed by qualified practitioners. Therefore we would like to understand at a strategic level how the provision of assurance over financial and non-financial information will be provided under this proposed new arrangement, particularly in relation to topics such as climate change, environmental degradation, human rights, social concerns and internally generated intangible assets.

Closing remarks

We agree with the global corporate financial reporting structure set out in Approach 4 in the document because it:

- Recognises the public interest in aligned standard-setting and brings the required level of public oversight to the standard setting process
- takes full advantage of existing structures that currently provide financial reporting oversight, and
- provides a logical pathway forward to assess, evaluate, enhance and align the myriad of non-financial reporting frameworks that currently exist, so that those charged with governance can confidently select the reporting framework that best "tell the story" of the operations and activities.

What we have seen in recent weeks is that the global outbreak of the novel coronavirus (COVID-19) will impact in some way or another almost every reporting entity on the planet, no matter what sector of the economy it operates in, no matter what size it is. Now more than ever there is an urgent need to effectively and efficiently link the financial and non-financial reporting of an event like this in a structured and cohesive way. That is why we support this initiative to initially explore and then hopefully rapidly implement an interconnected standard setting process that is efficient and effective. We believe a building-block approach with existing organisations is the fastest way to achieve this.

If you have any questions on our response, or wish us to amplify our comments, please contact me by email (sue.almond@gti.gt.com).

Yours sincerely,



Sue Almond
Global Head of Assurance
Grant Thornton International Ltd