

## **The Association of International Certified Professional Accountants (AICPA & CIMA) response to the Recommendations for SDG Disclosures consultation paper.**

**Here are some collective comments from across the AICPA and CIMA.**

### **1. Principles**

Rather than be closely aligned – be totally aligned

It is a missed opportunity not to align the Principles of SDG Disclosure with the Principles for Effective TCFD Disclosure. Would make it easier for users and organisational adoption, rather than creating nine principles, reconfigure the definition against and mirror the seven TCFD principles.

- Present relevant information.
- Be specific and complete.
- Be clear, balanced and understandable.
- Be consistent over time.
- Be comparable among organisations within a sector, industry, or portfolio.
- Be reliable, verifiable, and objective.
- Be provided on a timely basis.

### **2. Disclosures**

#### **a Are the recommended Disclosures appropriate and complete?**

Again, rather than be closely aligned with the Disclosure themes – be totally aligned.

- Governance - aligned.
- Strategy – aligned.
- SDG: Management approach – TCFD: Risk Management
- SDG: Performance and targets – TCFD: Metrics and Targets.

#### **b Are you aware of additional good practice examples?**

Professor Ian Thomson at Birmingham University and the Lloyds Bank Centre for responsible Business centre are doing interesting things in the SDG Strategy Theme space. Recommendation looking at the SDG organisational SWOT approach.

### **3. Enhancing the credibility of Disclosures**

#### **a Are there additional sources of assurance evidence that could be included?**

- There are likely other sources of assurance evidence and as a result we suggest:
  - Making it clearer in the “Enhancing the credibility of Disclosures” section that the ‘evidence’ listed only provides ‘examples of evidence’ and does not represent a complete list of all evidence that would be required
  - To the extent this hasn’t already been done, we suggest seeking input from professional assurance providers on the examples of ‘evidence’ that have been provided to ensure they are as accurate and as complete as possible.

**b Do you foresee issues in the supply of assurance? Why?**

- None.

**c Are there alternatives to assurance that could be included to enhance credibility of reporting?**

- While we don't have any alternatives to assurance to suggest, we would suggest highlighting the important complementary activities that help contribute to the reliability of reported information like having or putting the following in place: overall good governance, appropriate policies, systems and processes for the collection and reporting of this information, internal controls that are documented and tested, involving internal audit in the process (to the extent a company has an internal audit function). These are things companies can do internally that will help improve the quality and credibility of their reported information. While we suggest highlighting the above, we also recommend making it clear that since these efforts are all internal to the company, they cannot serve as a substitute for independent, external assurance but they can help significantly in improving the reliability of the reported information.
- On page 16 it states, "As an alternative to assurance, which can be costly particularly for smaller organisations, and in the spirit of SDG 17, an organisation might consider appointing a panel of independent experts and representatives of key stakeholders to provide comment on the recommended narrative Disclosures in the first column."
  - It would be helpful to elaborate on what "provide comment on the recommended narrative Disclosures" means and how this will help contribute to greater credibility
  - Further, it would be helpful to emphasize that however helpful this 'alternative to assurance' is that it cannot serve as a substitute for independent, external assurance provided by a reputable assurance provider.

**4. Alignment**

In the UK Government's Green Finance Strategy paper, issued in July 2019, the UK Government has an ambitious goal on the TCFD Recommendations. Their expectation is that by 2022 all listed companies and large asset owners are disclosing in line with the TCFD recommendations. It would therefore make sense to match the TCFD recommendations taxonomy.

The finance sustainability space has been a confused one with many competing frameworks. However, a Corporate Reporting Dialogue (CRD) report, 'Driving Alignment in Climate-related Reporting', published in September 2019, recognises the high level of alignment between major global reporting frameworks and the TCFD recommendations. This consultation is an opportunity to align principles and disclosure themes with the TCFD recommendations language which would make adoption easier from a user perspective. It would take away some confusion in the market place.

It is likely that the same individuals working on TCFD recommendation reporting, will also be working on SDG disclosure reporting, so makes sense to align more closely.

**5. Other matters**

- **Reporting Organisations** (page 6) While this report is about disclosures, the initial step of the process is the identification and selection of SDGs that are most relevant to the value creation process. This is captured in the next section but might be introduced here.
- **SDG Disclosures must include reference to the sustainable development issues that the SDGs seek to address.** (page 7) This is foundational but more contextual than specific to the organization disclosures.
- **The sustainable development issues which led to the development of the SDGs are interdependent in ways which are impossible to predict and over which an organisation has limited control** (page 7) Same - Contextual not disclosure or organization specific.
- **Organisations must acknowledge their impact on the achievement of sustainable development both outside and within the organisation's boundary** (page 7) Not sure what this means, but maybe best included with the other contextual pieces.

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