



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Telephone +1 212 758 9700
Fax +1 212 758 9819
kpmg.com

April 27, 2020

Accountancy Europe
Avenue d'Auderghem, 22-28/8
B-1040 Brussels

By email to: jona@accountancyeurope.eu

Dear Sir/Madam

Re: Cogito Paper on Interconnected Standard Setting for Corporate Reporting

KPMG welcomes the strategic perspective that Accountancy Europe has brought in this timely paper outlining the case for better connectivity between non-financial reporting and financial reporting and the need for a global corporate reporting structure. The issues raised by the paper are critical. The current COVID-19 pandemic has underscored the key importance of transparent reporting of the risks facing entities in this environment, including the resilience of their business models and global supply and value chains, and the interconnected role that financial and non-financial information play in achieving that goal. The paper provides a thoughtful consideration of the merits of various approaches in achieving interconnected standard setting for global corporate reporting.

We are aware that the paper has stimulated discussion and debate by numerous parties. We think that it is important to ensure that various perspectives and considerations are brought to bear in arriving at a consensus on a way forward. Although achieving consensus will not be easy given the various affected parties and diverse perspectives of impacted stakeholders, consensus is essential for ensuring that further corporate reporting developments do not simply add to the multitude of existing frameworks. We agree that the ultimate goal should be for a global standard for corporate reporting that considers the interconnectivity between non-financial information and financial reporting based on a conceptual framework for connected reporting.

In our view the essential characteristics of a solution for interconnected standard setting for corporate reporting are:

Global standard-setting solutions better promote global investment flows

- Regional initiatives in corporate reporting may be viewed as necessary to achieve regional priorities and address regional needs, but we think it should not come at the expense of a fragmented global corporate reporting system that could undermine cross-border capital flows. We recognize that regional leadership may help “fast track” towards the ultimate global goal, as long as those initiatives are developed with a view towards furthering a global standard.
- We believe that globally consistent standards for corporate reporting are critical and will benefit both preparers and users of financial and non-financial information. As well, globally consistent standards for corporate reporting will assist in improving the efficiency and effectiveness of global capital flows which are needed to address the global challenges outlined in the paper.



- A further benefit of a global solution is that it will result in one global approach to assurance, which will be critical for organisations that operate across national and regional borders.

Non-financial standard-setting needs a conceptual framework resulting in relevant information that meets stakeholder needs

- For interconnected corporate reporting to achieve its objectives, it must address both the right topics, and provide the right information on those topics. This is evidenced, for example, by the fact that requests from investors for more information on ESG factors illustrate that their needs are not currently being met. This is also the case regarding investor calls for more information regarding intangible factors such as innovation, intellectual property, technology, brand and reputation, customer satisfaction, and the quality of strategic management and governance.
- In our view, ensuring the relevance and reliability of non-financial information should be a priority for an interconnected standard-setting model. We agree with the paper that a core set of global metrics is foundational to achieving comparable and transparent information that is subject to attestation and meets public policy and market objectives.
- Given the importance of non-financial information, we believe that the same strength of conceptual underpinning as it exists for financial reporting is required. We highlight the <IR> framework as a conceptual framework that is ideally suited to providing the conceptual integrity within which detailed non-financial subject matter/metrics could be specified. It could provide a basis around which the consolidation of existing frameworks, standards and technical expertise could take place.

Global standard-setting solutions requires support by global bodies

- In order to effect the systems change and achieve the objectives outlined in the paper, global support is critical. We encourage the engagement and support of the relevant global bodies such the Financial Stability Board, IOSCO, IMF, UN and World Bank, who have the stature and ability to ensure that a global solution is found.

KPMG welcomes further discussion on Interconnected Standard Setting for corporate reporting initiatives and wants to play an active role in helping shape future outcomes. Further debate will help ensure a harmonisation of frameworks and reporting standards in order to drive global consistency for businesses and investors.

Yours sincerely,

A handwritten signature in black ink that reads 'Larry Bradley'.

Larry Bradley
Global Head of Audit