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Dear Sir/Madam

### **Cogito paper: Interconnected Standard Setting for Corporate Reporting**

We are pleased to write in response to the proposals set out in the above Cogito paper (the paper). We welcome the paper in setting out constructive, thoughtful ideas and proposals for the way forward in creating better connectivity between financial and non-financial reporting. The Covid-19 pandemic has, in the short term, taken attention away from this important issue. However, we believe that the outcomes from the pandemic will include increased focus on the transparent reporting of an entity's wider business risks including the overall resilience of its business model and its supply chains and dependencies, together with greater focus on its role and position in society. It is also likely that, as the global economy moves out of the current emergency, when governments grant financial support to assist companies in the recovery of their businesses, green credentials may form a condition of that support.

Although we agree that the nine criteria set out in the executive summary to evaluate the potential standard setting approaches are relevant, we believe that the most important is that of urgency. Currently, non-financial reporting standards and frameworks are numerous and fragmented, and there is a need for a more operational solution to be developed in the short term. While we strongly believe that a global set of standards needs to be the ultimate goal, it is not clear whether a global consensus can be achieved other than in the medium term. Consequently, it is possible that a regional solution may be a starting point, but only if this is developed in the context of a global rather than regional destination.

In this context, we acknowledge the initiative from the European Commission to develop a set of European non-financial reporting standards, and welcome the proactive stance that is being taken. However, we would not support the development of another new 'Europe centric' set of standards, to add to the multiple sets that already exist. We believe that to do so would take a significant amount of time, which is contrary to the key requirement for a solution in the short term and would be unlikely to be capable of being applied more broadly. Instead we consider that, regardless of which organisation ultimately develops a combined set of non-financial reporting standards (although we have a preference, and believe it would be suitable, for this to be a market led, private sector organisation), if the project is at a

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regional rather than global level, the group that is given the task should have an overall objective of prioritising the use of existing frameworks (such as those of the GRI, SASB and IIRC) into a set of standards that is capable not only of being applied in Europe, but is developed in contemplation of the need for global standards. This might be achieved through the amalgamation and development of a core set of comprehensive standards, with local or regional requirements being added if considered appropriate.

However, the ultimate development and acceptance of global standards will require the engagement and support of relevant organisations, including the Financial Stability Board and IOSCO, which will be necessary in order to drive the changes needed to put the necessary infrastructure in place and ensure wide support.

A comprehensive suite of non-financial reporting standards needs to be underpinned by a robust conceptual framework, in the same way as is required for financial reporting standards. This should set out the foundation on which the reporting standards themselves are developed and maintained, and identify the principal users of the non-financial information that will be reported. Again, we encourage an existing framework to be used, instead of a new one being developed, and note that the Integrated Reporting Framework may be an appropriate starting point for the consolidation of existing non-financial reporting frameworks.

In conclusion, BDO strongly supports the development of a comprehensive set of globally applied non-financial reporting standards. As noted above, a key consideration is the urgency with which this is required, which may require some flexibility in how standard setting is achieved in the short term. However, we would not support an approach which resulted in a regional solution which could not realistically be adopted globally.

We hope that you will find our comments and observations helpful. If you would like to discuss any of them, please contact me at +44 (0)20 7893 3300 or by email at [abuchanan@bdoifra.com](mailto:abuchanan@bdoifra.com).

Yours faithfully

Andrew Buchanan

*Global Head of IFRS*