

TCFD-aligned disclosure Exposure Draft for Phase 2

A public consultation issued by UK HM Treasury

Comments from ACCA to UK HM Treasury

26 January 2024

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About ACCA:

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

We're a thriving global community of 247,000 members and 526,000 future members based in 181 countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in Accountancy, finance, and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business, and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. We believe that Accountancy is a cornerstone profession of society and is vital in helping economies, organisations, and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities. And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organisation. Find out more at accaglobal.com.

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GENERAL COMMENTS

ACCA welcomes the opportunity to respond to this consultation on the TCFD-aligned disclosure Exposure Draft Phase 2 (ED) for the UK public sector. We have compiled our general comments covering all questions below.

The UK government continues to work towards its net zero goal and we recognise this ED is an important step in the continued introduction of climate-related reporting requirements. ACCA believe that governments must provide organisations of all sizes access to practical guidance, support and the tools they will need to reduce carbon emissions if net zero goals are to be achieved and this ED has reasonable clarity and guidance. Given that the guidance should be clear, concise, and consistent with existing reporting requirements to avoid undue burden on preparers, ACCA recommends establishing a mechanism for regular review and update of the guidance to reflect evolving best practices and regulatory developments. We encourage the government to consider how stakeholder engagement can be effectively integrated into the reporting process.

While the proposed timeline is ambitious, we understand the urgency of climate action and encourage the government to provide adequate support and resources to enable timely compliance. We support the phased approach to implementation, allowing for a smoother transition and capacity building within the public sector.

ACCA encourages the application of the ISSB Standards, particularly IFRS S2 Climate-related Disclosures, for measuring and disclosing climate-related risks and opportunities; recognising that, IPSASB is currently developing public sector specific sustainability reporting standards.

We support the adoption and implementation of international standards, recognise that TCFD is now rolled into the ISSB and commend the government's commitment to enhancing climate-related financial reporting transparency. The use of international standards enhances transparency and accountability, provides clarity in the use of funds and consistency in the way spending is accounted for and reported on. The public sector has a dual role to play in achieving a sustainable future. Governments must first create an effective policy and regulatory environment, while creating the right incentives for positive change. Secondly, public sector institutions must ensure their activities are regularly evolving to reduce their negative environmental impact and contributing to achieving sustainability targets.

Without this international comparability, transparency and clarity around government spending, there is a risk of financial mismanagement – this can deter foreign direct investment. For companies and governments to invest in much-needed public services, they need assurance that their funds are going to be used for the purpose intended, and not misappropriated.

Finally, we encourage the inclusion of sector-specific and internationally comparable metrics to facilitate meaningful comparisons and assessments.

We firmly believe that transparent and comprehensive climate-related financial reporting is critical for informed decision-making and effective climate action. We recommend continued consideration of integration with existing frameworks, namely the ISSB, to avoid duplication, streamline processes and maintain consistent and comparable reporting. This will also leave the UK public sector well-placed to integrate any lessons learnt or additional insights provided from the new IPSASB standards.