

**From:** John Davies  
**Sent:** Monday, March 10, 2014 11:39 AM  
**To:** OFM Performance and Planning  
**Subject:** Strategic Plan 2014-18

Dear Sir/Madam

I attach ACCA's comment letter on the draft strategic plan issued for comment by the SEC.

Regards



## THE SEC'S STRATEGIC PLAN FOR 2014-18

A draft issued by comment by the Securities & Exchange Commission

Comments from  
ACCA March  
2014

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

We support our 162,000 members and 432,000 students throughout their careers, providing services through a network of 83 offices and centres. Our global infrastructure means that exams and support are delivered – and reputation and influence developed – at a local level, directly benefiting stakeholders wherever they are based, or plan to move to, in pursuit of new career opportunities.

[www.accaglobal.com](http://www.accaglobal.com)

Further information about ACCA's comments on the matters discussed here can be sent to:

J P Davies

Head of Technical, ACCA

ACCA welcomes the opportunity to comment on the draft strategic plan issued by the SEC. We would like to comment on three specific matters, each of which we approach from our perspective as an international organisation.

ACCA represents 162,000 qualified accountants who are based all over the world; half of our membership is based in the UK and half outside, including over 1,000 in the US. We are a member of IFAC (the International Federation of Accountants) as well as the European and Asia-Pacific regional organisations of accountants, and operate through a network of 83 offices and centres, including one in New York City. ACCA is a broad-based organisation and our members work in public accountancy, business and the public sector in all countries.

## 1 Accounting standards

As a global organisation, we believe that today's globalised business infrastructure, with the corresponding need for a harmonised approach to the information made available to capital markets, necessarily calls for the application of uniform global standards in financial reporting, auditing and other matters, and in the public sector as much as the private sector.

Leading on from the above, our specific interest in the strategic plan concerns the reference made to the future of accounting standards. Under Strategic Objective 1.1, the draft plan commits SEC to working to 'promote higher quality financial reporting world-wide, and will consider, among other things, whether a single set of high-quality global accounting standards is achievable. Of course we greatly welcome the renewed support from SEC for the improvement of accounting quality around the world: since the business models of major companies are now of a truly world-wide character, it is in the interests of stakeholders in the US, as well as the economies of each country, that standards of financial reporting are increased.

We consider that this aim would be best pursued by the SEC supporting the work of the IFRS Foundation. First and foremost it could encourage the take up of IFRS so as to provide better and more comparable financial information to the global investment system. Ideally this would be achieved by the US moving to adoption itself of the global standards, but if that aim cannot be achieved then at least an option should be considered for US companies to apply IFRS if they considered their investors would benefit. The SEC's objective in this matter can also be met by providing an appropriate US contribution of resources to the IFRS Foundation.

With regard to the SEC's commitment to considering whether a single set of high-quality global accounting standards is achievable, the continuing progress

of IFRS adoption over the years has shown, in our view, that this is indeed possible and that most major economies other than the US have reached that stage or are progressing towards it.

## 2 Sustainability reporting

One of the outcomes of the UN Conference on Sustainable Development in 2012 (Rio +20) was an inter-governmental commitment to providing encouragement to listed companies in particular to integrate reporting on sustainability matters into their financial reporting cycles. It has been hoped that stock market regulators will take the lead on this matter by encouraging or obliging listed companies to do this.

The commitment adopted in Rio acknowledges the importance of corporate sustainability reporting and encourages industry, interested governments as well as relevant stakeholders to develop models for best practice and facilitate action for the integration of sustainability reporting.

ACCA was a strong supporter of the conference agreement and believes that business has a significant role to play in addressing the issue of climate change and the business-related implications that flow from it. We believe that accountants and accounting information have much to contribute to the development of policies and practices that can help societies to mitigate the challenges presented by climate change and consider that focused and proportionate disclosure requirements can make a meaningful contribution to this cause. We have ourselves conducted relevant research (please see <http://www.accaglobal.com/uk/en/technical-activities/sustainability0.html>) which makes the point that a focus on sustainability issues is not only beneficial from a wider societal perspective but is essential if companies themselves are to measure and value all the assets and liabilities that are material to their operations and if they are to identify and mitigate all the risks that confront them. In our view, if companies are not adopting an extended perspective in relation to the assets that have a bearing on their continuing viability, and the risks and challenges that may affect their continued operations, stakeholders may not be being presented with information that gives them the fullest possible indication of the present and future health of the company. This, we consider, is a matter that regulators should be mindful of and responsive to.

With this in mind, we would be interested to know what importance the SEC intends to place in its new plan on the incorporation of sustainability information into companies' accounting and reporting systems, and whether its compliance rules are likely to impose any obligation in this respect.

### 3 Integrated Reporting

As you will know the International Integrated Reporting Council (IIRC) has now published its first framework designed to harmonise practice on integrated reporting. This framework is not intended to be a template for adoption by regulators but, rather, is a market-led initiative to guide individual enterprises in how to prepare 'integrated reports' that are credible and comparable and confirm to established best practice.

The framework calls for companies to go further than the finance-based and retrospective approach that is traditionally taken in financial reporting. It calls for the disclosure of information that is forward-looking, to the extent that the report should give readers an indication of the reporting company's understanding of future challenges and of its ability to meet them. The framework also calls for companies to measure and value a range of 'assets' that may not currently be measured, valued and reported in traditional financial reporting, including human and social capitals. The preparation of this information will represent a challenge for all companies that are minded to adopt integrated reporting, not least because it will necessitate working outside the parameters of established professional standards.

Following on from that, companies will be faced with possible repercussions of certifying or approving reports prepared under this radical extension of traditional corporate reporting mechanisms, since these reports will invariably incorporate a degree of subjective and unassured information.

It would appear that the US is likely to be prominent among those jurisdictions where the issue of liability for signatories of integrated reports will be a material factor in influencing the level of adoption of integrated reporting. We believe that this would be unfortunate given that integrated reporting, in our view, has the potential to enhance the quality of reporting by major companies and by extension to improve the level of understanding of companies' performance and prospects on the part of their stakeholders, a move which could materially enhance the transparency of company reporting.

While the US is by no means the only jurisdiction where the issue of liability will arise, we would be interested to know whether the SEC proposes to take any action with a view to removing obstacles to the adoption of integrated reporting by US companies which are linked to the strict rules which apply there regarding assumption of liability.