

We could take action now to deliver climate change acco...

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There is a damning indictment of the International Financial Reporting Standards Foundation this morning in the FT. Discussing the need to address climate change reporting, George Serafeim, who is Charles M Williams professor of business administration at Harvard Business School, [said](#):

The environmental and social challenges we face require immediate action. An overhaul of accounting standards, while welcomed, would take too long. Capital markets could bring that change faster.

I am not suggesting I actually agree with his answer - which remains off balance sheet accounting. But the comment he made resonated with an idea that I explored with a journalist last week, when I suggested to them that the time has come to work around the international accounting standards setting process since it now seems to now an impediment on this issue, regrettable as that might be.

My suggestion to the journalist that I spoke to was that the UK Financial Reporting Council could and should take a lead on this issue and demand that all UK based companies deliver sustainable cost accounting for climate change as an addition to their IFRS reports. I do not dispute that issues would arise. But in view of the urgency of this matter I can see no reason why the FRC cannot take a lead here, followed (I hope) by the European Union.

I happen to think Michael Izza, chief executive of the Institute of Chartered Accountants in England and Wales has lent some support to the idea, whether inadvertently or otherwise, in a [new blog post he has out](#). In it he tackles the issue of audit reform. Some of what he has to say is vague and it is hard to discern his precise meaning. But one quite clear suggestion is this:

On-demand audit extras

Fourth, [I suggest] something new — on-demand audit extras. Assurance of virtually any area of corporate activity is possible, from sustainability delivery to cyber security

to human rights compliance, and we would welcome a mechanism which allowed additional checks to be commissioned by a range of stakeholders, to supplement the statutory audit. Not only does this reflect how 21st century business is evolving, with many mission-critical aspects of corporate performance not being visible through traditional financial reporting, it may also increase competition and choice in the market by encouraging the development of niche providers with particular assurance specialisms. That said, all providers, in all areas of assurance, will need to operate to agreed and adequate standards.

So, we could have an audit of a company's sustainability. In that case we could also have additional balance sheet reporting on that issue as well.

Time is not on our side here: climate change accounting needs to be in progress, now. The ICAEW is added to my list of those who could take unilateral action on this. And should do so. There is first mover advantage for those who claim it.