

## Funding the Future

# Unless a business embraces climate change it is no long...

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Two articles in the FT this morning make clear that the issue of climate change and accounting is not going away. This is [the headline of the first](#):

Opinion Inside Business

### Accounting needs to be stepped up for climate change costs

Clearer standards are needed on the financial impact of carbon emissions

And this [the headline of the second](#):

Opinion Climate change

### Climate plans of big companies need substance

Distant emissions pledges will ring hollow unless boards are held to account for progress now

The articles appear under different headings, but the message is the same. It is well said in the second:

*The expected launch this year of a sustainability standards board by the IFRS Foundation, which oversees international accounting standards, should make ESG reporting more consistent. But for now investors are suffering from a shortage of meaningful data by which they can track progress and dissuade executives from fudging the numbers if they miss their targets*

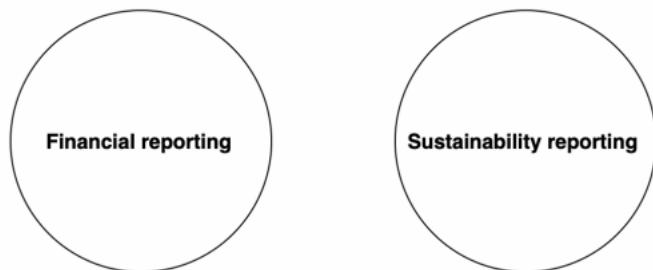
The message is simple, and is that accounting is very far behind the needs of society,

investors and business on this issue.

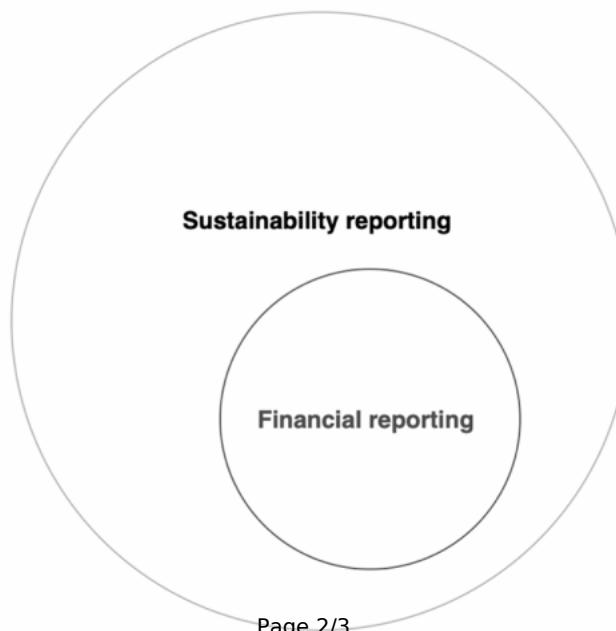
But, worse, there is an assumption within these articles that now that the International Financial Reporting Standards Foundation has decided [that it will set up a Sustainability Standards Board](#), despite [objections from many readers of this blog](#) (who between them [provided sixteen per cent of the comments sent on this issue last December](#)) then this is the way that we must go.

This proposal cannot answer the issue being raised. The IFRS proposal is to create sustainability standards outside the accounting standards framework. That is why they want a new, separate, board. By definition this is wrong. This perpetuates the myth that climate change is peripheral, and an externality as far as business is concerned.

The IFRS view would seem to be that financial reporting and sustainability reporting are unrelated issues:



That is not true. Climate change is at the very core of business concern now. It is all that business should be about because unless a business can now embrace climate concerns it is no longer a going concern, and determining whether a company is a going concern is the core issue within financial reporting. This means that the required view is this:



Sustainability reporting should actually encompass financial reporting and not the other way round.

[Sustainable cost accounting](#), which I propose, does that. Only if we put climate change very firmly on the balance sheet will we get the change we really need in accounting.

I am pleased to say that I am reporting this opinion at a seminar at the Institute of Chartered Accountants in England and Wales to discuss this issue next week.