

The accounting profession confirms that it is in denial...

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My timing in issuing my [new draft Financial Reporting Standard on Accounting for Environmental Change](#) was exquisite, and quite by chance. Yesterday the International Financial Reporting Standard managed International Sustainability Standards Board issued its own first two exposure drafts:

- * [IFRS S1](#) General Requirements for Disclosure of Sustainability-related Financial Information
- * [IFRS S2](#) Climate-related Disclosures

I have not had a chance to read them all as yet, but what I have read is deeply disappointing. The tone might be appraised from this in IFRS S2:

*Climate change affects all economic sectors. However, the degree and type of exposure and the current and anticipated effects of climate-related risks and **opportunities** on the assessment of enterprise value are likely to vary by sector, industry, geography and entity. **In assessing an entity's financial and operating results and future cash flows, users of general purpose financial reporting want insight into the governance, risk management and strategic context in which such results are derived.** Users also want to understand an entity's targets for managing climate-related risks and opportunities and the metrics the entity uses to measure progress towards meeting the targets.*

I am staggered that in this they see opportunities.

But worse, the standard only suggests that a user of the financial statements of a company (who are only defined as potential or actual suppliers of capital to it, with everyone else's needs being met in an unspecified other way) need data on the environment in which conventional financial reporting is taking place, which information on the entity's approach to managing climate change apparently provides. There is no hint that the associated costs need be reflected in the accounts on a systematic basis not already available in existing accounting standards.

What the International Financial Reporting Standard clearly intends is that financial reporting focussed on profit maximising behaviour should not be interrupted by climate change.

Nor should the responsibility of business to the world that they abuse in making that profit be recognised.

The fight would seem to be on.

I will be responding, of course.