Urgent Call for Improved UN Sustainable Development Goals Disclosures

Recently, leading accounting bodies and other organisations have called for corporate and asset owner action and improved reporting on the UN's Sustainable Development Goals (SDG) in an attempt to hit goals set for 2030. The recommendations are detailed in the report, *Sustainable Development Goals Disclosure (SDGD) Recommendations*. The report has been published by global accountancy bodies - International Federation of Accountants (IFAC), Association of Chartered Certified Accountants (ACCA), Institute of Chartered Accountants of Scotland (ICAS), Chartered Accountants Australia and New Zealand (CA ANZ), the International Integrated Reporting Council (IIRC) and the World Benchmarking Alliance. It is also endorsed by the Director of SDG Impact from the United Nations Development Programme (UN-DP).

The *SDGD Recommendations* offer a new approach for businesses and other organisations to address sustainable development issues aligned to the three most influential and popular reporting frameworks. They attempt to establish a best practice for corporate reporting on the SDGs and enable more effective and standardised reporting and transparency on climate change, social and other environmental impacts. The *SDGD Recommendations* were developed through consultation with accounting and finance professionals, sustainability experts, academics, consultants, framework and standard setters, asset owners and managers and civil society participants.

Responses to the consultation have been published in *Sustainable Development Goals Disclosure (SDGD) Recommendations: Feedback on the consultation.* They show strong support for alignment of *SDGD Recommendations* with other key reporting frameworks/ standards (those of the Task force on Climate-related Financial Disclosures, the Global Reporting Initiative and the International <IR> Framework). Respondents agreed that accountability for value destruction and negative impacts are critical. The *SDGD Recommendations* call on organisations to consider sustainable development risks and opportunities relevant to their long term value creation strategy and communicate the actual or potential impacts on achievement of the SDGs. This will require relevant and material disclosures about the factors that influence long term value creation (or destruction) for the organisation and society or that have an impact (positive of negative) on the achievement of the SDGs in the annual report.

The *Recommendations* are built upon a suggested five-step approach for contributing to the SDGs aligned with long-term value creation, previously developed by Professor Adams and published by the IIRC and ICAS.

(Source: www.ifac.org)

ASB issues Guidance on Global Investment Performance Standards

The AICPA Auditing Standards Board has issued guidance to practitioners for engagements to examine and report on aspects of an investment firm's claim of compliance with the 2020 edition of the Global Investment Performance Standards (GIPS). Guidance for this type of engagement, known as a verification, is contained in Statement of Position (SOP) 20-1, *Reporting Pursuant to the 2020 Edition of the Global Investment Performance Standards*. SOP 20-1 also provides guidance for another type of attestation engagement, known as a performance examination, to examine and report on any of the investment firm's composites or pooled funds and their associated GIPS reports. The new SOP updates SOP 12-1, *Reporting Pursuant to the Global Investment Performance Standards*, which addresses the 2010 edition of the GIPS standards and remains relevant for engagements that are performed using the 2010 edition. SOP 20-1 takes effect upon issuance for engagements to report on an investment firm's or asset owner's compliance with the 2020 edition of the GIPS standards.

(Source: https://www.journalofaccountancy.com)

FASB Clarifies Interaction between Standards

Financial Accounting Standards Board (FASB) recently issued a standard that is intended to clarify the interaction between accounting standards related to equity securities, equity method investments, and certain derivatives. The board expects that standard to reduce diversity in practice and increase comparability of accounting for these interactions. Stakeholders had asked FASB to clarify how guidance issued in 2016 should interact with equity method investments. Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, added Topic 321, *Investments — Equity Securities*, and made targeted changes to address certain aspects of accounting for financial instruments.

The 2016 ASU provided a company with the ability to measure certain equity securities without a readily determinable fair value at cost, minus impairment (if any), unless an observable transaction for an identical or similar security occurs (the measurement alternative).The ASU issued recently explains that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, *Investments — Equity Method and Joint Ventures*, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The changes in ASU No. 2016-01 also prompted questions on whether certain forward contracts and purchased options should be accounted for in accordance with Topic 321, Topic 323, or Topic 815, *Derivatives and Hedging*.

The recently issued ASU clarifies that, when determining the accounting for certain forward contracts and purchased options, a company should not consider, whether upon settlement or exercise, if the underlying securities would be accounted for under the equity method or fair value option. The new standard is based on a consensus of the Emerging Issues Task Force.

(Source: https://www.fasb.org)