Meeting Minutes for the APPG on Environmental, Social, and Governance

Topic: The importance of regulators in driving the ESG agenda in financial services

Date: Wednesday 29 June at 10:30 (Hybrid)

Parliamentary attendees

Alexander Stafford MP (AS), Chairman of the APPG on ESG

The Rt. Hon. Baroness Northover (LN), member of the APPG on ESG

Expert speaker

Mark Babington (MB), Executive Director, Regulatory Standards at Financial Reporting Council

Corporate attendees

Neil Acres, Global Head of Government and Regulatory Affairs, MSCI Inc.

Richard Collins, Founder and Managing Director, CSR Accreditation

Nicola Fleming, Moody's

Paul Southall, Head of Sustainability, Rigby Group

Eva Vogt, Head of ESG and Impact & Partner, EMK Capital

Jennifer Willenbrock, Partner, Burns & McDonnell

Sarah Woodfield, Active Ownership Manager, Schroders

External and industry body attendees

Prof. Jill Atkins, Chair in Financial Management, Sheffield University

Dan Neale, Social Themes Lead, Church of England Commissioners

Katie Spooner, Head of Green Finance, Environment Agency

The meeting starts at 10:30am

AS: Thank you for joining the APPG on ESG's meeting. I am very pleased we are continuing with regulation at this meeting, following the roundtable discussion on ratings earlier this month, and delighted to have with us today, Mark Babington of the Financial Reporting Council.

MB: I am the Financial Reporting Council's (FRC) Executive Director of Regulatory Standards. I lead on the technical and public policy areas including its independence and ethics, corporate governance and reporting, stewardship, actuarial policy, and of course our stakeholder engagement and corporate affairs. I also sit on the Global Ethics Board to assess the ethics of the accounting profession.

AS: The FRC is the chief regulator of auditors, accountants and actuaries in the UK and importantly for ESG, sets the UK's corporate governance and stewardship codes. Mark will talk to us today about the FRC's role in supporting a greener and more socially responsible economy.

This is the first time the APPG has been joined by a regulator, which is ideal at a time when calls for greater regulation in ESG are growing at an exponential rate.

Moreover, in having the FRC here today I hope to get a much better perspective on how to ensure the 'E' and the 'S' in ESG are appropriately addressed at the board level through an effective 'G', governance code.

The FRC is already focused on ensuring the three letters in ESG are strongly embedded within corporate governance structures.

The backdrop to this commitment is, of course, the Government's ambitious reform agenda for audit and corporate governance. Last month, that agenda was moved forward considerably with the publication of the Department for Business, Energy and Industrial Strategy's 'response paper' to three earlier independent reviews and a consultation.

An important consequence is the FRC is scheduled to be reincarnated as the Audit, Reporting and Governance Authority, or ARGA.

ARGA will have considerably greater and further reaching powers, which will extend to supporting and developing frameworks that allow for the growth of sustainable businesses. I expect this to be a key theme of today's discussion and I look forward to gaining greater insight given the potential significance.

Presentation by Mark Babington starts

MB: Thank you, chair. There is an enormous amount currently happening. One of the particular challenges at the moment is that the UK has moved forward with climate reporting through the TCFD framework - a principles-based approach to provide more climate-based information. But how can we get to a situation where we have consistent and comparable information that allows investors and stakeholders to make comparisons between entities? The reason this is so important is that climate and ESG information is increasingly being used for capital allocation decisions and therefore needs to be as reliable as financial information that would have traditionally been used to underpin such decisions.

We are at a time of very significant change. On the back of COP26, the International Sustainability Standards Board (ISSB) was established to provide a global baseline for climate reporting. It has issued exposure drafts of its first two standards in record time (usually a glacial process), to provide a reporting framework at a global level for climate reporting and to expand in due course in new areas under the ESG umbrella. The challenge is moving it from environmental to social reporting. The frameworks for the latter are less mature or developed.

In terms of governance, we have reporting under the Corporate Governance Code that we set. We are having to consider how this framework expands to address the broader set of information that is being developed to support ESG reporting.

One challenge of this is that the information is generally forward-looking, subjective, uncertain, and relies on information systems and controls that are not *yet* that mature. How can we help corporations to a place where that information matures to support high-quality consistent reporting so users can rely on it?

From a FRC perspective, we contribute internationally to the ISSB to help it refine and develop its standards and ensure these standards meet the needs of UK stakeholders. We work globally with the Ethics and Audit Standard Setting Board that is in the process of making revisions to the framework of standards to support ESG reporting. We also are responsible for reviewing annual reports of companies and we do this to ensure compliance with the law, and are now in the process of extending this beyond looking at financial statements, to now looking at the full body of the annual report and all the information it contains.

Companies are getting much better at their narrative reporting and explaining the impact of climate on their business and how they are mitigating this. But, this has to extend and align to what they are saying in their financial statements. For example, if you are a corporate in the oil and gas industry and you have announced a programme whereby you are decarbonising your business, what does this do about the underlying assumptions about the use of economic lives of assets. Do you have assets that are written down? How do we ensure that companies are keeping up to speed with the requirements and standards to do that? It is easier in narrative reporting, but is harder to do in financial reporting.

In addition to reviewing annual reports, we put out thematic reviews to assess sector progress. On the 27th July we will have one coming out, and one thing we have noticed since we last reported in 2020, is that only a quarter of sample companies were properly taking account of the impact of climate in their annual reports, this has now expanded to around 85%. Whilst investors quite rightly call for companies to do more, it is worth saying that the UK is in a much better place than most other jurisdictions. One of my concerns is that we are ahead of the pack, and we have to stay ahead - so how do we ensure this?

Another focus is net zero. What does it mean? We have worked with market participants to come to a shared understanding to ensure that there is comparability in reporting. When you engage with different stakeholder groups, some say 'net zero means Paris-aligned reporting', others say you should take the 1.8% COP26 figure. But, in UK company law the obligation of directors is to prepare accounts based on the best estimate of that impact. We need a more developed understanding.

In terms of wider reform, the Government has issued its response to its consultation. We have made a commitment to establish ARGA as a statutory regulator. Powers will be increased to give us a greater ability to hold preparers and directors of companies that engage in poor practice and reporting to account. This is not currently on a level playing field. This will bring in a consistent, aligned framework. We want to continue to work with the Government to refine narrative reporting requirements. Currently, if you are a UK corporation, depending on your listing type, size, workforce, and sector, there are 42 permutations of reporting you are subjected to. So, how can we slim this down to make it simpler for businesses to comply with their legal obligations?

We also should continue to bat hard internationally. The UK has been a huge beneficiary of global conversions. International Financial Reporting Standards (IFRS) have set a global standard. We are keen that sustainability reporting and wider ESG reporting follow a similar process. Recently I have engaged with the Securities and Exchange Commission (SEC) in the US and the European Commission about how to build consensus and how it works.

So, now having framed these issues I would be happy to take questions from the group.

Discussion begins

AS: You spoke about extending your remit and your focus on the environmental side, but what does that actually involve, and how can you extend?

MB: Currently, our focus is on the financial statements and compliance with IFRS. This will extend to all narrative reporting. Does it align with the framework the Government adopts? We currently have the TCFD framework for climate reporting, modern slavery reporting requirments, etc. We would bring them together and then would then be able to evaluate how the company has performed against this framework in terms of the quality of its reporting.

AS: Have you had pushback from companies?

MB: Generally, it has been a positive acceptance. Those relying on information other than financial information want to know this is as truthful as the financial information they previously relied on. So there is support for a greater scrutiny and challenge, and a support for having more of a reporting framework to deliver that.

LN: This was incredibly useful. Can you tell me how this will be put into practice from a legislative perspective? How quickly will this happen, and are select committees examining this?

MB: There are two things I should say. First, in the Government's response to wider audit and corporate governance reporting reform, they have committed to drafting a Bill in the final quarter of this year to allow pre-legislative scrutiny before it is introduced formally as a Bill into Parliament. There will be pre-legislative scrutiny of this. The next steps in terms of climate and sustainability reporting, is that the Government will consult in the Autumn on setting up a process to adopt and use International Sustainability Standards in the UK. I am keen that the FRC / ARGA has a role in this and we understand there will be a consultation over the summer leading to legislation after that.

LN: At the moment, is the FCA consulting itself?

MB: We work closely with the FCA, PRA, and the pensions regulator. TCFD reporting is brought into UK law in one of two ways. For premium listed companies it is through the listing rules the FCA owns. For other corporations it is through company law and the Department for Business, Energy, and Industrial Strategy (BEIS) is responsible for secondary legislation relating to this.

LN: Are any select committees looking at this currently?

MB: I'm not sure they are and I don't know the details of how the pre-legislative scrutiny will take place. Obviously from an FRC perspective, we are very happy to enter into a dialogue with any interested parties who want to learn more and want to propose solutions to us.

Contribution: Where does the FRC sit within the single double materiality lens?

MB: We have a long, established tradition of dual materiality as we have followed it on a qualitative and quantitative basis, giving us greater flexibility. Bizarrely, the SEC has undermined its own proposals as on one hand it says there should be a single materiality for financial statements, but it then defines this materiality as a movement of plus or minus 1% on any accounting line item as a result of climate-related factors. It has sort of indirectly endorsed dual materiality even though it says it doesn't. Also, everything we do, we do from the perspective of best meeting users' needs, and I am not speaking to many users who oppose dual materiality.

Contribution: You spoke a couple of times about the narrative aspect. One challenge we have as users of the financials is that narrative tends not to be comparable so they add a value in terms of giving some explanation into how data and figures are standing up. This ensures focus is not lost on ensuring that quantitative data (which is comparable) is globally the first point of call. Once you have this you can then compare narrative and add some value. Secondly, it would be great to get your thoughts on the 1% materiality - is this a good idea?

MB: My guess is it would stay separate. When the SEC finalises its rule, I bet the 1% won't be included. There is a challenge of wider reporting. I worry we will move into a two tier market where you have the largest and most resourced FTSE reporters being able to deal with this volume of reporting. For those lower down the market it becomes a compliance exercise. We really must reinforce that it is about better, not more information.

Contribution: Could you comment on some tensions between the ISSB's materiality-first approach and other supply-chain due diligence approaches and whether they will be compatible in reporting?

MB: I do worry. If you look at ISSB standards, they bend over backwards to accommodate both sides of the debate. However, it is clear the European Commission was working to a very ambitious timetable as it wanted to be the first to set out its timetable. There is alignment between the S2 Standard that the ISSB issues, and the SEC's proposals on climate reporting. I wonder how far the SEC will go to accommodate. Member States have pressed firmly the need for there to be a parallel - this is why people reference the ISSB as preparing that global baseline. There should be a base level of comparability, and I hope it moves in that direction. It is a very unusual position to find yourself in when the more reasonable party in the room is the SEC, for which they are not famed.

AS: Tell us more about working with the SEC and how that feeds into the FRC's work moving forward.

MB: There is regular dialogue and it happens at many different levels in a regulatory environment. Where the SEC has a lot of influence is through the International Organisation of Securities Commissions (IOSCO). The FCA is the UK member of IOSCO, but IOSCO endorsed IFRS for global use and endorsed ISAs for global use in audit and it is developing endorsement criteria for the ISSB standards. We are working with the SEC to ensure that those criteria will, in particular, represent UK stakeholder needs (ensuring that double materiality isn't an SEC red line as it has been in the past). IOSCO pushed the ISSB to set up a jurisdictional working group so different nations are represented. The FCA has two seats on this and they have allowed us to use one of these seats to ensure the regulatory community in the UK is joined up - this is how we will continue to exert influence in how this develops moving forward. It's not just exerting influence through IOSCO, but through other bodies such as the Basel Committee that brings together banking regulators and the Financial Stability Board. This is where our engagement focuses as they are able to speak with a *global* voice, rather than a *jurisdictional* voice which is extremely helpful.

Contribution: In regards to modern slavery, do you see ARGA developments giving teeth to the current legislation of holding directors properly accountable?

MB: Yes. We can take enforcement action against an auditor if they fail to meet a relevant requirement. We can take action against a preparer if they commit a misconduct. We have no powers in respect of directors. If you are the CFO of a company and you produce misleading information and resign, we will not be able to follow you. The Government's proposals will allow us to and will align the threshold test rule so we can take action where there is misleading reporting, where people fail to comply with their reporting obligations, and ultimately we will have a power to make a company resubmit its financial statements and annual report if they haven't complied with the legal requirements. We pointed out (in a recent report linked to our Corporate Governance Code) the rather poor quality of modern slavery reporting. We will continue to identify best practice as a way of moving forward in the interim.

Contribution: Presumably that will also expand to environmental regulation. TCFD handles climate reporting, but there are obviously considerations and gaps relating to nature and adaptation. To what extent will this be incorporated into new reforms?

MB: My hope is that the Government sets out a process to adopt International Sustainability Standards. We know the Board is considering what follows its climate standards. Will it be biodiversity or other aspects of ESG reporting? If we can develop this framework at a global level then this will be the preferred approach. Once there is an endorsement recognition for these standards, then it will drive reporting. Currently, as the legislative landscape is so piecemeal - the UK is a great lover of amending legislation rather than consolidating legislation…

LN: Except for the Companies Act, but that was a while ago…

MB: … we have far too little consolidated legislation and it makes it difficult to enforce as you have a multiplicity of different responsibilities in different areas of the regulatory community, and different regulators have different thresholds they need to cross in order to deploy resources in response to *XYZ*.

AS: What would you put in a Bill? What would you consolidate?

MB: A piece of work we are doing currently is we are looking at how to simplify narrative reporting requirements on businesses that, at the moment, extend from over 40 different pieces of legislation. We are assessing how this can be brought together to effectively allow you to use a single report to meet multiple legislative requirements, rather than have duplicated, overlapping requirements we will have a system where you can do it once and tick a box.

Contribution: Just following up on the nature-related risk point. My company made a commitment to trying to remove all commodities involved in deforestation by 2025 at COP26. When we look at companies we are investing in, huge swathes of them have very substandard disclosures on full traceability across the supply chain which makes it very challenging. When it comes to deforestation, the urgency is really there in avoiding biodiversity loss. You have a lot of global reporting standards in train, but there is some specific challenges that require a lot of urgency to address.

MB: Firstly, the process with respect to climate has been quick. From COP26 it was only a matter of months until we had proposals for standards. The ISSB will put out an agenda consultation on what areas it should prioritise and I think that one key thing is that it allows major investors and participants in investing to speak with a single voice on what they think the next steps should be for the standards. The ISSB can set standards at pace, but needs to be given a clear steer that deforestation, for example, is the next urgent challenge.

LN: One thing about COP26 that struck me was the involvement of the financial sector and business. There is so much that the Government can do, but it's massive if you have that kind of lever. There was talk of there being standards agreed by COP26 and that didn’t happen and fair enough, it is complicated, but if you look at the UK post-COP26, the people working in climate change who were moved from the Department for Energy and Climate Change (DECC) into BEIS was removed. The majority of them have now been moved to the Department for Foreign, Commonwealth and Development (FCDO) leaving BEIS with a reduced number of people. Are you, and this is critical, noting an effect of this and is it moving forward in the way that it needs to?

MB: The biggest challenge about how this moves forwards is that everyone wants to sit round the table. I sit on some cross-governance groups with representation from all government departments, the pensions regulator, FCA, etc. It is not good for decision making when you have so many parties involved. I do worry that a lot of investment is about meeting the individual needs of different departments to take forward a package. The problem is that in the environment and climate space, people are very passionate and sometimes strive to let perfection get in the way of ‘good’, yet ‘good’ will get us 70% of where we need to go. We need to deliver this ‘good’ at pace, rather than delivering the 100% in a perfectly wrapped box.

Contribution: You cannot address the E without the S and indeed the G, so how are organisations talking about being selective? We always talk about global baselines for ESG, but we are seeing more people talking about only focusing on the E as that is what is important for their business. Is there a way of regulating against a standard that says we must look at ES and G, or is it acceptable for organisations to just focus on one strand of ESG?

MB: You have a real challenge here because what we don't want to do is move to a world with 1,000 pages of annual report where all the information is there but isn’t usable. Therefore, a company has to make an assessment as to what areas are material to its business and should report on these. In the governance reform package, there is a proposal for an audit assurance policy where a company will set out where it exercises its discretion regarding reporting and the assurance it commits over that. One suggestion is that there needs to be a requirement within this to formulate this policy as a result of investor engagement.

Contribution: My concern is that you have flavour of the month and one month a company will focus on the environment when its relevant. A good business should focus on all of these things, not just the things that allow them to tick a box.

MB: The ISSB put out 600 pages of consultations on climate. If they put out 600 pages of consultation on biodiversity will that crowd out climate? The reporting and how it is presented must be done in a manageable and accessible way or people will think they can't manage it. This is why dual materiality is important because it is normally qualitative materiality that is most helpful in framing which things are most important to you as a business. It is a challenge in this respect, and it is an area we need to continue to work on.

Contribution: TCFD is spoken about a lot. You've mentioned biodiversity too, and the launch of the TNFD which is meant to stand on equal footing to TCFD. My feeling is the two are going to have to have equal treatment in reporting. Do you agree?

MB: It certainly has raised the importance and provided a framework like TCFD for nature. One of the challenges with this is that we have TCFD required in law and regulation, and although the UK was the quickest to get this in place it still took time. So, how long will it be before we see a similar requirement in law for TNFD? Also the landscape is shifting and we are moving now from a debate where everyone talks about the importance of getting information out there to better explain the impact business has on the world, to one where more voices are now speaking about the burdens on businesses of reporting. TNFD is a great development, but at some point we need to sit down and work out how many of these developments we can digest, and this is one that the IFRS Foundation has done well in creating the ISSB - it has taken six or seven different parties and brought them together, rather than listen to a multiplicity of different challenging frameworks.

AS: You spoke about the burdens to business, is that people talking about genuine burdens or pushback against reporting?

MB: I genuinely think that there is a challenge for some companies in how they actually mature the information, systems, and controls they have to support this reporting. However, if this is what their investors and stakeholders want, then it is an investment they need to make. Some of it is pushback, and I have heard people praising consistent information in this space, and I am still struck by this idea that if this is a decision factor for global investors then you need to have high quality reliable and comparable information to allow capital to be allocated and this is where the debate has moved forward. For a long time the SEC drove the narrative that this was about capital formation, but it is now about this and capital allocation. If you don't allocate it in the right way then you will destroy your capital.

Contribution: How many accountants work for a FTSE 100 company, versus the three people who deal with 10 surveys a week who come in from different sustainability data requests - there is a prioritisation issue here.

MB: I spoke on a panel with a representative from Shell last week. He spoke about the work they were doing to set out in their annual report the impact of the business on the world. The question that came up in the chat was 'how big is your team to do this'?

AS: A lot of people will say it's in their remit, but it won't be in their focus. Are you seeing a trend of pushback? Is it size or sector?

MB: I wouldn't say a sector, but what happens is that certain sectors become more high-profile and more directly in the firing line. Oil and gas for example, or financial services, because of their materiality they're getting the questions asked of them constantly. If you're a retailer you're able to downplay things - it's a lesser order. What we are seeing are high points and the rest of the market needs to catch up. Where I see this in particular is that 90% of companies will say in their annual report that they accept their business impact on the climate. The *best* companies will tell you what that impact is, what they are doing to mitigate it, and what they are investing in and over how long, and what that investment will do.

LN: You now have a number of companies coming into debts to sell their services to consultants to measure this and that. Are you playing any part in quality control there? Flooding through LinkedIn are offers to help at a certain price. Assessing what these consultants and companies are doing, how thorough this work is, and how useful it is to a company trying to do the right thing is very important - what are you seeing here?

MB: I am really concerned by this. We have a code of ethics that drives behaviour for preparers and assurers of information. I don't care who does the work, but I want them to use the same high ethical standards, standards of independence, and technical capabilities as it would be if a statutory auditor did this work. We are engaging with IOSCO to see if there's an international regulatory push for that and have raised this concern with BEIS. We have seen really bad examples where companies have submitted information that is ostentatiously about climate and have an assurance opinion of the members of the company. When you read it it is so caveated and meaningless that it means nothing. If you're not someone doing this everyday from an investment and scrutiny perspective and you will get a certificate from a supposed 'expert' you would automatically think it is valid and good. It is part of our discussion with the FCA, and they have prosecuted some people recently where misleading information resulted in investors investing in what they thought were ESG products that didn't actually meet any qualification for ESG. We will see mis-selling type scandals on ESG again and we saw it earlier this year when Morningstar took 1,200 ESG products out of its ratings. This is a real concern and we must ensure that whoever is producing this information isn't allowed to get away with poorer standards.

Contribution: This links to the Wild West culture of ESG. Consultancies will pop up overnight to provide ESG services and deliver reports that aren't based on any ratings or global frameworks. These are subjective and valueless. You spoke a lot about 'corporate' and these companies have a more robust model for these things to be scrutinised. In the SME arena it is not and this makes up the majority of businesses in the UK and we are seeing a swell of LinkedIn offers to help SMEs with this. ESG is not the new CSR - this is a dangerous language when you start to confuse the two. We are seeing businesses being fleeced and there is a cost of trust that they incur.

AS: I can foresee a big mis-selling scandal getting bigger and bigger. Does the Government have the power to fight back against directors of companies who are deliberately buying solutions off the shelf, or powers against rating agencies or companies claiming to give valid ratings? Should the Government have more firepower?

MB: I think the rating agencies arena is one that is outside regulation at the moment, and this is concerning.

Contribution: We don’t consult or advise anyone, we have been supportive of setting principles and standards. But we need distinction between what rating providers do and what consultants do in advising companies to improve their ESG rating. There is always disagreement in terms of what a consultant has told somebody, and what is actually the case.

MB: Can the Government do something? Yes. The SEC and its climate proposals have made it extremely difficult for these consultants to operate. You have to comply with the SEC independence and technical requirements as if you were a certified and professional accountant.

AS exits the meeting, LN takes over the role of chair.

Contribution: Minimum safeguards say that companies should implement United Nations Guiding Principles on Business and Human Rights. At the moment the products given to investors to see if something is classified within that, the proxy to see if they are doing their due diligence is whether there are controversies that arise from them being found out. Currently this isn’t linked up. So it will be interesting to see where the fault in the future is found in the mis-selling scandal lies.

MB: The answer is that it could go anywhere. We need to develop a regulatory framework that can deal with either end of that, but we don't have that currently.

Contribution: We don’t want to make reporting burdens burdensome for companies, but we do need a strong regulatory framework and very clear guidance on disclosure. The risk for the Government is that they hear of the ‘burden of reporting’ and respond by reducing the detail on disclosures. The Sustainability Disclosure Roadmap put more rules and details in place, whilst the obstacle is for companies to take this on board. The Government can continue to support processes and ensure that they are strong and the rules are clearly set from the outset, and support companies to ensure that details are as simple as possible. We need to accept that this is a big step change, but it will be increasingly normal as it progresses.

LN: As we take these things forward and move toward legislation, there may be a push from the Commons to strip some aspects out. In the Lords, the Government has no majority, and therefore the Lords need to be as best informed as they can be. The Government suffers defeat in the Lords that can focus the attention of the Government on solving the problem in a different way.

Contribution: From an investor's perspective, the important point is recognising the sheer weight of new regulation and reporting compliant with SFDR. These reporting thresholds are reliant on the data being provided at scale by global ESG consultants. The lack of regulatory scrutiny of those despite them informing best ESG practice is a real gap.

Contribution: The Green Taxonomy in the EU and the Green Flag Standards are coming out. These work together when you have Corporate Sustainability and Due Diligence Directive. There seems to be a gap in an equivalent in the UK. Next year is the tenth anniversary of the National Action Plan, but other jurisdictions seem to have overtaken us in this regard. Is there any appetite to have such a coherent narrative round environmentally and socially due diligence to achieve certain ends?

MB: It's a really difficult challenge because in this space, a lot of things originate through secondary legislation. One problem I think the Government has is that there is an enormous backlog. Updating and reflecting change must be done through the legislative process. It isn't being done. I have long argued that you should give a regulator the power to do this. We can do things in months, rather than years as would be the case in Parliament. The UK, having been a leader in many of these areas, how do you ensure that your process to update and keep ahead of the pack is sufficiently fleet of foot.

LN: There is a huge amount of secondary legislation that had to be processed due to Brexit, and Covid-19 disrupted proceedings. Another downside is that you cannot amend it. Unlike a piece of primary legislation, secondary legislation comes as a package. It is incredibly rare to throw secondary legislation out.

Contribution: Many companies within our portfolio are SMEs. My company does a lot of asset management. We get a lot of data coming from sources that aren't mature enough to deliver the sweeter KPIs we are asking them to report on. We then default to looking at modelling where there are gaps. When it comes to auditing and assurance, there are going to be providers that do that modelling and potentially produce different methodologies. Is there a preferred methodology or modelling provider that is used to fill gaps where they exist in the understanding that a company can report more bottom up information? Also, even when when we get this data, with modern day slavery for example, you might be getting reporting on incidences of modern day slavery in the hope they may be comparable. When you look at mechanisms that companies have in place to uncover it in their supply chains, the more sophisticated the scrutiny they have of their supply chain, the more modern day slavery they may uncover. When you look at the output of that in relation to overcoming companies that don't have sophisticated investigative mechanisms, they aren't uncovering it - it doesn't mean it doesn't exist.

MB: I can only agree with your thoughts. One challenge is how we develop those consistent frameworks. The second challenge is persuading the Government at what level this requirement to report on is put. Quite often, the default position is to not put the requirement on SMEs hence our size-based criteria. It's almost self-defeating as we create an ever-greater regulatory cliff face between the premium listed sector and the companies that come below it.

Contribution: I was thinking that a lot of this discussion focuses on regulation. I think in a lot of these cases, the information markets do provide the demands. I am very much connected to the ESG investment engagement specialists and there is a massive demand for this information which I think is leading the market., With accounting, disclosure, and assurance it is the demand for information that drives regulation and this is happening very quickly in areas such as biodiversity, modern day slavery, working practices, and health and safety. Everywhere around the world, the institutional investment community is driving this change in information.

Contribution: Does the regulator think professional bodies are prepared for the different sorts of data they will be asked to look at.

MB: It's a massive money-making opportunity. Things that aren;t under audit have limited viability. It's a really attractive business option.

Contribution: How involved are you with the ISSB and do you have any influence on their agenda?

MB: Quite a lot, personally. We gave early input on their pre-standards work they did. We are represented on the jurisdictional working group now. I have an application to join the Sustainability Standards Advisory Forum, and we continue to engage through IOSCO and through the monitoring board that oversees the IFRS Foundation. We do a lot and we are supportive of the work, but there’s more work that needs to be done. It's in the right direction, but not at the destination yet.

LN: Thank you for your input everyone. As a parliamentarian it is incredibly useful to have this engagement. We are trying to move in the right direction in the UK, but we need your input, so please keep engaging with us.