

Final Comment Letter: ISSB Request for Information

Executive Summary

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| Project Type | Influencing |
| Project Scope | Moderate |
| Purpose of the paper | |
| <p>The purpose of this paper is to obtain the Board's:</p> <ol style="list-style-type: none">approval to issue a Final Comment Letter (FCL) on the International Sustainability Standards Board (ISSB) Request for Information (RfI) <i>Consultation on Agenda Priorities</i>;approval for the publication of the draft Feedback Statement (FS); andfeedback on the draft Due Process Compliance Statement (DPCS). | |
| Summary of the Issue | |
| <p>The ISSB is seeking feedback on priorities for its next two-year work plan. The Request for Information Consultation on Agenda Priorities is open for comments until 1 September 2023. The ISSB is asking for stakeholder feedback on:</p> <ul style="list-style-type: none">the strategic direction and balance of the ISSB's activities;the criteria for assessing which sustainability-related matters to prioritise; andpotential new research and standard-setting projects. <p>The UKEB's Draft Comment Letter (DCL) was issued on 23 June 2023. The UKEB supports the ISSB and its objectives and believes that the next two-year period will be crucial to establishing the credibility and success of the ISSB's global baseline. Stakeholder outreach conducted during the development of the DCL was reflected in the UKEB DCL recommendations that the ISSB primarily focuses on:</p> <ol style="list-style-type: none">consolidation, to ensure the smooth and globally harmonised adoption and implementation of IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> and IFRS S2 <i>Climate-related Disclosure</i>, andon working with the IASB to deliver standards and guidance that produce connected information. | |

Outreach conducted since publication of the DCL has indicated broad stakeholder support for the draft UKEB position. The comment letters on the UKEB DCL received indicate that some stakeholders take differing views on certain points. These views have been considered and some amendments to the final comment letter proposed in response.

Decisions for the Board

Subject to any amendments arising at this meeting, does the Board approve:

1. The Final Comment Letter (FCL) for issue to the ISSB and publication on the UKEB website?
2. The Feedback Statement (FS) for publication on the UKEB website?

In addition, the Board is asked:

1. Whether it has any comments on the draft Due Process Compliance Statement (DPCS) for the project?
2. If it is content that Secretariat will replicate the Final Comment Letter (FCL) in the ISSB's RFI online survey tool?

Recommendation

The Secretariat recommends that, subject to any amendments agreed at this meeting, the Board approves the Final Comment Letter (FCL) and Feedback Statement (FS) for issue and publication.

Appendices

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| Appendix 4A | (Draft) Final Comment Letter – with changes in track. |
| Appendix 4B | (Draft) Feedback Statement |
| Appendix 4C | (Draft) Due Process Compliance Statement |
| Appendix 4D | (Draft) Final Comment Letter – without changes in track. |

Background

ISSB Request for Information (Rfi)

1. The ISSB published an Rfi *Consultation on Agenda Priorities* on 4 May 2023 and requested comments by 1 September 2023. The ISSB Rfi relates to agenda priorities for a two-year period only. The UKEB's formal comment letter (Appendix 4A) therefore focuses on the ISSB's agenda priorities for the coming two-year period only.
2. The ISSB has requested that its preferred method to receive feedback is via an online survey tool but that comment letters will also be accepted. For this reason we have replicated the key points made in the UKEB's cover letter to the ISSB in the appendix including the detailed responses to the Rfi's questions. This will ensure that these are reflected in any summary of the survey that is produced.
3. The Rfi has the following questions:
 - a) Question 1—Strategic direction and balance of the ISSB's activities.
 - b) Question 2—Criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan.
 - c) Question 3—New research and standard-setting projects that could be added to the ISSB's work plan.
 - d) Question 4—New research and standard-setting projects that could be added to the ISSB's work plan: Biodiversity, ecosystems and ecosystem services.
 - e) Question 5—New research and standard-setting projects that could be added to the ISSB's work plan: Human capital.
 - f) Question 6—New research and standard-setting projects that could be added to the ISSB's work plan: Human rights.
 - g) Question 7—New research and standard-setting projects that could be added to the ISSB's work plan: Integration in reporting.
 - h) Question 8—Other comments.
4. As per the UKEB remit in relation to connectivity matters (see more below), the comment letter responds to questions 1-3 and 7-8 above.

Integration in reporting project

5. The ISSB proposes a research project on 'integration in reporting' to consider integrated disclosures beyond the requirements on connected information in the financial statements and sustainability-related financial disclosures included in IFRS S1 and S2.
6. The ISSB requested stakeholder views on:
 - a) The relative priority and timeliness of advancing this project in the context of the ISSB's mission to build a suite of 'sustainability' standards;
 - b) Whether and how the ISSB should work with the IASB;
 - c) Whether the project should utilise the IASB's Exposure Draft *Management Commentary*, the Integrated Reporting Framework, both, or other materials in pursuing this work.

UK Framework

7. The UK is in the process of setting up the framework for the endorsement of ISSB Sustainability Disclosure Standards. The UK Government has asked the UKEB, the Financial Conduct Authority (FCA) and the Financial Reporting Council (FRC) to engage with the International Sustainability Standards Board (ISSB) and to respond to their consultations, according to their respective regulatory objectives and functions. This request was publicly announced in Lord Callanan's letter¹ to the ISSB regarding their exposure drafts of IFRS S1 and IFRS S2.

UKEB Influencing project

8. At the 22 June 2023 UKEB meeting, the Board approved the publication of the Draft Comment Letter (DCL) and Invitation to Comment (ITC) for stakeholder comment and feedback. These were published on 23 June 2023.
9. The UKEB Secretariat commenced outreach in line with the UKEB's draft Due Process Handbook², and commensurate with the type of project.

Overlap with IASB *Climate-related Risks in the Financial Statements* project

10. In March 2023, the IASB activated a narrow-scope maintenance project 'Climate-related Risks in the Financial Statements'³. This project is to 'explore whether and how financial statements can better communicate information about climate-related risks'.

¹ Lord Callanan's letter to the ISSB [here](#).

² UKEB [Due Process Handbook](#) (December 2022)

³ IASB [Climate-related Risks in the Financial Statements](#) project

11. The IASB noted that it will consider the work of the ISSB in the project scope, to the extent that it applies to the financial statements.
12. As the UKEB remit covers connectivity between the two international Boards, some of the work undertaken as part of this project will also be used by the UKEB to consider its influencing work on the IASB's *Climate-related Risks in the Financial Statements* project.

Development of UKEB Comment Letter on ISSB RfI

Stakeholder feedback on ISSB RfI (May to June 2023)

13. The Secretariat discussed the ISSB's RfI and possible UKEB responses with a number of the UKEB's Advisory and Working Groups
14. The UKEB **Sustainability Working Group** (SWG) met on 25 May 2023⁴. Key takeaways were the need to focus on implementation of IFRS S1 and S2, the need for a roadmap, and the importance of connectivity with the IASB standards (where relevant).
15. The UKEB **Preparers Advisory Group** (PAG) met on 12 June 2023⁵. Key takeaways were the need to focus on implementation of IFRS S1 and S2, the importance of connectivity with the IASB standards (where relevant), concerns about engagement with the ISSB, and a lack of support of Integrated Reporting.
16. The UKEB **Investor Advisory Group** (IAG) met on 13 June 2023⁶. Key takeaways were the need to focus on implementation of IFRS S1 and S2, the importance of considering the overlap with IASB projects (where relevant) and stakeholder capacity when considering which projects to pursue, and a lack of support of Integrated Reporting.
17. The UKEB **Accounting Firms and Institutes Advisory Group** (AFIAG) met on 15 June 2023⁷. Key takeaways were the need to focus on implementation of IFRS S1 and S2, and a lack of support of Integrated Reporting.
18. This feedback was instrumental in developing the DCL that was presented to the June 2023 Board meeting. The DCL was approved for publication, subject to minor amendments, and published on the UKEB website on 23 June 2023.

⁴ SWG [minutes](#) (25 May 2023)

⁵ PAG [minutes](#) (12 June 2023)

⁶ IAG [minutes](#) (13 June 2023)

⁷ AFIAG [minutes](#) (15 June 2023)

Stakeholder feedback on DCL (June to July 2023)

19. Subsequent to publication of the UKEB's DCL, the Secretariat undertook further outreach:
 - a) A roundtable with the UKEB Sustainability Working Group (SWG) on 23 June 2023⁸;
 - b) A meeting with The Investment Association (The IA) Secretariat; and
 - c) A meeting with the UK Finance Climate Reporting Committee.
 - d) We also received feedback from the Association of British Insurers (ABI) that they had discussed the DCL at an internal sustainability committee meeting and that they had no objections to the points raised.
20. The UKEB also received five comment letters in response to its Invitation to Comment on its DCL:
 - a) J. Denoncourt (Academic)⁹
 - b) CFA UK¹⁰
 - c) Emerging Technologies Sustainability Taskforce (ETST)¹¹
 - d) KPMG UK¹²
 - e) PWC¹³
21. The key elements of the feedback, along with the Secretariat response, where appropriate, are summarised below.

Strategic direction and balance of the ISSB's activities

22. The majority of stakeholders (both at individual meetings and via comment letters) were in general agreement with the UKEB's proposals on priorities for the ISSB's strategic direction and balance of activities. Some minor areas of difference were noted and are summarised below.

⁸ SWG [minutes](#) (29 June 2023)

⁹ [J.Denoncourt Comment Letter](#)

¹⁰ [CFA UK Comment Letter](#)

¹¹ [Emerging Technologies Sustainability Taskforce Comment Letter](#)

¹² [KPMG UK Comment Letter](#)

¹³ [PWC Comment Letter](#)

Supporting the implementation of IFRS S1 and S2 – High Priority

23. Almost all stakeholders believed this should be the primary focus of the ISSB over the next two years.
24. The KPMG UK response, while acknowledging that embedding and building capacity to report on IFRS S1 and S2 was important, stated that “establishing a full suite of topical standards for global use in a timely way” is also important and urgent.

Connection between the IASB and ISSB standards, where relevant - High Priority.

25. Most stakeholders agreed with this position, in particular;
 - a) The SWG noted that:
 - i. connectivity between the IASB and ISSB was more than aligning processes and should be a strategic priority, specifically including collaboration on projects.
 - ii. the principles underlying the IASB and ISSB standards needed to be closely aligned to avoid conflicts between the financial statements and sustainability reports, and other unintended consequences.
 - b) CFA UK, representing chartered financial analysts, agreed that cooperation between the IASB and ISSB should be a high priority. They noted that investors wanted to see how a company’s climate-related statements and disclosures, in the front-end of the annual report, can be reconciled with its financial disclosures in the back-end. They particularly noted agreement with concerns about the definition and application of materiality.

Developing a long-term roadmap - Medium Priority.

26. Most stakeholders agreed with the UKEB that ISSB should develop a long-term road map, with a majority requesting a high priority to be assigned to this. Of the formal engagement subsequent to the issuance of the DCL, the following are notable:
 - a) The SWG agreed with the call from other UK stakeholders who had asked the ISSB to set out a roadmap incorporating the rationale for determining the projects it would undertake, their scope, and the expected timelines attached to those projects.
 - b) The ETST believe this should be a higher priority and that the focus during its development should be on engaging with organisations that have experience in the development of sustainability enabling technology.
 - c) KPMG UK was the only stakeholder who did not support developing a long-term road map, instead requesting that ISSB should prioritise standard

development on topics beyond climate as well as providing guidance on climate-adjacent risks and opportunities.

New research – Low Priority

27. There were mixed views from stakeholders on the priority that should be given to new research. While many agreed that new research should be a lower priority at this stage, some stakeholders who formally commented on the UKEB DCL disagreed:
- a) CFA UK stated that the ISSB should place a high priority on commencing new research, initially focusing on nature and biodiversity.
 - b) J. Denoncourt concurred that new research should be a higher priority.
 - c) The ETST considered that new research should be given a medium or high priority due to the pace of development of sustainability disclosures, and the associated best practice.
 - d) KPMG UK considered that new research should be a primary focus, particularly the development of standards beyond climate.

Targeted enhancements to ISSB Standards - No Priority

28. Most stakeholders agreed with the UKEB position.
29. Some who disagreed appeared to consider this project would address implementation issues and viewed enhancement as a larger project. However, this does not align with the ISSB RfI, which noted that the scope of this activity was the development of further 'climate adjacent' topics such as nature and the 'just transition'.

Targeted enhancements to SASB Standards - No Priority

30. Many stakeholders agreed with the UKEB position. Those who disagreed did so as follows:
- a) CFA UK noted that given SASB standards were now effectively embedded in IFRS S1 and S2, those standards would require enhancement as IFRS S1 and S2 begin to be used by companies. However, they also suggested that this could form part of a scheduled review in the longer-term.
 - b) PWC noted that because IFRS S1 and IFRS S2 refer to SASB Standards, "which have not been through the IFRS Foundation's rigorous due process", these standards required further enhancement to meet the needs of preparers and investors.

- c) KPMG UK commented that enhancing SASB Standards should be a priority for the ISSB on the basis that the experience and value of the SASB materials are incorporated into the ISSB standards in a coherent way.
- d) The ETST took a similar position to KPMG, requesting targeted enhancements to the SASB Standards as a high priority to ensure they are as effective as possible.

ISSB's criteria for assessing new projects

- 31. Most stakeholders agreed with the view in the DCL.
 - a) The SWG suggested that consideration should also be given to jurisdictional requirements and the cost versus benefits profile of new standards.
 - b) KPMG UK generally agreed with the UKEB's proposals. They noted that while the capacity of companies to implement the outcome of standard setting should be a consideration, this could be addressed by jurisdictions through their implementation processes.
 - c) PWC noted that the criteria did not consider the interoperability of the ISSB's Standards with other reporting standards and suggest this should be included.

New research and standard-setting projects

- 32. SWG Members considered that the DCL rating of 'low priority' meant the ISSB should commence some pipeline research activity, but that the priority should remain the implementation of IFRS S1 and S2. Their preference was that research should focus initially on nature and biodiversity.
- 33. KPMG suggested the ISSB should limit the scope of the nature and biodiversity project to focus on nature (with a scope aligned to TNFD to drive efficiency).
- 34. The UK Finance Climate Reporting Committee considered that the ISSB should dedicate resources to developing new standards, or risk other sustainability standard setters creating a global baseline. There was a preference for research on nature and for the ISSB to build on the TNFD framework.

Integration in reporting

35. Almost all stakeholders agreed that the ISSB should be focused on connectivity with IASB Accounting Standards as part of its ongoing activities.
- a) SWG members considered that the ISSB and IASB should collaborate to ensure connectivity was effectively reported and explicitly communicated, as part of the core business, rather than a new research project. It was noted that focusing on developing the *Management Commentary* project any further risked creating another unnecessary layer of reporting.
 - b) The UK Finance Climate Reporting Committee considered it critical that the ISSB and IASB standards could be mapped and connected, where appropriate.
 - c) J. Denoncourt noted a number of concerns that have been identified regarding Integrated Reporting and believe that explicit disclosures, as part of the ISSB/IASB standards, would be preferable.
 - d) KPMG UK considered that the ISSB should focus on the *Management Commentary* project as part of its integration activities.
 - e) The ETST agreed with the UKEB's proposal that the ISSB should be focused on connectivity with accounting standards as part of its ongoing activities. However, they also believe that the project on *Management Commentary* was an important part of this interaction. They considered that *Management Commentary* was a key element of sustainability disclosures, but that users may not be aware that this section of the annual report was not subject to audit.

Due process and conceptual framework

36. SWG members recognised that while speed was essential, a lack of due process may lead to standards that are unsuitable as a global baseline, putting pressure on local endorsement bodies to remedy elements of the standards which may not be fit for local purposes. Some members considered that they had not had the opportunity to fully engage with the process, or that engagement had been rushed and that they had not had time to digest and reflect on the implications.
37. The Investment Association noted positive engagement with the ISSB and that their concerns had been addressed during the development of IFRS S1 and S2.
38. It was also noted by some SWG members that some of the elements of the final standards had been a surprise to stakeholders. For example, some of the material presented as guidance in the Exposure Drafts for IFRS S1 and S2 appeared to have become integral to the final standards, without recourse to stakeholders, impact assessment or field testing ahead finalisation.

39. SWG members noted that for financial statement information to map to sustainability information, to the extent relevant, the fundamental concepts had to align. There was a risk that companies may be required to adhere to standards developed which followed two separate conceptual frameworks in the same set of accounts.

Other Comments

40. A number of respondents commented on the importance of the Transition Plan Taskforce (TPT), and the need for interoperability with their work. KPMG UK noted the importance of the TPT Disclosure Framework as complementary to the ISSB standards, and that aligning it fully with those standards will help preparers to develop the TPT disclosures without undue cost and better apply the ISSB principles to meet the global baseline.
41. CFA UK suggested that “the ISSB should consider moving beyond disclosure to the ‘accounting’ behind the ‘disclosures’ of certain sustainability information.” They provide an example related to greenhouse gas emissions.

Response to key stakeholder feedback

42. The stakeholder feedback has been addressed in the draft FCL as follows.

The strategic direction and balance of ISSB’s activities

43. The UKEB’s recommendations regarding the strategic direction and balance of the ISSB’s activities were developed in consultation with its Advisory and Working Groups. In the RfI the ISSB noted that all proposed projects are large and that their resources are constrained. Therefore, the UKEB has provided a ranking of priorities. By necessity, this means that some activities must be given less focus than others.
44. We are also conscious of the **two-year timeframe** covered by this Agenda Consultation. The FCL is focused on what the UKEB believes should be the priorities over that short timeframe. There are therefore a number of areas where respondents disagreed with the priority level in the DCL that we believe are related to a difference in view of what can be achieved in two-years. If the ISSB timeframe had been over a five-year duration (as with the IASB agenda consultation) there may have been closer alignment.

Developing a long-term road map

45. The importance of the long-term road map was highlighted by a number of stakeholders. We agree that this should have a higher priority, and achievable within the two-year time frame. The FCL has been amended to reflect this view.

Research

46. Some stakeholders consider that the UKEB DCL implies that no research at all should be undertaken in the next two years. However, the DCL was in fact highlighting that other activities should be prioritised over the shorter term. Any new research projects should be added to the pipeline of projects that could be added as and when resource becomes available. The FCL has been amended to reflect this view.

Targeted enhancements to ISSB Standards

47. A number of respondents argued for the importance of targeted enhancements to ISSB Standards.
48. In some cases, the framing was inconsistent with that presented in the Rfl which focused on “enhanc[ing] the application of IFRS S2 by providing guidance for the disclosure of climate-adjacent risks and opportunities related to nature and the ‘just transition’ to a lower-carbon economy”, as opposed to addressing potential implementation issues.
49. We believe that the focus on supporting the implementation of IFRS S1 and S2 would potentially address the concerns raised by those stakeholders and therefore do not propose any changes to the comment letter.

Targeted enhancements to SASB standards

50. Views on SASB were mixed, though most respondents expressed some concern about their applicability. The stakeholder preference in general appears to be that, rather than maintaining SASB standards, the appropriate elements of these standards are incorporated into ISSB Standards, following appropriate due process.
51. The FCL has been amended to reflect this view.

The development of a comprehensive suite of standards

52. A broader concern, exemplified by KPMG’s letter, was the extent to which the ISSB should prioritise the development of a comprehensive set of sustainability standards. Some other stakeholders pointed to the work underway in the EU, and the extent to which this could eclipse the work of the ISSB, and potentially hamper their efforts to be recognised as the global baseline for sustainability standards.
53. The two-year horizon contemplated by this agenda consultation seems too short to encompass the development of a comprehensive set of sustainability standards. We see this as a matter that needs to be considered as part of the longer-term agenda setting process. However, both the development of a long-term roadmap and some initial research, as proposed in the UKEB FCL, would be appropriate steps to start this process over the short term.

54. There is also a potential fundamental difference in the stakeholder view of the path to a global baseline.
- a) The UKEB FCL sets out one approach, supported by most respondents, which focuses effort on building an initial solid foundation of climate disclosures that are accepted by a large number of jurisdictions and successfully implemented by entities on a mandatory basis. It is premised on a belief that without widespread initial adoption by key jurisdictions on a mandatory basis, rapid development of a wider range of standards will risk hampering jurisdictional acceptance. This approach considers that once there is widespread adoption, more standards can be incorporated into the ISSB's suite, drawing on the best examples developed around the world, including in the EU if appropriate.
 - b) The alternative view, put forward by some stakeholders, is that the ISSB must offer a comprehensive solution before it can be expected to be adopted widely. Those stakeholders considered that, if the ISSB did not offer this solution quickly, it risked being overtaken by other jurisdictional or regional standards.
55. We continue to believe that the goal of a global **baseline** supports the former approach. Jurisdictions can address areas that are perceived as missing in the short term and the ISSB can benefit from observing various approaches, incorporating the best elements of each.

Integration in reporting

56. We note that stakeholders were generally supportive of the view proposed in the UKEB DCL regarding the importance of connectivity between sustainability and accounting standards, where relevant. Most did not support an approach that was based on incorporating Integrated Reporting. Whilst some stakeholders expressed support for completing the *Management Commentary* project, on a joint basis. Given that *Management Commentary* is not adopted in the UK, or many other jurisdictions, we do not believe that this should be a focus, and that integration at the standard level should remain the priority. Therefore, no changes are proposed to the FCL in this regard.

Due Process

57. During the development of the DCL we heard concerns from a number of stakeholders that they felt there had not necessarily been the same level of due process they have come to expect from their engagement with the IASB.
58. These stakeholder concerns were reflected in the DCL. Outreach, after the DCL was published, indicated mixed views from stakeholders, some were in agreement, but others felt that this was not entirely reflective of their experience.

59. None of the letters received in formal response to the DCL addressed this matter. Whilst the invitation to comment did not ask a question on this directly, respondents were asked if they had any other comments to add.
60. We believe it remains important to communicate the stakeholder concerns to the ISSB.¹⁴

Final Comment Letter (FCL)

61. As noted above, the [draft] FCL included in Appendix A (track changes) / Appendix D (no track changes) has been developed with consideration of the feedback received from stakeholders.

Question for the Board

1. Subject to any amendments arising at this meeting, does the Board approve the FCL for issue to the ISSB and publication on the UKEB website?

Feedback Statement (FS)

62. The [draft] FS included in Appendix B summarises, at a high level, the feedback received from stakeholders and how it was incorporated into the [draft] FCL.

Question for the Board

2. Subject to any amendments arising at this meeting, does the Board approve the FS for publication on the UKEB website?

¹⁴ We note that the [meeting summary of the June IFRS Foundation Trustees' meeting](#) (p. 8) includes a commitment to enhancing communications about the ISSB's due process:

"The DPOC [Due Process Oversight Committee] considered some draft communication materials that it plans to publish for the benefit of stakeholders on the DPOC's webpages to enhance communications about the ISSB's due process. The DPOC noted it was important to be as clear as possible that the ISSB has a robust and thorough due process."

The DPOC is expected to have a public discussion about updating the IFRS Foundation's Due Process Handbook to reflect the establishment of the ISSB at its October 2023 meeting.

Due Process Compliance Statement (DPCS)

63. The draft DPCS for the project is attached for consideration. A final version will be brought back to the September 2023 meeting for noting, once the final project steps are complete.

Question for the Board

3. Does the Board have any comments on the draft DPCS for the project?

Next steps

64. The FCL will be submitted to the ISSB, once finalised. In addition to comment letters, the ISSB has requested respondents complete its online survey.

Question for the Board

4. Once submitted, is the Board content for the Secretariat to replicate the Final Comment Letter (FCL) in the ISSB's RFI online survey tool?

65. The FCL, together with the FS, will be published on the UKEB website. The DPCS will be updated to reflect the final project steps and presented at the September meeting for noting.

Mr Emmanuel Faber
Chairman
International Sustainability Standards Board
IFRS Foundation
Opernplatz 14
60313 Frankfurt am Main
Germany

xx August 2023

Dear Mr Faber

Request for Information: *ISSB Consultation on Agenda Priorities*

1. The UK Endorsement Board (the UKEB) is responsible for endorsement and adoption of IFRS for use in the UK and therefore is the UK's National Standard Setter for IFRS. The UKEB also leads the UK's engagement with the IFRS Foundation on the development of new standards, amendments and interpretations.
2. The UK Government has committed to establishing a formal assessment mechanism for ISSB issued standards and this is in the ~~While this~~ process ~~is of being~~ finalised (see Appendix B for further information). In addition to sending its own response, the UK Government has asked relevant UK organisations, including the UKEB, to respond to the ISSB on its agenda priorities, according to their respective regulatory objectives and functions. The UKEB is responsible for considering the overlap between IASB and ISSB issued standards.
3. This letter is intended to contribute to the IFRS Foundation's due process. The views expressed by the UK Endorsement Board (UKEB) in this letter are separate from, and will not necessarily affect the conclusions in, any activities undertaken by the UKEB.
4. There are currently approximately 1,500 entities, with equity listed on the London Stock Exchange, that prepare their financial statements in accordance with IFRS Accounting Standards. In addition, UK law allows unlisted companies the option to use IFRS Accounting Standards and approximately 14,000 UK registered entities take up this option. Legislation applicable to financial years beginning on or after 6 April 2022, requires all large companies (listed and private¹) with a turnover in excess of £500Million and more than 500 employees; and, traded or banking LLPs² with over 500 employees to disclose climate-related financial information

¹ <https://www.legislation.gov.uk/ukdsi/2021/9780348228519/contents>

² <https://www.legislation.gov.uk/ukxi/2022/46/contents/made>

on a mandatory basis – in line with recommendations from the Task Force on Climate-Related Financial Disclosures.³

5. In developing this letter, we performed both desk-based research and outreach with our stakeholders including preparers, accounting firms and institutes, users of accounts, capital market regulators and other national standard setters. Our comments on the ISSB's Request for Information (RFI) summarise that work and outreach. For detailed responses to the questions in the RFI please see [Appendix 1](#) to this letter.
6. In light of the UKEB remit, we ~~have not commented on the relative merit only~~ [make limited comments on](#) the proposed specific research projects on [nature and biodiversity](#), human capital or human rights.

Support for IFRS Sustainability Disclosure Standards

7. The UKEB is very supportive of the ISSB's objective to develop standards – in the public interest – that will result in a high-quality, comprehensive baseline of sustainability disclosures focused on the needs of investors and the financial markets.

Leveraging the IFRS Foundation

8. The UKEB, like a number of other international stakeholders, was keen for the ISSB to be housed within the IFRS Foundation as it gave the ISSB a stable, global platform from which to develop global standards for sustainability disclosures that maintained close alignment and connectivity with financial reporting standards.
9. The two-year time horizon for this Agenda Consultation is relatively short in global standard setting terms. The ISSB, and global acceptance of Sustainability Standards, are both still in their infancy. While the ISSB has achieved a lot in a short period of time, it is important to ensure that ~~these it consolidates these~~ achievements [are consolidated](#) so that its mission is globally understood and accepted, and that the first two standards are embedded, [mandatorily](#) adopted [by jurisdictions](#) and implemented appropriately.

Governance and due process that supports mandatory international standards

10. The stable platform provided by the IFRS Foundation allows the ISSB access to an established due process that has stood the test of time, an understanding of the steps necessary to develop mandatory standards that gain global acceptance, and

³ [UK to enshrine mandatory climate disclosures for largest companies in law - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/uk-to-enshrine-mandatory-climate-disclosures-for-largest-companies-in-law)

access to a set of engaged and interested stakeholders with ~~an interest and~~ expertise in this area.

11. The speed of the set-up of the ISSB as well as the development of the IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and S2 *Climate-related Disclosures* is a testament of the work of the IFRS Foundation, the ISSB and its staff. However, we believe that global acceptance of those standards on a mandatory basis must be prioritised and is now dependent on the ongoing engagement with the IFRS Foundation's existing stakeholder community. To achieve this objective, the ISSB must now consolidate its achievements to-date to deliver on the promise of globally accepted, mandatory baseline sustainability disclosure standards, supported by strong adherence to due process and greater engagement with stakeholders with a direct interest and understanding of mandatory standards.
12. We urge the ISSB to learn from the experience of the IFRS Foundation and its sister Board, the IASB, when it comes to developing international standards. It requires time for stakeholders and jurisdictions to engage with the standard setting process.
- ~~12.~~13. We ~~are still hearing~~ have heard from some informed and knowledgeable stakeholders in the UK (including investors) who feel they have not had the opportunity to fully engage with the ISSB's process or, -when they did engage, have not been they did not feel listened to and their concerns addressed ~~when they did engage~~. Other stakeholders highlighted the lack of transparency around the final text of the standards during the redeliberation phase. It should be noted that this concern, whilst common, was not universal across the stakeholders we engaged with.
14. The history of the set up and global acceptance of the IASB's standards shows that any attempt to implement standards (whether new or imported from pre-existing frameworks) without appropriate, extensive, and reflective due process risks derailing the objective of globally accepted and consistent standards.
- ~~13.~~15. We note that major jurisdictions, when considering the adoption of IFRS S1 and S2 on a mandatory basis, are already considering (significant) modifications to the requirements, which may undermine the global baseline status of the ISSB standards. We recommend that the ISSB's continue to adapt its approach to engagement with jurisdictions to ensure it addresses their concerns around mandatory adoption of the standards.
- ~~14.~~16. We urge the ISSB to consider the important role of due process as well as the benefits of engaging with stakeholders with a direct interest in globally accepted and mandatory standards.

Connectivity with the IASB

17. It is clear from our connectivity work that for sustainability and financial information to provide investors with high-quality, comparable, and decision-useful information requires the two Boards, the ISSB and the IASB, to work together to deliver standards and guidance that produce connected information, where appropriate.
15. We note that the Rfl lists connectivity as a core activity. However, stakeholders expect more than “compatibility and avoid[ing] potential inconsistencies and conflicts” (Rfl -page -16).
18. Stakeholders also noted concerns about rRecent statements by the two Boards that seemed to be redefining connectivity as a focus on the processes rather than on the information presented to investors.
- 16.19. We do not believe that a focus on process will deliver the connected information that investors requireneed. We would suggest that this is rectified as a matter of priority and that the focus should be redirected towards the two Boards working together to ensure that the standards lead to connected information for use by investors.
- 17.20. Feedback from UK stakeholders, as well as the UKEB’s own research⁴, indicate that the work on close alignment and connectivity between financial and sustainability reporting should be a priority for both Boards is their priority and they do not consider that this it to be is complete. It must be prioritised if the Standards are to be adopted on a mandatory basis by jurisdictions across the globe and lead to decision-useful connected information that investors need to make their investment decisions.⁵

The Consultation on ISSB’s Agenda Priorities

- 18.21. Stakeholders in the UK have significant concerns about the focus of proposals in this Rfl and that it may prioritise the resources of the ISSB over the coming two years in non-urgent areas. We note that similar concerns have been raised during recent meetings of the ISSB Sustainability Consultative Committee and the IFRS Advisory Council.
- 19.22. It is important that the ISSB continue to develop processes to allow them to engage with a range of stakeholders, and to consider and respond to their views to ensure they retain stakeholder support. These stakeholders should include finance departments of UK listed companies which are now increasingly taking the lead on reporting on sustainability matters.

⁴ [Connectivity Projects | UK Endorsement Board \(endorsement-board.uk\)](https://www.endorsement-board.uk)

⁵ During our consultation on this letter a number of stakeholders expressly identified this paragraph as particularly important.

Strategic direction and balance of the ISSB's activities (RfI Question 1)

- 20-23. High Priority: Focus on supporting the implementation of IFRS S1 and S2:** The UKEB's advisory groups, representing a wide range of participants in the UK capital markets and corporate reporting framework, along with stakeholders we spoke to during outreach on this letter, were almost unanimous in their support for the ISSB focusing on this area. Without this support as their primary focus, the ISSB Disclosure Standards risk not being accepted as mandatory, losing much of the impetus for the establishment of the ISSB, and potentially mean that preparers fail to adequately engage with and implement the standards.
- 21-24. High Priority: Close cooperation with the IASB and connectivity with IFRS Accounting Standards:** UK stakeholders have very clearly articulated to us that they require want to see the promise of interconnected sustainability and accounting standards delivered. They want to see the benefits from the ISSB "work[ing] in close cooperation with the IASB, ensuring connectivity and compatibility between IFRS Accounting Standards and the ISSB's standards—IFRS Sustainability Disclosure Standards"⁶.
- 22-25. Medium-High Priority: Developing a long-term road map:** Given the ISSB's RfI focuses on a two-year time horizon, UK stakeholders have asked-requested that the ISSB set out a long-term roadmap, which clearly sets out the rationale for why any specific project is included on the workplan. It should also clearly articulate the scope of the ISSB, and This includes include the role envisaged for existing frameworks.
- 23-26. Low Priority: New research:** The UKEB recognises that undertaking research and standard setting is an important element of the ISSB's work. We also understand that due to resource constraints, not all activities can be given a high priority. We would therefore suggest that the ISSB prioritise the achievement of delivering climate reporting and ensuring a clear long-term road map. New research projects should only be added to its the agenda pipeline of projects as and when resources become available. The majority of the UKEB stakeholders considered that when the ISSB is ready to consider new research, its initial focus should be on developing a standard on nature and biodiversity with reference to along the lines of the work being undertaken by the Taskforce on Nature-related Financial Disclosures (TNFD).
- 27. No Priority: Targeted enhancements to ISSB Standards and Enhancing SASB Standards:** Given that IFRS S1 and S2 are yet to be implemented, it seems premature to be considering targeted enhancements to the ISSB Standards, especially of the nature described in the RfI. Stakeholders are concerned about the relevance and scope of disclosure around "just transition" to a lower-carbon

⁶ [IFRS Foundation announces International Sustainability Standards Board, consolidation with CDSB and VRF, and publication of prototype disclosure requirements \(03 November 2021\)](https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdscb-vrf-publication-of-prototypes/) <https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdscb-vrf-publication-of-prototypes/>

~~economy". However, g~~Getting climate disclosures right first must be the main priority. ~~Also, t~~The vast majority of stakeholders in the UK do not support a focus on enhancing ~~either the ISSB Standards nor~~ the Sustainability Accounting Standards Board (SASB) Standards as described in the RfI.

~~24-28.~~ Though some stakeholders support the inclusion of industry specific standards, the UKEB believes that this approach is inconsistent with the approach for IFRS Accounting Standards, potentially leading to an increase in the disconnect between the two sets of standards. We therefore recommend that, in the first instance, the ISSB sets out a clear explanation of why it is necessary to develop industry specific standards at the international level. This could be done as part of the articulation of the roadmap (see above).

Criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan (Question 2)

~~25-29.~~ We note that the criteria ~~set out in the RfI listed are~~ consistent with those used by the IASB and also seem suitable for the consideration of ISSB's standards. However, we would suggest the addition of a consideration of interaction with IASB standard setting projects, to ensure the resulting information for investors is connected and consistent, ~~where appropriate~~. The IFRS Foundation ~~should also seek to also needs to~~ ensure that a process is in place ~~for the to allow the~~ IASB to ~~likewise~~ consider ISSB projects ~~as it develops accounting standards~~.

~~30.~~ We ~~would~~ also suggest that, in addition to ~~the~~ consideration of the ISSB's capacity to progress a project, there should also be an emphasis on the capacity of stakeholders to pro-actively engage with the development and subsequent implementation of a new standard ~~that results from that project~~. This is another area where the two Boards are likely to need to work together as timing of the issuance of the standards should take into consideration that the two Boards are engaging with the same set of companies, investors, auditors, etc.

~~26-31.~~ Stakeholders have also asked for clarity on how the ISSB will assess the relative costs and benefits during the development of future standards. The IASB is required to make this assessment as part of development of a new IFRS Accounting Standard, as articulated in the Conceptual Framework. In the absence of a conceptual framework for sustainability disclosure standards, and its absence from IFRS S1, UKEB stakeholders have suggested that this should form an explicit part of the criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan.

Integration in Reporting (Question 7)

~~32.~~ Stakeholders support further work on connectivity between financial statements and sustainability reporting and, as noted, consider this should happen as part of the strategic direction and balance of the ISSB's activities. We agree that the ISSB should, with the IASB, "ensure that connections between financial and

sustainability performance are explicitly, efficiently and effectively communicated in a manner that is more easily understood by an entity's investors."⁷

33. While this may require further research on enhancing this connectivity, it should not be premised on introducing a new framework (Integrating Reporting) and should be considered at a standard level, not on the basis of ~~a the IASB's~~ draft Management Commentary Practice Statement ~~of the IASB's~~ that does not form part of the mandatory standards (and is not recognised by most jurisdictions that use its standards).

27-34. Our stakeholders are also concerned that introducing the Integrated Reporting framework may ~~would~~ add an unnecessary layer to financial reporting, leading to undue burden for stakeholders without a clearly articulated benefit.

Conclusion

28-35. The UKEB supports the ISSB and its objectives. It also believes that the next two-year period will be crucial to establishing the credibility and success of the ISSB global baseline. However, to achieve this the ~~The~~ ISSB needs to focus on consolidating ng its significant achievements to date. This will requires prioritising the ensuring smooth adoption and implementation of IFRS S1 and S2 and working with the IASB to deliver standards and guidance that produce connected information. Sustainability and financial reporting must provide investors with high-quality, comparable, and decision-useful information. Without this work investors' expectations of will not get the clear understanding of the impact of sustainability -related risks and opportunities - on the financial statements that they have told us that they are seeking may not be achieved.

If you have any questions about this response, please contact the project team at UKEndorsementBoard@endorsement-board.uk.

Yours sincerely

Pauline Wallace
Chair
UK Endorsement Board

Appendix A Questions on the ISSB's Request for Information

Appendix B UK Legislative Framework for Sustainability Reporting

⁷ RfI para 41.

Appendix A: Questions on the ISSB's Request for Information

Question 1 – Strategic direction and balance of the ISSB's activities

Paragraphs 18–22 and Table 1 provide an overview of activities within the scope of the ISSB's work.

(a) From highest to lowest priority, how would you rank the following activities?

(i) beginning new research and standard-setting projects

(ii) supporting the implementation of ISSB Standards IFRS S1 and IFRS S2

(iii) researching targeted enhancements to the ISSB Standards

(iv) enhancing the Sustainability Accounting Standards Board (SASB) Standards

(b) Please explain the reasons for your ranking order and specify the types of work the ISSB should prioritise within each activity.

(c) Should any other activities be included within the scope of the ISSB's work? If so, please describe these activities and explain why they are necessary.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.

Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2 - (a)(ii), (b)

A1. High Priority: The UKEB's advisory groups, representing a wide range of participants in the UK capital markets and corporate reporting framework, along with stakeholders we spoke to during outreach on this letter, were almost unanimous in their support for the ISSB focusing on this area. Without this as their primary focus, ISSB Disclosure Standards risk not being accepted as mandatory, losing much of the impetus for the establishment of the ISSB, and potentially mean that preparers fail to adequately engage with and implement the standards.

~~A1. In line with our covering letter, we consider this project to be a high priority.~~

- A2. The establishment of a transition resource group and integrated reporting council by the ISSB are important steps. However, until they have the standards and the output from the standards to work with, it is hard to know what issues will arise in practice and the extent to which the expected connectivity will materialise.
- A3. While the ISSB has allowed for proportionality and made initial exceptions in relation to the application of IFRS S1 and S2, preparers remain concerned that the effort required to implement those standards remains significant and their level of preparedness is limited. In particular, smaller entities are under-prepared and under-resourced and the extent to which stakeholders will see the benefits are yet to be determined. In addition, the extent of mandatory adoption of ISSB in jurisdictions around the world is yet to be seen.
- A4. The UKEB, strongly recommends that the ISSB focus its resources on supporting the implementation of ISSB standards IFRS S1 and IFRS S2. This activity needs to go beyond simply the mechanics of implementation of S1 and S2, which may well be supported by the [IFRS - Partnership Framework for capacity building](#). However, it also needs to address connectivity with IFRS Accounting Standards and driving forward with mandatory acceptance around the world.

~~A5. This view was strongly reflected in discussions with the UKEB's advisory groups, representing a wide range of participants in the UK capital markets and corporate reporting framework. In discussions with these groups there was almost unanimous support for the ISSB focusing on this area, to the exclusion of the other three activities listed in the RfI.~~

~~A6-A5.~~ Without this support and focus ISSB standards risk not being accepted as mandatory. Stakeholders are concerned there seems to have been a shifting of the goalposts, with the terminology around ISSB standards moving from being mandatory to being "available" (in the same way that TCFD, SASB, GRI are also "available"). This would lose much of the impetus for the establishment of the ISSB, and potentially mean that preparers fail to adequately engage with and implement the standards.

Beginning new research and standard-setting projects – (a)(i), (b)

~~A7-A6.~~ Low priority: The UKEB recognises that undertaking research and standard setting is an important element of the ISSB's work. We also understand that due to resource constraints, not all activities can be given a high priority. New research projects should only be added to its pipeline of projects as and when resources become available. The majority of the UKEB stakeholders considered that when the ISSB is ready to consider new research, its initial focus should be on developing a standard on nature and biodiversity along the lines of the work being undertaken by the Taskforce on Nature-related Financial Disclosures (TNFD).

~~A8-A7.~~ The time horizon for this Agenda Consultation, for a two-year period, is relatively short in global standard setting terms. Considering that the IFRS ~~Sustainability Standards~~ S1 and S2 ~~will were~~ only ~~be~~ published at the end of June 2023 the RfI's

relative focus towards moving forward with new research appears premature. Jurisdictions also need time to develop processes to adopt IFRS Sustainability Disclosure Standards.

A9.A8. This is not to imply that undertaking research is an unimportant element of the ISSB's work. The UKEB and stakeholders can see the benefit in beginning some new research and standard-setting projects if only because these have a long lead time especially when appropriate consultation and due process are factored into the process. However, until the ISSB is able to demonstrate that the initial goal regarding climate has been achieved and it has a clear conceptual framework long-term road map in place, research projects should not be a high priority.

Researching targeted enhancements to the ISSB Standards and Enhancing the Sustainability Accounting Standards Board (SASB) Standards – (a)(iii) and (iv), (b)

A9. No priority: Given that IFRS S1 and S2 are yet to be implemented, it seems premature to be considering targeted enhancements to the ISSB Standards, especially of the nature described in the Rfl. Stakeholders are concerned about the relevance and scope of disclosure around "just transition' to a lower-carbon economy". However, getting climate disclosures right first must be the main priority. Also, the majority of stakeholders in the UK do not support a focus on enhancing the Sustainability Accounting Standards Board (SASB) Standards as described in the Rfl.

A10. Though some stakeholders support the inclusion of industry specific standards, the UKEB believes that this approach is inconsistent with the approach for IFRS Accounting Standards, potentially leading to an increase in the disconnect between the two sets of standards. We therefore recommend that, in the first instance, the ISSB sets out a clear explanation of why it is necessary to develop industry specific standards at the international level.

A10.A11. Given that S1 and S2 are yet to be implemented, it seems early to be considering targeted enhancements. Stakeholders have not indicated particular concerns that are consistent with the proposals for enhancement described in the Rfl.d

A11. The majority of stakeholders do not support a focus on enhancing the Sustainability Accounting Standards Board (SASB) Standards as described in the Rfl. Furthermore, the wholesale inclusion of SASB standards in ISSB standards does not appear to have significant support from stakeholders.

A12. While some stakeholders are content that elements of the SASB Standards may find their way into ISSB standards, and in fact consider it could be useful, this should be done through the usual standard setting and due process steps.

~~A13. The ISSB would be better to focus its efforts on enhancements of its own standards, of course learning from previous standard activities, and bringing in this learning after proper due process.~~

Other activities – Close cooperation with the IASB and connectivity with IFRS Accounting Standards Interaction with IFRS Accounting Standards - (c)

~~A14.~~ A12. High Priority: UK stakeholders have very clearly articulated ~~to us~~ that they ~~want to see~~ require the promise of interconnected sustainability and accounting standards delivered. They want to see the benefits from the ISSB “work[ing] in close cooperation with the IASB, ensuring connectivity and compatibility between IFRS Accounting Standards and the ISSB’s standards—IFRS Sustainability Disclosure Standards”⁸.

~~A13.~~ It is clear from our connectivity work that for sustainability and financial information to provide investors with high-quality, comparable, and decision-useful information requires the two Boards, the ISSB and the IASB, to work together to deliver standards and guidance that produce connected information, where appropriate.

~~A14.~~ We note that the RfI lists connectivity as a core activity. However, stakeholders expect more than “compatibility and avoid[ing] potential inconsistencies and conflicts” (RfI page 16).

A15. A key benefit of bringing Sustainability Disclosure Standards into the IFRS Foundation was expected to be enhanced linkages between the two Boards (as well as leveraging the due process that already existed).

A16. At a strategic level, we recommend that the ISSB reallocates resource to ensure that it retains sufficient flexibility in its workplan to address the interaction between IFRS Sustainability Disclosure Standards and IFRS Accounting Standards. As a minimum, we consider this will need to include co-ordination with the IASB.

A17. Stakeholders tell us they are looking for connectivity between the IASB’s International Accounting Standards and the ISSB’s Sustainability Disclosure Standards to be embedded into both sets of standards. This is supported by extensive research undertaken by the UKEB that connectivity must be the key focus at this point in time.

A18. They expected the Boards would work together to ensure the requirements of IFRS Accounting Standards and IFRS Sustainability Disclosure Standards would work together to communicate the connections between financial and sustainability

⁸ [IFRS - IFRS Foundation announces International Sustainability Standards Board, consolidation with CDSB and VRF, and publication of prototype disclosure requirements](#)

performance, explicitly, efficiently and effectively in a manner that is more easily understood by an entity's investors.

A19. In addition to IFRS S1 and S2, stakeholders have continued to raise questions about the role of materiality, especially the extent to which it is given the same meaning under ISSB and IASB standards. They suggest significant joint work needs to be done to ensure a consistent understanding of how materiality judgements are applied during the application of IFRS sustainability disclosure standards and accounting standards. There is concern that the differences in the time horizons over which sustainability and financial reporting risks and opportunities emerge may lead to an inconsistent application or understanding of the materiality definition.

A19-A20. Stakeholders have also pointed to inconsistent definitions of terms such as "entity" that create disconnects between the standards.

A20-A21. The UKEB has already identified a range of areas where stakeholders have concerns about the connectivity between the standards through discussions with their various advisory groups. Please refer to the UKEB's [Connectivity between sustainability and accounting standards](#).

Other activities – Developing a long-term road map – (c)

A21-A22. Medium-High Priority: Given the ISSB's RfI focuses on a two-year time horizon, UK stakeholders have requested that the ISSB set out a long-term roadmap, which clearly sets out the rationale for why any specific project is included on the workplan. It should also clearly articulate the scope of the ISSB, and include the role envisaged for existing frameworks.

A22-A23. Once climate standards are delivered and embedded, stakeholders believe there is an opportunity to understand the bigger picture of sustainability disclosure standards before committing to a range of specific further projects.

A23-A24. The need for climate standards was clearly understood, responding to a potential existential crisis. They also provide an opportunity to test the operation of investor focused sustainability disclosure standards, and their connectivity with IFRS Accounting Standards.

A24-A25. During the next phase of the ISSB's work, stakeholders are looking for a long-term vision for how a complete set of standards would fit together, possibly underpinned by a conceptual framework to guide the standard setting process.

A26. The current approach risks being perceived as piecemeal and hasty. Appropriate integration of extant standards also needs to be considered.

A25-A27. A clear roadmap would help jurisdictions understand the areas the ISSB will be focusing on and support adoption more widely. It may also allow jurisdictions

to consider their own circumstances and which sustainability disclosures they may wish to consider independently.

Question 2— Criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan

Paragraphs 23–26 discuss the criteria the ISSB proposes to use when prioritising sustainability-related reporting issues that could be added to its work plan.

(a) Do you think the ISSB has identified the appropriate criteria?

(b) Should the ISSB consider any other criteria? If so what criteria and why?

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.

A28. We note that the criteria listed are consistent with those used by the IASB and also seem suitable for the consideration of ISSB's standards. However, we would suggest the addition of a consideration of interaction with IASB standard setting projects, to ensure the resulting information for investors is connected and consistent. The IFRS Foundation also needs to ensure that a process is in place to allow the IASB to likewise consider ISSB projects.

A29. We would also suggest that, in addition to consideration of the ISSB's capacity to progress a project, there should also be an emphasis on the capacity of stakeholders to pro-actively engage with the development and subsequent implementation of a new standard that results from that project. This is another area where the two Boards are likely to need to work together as timing of the issuance of the standards should take into consideration that the two Boards are engaging with the same set of companies, investors, auditors, etc.

A30. Stakeholders have also asked for clarity on how the ISSB will assess the relative costs and benefits during the development of future standards. The IASB is required to make this assessment as part of development of a new IFRS Accounting Standard, as articulated in the Conceptual Framework. In the absence of a conceptual framework for sustainability standards, and its absence from IFRS S1, UKEB stakeholders have suggested that this should form an explicit part of the criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan.

~~A26-A31. Stakeholders encouraged and engaged with the development of climate standards on the basis of the widely recognised global threat posed by climate change. Additional new sustainability disclosure standard development should reflect a similar level of prioritisation among stakeholders. Once an appropriate conceptual framework, including scope, is developed for sustainability disclosure reporting then other projects should be considered in this context.~~

~~A27. While we suggest that this matter should be reconsidered once an appropriate conceptual framework has been articulated for Sustainability Disclosure Standards, we broadly agree that the ISSB has identified the right criteria to use in assessing the priority of sustainability reporting issues that could be added to its work plan.~~

~~A28. We note that the criteria listed are consistent with those used by the IASB and also seem suitable for the consideration of ISSB's standards. However, we would suggest the addition of a consideration of interaction with IASB standard setting projects, to ensure the resulting information for investors is connected and consistent. The IFRS Foundation also needs to ensure the due process is in place to allow the IASB to likewise consider ISSB projects.~~

~~A29. We would also suggest that, in addition to consideration of the ISSB's capacity to progress a project, there should also be an emphasis on the capacity of stakeholders to pro-actively engage with the development and also subsequently implementation of a new standard that results from that project. This is another area where the two Boards are likely to need to work together as timing of the issuance of the standards should take into consideration that the two Boards are engaging with the same set of companies, investors, auditors, etc.~~

A30-A32. We also recommend that two of the ISSB's criteria are redrafted:

- a) There is a risk that application issues are captured by the second criterion: '*whether there are any deficiencies in the way companies disclose information on the matter.*' We do not consider that this is the ISSB's intention. We recommend that this criterion is redrafted as '*whether there are any deficiencies in the way companies disclose information on the matter and whether that deficiency can be remedied through standard setting.*'
- b) The third criterion considers: '*the type of companies the matter is likely to affect, including whether the matter is more prevalent in some industries and jurisdictions than in others.*' This suggests that some industries and jurisdictions will be prioritised over others. Our view is that prevalence should be considered across all industries and jurisdictions. We therefore recommend that this criterion is redrafted as '*the extent to which the matter is prevalent across jurisdictions and sectors.*'

Question 3—New research and standard-setting projects that could be added to the ISSB’s work plan

Paragraphs 27–38 provide an overview of the ISSB’s approach to identifying sustainability-related research and standard setting projects. Appendix A describes each of the proposed projects that could be added to the ISSB’s work plan.

(a) Taking into account the ISSB’s limited capacity for new projects in its new two-year work plan, should the ISSB prioritise a single project in a concentrated effort to make significant progress on that, or should the ISSB work on more than one project and make more incremental progress on each of them?

(i) If a single project, which one should be prioritised? You may select from the four proposed projects in Appendix A or suggest another project.

(ii) If more than one project, which projects should be prioritised and what is the relative level of priority from highest to lowest priority? You may select from the four proposed projects in Appendix A or suggest another project (or projects).

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.

~~A31-A33.~~ Given the short time frame, limited resource of the ISSB and the risk of rushing too quickly into additional standard setting, the UEKB would recommend the ISSB limit its standard setting research projects to only the most pressing areas and activities as identified by stakeholders.

~~A32-A34.~~ Climate was selected because it was widely acknowledged as an existential threat to the planet, humanity and the wider environment.

~~A33.~~

~~A34.~~ However, it may be better to focus now on delivering mandatory standards that clearly embed the connectivity that stakeholders are looking for with financial information.

~~A35.~~ We leave the discussion of what topics could be the focus of any ISSB research for others.

Question 4— New research and standard-setting projects that could be added to the ISSB’s work plan: Biodiversity, ecosystems and ecosystem services

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.

A36. The majority of the UKEB stakeholders considered that when the ISSB is ready to consider new research, its initial focus should be on developing a standard on nature biodiversity along the lines of the work being undertaken by the Taskforce on Nature-related Financial Disclosures (TNFD).

Question 5— New research and standard-setting projects that could be added to the ISSB's work plan: Human capital

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.

A36-A37. A few UKEB stakeholders noted that this could be an area considered for further research. No comment

Question 6—New research and standard-setting projects that could be added to the ISSB's work plan: Human rights

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.

A37-A38. No UKEB stakeholders supported this as an area considered for further research. No comment

Question 7—New research and standard-setting projects that could be added to the ISSB's work plan: Integration in reporting

The research project on integration in reporting is described in paragraphs A38–A51 of Appendix A. Please respond to the following questions:

(a) The integration in reporting project could be intensive on the ISSB's resources. While this means it could hinder the pace at which the topical development standards are developed, it could also help realise the full value of the IFRS Foundation's suite of materials. How would you prioritise advancing the integration in reporting project in relation to the three sustainability-related topics (proposed projects on biodiversity, ecosystems and ecosystem services; human capital; and human rights) as part of the ISSB's new two-year work plan?

(b) In light of the coordination efforts required, if you think the integration in reporting project should be considered a priority, do you think that it should be advanced as a formal joint project with the IASB, or pursued as an ISSB project (which could still draw on input from the IASB as needed without being a formal joint project)?

(i) If you prefer a formal joint project, please explain how you think this should be conducted and why.

(ii) If you prefer an ISSB project, please explain how you think this should be conducted and why.

(c) In pursuing the project on integration in reporting, do you think the ISSB should build on and incorporate concepts from:

(i) the IASB's Exposure Draft Management Commentary? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.

(ii) the Integrated Reporting Framework? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.

(iii) other sources? If you agree, please describe the source(s) and any particular concepts that you think the ISSB should incorporate in its work.

(d) Do you have any other suggestions for the ISSB if it pursues the project?

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.

A39. Stakeholders support further work on connectivity between financial statements and sustainability reporting and, as noted, consider this should happen as part of the strategic direction and balance of the ISSB's activities. We agree that the ISSB should, with the IASB, "ensure that connections between financial and sustainability performance are explicitly, efficiently and effectively communicated in a manner that is more easily understood by an entity's investors." (Rfl, paragraph 41)

A40. While this may require further research on enhancing this connectivity, it should not be premised on introducing a new framework (Integrating Reporting) and should be considered at a standard level, not on the basis of the IASB's draft Management Commentary Practice Statement that does not form part of the mandatory standards (and is not recognised by most jurisdictions that use its standards).

A41. Our stakeholders are also concerned that introducing Integrated Reporting framework would add an unnecessary layer to financial reporting, leading to undue burden for stakeholders without a clearly articulated benefit.

~~A38.—Stakeholders support further work on connectivity between financial statements and sustainability disclosure reporting and, as noted, consider this should happen as part of the strategic direction and balance of the ISSB's activities. We agree that the ISSB should, with the IASB "ensure that connections between financial and sustainability performance are explicitly, efficiently and effectively communicated in a manner that is more easily understood by an entity's investors." However, we assumed this would already have been done, in close cooperation with the IASB, and should not require a new research project. We also strongly believe that it~~

~~should not be premised on introducing a new framework (Integrated Reporting) and should be considered at a standard level, not on the basis of a draft Practice Statement of the IASB's that does not form part of the mandatory standards (and is not recognised by most jurisdictions that use its standards).~~

~~A39. Stakeholders want connectivity, and this is consistent with the definition of connectivity in the RfI, in so far as stakeholders want the "connections between financial and sustainability performance... explicitly, efficiently and effectively communicated in a manner that is more easily understood".~~

~~A40. However, our feedback indicates that stakeholders do not see that this requires a new major research project looking at bringing the Integrated Reporting Framework into the ISSB standards.~~

~~A41. They are also concerned about an approach that relies on a (currently draft) IASB Practice Statement *Management Commentary*, which is not part of the accounting standards, nor recognised in many jurisdictions.~~

~~A42. Again, they would rather see the IASB and ISSB working together to ensure this information is captured through the requirements specified in the standards developed by each board.~~

Question 8—Other comments

Do you have any other comments on the ISSB's activities and work plan?

~~Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.~~

~~A43. None The stable platform provided by the IFRS Foundation allows the ISSB access to an established due process that has stood the test of time, an understanding of the steps necessary to develop mandatory standards that gain global acceptance, and access to a set of engaged and interested stakeholders with an interest and expertise in this area.~~

~~A44. The speed of the set-up of the ISSB as well as the development of the IFRS S1 and S2 is a testament of the work of the IFRS Foundation, the ISSB and its staff. However, we believe that global acceptance of those standards on a mandatory basis must be prioritised and is now dependent on the ongoing engagement with the IFRS Foundation's existing stakeholder community. To achieve this objective, the ISSB must now consolidate its achievements to-date to deliver on the promise of globally accepted, mandatory baseline sustainability disclosure standards, supported by strong adherence to due process and greater engagement with stakeholders with a direct interest and understanding of mandatory standards.~~

- A45. We urge the ISSB to learn from the experience of the IFRS Foundation and its sister Board, the IASB, when it comes to developing international standards. It requires time for stakeholders and jurisdictions to engage with the standard setting process.
- A46. We have heard from some informed and knowledgeable stakeholders in the UK (including investors) who feel they have not had the opportunity to fully engage with the ISSB's process or, when they did engage, they did not feel listened to and their concerns addressed. Other stakeholders highlighted the lack of transparency around the final text of the standards during the redeliberation phase. It should be noted that this concern, whilst common, was not universal across the stakeholders we engaged with.
- A47. The history of the set up and global acceptance of the IASB's standards shows that any attempt to implement standards (whether new or imported from pre-existing frameworks) without appropriate, extensive, and reflective due process risks derailing the objective of globally accepted and consistent standards.
- A48. We are disappointed that major jurisdictions, when considering the adoption of IFRS S1 and S2 on a mandatory basis, are already considering (significant) modifications to the requirements. We are concerned that this will undermine the global baseline status of the ISSB standards. However, we consider that this further reflects that the ISSB's approach to date has not included sufficient engagement with jurisdictions to address their concerns around mandatory adoption of their standards.
- A43.A49. We urge the ISSB to consider the important role of due process as well as the benefits of engaging with stakeholders with a direct interest in globally accepted and mandatory standards.

UK Legislative Framework for Sustainability Reporting⁹

~~A44-A50.~~ The Department for Business and Trade (DBT) sets the reporting requirements, both financial and non-financial (Environmental, Social and Governance (ESG) matters) for UK registered entities under Company Law, the Companies Act 2006. The Financial Conduct Authority (FCA) sets Listing Rules for companies listed on the UK market.

~~A45-A51.~~ Since 1 January 2021 the FCA's Listing Rules have required companies within scope to report against the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD), on a comply or explain basis. The Companies' Act has required mandatory disclosures for companies within the scope for financial periods commencing on or after 6 April 2022.

~~A46-A52.~~ In addition, with the Mobilising Green Investment: 2023 Green Finance Strategy¹⁰, the Government committed to establish a formal assessment mechanism for ISSB issued standards. The assessment mechanism will ensure that standards endorsed by the Government are suitable for use by UK companies. ~~The mechanism is expected to launch once the ISSB's first two standards are published.~~

~~A47.~~ ~~The mechanism will include a Technical Advisory Committee (TAC). The TAC will provide recommendations to DBT on endorsing IFRS Sustainability Disclosure Standards for use in the UK. The TAC will also be responsible for influencing the work of the ISSB. A UKEB Board Member will be appointed as a member of the TAC.~~

~~A48-A53.~~ The decision to endorse a standard for use in the UK will be made by the Secretary of State. A further decision will be made on whether to make reporting under the standard mandatory for certain companies. This may be under Companies Act requirements or via the [FCA's](#) Listing Rules.

~~A49-A54.~~ The UKEB, as the UK body responsible for adopting and endorsing IFRS accounting standards for use in the UK, will provide information on areas of overlap and connectivity issues, between IASB and ISSB issued standards, to assist DBT in preparing recommendations to the SoS.

⁹ ~~The UK's non-financial reporting framework is currently under review and the proposed endorsement mechanism for IFRS Sustainability Disclosure Standards is being finalised. The Final Comment Letter will provide an updated with the current position.~~

¹⁰ ~~[Mobilising Green Investment: 2023 Green Finance Strategy, March 2023](#)~~

A50-A55. Therefore, the content of this letter is provided from the perspective of the UK's National Standard Setter for IASB issued accounting standards and takes into consideration their connectivity with ISSB issued standards.

DRAFT

[Draft] UKEB FEEDBACK STATEMENT

ISSB Request For Information - Agenda Priorities

Final Comment Letter

August 2023

The UK Endorsement Board (UKEB) is responsible for the endorsement and adoption of IFRS for use in the UK and is, therefore, the UK's National Standard Setter for IFRS. The UKEB also leads the UK's engagement with the IFRS Foundation on the development of new standards, amendments and interpretations.

The Department for Business and Trade (DBT) sets the reporting requirements, both financial and non-financial (ESG matters) for UK registered entities under Company Law.

DBT has requested the UKEB assist the UK Government by carrying out work to consider the overlap or impact of the sustainability disclosure standards issued by the International Sustainability Standards Board (ISSB) with the accounting standards issued by the International Accounting Standards Board (IASB).

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| The ISSB's Request for Information | 5 |
| Consultation on the Draft Comment Letter | 6 |
| Overall assessment | 7 |
| Comments from respondents | 8–11 |

Purpose of this feedback statement

This document presents the views of UK stakeholders received during the UKEB's public consultation on the Draft Comment letter on the ISSB's Request for Information (Rfi).

Where relevant, it explains how the UKEB has addressed those views in the Final Comment Letter.



The ISSB's Request for Information

The International Sustainability Standards Board (ISSB) issued a Request for Information in May 2023 to determine stakeholder views on priorities for a two-year work plan commencing in 2024. In parallel, the ISSB finalised IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosure* in June 2023.

The ISSB is seeking stakeholder views on:

- The strategic direction and balance of the ISSB's activities
- The suitability of criteria for assessing which matters to prioritise and add to the ISSB's work plan.
- New research and standard-setting projects that could be added to the ISSB's work plan

Consultation on the Draft Comment Letter

- The Draft Comment Letter (DCL) was published on 23 June 2023 and was open for a 30 day consultation period.
- The DCL was developed after consultation with three UKEB Advisory Groups^{1,2,3} and the Sustainability Working Group⁴
- During the consultation period, the UKEB and its Secretariat promoted awareness of the DCL and encouraged stakeholders to respond through News Alerts, LinkedIn posts and the UKEB website.

Outreach activities included:

- Engagement with three external stakeholder representative groups⁵;
- A roundtable discussion with the UKEB Sustainability Working Group; and

Comment letters were received from CFA UK, Emerging Technologies Sustainability Taskforce, KPMG, PWC and individual.

Stakeholder letters were made public on the project website.

| Stakeholder type | Stakeholders feedback | Organisations represented |
|--|-----------------------|---------------------------|
| Cross stakeholder roundtable discussion | SWG ⁴ | 12 |
| Representative bodies and industry groups | 3 ⁵ | Multiple |
| Comment Letters received | | |
| Academic | 1 | 1 |
| CFA UK | 1 | Multiple |
| Emerging Technologies Sustainability Taskforce | 1 | 1 |
| KPMG | 1 | 1 |
| PWC | 1 | 1 |

1. UKEB Investor Advisory Group
2. UKEB Preparers Advisory Group
3. UKEB Accounting Firms and Institutions Advisory Group
4. UKEB Sustainability Working Group
5. The Investment Association, UK Finance and the Association of British Insurers.

Comments from respondents

Strategic direction and balance

| Draft Comment Letter (DCL) | Stakeholder Views | UKEB final assessment |
|---|--|--|
| <p>The DCL made the following recommendations for the ISSB two year work plan:</p> <p>High priority</p> <ul style="list-style-type: none"> • focus on supporting the implementation of IFRS S1 and S2 • close cooperation and connectivity with IASB Accounting Standards* <p>Medium priority</p> <ul style="list-style-type: none"> • develop a long-term road map* <p>Low priority</p> <ul style="list-style-type: none"> • new research <p>No priority</p> <ul style="list-style-type: none"> • targeted enhancements to ISSB Standards • Enhancing SASB Standards | <p>The UKEB Advisory Groups and other stakeholders overwhelmingly supported implementation of S1 and S2 and closer cooperation with the IASB and connectivity with IFRS Accounting Standards as high priority. Most comment letters also supported this position.</p> <p>One comment letter considered that the development of a long-term roadmap should have a high priority.</p> <p>We received mixed views from Advisory Groups and stakeholders on the priority of research. Some considered it should have a higher priority. Most comment letters recommended that research should have a higher priority.</p> <p>There was little support for enhancing SASB standards as described in the Rfl. Some stakeholders disagreed with 'no priority' noting that these standards needed to undergo full IFRS Foundation due process.</p> <p>One comment letter raised concerns with many of the recommendations in the DCL, noting that establishing a full suite of topical standards for global use in a timely manner should be the ISSB's main priority.</p> | <p>Given the ISSB resource limitation and the short time frame covered by the agenda consultation, we believe the priorities as set out in the DCL are largely appropriate. We have however made the following changes to reflect the additional stakeholder feedback:</p> <ol style="list-style-type: none"> 1. Increased the priority for the development of a roadmap 2. Enhanced the discussion around research, and reflected the preference for a focus on nature and biodiversity. 3. Enhanced the discussion on SASB Standards. <p>We have not incorporated the view that the priority over the next two years should be the establishment of a full suite of topical standards. Though we believe that the priorities outlined in fact support this goal in the long-term.</p> |

7 *These two criteria were in addition to those listed in the Rfl.

Comments from respondents

| Criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan | | |
|--|---|---|
| Draft Comment Letter (DCL) | Stakeholder Views | UKEB final assessment |
| <p>The DCL agreed with the criteria proposed in the RfI. The Final letter suggested:</p> <ul style="list-style-type: none"> the addition of a consideration of interaction with IASB standard setting projects, to ensure the resulting information for investors is connected and consistent; and there should be an emphasis on the capacity of stakeholders to pro-actively engage with the development and subsequent implementation of any new project. <p>The letter also proposed some minor rewording to two of the proposed criteria.</p> | <p>The UKEB Advisory Groups and comment letters largely supported the suggestions in the DCL.</p> <p>Advisory Group members also suggested that currently there does not appear to be an explicit examination of cost versus benefit when considering a potential sustainability project.</p> | <p>A paragraph has been added suggesting that cost versus benefit should be considered during the development of sustainability disclosure standards.</p> |

Comments from respondents

| Integration in Reporting | | |
|---|--|---|
| Draft Comment Letter (DCL) | Stakeholder Views | UKEB final assessment |
| <p>The DCL noted that:</p> <ul style="list-style-type: none"> stakeholders support further work on connectivity between financial statements and sustainability reporting but that this should happen as part of the strategic direction and balance of the ISSB's activities; and connectivity should not be premised on introducing a new framework (Integrating Reporting) and should be considered at a standard level, not on the basis of a draft Practice Statement of the IASB's that does not form part of the mandatory standards (and is not recognised by most jurisdictions that use IFRS Accounting Standards). | <p>The view that connectivity is core to the ISSB's success was strongly reflected in discussions with Advisory Groups, other stakeholders and in the comment letters received.</p> <p>A few stakeholders felt there could be a role for Integrated Reporting or <i>Management Commentary</i>, but these views were not widely supported, with some noting concern that it may add an additional unnecessary layer in reporting.</p> | <p>A paragraph has been added in the Final letter to reflect the broader stakeholder concerns about Integrated Reporting.</p> <p>However, given that the IASB's Practice Statement 1 <i>Management Commentary</i> is not adopted in the UK (or many jurisdictions internationally), the point in the comment letter is largely unamended.</p> |

Comments from respondents

| Other Matters | | |
|---|--|--|
| Draft Comment Letter (DCL) | Stakeholder Views | UKEB final assessment |
| <p>The DCL emphasised the importance of governance and due process to support and enable mandatory international standards.</p> <p>The DCL reflected feedback from stakeholders who noted that they had either not had the opportunity to engage fully with the ISSB, or when they had that their concerns had not been addressed.</p> <p>The draft letter also emphasised the importance of the ISSB standards achieving a globally accepted baseline.</p> | <p>During outreach we heard from a few stakeholders who felt they had been able to engage with the ISSB and in one case they felt that their engagement had led to tangible enhancements in the final standards.</p> <p>Other stakeholders supported the views expressed in the DCL.</p> | <p>We have amended the letter to acknowledge the mixed views from stakeholders regarding the ISSB due process.</p> |

Disclaimer

This feedback statement has been produced in order to set out the UKEB's response to stakeholder comments received on the Draft Comment Letter on the ISSB's Request for Information on its Agenda Priorities and should not be relied upon for any other purpose.

The views expressed in this feedback statement are those of the UK Endorsement Board at the point of publication.

Any sentiment or opinion expressed within this feedback statement will not necessarily bind the conclusions, decisions, endorsement or adoption of any new or amended IFRS Accounting Standards by the UKEB.

Contact Us

UK Endorsement Board

1 Victoria Street | London
SW1H 0ET | United Kingdom

Web: www.endorsement-board.uk

Appendix C: ISSB RFI *Consultation on Agenda Priorities* —Due Process Compliance Statement (Draft)

| Influencing process: ISSB RFI <i>Consultation on Agenda Priorities</i> | | | |
|---|---------------------|---|---|
| Step | Mandatory/ Optional | Metrics or evidence | UKEB Secretariat comments |
| ISSB's due process document | | | |
| ISSB RFI | | Published: 04/05/2023 Comment deadline: 01/09/2023 | n/a |
| Project preparation | | | |
| Technical project added to UKEB technical work plan [Due Process Handbook (Handbook) 4.30(b)] | Mandatory | Project is included in the published technical UKEB Work Plan | Included in the UKEB technical work plan published in May 2023 . |
| Project Initiation Plan (PIP) [Handbook 5.4 to 5.8 and 5.13 to 5.14] | Mandatory | PIP draft with project outline (background, scope, project objective) and approach for influencing (key milestones and timing) proportionate to the project | The Secretariat included mandatory milestones for the project and considered, as appropriate, other milestones and activities. The PIP was approved by UKEB at 18/05/23 meeting. |

| Influencing process: ISSB RFI <i>Consultation on Agenda Priorities</i> | | | |
|--|------------------------|--|--|
| Step | Mandatory/ Optional | Metrics or evidence | UKEB Secretariat comments |
| | | Outreach plan for stakeholders and communication approach outlined | <p>Engagement with UKEB Advisory and Working Groups on both the ISSB Rfi and the DCL.</p> <p>The Secretariat also proposed a round table discussion with the UKEB Sustainability Working Group.</p> <p>Engagement on the DCL with industry and user representative bodies.</p> |
| | | Resources allocated | Two project directors and an assistant project manager. |
| Project Initiation Plan (PIP) [Handbook 5.4 to 5.8 and 5.13 to 5.14] (continued) | Mandatory | Assessment of whether to set up an ad-hoc advisory group | The UKEB Sustainability Working Group had already been established. |
| PIP is approved at public meeting [Handbook 5.4] | Mandatory | UKEB Board public meeting held to approve PIP | Approved at 18/05/23 UKEB public board meeting. |
| Education sessions [Handbook 4.10] | Optional | UKEB Education or initial assessment | n/a |
| Desk-based research [Handbook 5.9] | Optional | Review of relevant documentation | <p>The following research was developed and considered:</p> <ul style="list-style-type: none"> • UKEB research reports <ul style="list-style-type: none"> i. Climate-Related Matters Summary of Connectivity Research |

| Influencing process: ISSB RFI <i>Consultation on Agenda Priorities</i> | | | |
|--|------------------------|---|--|
| Step | Mandatory/ Optional | Metrics or evidence | UKEB Secretariat comments |
| | | | <ul style="list-style-type: none"> ii. Analysis of 2022 Annual Reports • UKEB staff connectivity papers <ul style="list-style-type: none"> i. Asset recognition, measurement, and impairment ii. Liabilities and Provisions iii. Fair Value Measurement • Discussion with the UKEB National Standard Setters Sustainability Forum¹ |
| Communications | | | |
| Public board meetings | Mandatory | UKEB Board public meetings held to discuss technical project | PIP approved at 18/05/23 Board meeting. Draft comment letter approved at 22/06/23 Board meeting. |
| Secretariat papers | Mandatory | UKEB Board meeting papers posted and made publicly available on a timely basis. | <p>UKEB Board meeting papers were published on the UKEB website one week before the public meetings.</p> <p>Meeting minutes and recordings were made publicly available via the UKEB website.</p> <p>Advisory and Working Group minutes were made publicly available on the UKEB website.</p> <p>Subscribers were notified via the UKEB LinkedIn posts and News Alerts.</p> |

¹ [UKEB National Standard Setters Forum](#)

| Influencing process: ISSB RFI <i>Consultation on Agenda Priorities</i> | | | |
|--|--------------------------------|---|--|
| Step | Mandatory/ Optional | Metrics or evidence | UKEB Secretariat comments |
| Project webpage | Optional | Project webpage contains a project description with up-to-date information on the project | The project webpage was created in May 2023. It was updated regularly with the project status and additional materials. |
| News Alerts [Handbook A4d] | Optional | Evidence that subscriber alerts have occurred | Subscribers were alerted, via email, 5 days before each Board meeting, provided with links to the agenda, papers and given the option to dial in to observe the discussion. A News Alert was also issued, alerting subscribers to the UKEB Consultation on its DCL for ISSB RFI. |
| Outreach activities | | | |
| Outreach activities [Handbook 5.11 – examples of outreach activities included at A4 and of fieldwork, a subset of outreach, at A7] | Mandatory | Gather input from investors, preparers and accounting firms and institutes, as outlined in the PIP. | Activities included: <ul style="list-style-type: none"> • Obtaining input from a roundtable discussion of the UKEB Sustainability Working Group on 29th June 2023²; • Obtaining input from UKEB Advisory Group members; • Requesting feedback via an Invitation to Comment document via the UKEB website; and • Obtaining feedback from The Investment Association, UK |

² UKEB Sustainability Working Group [round table minutes](#) (29 June 2023)

| Influencing process: ISSB RFI <i>Consultation on Agenda Priorities</i> | | | |
|---|-------------------------------------|--|--|
| Step | Mandatory/ Optional | Metrics or evidence | UKEB Secretariat comments |
| | | | Finance and the Association of British Insurers. |
| UKEB draft comment letter | | | |
| Draft comment letter (generally mandatory) [Handbook paragraphs 5.13 to 5.17] | Mandatory | Draft comment letter approved for publication at UKEB Board public meeting | The DCL was approved at the UKEB Board meeting on 22/06/23. |
| | Mandatory | Draft comment letter, including deadline for responses, posted on UKEB Website for public consultation | The DCL was published on 23/06/23 for a 30-day public comment period, ending on 23/07/23. |
| | Mandatory | News Alert issued to announce publication of the DCL | DCL publication announced via a UKEB News Alert on 23/06/03. |
| | [Handbook paragraphs 5.19 and 5.23] | Public responses on draft comment letter posted on website | Five comment letters were received from CFA UK , Emerging Technologies Sustainability Taskforce , KPMG , PwC and an individual were all published on the project web page on the UKEB website. |
| UKEB final comment letter | | | |
| Final comment letter (FCL) | Mandatory | Final comment letter approved | <i>Approval pending:</i> |

| Influencing process: ISSB RFI <i>Consultation on Agenda Priorities</i> | | | |
|---|--------------------------------|---|--|
| Step | Mandatory/ Optional | Metrics or evidence | UKEB Secretariat comments |
| submitted before comment period ends. [Handbook paragraph 5.18] | | for publication at UKEB Board public meeting. | <i>A draft Final Comment Letter will be reviewed by the Board at the meeting on 02/08/23.</i> |
| | Mandatory | Publish final comment letter on UKEB website and submit to ISSB | <i>Approval pending.</i> |
| | Mandatory | News Alert issued to announce publication | <i>Approval pending.</i> |
| Finalisation | | | |
| Feedback statement [Handbook paragraphs 5.19 to 5.22] | Mandatory | Draft Feedback Statement for discussion and review at UKEB Board public meeting | <i>Approval pending.</i> |
| | Mandatory | Feedback Statement posted on UKEB Website | <i>Approval pending.</i> |
| | Mandatory | News Alert issued to announce publication | <i>Approval pending.</i> |
| Due process | Mandatory | Due Process | <i>Approval pending.</i> |

| Influencing process: ISSB RFI <i>Consultation on Agenda Priorities</i> | | | |
|--|------------------------|---|---------------------------|
| Step | Mandatory/ Optional | Metrics or evidence | UKEB Secretariat comments |
| compliance Statement [Handbook paragraphs 5.23 to 5.26] | | Compliance Statement approved by UKEB in public meeting | |
| | Mandatory | Due Process Compliance Statement posted on UKEB Website | <i>Approval pending.</i> |

| Conclusion |
|---|
| <p>The ISSB Request for Information (Rfi) <i>Consultation on Agenda Priorities</i> was published on 4 May 2023 with a comment deadline of 1 September 2023. An influencing project was mobilised to ensure the UKEB comment letter was informed by a range of UK stakeholder views while meeting the ISSB’s comment deadline.</p> <p>This document sets out the due process activities performed as part of the UKEB’s project to respond to the ISSB Rfi. The projects due process complies with the UKEB Due Process.</p> |

| Question for the Board–Approval |
|--|
| <p>1. Does the Board approve the [draft] Due Process Compliance Statement?</p> |

Mr Emmanuel Faber
Chairman
International Sustainability Standards Board
IFRS Foundation
Opernplatz 14
60313 Frankfurt am Main
Germany

xx August 2023

Dear Mr Faber

Request for Information: *ISSB Consultation on Agenda Priorities*

1. The UK Endorsement Board (the UKEB) is responsible for endorsement and adoption of IFRS for use in the UK and therefore is the UK's National Standard Setter for IFRS. The UKEB also leads the UK's engagement with the IFRS Foundation on the development of new standards, amendments and interpretations.
2. The UK Government has committed to establishing a formal assessment mechanism for ISSB issued standards and this is in the process of being finalised (see Appendix B for further information). In addition to sending its own response, the UK Government has asked relevant UK organisations, including the UKEB, to respond to the ISSB on its agenda priorities, according to their respective regulatory objectives and functions. The UKEB is responsible for considering the overlap between IASB and ISSB issued standards.
3. This letter is intended to contribute to the IFRS Foundation's due process. The views expressed by the UK Endorsement Board (UKEB) in this letter are separate from, and will not necessarily affect the conclusions in, any activities undertaken by the UKEB.
4. There are currently approximately 1,500 entities, with equity listed on the London Stock Exchange, that prepare their financial statements in accordance with IFRS Accounting Standards. In addition, UK law allows unlisted companies the option to use IFRS Accounting Standards and approximately 14,000 UK registered entities take up this option. Legislation applicable to financial years beginning on or after 6 April 2022, requires all large companies (listed and private¹) with a turnover in excess of £500Million and more than 500 employees; and, traded or banking LLPs² with over 500 employees to disclose climate-related financial information

¹ <https://www.legislation.gov.uk/ukdsi/2021/9780348228519/contents>

² <https://www.legislation.gov.uk/ukxi/2022/46/contents/made>

on a mandatory basis – in line with recommendations from the Task Force on Climate-Related Financial Disclosures.³

5. In developing this letter, we performed both desk-based research and outreach with our stakeholders including preparers, accounting firms and institutes, users of accounts, capital market regulators and other national standard setters. Our comments on the ISSB's Request for Information (RfI) summarise that work and outreach. For detailed responses to the questions in the RfI please see Appendix 1 to this letter.
6. In light of the UKEB remit, we only make limited comments on the proposed specific research projects on nature and biodiversity, human capital or human rights.

Support for IFRS Sustainability Disclosure Standards

7. The UKEB is very supportive of the ISSB's objective to develop standards – in the public interest – that will result in a high-quality, comprehensive baseline of sustainability disclosures focused on the needs of investors and the financial markets.

Leveraging the IFRS Foundation

8. The UKEB, like a number of other international stakeholders, was keen for the ISSB to be housed within the IFRS Foundation as it gave the ISSB a stable, global platform from which to develop global standards for sustainability disclosures that maintained close alignment and connectivity with financial reporting standards.
9. The two-year time horizon for this Agenda Consultation is relatively short in global standard setting terms. The ISSB, and global acceptance of Sustainability Standards, are both still in their infancy. While the ISSB has achieved a lot in a short period of time, it is important to ensure that these achievements are consolidated so that its mission is globally understood and accepted, and that the first two standards are embedded, mandatorily adopted by jurisdictions and implemented appropriately.

Governance and due process that supports mandatory international standards

10. The stable platform provided by the IFRS Foundation allows the ISSB access to an established due process that has stood the test of time, an understanding of the steps necessary to develop mandatory standards that gain global acceptance, and access to a set of engaged and interested stakeholders with expertise in this area.

³ [UK to enshrine mandatory climate disclosures for largest companies in law - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/uk-to-enshrine-mandatory-climate-disclosures-for-largest-companies-in-law)

11. The speed of the set-up of the ISSB as well as the development of the IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and S2 *Climate-related Disclosures* is a testament of the work of the IFRS Foundation, the ISSB and its staff. However, we believe that global acceptance of those standards on a mandatory basis must be prioritised and is now dependent on the ongoing engagement with the IFRS Foundation's existing stakeholder community. To achieve this objective, the ISSB must now consolidate its achievements to-date to deliver on the promise of globally accepted, mandatory baseline sustainability disclosure standards, supported by strong adherence to due process and greater engagement with stakeholders with a direct interest and understanding of mandatory standards.
12. We urge the ISSB to learn from the experience of the IFRS Foundation and its sister Board, the IASB, when it comes to developing international standards. It requires time for stakeholders and jurisdictions to engage with the standard setting process.
13. We have heard from some informed and knowledgeable stakeholders in the UK (including investors) who feel they have not had the opportunity to fully engage with the ISSB's process or, when they did engage, they did not feel listened to and their concerns addressed. Other stakeholders highlighted the lack of transparency around the final text of the standards during the redeliberation phase. It should be noted that this concern, whilst common, was not universal across the stakeholders we engaged with.
14. The history of the set up and global acceptance of the IASB's standards shows that any attempt to implement standards (whether new or imported from pre-existing frameworks) without appropriate, extensive, and reflective due process risks derailing the objective of globally accepted and consistent standards.
15. We note that major jurisdictions, when considering the adoption of IFRS S1 and S2 on a mandatory basis, are already considering (significant) modifications to the requirements, which may undermine the global baseline status of the ISSB standards. We recommend that the ISSB's continue to adapt its approach to engagement with jurisdictions to ensure it addresses their concerns around mandatory adoption of the standards.
16. We urge the ISSB to consider the important role of due process as well as the benefits of engaging with stakeholders with a direct interest in globally accepted and mandatory standards.

Connectivity with the IASB

17. It is clear from our connectivity work that for sustainability and financial information to provide investors with high-quality, comparable, and decision-useful information requires the two Boards, the ISSB and the IASB, to work together to

deliver standards and guidance that produce connected information, where appropriate.

18. We note that the Rfl lists connectivity as a core activity. However, stakeholders expect more than “compatibility and avoid[ing] potential inconsistencies and conflicts” (Rfl page 16). Stakeholders also noted concerns about recent statements by the two Boards that seemed to be redefining connectivity as a focus on the processes rather than on the information presented to investors.
19. We do not believe that a focus on process will deliver the connected information that investors require. We suggest this is rectified as a priority and that the focus should be redirected towards the two Boards working together to ensure that the standards lead to connected information for use by investors.
20. Feedback from UK stakeholders, as well as the UKEB’s own research⁴, indicate that close alignment and connectivity between financial and sustainability reporting should be a priority for both Boards and they do not consider that this is complete. It must be prioritised if the Standards are to be adopted on a mandatory basis by jurisdictions and lead to decision-useful connected information that investors need to make their investment decisions.

Consultation on ISSB’s Agenda Priorities

21. Stakeholders in the UK have significant concerns about the focus of proposals in this Rfl and that it may prioritise the resources of the ISSB over the coming two years in non-urgent areas. We note that similar concerns have been raised during meetings of the ISSB Sustainability Consultative Committee and the IFRS Advisory Council.
22. It is important that the ISSB continue to develop processes to allow them to engage with a range of stakeholders, and to consider and respond to their views to ensure they retain stakeholder support. These stakeholders should include finance departments of UK listed companies which are now increasingly taking the lead on reporting on sustainability matters.

Strategic direction and balance of the ISSB’s activities (Rfl Question 1)

23. **High Priority: Focus on supporting the implementation of IFRS S1 and S2:** The UKEB’s advisory groups, representing a wide range of participants in the UK capital markets and corporate reporting framework, along with stakeholders we spoke to during outreach on this letter, were almost unanimous in their support for the ISSB focusing on this area. Without this as their primary focus, ISSB Disclosure Standards risk not being accepted as mandatory, losing much of the

⁴ [Connectivity Projects | UK Endorsement Board \(endorsement-board.uk\)](https://www.endorsement-board.uk)

impetus for the establishment of the ISSB, and potentially mean that preparers fail to adequately engage with and implement the standards.

24. **High Priority: Close cooperation with the IASB and connectivity with IFRS Accounting Standards:** UK stakeholders have very clearly articulated that they require the promise of interconnected sustainability and accounting standards delivered. They want to see the benefits from the ISSB “work[ing] in close cooperation with the IASB, ensuring connectivity and compatibility between IFRS Accounting Standards and the ISSB’s standards—IFRS Sustainability Disclosure Standards”⁵.
25. **High Priority: Developing a long-term road map:** Given the ISSB’s RfI focuses on a two-year time horizon, UK stakeholders have requested that the ISSB set out a long-term roadmap, which clearly sets out the rationale for why any specific project is included on the workplan. It should also clearly articulate the scope of the ISSB, and include the role envisaged for existing frameworks.
26. **Low Priority: New research:** The UKEB recognises that undertaking research and standard setting is an important element of the ISSB’s work. We also understand that due to resource constraints, not all activities can be given a high priority. We therefore suggest that the ISSB prioritise delivering climate reporting and a clear long-term road map. New research projects should only be added to the pipeline of projects as and when resources become available. The majority of the UKEB stakeholders considered that when the ISSB is ready to consider new research, its initial focus should be on developing a standard on nature and biodiversity with reference to the Taskforce on Nature-related Financial Disclosures (TNFD).
27. **No Priority: Targeted enhancements to ISSB Standards and Enhancing SASB Standards:** Given that IFRS S1 and S2 are yet to be implemented, it seems premature to be considering targeted enhancements to the ISSB Standards, especially of the nature described in the RfI. Stakeholders are concerned about the relevance and scope of disclosure around ‘just transition’ to a lower-carbon economy. However, getting climate disclosures right first must be the main priority. Also, the majority of stakeholders in the UK do not support a focus on enhancing the Sustainability Accounting Standards Board (SASB) Standards as described in the RfI.
28. Though some stakeholders support the inclusion of industry specific standards, the UKEB believes that this approach is inconsistent with the approach for IFRS Accounting Standards, potentially leading to an increase in the disconnect between the two sets of standards. We therefore recommend that, in the first instance, the ISSB sets out a clear explanation of why it is necessary to develop

⁵ [IFRS Foundation announces International Sustainability Standards Board, consolidation with CDSB and VRF, and publication of prototype disclosure requirements](#) (03 November 2021)

industry specific standards at the international level. This could be done as part of the articulation of the roadmap (see above).

Criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan (Question 2)

29. We note that the criteria set out in the RfI is consistent with those used by the IASB and also seem suitable for the consideration of ISSB's standards. However, we would suggest the addition of a consideration of interaction with IASB standard setting projects, to ensure the resulting information for investors is connected and consistent, where appropriate. The IFRS Foundation should also seek to ensure that a process is in place for the IASB to consider ISSB projects as it develops accounting standards.
30. We also suggest that, in addition to the consideration of the ISSB's capacity to progress a project, there should also be an emphasis on the capacity of stakeholders to pro-actively engage with the development and subsequent implementation of a new standard. This is another area where the two Boards are likely to need to work together as timing of the issuance of the standards should take into consideration that the two Boards are engaging with the same set of companies, investors, auditors, etc.
31. Stakeholders have also asked for clarity on how the ISSB will assess the relative costs and benefits during the development of future standards. The IASB is required to make this assessment as part of development of a new IFRS Accounting Standard, as articulated in the Conceptual Framework. In the absence of a conceptual framework for sustainability disclosure standards, and its absence from IFRS S1, UKEB stakeholders have suggested that this should form an explicit part of the criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan.

Integration in Reporting (Question 7)

32. Stakeholders support further work on connectivity between financial statements and sustainability reporting and, as noted, consider this should happen as part of the strategic direction and balance of the ISSB's activities. We agree that the ISSB should, with the IASB, "ensure that connections between financial and sustainability performance are explicitly, efficiently and effectively communicated in a manner that is more easily understood by an entity's investors."⁶
33. While this may require further research on enhancing this connectivity, it should not be premised on introducing a new framework (Integrating Reporting) and should be considered at a standard level, not on the basis of the IASB's draft *Management Commentary* Practice Statement that does not form part of the

⁶ RfI para 41.

mandatory standards (and is not recognised by most jurisdictions that use its standards).

34. Our stakeholders are also concerned that introducing the Integrated Reporting framework may add an unnecessary layer to financial reporting, leading to undue burden for stakeholders without a clearly articulated benefit.

Conclusion

35. The UKEB supports the ISSB and its objectives. It also believes that the next two-year period will be crucial to establishing the credibility and success of the ISSB global baseline. However, to achieve this the ISSB needs to focus on consolidating its significant achievements to date. This will require prioritising the smooth adoption and implementation of IFRS S1 and S2 and working with the IASB to deliver standards and guidance that produce connected information. Sustainability and financial reporting must provide investors with high-quality, comparable, and decision-useful information. Without this investors' expectations of a clear understanding of the impact of sustainability-related risks and opportunities on the financial statements may not be achieved.

If you have any questions about this response, please contact the project team at UKEndorsementBoard@endorsement-board.uk.

Yours sincerely

Pauline Wallace
Chair
UK Endorsement Board

Appendix A Questions on the ISSB's Request for Information

Appendix B UK Legislative Framework for Sustainability Reporting

Appendix A: Questions on the ISSB's Request for Information

Question 1 – Strategic direction and balance of the ISSB's activities

Paragraphs 18–22 and Table 1 provide an overview of activities within the scope of the ISSB's work.

(a) From highest to lowest priority, how would you rank the following activities?

(i) beginning new research and standard-setting projects

(ii) supporting the implementation of ISSB Standards IFRS S1 and IFRS S2

(iii) researching targeted enhancements to the ISSB Standards

(iv) enhancing the Sustainability Accounting Standards Board (SASB) Standards

(b) Please explain the reasons for your ranking order and specify the types of work the ISSB should prioritise within each activity.

(c) Should any other activities be included within the scope of the ISSB's work? If so, please describe these activities and explain why they are necessary.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.

Supporting the implementation of ISSB Standards IFRS S1 and IFRS S2 - (a)(ii), (b)

- A1. High Priority: The UKEB's advisory groups, representing a wide range of participants in the UK capital markets and corporate reporting framework, along with stakeholders we spoke to during outreach on this letter, were almost unanimous in their support for the ISSB focusing on this area. Without this as their primary focus, ISSB Disclosure Standards risk not being accepted as mandatory, losing much of the impetus for the establishment of the ISSB, and potentially mean that preparers fail to adequately engage with and implement the standards.

- A2. The establishment of a transition resource group and integrated reporting council by the ISSB are important steps. However, until they have the standards and the output from the standards to work with, it is hard to know what issues will arise in practice and the extent to which the expected connectivity will materialise.
- A3. While the ISSB has allowed for proportionality and made initial exceptions in relation to the application of IFRS S1 and S2, preparers remain concerned that the effort required to implement those standards remains significant and their level of preparedness is limited. In particular, smaller entities are under-prepared and under-resourced and the extent to which stakeholders will see the benefits are yet to be determined. In addition, the extent of mandatory adoption of ISSB in jurisdictions around the world is yet to be seen.
- A4. The UKEB, strongly recommends that the ISSB focus its resources on supporting the implementation of ISSB standards IFRS S1 and IFRS S2. This activity needs to go beyond simply the mechanics of implementation of S1 and S2, which may well be supported by the [IFRS - Partnership Framework for capacity building](#). However, it also needs to address connectivity with IFRS Accounting Standards and driving forward with mandatory acceptance around the world.
- A5. Without this support and focus ISSB standards risk not being accepted as mandatory. Stakeholders are concerned there seems to have been a shifting of the goalposts, with the terminology around ISSB standards moving from being mandatory to being “available” (in the same way that TCFD, SASB, GRI are also “available”). This would lose much of the impetus for the establishment of the ISSB, and potentially mean that preparers fail to adequately engage with and implement the standards.

Beginning new research and standard-setting projects – (a)(i), (b)

- A6. Low priority: The UKEB recognises that undertaking research and standard setting is an important element of the ISSB’s work. We also understand that due to resource constraints, not all activities can be given a high priority. New research projects should only be added to its pipeline of projects as and when resources become available. The majority of the UKEB stakeholders considered that when the ISSB is ready to consider new research, its initial focus should be on developing a standard on nature and biodiversity along the lines of the work being undertaken by the Taskforce on Nature-related Financial Disclosures (TNFD).
- A7. The time horizon for this Agenda Consultation, for a two-year period, is relatively short in global standard setting terms. Considering that the IFRS S1 and S2 were only published at the end of June 2023 the RfI’s relative focus towards moving forward with new research appears premature. Jurisdictions also need time to develop processes to adopt IFRS Sustainability Disclosure Standards.
- A8. This is not to imply that undertaking research is an unimportant element of the ISSB’s work. The UKEB and stakeholders can see the benefit in beginning some new research and standard-setting projects if only because these have a long lead

time especially when appropriate consultation and due process are factored into the process. However, until the ISSB is able to demonstrate that the initial goal regarding climate has been achieved and it has a long-term road map in place, research projects should not be a high priority.

Researching targeted enhancements to the ISSB Standards and Enhancing the Sustainability Accounting Standards Board (SASB) Standards – (a)(iii) and (iv), (b)

- A9. No priority: Given that IFRS S1 and S2 are yet to be implemented, it seems premature to be considering targeted enhancements to the ISSB Standards, especially of the nature described in the Rfl. Stakeholders are concerned about the relevance and scope of disclosure around “‘just transition’ to a lower-carbon economy”. However, getting climate disclosures right first must be the main priority. Also, the majority of stakeholders in the UK do not support a focus on enhancing the Sustainability Accounting Standards Board (SASB) Standards as described in the Rfl.
- A10. Though some stakeholders support the inclusion of industry specific standards, the UKEB believes that this approach is inconsistent with the approach for IFRS Accounting Standards, potentially leading to an increase in the disconnect between the two sets of standards. We therefore recommend that, in the first instance, the ISSB sets out a clear explanation of why it is necessary to develop industry specific standards at the international level.

Other activities – Close cooperation with the IASB and connectivity with IFRS Accounting Standards - (c)

- A11. High Priority: UK stakeholders have very clearly articulated that they require the promise of interconnected sustainability and accounting standards delivered. They want to see the benefits from the ISSB “work[ing] in close cooperation with the IASB, ensuring connectivity and compatibility between IFRS Accounting Standards and the ISSB’s standards—IFRS Sustainability Disclosure Standards”⁷.
- A12. It is clear from our connectivity work that for sustainability and financial information to provide investors with high-quality, comparable, and decision-useful information requires the two Boards, the ISSB and the IASB, to work together to deliver standards and guidance that produce connected information, where appropriate.
- A13. We note that the Rfl lists connectivity as a core activity. However, stakeholders expect more than “compatibility and avoid[ing] potential inconsistencies and conflicts” (Rfl page 16).

⁷ [IFRS - IFRS Foundation announces International Sustainability Standards Board, consolidation with CDSB and VRF, and publication of prototype disclosure requirements](#)

- A14. A key benefit of bringing Sustainability Disclosure Standards into the IFRS Foundation was expected to be enhanced linkages between the two Boards (as well as leveraging the due process that already existed).
- A15. At a strategic level, we recommend that the ISSB reallocates resource to ensure that it retains sufficient flexibility in its workplan to address the interaction between IFRS Sustainability Disclosure Standards and IFRS Accounting Standards. As a minimum, we consider this will need to include co-ordination with the IASB.
- A16. Stakeholders tell us they are looking for connectivity between the IASB's International Accounting Standards and the ISSB's Sustainability Disclosure Standards to be embedded into both sets of standards. This is supported by extensive research undertaken by the UKEB that connectivity must be the key focus at this point in time.
- A17. They expected the Boards would work together to ensure the requirements of IFRS Accounting Standards and IFRS Sustainability Disclosure Standards would work together to communicate the connections between financial and sustainability performance, explicitly, efficiently and effectively in a manner that is more easily understood by an entity's investors.
- A18. In addition to IFRS S1 and S2, stakeholders have continued to raise questions about the role of materiality, especially the extent to which it is given the same meaning under ISSB and IASB standards. They suggest significant joint work needs to be done to ensure a consistent understanding of how materiality judgements are applied during the application of IFRS sustainability disclosure standards and accounting standards. There is concern that the differences in the time horizons over which sustainability and financial reporting risks and opportunities emerge may lead to an inconsistent application or understanding of the materiality definition.
- A19. Stakeholders have also pointed to inconsistent definitions of terms such as "entity" that create disconnects between the standards.
- A20. The UKEB has already identified a range of areas where stakeholders have concerns about the connectivity between the standards through discussions with their various advisory groups. Please refer to the UKEB's [Connectivity between sustainability and accounting standards](#).

Other activities – Developing a long-term road map – (c)

- A21. High Priority: Given the ISSB's RfI focuses on a two-year time horizon, UK stakeholders have requested that the ISSB set out a long-term roadmap, which clearly sets out the rationale for why any specific project is included on the workplan. It should also clearly articulate the scope of the ISSB, and include the role envisaged for existing frameworks.

- A22. Once climate standards are delivered and embedded, stakeholders believe there is an opportunity to understand the bigger picture of sustainability disclosure standards before committing to a range of specific further projects.
- A23. The need for climate standards was clearly understood, responding to a potential existential crisis. They also provide an opportunity to test the operation of investor focused sustainability disclosure standards, and their connectivity with IFRS Accounting Standards.
- A24. During the next phase of the ISSB's work, stakeholders are looking for a long-term vision for how a complete set of standards would fit together, possibly underpinned by a conceptual framework to guide the standard setting process.
- A25. The current approach risks being perceived as piecemeal and hasty. Appropriate integration of extant standards also needs to be considered.
- A26. A clear roadmap would help jurisdictions understand the areas the ISSB will be focusing on and support adoption more widely. It may also allow jurisdictions to consider their own circumstances and which sustainability disclosures they may wish to consider independently.

Question 2– Criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan

Paragraphs 23–26 discuss the criteria the ISSB proposes to use when prioritising sustainability-related reporting issues that could be added to its work plan.

(a) Do you think the ISSB has identified the appropriate criteria?

(b) Should the ISSB consider any other criteria? If so what criteria and why?

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.

- A27. We note that the criteria listed are consistent with those used by the IASB and also seem suitable for the consideration of ISSB's standards. However, we would suggest the addition of a consideration of interaction with IASB standard setting projects, to ensure the resulting information for investors is connected and consistent. The IFRS Foundation also needs to ensure that a process is in place to allow the IASB to likewise consider ISSB projects.
- A28. We would also suggest that, in addition to consideration of the ISSB's capacity to progress a project, there should also be an emphasis on the capacity of stakeholders to pro-actively engage with the development and subsequent implementation of a new standard that results from that project. This is another area where the two Boards are likely to need to work together as timing of the

issuance of the standards should take into consideration that the two Boards are engaging with the same set of companies, investors, auditors, etc.

- A29. Stakeholders have also asked for clarity on how the ISSB will assess the relative costs and benefits during the development of future standards. The IASB is required to make this assessment as part of development of a new IFRS Accounting Standard, as articulated in the Conceptual Framework. In the absence of a conceptual framework for sustainability standards, and its absence from IFRS S1, UKEB stakeholders have suggested that this should form an explicit part of the criteria for assessing sustainability reporting matters that could be added to the ISSB's work plan.
- A30. We also recommend that two of the ISSB's criteria are redrafted:
- a) There is a risk that application issues are captured by the second criterion: '*whether there are any deficiencies in the way companies disclose information on the matter.*' We do not consider that this is the ISSB's intention. We recommend that this criterion is redrafted as '*whether there are any deficiencies in the way companies disclose information on the matter and whether that deficiency can be remedied through standard setting.*'
 - b) The third criterion considers: '*the type of companies the matter is likely to affect, including whether the matter is more prevalent in some industries and jurisdictions than in others.*' This suggests that some industries and jurisdictions will be prioritised over others. Our view is that prevalence should be considered across all industries and jurisdictions. We therefore recommend that this criterion is redrafted as '*the extent to which the matter is prevalent across jurisdictions and sectors.*'

Question 3—New research and standard-setting projects that could be added to the ISSB’s work plan

Paragraphs 27–38 provide an overview of the ISSB’s approach to identifying sustainability-related research and standard setting projects. Appendix A describes each of the proposed projects that could be added to the ISSB’s work plan.

(a) Taking into account the ISSB’s limited capacity for new projects in its new two-year work plan, should the ISSB prioritise a single project in a concentrated effort to make significant progress on that, or should the ISSB work on more than one project and make more incremental progress on each of them?

(i) If a single project, which one should be prioritised? You may select from the four proposed projects in Appendix A or suggest another project.

(ii) If more than one project, which projects should be prioritised and what is the relative level of priority from highest to lowest priority? You may select from the four proposed projects in Appendix A or suggest another project (or projects).

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.

A31. Given the short time frame, limited resource of the ISSB and the risk of rushing too quickly into additional standard setting, the UKEB would recommend the ISSB limit its standard setting research projects to only the most pressing areas and activities as identified by stakeholders.

A32. Climate was selected because it was widely acknowledged as an existential threat to the planet, humanity and the wider environment.

Question 4— New research and standard-setting projects that could be added to the ISSB’s work plan: Biodiversity, ecosystems and ecosystem services

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.

- A33. The majority of the UKEB stakeholders considered that when the ISSB is ready to consider new research, its initial focus should be on developing a standard on nature biodiversity along the lines of the work being undertaken by the Taskforce on Nature-related Financial Disclosures (TNFD).

Question 5— New research and standard-setting projects that could be added to the ISSB's work plan: Human capital

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.

- A34. A few UKEB stakeholders noted that this could be an area considered for further research.

Question 6—New research and standard-setting projects that could be added to the ISSB's work plan: Human rights

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.

- A35. No UKEB stakeholders supported this as an area considered for further research.

Question 7—New research and standard-setting projects that could be added to the ISSB's work plan: Integration in reporting

The research project on integration in reporting is described in paragraphs A38–A51 of Appendix A. Please respond to the following questions:

(a) The integration in reporting project could be intensive on the ISSB's resources. While this means it could hinder the pace at which the topical development standards are developed, it could also help realise the full value of the IFRS Foundation's suite of materials. How would you prioritise advancing the integration in reporting project in relation to the three sustainability-related topics (proposed projects on biodiversity, ecosystems and ecosystem services; human capital; and human rights) as part of the ISSB's new two-year work plan?

(b) In light of the coordination efforts required, if you think the integration in reporting project should be considered a priority, do you think that it should be advanced as a formal joint project with the IASB, or pursued as an ISSB project (which could still draw on input from the IASB as needed without being a formal joint project)?

(i) If you prefer a formal joint project, please explain how you think this should be conducted and why.

(ii) If you prefer an ISSB project, please explain how you think this should be conducted and why.

(c) In pursuing the project on integration in reporting, do you think the ISSB should build on and incorporate concepts from:

(i) the IASB's Exposure Draft Management Commentary? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.

(ii) the Integrated Reporting Framework? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.

(iii) other sources? If you agree, please describe the source(s) and any particular concepts that you think the ISSB should incorporate in its work.

(d) Do you have any other suggestions for the ISSB if it pursues the project?

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.

- A36. Stakeholders support further work on connectivity between financial statements and sustainability reporting and, as noted, consider this should happen as part of the strategic direction and balance of the ISSB's activities. We agree that the ISSB should, with the IASB, "ensure that connections between financial and sustainability performance are explicitly, efficiently and effectively communicated in a manner that is more easily understood by an entity's investors." (RfI, paragraph 41)
- A37. While this may require further research on enhancing this connectivity, it should not be premised on introducing a new framework (Integrating Reporting) and should be considered at a standard level, not on the basis of the IASB's draft Management Commentary Practice Statement that does not form part of the mandatory standards (and is not recognised by most jurisdictions that use its standards).
- A38. Our stakeholders are also concerned that introducing Integrated Reporting framework would add an unnecessary layer to financial reporting, leading to undue burden for stakeholders without a clearly articulated benefit.

Question 8—Other comments

Do you have any other comments on the ISSB's activities and work plan?

- A39. The stable platform provided by the IFRS Foundation allows the ISSB access to an established due process that has stood the test of time, an understanding of the steps necessary to develop mandatory standards that gain global acceptance, and access to a set of engaged and interested stakeholders with an interest and expertise in this area.

- A40. The speed of the set-up of the ISSB as well as the development of the IFRS S1 and S2 is a testament of the work of the IFRS Foundation, the ISSB and its staff. However, we believe that global acceptance of those standards on a mandatory basis must be prioritised and is now dependent on the ongoing engagement with the IFRS Foundation's existing stakeholder community. To achieve this objective, the ISSB must now consolidate its achievements to-date to deliver on the promise of globally accepted, mandatory baseline sustainability disclosure standards, supported by strong adherence to due process and greater engagement with stakeholders with a direct interest and understanding of mandatory standards.
- A41. We urge the ISSB to learn from the experience of the IFRS Foundation and its sister Board, the IASB, when it comes to developing international standards. It requires time for stakeholders and jurisdictions to engage with the standard setting process.
- A42. We have heard from some informed and knowledgeable stakeholders in the UK (including investors) who feel they have not had the opportunity to fully engage with the ISSB's process or, when they did engage, they did not feel listened to and their concerns addressed. Other stakeholders highlighted the lack of transparency around the final text of the standards during the redeliberation phase. It should be noted that this concern, whilst common, was not universal across the stakeholders we engaged with.
- A43. The history of the set up and global acceptance of the IASB's standards shows that any attempt to implement standards (whether new or imported from pre-existing frameworks) without appropriate, extensive, and reflective due process risks derailing the objective of globally accepted and consistent standards.
- A44. We are disappointed that major jurisdictions, when considering the adoption of IFRS S1 and S2 on a mandatory basis, are already considering (significant) modifications to the requirements. We are concerned that this will undermine the global baseline status of the ISSB standards. However, we consider that this further reflects that the ISSB's approach to date has not included sufficient engagement with jurisdictions to address their concerns around mandatory adoption of their standards.
- A45. We urge the ISSB to consider the important role of due process as well as the benefits of engaging with stakeholders with a direct interest in globally accepted and mandatory standards.

UK Legislative Framework for Sustainability Reporting

- A46. The Department for Business and Trade (DBT) sets the reporting requirements, both financial and non-financial (Environmental, Social and Governance (ESG) matters) for UK registered entities under Company Law, the Companies Act 2006. The Financial Conduct Authority (FCA) sets Listing Rules for companies listed on the UK market.
- A47. Since 1 January 2021 the FCA's Listing Rules have required companies within scope to report against the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD), on a comply or explain basis. The Companies' Act has required mandatory disclosures for companies within the scope for financial periods commencing on or after 6 April 2022.
- A48. In addition, with the Mobilising Green Investment: 2023 Green Finance Strategy⁸, the Government committed to establish a formal assessment mechanism for ISSB issued standards. The assessment mechanism will ensure that standards endorsed by the Government are suitable for use by UK companies.
- A49. The decision to endorse a standard for use in the UK will be made by the Secretary of State. A further decision will be made on whether to make reporting under the standard mandatory for certain companies. This may be under Companies Act requirements or via the FCA's Listing Rules.
- A50. The UKEB, as the UK body responsible for adopting and endorsing IFRS accounting standards for use in the UK, will provide information on areas of overlap and connectivity issues, between IASB and ISSB issued standards, to assist DBT in preparing recommendations to the SoS.
- A51. Therefore, the content of this letter is provided from the perspective of the UK's National Standard Setter for IASB issued accounting standards and takes into consideration their connectivity with ISSB issued standards.

⁸ [Mobilising Green Investment: 2023 Green Finance Strategy](#), March 2023