

Technical Advisory Committee Update

Executive Summary

Project Type	Monitoring
Project Scope	Limited
Purpose of the paper	
This paper provides a summary of the papers to be considered by the UK Sustainability Disclosure Technical Advisory Committee (TAC) at its 5 and 15 November 2024 meetings.	
Summary of the Issue	
<p>The TAC has been tasked by the Department for Business and Trade¹ (DBT) to assess the IFRS Sustainability Disclosure Standards from a technical perspective and provide advice² to the Secretary of State on whether their endorsement would be conducive to the long-term public good in the UK.</p> <p>The UKEB is represented on the TAC by a Board Member, who is appointed as a full member of the TAC to reflect the need to maintain connectivity between UK adopted international accounting standards and UK Sustainability Reporting Standards.</p> <p>This paper presents a summary of matters considered at the November 2024 meetings for the Board's consideration. At the time of writing, official minutes had not yet been issued.</p>	
Question for the Board	
n/a	
Recommendation	
n/a	
Appendices	
Appendix A: UK Sustainability Disclosure TAC meeting schedule	

¹ Section B: UK Sustainability Disclosure TAC [Terms of Reference](#)
² [Context letter](#) from the Department for Business and Trade (May 2024) suggests that the TAC may wish to consider whether definitions in IFRS S1 and IFRS S2 are sufficiently clear, and whether any significant incompatibilities are identified with those currently used UK adopted international accounting standards.

TAC meetings – November 2024

1. This section sets out the main discussion points from the 5 and 15 November 2024 TAC agenda³ relevant to the UKEB remit of connectivity between the IFRS Accounting Standards and the IFRS Sustainability Disclosure Standards. The TAC Secretariat will publish an official record of the meetings and tentative decisions in due course.
2. A verbal update will be provided by the UKEB TAC committee member at the UKEB's 28 November meeting.

Connectivity⁴

3. The TAC reviewed its prior discussions and decisions regarding connectivity of disclosure requirements in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and IFRS S2 *Climate-related Disclosures* (IFRS S2).
4. It was noted that most UK stakeholders had supported the principle of connectivity, and many suggested that it would be helpful if ISSB disclosures were integrated into the Strategic Report to complement related Companies Act 2006 disclosures.
5. It was noted that some stakeholders had expressed concerns regarding challenges with connecting sustainability-related information with information in the financial statements. These included:
 - a) Differing time horizons between sustainability reporting and financial reporting and the degree of uncertainty in relation to longer term sustainability-related risks and opportunities.
 - b) Risk of repetition across the general-purpose financial reports which could lead to material information being obscured by sustainability-related information.
 - c) Additional scrutiny on the financial statements in relation to explanations of any differences between the sustainability-related information and the information in the financial statements.
6. It was noted that many entities currently report their value chain and greenhouse gas (GHG) emissions based on their operational boundary. To promote connectivity with the financial statements members considered strongly

³ TAC Public Meeting November 2024 [Agenda](#)

⁴ Technical assessment of IFRS S1 and IFRS S2 - [Connectivity and integration](#)

encouraging entities to use or move to a financial control boundary⁵ per IFRS 10 *Consolidated Financial Statements*.

Interoperability⁶

7. The members discussed whether to provide a statement in the final advice to the Secretary of State supporting interoperability and to refer to the decisions made on this technical area.
8. It was noted that interoperability had been the issue most frequently raised by UK stakeholders, notably with the Corporate Sustainability Reporting Directive (CSRD), European Sustainability Reporting Standards (ESRS) and the pending climate disclosure requirements from the US Securities and Exchange Commission (SEC). However, it was also noted that any decisions regarding equivalence of standards were a policy and implementation matter and outside of the TAC remit.

Review of TAC’s tentative decisions to date⁷

9. The TAC Secretariat advised that the members will be asked to vote on two separate recommendations i.e. for IFRS S1 and then for IFRS S2 at the December 2024 meeting. The Secretariat also advised that following the final recommendations the TAC may be requested by the PIC to consider further areas for technical assessment.
10. The tables below summarise the initial tentative TAC decisions categorised by recommendation type. Recommendations with potential implications for connectivity with the financial statements are shaded in green for information.

Recommendations to amend ISSB Standards

Recommendations to amend ISSB Standards.		
1	Greenhouse Gas: financed emissions	Amend both IFRS S1 and IFRS S2 to clarify that the reporting period for financed emissions information might not be the same as the current reporting period for the financial statements.
2	Transition reliefs	Remove the transition relief in IFRS S1 that permits delayed reporting in the first year (IFRS S1 paragraph E4) to support connectivity objectives and to extend the climate-first reporting relief in IFRS S1 to two years. Dissenting views did not consider it necessary to extend the climate-first reporting relief to support implementation.

⁵ IFRS 10 considers an entity’s reporting boundary based on factors such as the level of exposure or rights to variable returns and the ability to affect those returns through power over an investee.

⁶ Technical assessment of IFRS S1 and IFRS S2 - [Interoperability](#)

⁷ Technical assessment of IFRS S1 and IFRS S2 - [Review of TAC’s tentative decisions to date](#)

Recommendations to amend ISSB Standards.		
3	Effective date	Decision deferred to the PIC but amended wording suggested for voluntary application of the standards.

Recommendations to maintain ISSB requirements – but dissenting views.

Recommendations to maintain original ISSB requirements <i>but noting dissenting views.</i>		
1	Sources of guidance (SASB Standards)	<p>Varying views were noted in relation to the instruction in IFRS S1 and IFRS S2 that entities 'shall refer' to and consider SASB materials. However, most members agreed that the requirement regarding the SASB materials should be maintained without amendment.</p> <p>A minority of members were concerned that the requirement was ambiguous and would add a burden of proof for entities to prove that they have 'referred to' and 'considered' the SASB materials.</p>
2	GHG Protocol and measurement methods	<p>Most TAC members recommended retaining reference to the GHG Protocol Corporate Standard but requested the PIC to consider obtaining a legal opinion on whether the UK Sustainability Reporting Standards can refer to a secondary set of materials.</p> <p>Dissenting members expressed strong concerns about mandating a third-party resource that was outside of the governance and due process of the IFRS Foundation.</p>
3	Transition plans	<p>The TAC recommended that the requirements in IFRS S2 for the disclosure of transition plans should be maintained.</p> <p>A minority of TAC members dissented in favour of amending IFRS S2 by inserting a reference to the Transition Plan Taskforce (TPT) materials.</p>

Recommendations to maintain original ISSB requirements – no changes

Recommendations to maintain original ISSB requirements.		
1	Connectivity and integration	Maintain the requirements in IFRS S1 that relate to connected information across sustainability disclosures and with information in general purpose financial reports, such as the financial statements.
2	Materiality	Support for the ISSB's decision to align the definition of materiality with that used in financial reporting.
3	Commercially sensitive information	Considered that the exemption in IFRS S1 (paragraphs 73 and B34–B37) to omit information about sustainability-related opportunities deemed commercially sensitive was appropriate but recognised that the same information may be exempt from disclosure under IFRS Accounting Standards. Engagement recommended with the ISSB on possible inconsistencies with accounting standards.

Recommendations to maintain original ISSB requirements.		
4	Judgements, uncertainties, and errors, including revising comparatives	Support for the use of concepts from IFRS Accounting Standards to promote connectivity. Recommendation that market practice is monitored to provide feedback to the ISSB during its post-implementation review of IFRS S1.
5	Reporting entity boundary and consolidated reporting	Recommendation to maintain the requirements in IFRS S1 for an entity to use the same entity boundary as used for financial reporting and that entities should be strongly encouraged to report sustainability-related information using a financial control approach.
6	Location of sustainability-related disclosures	Request the PIC consider how to streamline existing rules relating to the location of disclosures, interoperability challenges and consideration for safe harbour for information in the Strategic Reports.
7	Timing of sustainability-related disclosures	Recognition of data challenges noted but considered as a transitional challenge. Estimates encouraged where actual data is not yet available.
8	Current and anticipated financial effects	Recommended that the ISSB develop further guidance and that practice is monitored and feedback provided to the ISSB during post-implementation review of IFRS S1 and IFRS S2.
9	Value chain	The TAC noted uncertainty around the scope of value chain reporting and that the GHG Protocol was used as a proxy by many preparers for all reporting boundaries and that this approach did not align with consolidated financial reporting e.g. leased assets. The TAC recommended that the PIC consider the establishment of safe harbours protections for initial value chain disclosures.
10	Cross-industry metrics (excluding GHG emissions)	The TAC highlighted that this may be an area where information recognised in the financial statements may be inconsistent with sustainability information due to the range of estimates used. The TAC recommended that the ISSB consider developing guidance, potentially jointly with the IASB.
11	Identifying sustainability-related risks and opportunities	Request PIC to consider, developing guidance in line with the current UK legal framework.
12	International interoperability	Supportive of international alignment with other sustainability frameworks.
13	GHG: Scope 3 emissions	Observed that guidance on Scope 3 emissions should refer to the preparers data challenges to support investors understanding of the initial level of quality and reliability.
14	Resilience and scenario analysis	The TAC noted that definitions of resilience for future topic-specific standards should be developed.
15	Proportionality mechanisms and permanent reliefs	The application of the proportionality mechanisms should be observed as practice develops.

Recommendations to maintain original ISSB requirements.		
16	Targets	The recommended approach was that the ISSB should clarify the term and consider how entities may identify and disclose metrics and targets related to non-climate topics. In addition, the use of carbon credits and connectivity with identified risks and opportunities should be monitored.

Appendix A: UK Sustainability Disclosure TAC meeting schedule

- A1. UK Sustainability Disclosure TAC meetings are scheduled for the following dates:
- a) 31 May 2024 – [meeting summary](#)
 - b) 18 June 2024 – [meeting summary](#)
 - c) 15 July 2024 – [meeting summary](#)
 - d) 3 September 2024 – [meeting summary](#)
 - e) 8 October 2024 – [meeting summary](#)
 - f) 5 and 15 November 2024 – [meeting summary](#)
 - g) 28 November 2024 - cancelled
 - h) 5 December 2024 – final meeting and recommendations
- A2. The public meeting agenda, technical papers and summary minutes from the TAC meetings can be found on the UK Sustainability Disclosure Technical Advisory Committee website⁸.

⁸ [UK Sustainability Disclosure Technical Advisory Committee](#)