

Technical Advisory Committee Update

Executive Summary

Project Type	Monitoring
Project Scope	Various
Purpose of the paper	
<p>This paper provides an update on the UK Sustainability Disclosure Technical Advisory Committee (TAC) July 2024 meeting.</p> <p>The TAC consists of 15 members, including the Chair. One place has been reserved for a UKEB member to reflect the connectivity between UK-adopted international accounting standards and UK Sustainability Reporting Standards. Paul Lee, UKEB Board Member, has been appointed to the TAC in that capacity.</p> <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 UK³.</p> <p>The UKEB considers the connection between ISSB and IASB standards, where appropriate, to ensure a comprehensive picture for users of an entity's general-purpose financial statements.</p>	
Summary of the Issue	
<p>This paper summarises the July 2024 TAC meeting papers. The TAC meeting is scheduled for 15 July 2024, after finalisation of this paper. A verbal update on TAC discussions will be provided at the UKEB meeting.</p> <p>The publication of the August 2024 TAC papers, and those for future TAC meetings, will be brought to the attention of UKEB members. Relevant topics will be brought for the Board's consideration and discussion, subject to the timing of paper publication.</p>	

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 in UK adopted international accounting standards.

³ The PIC is formed of UK government and regulator representatives and its main role is to coordinate the implementation of any UK SRS. The members of the PIC will also, as a secondary function, consider whether the endorsement of any IFRS Sustainability Disclosure Standard has significant interactions with the remits of their respective organisations. <https://www.gov.uk/guidance/uk-sustainability-disclosure-standards>

Question for the Board
Does the Board have any comments in relation to the discussion or tentative decisions taken at the July 2024 TAC meeting?
Recommendation
N/A
Appendices
Appendix A: UK Sustainability Disclosure TAC meeting schedule

TAC – July 2024 meeting

1. This section sets out the main discussion points and tentative recommendations set out in the papers for the July 2024 TAC meeting⁴. It also highlights relevant points from the UKEB comment letter on the ISSB Exposure Drafts, and any additional Secretariat observations. As the TAC meeting was held after the distribution of the UKEB papers, the UKEB member on the TAC will provide a verbal update at the July 2024 UKEB meeting.

Agenda item two: Materiality

2. The TAC paper sets out discussion points around the definition of materiality in IFRS S1, including an overview of the difference between single and double materiality, and interoperability challenges for UK entities. The paper also addresses practical challenges of applying the ISSB materiality definition and the effect of materiality on the location of disclosures. The paper tentatively recommends maintaining the materiality provisions in IFRS S1 without amendment.

Relevant information from UKEB Comment Letter to ISSB Exposure Drafts

- The UKEB Comment Letter (paragraphs B35-B37, page 27) noted that effectively applying materiality judgements to unfamiliar material such as the ISSB issued standards may prove challenging.

Additional comments from UKEB Secretariat

- Paragraph 18 in the TAC agenda paper refers to a situation where an entity causes a significant environmental incident which pollutes the environment. It refers to the financial impact being communicated on a delayed basis, relative to sustainability reporting. Even where the financial impact cannot be quantified, the disclosure requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* would be expected to apply.

Agenda item three: Identifying sustainability-related risks and opportunities

3. The paper reviews the requirements in IFRS S1 to identify sustainability-related risks and opportunities. The paper considers the description of sustainability used in IFRS S1 and identifies practical challenges that may arise in identifying these risks and opportunities. The paper tentatively recommends inserting a definition for sustainability-related matters from UK law and maintaining the requirement in

⁴ TAC 15 July 2024 meeting agenda (agenda item one is welcome/apologies.
https://media.frc.org.uk/documents/TAC_Public_Meeting_July_2024_Agenda.pdf

IFRS S1 to explain the time horizons considered in assessing risks and opportunities.

Relevant information from UKEB Comment Letter to ISSB Exposure Drafts

- The UKEB Comment Letter (paragraphs B9-B10, page 15) noted that the reference to sustainability related information was unclear, as the term 'sustainability' was not defined. The letter noted that the UK already requires certain companies to provide a non-financial and sustainability information statement within their annual report, and the list of matters that must contain could be used as a basis for defining 'sustainability'.

Additional comments from UKEB Secretariat

- Paragraph 32 of the agenda paper notes the connectivity interaction in relation to time horizons but says that a more detailed discussion on connectivity will take place at a future TAC meeting.

Agenda item four: Sources of guidance

4. The paper considers the sources of guidance referred to in IFRS S1 and S2. The paper tentatively recommends amending the instruction "shall refer to and consider" to "may refer to and consider" in S1 and S2 in relation to SASB materials. The paper also tentatively recommends maintaining the reference to other sources of guidance, including the GRI standards and ESRS.

Relevant information from UKEB Comment Letter to ISSB Exposure Drafts

- The UKEB Comment Letter (paragraphs B31-B32, pages 25-26) noted concern at referencing an open-ended list of external documents as mandatory. The letter referred to stakeholder feedback preferring these to be referenced only as guidance.
- The UKEB comment letter suggested one way to achieve this would be by amending the reference from "an entity shall refer" to "an entity may refer", changing the status to helpful guidance rather than mandatory requirements.

Additional comments from UKEB Secretariat

- We note that the proposed wording is similar in tone to the wording in paragraph 12 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
- We note that changes have been made in other jurisdictions to these requirements – for example the Australian Accounting Standards Board removed the cross reference to SASB Standards.

Agenda item five: Value chain

5. The paper considers the requirements in IFRS S1 and S2 relating to the value chain, including the definition of 'value chain' and how an entity may reassess the scope of its value chain. The paper tentatively recommends retaining the requirements in S1 and S2 for entities to disclose information about sustainability related risks and opportunities in the value chain. It also tentatively recommends maintaining the definition of 'value chain', but providing additional implementation guidance, and maintaining the requirements for entities to reassess the scope of those risks and opportunities in the value chain on occurrence of a significant event or change in circumstances.

Relevant information from UKEB Comment Letter to ISSB Exposure Drafts

- The UKEB Comment Letter (paragraphs B22-B25, pages 25-26) noted concern at the potential cost or complexity of reporting along the value chain, and suggested further information be obtained on the cost-benefit balance of the requirements. The comment letter also suggested the sustainability-related risks and opportunities should be defined in the context of the entity's business model, and encouraged the development of guidance or examples to assist entities making judgements on how far along the value chain should be assessed.
- The UKEB comment letter also suggested clarity was urgently required in relation to the disclosure of sustainability-related risks and opportunities in relation to associates, including guidance on whether the full associate metrics, or just the reporting entity's share, should be reported.

Additional comments from UKEB staff

- Paragraphs 33-34 of the agenda paper highlight concerns about the lack of guidance on how to deal with associates, joint ventures, and investments in the context of value chain disclosures, as well as challenges of data collection and timing of reporting.

Questions for the Board

Does the Board have any comments on the TAC update for the July 2024 meeting?

Appendix A: UK Sustainability Disclosure TAC meeting schedule

- A1. UK Sustainability Disclosure TAC meetings are scheduled for the following dates:
- a) 31 May 2024 – Recording of the [meeting](#), [meeting summary](#).
 - b) 18 June 2024 – Recording of the meeting¹, [meeting summary](#).
 - c) 15 July 2024
 - d) 3 September 2024
 - e) 8 October 2024
 - f) 5 November 2024
 - g) 28 November 2024
 - h) 5 December 2024
- 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 website².

¹ Recording of meeting [part 1](#); [part 2](#).

² [UK Sustainability Disclosure Technical Advisory Committee](#)