

Invitation to Comment

Call for comments on the ISSB's Request for Information

Deadline for completion of this Invitation to Comment:

23 July 2023

Please submit to:

UKEndorsementBoard@endorsement-board.uk

Introduction

The objective of this Invitation to Comment is to obtain input from stakeholders on the Request for Information (Rfi) published by the International Sustainability Standards Board (ISSB) in March 2023. The UKEB's comment period ends on 23 July 2023.

UK endorsement and adoption process

The UK Endorsement Board (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 (Foundation) on the development of new standards, amendments and interpretations. This letter is intended to contribute to the IASB's due process. The views expressed by the UKEB in this letter are separate from, and will not necessarily affect the conclusions in, any endorsement and adoption assessment on new or amended International Accounting Standards undertaken by the UKEB.

The UK Government has committed to establishing a formal assessment mechanism for ISSB issued standards. While this process is being finalised (see Appendix B of the Draft Comment Letter for further information) the UK Government has asked relevant 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.

Who should respond to this Invitation to Comment?

Stakeholders with an interest in the quality of accounts prepared in accordance with international accounting standards. Also those with an interest in the future of ISSB Sustainability Disclosures and their connection with IFRS Accounting Standards.

How to respond to this Invitation to Comment

Please download this document, answer any questions on which you would like to provide views, and return it together with the 'Your Details' form to UKEndorsementBoard@endorsement-board.uk by 23 July 2023.

Brief responses providing views on individual questions are welcome, as well as comprehensive responses to all questions.

Privacy and other policies

The data collected through responses to this document will be stored and processed by the UKEB. By submitting this document, you consent to the UKEB processing your data for the purposes of influencing the development of and adopting IFRS for use in the UK. For further information, please see our Privacy Statements and Notices and other Policies (e.g. Consultation Responses Policy and Data Protection Policy)¹.

The UKEB's policy is to publish on its website all responses to formal consultations issued by the UKEB unless the respondent explicitly requests otherwise. A standard confidentiality statement in an e-mail message will not be regarded as a request for non-disclosure. If you do not wish your signature to be published, please provide the UKEB with an unsigned version of your submission. The UKEB prefers to publish responses that do not include a personal signature. Other than the name of the organisation/individual responding, information contained in the "Your Details" document will not be published. The UKEB does not edit personal information (such as telephone numbers, postal or e-mail addresses) from any other response document submitted; therefore, only information that you wish to be published should be submitted in such responses.

¹ These policies can be accessed from the footer in the UKEB website here: <https://www.endorsement-board.uk>

Questions

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

1. The UKEB’s draft comment letter concludes that the ISSB should place a high priority on supporting the implementation of S1 and S2, and it should be their primary focus. Do you agree with this? Please explain why or why not.

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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Please include any comments you may have in response to question 1:

We recognise the significant challenge that the ISSB has in balancing the need to make progress on achieving additional topical standards, whilst also creating a future-proof corporate reporting framework and embedding and building capacity to report on its first standards. All are important and urgent and must be completed with an overarching lens of maximising interoperability with other existing and emerging frameworks.

However, the acceptance of the IFRS Sustainability Disclosure Standards as a global baseline will depend on establishing a full suite of topical standards for global use in a timely way.

2. The UKEB’s draft comment letter concludes that the ISSB should add as an activity, and place a high priority on, close-cooperation with the IASB and connectivity with IFRS Accounting Standards, with a view to “ensuring connectivity and compatibility between IFRS Accounting Standards and the ISSB’s standards”. Do you agree with this? Please explain why or why not.

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please include any comments you may have in response to question 2:

In addition to ensuring connectivity and compatibility between IFRS Accounting Standards and the ISSB’s standards, the ISSB should also focus on joint working with the IASB as it finalises its Management Commentary standard setting project.

This should not be onerous or resource-intensive for the ISSB given the already advanced stage of the IASB’s work. ISSB involvement in finalising Management Commentary is important given the core role that management commentaries (or MD&As as they are sometimes known) play alongside the financial statements and sustainability-related disclosures in an annual report.

The Boards have a unique opportunity now to work together on this. The opportunity to collaborate will be lost if the ISSB leaves finalisation of the project to the IASB.

The IASB has already discussed analysis that shows the complementary nature of its ED Management Commentary and the Integrated Reporting Framework, but also suggests there may be further opportunities to embed key integrated reporting notions into the final standard.

3. The UKEB’s draft comment letter concludes that the ISSB should add as an activity, and place a medium priority on, developing a long-term road map for its standards. Do you agree with this? Please explain why or why not.

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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Please include any comments you may have in response to question 3:

In line with our response to question 1, the ISSB should prioritise work on topics beyond climate. This includes both working on new topical standards, as well as implementation guidance or educational materials to support companies to report on climate-adjacent risks and opportunities, such as nature, water and the ‘just transition’.

Speed and pragmatism are important in delivering this guidance, and therefore we encourage the ISSB to leverage relationships with other bodies and their resources, including GRI, EFRAG, the SEC and TNFD, amongst others, to build on the work of others – as was so successfully achieved with developing IFRS S1 and S2.

4. The UKEB’s draft comment letter concludes that the ISSB should place a low priority on new research. Do you agree with this? Please explain why or why not.

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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Please include any comments you may have in response to question 4:

In line with our response to question 1 and 3, in our view the ISSB should prioritise work on topics beyond climate by building on the work already done by others.

We encourage the ISSB to limit the scope of the biodiversity project to focus on nature (with a scope aligned to TNFD to drive efficiency). Furthermore, rather than splitting projects on social topics into human capital and human rights, we suggest that an approach to align with the structure of ESRs to consider different groups of stakeholders would be more intuitive.

5. The UKEB’s draft comment letter concludes that the ISSB should place no priority on targeted enhancements to ISSB Standards and enhancing SASB Standards. Do you agree with this? Please explain why or why not.

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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Please include any comments you may have in response to question 5:

Targeted enhancements to ISSB Standards

In our view the ISSB should split the project on targeted enhancements into two elements: an urgent exercise to provide guidance on reporting climate-adjacent risks and opportunities, and a longer-term exercise to review the S2 standard itself.

Having a stable platform for IFRS S2 is vital in the early years of application. Reopening the standard before companies have started to apply it would not support this.

A post-issuance review and improvement project would be most efficiently and effectively conducted after stakeholders have the benefit of using the standard in practice.

Where it is identified that additional guidance is required to support companies to apply the standard, this could be created as educational materials.

Enhancing SASB Standards

In our view enhancing SASB Standards should be a priority of the ISSB. Furthermore, this project should not be limited to the initial narrow scope project currently underway but should include subsequent phases prioritising considerations such as full alignment with IFRS S1, further internationalisation and interoperability with other standards, and considering the industry classification system used.

We also suggest that the update and development of the SASB Standards could be most effectively incorporated into other topical standard development projects. This would enable the experience and value from the former SASB staff and their materials to be integrated into the ISSB's materials in a coherent way.

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

6. The UKEB's draft comment letter concludes that the ISSB should include two additional criteria: interaction with IASB projects and capacity of stakeholders to implement the outcome of standard setting. We also suggest minor wording changes to two of the criteria. Do you agree with this? Please explain why or why not.

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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Please include any comments you may have in response to question 6:

We agree that interaction with IASB projects is an important consideration.

Whilst the capacity of companies to implement the outcome of standard setting is a consideration, we note that through the endorsement and implementation process the UK will be able to adopt the ISSB standards using a tiered approach to mandatory reporting. For example, by starting with premium listed entities, as was done for TCFD reporting. This would be subject to the outcome of the Primary Markets Effectiveness Review, and the timing of implementing any finalised proposals. Premium-listed companies are mostly well resourced and have, through mandatory TCFD reporting, developed capabilities to report against sustainability related matters. These companies are also in general the UK's largest entities, who collectively could make more of an impact with their commitment to climate policies, in supporting the UK's net zero ambition.

In addition, as discussed in question 3, we are also of the view that the ISSB should consider where relationships with other bodies and their resources, including GRI, EFRAG, the SEC and TNFD, could be leveraged.

Integration in reporting (Rfi Question 7)

7. The UKEB’s draft comment letter concludes that the ISSB should be focused on connectivity as part of its ongoing activities. It also indicates that the UKEB has not heard substantial support for the ISSB looking at Integrated Reporting or Management Commentary. Do you agree with this? Please explain why or why not

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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Please include any comments you may have in response to question 7:

As discussed in response to question 2, the ISSB should focus on joint working with the IASB as it finalises its Management Commentary standard setting project.

Other Comments

8. Do you have any other comments you would like to add?

We understand that the work of the Transition Plan Taskforce (TPT) will be considered as part of the ISSB endorsement process. In our view clearly positioning the TPT Disclosure Framework as complementary to the ISSB standards, and 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. This is whilst still meeting the objective of the TPT to provide further granularity and detail on transition plans to meet the needs of investors.

Thank you for completing this Invitation to Comment

Please submit this document

by 23 July 2023 to:

UKEndorsementBoard@endorsement-board.uk