

ISSB RFI – Draft Comment Letter

Executive Summary

Project Type	Influencing
Project Scope	Moderate
Purpose of the paper	
<p>The purpose of this paper is to obtain Board feedback and approval for publication of the Draft Comment Letter (DCL), and the accompanying invitation to comment questions, on International Sustainability Standards Board (ISSB) Request for Information (RFI).</p>	
Summary of the Issue	
<p>The ISSB is seeking feedback on its 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; and potential new research and standard-setting projects. <p>A final Comment Letter will be tabled at the UKEB meeting in August 2023.</p> <p>It should be noted that due to the short comment period and timing of UKEB Board meetings this DCL has been developed on an accelerated timeline. We have had engagement with many of the Advisory Groups. Their feedback has been extremely consistent and is reflected in the letter. However, we will more formally incorporate their feedback as the minutes of meetings are published and undertake further outreach. This means that the DCL is expected to undergo revision before finalisation.</p>	
Questions for the Board	
<ol style="list-style-type: none"> Does the Board have any comments or suggestions regarding the proposed DCL? Does the Board have any comments regarding the proposed Invitation to Comment questions? 	
Decisions for the Board	
<p>The Board is asked to approve for stakeholder consultation:</p> <ol style="list-style-type: none"> the draft comment letter, and invitation to comment questions. 	

Recommendation

The Secretariat recommend that the Board approves the draft comment letters and invitation to comment questions.

Appendices

Appendix A: ISSB RFI – Draft Comment Letter

Appendix B: ISSB RFI – Draft Comment Letter: Invitation to Comment

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. While this process is finalised (see Appendix B 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.
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. From 6 April 2022, over 1,300 of the largest UK-registered companies and financial institutions will be required to disclose climate-related financial information on a mandatory basis – in line with recommendations from the Task Force on Climate-Related Financial Disclosures.¹ In addition, UK law allows unlisted companies the option to use IFRS and approximately 14,000 UK registered entities take up this option.

¹ [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)

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.

Support for IFRS Sustainability Disclosure Standards

6. The UKEB is very supportive of the ISSB's purpose 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.
7. Furthermore, 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. This stable platform provided the ISSB access to an appropriate due process, the knowledgebase about the necessary steps 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. 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.
8. However, we consider it is now important the ISSB take the opportunity to consolidate its achievements to date, and deliver on the promise of globally accepted, mandatory baseline standards, supported by strong due process and stakeholder engagement. We believe that, the global acceptance of those standards on a mandatory basis must be prioritised and is now dependent on the ongoing engagement by the IFRS Foundation's existing stakeholder community.
9. Feedback from UK stakeholders as well as the UKEB's own research² indicate that the work on close alignment and connectivity between financial and sustainability reporting is not yet complete and must be prioritised if the standards are to be adopted on a mandatory basis by jurisdictions across the globe. It is clear from our connectivity work that for the 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.

The Consultation on ISSB's Agenda Priorities

10. Stakeholders in the UK have significant concerns about the focus of proposals in this RFI and that it may prioritise the resources of the ISSB over the coming two

² [Connectivity Projects | UK Endorsement Board \(endorsement-board.uk\)](https://www.endorsement-board.uk)

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.

11. It is important that the ISSB develop processes with capacity to allow them to engage with a range of stakeholders, 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 (RfI Question 1)

12. **High Priority: Focus on supporting the implementation of S1 and S2:** The UKEB's advisory groups, representing a wide range of participants in the UK capital markets and corporate reporting framework were almost unanimous in their support for the ISSB focusing on this area. Without this support and focus ISSB 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.
13. **Medium Priority: Close cooperation with the IASB and connectivity with IFRS Accounting Standards:** UK stakeholders have very clearly articulated to us that they 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"³.
14. **Medium Priority: Developing a long-term road map:** UK stakeholders have asked 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. This includes the incorporation of existing frameworks such as the SASB standards That way there is clarity for stakeholders and the ISSB alike on the way forward.
15. **Low Priority: New research:** The UKEB 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, we would suggest that the ISSB prioritise the achievement of the goal regarding climate reporting and ensuring a clear conceptual framework is in place rather than adding new research projects to its agenda.
16. **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, especially of the nature

³ <https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/>

described in the RfI. Getting climate disclosures right first should be the main priority. We have seen little evidence that stakeholders support a focus on enhancing either the ISSB Standards or the Sustainability Accounting Standards Board (SASB) Standards as described in the RfI.

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

17. 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 to supporting the enhancement of IASB standard setting projects, to ensure the resulting information for investors is connected and consistent. It would be appropriate for the IASB to also formally consider a reciprocal position.
18. 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.

Integration in Reporting (Question 7)

19. 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."⁴ However we assumed this would already be done, in close cooperation with the IASB, and should not require a new research project. 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 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).

Credibility built on strong due process

20. Rigorous due process is central to developing credible global standards. It requires time for stakeholders and jurisdictions to engage with the standard setting process. We have heard from stakeholders who feel they have not had the

⁴ RfI para 41.

opportunity to engage with the ISSB's process to-date or have not been listened to and their concerns addressed when they did engage.

21. Any attempt to implement standards (whether new or imported from pre-existing frameworks) without appropriate, extensive, and reflective due process risks derailing the ISSB's objective of globally accepted and consistent standards.
22. We urge the ISSB to consider the important role of due process as well as the benefits of engaging with stakeholders.

Conclusion

23. 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. Therefore, an appropriate focus would be on consolidation and ensuring smooth adoption and implementation of IFRS S1 and S2. Any additional capacity should be refocused to working formally with the IASB to continue to enhance the connection between the two sets of standards so that the resulting information is decision-useful for investors. Without this work investors will not get the clear understanding of the impact of sustainability on the financial statements that they have told us that they are seeking.

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 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. In line with our covering letter, we consider this project to be a high priority.
- A2. The time horizon for this Agenda Consultation, for a two-year period, is relatively short in global standard setting terms. Sustainability Standards and the ISSB are very much still in their infancy, and while they have achieved a lot in a short period of time, it is important to ensure these fundamental first steps are embedded, adopted and implemented appropriately.
- A3. 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.

- A4. 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. It is also notable that the ISSB standards are yet to be formally adopted by any major economy on a mandatory basis.
- A5. 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 and driving forward with mandatory acceptance around the world.
- A6. 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 Rfl.
- A7. 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)

- A8. Low priority.
- A9. 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 only be published at the end of June 2023 the Rfl's relative focus towards moving forward with new research appears premature. Jurisdictions also need time to develop processes to adopt IFRS Sustainability Disclosure Standards.
- A10. 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 in place, research projects should not be a priority.

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

- A11. No priority
- A12. 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.
- A13. We have also seen little evidence that stakeholders 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.
- A14. 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.
- A15. 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 – Interaction with IFRS Accounting Standards - (c)

- A16. Medium Priority
- A17. It is notable that engagement with the IASB is absent from the proposed ISSB activities. UK stakeholders have very clearly articulated to us that they 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”⁵.
- A18. 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).
- A19. 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

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

Standards. As a minimum, we consider this will need to include co-ordination with the IASB.

- A20. 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.
- A21. They expected the Boards would work together to ensure the requirements of IFRS Accountings standards and ISSB 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.
- A22. 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.
- A23. However recent statements by the two Boards seem to be redefining connectivity as a focus on the processes rather than on the information presented to investors. We believe that this is the wrong focus and needs to be rectified as a priority.
- A24. 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. Some examples of these concerns are listed below.

User perspectives

- A25. Users perceive a lack of clarity as to whether information reported in the sustainability disclosures triggered recognition or impairment of assets, especially considering the uncertainty around future events related to climate matters. Users suggested that clear 'sign-posting' will be required to minimise confusion and lack of comparability.
- A26. Where an entity has identified that climate-related risks or opportunities have a material impact and may have disclosed targets (e.g., net-zero emissions targets) and transition plans, users want to be able to understand the direct connection to the financial statements.

- A27. Users expect to be provided with information to assess the impact of climate-related risks and opportunities on the financial statements e.g. asset recognition, valuation, impairment.

Preparer perspectives

- A28. Preparers noted that the application of IFRS accounting standards should take into account the potential impact of sustainability-related risks and opportunities.
- A29. Although most preparers felt that there is no change required to accounting principles, such as the recognition criteria, it has been noted that the use of note disclosures in the financial statements may assist users to understand the nature of costs related to anticipated non-economic benefits.

Perspectives from accounting firms and institutions

- A30. Accounting Firms and Institutions also viewed both the IASB's Conceptual Framework and relevant IFRS Accounting Standards as being broadly adequate. However, they recognised that currently there is a lack of connectivity between the sustainability-related disclosures and the financial statements and that some form of 'bridge' was required.
- A31. Connectivity challenges were also noted at an operational and cultural level in terms of 'ESG' teams being involved in preparing the annual report and the emphasis on connectivity. It was noted that, while financial reporting teams generally already had robust systems and controls in place, the ESG teams were still developing these capabilities and were less familiar with public scrutiny from investors and regulators.
- A32. This group also considered the use of specific note disclosures in the financial statements as an effective way to communicate key sustainability messages to users and to avoid the risk of over disclosure and risk of obfuscation in the financial statements.
- A33. An accounting firm suggested that a specific section at the end of the narrative report could be created to communicate the extent to which the financial effects as noted would or would not be disclosed in the financial statements. This approach could seek to both educate and manage users' expectations.

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

- A34. Medium Priority
- A35. 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 specific further projects.

- A36. 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.
- A37. 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.
- A38. The current approach risks being perceived as piecemeal and hasty. The role of extant standards also needs to be considered.

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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.

- A39. 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.
- A40. While we consider that this matter should be considered once an appropriate conceptual framework has been articulated for Sustainability Disclosure Standards, we broadly agree that the Board has identified the right criteria to use in assessing the priority of sustainability reporting issues that could be added to its work plan.
- A41. However, we believe that reference to consideration of the relation to IASB projects is an unfortunate oversight.
- A42. We also consider, realistically, that the criteria should consider the likelihood of achieving mandatory adoption across jurisdictions.
- A43. Also, capacity considerations should not be limited to stakeholders' ability to engage with a project, but also their capacity to implement any resultant standard, and the length of time necessary to implement it.
- A44. 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 to supporting the enhancement of IASB standard setting projects, to ensure the resulting information for investors is connected and consistent. It would be appropriate for the IASB to also formally consider a reciprocal position.
- A45. 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.

A46. 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.

A47. 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.

- A48. Climate was selected because it was widely acknowledged as an existential threat to the planet, humanity and the wider environment.
- A49. 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.
- A50. That being said, we are not opposed to some research being started. We leave the discussion of how this should be approached and what topics should be the focus of this 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.

- A51. No comment

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.

- A52. 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.

- A53. 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.

- A54. 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 (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 its standards).

- A55. 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”.
- A56. 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.
- A57. 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.
- A58. Again, they would rather see the IASB and ISSB working together to ensure this information is captured through 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.

None

Appendix B: UK Legislative Framework for Sustainability Reporting⁶

- B1. 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.
- B2. 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.
- B3. In addition, with the Mobilising Green Investment: 2023 Green Finance Strategy, 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.
- B4. 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.
- B5. 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 Listing Rules.
- B6. 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.

⁶ 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.

- B7. 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

Invitation to Comment

Call for comments on the ISSB's Request for Information

Deadline for completion of this Invitation to Comment:

Midday, 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 IASB's comment period ends at midday 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.

As no single UK organisation has been delegated a statutory function to consider and adopt ISSB standards for use in the UK, 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

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.

ISSB RFI Draft Comment Letter – INVITATION TO COMMENT

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 midday on 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>

ISSB RFI Draft Comment Letter – INVITATION TO COMMENT

Questions

Strategic direction and balance of the ISSB's activities (RfI 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. Do you agree with this? Please explain why or why not.

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

Click or tap here to enter text.

2. The UKEB's draft comment letter concludes that the ISSB should add as an activity, and place a medium priority on, close-cooperation with the IASB and connectivity with IFRS Accounting Standards. Do you agree with this? Please explain why or why not.

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

Click or tap here to enter text.

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 type="checkbox"/>
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Please include any comments you may have in response to question 3:

Click or tap here to enter text.

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 type="checkbox"/>
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ISSB RFI Draft Comment Letter – INVITATION TO COMMENT

Please include any comments you may have in response to question 4:

Click or tap here to enter text.

5. The UKEB’s draft comment letter concludes that the ISSB should place little to 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 type="checkbox"/>
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Please include any comments you may have in response to question 5:

Click or tap here to enter text.

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

Click or tap here to enter text.

Research Projects (Rfi Questions 3 - 6)

7. The UKEB’s draft comment letter concludes that the ISSB should place a low priority on new research. It also makes no comment on the three specific sustainability themed topics. Do you agree with this? Please explain why or why not.

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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ISSB RFI Draft Comment Letter – INVITATION TO COMMENT

Please include any comments you may have in response to question 7:

Click or tap here to enter text.

Integration in reporting (Rfi Question 7)

8. 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 type="checkbox"/>
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Please include any comments you may have in response to question 8:

Click or tap here to enter text.

Other Comments

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

Click or tap here to enter text.

Thank you for completing this Invitation to Comment

Please submit this document

by midday on XXX 2023 to:

UKEndorsementBoard@endorsement-board.uk