

# Technical Advisory Committee Update

## Executive Summary

<b>Project Type</b>	Monitoring
<b>Project Scope</b>	Various
<b>Purpose of the paper</b>	
<p>This paper provides a summary of the papers to be considered by the UK Sustainability Disclosure Technical Advisory Committee (TAC) at its October 2024 meeting. At the time of writing, the minutes of the TAC meeting were unavailable so a verbal update will be provided at the UKEB meeting.</p>	
<b>Summary of the Issue</b>	
<p>The TAC has been tasked by the Department for Business and Trade<sup>1</sup> (DBT) to assess the IFRS Sustainability Disclosure Standards from a technical perspective and provide advice<sup>2</sup> 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 the October 2024 <a href="#">TAC meeting papers</a> for the Board's consideration.</p>	
<b>Question for the Board</b>	
n/a	
<b>Recommendation</b>	
n/a	
<b>Appendices</b>	
Appendix A: UK Sustainability Disclosure TAC meeting schedule	

<sup>1</sup> Section B: UK Sustainability Disclosure TAC [Terms of Reference](#)  
<sup>2</sup> [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 meeting – October 2024

1. This section sets out the main discussion points from the October 2024 TAC agenda<sup>3</sup> 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 meeting, in due course.
2. As the minutes from the meeting were not available when the UKEB papers were published a verbal update will be provided by the UKEB TAC committee member at the UKEB October meeting.

### Amendment to IFRS S2 industry classification for financed emissions<sup>4</sup>

3. The TAC had previously observed that as there were already several industry classification standards in use by UK entities, it may consider adopting a more flexible approach than the 'Global Industry Classification Standard' (GICS) required in IFRS S2. The TAC was asked to consider amending paragraphs B62 and B63 in IFRS S2 *Climate-related Disclosures* (IFRS S2), which require the use of GICS by commercial banks and insurers when disaggregating gross financed emissions, to permit entities to use an internationally recognised industry classification system.

### Mechanisms to support the application of IFRS S1 and IFRS S2<sup>5</sup>

4. The paper for this agenda item set out the mechanisms in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and IFRS S2 to support entities when applying the standards. The TAC will be asked to consider the preparedness of entities in the UK and whether the mechanisms were appropriate and sufficient to enable consistent application.
5. The paper also addressed proportionality mechanisms, application guidance, and permanent reliefs. The papers noted that many stakeholders had commented in the call for evidence that they consider there to be enough proportionality and relief mechanisms built into the standards to support application across the market. In relation to guidance and educational material, the TAC will discuss the concept and requirements relating to connectivity at a future meeting.
6. The TAC was asked to consider transition reliefs and effective dates for both standards. The paper noted that transition reliefs are mostly available in the first year of applying the ISSB standards and were intended to allow for areas that may be particularly challenging to disclose or may require the development of internal systems. It was noted that in response to the TAC's call for evidence, most stakeholders had welcomed the transition reliefs and considered them to be

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<sup>3</sup> TAC Public Meeting October 2024 [Agenda](#)

<sup>4</sup> TAC Public Meeting October 2024 Paper 2: [Amendments \(GICS\)](#)

<sup>5</sup> TAC Public Meeting October 2024 Paper 3: [Mechanisms to support application](#)

proportionate and focused on the areas that were particularly challenging. The TAC papers noted that entities that chose to apply all available reliefs in the first year would face a significant task in the second year of application.

7. The TAC was asked to consider stakeholder feedback regarding potentially extending some transition reliefs and whether extensions would be preferable to introducing phased effective dates.
8. The paper noted a range of relief alternatives including whether the relief in IFRS S1 permitting an entity to report its annual sustainability related financial disclosures after it has published the related financial statements was potentially unhelpful as it could lead to a downgrade of current practice in the UK.
9. As the UK Sustainability Reporting Standards are considered likely to be issued in 2025, the effective date set by the ISSB of 1 January 2024 would need to be amended. The TAC was therefore asked to consider an effective date for voluntary adoption of the standards in the UK but not the effective date for any mandatory adoption. The paper noted that the implementation approach and entities in scope was a decision for the Department for Business and Trade (DBT) and the Financial Conduct Authority (FCA).

## Current and anticipated financial effects<sup>6</sup>

10. The TAC was asked to consider the quantitative and qualitative information requirements and mechanisms to support the application of the current and anticipated financial effect disclosures. The paper summarised feedback from UK stakeholders noted a range of challenges including:
  - a) Developing market practice – entities are still building their experience and capabilities. The methodologies, systems and data needed to develop financial models for climate-related risks were at an early stage.
  - b) Separating out the sustainability-related drivers of risks and opportunities from other drivers or causes can be challenging.
  - c) Time horizons – due to the short, medium and longer term horizons in scope for ISSB standards, quantifying the financial effects of sustainability-related risks and opportunities may involve more judgement, estimates and therefore higher degrees of uncertainty. This may challenge both comparability across sustainability disclosures and connectivity with the financial statements. [A point not specifically covered in the paper but one we consider from a UKEB perspective is the emergence of those financial effects into the financial statements and how they are communicated to users of Annual Reports].

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<sup>6</sup> TAC Public Meeting October 2024 Paper 4: [Current anticipated financial effects](#)

- d) Not all risks are easily quantifiable - sustainability-related matters such as human rights and biodiversity, and the assumptions used to assess them, may be complex to quantify.
  - e) Timing of reporting - current financial effects may only be known after the financial year-end which may provide challenges to align reporting to the publication of general-purpose financial reports.
11. The paper noted that UK stakeholders had highlighted that when preparing disclosures on current and anticipated financial effects, these difficulties can make it challenging to connect them to information in the financial statements as required by paragraph 21 of IFRS S1. It was also noted that stakeholders had requested further guidance and worked examples from the ISSB.
12. The paper also addressed mechanisms in the standards to support application will also be considered, such as paragraph 38 of IFRS S1 and paragraph 19 of IFRS S2 which state that an entity does not need to provide quantitative information about current or anticipated financial effects if those effects are not separately identifiable.

## Resilience and scenario analysis<sup>7</sup>

13. The TAC was asked to consider:
- a) the consistency of definitions and descriptions between IFRS S1 and IFRS S2;
  - b) stakeholder requests for guidance on scenario analysis; and
  - c) how to ensure the appropriate application of proportionality provisions by entities.
14. The TAC was asked to consider whether any amendments to IFRS S1 and IFRS S2 may be necessary and whether any additional transitional reliefs may be required.

## Targets<sup>8</sup>

15. This paper addressed the requirements to disclose targets relating to sustainability-related risks and opportunities and whether the requirements were sufficient and would improve the quality of disclosure. The paper noted that stakeholders had not raised any significant concerns relating to the requirements regarding targets.

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<sup>7</sup> TAC Public Meeting October 2024 Paper 5: [Resilience and scenario analysis](#)

<sup>8</sup> TAC Public Meeting October 2024 Paper 6: [Targets](#)

## Transition plans<sup>9</sup>

16. The paper noted that IFRS S2 requires the disclosure of transition plans, to the extent an entity has such plans. The TAC was asked to consider whether it would be appropriate for the UK to develop specific guidance in this area.
17. The meeting papers noted that the IFRS Foundation has assumed responsibility for disclosure specific Transition Planning Taskforce materials as part of IFRS S2 implementation.

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<sup>9</sup> TAC Public Meeting October 2024 Paper 7: [Transition plans](#)

## 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
  - f) 5 November 2024
  - g) 28 November 2024 - cancelled
  - 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 website<sup>10</sup>.

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<sup>10</sup> [UK Sustainability Disclosure Technical Advisory Committee](#)