Invitation to Comment:

Draft Comment Letter - Exposure Drafts S1: *General Requirements for disclosure of Sustainability-related Financial Information* and S2: *Climate-related Disclosures*

Deadline for completion of this Invitation to Comment:

Close of business Monday, 27 June 2022

Please submit to:

UKEndorsementBoard@endorsement-board.uk

UK Endorsement Board

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 accounting 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.

Introduction

The Department for Business, Energy, and Industrial Strategy (BEIS) have asked the UKEB to assist with the UK response to these proposals, specifically the overlap/impact between these standards and IFRS accounting standards. The objective of this Invitation to Comment is to obtain input from stakeholders on the UKEB’s draft comment letter on the ISSB’s Exposure Drafts S1: *General Requirements for Disclosure of Sustainability-related Financial Information* and S2: *Climate-related Disclosures*.

Who should respond to this Invitation to Comment?

Stakeholders with an interest in the quality of accounts that apply IFRS accounting standards and how they overlap with IFRS sustainability disclosure 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 to UKEndorsementBoard@endorsement-board.uk by close of business on **Monday, 27 June** 2022.

*Please note:*

The UKEB welcomes your responses to any or all of the questions in this document. As an alternative to submitting this form you can also provide feedback on this consultation by emailing your comments directly to the above email address.

*For information on UKEB privacy and other policies please refer to the final page of the document.*

This document is set out in three sections:

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Part A

Questions: [Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*.

1. Do you foresee any conflicts or overlaps with requirements in IASB issued standards on application of the ED? Please provide your rationale and include any illustrative examples to help explain the potential implications for users of general-purpose financial statements.

**Response:**

1. The term “sustainability” is not defined in the proposals. Do you think that a definition of the term “sustainability” would create a shared understanding of the boundaries of this term? *Please explain your rationale.*

 **Response:**

1. To identify sustainability-related risks and opportunities paragraph 51 of the ED states that an entity “shall consider” external documents such as SASB standards, ISSB non-mandatory guidance, pronouncements of other standard setting bodies and risks and opportunities disclosed by other entities? *Do you agree with the alternative approaches suggested in the draft comment letter? Please explain your rationale and any alternative approaches would you suggest?*

 **Response:**

1. In relation to comparatives:

a) Do you support the requirement, unless impracticable, to update comparative information with updated assumptions, and explain any difference between that and the number published in the prior year?

b) Can you think of examples where under the proposed requirements you would choose to restate or not restate a comparative?

c) How would you balance restatement that is useful to users versus the burden on preparers?

*Please explain your rationale.*

 **Responses:**

1. When considering the proposals on materiality:
	1. Do you consider it necessary to use both the terms “significant” and “material” in the proposals? Could “material” be used in place of “significant”?
	2. Could the IASB definition of materiality for IFRS Accounting Standards be used instead of creating a new definition for ISSB purposes?

*Please explain your rationale and include any illustrative examples to support your position.*

**Response:**

1. The ED requires disclosures related to significant sustainability-related risks and opportunities in the value chain. *Is it clear what information is required from entities in the value chain, and how far this chain should be considered? Are there any practical difficulties that arise in relation to the value chain?*

**Response:**

1. The Exposure Draft requires disclosures related to significant sustainability-related risks and opportunities in the business model. As users have emphasised the most useful disclosures are those directly linked to the entities business model, do you think the concept of business model should be given greater prominence in the proposals. *Please explain your rationale.*

**Response:**

1. The ED suggests in paragraph 66 that the sustainability-related financial proposals should be presented at the same time as the related financial statements? *Do you believe this is practical for your organisation? Do you believe this would delay your reporting timetable?*

**Response:**

1. Overall, do you believe the proposals in the ED are successful in establishing a suitable “*global baseline for the assessment of enterprise value*”? Please explain your rationale.

**Response:**

1. Overall, do you believe the proposals in the ED will successfully meet their objective to create “*more consistent, complete, comparable and verifiable sustainability-related financial information”*? Please explain your rationale.

**Response:**

1. Are there any other comments you would like to make on Exposure Draft IFRS S1?

**Response:**

Part B

[Draft] IFRS S2 *Climate-related Disclosures*.

1. Considering the requirements in IASB issued standards, do you foresee any conflicts or overlaps on application of the exposure draft? *Please provide your rationale and any illustrative examples to explain the potential implications for users of general-purpose financial statements.*

 **Response:**

1. Do you foresee any conflicts or overlaps with other jurisdictions’ climate-related standards which may cause issues for UK users of general-purpose financial statements? *Please provide your rationale and potential implications for users.*

 **Response:**

1. Should the term “climate-related risks and opportunities” be defined to create a shared understanding of the boundaries of this term? *Please explain your rationale. Can you suggest any suitable alternative definitions or guidance the ISSB should consider?*

 **Response:**

1. Do you have any comments on the likely benefits of implementing the proposals and the likely costs that the ISSB should consider in analysing the likely effects of these proposals?

**Response:**

1. Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

**Response:**

1. Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?

**Response:**

1. Are there any other comments you would like to make on Exposure Draft IFRS S2?

**Response:**

Part C

General Questions regarding both [Draft] IFRS S1 and S2

1. Following finalisation of these exposure drafts,
2. how much lead time would your organisation require to be able to implement them?
3. Do you believe phased effective dates for either the standards or particular elements of the proposed standards would be helpful? If so, for which elements and how would you phase the timing?

**Response:**

1. Do you have any other comments on the ISSB’s proposed due process for issue of the final standards?

**Response:**

**Thank you for completing this Invitation to Comment**

**Please submit this document**

**by close of business on Monday 27 June to:**

UKEndorsementBoard@endorsement-board.uk

Privacy and other policies

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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 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 document submitted; therefore, only information that you wish to be published should be submitted in such responses.