

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. In addition, UK law allows unlisted companies the option to use IFRS Accounting Standards and approximately 14,000 UK registered entities take up this option. Legislation applicable to financial years beginning on or after 6 April 2022, requires all large companies (listed and private¹) with a turnover in excess of £500Million and more than 500 employees; and, traded or banking LLPs² with over 500 employees to disclose climate-related financial information

¹ <https://www.legislation.gov.uk/ukdsi/2021/9780348228519/contents>

² <https://www.legislation.gov.uk/ukxi/2022/46/contents/made>

on a mandatory basis – in line with recommendations from the Task Force on Climate-Related Financial Disclosures.³

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.
6. In light of the UKEB remit, we have not commented on the relative merits of the proposed specific research projects on biodiversity, human capital or human rights.

Support for IFRS Sustainability Disclosure Standards

7. The UKEB is very supportive of the ISSB's objective 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.

Leveraging the IFRS Foundation

8. 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.
9. The two-year time horizon for this Agenda Consultation is relatively short in global standard setting terms. The ISSB and global acceptance of Sustainability Standards are both still in their infancy. While the ISSB has achieved a lot in a short period of time, it is important to ensure that it consolidates these achievements so that its mission is globally understood and accepted, and that the first two standards are embedded, adopted and implemented appropriately.

Governance and due process that supports mandatory international standards

10. The stable platform provided by the IFRS Foundation allows the ISSB access to an established due process that has stood the test of time, an understanding of the steps necessary 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.

³ [UK to enshrine mandatory climate disclosures for largest companies in law - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/uk-to-enshrine-mandatory-climate-disclosures-for-largest-companies-in-law)

11. 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. However, we believe that global acceptance of those standards on a mandatory basis must be prioritised and is now dependent on the ongoing engagement with the IFRS Foundation's existing stakeholder community. To achieve this objective, the ISSB must now consolidate its achievements to-date to deliver on the promise of globally accepted, mandatory baseline sustainability standards, supported by strong adherence to due process and greater engagement with stakeholders with a direct interest and understanding of mandatory standards.
12. We urge the ISSB to learn from the experience of the IFRS Foundation and the IASB when it comes to developing international standards. It requires time for stakeholders and jurisdictions to engage with the standard setting process. We are still hearing from informed and knowledgeable stakeholders in the UK (including investors) who feel they have not had the opportunity to engage with the ISSB's process or have not been listened to and their concerns addressed when they did engage.
13. The history of the set up and global acceptance of the IASB's standards shows that any attempt to implement standards (whether new or imported from pre-existing frameworks) without appropriate, extensive, and reflective due process risks derailing the objective of globally accepted and consistent standards.
14. We urge the ISSB to consider the important role of due process as well as the benefits of engaging with stakeholders with a direct interest in mandatory standards.

Connectivity with the IASB

15. It is clear from our connectivity work that for 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.
16. 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 do not believe that a focus on process will deliver the connected information that investors need. We would suggest that this is rectified as a matter of priority and that the focus should be redirected towards the two Boards working together to ensure that the standards lead to connected information for use by investors.
17. Feedback from UK stakeholders, as well as the UKEB's own research⁴, indicate that the work on close alignment and connectivity between financial and sustainability reporting is their priority and they do not consider it to be complete. It must be prioritised if the Standards are to be adopted on a mandatory basis by

⁴ [Connectivity Projects | UK Endorsement Board \(endorsement-board.uk\)](https://www.endorsement-board.uk)

jurisdictions across the globe and lead to decision-useful connected information that investors need to make their investment decisions.

The Consultation on ISSB's Agenda Priorities

18. 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 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.
19. It is important that the ISSB continue to develop processes to allow them to engage with a range of stakeholders, and to 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)

20. **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 as their primary focus the 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.
21. **High 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"⁵.
22. **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 role envisaged for existing frameworks.
23. **Low Priority: New research:** We would suggest that the ISSB prioritise the achievement of delivering climate reporting and ensuring a clear long-term road map is in place rather than adding new research projects to its agenda.

⁵ <https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/>

24. **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 described in the Rfl. Getting climate disclosures right first must be the main priority. The vast majority of stakeholders in the UK do not support a focus on enhancing either the ISSB Standards nor the Sustainability Accounting Standards Board (SASB) Standards as described in the Rfl.

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

25. 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 of interaction with IASB standard setting projects, to ensure the resulting information for investors is connected and consistent. The IFRS Foundation also needs to ensure that a process is in place to allow the IASB to likewise consider ISSB projects.
26. 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 subsequent 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)

27. 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."⁶ While this may require further research on enhancing this connectivity, 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).

⁶ Rfl para 41.

Conclusion

28. 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. The ISSB needs to focus on consolidation. This requires ensuring smooth adoption and implementation of IFRS S1 and S2 and working with the IASB to deliver standards and guidance that produce connected information. Sustainability and financial reporting must provide investors with high-quality, comparable, and decision-useful information. 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 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.
- A3. 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. In addition, the extent of mandatory adoption of ISSB in jurisdictions around the world is yet to be seen.

- A4. 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 Accounting Standards and driving forward with mandatory acceptance around the world.
- A5. 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 RfI.
- A6. 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)

- A7. Low priority.
- A8. 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 RfI's relative focus towards moving forward with new research appears premature. Jurisdictions also need time to develop processes to adopt IFRS Sustainability Disclosure Standards.
- A9. 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)

- A10. No priority
- A11. 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.
- A12. The majority of stakeholders do not 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.
- A13. 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.
- A14. 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)

- A15. Medium Priority
- A16. 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”⁷.
- A17. 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).
- A18. 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 Standards. As a minimum, we consider this will need to include co-ordination with the IASB.

⁷ [IFRS - IFRS Foundation announces International Sustainability Standards Board, consolidation with CDSB and VRF, and publication of prototype disclosure requirements](#)

- A19. 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.
- A20. They expected the Boards would work together to ensure the requirements of IFRS Accounting Standards and IFRS 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.
- A21. 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.
- A22. 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. Please refer to the UKEB's [Connectivity between sustainability and accounting standards](#).

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

- A23. Medium Priority
- A24. 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.
- A25. 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.
- A26. 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.
- A27. The current approach risks being perceived as piecemeal and hasty. Appropriate integration of extant standards also needs to be considered.

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.

- A28. 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.
- A29. While we suggest that this matter should be reconsidered once an appropriate conceptual framework has been articulated for Sustainability Disclosure Standards, we broadly agree that the ISSB has identified the right criteria to use in assessing the priority of sustainability reporting issues that could be added to its work plan.
- A30. 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 of interaction with IASB standard setting projects, to ensure the resulting information for investors is connected and consistent. The IFRS Foundation also needs to ensure the due process is in place to allow the IASB to likewise consider ISSB projects.
- A31. 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.

A32. 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.

A33. 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.

A34. Climate was selected because it was widely acknowledged as an existential threat to the planet, humanity and the wider environment.

- A35. 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.
- A36. We leave the discussion of what topics could be the focus of any ISSB 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.

- A37. 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.

- A38. 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.

- A39. 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.

A40. 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 (Integrated 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).

A41. Stakeholders want connectivity, and this is consistent with the definition of connectivity in the Rfl, 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".

- A42. 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.
- A43. 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.
- A44. Again, they would rather see the IASB and ISSB working together to ensure this information is captured through the requirements specified in 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 Reporting⁸

- 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.

⁸ 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