

JULY 2023

UK ENDORSEMENT OF  
IFRS S1 & IFRS S2  
CALL FOR EVIDENCE

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8th Floor, 125 London Wall, London EC2Y 5AS

# UK endorsement of IFRS S1 and IFRS S2: Call for evidence

## Context

In March 2023, the UK Government reconfirmed its commitment to assess and decide whether to endorse the IFRS® Sustainability Disclosure Standards. The Secretary of State for the Department for Business and Trade will be responsible for this endorsement decision which will be informed by an assessment of the suitability of the standards for application in the UK.

Two advisory committees are being established to support the Secretary of State's decision-making on endorsement as well as the potential implementation of reporting requirements by government and/or the Financial Conduct Authority. One committee will focus on public policy and implementation (the UK Sustainability Disclosure Policy and Implementation Committee), and the second committee—the UK Sustainability Disclosure Technical Advisory Committee (TAC)—will focus on the technical aspects of the standards for endorsement<sup>1</sup>. This endorsement process will assess the suitability of the IFRS Sustainability Disclosure Standards and will consider amendments where necessary for effective application in a UK context.

Further information about the UK's approach to endorsement and implementation will be available in the coming weeks.

This call for evidence seeks views on the IFRS Sustainability Disclosure Standards (IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*) as issued by the International Sustainability Standards Board (ISSB) and their prospective use in the UK. Responses will be used to inform the TAC's technical assessment of IFRS S1 and IFRS S2.

IFRS S1 and IFRS S2 are designed to be applicable to any reporting entity and do not depend on the entity applying UK-adopted international accounting standards in its financial statements. Any future decisions about the scope of mandatory reporting against UK-endorsed versions of IFRS S1 and S2 will be subject to consultation by the FCA for UK listed companies, and by the government for UK registered companies. In responding to this call for evidence you might consider how IFRS S1 and IFRS S2 might be applied by both economically significant entities and other entities.

## Purpose and audience

The aim of this call for evidence is to collect views to inform the proposed endorsement of the IFRS Sustainability Disclosure Standards in the UK. In particular, this call for evidence is designed to identify views on whether the disclosures required by the IFRS Sustainability Disclosure Standards, in the context of the UK:

- will result in disclosures that are understandable, relevant, reliable and comparable for investors;

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<sup>1</sup> The FRC is supporting this process by providing the secretariat for the TAC, which will be independently chaired.

- are technically feasible to prepare;
- can be prepared on a timely basis and at the same time as general purpose financial reports; and
- are expected to generate benefits that are proportionate to the costs that are likely to be incurred.

This call for evidence is aimed at those preparing corporate disclosures and for primary users of general purpose financial reports. Other stakeholders with an interest in sustainability-related disclosure in the UK are also welcome to respond.

## How to respond

To respond to this call for evidence, respondents should be familiar with the finalised IFRS Sustainability Disclosure Standards that were published on the 26 June 2023. Access to these documents can be found [here](#)<sup>2</sup>.

Respondents are asked to provide opinions and evidence pertaining to specific topics in these two standards. In particular, respondents are asked to provide insight into any challenges and benefits that might arise when preparing and disclosing information in compliance with the two standards, including the scale of the challenge and any solutions you are able to propose.

When providing your comments, please clearly state the requirement(s) that the comment relates to so that these can be effectively captured. If you are responding from a specific perspective (e.g., a particular industry or size of company, an assurance provider, or an investor) please also indicate that as it will provide useful context when analysing the comments.

Suggested topics for your consideration are outlined below and include references to the requirements within IFRS S1 and IFRS S2.

The Appendix to this paper provides a template that you may use to prepare your response. Respondents do not need to provide answers to all questions.

## How to submit your response

Responses should be sent electronically to [UKSustainabilityTAC@frc.org.uk](mailto:UKSustainabilityTAC@frc.org.uk).

Responses should be received by **11 October 2023**.

All responses will be regarded as being on the public record unless confidentiality is expressly requested by the respondent. A standard confidentiality statement in an email message will not be regarded as a request for non-disclosure. If you are sending a confidential response by email, please include the word 'confidential' in the subject line of your email.

Non-confidential responses will be published on the FRC website. The FRC frequently redacts personal information in line with GDPR. Responses to this call for evidence

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<sup>2</sup> Please note that to access the IFRS Sustainability Disclosure Standards you will need to register an account with the IFRS Foundation which is free.

will be discussed publicly by the TAC as it develops its recommendations to the Secretary of State.

## Topics to consider in your response

Please provide your views on whether the disclosures required by the IFRS Sustainability Disclosure Standards, in the context of the UK:

- will result in disclosures that are understandable, relevant, reliable and comparable for investors;
- are technically feasible to prepare;
- can be prepared on a timely basis and at the same time as general purpose financial reports; and
- are expected to generate benefits that are proportionate to the costs that are likely to be incurred.

In preparing your response, you may consider the following topics. Please note, you are not required to limit your response to the suggested topics that are outlined below, nor are you expected to respond to all topics or questions. In your response, you are encouraged to comment on any aspect of the IFRS Sustainability Disclosure Standards.

### 1. Overall views on the standards

This topic specifically refers to IFRS S1 and IFRS S2 as a whole.

Specific matters to consider in your response:

- How easy or difficult is it to interpret the requirements described in IFRS S1 and IFRS S2?
- To what extent will the requirements in the standards improve upon existing reporting in the context of the UK?
- To what extent do you think that application of the standards in the UK is technically feasible?
- How, if at all, might the information disclosed in accordance with IFRS S1 and IFRS S2 be used by investors for their decision-making, and companies for the management of the business?

### 2. Identifying sustainability-related risks and opportunities

This topic specifically refers to the requirements in IFRS S1 (paragraphs 54–55, B6–B7, B11–B12 and C1–C3) and IFRS S2 (paragraphs 10–12).

Specific matters to consider in your response:

- What challenges, if any, are there for UK companies in identifying and disclosing all sustainability-related risks and opportunities based upon the requirements? Please explain your response.
- Have you used, or do you plan to use, the sources of guidance in IFRS S1 paragraph 54–55 and the disclosure topics in IFRS S2 paragraph 12 to identify sustainability-related and climate-related risks and opportunities? Do you have any comments on their use?

### 3. Application of materiality

This topic specifically refers to the requirements in IFRS S1 (paragraphs 17–19 and B13–B28).

Specific matters to consider in your response:

- Is it clear how the concept of materiality (IFRS S1 paragraphs 17–19) applies to the identification and disclosure of sustainability-related risks and opportunities? Please explain your response.
- How do investors identify sustainability-related information that is material in a company's annual report?

### 4. Reporting approach

This topic specifically refers to the requirements in IFRS S1 (paragraphs 20, B38, and B11–B12) and IFRS S2 (paragraphs B32–B54).

Specific matters to consider in your response:

- What, if any, are the challenges in preparing sustainability-related disclosures at the same entity level used in the preparation of financial statements (e.g., consolidated reporting or entity-level reporting)? Please explain your response.
- Is there sufficient guidance on how to identify the value chain and on how to prepare and present information about sustainability-related risks and opportunities in the value chain? If not, what would you need to be able to comply with this requirement?

### 5. Timing and location

This topic specifically refers to the requirements in IFRS S1 (paragraphs 60–63, B27, B45–48, 64–69) and IFRS S2 (paragraphs B19).

Specific matters to consider in your response:

- What are your estimates of the benefits or costs in relation to reporting sustainability-related information at the same time and in the same location as general purpose financial reports for companies in the UK?
- If UK companies were to include this information in the Strategic Report, how will they be able to ensure that this information is presented in a manner such that it is clearly identifiable and is not obscured by other information (IFRS S1 paragraph 62)?

## 6. Judgements, uncertainties and errors

This topic specifically refers to the requirements in IFRS S1 (paragraphs 70–71, 74–86 and B49–B59).

Specific matters to consider in your response:

- How clear, if at all, are the requirements in IFRS S1 paragraphs 74–86 regarding judgements, uncertainties and errors? How easy or difficult is it to distinguish between a change of estimate and an error? Please explain your response.
- What, if any, further considerations are there in respect of disclosing revised comparative information when there are changes in estimates?

## 7. Financial impact and connectivity

This topic specifically refers to the requirements in IFRS S1 (paragraphs 21–24, 34–40 and B39–B44) and IFRS S2 (paragraphs 15–21 and B65).

Specific matters to consider in your response:

- How easy or difficult is it to interpret the requirements for preparing and disclosing information about the current and anticipated effects of sustainability-related information on the financial position, financial performance and cash flows? Please explain your response.
- What, if any, are the challenges in preparing disclosures that connect sustainability-related information to the financial statements?

## 8. Industry-based requirements

This topic specifically refers to the requirements in IFRS S1 (paragraphs 54–59) and IFRS S2 (paragraphs 12 and 32).

Specific matters to consider in your response:

- What, if any, are your estimates of the benefits and/or costs in preparing industry-based disclosures?
- Should the standards stipulate which guidance and industry-based topics and metrics a company should disclose, and why? What, if any, are the other sources of guidance that are currently used by UK companies?

## 9. Cross-industry metrics (IFRS S2 only)

This topic specifically refers to the requirements in IFRS S2 (paragraphs 29, B19–B65).

Specific matters to consider in your response:

- Are the requirements for greenhouse gas reporting, including on financed emissions, technically and practically feasible? If not, please explain the reasons for this. You might want to consider resource, infrastructure, measurement methods (including the GHG Protocol Corporate Standard) or other challenges.
- What, if any, are the challenges in preparing and disclosing information about the cross-industry metrics other than greenhouse gas emissions (IFRS S2 paragraph 29(b)–(g))?

## 10. Costs and benefits

Specific matters to consider in your response:

- What are the anticipated benefits of preparing and disclosing information required by IFRS S1 and IFRS S2 (for both companies and investors), and which elements of the standards will provide the greatest benefits?
- What are the anticipated drivers of costs when preparing and disclosing information required by IFRS S1 and IFRS S2?
- What is the current process used by preparers to gather the relevant sustainability-related information required for reporting purposes? Please include information on the sources (where data is gathered), the frequency and associated costs.
- Please outline the additional steps your company would need to undergo to comply with the requirements of IFRS S1 and IFRS S2? Please consider staff, time, production, IT and any other costs associated with compliance. Which of these steps is the most costly/challenging steps, and why?
- How far do you agree or disagree that the benefits of disclosure will outweigh the costs of reporting over time?

## 11. Application of the requirements

This topic specifically refers to the requirements in IFRS S1 (paragraphs E3–E6) and IFRS S2 (paragraphs C3–C5).

Specific matters to consider in your response:

- How might the proportionality provisions\* ease reporting burdens or reduce challenges within reporting, if at all?
- Do the reliefs provided in IFRS S1 and IFRS S2 give appropriate transitional relief as preparers develop their reporting in this area? Please explain your answer.
- Are there any further anticipated challenges in the application of IFRS S1 and IFRS S2 that are not considered or addressed in the standards and guidance?

\*refer to the summary of [proportionality mechanisms](#) and [temporary reliefs](#) in the ISSB's [Feedback Statement](#) on IFRS S1 and IFRS S2

## 12. Any further comments

Please provide any other comments on the requirements in IFRS S1 and IFRS S2 and their potential application in the UK.

# Appendix

The template below may be used to prepare and structure your response to the call for evidence.

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**Stakeholder type**

- Individual
- Investor
- Shareholder
- Academic
- Business
- Representative Body
- Other (please specify)

**Individual/Organisation name**

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**Organisation size  
(number of employees)**

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**Contact email address**

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**Is this response confidential?**

- Yes  No

**Views on the potential application of IFRS S1 and IFRS S2 in the UK**

Please provide your views on whether the disclosures required by the IFRS Sustainability Disclosure Standards, in the context of the UK:

- will result in disclosures that are understandable, relevant, reliable and comparable for investors;
- are technically feasible to prepare;
- can be prepared on a timely basis and at the same time as general purpose financial reports; and
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