

Appendix to the UK Endorsement of IFRS S1 & IFRS S2: Call for Evidence

The template below may be used to prepare and structure your response to [the call for evidence](#).

Stakeholder type

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

Corporate reporting agency

Individual/Organisation name

Friend Studio

**Organisation size
(number of employees)**

35

Contact email address

hello@friendstudio.com

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
- are expected to generate benefits that are proportionate to the costs that are likely to be incurred.

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.

In preparing your response, you may consider the topics outlined in the call for evidence. Please note, you are not required to limit your response to the suggested topics, 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. When providing your comments, please clearly state the requirement(s) that the comment relates to so that these can be effectively captured.

Overall views on the standards

Considerations affecting UK implementation

"Understandable, relevant, comparable" - other standards crossing over with UK rules:

Many UK companies may be subject to both the EU's CSRD and the UK's ESG reporting regulations. This potentially creates two different sets of compliance requirements for ESG reporting in the UK. The IFRS and EFRAG have been at pains to stress that the standards, and the resulting taxonomies, will be aligned and comparable. It would be helpful for preparers and their stakeholders if the UK's ESG reporting and filing rules could ensure harmony between all elements of IFRS and ESRS standards required in disclosures, minimising the duplication of effort if UK companies have two ESG reporting requirements to fulfil. If there is too much difference in the requirements, needing two separate ESG disclosures, it will be too complex and costly to prepare, and it may be unclear to stakeholders which disclosure is the 'correct' one.

"Technically feasible/comparable" - digital format and accessibility: To enable international comparability we assume xHTML/XBRL would be the chosen format for the UK. This format has huge potential and is evolving fast. BUT most current XBRL reporting is unnecessarily complex to create, hard to access without specialist software and skills. As a result, many XBRL-based reports remain unusable for most stakeholders. To solve this, the HTML format would need to comply with existing UK equality legislation and HTML accessibility standards (just as the web already does). This would ensure inclusion, availability, and usability of digital reporting for all stakeholders. This can be achieved with currently available HTML-based software which is also suitable for higher quality XBRL tagging. The WCAG accessibility standards may be implemented on any HTML online content, including reporting. We believe the mandatory HTML format should comply with the UK Equality Act 2010, as all other digital content does. This prevents businesses from discriminating on the basis of disability, and unlike some other international accessibility laws, the UK Equality Act explicitly applies to digital content on websites.

"Technically feasible to prepare" - filing rules should not prevent accessibility compliance:

Filing specifications and platforms should require that filings adhere with international WCAG accessibility standards. In line with the UK's Public Sector Bodies Accessibility Regulations 2018, the UK's filing rules and platforms should enable and require full accessibility of the HTML format when filed and accessed from the UK's database, which would also ensure accessibility of the same reports published by issuers on their website.

"Technically feasible to prepare" - print and digital requirements: If the chosen reporting format is xHTML, we would recommend a review of the Companies Act and Listing rules provision for the printed format. The current requirement to write to shareholders to confirm they are happy with e-comms means that a significant number of reports still have to be produced in print and makes the shift to digital slower. This holds back the quality and efficiency of digital-first processes. While retaining the print provision in legislation, it is still possible to redraft the implementation to move to a 'print-on-demand' model, where companies do not have to seek shareholder approval every year in writing, but instead all comms default to electronic format and a shareholder may still request a print version if they prefer. This 'print-on-demand mode' means that stakeholders still have the option to receive reports in whichever format they prefer, but, crucially, shifts the process and limitations away from print to digital-first. The latest digital software is capable of producing multi-format digital-first reports (for filings, online, print and PDF) quickly and efficiently from the same source of content. A small change in the print requirement process would be transformative in reporting being able to shift to a digital-led model, and significantly improve efficiency and quality in digital reports in the xHTML/XBRL format. This suggested model is already in use in EU markets.

"Timings": In the initial preparation period for new ESG requirements, it may be very challenging to match the same timings as financial reporting. Mandatory non-financial reporting is in its infancy, and many of the formal processes, practices and skills which are well established in financial reporting are immature in non-financial reporting. A phased approach may help by introducing disclosure requirements at different stages. e.g., content disclosures in phase 1, XBRL tagging requirements in phase 2, audit requirements in phase 3.

"Cost benefits" - digitisation: The shift from print/PDF-led reporting to digital reporting requires investment from government, regulators, service, and software providers and from issuers. But digital reporting costs reduce significantly over time, through process and publishing efficiencies.

There are many benefits for all stakeholders - including reduced impact of print and mailing, speed of disclosure, accessibility, and availability of reporting to all, accuracy and comparability of information, more searchable/findable content, and most importantly increased transparency and accountability in companies' ESG commitments and performance. The cost of *not* digitising would be far greater as all major markets are making this shift.

"Cost benefits" - mandatory ESG disclosures: All other major markets are implementing new ESG reporting requirements. This is central to the reduction of human impact, the accountability for meeting targets (or not), the transparency and comparability of ESG performance, and maintaining investment of international capital in these markets. The cost of UK companies not reporting on ESG consistently with other major markets would be far greater than the cost of implementing UK ESG reporting regulations.

Content implications (UK)

We would like to register our concerns about the 'layering' of a new set of regulations on top of what already exists, potentially wasting preparers' time and creating confusion. We therefore would like to see a revision of both the Companies Act (specifically the Non-Financial and Sustainability Information Statement and TCFD-alike regulations) and the Listing Rules (specifically the TCFD requirements), given that these new Standards will in many if not all cases require more detailed and meaningful disclosure that supersedes this older regulation. We would like to see the FRC updating the Strategic Report Guidance (last updated June 2022, with the imminent addition of the latest amendment relating to Annual Resilience Statements laid before Parliament on 19 July 2023) to incorporate S1 and S2. This we believe could well require a complete reassessment and rewrite of the non-financial aspects of the Guidance, as well as TCFD. By doing so it would establish a comprehensive and up-to-date list of reporting regulations. While updating the Strategic Report Guidance we suggest incorporating CSRD requirements for those companies that will need to comply.

The language currently used around the UK endorsement of the IFRS Sustainability Disclosure Standards includes reference to 'UK Sustainability Disclosure Standards' or 'UK SDS'. We would advise against creating another piece of terminology and would instead recommend that the UK government and its agencies refer to this exercise as simply the UK endorsement of the IFRS Sustainability Disclosure Standards or similar.