

## UK Sustainability Disclosure Technical Advisory Committee Call for Evidence Re: UK Endorsement of IFRS S1 and S2.

## Introduction

We recognise the significant global shift that the new sustainability reporting standards will mean for organisations worldwide. As the market begins to mature in this area it is critical that standard setters take time to carefully considering the next steps, and to

## **Business Needs Certainty and a Global Baseline**

The International Sustainability Standards Board developed the first suite of global sustainability reporting standards in around 18 months, following its establishment at COP 26 in Glasgow. One jurisdiction, the European Union, have also quickly developed sustainability reporting standards tailored to its own legislative requirements, but there is a growing recognition that business needs a global baseline, leading to efforts to find an acceptable level of interoperability between them, with the prospect of aligning key concepts, terminologies and metrics to reduce the burden on business and avoid regulatory fragmentation.

The UK now has the opportunity to reflect on the merits of a faithful adoption of IFRS S1 and S2.

In our submission, a drive for consistency is in the public interest and we would caution against any UK measures designed to build on the requirements of S1 and S2 without good cause.

This is a landscape which needs to develop, Business understands the importance of value creation for their organisations, and the need for strong implementation planning and sustainability reporting, within a stable and consistent framework. It is for the UK to now create a clear and consistent reporting environment. This will be ever more relevant as the number of companies within scope increased (either due to legal to regulatory reforms, including the FCA's review of the premium listing status).

Implementation of the new standards for companies will not be without challenges. This is a new reporting regime which will take time to develop and mature. Business and advisers will need to be able to build capacity and capability and the skills pipeline for both professional services, and business will need time to adapt. We know from engagement with management accountants that their business's ability to respond to the new reporting requirements will be significantly improved by the adoption of consistent standards around the world.

Over the last few months we have engaged with our members who are already involved with corporate sustainability reporting in the UK, as well as those who are preparing for the adoption of the EU Corporate Sustainability Reporting Directive and IFRS S1 and S2.

Their common view is that their businesses are making significant investments in the processes and people needed to support the new reporting requirements, but this will take time. Furthermore, preparers will still require guidance to help navigate the new standards, and the global adoption of S1 and S2 as the baseline will be an important enabling factor for companies. The current standards are necessarily high level and we have encouraged the ISSB to prioritise the need for implementation guidance so that adherence to the standards remains consistent and reliable across sectors and jurisdictions. It would be unhelpful for the UK to depart unnecessarily from the global baseline.

Clarity, certainty and consistency are important for systemically important companies worldwide As the International Auditing and Assurance Standards Board consults on its ISSA 5000 Exposure Draft, there is significant effort being made to ensure that global businesses have a clear and consistent sustainability reporting landscape. In a similar, way the recently published UK Transition Plan Taskforce Disclosure Framework, recognises the need to remain consistent with the international standards so that it can be applied effectively by companies.

These national and international efforts to bring about alignment with S1 and S2 are important and should be taken into consideration by the Technical Advisory Committee when it considers its recommendation to the Government on the UK's corporate reporting position.

## **About the Association**

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