125 Coney Green Business Centre, Wingfield View Clay Cross, Chesterfield S45 9JW



Dear Sirs

Consultation response: Views on the IFRS Sustainability Disclosure Standards and their prospective use in the UK

The Association of Church Accountants and Treasurers (ACAT) is a registered charity which provides advice, training and education on accounting, financial, legal and other related issues across the UK in support of the treasurers and administrators of Christian churches. With almost 17,000 members ACAT looks to serve the needs of Christ's church by equipping our members to effectively administer the funds in their care.

We note that the call for evidence is focussed on the interests of investors in the for-profit sector and its purpose is to collect evidence that will be used to inform the UK Sustainability Disclosure Technical Advisory Committee's technical assessment of IFRS S1 and IFRS S2 and to inform the TAC's decision-making on whether the disclosures required by the IFRS Sustainability Disclosure Standards will be applied in UK financial reporting. ACAT, on behalf of its membership charities, is supportive of the potentially transformative approach that introducing sustainability reporting would bring. ACAT supports financial reporting being made broader to look at both a broader notion of sustainable business that adds value and its impact on wider society.

The two standards elaborate on the environmental element of Environmental, Social, Governance reporting (ESG), which is a form of reporting that is gaining wide acceptance. This broader thinking has sometimes been termed: 'profit, people, planet' and ACAT notes that in adopting a social dimension of 'people' for-profit reporting will have common ground with non-profit entities since non-profit entities, such as charities, exist for public benefit.

Although the Christian church may be a major investor in for-profit businesses as part of its stewardship of financial resources, ACAT's submission is framed by our purpose. Our response is restricted to only those questions relevant to our purpose.

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Question 1- overall views on the standards

We request TAC consider the following points when applying this new reporting framework to UK financial reporting:

- The ambition of the Government is whole economy reporting. To quote Greening Finance- A Road to Sustainable Investing (page 7): 'Central to this are new economy-wide Sustainability Disclosure Requirements. These will bring together new and existing sustainability reporting requirements for business, the financial sector and investment products.' To be genuinely 'economy wide' the TAC should also build into their programme the necessary adaptations to encompass sustainability reporting by non-profits.
- The scope section of standard S1 (paragraph 8) notes that: 'This Standard uses terminology suitable for profit-oriented entities, including public-sector business entities. If entities with not-for-profit activities in the private sector or the public sector apply this Standard, they might need to amend the descriptions used for particular items of information when applying IFRS Sustainability Disclosure Standards.' We invite TAC to develop these adaptations.
- Consideration should also be given to the call for a 'Just Transition' which is underpinned by social equity and social action. The Bible speaks of the importance of this as central to human endeavour: 'He has showed you, O man, what is good. And what does the LORD require of you? To act justly and to love mercy and to walk humbly with your God'. (Micah chapter 6 verse 8). This call for justice can be also be found in wider society, for example the ACCA's report 'Accounting for Society's Values' (2023).
- The UK Church has a part to play in assisting TAC in applying standards S1 and S2 in the context of society's values and a 'Just Transition'. For example in 2010, the Evangelical Alliance launched the Micah Challenge campaign on social justice looking at the use of public funds. In our view similar considerations should apply where companies are seeking to demonstrate their social value. In standard S1 (Annex A) it defines the value chain as encompassing: 'The full range of interactions, resources and relationships related to a reporting entity's business model and the external environment in which it operates.' This broad definition goes beyond cash-flows, risk-adjusted financial return, and distributable profit.
- In standard S2 the focus is on disclosure of sustainability related risks and opportunities in regard to climate risk. Care for the planet was at the heart of God's purposes for man in creation: 'The LORD God took the man and put him in the Garden of Eden to work it and take care of it.' (Genesis chapter 2 verse 15) and so ACAT welcomes the application of climate standard S2 to financial reporting.
- In regard to the application of standard S2 in respect of reporting on strategy (paragraph 14), the TAC may wish to modify the approach to cover the ambition of achieving net zero carbon emissions and ask how the entity has progressed its transition plans and to report its progress to date. ACAT notes that net zero is stated government policy: 'Net Zero Strategy-Build Back Greener' (2021).

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Question 12- Additional observations

ACAT invites the TAC to also consider the following points in developing and applying the standards to the UK economy:

- In regard to our earlier observation about including non-profits, we urge the TAC to convene a non-profit advisory group as part of the adoption process to consider how best to adapt the standards for wider use by non-profits. This panel might play a similar role to that played by the Committee for Accounting for Public-Benefit Entities which formerly advised the FRC on how to apply GAAP to non-profits. Before the FRC disbanded it in 2016 for administrative reasons, CAPE was instrumental in adapting UK GAAP to non-profits. It would be wrong to simply read across S1 and S2 without modification; the ISSB recognises that adaptation is necessary if the standards are to be used for non-profits.
- ACAT, in common with the wider charity sector, relies on volunteers to effect much of our
 work but as far as our limited resources allow we would be pleased to assist the TAC with a
 non-profit advisory panel if it chose to create one.
- To remember that the goal of sustainability reporting is to alter behaviour and to bring into
 consideration those factors overlooked by market imperatives alone. TAC should frame the
 disclosure requirements accordingly to prompt reporting on activity rather than 'boiler plate'
 declarations since the giving of information of itself achieves little unless it affects decisionmaking.
- Consider a staged approach to bringing in this new reporting to ensure that the requirements are understood and time is allowed for the introduction of systems and policies to gather and report on the required information so that it is comprehensive and of good quality.
- In the medium term combine the best elements of existing statutory reporting and ESG reporting including sustainability reporting in the directors' report and accompanying set of financial statements. This will require a tight focus on what is key decision-making information and what are the most important aspects of reporting rather than simply adding ever more elements of reporting to what is already there. This might best be achieved by government, accounting standard setters and stakeholders working together to revisit the landscape of financial reporting.

The Foreword to the policy document Net Zero Strategy- Build Back Greener' (2021) includes the following observation (page 11): 'But we cannot tackle climate change alone. We will take a coordinated approach, working across local and national government, the Devolved administrations, and with businesses and civil society organisations. And we will make it easier and fairer for individuals, businesses and households to decarbonise, so that our whole society can work together to reduce emissions. This strategy demonstrates how the UK is leading by example, with a clear plan for the future.' In our view to effect this aim of whole society transformation the TAC needs to bring together a much broader coalition of interests than just professional investors, and we urge the TAC to consider representation of views from the whole value chain, all stakeholders, and the inclusion of the wider economy especially non-profits.

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If you would like to follow up any aspect of our response please contact Nigel Davies or Ashley Ellis.

Yours Faithfully

Ashley Ellis - CEO ACAT Nigel Davies - ACAT Director