Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

38th SESSION
9 – 12 November 2021

Tuesday, 9 November 2021

High-level panel: Recent developments related to the convergence of financial and sustainability reporting frameworks and standards
Presented by

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Recent developments related to the convergence of financial and sustainability reporting frameworks and standards

Seema Jamil-O’Neill
Technical Director, UK Endorsement Board
9 November 2021

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Session overview

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November 2021
UK Financial Reporting Framework for adoption of IAS

• The UK framework for endorsement of IAS
  ➢ Onshore applicable EU legislation: SI 2019/685
  ➢ Set-up of UK Endorsement Board

• Statutory functions
  ➢ Endorsing and adopting IAS for use in the UK, where certain criteria are met
  ➢ Influencing the development of international financial reporting standards

• Overriding objectives for adopting IAS
  ➢ Ensure a high degree of transparency and international comparability of financial statements
  ➢ Ensure the efficient allocation of capital and the smooth functioning of UK capital markets

• Role of the Secretary of State and UK Parliament
Major projects

Adoption

• IFRS 17 *Insurance Contracts*
  ➢ Draft Endorsement Criteria Assessment about to be published for comment
  ➢ Endorsement and adoption decision expected Q1 2022

Influencing

• Disclosure Requirements in IFRS Standards—A Pilot Approach
  ➢ IASB’s Exposure Draft published March 2021
  ➢ IASB’s consultation period to 12 January 2022
  ➢ UKEB’s consultation period to 1 November 2021
• Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures
  ➢ IASB’s Exposure Draft published July 2021
  ➢ IASB’s consultation period to 31 January 2022
  ➢ UKEB’s consultation period
• Post Implementation Review of IFRS 9 - Classification and Measurement
  ➢ IASB’s Request for Information published September 2021
  ➢ IASB’s consultation period to 28 January 2022
  ➢ UKEB’s consultation period
Session overview

- UK Financial Reporting Framework for adoption of IAS
- UK Sustainable Disclosure Requirements
Current UK Non-Financial Reporting Framework

- **UK Companies:**
  - file an Annual Report at Companies House
  - publicly available

- **The Strategic Report**
  - contains much of the 'non-financial' information (employee, social, environmental)
  - requirement for all UK companies (except small & micros) since 2013

- **The EU's Non-Financial Reporting Directive** came into force via regulations made in 2016. Requires all large PIEs to file a statement including information on the following issues:
  - Environmental matters
  - Employees
  - Social and community matters
  - Respect for human rights
  - Anti-corruption and anti-bribery
Future UK Sustainability Reporting Framework

• Greening Finance: A Roadmap to Sustainable Investing
  • UK Govt published a Roadmap on 18 October 2021
  • It sets out the UK govt’s long-term ambition to green the financial system and align it with the UK’s net-zero commitment by:
    ➢ Informing – ensuring decision-useful sustainability information is available to financial market decision-makers
    ➢ Acting – mainstreaming this information into business and financial decisions
    ➢ Shifting – financial flows across the economy shifting to align with a net-zero and nature-positive economy
Future UK Sustainability Reporting Framework

**TCFD**
- Mandatory TCFD reporting for reporting periods starting on or after 6 April 2022
- Applies to all large companies & LLPs with >500 employees & >£500m turnover
- Regulations have been published & will be debated in Parliament shortly

**Sustainable Disclosure Requirements (SDR)**
- The Roadmap, published by HM Treasury, sets out how this will be achieved
- Govt Departments & regulators are working together on this economy wide regime

**SDR for UK Corporates**
- Mechanism to adopt and endorse ISSB issued standards for use in the UK
- Introduction of regulations to require certain companies to report using those standards
- Requirement for certain companies to report against the UK Green Taxonomy in their Annual Report
- Consultation to be issued in Spring 2022

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Thank You

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