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

**41st SESSION
6 – 8 November 2024**

Thursday, 7 November 2024

**Agenda item 4. Integrating reporting on the financial and
sustainability performance of entities: Leveraging
digitalization**

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Connectivity between financial and sustainability reporting

UK Endorsement Board

7 November 2024



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Agenda

1. UKEB remit and research into connectivity
2. Connectivity approach and research key findings
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6. UKEB connectivity work

I. UKEB remit and research into connectivity

The UKEB is responsible for the endorsement and adoption of international accounting standards issued by the IASB.

Since mid-2022, the **UKEB** has been tasked with providing views to the ISSB on how the sustainability standards interact with accounting standards, from its perspective as the national standard-setter for international accounting standards.



2. UKEB Connectivity Research: 2023

The UKEB researched trends in climate-related reporting (TCFD)*, analysis of 2022 FTSE Annual Reports** and outreach with investors.

Climate-Related Matters:
Summary of Connectivity
Research

A Study in Connectivity:
Analysis of 2022 UK
Company Annual Reports

Investor outreach for
climate-related risks in
the financial statements

* [Climate-Related Matters: Summary of Connectivity Research](#) (UKEB July 2023)

** [A Study in Connectivity: Analysis of 2022 UK Company Annual Reports](#) (UKEB September 2023)

2. Connectivity research key findings

The UKEB stakeholders did not consider IFRS Accounting Standards deficient but noted a disparity between investor expectations and preparer's ability to disclose potential impacts of climate in the financial statements.

Potential reasons for the disclosure, or non-disclosure, of information in the financial statements	Expected improvements from the use of IFRS Sustainability Disclosure Standards on a mandatory basis	Possible solutions
Misaligned user expectations	Requirements for connected information	Clarification of reporting boundaries
Application of materiality	Disclosure of current and anticipated financial effects	Consistent guidance on application of materiality
Differing reporting time frames	Publication and location alignment	Significant transition support from ISSB and governments

3. Sustainability and financial statement connectivity

FTSE 100: Provider of water and wastewater services integrated Annual Report and Accounts

Accounting Policies: Climate change

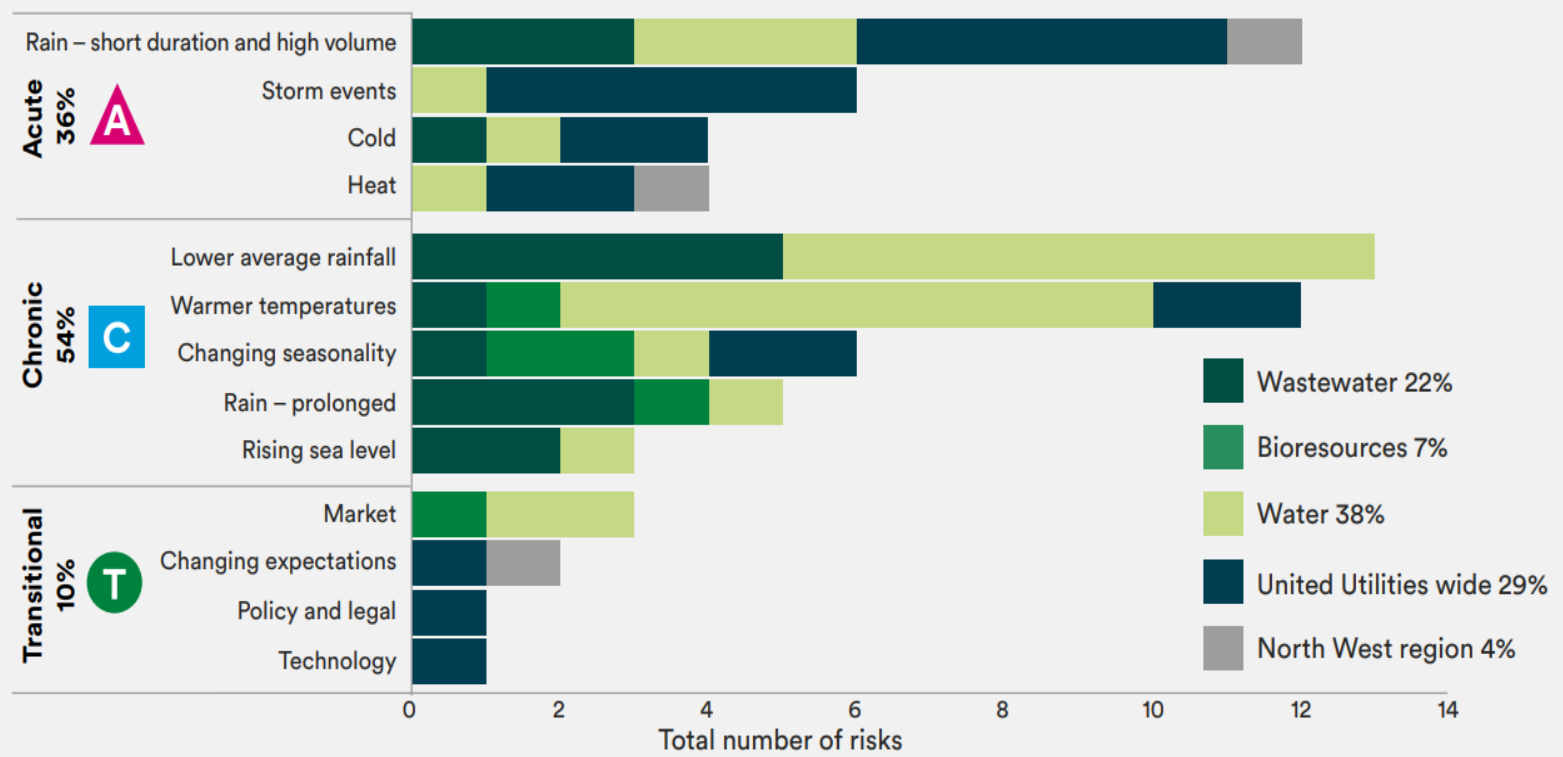
The impact of climate change...has been considered in the preparation of these financial statements and the measurement bases of the assets and liabilities across a number of areas, predominantly in respect of the valuation of the property, plant and equipment held by the group.

Asset life reviews are undertaken regularly for facilities impacted by climate change.... This can result in the acceleration of depreciation or be an indication of potential impairment of assets...No further material accelerations were required in the current financial year...

The group is exposed to potential asset write-downs following flooding resulting from extreme weather events...No such charges were required in the current financial year.

Climate-related risks by climate trend and impacted business area/location

Climate trends are grouped by TCFD risk category. Percentages are out of 72 risks in the climate risk register at April 2024.



3. Sustainability and financial statement connectivity

FTSE 100: Paper and packaging company integrated Annual Report and Accounts

Strategic report

Climate change in our financial statements

The impact of climate change is considered in the estimates of future cash flows used in the impairment assessment of goodwill, as detailed on pages 186–187. Climate change is, as detailed on page 188, included as a factor that impacts the conversion factor used in the assumptions for valuation of the Group's forestry assets and as a factor incorporated into the risk premium applied to mature and immature timber. Climate change was considered in the assessment of fair value of assets and liabilities acquired in business combinations, as detailed on page 202.

The Group accounting policies reflect the impact of climate change considerations in relation to the assessment of the residual values and estimated useful economic lives of property, plant and equipment, as detailed on pages 220–221, and in relation to the accounting policy applied for the valuation of forestry assets and the assessment of goodwill for impairment.

Climate change-related risks and opportunities

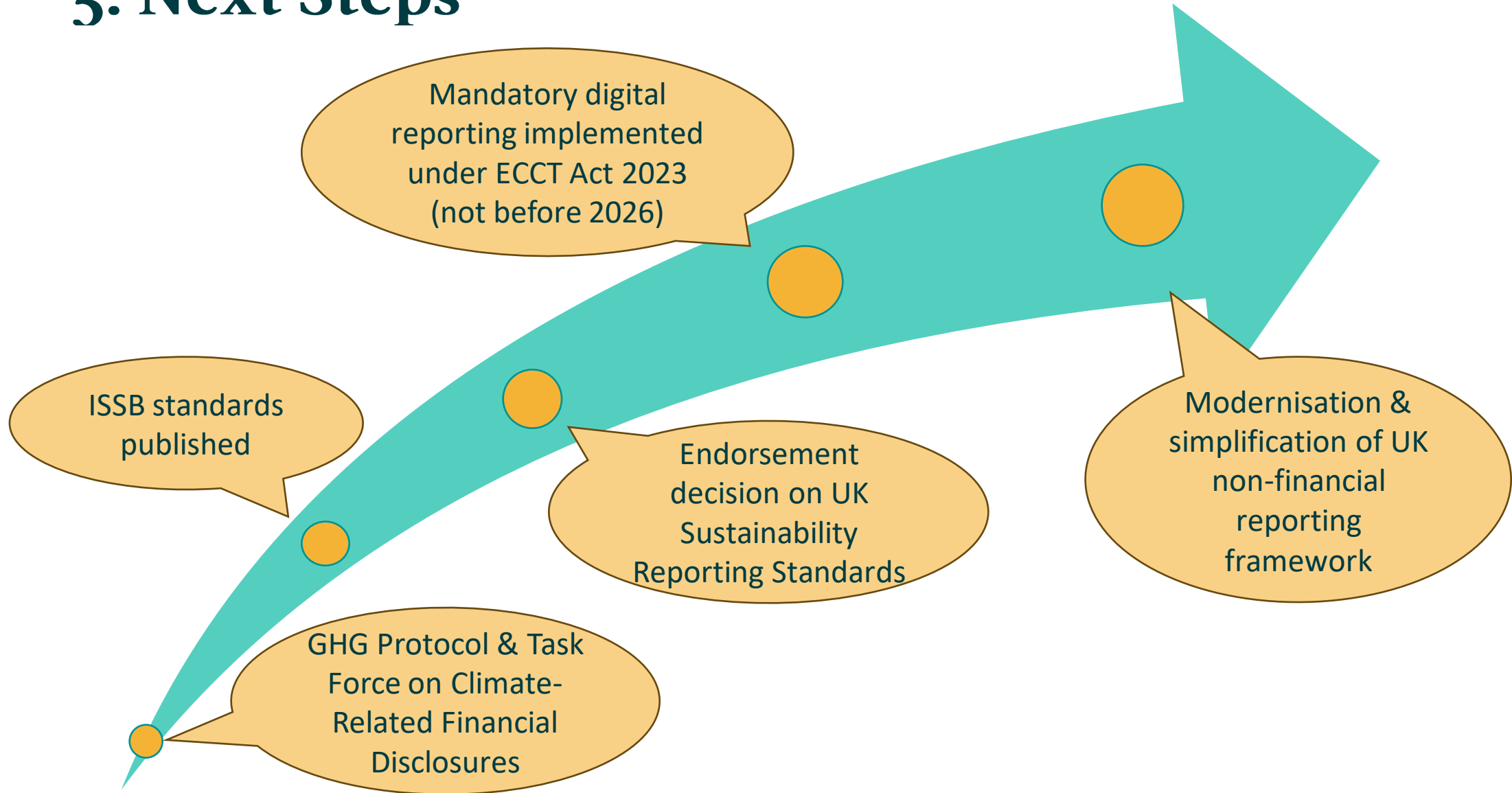
Climate change-related risks		Estimated financial impact (€m)	Timeframe			Scenario sensitivity		
			Short	Medium	Long	1.5°C	2°C	BAU
Physical risks	1. Higher wood procurement costs	90–180				●●	●●●	●●●●
	2. Risk of flooding	15–85				●	●●	●●●●
	3. South African plantation yield loss	15–20				●	●●	●●●
	4. Chronic changes in precipitation	10–15				●	●●	●●●
Transition risks	5. Energy supply costs	60–150				●●●●●	●●●●●	●●
	6. GHG emissions regulatory changes (net impact)	30–85				●●●●●	●●●●●	●●●
	7. Asset impairment risk	10–30				●●●●	●●●	●
Total climate change-related risks		230–565						
Climate change-related opportunities								
1. Changing customer behaviour		120–240				●●●●●	●●●●	●●
2. Reduced operating costs through energy efficiency		15–25				●●●●●	●●●●	●●
3. Sale of by-products		15–20				●●●●●	●●●●	●
Total climate change-related opportunities		150–285						

Anticipated onset of risk or opportunity
 Estimated full impact of risk or opportunity
 High likelihood
 Low likelihood

4. Leveraging digitisation

Existing UK reporting requirement	Digital Reporting	Timeline to mandated digital reporting
Streamlined Energy & Carbon Reporting (SECR)	Voluntary	Economic Crime and Corporate Transparency Act 2023 (not before 2026)
Task Force on Climate-Related Financial Disclosures (TCFD)	Voluntary	Economic Crime and Corporate Transparency Act 2023 (not before 2026)
Financial Reporting	Voluntary	Economic Crime and Corporate Transparency Act 2023 (not before 2026)
Sustainability Reporting	N/A	To be considered following completion of UK endorsement process

5. Next Steps



6. UKEB connectivity work

UKEB connectivity [webpage](#) (scan QR code)

- [A Study in Connectivity: Analysis of 2022 UK Company Annual Reports](#) (September 2023)
- [Climate-Related Matters: Summary of Connectivity Research](#) (July 2023)

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