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Deloitte Boardroom programme
Audit Committee Update

22 September 2025

Today's presenters:

Colm McDonnell
Partner
Deloitte Ireland

Colm is a partner in our Technology & Transformation practice specialising in cyber and risk. Colm leads the Deloitte Boardroom Programme, and the Technology, Media & Telecommunications Industry. He has been a partner in Deloitte since 2007. Colm is on the board of Barretstown Children's Charity and Chairs their Risk & Governance Committee.

Oliver Holt
Director
National Director of Financial Reporting Services

Oliver has been involved in an accounting technical role since 1994, joining Deloitte in 2007. His responsibilities include GAAP (IFRS and Irish/UK) interpretations, accounting technical support and practical application of GAAP in Deloitte Ireland. Oliver also has a lead role in the professional development and updating of partners, staff and clients.

Agenda

Risk | Controls | Assurance | Reporting

Hot topics

Trends

Getting ready - FY 2025 reporting

Accounting standards – what's new?

Corporate Governance Code changes

Sustainability reporting

Hot topics

Hot topics

Market dynamics

Technology

Outsourcing

Sustainability

Fraud

Internal control declaration

Trends

Trends

- Expanding remit
- Artificial Intelligence
- Meetings
- Cross committee dynamic
- Oversight plus foresight
- Succession

Trends, continued

Risk | Controls | Assurance | Reporting

Audit committee papers – (as with all Board papers) there is too much by volume and it is growing!

A memo drafted by David Ogilvy for the management to circulate as they saw fit:

September 7, 1982

How To Write

The better you write, the higher you will go in Ogilvy & Mather.
People who *think* well, *write* well.

Good writing is not a natural gift. You have to *learn* to write well.
Here are 10 hints:

(1) Read the Roman-Raphaelson book on writing.* Read it three times.
(2) Write the way you talk. Naturally.
(3) Use short words, short sentences and short paragraphs
(4) Never use jargon words like *reconceptualize, demassification, attitudinally, judgmentally*. They are hallmarks of a pretentious ass.
(5) Never write more than two pages on any subject.
(6) Check your quotations.
(7) Never send a letter or a memo on the day you write it. Read it aloud the next morning—and then edit it.
(8) If it is something important, get a colleague to improve it.
(9) Before you send your letter or memo, make sure it is crystal clear what you want the recipient to do.
(10) If you want ACTION, *don't write*. Go and tell the guy what you want.

David

Ogilvy

*Writing That Works, Harper & Row, 1981

Facebook.com/Ogilvy

Getting ready for reporting on FY2025

Getting ready – 2025 reporting

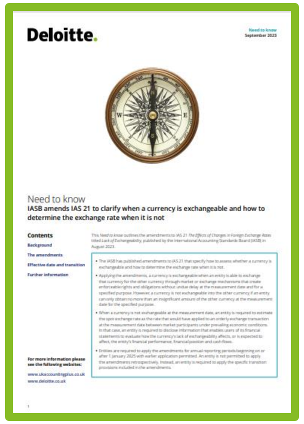
Accounting standards – what's new for 2025?

Amendment

Effective for accounting periods beginning on or after 1 January 2025

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)

- See Deloitte Need to Know publication:



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Need to know
September 2023

Need to know
IASB amends IAS 21 to clarify when a currency is exchangeable and how to determine the exchange rate when it is not

Contents

Background

The amendments

Effective date and transition

Further information

This *Need to know* outlines the amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* titled *Lack of Exchangeability*, published by the International Accounting Standards Board (IASB) in August 2023.

- The IASB has published amendments to IAS 21 that specify how to assess whether a currency is exchangeable and how to determine the exchange rate when it is not.
- Applying the amendments, a currency is exchangeable when an entity is able to exchange that currency for the other currency through market or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose. However, a currency is not exchangeable into the other currency if an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose.
- When a currency is not exchangeable at the measurement date, an entity is required to estimate the spot exchange rate as the rate that would have applied to an orderly exchange transaction at the measurement date between market participants under prevailing economic conditions. In that case, an entity is required to disclose information that enables users of its financial statements to evaluate how the currency's lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position and cash flows.
- Entities are required to apply the amendments for annual reporting periods beginning on or after 1 January 2025 with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

For more information please see the following websites:

www.ukaccountingplus.co.uk
www.deloitte.co.uk

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Getting ready – 2025 reporting

Accounting standards – what's new for 2025? continued

IFRIC agenda decisions – a selection

Volume 11

- Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8) July 2024

Volume 12 includes

- Guarantees Issued on Obligations of Other Entities (IFRS 9, 15, 17; IAS 37) April 2025
- Recognition of Intangible Assets from Climate-related Expenditure (IAS 38) April 2025

All IFRS-IC agenda decisions by date: here

Decisions in the pipeline:

- Determining and Accounting for Transaction Costs (IFRS 9)
- Embedded Prepayment Option (IFRS 9)
- Updates to Committee's agenda decisions for IFRS 18

New Standards and amendments for 2026 and beyond

Two IFRSs and a number of amendments in issue not yet mandatorily effective but EU endorsed so available for early adoption:

1 January 2026:

- Annual Improvements Volume 11 (issued on 18 July 2024)

- Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7 (issued on 18 December 2024)

- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024)

Contracts Referencing Nature-dependent Electricity—Amendments to IFRS 9 and IFRS 7

Scope

An entity can apply the amendments to a contract for renewable energy with the following characteristics:

1. Source of production is **nature dependent**; and
2. Exposes purchaser to substantially all of the risk, i.e. "**Pay as Produced**"

Requirements

Own-use exemption

To assess if in scope of the amendments, an entity must consider:

1) Purpose of design and structure of the contract; and
2) Reasons for past and expected sale of unused electricity

Sale of renewable energy is in accordance with entity's 'own use' if:

- the sale is as a result of **volume risk**;
- the entity does not have the practical ability to determine timing or price of sale; and
- the entity expects to **buy back** an equivalent of the volume sold **within a short period of time**.

Hedge accounting

Permitted to designate a variable volume if:

(1) **hedged item is specified as the variable volume to which the PPA relates**; and
(2) **the variable volume of forecast electricity transactions do not exceed the volume of future electricity transactions that are highly probable.**

For suppliers, the forecasted sales are not required to be highly probable if the hedging instrument relates to a proportion of the renewable electricity sales from the production facility referenced in the PPA.

Disclosures

Disclose information that enables users of its financial statements to understand the effects these contracts have on the amount, timing and uncertainty of its future cash flows and on its financial performance, including:

- Contractual features that expose the entity to:
    - Variability in the underlying amount of electricity
    - The risk that entity would be required to buy electricity during a delivery interval in which it cannot use it
- Information on unrecognised commitments arising from such contracts:
    - Estimated future cash flows from buying electricity (judgement to be applied on time bands)
    - Qualitative information about how the entity assesses whether a contract might become onerous
- Qualitative & quantitative information on the effects of entity's financial performance including:
    - Costs arising from purchases of electricity made under contracts and how much unused
    - Proceeds arising on sale of unused electricity
    - Costs arising on purchases to offset sale of unused electricity

Contracts Referencing Nature-dependent Electricity—Amendments to IFRS 9 and IFRS 7, continued

Effective dates and transition; links

Effective date and transition:

- The amendments are effective for annual reporting periods beginning on or after 1 January 2026. Early application is permitted.
- The amendments shall be applied retrospectively; prior periods need not be restated to reflect the application of the amendments.
- These amendments are EU endorsed and therefore available for early adoption.

Useful links to refer:

- IASB finalises amendments to IFRS 9 and IFRS 7 regarding power purchase agreements
- IASB press release
- UK Accounting Plus project page on Power purchase agreements
- Actual text of amendments on DART (subscription required)

New Standards and amendments for FY2026 and beyond, continued

Two IFRSs and a number of amendments in issue not yet mandatorily effective, continued:

1 January 2027:*

- IFRS 18: IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024)+

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Need to know

- IFRS 19: Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024)

Deloitte.

Need to know

And more to come….. IASB have several projects in progress: https://www.ifrs.org/projects/work-plan/#research-and-standard-setting

*not yet EU endorsed (as of 22 September 2025) and so not yet available for early adoption

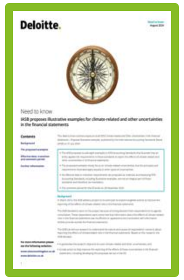
+ Deloitte IFRS 18 e-learn issued June 2025 here

Climate-related uncertainties in the financial statements

Illustrative examples in the pipeline – climate uncertainties

- No effective date on publication but expectation of sufficient time being allowed to implement any changes to the information disclosed in its financial statements as a result of the issuance of the illustrative examples.

- 16 June 2025: IASB decided to publish a near-final draft of the examples early in the third quarter of 2025 see here and the final document in October 2025.



List of illustrative examples

Example 1—Materiality judgements applying paragraph 31 of IAS 1 [paragraph 20 of IFRS 18]

Example 2—Disclosure of assumptions: specific requirements

Example 3—Disclosure of assumptions: general requirements

Example 4—Disclosure about credit risk

Example 5—Disclosure about decommissioning and restoration provisions

Example 6—Disclosure of disaggregated information

- IASB project page here.

FRS 101 Reduced Disclosure Framework

FRS 101 Reduced Disclosure Framework

Current version: FRS 101 Reduced Disclosure Framework (September 2024) PLUS annual review (see below)

Main changes from previous 2022 version:-

- Certain disclosure exemptions added:
  - Pillar 2
  - certain comparative information about right-of-use assets,
  - conditional exemption for qualifying entities in respect of certain disclosures about supplier finance arrangements required by IAS 7 Statement of Cash Flows.

Annual review:
– May 2025: 2024/2025 cycle amendments published here
– replaces references to IAS 1 with references to IFRS 18, and new exemptions are provided from some new requirements in IFRS 18, including those that require disclosure in relation to management-defined performance measures

- Prohibits a qualifying entity applying FRS 101 from adopting IFRS 19 (when endorsed) – FRC Explainer
- No amendments are required to FRS 101 in respect of Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7 or Annual Improvements to IFRS Accounting Standards—Volume 11.

Irish GAAP update – FRS 102

- FRS 102 - Current edition: January 2022 (plus Pillar 2 amendment) – applies to 2024 calendar year-ends
- For 2025: supplier finance arrangements disclosures required
- FRS 102 (September 2024): years beginning 1 January 2026: IFRS 15/16 and other changes eg grandfathering IAS 39
- Updated FRC Staff factsheets for revised FRS 102 (September 2024) issued 27 November 2024. Factsheets applicable to FRS 102 (January 2022) here. Two further factsheets issued September 2025 on presentation and going concern here.

Other matters

Other matters

Library of 42 FRC thematic reviews (from 2011) here

FRC thematic review Offsetting in the financial statements 5 Sep, 2024

FRC updated guidance on going concern issued February 2025 here

Updated "Going concern—A focus on disclosure" educational material available on the IFRS Foundation's website. 13 May 2025

IAASA – accounting enforcer publications – see next slide

see next slide

IAASA – corporate reporting supervision

Date	Publications since last update	Link
September 16, 2025	Sustainability-linked financing – desktop examination	See more
June 17, 2025	Financial reporting enforcement activities: 2024 & 2023	See more
June 10, 2025	Publication of financial reporting decisions – Kingspan Group plc	See more
May 13, 2025	Consultation Paper – Proposed Revisions to and Update of Publication Policy Paper	See more
April 8, 2025	Publication of financial reporting decision – Glanbia plc	See more
March 18, 2025	Publication of financial reporting decision – Kenmare Resources plc	See more
January 21, 2025	Outcome of financial statement examinations completed in 2024	See more
September 3, 2024	IFRS 18 Presentation and Disclosure in Financial Statements	See more

IAASA Audit Committee Briefing 2025

8:30am – 12 noon, Wednesday 22nd October, at Chartered Accounts Ireland, 47/49 Pearse St, Dublin 2.
In-person and live streamed event – register here.

IAASA, continued

June 17, 2025: One page overview published: Financial reporting enforcement activities: 2024 & 2023

Of the 79 (2023: 88) issuers within IAASA's remit, they examined 33 (2023: 43) of their financial statements and raised 84 (2023: 82) matters leading to 65 (2023: 56) voluntary undertakings:

Matters most frequently raised with issuers	2024	2023	
1. Transparency Directive Regulations	**13**	14	↓
2. IFRS 7 *Financial Instruments: Disclosures* & IFRS 9 *Financial Instruments*	**9**	11	↓
3. IAS 1 *Presentation of Financial Statements*	**8**	7	↑
4. Alternative Performance Measures	**7**	5	↑
5. IFRS 8 *Operating Segments*	**7**	8	↓

Reminder: Country by Country - public reporting commencement for FY'25

The European Union (Disclosure of Income Tax Information by Certain Undertakings and Branches) Regulations 2023

22 June 2024 – commencement date – financial years beginning or after 22 June 2024 for The European Union (Disclosure of Income Tax Information by Certain Undertakings and Branches) Regulations 2023 (S.I. No 322 of 2023). Regulation 1(3) provides:

> (3) .... obligation shall apply in relation to financial years beginning on or after 22 June 2024.

The regulations transposed into Irish law Directive (EU) 2021/2101 of the European Parliament and of the Council of 24 November 2021 amending Directive 2013/34/EU as regards **disclosure of income tax information by certain undertaking**s and branches.

Within 12 months after the balance sheet date concerned, requires most groups/entities with net turnover >€750m to publish (to their website or the CRO) details of several matters (including turnover, profit and tax) on a country-by-country basis. The information is to be maintained in the public domain for at least 5 years.

Deloitte tax and legal briefing here (22 June 2023)

Deloitte UK Firm publications

[Corporate Reporting Insights 2025]

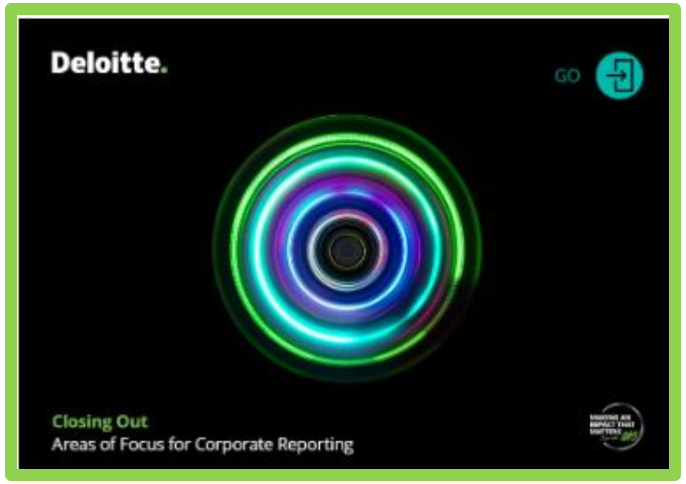
- Theme based – published throughout the year
- Click [here] to sign up for future updates

Corporate Reporting Insights 2024

Closing Out (Updated July 2025)
24 July 2025

This update is designed to help December period-end and later reporters.

As well as covering the FRC's 2023/24 annual review, the FRC's recent thematic review of Climate-related Financial Disclosures and its revised Going Concern guidance, the publication includes updated guidance on the impact of tariffs, the Virgin Media pensions case and provides an overview of the UK government consultations on draft UK Sustainability Reporting Standards and other measures intended to modernise the UK's framework for corporate reporting.



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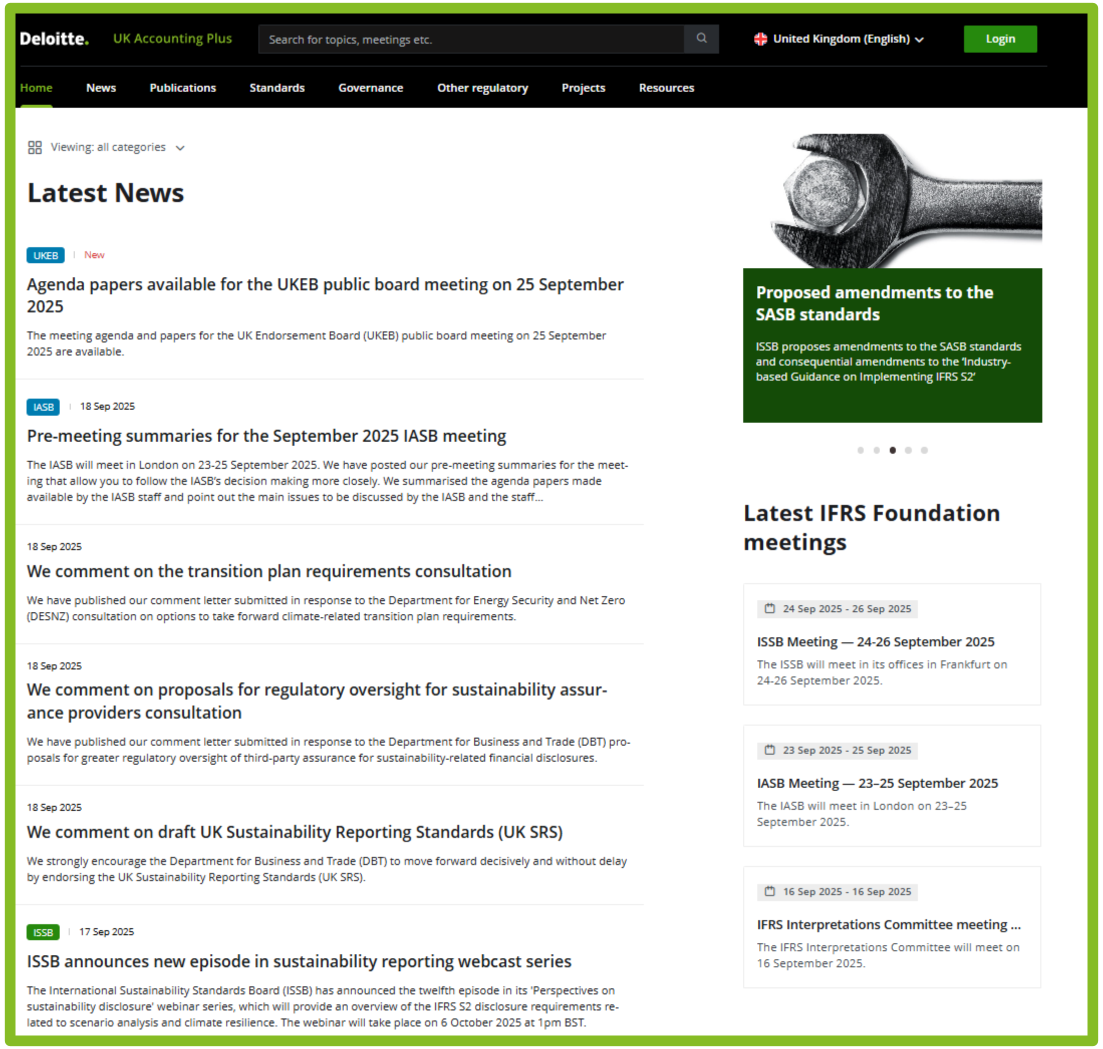
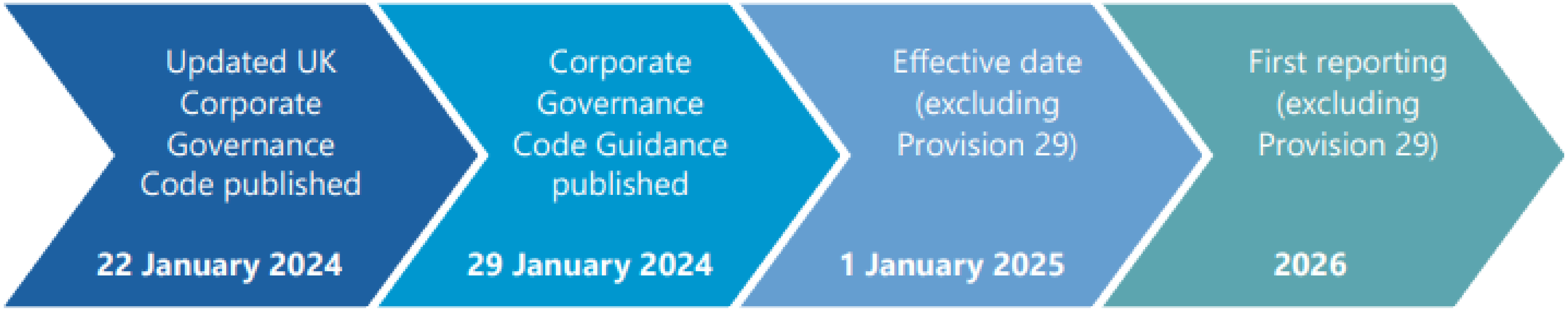
IFRS e-learning



Corporate Governance Code changes

UK Corporate Governance Code - update



UK Code:

Seen in Ireland in companies within scope of listing rules and voluntarily by some large corporates

- For 2024 reporting on a comply or explain basis was against the 2018 Code
- For periods commencing 1 January 2025 reporting is against the 2024 Code
- Revised provision 29 (reporting on internal controls effectiveness) applies for reporting periods commencing from 1 January 2026

Key changes between 2018 and 2024 Code overleaf

Key changes UK Code 2018 v 2024

Section 1 – Board leadership and company purpose	Effective Date
New: **Principle C.** Governance reporting should focus on board decisions and their outcomes in the context of the company's strategy and objectives. Where the board reports on departures from the Code's provisions, it should provide a clear explanation.	1 January 2025
Provision 2 has been amended to include that boards should not only assess and monitor culture, but also how the desired culture has been embedded.	1 January 2025

Section 3 – Composition, succession and evaluation	Effective Date
Principle J has been amended to promote diversity, inclusion and equal opportunity, without referencing specific groups. The list of diversity characteristics has been removed to indicate that diversity policies can be wide ranging.	1 January 2025
Provision 23 has been amended to reflect the fact that companies may have additional initiatives in place alongside their diversity and inclusion policy.	1 January 2025
References to 'board evaluation' have been changed to 'board performance review'.	1 January 2025

Key changes UK Code 2018 v 2024, continued

Section 4 – Audit, risk and internal control	Effective Date
Principle O has been amended to make the board responsible not only for establishing, but also for maintaining the effectiveness of, the risk management and internal control framework.	1 January 2025
Provision 25 and Provision 26 have been updated to reflect the Minimum Standard: Audit Committees and the External Audit, and duplicative language has been removed.	1 January 2025
New: **Provision 29.** The board should monitor the company's risk management and internal control framework and, at least annually, carry out a review of its effectiveness. The monitoring and review should cover all material controls, including financial, operational, reporting and compliance controls. The board should provide in the annual report: • A description of how the board has monitored and reviewed the effectiveness of the framework; • A declaration of effectiveness of the material controls as at the balance sheet date; and • A description of any material controls which have not operated effectively as at the balance sheet date, the action taken, or proposed, to improve them and any action taken to address previously reported issues.	1 January 2026

Key changes UK Code 2018 v 2024, continued

Section 5 – Remuneration	Effective Date
Provision 37 has been amended to include that Directors' contracts and/or other agreements or documents which cover director remuneration should include malus and clawback.	1 January 2025
New: **Provision 38** asks companies to include in the annual report a description of its malus and clawback provisions. Including: • The circumstances in which malus and clawback provisions could be used: • A description of the period for malus and clawback and why the selected period is best suits to the organisation; and • Whether the provisions were used in the last reporting period. If so, a clear explanation of the reason should be provided in the annual report.	1 January 2025

Source: https://media.frc.org.uk/documents/UK_Corporate_Governance_Code_2024_Key_Changes.pdf

Changes to Provision 29 (from 1 January 2026)

Provision 29 – 2018 Code	Provision 29 – 2024 Code
The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.	The board should monitor the company's risk management and internal control framework and, at least annually, carry out a review of its effectiveness. The monitoring and review should cover all material controls, including financial, operational, reporting and compliance controls. The board should provide in the annual report: • A description of how the board has monitored and reviewed the effectiveness of the framework; • a declaration of effectiveness of the material controls as at the balance sheet date; and • a description of any material controls which have not operated effectively as at the balance sheet date, the action taken, or proposed, to improve them and any action taken to address previously reported issues.

Preparations for Provision 29

Companies are preparing for the new Provision 29 by:

- Updating the boards and its committees on the changes
- Utilising and building on current governance structures and processes
- Reviewing and enhancing internal control frameworks
- Identifying material controls
- Carrying out a dry run of the process

Getting the most out of your dry run

THE BUILDING BLOCKS

Definition of material controls	Measure of effectiveness	Assurance plan	Board monitoring & review activity	Framework for the disclosure

An effective dry run process should help you to confirm or identify issues with:

- The material control definition/population
- What will count as a material control not operating effectively (taking into consideration the performance of a network of supporting controls)
- Sufficiency of evidence/assurance for the board to be comfortable to make the declaration
- Sufficiency of documentation/assurance for the auditors to be comfortable with the content of the proposed declaration subject to their responsibilities
- How well the proposed disclosure explains the approach and the conclusion

Reporting on the effectiveness

To avoid confusion and ambiguity, companies should avoid using general language such as:

"The board (or a relevant committee) reviews the effectiveness of risk management and internal control systems."

Disclosures should make it easy and clear for the reader to understand that the board has carried out a review. Good reporting includes:

- Information on who carried out the review
- The units and individuals consulted with and what information was provided to the board or relevant committee.
- Where relevant, the recognised framework, standard, or guidelines the board used to assess effectiveness.
- Reporting may also explain which material controls were considered and from where the information on these controls was sourced.
- While not a requirement or expectation in the Code, companies may also include any internal or external assurance received.

Explaining the auditors' approach to the new declaration - matters for audit committees to consider

No specific new auditor responsibility

Auditor focus will be on whether the information is materially consistent with their knowledge

That knowledge will include an assessment of the strength of the overall risk and control environment

The auditors should have a view on the effectiveness of the identified material financial reporting controls based on audit procedures

For other material controls the auditors will only review for consistency with their knowledge

A substantive audit is not necessarily an indicator of an ineffective control environment

Explaining the auditors' approach to the new declaration - what this means in practice

The overall population of material controls

Auditors will need to understand the process which supports the board making the declaration

Material entity level controls relevant to the audit

- Controls testing will have been undertaken for any material entity level controls relevant to the audit
- Auditors will want to understand and confirm consistency of the view on operating effectiveness of these controls

Material financial reporting controls

- Any significant differences between the relevant financial reporting controls identified for the purposes of the audit and the material financial reporting controls will need to be discussed and understood
- Controls testing will be undertaken for all relevant controls for the audit to confirm consistency of the view on operating effectiveness

Other material controls

- Auditors will need to understand the process to determine the population of material controls to confirm consistent with their knowledge of the business obtained from the audit

The Irish Corporate Governance Code

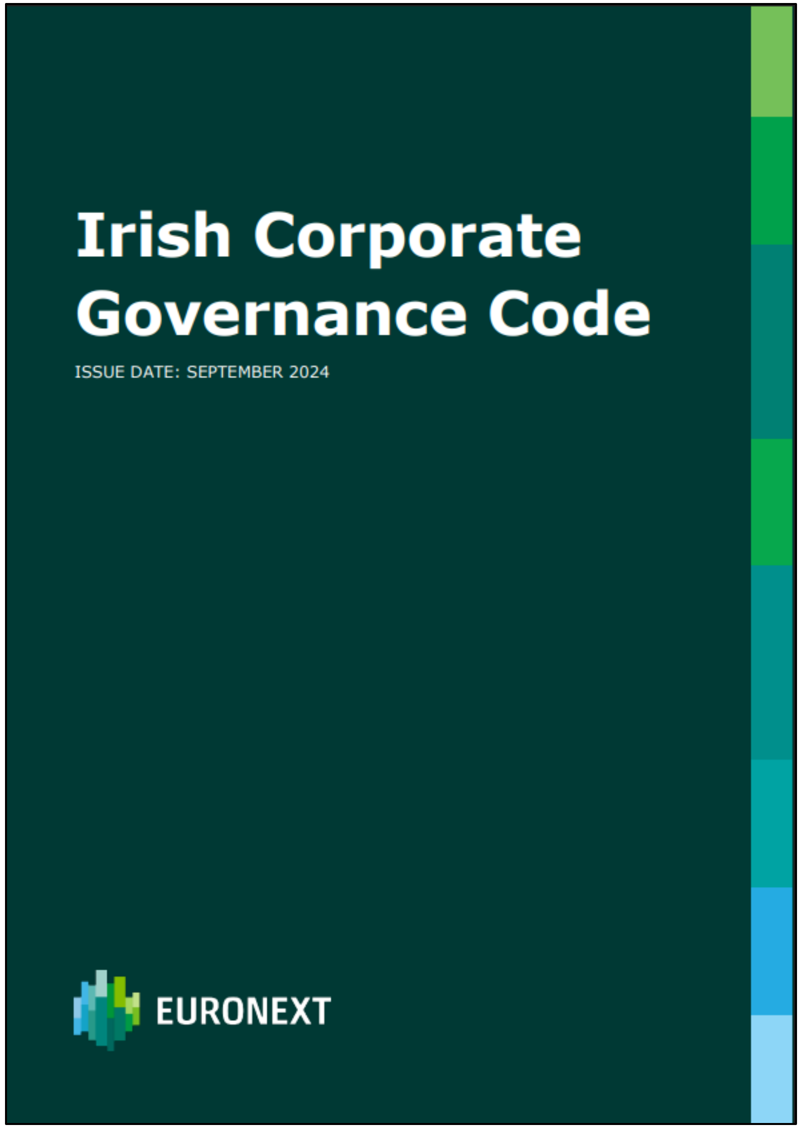
Click image to download PDF copy from Euronext website

Euronext assessed UK Code for relevance and appropriateness for the Irish market

Applies for financial years commencing on or after 1 January 2025 to Irish incorporated companies with an equity listing on Euronext Dublin

Dual listed companies have option to apply the UK Code

Report on application of principles and comply or explain against provisions



The Irish Corporate Governance Code, continued
Areas of divergence

Shareholder Engagement: The threshold for addressing shareholder votes against a board recommendation under the Code is 25% (compared to 20% under the UK Code) to align with the threshold for special resolutions under the Companies Act 2014. The Code requires that the board detail the engagement process undertaken to consult with shareholders, but the requirement for publication of a six-month shareholder update under the UK Code is not included.

Key Stakeholders: The board should describe in the annual report how the views of stakeholders and the interests of the company have been considered in board discussions and decision-making. The board should also explain the arrangements in place for engagement with the workforce together with a requirement to review its Speaking Up policy, however the prescribed method of engagement with the workforce under the UK Code is not included.

Director Independence: The criteria likely to impair a director's independence from being an employee of the company refer to "within the last three years" (the UK Code refers to the last five years).

Role of Company Secretary: The Code includes more information to reflect the role of the company secretary in corporate governance, noting that information flow within the board and its committees and between management and non-executive board members is under the direction of the chair.

The Irish Corporate Governance Code, continued
Areas of divergence

Board Skill, Knowledge & Experience: The Code provides that the nomination committee should use the results of the board performance review to identify and prepare a description of the skills, knowledge and experience required on the board as part of the appointments and succession planning process. Where the requisite skills and expertise are not available on the board, the board should ensure that it has access to such expertise and skills.

Diversity & Inclusion Policy: The company should have a diversity and inclusion policy regarding gender and other aspects that are of relevance to the company, which includes measurable objectives, and it should be reviewed annually.

Audit Committee: At least one member of the audit committee should have "competence in accounting or auditing" (rather than "recent and relevant financial experience" under the UK Code). The role of the audit committee includes monitoring the "corporate reporting process" (rather than the "financial reporting process" under the UK Code).

Risk & Internal Controls: See next slide

Remuneration: Share awards should be subject to a minimum vesting period of three years (compared to five years under the UK Code). The Code provides that a description of a company's malus and clawback provisions be included in the annual report, however it does not include the new UK Code Provision 38 on malus and clawback, as Euronext Dublin believes that it is too prescriptive.

Source: https://www.arthurcox.com/insights/introduction-of-irish-corporate-governance-code/

The Irish Corporate Governance Code, continued
Areas of divergence

Reporting on internal control effectiveness

- Irish Code wording reflects 2018 provision 29 wording with the addition of "reporting controls" (and, otherwise, not the 2024 UK Code wording):

30. The board should monitor the company's internal control and risk management systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational, reporting and compliance controls.

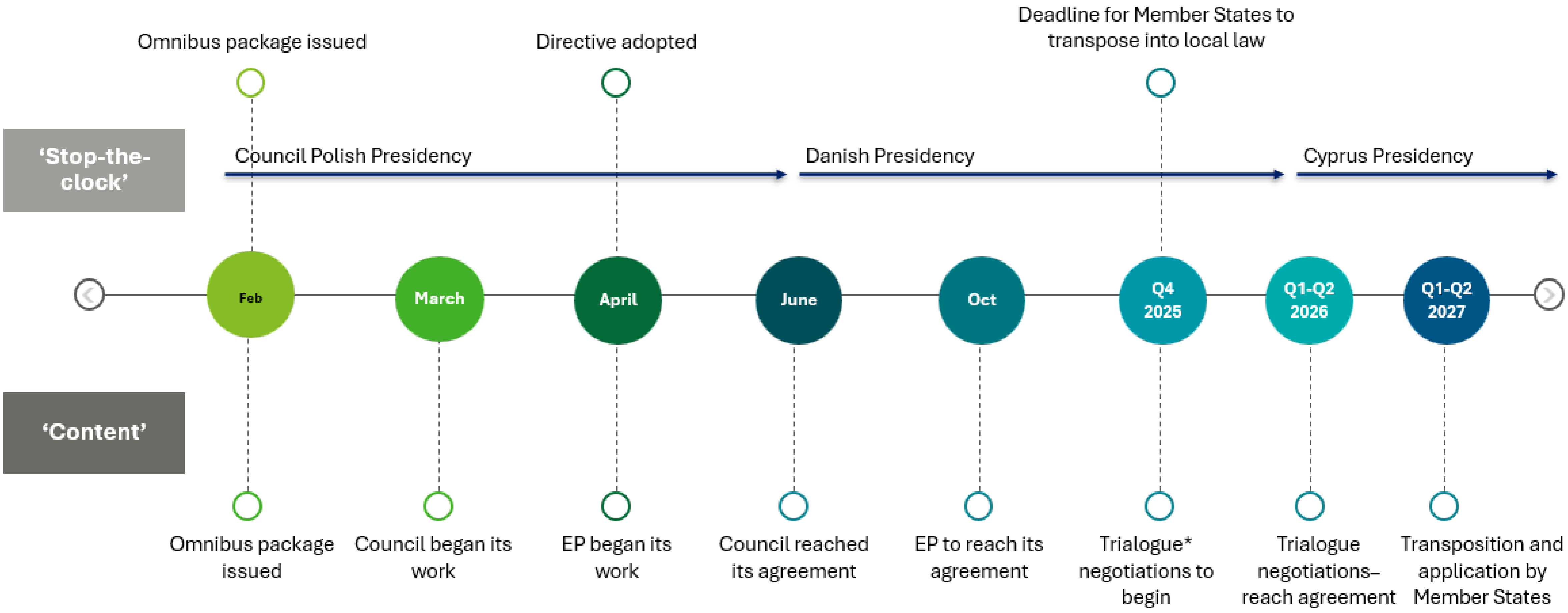
Risk & Internal Controls: This wording of this provision aligns with the Companies Act 2014 by referring to "internal control and risk management systems". The new provision in the UK Code, requiring more prescriptive disclosures regarding the risk management and internals controls, is not included.

Source: https://www.arthurcox.com/insights/introduction-of-irish-corporate-governance-code/

Sustainability reporting – latest developments EU

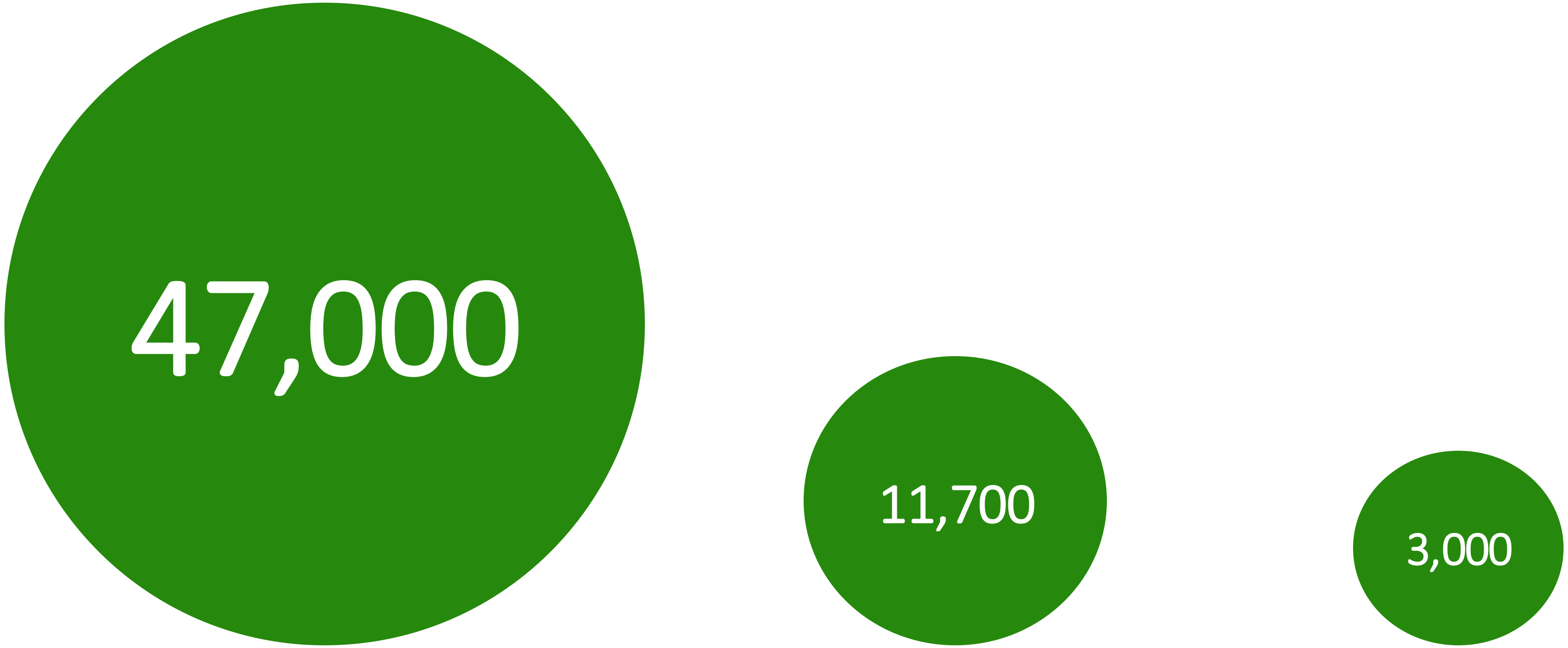
Omnibus time-line

EU legislative process – tentative timeline



*Trialogue negotiations = EU Commission (EC), Council, and European Parliament (EP)

Effect of different thresholds on number of entities in scope of CSRD



CSRD

EC Omnibus proposal

(Large companies with >1,000 employees)

EU Parliament JURI report

(3,000 employees and >EUR 450m net turnover)

Source: Accountancy Europe: [Views on CSRD scope reduction: omnibus proposal - Accountancy Europe]

ESRS: approach to simplification proposed by EFRAG

EFRAG: 2 page PDF summary here

Mandatory datapoints -57%

All datapoints (mandatory and voluntary) -68%

Overall length of standards -55%

1. Simplification of Double Materiality Assessment (DMA)
2. Better readability / conciseness of the sustainability statements
3. Modification of the relationship between Minimum Disclosure Requirements (MDR) and topical standards
4. Improved understandability, clarity and accessibility of ESRS
5. Introduction of other suggested burden-reduction reliefs
6. Enhanced interoperability

Sustainability reporting – latest developments UK

Three UK government consultations on sustainability reporting and assurance

Phased approach to modernising the UK's framework for corporate reporting

Draft UK Sustainability Reporting Standards (UK SRS):

Based on ISSB Sustainability Disclosure Standards IFRS S1 and S2

Transition plans:

Possible implementation routes for climate-related transition plan requirements

Sustainability assurance:

Proposals for voluntary registration and oversight regime for assurance of sustainability-related financial disclosures

UK Taxonomy:

The UK government has concluded that it will not develop a UK Green Taxonomy

UK sustainability reporting standards
Proposals

Overview:

UK government has issued two draft UK Sustainability Reporting Standards:

- **UK SRS S1 General requirements for disclosure of sustainability-related financial information**
- **UK SRS S2 Climate-related disclosures**

The draft UK standards are based on IFRS S1 and S2 and **incorporate** the four pillars and recommended disclosures of the **Taskforce for Climate-related Financial Disclosures (TCFD)** framework. The following **six small amendments** are proposed:

- sustainability disclosures **required to be published at the same time as financial statements from the start**
- **extended 'climate-first' approach transition relief** to two years
- **removal of requirement to use the Global Industry Classification Standard (GICS)** for financed emissions disclosures
- **removal of the 'effective date'** clauses
- references to Sustainability Accounting Standards Board (SASB) materials amended such that entities "may" refer to SASB **materials rather** than "shall"
- starting point from which transition reliefs apply linked to the introduction of mandatory reporting requirements in the UK.

This consultation did not seek views on the scope or timing of reporting under UK SRS (to be considered separately)

UK sustainability reporting standards – next steps
Transition to UK SRS

The proposed 'climate' first transition relief under draft UK SRS S1 alongside the one-year relief from disclosing scope 3 greenhouse gas emissions under draft UK SRS S2 results in the following information:

Year 1	Climate-related risks and opportunities except scope 3 emissions
Year 2	All climate related risks and opportunities including scope 3 emissions
Year 3	Climate-related risks and opportunities, scope 3 emissions, and wider sustainability risks and opportunities

UK sustainability reporting standards – next steps

Next steps

Next steps:

- UK government to make final endorsement decision on UK SRS and will make the standards available for use on a voluntary basis

- The UK's Financial Conduct Authority (FCA) will consult on updating UK Listing Rules to require reporting under UK SRS (replacing TCFD reporting requirement)

- UK government to consult separately on introducing requirements under UK company law for 'economically significant entities' to report against UK SRS

Resources:

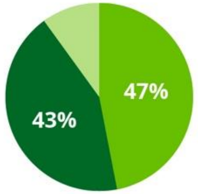
- Need to know – UK government consults on draft UK Sustainability Reporting Standards

Corporate Reporting Insights series

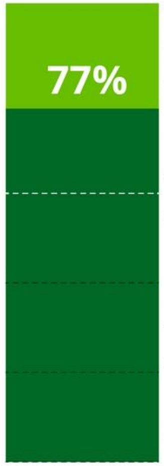
How ready are UK companies for climate-related reporting under UK SRS?

63% of companies referred to UK SRS or ISSB and **7%** of companies specifically stated that ISSB standards had been taken into consideration when preparing current year disclosures

All companies identified the board, and/or board level committee, as having responsibility for climate and/or sustainability matters



47% of companies included disclosures identifiable as plans to transition to a low-carbon economy and an additional **43%** provided some, but more limited information



77% of companies included some information on the potential impact of climate-related issues on their financial performance and position with nearly three-quarters of those companies providing qualitative information only

All companies had at least one climate-related target which always included a Scope 1 and 2 GHG emissions reduction target; **80%** of companies also included some Scope 3 GHG emission reduction targets

90% of companies obtained external assurance over selected sustainability reporting metrics

Preparing for UK SRS
Actions to take

Actions to take

- Perform an analysis between the requirements in draft UK SRS S1 and UK SRS S2 and your current climate-related disclosures to identify any gaps and opportunities for improvement.
- Focus on **strengthening sustainability reporting-related governance, data, processes and controls**
- Continue to **develop credible transition plans**, for example, creating a net zero roadmap and establishing a detailed climate action plan
- Assess the draft UK SRS S2 requirements related to climate resilience and use this to **further develop the company's approach to climate scenario analysis**
- Collaborate with suppliers to enhance the quality and completeness of Scope 3 data, including the timeliness of in-year data availability for reporting in the Annual Report

For the full report, and other surveys in this Corporate Reporting Insights series, visit the Corporate Reporting Insights webpage

Questions

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