Department for Business & Trade

Exposure draft of UK Sustainability Reporting Standards: UK SRS S1 and UK SRS S2

Consultation

25 June 2025

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1. Developing a disclosure and assurance framework for sustainability-related financial disclosures

Introduction

1.1. Making the transition to an economy that is climate resilient and sustainable is essential for long-term economic growth. One of the 5 missions of this government is to make the UK a clean energy superpower – delivering clean power by 2030 and accelerating to net zero. This will support growth through the creation of hundreds of thousands of good jobs across the UK and protect our economy from the future price shocks that reliance on fossil fuels creates, while delivering a range of social and health benefits.

1.2. Within this context, the government has set out its ambition for the UK to be the world leader in sustainable finance. This includes delivering a regulatory framework to support sustainable growth and enable the private sector to realise the opportunities of the transition. According to Bloomberg New Energy Finance (BNEF), the UK will need to see £130 billion of total investment into the transition each year on average to 2050 to stay on track for their Net Zero Scenario the majority of which will need to come from the private sector.[1] This is over double the 2024 level of low carbon investment.[2] To meet this investment gap, government, regulators and industry will need to work in partnership, to put in place the policy and legal frameworks to support investment decisions. An important objective of this work is to deliver decision-useful and credible information about sustainability and climate-related financial risks and opportunities to investors. This is also fundamental to building and promoting secure and sustainable growth.

1.3. As part of the Mansion House package in November 2024, HM Treasury (HMT) set out the steps that government is taking to strengthen the UK's attractiveness as a destination for inward investment and as a centre for sustainable finance.[3] This included a consultation seeking views on the development of a UK Green Taxonomy[4] and acted on a recommendation from the Transition Finance Market Review by co-launching the Transition Finance Council with the City of London Corporation. In addition, the government is taking forward measures to enhance integrity and trust in the sustainability-related information produced for financial markets. HMT has published draft legislation regarding the regulation of ESG (environmental, social and governance) ratings providers,[5] while the Department for

[1] DESNZ analysis of Bloomberg New Energy Finance's (BNEF) New Energy Outlook dataset (2024).
[2] DESNZ analysis of Bloomberg New Energy Finance's (BNEF) Energy Transition Investment dataset (2025).
[3] GOV.UK: Mansion House 2024 collection.
[4] GOV.UK: UK Green Taxonomy consultation.
[5] GOV.UK: Future regulatory regime for Environmental, Social, and Governance (ESG) ratings providers consultation.

Energy Security and Net Zero is consulting on the implementation of integrity principles for voluntary carbon and nature markets.[6]

1.4. Alongside this work, the government is committed to delivering decision-useful sustainability-related financial information to the financial markets. It is a well-established principle that investors need rigorous and comparable financial information regarding the future prospects of the companies in which they invest. As an extension of this principle, the government is keen to ensure that investors have information they need to make informed decisions about the sustainability-related risks and opportunities that would reasonably be expected to affect an entity's financial prospects. At present, requirements are already in place through climate-related disclosure obligations introduced in 2022. Reflecting significant international developments in recent years, the government is considering how to build on those requirements to create an enhanced regime for sustainability-related financial disclosures that is fit for the future.

1.5. The development of an enhanced UK sustainability disclosures regime will support the government's ambitions for long-term sustainable growth, creating greater awareness across the economy regarding the systemic risks that market participants face and how they should be managed. At the same time, for regulation to be effective, government must actively consider the needs of businesses and the impacts of regulation upon them. Reporting entities require time to put in place processes and systems to disclose information, while the UK's legal frameworks and organisational structures require modernisation to reflect changes in reporting and assurance practices. In addition, the government is keen to ensure that future requirements fit together in a coherent, proportionate and cost-effective manner. This is aligned with the objectives of the government's ongoing wider review of non-financial reporting, which aims to streamline and modernise the UK's currently complex legal framework, contributing to the government's ambition to reduce the costs of regulation for business by 25%[7]. As a result, the government's focus when designing a future regulatory regime is limited to those economically significant entities where there is likely to be strong public and investor interest.

1.6. With these considerations in mind, the government is taking a phased approach to modernising the UK's framework for corporate reporting, ensuring that market participants have sufficient opportunity to influence the UK's future legal framework. The first phase consists of 3 consultations:

- The first consultation (and the subject of this document) seeks views on the exposure drafts of UK Sustainability Reporting Standards (UK SRS), which are based on the standards published by the International Sustainability Standards Board (ISSB™) in June 2023. The UK SRS will serve as the foundation for

[6] GOV.UK: Voluntary carbon and nature market integrity: UK government principles policy paper and GOV.UK Voluntary carbon and nature markets: raising integrity consultation.
[7] PM remarks on the fundamental reform of the British state: 13 March 2025 - GOV.UK.

the UK's future sustainability disclosures regime and this consultation is the culmination of the UK's process to assess the suitability of the ISSB Standards for use in the UK. Throughout this process, international comparability has been a priority and the government has aimed to limit divergence from the ISSB Standards as far as possible, reflecting the efforts of many jurisdictions around the world to converge around a single set of standards.[8] As a consequence, the consultation proposes some minor amendments to the standards, to reflect their use in a UK context, while retaining the advantages of international comparability that the ISSB Standards are intended to achieve. In addition, the consultation seeks views on the costs and benefits of UK SRS – which will inform future government decisions on whether to require economically-significant companies to disclose information in accordance with UK SRS.

- The second consultation[9] focuses on providers of assurance over sustainability-related financial disclosures following the conclusion of the Financial Reporting Council's (FRC) recent market study on this theme.[10] In particular, the government is seeking views on a proposal to introduce a registration regime operated by the Audit, Reporting and Governance Authority (ARGA) once established. This will form part of the government's work to strengthen audit and corporate governance.[11] The regime would recognise assurance providers as being capable of assuring information disclosed against UK SRS, European Sustainability Reporting Standards (ESRS) and any jurisdictional standards that are aligned to the ISSB Standards.
- The third consultation[12] – published by the Department for Energy Security and Net Zero – seeks views on the government's manifesto commitment on the theme of transition planning. This consultation seeks stakeholder views on how transition plan requirements could be taken forward and the government is particularly keen for views on the role of transition plans alongside UK SRS.

1.7. Collectively, these consultations represent the first step in developing a UK sustainability reporting framework that is fit for the long term. There will then be further phases of consultation, which will cover proposals on sustainability reporting and assurance. This work will be complemented by a consultation that will focus on streamlining the UK's current non-financial reporting framework under the Companies Act 2006, as announced out by the Secretary of State for Business and Trade in October 2024.[13] The consultation, delivered as part of the non-financial

[8] To understand developments in other jurisdictions, please see IFRS - Use of IFRS Sustainability Disclosure Standards by jurisdiction. Regular updates of jurisdictional updates are also provided by the UK Sustainability Disclosure Technical Advisory Committee as part of regular meeting updates, see 'TAC Update June 2025' as the latest example at UK Sustainability Disclosure TAC Meetings and Summaries.
[9] GOV.UK: Assurance of sustainability reporting consultation.
[10] Financial Reporting Council: Assurance of Sustainability Reporting Market Study.
[11] GOV.UK: The King's Speech 2024 – Oral statement to Parliament.
[12] GOV.UK: Climate-related transition plan requirements.
[13] UK Parliament: The UK's Modern Industrial Strategy – Statement made on 14 October 2024 by Jonathan Reynolds.

reporting review, will focus on updating the structure of the Annual Report so that it can integrate sustainability related reporting requirements, whilst also removing redundant and duplicative requirements that have built up over the years. The updated framework will seek to ensure that only information that is decision-useful is required to be disclosed and that this is provided in a format that best meets the needs of investors and other users. In doing so, the non-financial reporting review aims to support growth and the UK's international competitiveness, while contributing to the government's ambition to achieve a 25% reduction in the costs of administrative regulation for business. We welcome any early views on how government can achieve these ambitions and encourage stakeholders to engage with the forthcoming consultations.

1.8. In taking forward this package of reform, there are close links between the remits of the government, the Financial Conduct Authority (FCA) and FRC. We are therefore working closely across departments, and with FCA and FRC to ensure that any future requirements are implemented in a co-ordinated manner, and that decisions carefully consider the international competitiveness of the UK's capital markets. Unless respondents request otherwise, responses to the first phase of consultations will be shared with these organisations and other UK government departments.[14] We also encourage stakeholders to respond to a forthcoming consultation from the FCA on proposals to require the use of UK SRS within FCA listing rules.

1.9. Finally, the government recognises that companies and investors would benefit from as much information as possible regarding the timeframes for possible future requirements coming into effect. Subject to future decisions, we intend to provide a roadmap of any future regulatory changes as part of the subsequent phases of consultation. In the meantime, it is important to note that sustainability disclosure and sustainability assurance requirements that may be introduced via the Companies Act 2006 will be dependent on future legislation. However, future reporting requirements introduced by the FCA can come into effect earlier and, as stated previously, the FCA has indicated that it intends to consult separately on its approach to introducing disclosure requirements for listed companies.

Purpose of this consultation

1.10. The International Financial Reporting Standards (IFRS®) Foundation is an independent non-governmental organisation (NGO) responsible for developing international accounting and sustainability accounting standards.
The IFRS Foundation's accounting standards are mandated in over 147 jurisdictions. The UK is a longstanding strong supporter of the IFRS Foundation, as international accounting standards facilitate robust, consistent, and comparable financial reporting across jurisdictional borders, supporting the smooth operation of capital markets.

[14] GOV.UK: Public consultations privacy notice.

1.11. In 2021, the ISSB was established to set international standards for corporate sustainability disclosures, following a similar process as the development of accounting standards. The ISSB's goal is to ensure that entities across the globe report sustainability-related information consistently and comparably, and with sufficient quality, so that investors can take into account sustainability matters (such as climate change) when making investment decisions. The ISSB's work also consolidates a variety of different standards that were previously being used, on a voluntary basis, before its creation.

1.12. In June 2023, the ISSB published its inaugural 2 standards:

- IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information'
- IFRS S2 'Climate-related Disclosures'

We congratulate the ISSB on this important work and the UK is committed to supporting the development of the 'global baseline' for sustainability-related financial disclosure. This consultation brings international adoption of that global baseline one step closer, with the UK joining 32 other jurisdictions that have either adopted or otherwise used ISSB Standards, or are planning to do so[15].

1.13. Similarly to international accounting standards, all ISSB Standards have a financial materiality focus. Reporting entities must disclose material information about any sustainability-related risks and opportunities that may affect the entity's financial position (in the short, medium and long term). The ISSB's Standards also build upon existing reporting, as they are structured according to the Task Force on Climate-related Financial Disclosure (TCFD)[16] 4 'pillars':

- governance
- strategy
- risk management
- metrics and targets

TCFD-aligned requirements (for climate-related reporting) are already in force in the UK, for listed companies via the FCA's listing rules and for the largest private companies and limited liability partnerships via the Companies Act 2006.

1.14. IFRS S1 has 2 functions. The first is to provide a framework which supports all ISSB Standards, including IFRS S2. It sets out the 'Objective', 'Scope', 'Conceptual Foundations' and 'General Requirements' for the development and application of all ISSB Standards. The second function of IFRS S1 is to provide

[15] IFRS - Use of IFRS Sustainability Disclosure Standards by jurisdiction.
[16] IFRS Foundation: ISSB and TCFD.

general disclosure requirements for entities on any sustainability-related risk or opportunity where a topic-specific standard does not yet exist.

1.15. IFRS S2 includes requirements to disclose material information about climate-related risks and opportunities, including physical and transition risks. Some of the specific disclosure requirements cover:

- risk management processes and policies
- responses to climate-related risks and opportunities (including progress against previous plans)
- climate resilience
- metrics including greenhouse gas emissions
- climate-related targets

1.16. In May 2024, the previous government published a document that sets out the process[17] to assess ISSB Standards, to then enable a decision on whether to endorse them for use within a UK context. There are 2 phases of work, endorsement being the first. Following a technical assessment and this consultation on the draft UK SRS, the Secretary of State for Business and Trade is responsible for making the final endorsement decision on whether to make UK SRS available for voluntary use. The second phase of work is implementation and will cover the development of any reporting requirements against UK SRS for UK entities. Consultation on this phase of work will take place following the conclusion of the endorsement phase.

1.17. The technical assessment of IFRS S1 and IFRS S2 has now been completed. This was delivered through 2 committees:

- the UK Sustainability Disclosure Technical Advisory Committee (TAC)
- the UK Sustainability Disclosure Policy and Implementation Committee (PIC)

1.18. The TAC is an independent committee of experts with relevant professional backgrounds. It conducted a rigorous technical analysis of the ISSB Standards and provided recommendations[18] to the Secretary of State for Business and Trade in December 2024.

1.19. The PIC's remit is to assess public policy implications of the standards and to consider the implementation of UK SRS. To inform this consultation, the PIC assessed public policy implications arising from the use of the ISSB Standards in the UK, considering the impact on its member organisations' areas of interest. The PIC members are from UK government

[17] GOV.UK: Framework for developing UK Sustainability Reporting Standards policy paper – this framework was taken forward to complete the assessment.
[18] Financial Reporting Council: UK Sustainability Disclosure TAC Projects.

departments, UK financial regulators, and UK standard setters. In the future, the PIC will consider the implementation of UK SRS.

1.20. The UK government has reflected the TAC's recommendations, which include 4 minor amendments to the ISSB Standards, within the draft UK SRS S1 and draft UK SRS S2. The UK government is also proposing 2 additional minor amendments, based on PIC discussions. All proposed amendments are judged to be necessary in the UK context, rather than 'nice to have' amendments, to support the development of the global baseline.

1.21. We are now consulting on the proposed amendments in order to finalise UK SRS S1 and UK SRS S2. The 2 draft UK SRS are published alongside this consultation. As well as seeking your views on the exposure drafts, we are also gathering information on:

- the potential costs and benefits of using UK SRS to inform decisions taken during the implementation phase
- topics on which more guidance may be useful

Structure and next steps

1.22. To explore these proposals, the remainder of this consultation is divided into the following chapters:

- Chapters 2 and 3 seek views on the proposed amendments to IFRS S1 and IFRS S2 to form draft UK SRS S1 and draft UK SRS S2 respectively. Chapter 2 focuses on recommendations from the TAC, while chapter 3 focuses on recommendations from the PIC. In total, there are 6 proposed amendments, none of which are expected to cause significant divergence from the standards as issued by the ISSB. We are particularly interested in your views on the sequencing of reporting – considering transitional reliefs – and on the Sustainability Accounting Standards Board (SASB) materials referenced in both UK SRS S1 and UK SRS S2.
- Chapter 4 presents an overview of, and seeks views on, the potential benefits and costs of UK SRS, which will inform future UK government decisions on implementation. In particular, we are keen to hear views on expected additional costs and benefits from the use of UK SRS, compared to current reporting practices.
- Chapter 5 seeks stakeholders' views on the areas where additional guidance may be helpful when reporting information against UK SRS. This will help inform the next phase of work on implementation.

1.23. Following the analysis of responses to this consultation, the UK government will make a final decision on whether to endorse the drafts of UK SRS S1 and UK SRS S2 for use in the UK and make final versions available for any entity to use on a voluntary basis. If endorsed, we aim to publish the final UK SRS S1 and UK SRS S2 in autumn 2025.

1.24. The decision on whether to introduce any legal or regulatory requirements in relation to UK SRS will be assessed separately. As explained in paragraph 1.8, the FCA will consult on proposals to require the use of UK SRS by listed companies within FCA listing rules. As set out in paragraph 1.7, the UK government will assess the merits of requirements for entities outside the FCA's regulatory perimeter, bearing in mind the wider context of proposed legislative changes that may arise from the UK government's review of non-financial reporting. When making these decisions, the FCA and Government will also consider the impact of any proposals on the competitiveness of the UK's capital markets and the degree to which decisions made within the UK align with international trends.

Responding to this consultation

1.25. This consultation will be open for 12 weeks from 25 June to 17 September 2025. You can answer the questions online. Any enquiries can be sent to uk.srs@businessandtrade.gov.uk. A full list of questions can be found at the end of this document. When responding, respondents may find it useful to consult the IFRS Foundation's jurisdictional profiles, which provide further information on the progress that other jurisdictions are making to endorse ISSB standards (including information on any amendments) and their decisions to require disclosures from companies.[19]

1.26. As previously stated, unless respondents request otherwise, responses to this consultation will be shared with the FCA, FRC, and UK government departments. You can also access the Department for Business and Trade's public consultations privacy notice.

1.27. The UK government is responsible for the operation and regulation of business entities across Great Britain. Previously, Northern Ireland has agreed that, while the operation and regulation of business entities remains a transferred matter within the legislative competence of Northern Ireland, amendments to the Companies Act 2006 and legislation regulating business entities should be made in the same terms for the whole of the United Kingdom. Therefore, although this consultation does not include any legislative proposals, its contents are relevant for the whole of the UK.

[19] IFRS - Use of IFRS Sustainability Disclosure Standards by jurisdiction.

2. Proposed amendments to IFRS S1 and IFRS S2 – recommendations from the UK Sustainability Disclosure Technical Advisory Committee

2.4. The UK Sustainability Disclosure TAC presented its technical recommendations and final report[20] to the Secretary of State on 18 December 2024.
The TAC recommended 4 amendments. The UK government accepts all 4 amendments, subject to consultation, and we have incorporated them into the exposure drafts of UK SRS S1 and UK SRS S2. We recommend that readers of this consultation read the TAC's final report (and specific meeting papers) for a full explanation of each amendment. A brief summary of each amendment is also provided in this chapter.

Amendment 1 – removal of the transition relief in IFRS S1 that permits delayed reporting in the first year

2.5. IFRS S1 contains a transition relief (paragraph E4) which permits reporting entities to publish disclosures made in accordance with ISSB Standards at a different (later) time than their financial statements, for the first year of applying the ISSB Standards. This relief was intended to give entities more time to prepare to align their reporting of sustainability-related financial disclosures with their financial statements.

2.6. The TAC concluded that allowing entities to disclose sustainability-related information at a later time compromises the principle of 'connectivity' with the financial statements and other narrative reporting. Additionally, certain UK entities[21] have been required to make climate-related financial disclosures (aligned with the TCFD recommendations) since 2022. This existing practice means that UK entities are likely to be well placed to report climate information on the same timescale as their financial statements. Therefore, based on the TAC's recommendation, the UK government has removed this relief from the draft UK SRS S1.

Amendment 2 – extension of the transition relief in IFRS S1 that permits a 'climate-first' approach

2.7. IFRS S1 includes a transition relief (paragraph E5) which permits reporting entities to defer the disclosure of sustainability-related risks and opportunities beyond those on climate by an additional year. This means that entities would report on climate-related matters only in their first year of applying ISSB Standards before extending reporting to wider sustainability-related matters in the second and subsequent

[20] See the report 'UK Endorsement of IFRS S1 and IFRS S2: Technical assessment and endorsement recommendations' available from Financial Reporting Council: UK Sustainability Disclosure TAC Projects.
[21] These are entities regulated by the FCA, large private entities, and large limited liability partnerships.

years. The ISSB's reasoning for this relief was that it would help entities to familiarise themselves with the language and concepts in both standards, and they would have more time to understand their value chain to prepare for full reporting against IFRS S1.

2.8. The TAC recommended extending this relief by an additional year to make it available for 2 years. This was considered a balanced way to address some stakeholder concerns on the changes to reporting practices arising from the use of these standards. UK SRS S1 and UK SRS S2 will include requirements on new topics, so phased implementation of these new standards is likely to be helpful. However, entities may choose to not use the relief (or only for some sustainability-related risks and opportunities), as is the case for any transitional relief in the standards. The UK government has included this amendment, based on the TAC's recommendation, and it is reflected in draft UK SRS S1 (paragraph E4).

2.9. To illustrate the potential impact of this amendment on an entity's ability to phase in implementation of UK SRS S1 and UK SRS S2, alongside the one-year relief against disclosing Scope 3 greenhouse gas emissions in IFRS S2 (which has been maintained in UK SRS S2), an entity will (at a minimum) disclose:

- in year 1 – climate-related risks and opportunities except Scope 3 emissions
- in year 2 – all climate-related risks and opportunities including Scope 3 emissions
- in year 3 – climate-related risks and opportunities, Scope 3 emissions, and wider sustainability-related risks and opportunities

2.10. As explained in paragraph 1.8, we expect the FCA to consult in due course regarding their proposals to require the use of UK SRS by listed companies within FCA listing rules. In paragraph 1.7, we also explained that the UK government plans to consult in due course on the implementation of any requirements against UK SRS. Both these consultations will set out additional information on the in-practice timings of reporting against UK SRS, with further detail explaining when the first year of reporting is likely to begin for particular entities.

Amendment 3 – removal of the requirement to use the Global Industry Classification Standard (GICS) in IFRS S2

2.11. IFRS S2 includes requirements on financed emissions, which are defined as the "portion of gross greenhouse gas emissions of an investee or counterparty attributed to the loans and investments made by an entity to the investee or counterparty" (Appendix A). One element of this is the requirement to use the Global Industry Classification Standard (GICS) 6-digit industry-level code. Reporting entities also have to use the latest version of GICS that is available at the reporting date. This code is produced by commercial organisations, so entities must pay to access it.

2.12. The TAC recommended that entities should be able to use any appropriate classification standard – which could be GICS or an alternative standard that they use within existing reporting practices. The use of an existing classification could allow for increased connectivity with existing reporting. A requirement to use GICS, if not already used, could also impose an unnecessary additional cost.
The UK government has included this amendment, based on the TAC's recommendation, in draft UK SRS S2 (paragraphs B62 (a)(i) and B63 (a)(i)). We note that the ISSB is currently consulting on an amendment to the requirement to use the GICS in IFRS S2 and the TAC is discussing its response to the ISSB's consultation.[22] We will monitor how this work progresses and consider the implications for UK SRS S2.

Amendment 4 – removal of the 'effective date' clauses in IFRS S1 and IFRS S2 (with PIC consideration)

2.13. Both ISSB Standards currently include a statement on the effective date: "An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted." (Paragraph E1 in IFRS S1 and paragraph C1 in IFRS S2.) In the same place, the standards include a requirement for applying both IFRS S1 and IFRS S2 at the same time – this specific requirement has been maintained in UK SRS S1 and UK SRS S2, as recommended by the TAC.

2.14. The TAC has not recommended any specific effective date, concluding that setting this was a matter for the PIC to consider. The TAC recommended that, in the absence of an effective date, this section in the Standards is reworded to "Initial application".

2.15. Meanwhile, the PIC concluded that the effective date should be removed from the standards, on the basis that UK SRS will be freely available for any entity to use on a voluntary basis at a time of their choosing. As a result, the date will be removed, the section will be renamed as per the TAC's recommendation, and a clarifying sentence will be added to explain that the timetable for applying the standards depends on subsequent rules or regulations put in place by government or the FCA. This clarifying sentence is located in paragraph E1 in UK SRS S1 and C1 in UK SRS 2 and reads: "Any effective date for application of this Standard will be set out in the relevant legislation or regulation."

Question

1. Do you agree or disagree with the UK government's 4 amendments based on the TAC's recommendations? Provide your rationale.

[22] IFRS Foundation: Amendments to Greenhouse Gas Emissions Disclosures (Amendments to IFRS S2) and see May and June 2025 TAC papers via UK Sustainability Disclosure TAC Meetings and Summaries.

Additional discussion on the practicality of calculating financed emissions for the given reporting period

2.16. Lastly, the UK government would like to highlight that the TAC had an extensive discussion on financed emissions. Those discussions did not result in a recommended amendment, but the TAC concluded that clarification from the ISSB was necessary on the application of the financed emission requirements. The UK government supports this conclusion – it is expected that challenges identified by the TAC apply to other jurisdictions using IFRS S2, so additional support from the ISSB would be useful.

2.17. Specifically, IFRS S1 (paragraph 64) states that “the entity’s sustainability-related financial disclosures shall cover the same reporting period as the related financial statements”. Estimation of financed emissions by financial institutions involves counterparty level analysis and data gathering based on loans and investments as at the calculation date to produce the balance sheet. This finalised position of loans and investments is required as the first step in the financed emissions calculation. There is limited time between the finalisation of the balance sheet and the publication of the annual report (typically, this could be only 6 weeks). This means that there may not be enough time to calculate financed emissions using the final balance sheet. Consequently, entities reporting financed emissions typically rely on the most recent available loans and investments information from a previous period[23] as the best data available at the reporting date for the purposes of financed emissions reporting.

2.18. A reporting entity may determine that it is impracticable to provide a reliable and decision-useful estimate of its financed emissions using its loans and investments for the current reporting period end due to constrained timelines to obtain the estimate. In this case, current industry practice is to report financed emissions using the latest available reliable information for a previous period, clearly labelled as such. The TAC recommended that the ISSB should clarify, in writing, that this approach is not inconsistent with the requirements of IFRS S1 and IFRS S2.

2.19. The TAC also discussed the requirements in IFRS S1 for entities to revise comparative amounts due to changes in estimates, which is relevant for the disclosure of financed emissions. Data quality from third parties – essential for calculating financed emissions – continues to develop and there will be a natural evolution in data quality. Noting these challenges, the TAC concluded that the ISSB should develop further guidance on the requirements to revise comparatives. This issue is pertinent for entities participating in financial activities. It is common practice to report financed emissions using the fair value of the balance sheet and the latest emissions data of investee entities, which may be many months out of date. In a subsequent reporting period, there is more up-to-date emissions data relating to the prior period for those assets under management and paragraphs

[23] This previous period may also vary between different entities in terms of the financial year covered.

B50-B54 in IFRS S1 require the prior period metrics to be revised using the up-to-date information. However, this same data is used to determine the current year financed emissions. This means that the difference between current year estimate and revised prior year financed emissions reflects changes in portfolio composition or fair value movements only – not actual change in emissions. This is because the same data on third-party emissions would be used for both of the given (2) reporting periods.

2.20. The UK government supports the TAC's request to the ISSB to provide additional clarification.[24] We note that requirements to report financed emissions are part of Scope 3 emissions disclosure requirements. IFRS S2 (and UK SRS S2) include a one-year relief from disclosing Scope 3 emissions, which provides some additional time for clarification to be provided. To support the application of these disclosure requirements, we are seeking views on the topics raised here.

Questions

2. Industry practice is to use the balance sheet for loans and investments from a previous period to calculate financed emissions (where it is impracticable to provide the information for the current reporting period end). Do you agree or disagree that this results in decision-useful information, and what additional guidance might be useful?

3. For entities subject to financed disclosure requirements, what is the impact of revising comparative data for financed emissions calculations and what additional guidance might be useful?

4. Do you have any other comments on the TAC's final report and recommendations? Include any supporting evidence.

[24] This and other matters for clarification raised by the TAC are covered later in this consultation. The TAC sent the ISSB a letter on 27 January 2025. The ISSB replied on 7 March 2025, noting that the ISSB will carefully consider the matters raised. Both letters are available at [Financial Reporting Council: UK Sustainability Disclosure TAC Projects].

3. Proposed amendments to IFRS S1 and IFRS S2 – recommendations from the UK Sustainability Disclosure Policy and Implementation Committee

3.4. The UK Sustainability Disclosure PIC has been operational since June 2023. Part of its role has been to assess IFRS S1 and IFRS S2 from a public policy perspective, ahead of endorsement decisions. In January 2025, the PIC concluded its assessment, judging that the use of the Standards would be consistent with the public policy objectives of the organisations represented within the PIC's membership. Amendments to IFRS S1 and IFRS S2 could undermine the establishment of a global baseline and cross-jurisdictional interoperability, therefore the PIC's general view was that the threshold for any amendments should be high.

3.5. The government has chosen to pursue 2 narrow amendments following the PIC's discussions.

Amendment 5 – references to the SASB materials in IFRS S1 and IFRS S2

3.6. IFRS S1 and IFRS S2 include requirements that state that entities "shall refer to and consider the applicability of" the standards published by the Sustainability Accounting Standards Board (SASB) and the 'Industry-based Guidance on Implementing IFRS S2' (which is based on the SASB Standards). For the purposes of this consultation, we refer to these as the 'SASB materials'.

3.7. Created in 2011, the SASB was a US-based non-profit organisation that created industry-specific standards to guide company disclosures of financially-material sustainability information. At its origin, the SASB's goal was to develop standards for voluntary use in corporate filings to the United States Securities and Exchange Commission. As a result, its standards reflected metrics commonly used in a US context. However, following the transfer of ownership of the SASB materials to the ISSB, the ISSB has been taking these materials through a process of 'internationalisation'. The ISSB has also committed to further enhance these standards through a phased approach and plans to consult[25] on updating a number of SASB Standards for a specific set of industries in July 2025.

3.8. Turning to the requirements in IFRS S1 and IFRS S2, both the TAC and the PIC discussed the interpretation of the text that states that entities "shall refer to and consider the applicability of" the SASB materials. Both the TAC and the PIC concluded that this wording would not require entities to disclose information using the materials and that the entity would be free to decide that SASB materials were not relevant in the context of that entity's particular

[25] See the 'Enhancing the SASB Standards' papers for the June 2025 meeting of the IFRS - International Sustainability Standards Board.

business, sector or operations. As such, the TAC did not recommend any amendment to the requirements on SASB materials.[26] However, the current wording could result in entities being required to prove – with evidence – how they have considered the materials when asked to do so by their assurance provider.

3.9. The PIC noted that, although the ISSB maintained a high level of due process when developing IFRS S1 and IFRS S2,[27] the detailed content of the SASB materials had not been through the same level of due process as the ISSB Standards.
The PIC also observed that the TAC's stakeholder engagement found mixed feedback on the SASB materials, with many UK organisations supporting voluntary (rather than mandatory) use.[28]

3.10. Considering these points, the government proposes to amend "shall refer to and consider the applicability of…" to "may refer to and consider the applicability of…", in both draft UK SRS S1 and draft UK SRS S2. This amendment is in paragraphs 55 (a) and 58 (a) in draft UK SRS S1 and paragraphs 12, 23, 32 and 37 in draft UK SRS S2. The government will review this amendment following the conclusion of the ISSB's project to enhance the SASB standards. The UK government also responded to the IFRS Foundation's exposure draft on updates to the Due Process Handbook. The response included the government's expectations around the due process undertaken if and when the ISSB includes requirements for entities to use external documents (that is, those not an integral part of an ISSB Standard) in future standards.[29]

Question

5. Do you agree or disagree that 'shall' should be amended to 'may' in "shall refer to and consider the applicability of… [SASB materials]"? Provide your rationale, including any views you have on the timing of the review of the amendment.

Amendment 6 – treatment of transition reliefs

3.11. Both IFRS S1 and IFRS S2 include transition reliefs, with different lengths and objectives. The PIC discussed whether these reliefs should apply from the point of voluntary use of the standards or the point at which mandatory requirements start to

[26] See pages 30 to 31 of the TAC's final report. Importantly, the TAC reached this conclusion by reference to materials issued by the ISSB that clarified this matter – see https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s1/using-sasb-standards-for-ifrs-s1.pdf (PDF, 1178KB).
[27] 'Due process' refers to the means by which a document or material has been scrutinised in detail. According to the IFRS Foundation Due Process Handbook, it is orientated around principles of transparency, full and fair consultation, and accountability.
[28] See discussion in the July 2024 paper 'Paper 4: Sources of guidance' via UK Sustainability Disclosure TAC Meetings and Summaries, which refers to the UK Endorsement of IFRS S1 and IFRS S2 – Call for Evidence on the 2 ISSB Standards that the FRC (as TAC secretariat) conducted in 2023.
[29] See IFRS Foundation: Exposure Draft and comment letters – Proposed Amendments to the IFRS Foundation Due Process Handbook, including 'UK Government Department for Business and Trade'.

take effect. The PIC agreed that it wanted to facilitate use of the reliefs for any mandatory reporting while avoiding penalising any early voluntary reporters.

3.12. Considering the PIC's conclusion, the government proposes to amend the wording on reliefs so that they are explicitly linked to the introduction of any mandatory reporting requirements. These amendments are in paragraphs E3, E4, and E5 in draft UK SRS S1 and paragraphs C3 and C4 in draft UK SRS S2. To provide one example, paragraph C4 in UK SRS S2 has been amended from:

"In the first annual reporting period in which an entity applies this Standard, the entity is permitted to use one or both of these reliefs…"

to:

"In the first annual reporting period in which an entity is required to use this Standard under UK law or regulations, the entity is permitted to use one or both of these reliefs…"

3.13. Importantly, this proposed amendment would not preclude entities from using the reliefs if they choose to report on a voluntary basis. For voluntary reporters, the government believes it will be a business choice to decide whether to report against some, or all, of the standards and it would not be appropriate for government to define how and when certain requirements within the standard apply. As a result, entities that do not fall into the scope of any future reporting requirements would not be bound by any restriction on applying transition reliefs.

Question

6. Do you agree or disagree with the proposal to link the reporting periods in which a transition relief can be used to the date of any reporting requirements coming into force? Provide your rationale.

Additional discussion on the requirements on carbon credits in IFRS S2

3.14. The PIC also discussed the requirement in IFRS S2 (paragraph 36 (e)) for reporting entities to disclose their planned use of carbon credits to meet any net greenhouse gas (GHG) emissions reduction target. The standard does not require any other disclosures regarding carbon credits. Those discussions did not result in a recommended amendment, but the government welcomes views from market participants on this topic following the PIC's discussion.

3.15. IFRS S2 says that an "entity might also include information about carbon credits it has already purchased that the entity is planning to use to meet its net greenhouse gas emissions target, if the information enables users of general-purpose financial reports to understand the entity's greenhouse gas emissions target" (paragraph B71). The PIC considered whether the purchase and use of carbon credits during the applicable reporting period should also form part of the disclosure obligations, alongside the planned use of credits in future periods which is already part of the standard.

3.16. The PIC concluded that this potential amendment did not, at present, merit divergence from the content of IFRS S2 but that it would be helpful for the UK government to seek views on:

- the usefulness of disclosures about the purchase and use of credits in the current reporting period
- any challenges that such disclosures might pose for reporting entities[30]

Further discussion with the ISSB would also be helpful to explore whether such an amendment should be made to IFRS S2 in the future, to maintain and improve the global baseline.

3.17. The UK government is consulting on the implementation of its principles for voluntary carbon and nature market integrity[31] and we will consider whether additional guidance for UK entities may be helpful. This guidance, among wider guidance on the principles, may support entities to understand how this implementation of the principles works alongside using UK SRS S2.

Question

7. Explain your views on:
a) whether disclosure of the purchase and use of carbon credits in the current period would be useful information
b) what the barriers to companies being able to produce this information are (including the availability of the information required for reporting and the associated costs)
c) whether (and how) any further disclosures would be useful

Consideration of ongoing work by the ISSB

3.18. In paragraph 2.9, we noted that the ISSB is currently consulting on a proposed amendment on the requirement to use the GICS industry-level code when disclosing financed emissions. The ISSB discussed several further amendments in its January 2025 meeting,[32] which are also included in its current exposure draft.[33] Firstly, the ISSB tentatively agreed to propose an amendment to permit reporting entities to exclude a specific category of Scope 3 emissions associated with derivatives, facilitated emissions, and insurance-associated emissions (so that entities can report financed emissions as defined in IFRS S2). Secondly, the ISSB tentatively agreed to extend the jurisdictional relief regarding the required use of certain Global

[30] The TAC concluded that market practice related to the use and disclosure of carbon credits is an area for continued monitoring to provide feedback to the ISSB. We also note that the International Accounting Standards Board currently has a project on pollutant pricing mechanisms (see papers for June 2024 meetings).
[31] GOV.UK: Voluntary carbon and nature markets: raising integrity consultation.
[32] IFRS Foundation: ISSB Update January 2025.
[33] IFRS Foundation: Amendments to Greenhouse Gas Emissions Disclosures (Amendments to IFRS S2).

Warming Potential Values and to clarify the jurisdictional relief regarding the required use of a methodology other than the GHG Protocol.

3.19. The UK government will continue to monitor the progress of potential amendments to IFRS S2 (and any for IFRS S1). As noted in paragraph 2.9., the TAC is discussing its response to the ISSB's consultation[34]. We will look at stakeholder feedback to the ISSB's exposure draft of these amendments to IFRS S2 over spring 2025 and how the ISSB responds.

Questions

8. What are your views on the potential amendments to IFRS S2 proposed by the ISSB at this time?

9. Do you have any other comments (including any supporting evidence you would like to share) on the UK government's 2 amendments based on the PIC's conclusions? Explain them here.

10. Overall, do you agree that the UK government should endorse the standards, subject to the amendments proposed? Explain any other amendments that you judge to be necessary for endorsement and why.

[34] See May and June 2025 TAC papers via UK Sustainability Disclosure TAC Meetings and Summaries.

4. Implementation – understanding the benefits and costs of UK SRS

4.4. This section provides a brief overview of the expected costs and benefits of disclosures made in accordance with UK SRS S1 and UK SRS S2. It also seeks further evidence on those costs and benefits; this evidence will be used to inform future decisions when government considers whether or not to require entities to use these standards.

Benefits

4.5. Investor groups have strongly supported the use of ISSB Standards in the UK,[35] and have expressed a desire to have access to high-quality, comparable information across reporting entities and across jurisdictions. Based on previous research on non-financial corporate reporting,[36] the UK government expects the use of UK SRS to support a more resilient and financially stable UK market with a reduction in the cost of capital for those entities providing investors with relevant information. This, in turn, supports the UK government's ambition for the UK to be a global centre for sustainable finance.

4.6. For entities using the standards, it is anticipated that a greater awareness of sustainability-related risks and opportunities over the medium-to-long term will enable them to develop more effective and innovative strategies to improve both sustainability-related outcomes and business performance.[37] Therefore, use of UK SRS is expected to empower entities to deliver sustainable and resilient growth, supporting the UK government's growth mission.

4.7. The use of UK SRS is also expected to make reporting more consistent for reporting entities. Rather than using multiple frameworks for reporting on climate or sustainability-related matters, entities will be able to use one comprehensive set of standards that has been developed to meet investor needs.

4.8. Some of the benefits of UK SRS are already being achieved in the UK as a consequence of existing regulations, especially as the FCA's listing rules and UK legislation include requirements for certain entities to make climate-related disclosures. In addition, many UK companies are already reporting emissions-related information through Streamlined Energy and Carbon Reporting (SECR) requirements, which require GHG emissions reporting.

4.9. Within the context described above, we welcome views on the additional benefits offered by the use of UK SRS compared to current reporting requirements. This

[35] GOV.UK Smarter regulation non-financial reporting review call for evidence.
[36] GOV.UK Voluntary carbon and nature markets: raising integrity consultation.
[37] See IFRS Foundation: General Sustainability-related Disclosures published documents Effects Analysis: IFRS S1 and IFRS S2.

information will be used to inform government decisions when it considers whether to upgrade existing requirements to mandate the use of UK SRS in future.

Question

11. Explain the direct and indirect benefits that you are expecting to result from the use of UK SRS S1 and UK SRS S2. Include an assessment of those benefits which are additional to benefits arising from current reporting practices.

Costs

4.10. As UK SRS will require new areas of disclosure, and will require greater depth of reporting, the government recognises that reporting entities will face costs in applying both UK SRS S1 and UK SRS S2. For instance, there are several types of costs associated with the introduction and application of new standards. These include:

- familiarisation costs
- staff changes
- process and system changes relating to data collection
- data sharing between organisations and analysis
- costs associated with third party assurance[38]

These costs could be borne by the reporting entity, its subsidiaries, or its suppliers.

4.11. The UK government would welcome evidence from stakeholders on the costs they expect to incur when:

- first reporting against UK SRS
- on an ongoing basis

4.12. In particular, the government is interested in evidence on the costs associated with the requirements within draft UK SRS S1 and draft UK SRS 2 for an entity to report information regarding their value chain.[39] We welcome evidence on the additional costs of using these standards over and above current reporting requirements, such as TCFD-aligned reporting requirements and SECR requirements.

Question

12. Explain the direct and indirect costs that you are expecting to result from the use of UK SRS S1 and UK SRS S2. Include an assessment of those costs which are additional to costs arising from existing reporting practices.

[38] For example, see the costs identified in the Final Impact Assessment for the TCFD-aligned requirements at GOV.UK: Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs consultation.

[39] IFRS S1 defines value chain as “the full range of interactions, resources and relationships related to a reporting entity’s business model and the external environment in which it operates” (Appendix A).

Evidence on the value of reporting by private entities and capability to report on non-climate matters

4.13. In the introduction to this consultation, we explained that the FCA will consult on proposals to require the use of UK SRS within FCA listing rules. The government will also consider whether to introduce sustainability disclosure requirements via the Companies Act 2006, which would require economically significant entities that are outside the FCA's regulatory perimeter to report in accordance with UK SRS. The government will consult on any requirements in due course, having regard to any legislative changes that might arise from the government's wider review of the UK's non-financial reporting framework.

4.14. To inform our next phase of consultation, we are interested in your views on the merits of private entities (namely companies and limited liability partnerships (LLPs)) reporting against UK SRS, considering the differences in structure between listed and private entities. ISSB Standards were developed to facilitate the provision of information to investors and other primary users of financial reports. This reflects the information gap between the diffuse and large number of shareholders that own listed companies and the company management that controls them. We welcome views on the extent to which this information gap exists for private companies. Private entities often have a different ownership and management structure to listed entities, which means that the provision of information about a private company could be for a much smaller audience.

4.15. Large private companies and LLPs in the UK are subject to climate-related financial disclosure requirements (aligned with the TCFD recommendations). In the government's impact assessment[40] for introducing these requirements, some benefits relevant to these private entities were identified. These entities would be able to identify and manage relevant climate-related risks, experience reputational benefits, and have their senior management better informed of climate-related issues. The impact assessment also stated that the application of regulations to both listed and large private entities would mitigate against the risk that listed companies would choose to delist rather than fulfil reporting requirements.

4.16. In light of the context described previously, we are interested in collecting updated and new evidence on benefits of reporting against UK SRS for private companies and LLPs (and other relevant entities), including for investors in these private entities. We are also interested to hear views from non-listed entities about their level of readiness to use the standards and, in particular, their level of readiness to report on themes other than climate (such as nature and biodiversity).[41]

[40] Final Impact Assessment for the TCFD-aligned requirements – GOV.UK: Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs consultation.
[41] Some evidence on the state of reporting on climate can be found via the FRC at Financial Reporting Council: FRC reviews Climate-related Financial Disclosures (CFD) by AIM and large private companies.

4.17. Lastly, as highlighted in this section, certain UK companies are already subject to requirements around climate and other sustainability-related reporting. Therefore, we are also interested in views on the potential opportunities for streamlining of the UK's existing non-financial reporting framework, should the government introduce reporting requirements against UK SRS for economically-significant private companies. This information will inform the government's review of the UK's non-financial reporting framework.

Questions

13. What are your views on the merits of economically-significant private companies reporting against UK SRS? Explain your assessment of direct and indirect benefits and costs.

14. For non-listed entities, what are your views on your readiness to report against UK SRS – particularly UK SRS S1, which covers non-climate reporting? Explain whether you require additional resources to report on UK SRS, beyond resources used for existing climate or sustainability-related reporting, and what these resources would be.

15. What (if any) would be the opportunities to simplify or rationalise existing UK climate-related disclosures requirements, including emissions reporting, if economically-significant private companies are required to disclose against UK SRS? Consider how duplication in reporting can be avoided. Responses to this question will support the government's review of the UK's non-financial reporting framework.

Sustainability reporting by pension schemes

4.18. Separately from its consideration of disclosure requirements in the Companies Act 2006, the government will also consider whether to update current rules for pension schemes.[42]

4.19. Trustees of larger occupational pension schemes and authorised master trust and collective money purchase schemes are required to use the TCFD recommendations to consider climate-related matters in their governance processes. They also publicly report on these matters. These requirements have been in force since October 2021.[43]

4.20. The Department for Work and Pensions (DWP) will review these regulations this year, building on evidence provided by The Pensions Regulator. As part of this, the government will consider the role of UK SRS in reporting on climate-related matters by pension schemes. We encourage readers to provide their feedback to the DWP as part of its review.

[42] The term pension funds in this consultation could refer to all funded, public and private sector, defined benefit and defined contribution funds.
[43] The Occupational Pension Schemes (Climate Change, Governance and Reporting) Regulations 2021.

Reporting requirements in other jurisdictions

4.21. The UK government is interested in seeking views on how reporting entities are expecting to be affected by international requirements, and their intended approach to meeting these requirements, as this might affect the anticipated costs and benefits of UK SRS. The ISSB aims to develop the global baseline for sustainability-related reporting and ISSB Standards are being adopted by many countries around the world.[44] The cross-jurisdictional use of ISSB Standards is expected to minimise reporting costs and provide decision-useful information to investors across jurisdictions, supporting the operation of global capital markets.

4.22. The EU has introduced reporting requirements through the Corporate Sustainability Reporting Directive (CSRD), with the entities in scope of the CSRD required to use the European Sustainability Reporting Standards (ESRS). We expect some UK entities to be in direct scope of these requirements, noting that the EU is currently discussing proposed changes to them through the 'Omnibus' proposals. The IFRS Foundation and the European Financial Reporting Advisory Group have published interoperability guidance[45] which explains the additional disclosures in ESRS compared to ISSB, while providing advice on how to comply with both sets of standards.

Question

16. Explain which other sustainability-related requirements your organisation currently reports against or expects to report against. How does this affect your assessment of associated costs and benefits for any UK SRS reporting?

Support for small and medium-sized enterprises (SMEs)

4.23. The government is aware that the use of UK SRS is likely to have an impact on SMEs who will be asked for information by reporting entities (who would be looking to provide value chain reporting). The government is keen to develop our evidence base on the scale of this impact and the tools, training and data platforms that are already being developed to support SMEs. This will enable the government to consider what additional support could be provided to SMEs and by whom.

Question

17. What support from UK government or regulators may be useful for SMEs and what support is already available within the market? Explain which costs could be mitigated and/or which benefits could be realised through this support.

Legal implications of sustainability-related reporting

4.24. Reporting on climate and sustainability-related matters will include forward-looking information, including information on the future prospects of the reporting entity, how

[44] IFRS Foundation: Jurisdictional sustainability consultations.
[45] Guidance available at IFRS Foundation: Webcast: Overview of ESRS–ISSB Standards Interoperability Guidance.

its strategy will develop over time, and its climate and environmental targets. Stakeholders have raised the prospect of legal implications if it later emerges that this information is inaccurate. The nature and extent of any legal implications would likely be specific to each case. There could also be implications from any reliance on third-party data including – for example – data used to estimate GHG emissions across the value chain.

4.25. In section 463 of the Companies Act, there are protective provisions for forward-looking information in the Strategic Report and Directors' Report. Directors are liable to the company for any loss suffered as a result of any untrue or misleading statement in a report, or any omission, where the director either "knew the statement to be untrue or misleading or was reckless" or knew that the omission was a "dishonest concealment of a material fact". These provisions provide some protection, and they allow for reporting to be made with the best available information and in good faith.

4.26. The UK government is considering whether similar provisions should apply for any reporting requirements that may be introduced for UK SRS. Through this consultation, we welcome your views on the degree of legal risk associated with the publication of forward-looking information and information that relies on third-party data, and whether provisions similar to those in section 463 could be beneficial.

Questions

18. Explain your assessment of the legal implications of using UK SRS and your assessment of the existing provisions in section 463 of the Companies Act.

19. If you have any other comments (including any supporting evidence) on the potential costs and benefits of UK SRS for any stakeholder, including any comments on sector-specific impacts, explain them here.

5. Additional guidance or educational materials

5.4. The UK government considers UK SRS to be the next step for UK sustainability-related reporting, building on our existing regime and supporting the UK as a global centre for sustainable finance. As explained in chapter 1, the government is committed to developing a clear, coherent, and proportionate disclosure regime that delivers decision-useful sustainability-related financial information to the financial markets and supports inward investment to UK entities. To deliver this regime, the government is keen to ensure that reporting entities have access to guidance on how to apply UK SRS where it is required. Accordingly, we are seeking views on whether entities may require additional guidance to that already available.

5.5. The ISSB has provided educational materials and other resources, under the grouping of 'supporting materials'.[46] We encourage readers to consult these, in full, on the ISSB website. In particular, readers may find it helpful to consult guidance covering the theme of 'materiality' and interoperability with the European Sustainability Reporting Standards.

5.6. Although the ISSB has issued several helpful educational materials, the TAC identified further areas where additional guidance may support reporting entities when they make disclosures in accordance with UK SRS S1 and UK SRS S2. The TAC and the government believe these pieces of guidance are best developed by the ISSB. The TAC has compiled a list of "Matters that require clarification, acknowledgement, educational material or guidance" that it has sent to the ISSB.[47] There are 11 items, covering:

- the financed emissions calculation period, as also described in paragraph 2.15 of this consultation
- commercially sensitive information, considering requirements in IFRS Accounting Standard, 'IAS 37 Provisions, Contingent Liabilities and Contingent Assets'
- the disaggregation of Scope 1 and Scope 2 GHG emissions where a financial control approach is used
- the development of further industry-based guidance for Scope 3 GHG emissions reporting
- the requirements to revise comparatives, including the treatment of changes in data quality and whether these are 'errors' or 'estimates'
- current and anticipated financial effects, including worked examples

[46] IFRS Foundation: Supporting materials for IFRS Sustainability Disclosure Standards.
[47] The TAC sent the ISSB the letter on 27 January 2025. The ISSB replied on 7 March 2025, noting that the ISSB will carefully consider the matters raised. Both letters are online at Financial Reporting Council: UK Sustainability Disclosure TAC Projects.

- how entities could approach differences between the information disclosed relating to the cross-industry metrics using UK SRS and the information included in the financial statements, guidance for which could be jointly delivered with the International Accounting Standards Board
- clarification of the term ‘targets’ as used in the Standards and how it differs from other similar terms like ‘ambitions’, ‘commitments’, and ‘milestones’, including worked examples
- the role of materials from the Transition Plan Taskforce, which the ISSB now owns
- how the permission for an entity to use information from a different reporting period for GHG emissions data from entities in its value chain might be applied to other sustainability-related topics
- how the ISSB will update the numerous references to the GHG Protocol – the Protocol is currently being updated from the previous 2004 version

5.7. In addition to the areas identified by the TAC, the UK government has identified 2 further areas where additional support may be useful:

- **Climate scenarios** – UK SRS S2 obliges reporting entities to conduct scenario analysis to help them identify their climate-related risks. The TAC also noted that stakeholders have identified this as a challenging topic. Additional methodological support could be useful to help entities conduct scenario analysis, including help with selecting the appropriate scenarios. We note that there is already guidance available to the market, but the government is interested in the current use of guidance by UK reporting entities, what guidance they find most helpful, and whether any additional guidance would be more valuable on a UK or international basis.
- **Conversion factors (and any other UK government data)** – the UK government currently produces conversion factors, which are a type of numerical figure used to convert different activities that an entity may undertake, such as fuel combustion or employee travel, to a quantity of greenhouse emissions. They are used for complying with the SECR requirements, but user engagement has suggested that they are used for other emissions reporting, too. The UK government is interested in how conversion factors (and any other data produced by UK government) might be used for reporting against UK SRS and whether any guidance is required.

Question

20. What are your views on the quality and availability of existing guidance for the topics listed in paragraph 5.4? Explain what additional guidance – particularly on a global basis – would be helpful and why.

Annex: list of consultation questions

1. Do you agree or disagree with the UK government's 4 amendments based on the TAC's recommendations? Provide your rationale.
2. Industry practice is to use the balance sheet for loans and investments from a previous period to calculate financed emissions (where it is impracticable to provide the information for the current reporting period end). Do you agree or disagree that this results in decision-useful information, and what additional guidance might be useful?
3. For entities subject to financed disclosure requirements, what is the impact of revising comparative data for financed emissions calculations and what additional guidance might be useful?
4. Do you have any other comments on the TAC's final report and recommendations? Include any supporting evidence.
5. Do you agree or disagree that 'shall' should be amended to 'may' in "shall refer to and consider the applicability of… [SASB materials]"? Provide your rationale, including any views you have on the timing of the review of the amendment.
6. Do you agree or disagree with the proposal to link the reporting periods in which a transition relief can be used to the date of any reporting requirements coming into force? Provide your rationale.
7. Explain your views on:
   a) whether disclosure of the purchase and use of carbon credits in the current period would be useful information
   b) what the barriers to companies being able to produce this information are (including the availability of the information required for reporting and the associated costs)
   c) whether (and how) any further disclosures would be useful
8. What are your views on the potential amendments to IFRS S2 proposed by the ISSB at this time?
9. Do you have any other comments (including any supporting evidence you would like to share) on the UK government's 2 amendments based on the PIC's conclusions? Explain them here.
10. Overall, do you agree that the UK government should endorse the standards, subject to the amendments described? Explain any other amendments that you judge to be necessary for endorsement and why.
11. Explain the direct and indirect benefits that you are expecting to result from the use of UK SRS S1 and UK SRS S2. Include an assessment of those benefits which are additional to benefits arising from current reporting practices.

12. Explain the direct and indirect costs that you are expecting to result from the use of UK SRS S1 and UK SRS S2. Include an assessment of those costs which are additional to costs arising from existing reporting practices.
13. What are your views on the merits of economically-significant private companies reporting against UK SRS? Explain your assessment of direct and indirect benefits and costs.
14. For non-listed entities, what are your views on your readiness to report against UK SRS – particularly UK SRS S1, which covers non-climate reporting? Explain whether you require additional resources to report on UK SRS, beyond resources used for existing climate or sustainability-related reporting, and what these resources would be.
15. What (if any) would be the opportunities to simplify or rationalise existing UK climate-related disclosures requirements, including emissions reporting, if economically-significant private companies are required to disclose against UK SRS? Consider how duplication in reporting can be avoided. Responses to this question will support the government's review of the UK's non-financial reporting framework.
16. Explain which other sustainability-related disclosure requirements your organisation currently reports against or expects to report against. How does this affect your assessment of associated costs and benefits for any UK SRS reporting?
17. What support from UK government or regulators may be useful for SMEs and what support is already available within the market? Explain which costs could be mitigated and/or which benefits could be realised through this support.
18. Explain your assessment of the legal implications of using UK SRS and your assessment of the existing provisions in section 463 of the Companies Act.
19. If you have any other comments (including any supporting evidence) on the potential costs and benefits of UK SRS for any stakeholder, including any comments on sector-specific impacts, explain them here.
20. What are your views on the quality and availability of existing guidance for the topics listed in paragraph 5.4? Explain what additional guidance – particularly on a global basis – would be helpful and why.

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