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CONSULTATION RESPONSE SEPTEMBER 2025

CONSULTATION: EXPOSURE DRAFT OF UK SUSTAINABILITY REPORTING STANDARDS: UK SRS S1 AND UK SRS S2

E3G RESPONSE

E3G is pleased to provide feedback to the Department of Business and Trade (DBT) Consultation on UK Sustainability Reporting Standards: UK SRS S1 and UK SRS S2. E3G strongly supports the adoption of IFRS S1 & S2 and welcomes the UK Government's efforts to strengthen the corporate sustainability disclosure landscape via the introduction of UK Sustainability Reporting Standards (UK SRS). This is a pivotal opportunity to align the UK's reporting regime with climate and nature objectives, reduce greenwashing risks, and unlock sustainable investment.

The IFRS S1 and S2 standards are the global baseline for sustainability disclosures on sustainability and climate. They are backed by the G7, the International Organisation of Securities Commissions, and over 36 jurisdictions such as Australia, Brazil, Canada, Japan and South Korea are in the process of adoption.[1] They have also been welcomed by the leaders of the G20.[2]

The UK must move decisively to modernise its regulatory framework in line with its net zero commitments and global leadership ambitions. Sustainability reporting - anchored in credible, comparable, and decision-useful disclosures - is a vital tool to accelerate the whole-of-economy transition. To maximise the value of the IFRS S1 & S2 standards for the UK, the Government should:

1. Utilise IFRS S1 & 2 to improve comparability, reduce complexity, and cut costs

The SRS will ensure consistency and interoperability between reports. Companies and investors alike benefit from a unified disclosure regime that cuts across jurisdictions and policy frameworks. Introducing consistent UK SRS S1 and

[1] IFRS, 2023, **ISSB: Frequently Asked Questions**
[2] G20, 2023, **G20 New Delhi Leaders' Declaration**

S2 and transition plan requirements can reduce complexity and cut costs across supply chains and capital markets.

The government should:

> Ensure disclosures use digital, accessible formats, aligned with recommendations from the Climate Data Steering Committee,[3] to facilitate comparability and AI-driven analysis.

> Enhance data availability for users, especially in hard-to-abate and high-emitting sectors where information is most material. This will reduce data collection costs for firms and massively cut challenges in comparing data.

2. Put transition planning at the heart of sustainability reporting

UK SRS must support, and integrate with, credible, Paris-aligned transition plans. Transition plans are not just a reporting tool - they are a core mechanism for real-world decarbonisation, climate risk management, and capital mobilisation. 84% of UK institutional investors prefer companies with transition plans; [4] 79% of financial institutions cite lack of information as a barrier to climate investment.[5]

The government should:

> Embed mandatory disclosure of transition plans aligned with the Transition Plan Taskforce (TPT) Disclosure Framework as discussed in the Department of Energy Security and Net Zero's (DESNZ) parallel consultation.[6]

> Take a 'building blocks' approach, with a mandatory requirement for firms to develop, disclose and implement TPT-aligned transition plans. Given the connectivity between the ISSB Standards and the TPT Disclosure Framework, this would help unlock the economic benefits of transition plans, while maintaining alignment with international disclosure standards interoperability.

[3] Climate Data Steering Committee, 2025, **Solving the climate data challenge**
4 South Pole, 2025, **The 2025 South Pole Net Zero Report**
[5] OECD, 2022, **OECD Guidance on Transition Finance: Ensuring Credibility of Corporate Climate Transition Plans**
[6] DESNZ, 2025, **Transition plan requirements consultation**

> Signal that plans should be aligned with the Paris Agreement and credible science-based pathways, and transparently disclose any gaps, constraints, and dependencies acting as barriers to alignment.

3. Ensure reporting is anchored in, and promotes, strategy and governance

Effective sustainability reporting must go beyond compliance and be deeply integrated into corporate strategy, governance, and risk management.

The government should:

> Mandate transition plan disclosure to ensure boards and executive teams receive clear policy signals to embed the climate transition into decision-making.

> Clarify the scope of 'economically significant entities'.[7] E3G welcomes the government's work to clarify and simplify thresholds as part of the Non-Financial Reporting Review.[8] E3G believes the definition of economically significant entities should follow TCFD and be those that: have more than 500 employees that are: (i) traded, banking, insurance and AIM companies; (ii) private companies, and LLPs, with turnover of more than £500 million. These companies already undertake TCFD reporting and will likely have the capacity to pivot to transition plan disclosures especially if those disclosures replace TCFD requirements.

> The government could also consider a materiality lens when deciding scope – including smaller companies in high emitting sectors.

4. Pave the way for future nature disclosures

The UK SRS must broaden beyond climate mitigation to reflect interlinked nature-related risks and physical climate risks.

The government should:

> Encourage the IFRS to develop a Nature Standard building on their partnership with the TNFD.[9] And, should prepare to implement this standard once created.

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[7] DBT, 2024, **UK Sustainability Reporting Standards**
[8] DBT, 2024, **Non-financial reporting review: simpler corporate reporting**
[9] IFRS, 2025, **IFRS Foundation and TNFD formalise collaboration to provide capital markets with high-quality nature-related information**

5. Support policy alignment and investor confidence

Corporate sustainability disclosures must be credible, assured, and fit for purpose. Investors and stakeholders require trust in what's reported - and a clear feedback loop with government policy.

The government should:

> Work to grow the sustainability assurance market and clarify legal liability frameworks, ensuring companies are protected when disclosures are made in good faith.

> Leverage sustainability disclosures (including transition plan data) as inputs into policy design, industrial strategy, and green investment planning.

QUESTIONS

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

All questions on proposed amendments are answered together. E3G is content with proposed amendments and see no reason for additional delays in the implementation process.

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.

The UK should endorse the standards without delay. We are content with the proposed amendments. Rapid adoption of IFRS S1 and S2 into UK reporting requirements will minimise fragmentation, reduce compliance burden, and demonstrate global leadership, ensuring UK markets remain attractive to sustainable investment flows.

> **The IFRS S1 and S2 standards are the global baseline for sustainability disclosures on sustainability and climate.** They are backed by the G7, the International Organisation of Securities Commissions, and with over 36 jurisdictions such as Australia, Brazil, Canada, Japan and South Korea setting up adoption processes.[10] They have also been welcomed by the

[10] IFRS, 2025, **ISSB Activities Update**

G20 leaders.[11] Interoperability is the only way to ensure that UK non-financial reporting requirements aid UK business in accessing international investment and trade opportunities, as well as avoid unnecessarily increasing reporting burdens. We welcome the UK's progress on adopting UK SRS.[12]

> **UK multinational companies are already exposed to disclosure requirements from other markets in which they operate: most notably the EU.** Several major trade partners including EU, China, Japan, Hong Kong, Singapore, UAE and Australia are also adopting and implementing ISSB standards and/or transition plan guidance. Because of this the UK Government must ensure that UK transition plan requirements are interoperable with partners' requirements – prioritising most frequent partners. This will make sure that fragmentation of standards doesn't become a barrier for firms captured by multiple jurisdictions' requirements. For example, the 1,183 affected UK companies operating in the EU.[13] Given that the EU accounts for 42% of UK trade (equivalent to £340 billion in exports),[14] it is safe to assume that going forward an increasing number of UK companies will need to disclose non-financial information.

> **Transition plan disclosure must be introduced alongside UK SRS S2.** IFRS S2 requires only disclosure of information about a transition plan if an entity has one. The UK should follow a 'building blocks'[15] approach and build on the IFRS standards with an additional requirement that explicitly stipulates the development, disclosure, alignment and implementation of Transition Plan Taskforce (TPT) aligned transition plans. These are essential for investor decision-making, real-world decarbonisation, and alignment with the UK's net zero by 2050 target. 84% of UK investors prefer companies with transition plans. [16]

[11] G20, 2023, **G20 New Delhi Leaders' Declaration**
[12] DBT, 2025, **Exposure draft of UK Sustainability Reporting Standards: UK SRS S1 and UK SRS S2**
[13] Wall Street Journal, 2023, **At Least 10,000 Foreign Companies to be Hit by EU Sustainability Rules**
[14] House of Commons, 2023, **Statistics on EU-UK Trade**
[15] As discussed in IFRS, 2025, **Frequently asked questions on the Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards**
16 South Pole, 2025, **The 2025 South Pole Net Zero Report**

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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.

Benefits include cutting down on reporting costs, benefits for the financial decision making of a range of partners, benefits for policy development for government and regulators. These benefits at the microeconomic level lead to macroeconomic benefits including increased capital mobilisation and decarbonisation of the economy.

> **The UK SRS provides clear guidance on what information needs to be reported, cutting down on potential reporting costs.** This will improve the quality and usability of disclosure and cut back on complexity for companies reporting. As TCFD has been integrated into IFRS S2, many UK companies will already have familiarity in preparing this information and will not see an additional cost around climate disclosure.

> **Fragmentation and a lack of consistency in the interpretation of existing requirements has led to lower quality, less usable, disclosures and created unnecessary complexity for companies disclosing plans.** Recent research has highlighted significant weakness in the quality of mandatory climate-reporting as part of the Companies Act 2006, with wide variation in company interpretations of requirements.[17] Providing clear guidance will ensure disclosures are higher quality, more easily comparable and help simplify the process for companies.

> **There is a particular benefit for SMEs here.** A major challenge for SMEs is the lack of cohesion and consistency between requests for climate-related information from larger companies in their value chains and other partners. Setting a clear expectation for larger companies will help the market find consistency in what information is being requested, cutting down on the burden for smaller companies which often struggle for capacity.

> **UK SRS will improve international comparability and decision-usefulness of disclosures.** UK SRS S1 and S2 will harmonise reporting with other jurisdictions utilising the IFRS global baseline. This will greatly aid investors, regulators, and other stakeholders to compare companies on a

[17] FRC, 2025, **Climate-related Financial Disclosures by AIM and Large Private Companies**

like-for-like basis. This is a significant improvement over the current patchwork of fragmented voluntary frameworks and inconsistent disclosures, which limit the usefulness of information for capital allocation.

> **Enhanced investor confidence and capital mobilisation.** Credible, assured, and comparable disclosures increase trust in reported information, reducing greenwashing risks. 86% of investors think climate disclosures are a valuable tool for their investment decision making,[18] however 87% of investors believe that current corporate reporting contains unsupported sustainability claims.[19] The robust UK SRS, built on the IFRS standards, would support investor confidence in sustainable investments and unlock capital for UK companies pursuing the net zero transition.

> **Policy alignment and better feedback loops.** Information from IFRS-derived sustainability reporting can inform government industrial strategy, green finance initiatives, and fiscal policy; as well as help supervisors identify issues and tailor more targeted interventions. This strengthens coherence between private sector transition activity and public sector policy objectives.

> **Other market use cases.** Other market participants also see benefit in the availability of climate-related information. A non-exhaustive list of users includes:

  - Supply chain partners to help with their own sustainability disclosures and strategy development.
  - Customers and civil society to make better informed decisions.
  - Owners and boards to help with the execution of their fiduciary duties.
  - Financial services for risk screening and credit risk analysis, as well as the construction of transition and sustainability products.

> **Transition plans as a catalyst for real-economy decarbonisation.** UK-specific adoption that embeds mandatory TPT-aligned transition plans will drive companies to articulate how they intend to meet net zero. This creates accountability, aligns financial planning with climate targets, and

[18] E3G, 2025, **Policies to manage climate-related risk could unlock investment in the UK – survey**
[19] PwC, 2022, **Global Investor Survey**

provides investors with forward-looking information beyond current reporting norms.

> **Future readiness on nature.** Adoption of S1 and S2 now paves the way for future integration of later IFRS standards. Examples of what these standards could cover include TNFD-aligned nature disclosures and adaptation planning.

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.

Whilst there are some upfront and ongoing costs, these are far outweighed by the benefits of adoption. Additionally, many of these costs are not additional to businesses as they undertake TCFD disclosures, meet requirements in other jurisdictions and provide voluntary disclosures. Creating consistency in requirements is the main way government can reduce costs for the market as a whole.

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.

Requirements should apply to large listed and private companies and financial institutions. Applying requirements to large listed and private firms and financial institutions will embed disclosure across the UK economy and provide consistent information to markets. Maintaining a regulatory level playing field will reduce market distortion, removing any potential barriers to listings and ensuring that there is no incentive to move high-emitting assets into less transparent markets.

> **Excluding large private companies from transition plans would omit a significant part of the business community in developing net zero strategies.** In the UK, the top 100 private companies alone had combined sales of £237 billion in 2020 and employed more than 980,00 people.[20] Many of these companies are already disclosing non-financial information voluntarily.

> **Consistent requirements for large private and public companies would create a level playing field between private and public markets.** Asymmetric regulation creates issues for competitiveness and can lead to

[20] Linklaters, 2020, **Top Track 100 - Britain's Top 100 private companies**

unintended and hard to envisage consequences. Using a size threshold would be consistent with TCFD requirements and EU disclosure legislations, such as the Corporate Sustainability Reporting Directive and Corporate Sustainability Due Diligence Directive. For more on the private companies already captured by requirements in foreign jurisdictions see our response to Question 12.

> **Different regulation between private and public markets could lead to greater risk in private markets.** Private companies are still participants in capital markets. Symmetric requirements would encourage both listed and unlisted companies to steward decarbonisation. By designing separate requirements, government would inadvertently be creating incentives for high emitting assets to be transferred to less transparent private markets. This would create pockets of increased risk.

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.

No answer

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.

Requirements should help streamline existing rules. This includes requirements from the FCA, DWP occupational pension scheme rules and duties under the Companies Act. This would streamline reporting requirements for businesses.

> **A transition plan requirement should be introduced alongside IFRS S2 adoption as UK SRS.** This combination would together be more impactful at delivering on the government's policy objectives – including unlocking sustainable growth and establishing the UK as a leading hub for green and sustainable finance - than the IFRS S2 alone.

> **Government and regulators should systematically look at other disclosure requirements to identify overlap and streamline where**

possible. There is substantial opportunity for streamlining but the details depend on which companies are in scope for S2 and transition plan requirements. Potential candidates to start with would be those directly overlapping with S2, i.e. TCFD reporting, greenhouse gas reporting. In addition, if transition plan requirements are introduced then public procurement 'Carbon Reduction Plan' requirements should be aligned with them.[21]

> **More broadly, where looking to reduce regulations, government should seek to create tests for assessing the value of regulations which reflect policy goals.** For disclosure regulations these tests could include judging efficacy at a) building the resilience of the UK financial sector, b) protecting consumers and partners from greenwash and other false information and/or c) driving economic growth.

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?

No answer

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.

> **Many companies are likely to be asked to disclose climate-related information by partners in their supply chain.** This can create issues for SMEs, especially when confronted by multiple requests for variations on the same information in multiple formats. By implementing the UK SRS, the government should help improve the consistency between requests and so reduce burden on SMEs.

> **Many initiatives and organisations exist to help fill data gaps and build expertise in SMEs, reducing the cost of complying with data requests.** Government should continue to support projects like Perseus,[22] the SME

[21] Government Commercial Function, 2023, **PPN 06/21: Taking account of Carbon Reduction Plans in the procurement of major government contracts**
[22] Icebreaker One & B4NZ, 2024, **Perseus**

Climate Hub[23] and UK Business Climate Hub[24] in their work to alleviate the challenge for SMEs.

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.

The government should issue explicit guidance or minor legislative clarification confirming that section 463 protections apply in full to sustainability disclosures under UK SRS, particularly forward-looking statements. This will safeguard directors and encourage high-quality disclosures.

> **Section 463 of the Companies Act provides a reasonable framework for directors' liability.** It limits liability for disclosures in the Strategic Report to losses suffered by the company itself and protects directors from third-party claims. This provision has created a workable balance between accountability and legal certainty under current TCFD-aligned reporting.

> **Extension of disclosures under UK SRS increases the scope of forward-looking statements.** Requirements such as transition plans and scenario analysis are inherently uncertain and involve external dependencies (e.g., policy trajectories, technological developments). Without clarity, directors may perceive elevated litigation risk compared to current reporting.

> **Bespoke safe harbours are not required**. At least insofar as liability for misstatement is concerned. Legal action for misleading disclosure is highly limited. The Erskine Chambers opinion, instructed by ClientEarth, makes clear that the bar for liability for misleading statements is high.[25]

> **Legal coherence with international regimes is needed.** Other jurisdictions (e.g. EU under CSRD, US under SEC rules) have clarified liability provisions for sustainability disclosures. Clear UK guidance on how section 463 applies to SRS will reduce regulatory divergence and ensure a level playing field for companies operating internationally.

> **An additional – TPT aligned - transition plan requirement (as discussed in our response to Question 10) would not create additional liability challenges.** In a paper produced for the TPT,[26] Clifford Chance, Linklaters

[23] We Mean Business Coalition, Race to Zero & Exponential Roadmap Initiative, 2025, **SME Climate Hub**
[24] Broadway Initiative & DESNZ, 2024, **UK Business Climate Hub**
[25] ClientEarth, 2025, **Legal Opinion on Transition Plan Disclosures**
[26] TPT, 2023, **Legal considerations for transition plan preparers using the TPT Disclosure Framework**

and Slaughter & May identified that there should be no legal impediment arising from English law (or EU law where specified) on directors' duties or competition law that would prohibit a UK company from disclosing a transition plan in accordance with the TPT Disclosure Framework.

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.

No answer

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.

E3G welcomes the government's commitment to develop a "a clear, coherent, and proportionate disclosure regime" and cement the UK's position as a global centre for sustainable finance. Adoption of UK SRS would be a strong step in this direction. Alongside this the government should:

> **Introduce a complementary requirement for firms to disclose mandatory, 1.5C-aligned transition plans.** A lack of comparability and consistency of transition plans is, while the market waits for standardised regulatory requirements, holding back financial decision-making.[27] While transition plan development should be a strategic rather than compliance exercise, further clarity on what specific information to disclose will improve the overall usability, comparability and credibility of transition plans, and reduce complexity for business. The TPT Disclosure Framework was developed, in collaboration between UK industry and the government, to address a lack of clarity in expectations of transition plans. The Framework has already influenced transition plan development by firms around the world and in the UK (including organisations such as the Fortescue, BT Group and NatWest), and this foundational practice should be recognised in regulation going forward.[28] The IFRS Foundation assumed responsibility for the TPT Disclosure

[27] IOSCO, 2024, **IOSCO Report on Transition Plans**

[28] Deloitte, 2024, **Corporate Reporting Insights** found that 22% of the first 50 UK FTSE-100 companies to disclose in 2024 had considered the TPT Disclosure Framework in preparing their disclosures and an additional 18% stated that they intend to produce TPT-aligned disclosures.

Framework in 2024,[29] and recently published guidance[30] that shows how the TPT Disclosure Framework can support disclosures in accordance with IFRS S2, the global baseline for climate disclosures including UK SRS.

> **Adaptation planning and physical risk assessment lack robust, standardised guidance.** TCFD covers resilience and physical risk at a high level, and NGFS scenarios are widely used. However, there is no standardised approach for analysis. Government should build on the work of the TPT Adaptation Working Group[31] to ensure that adaptation information is fully embedded in disclosure requirements. The government can use the TPT Disclosure Framework to embed adaptation within UK transition plan requirements.

> **Nature guidance needs mainstreaming through the ISSB and greater development of market best practice.** The Taskforce on Nature-related Financial Disclosures (TNFD) has launched its framework, but companies need clear transition pathways, metrics, and data sources to operationalise disclosures. The government should encourage the development of IFRS Nature Guidance, and use its publication as a key moment to lay out its approach on this topic.

> **Digital disclosure guidance is limited.** Firms need clear expectations on digital tagging, data formats, and interoperability (aligned with the Climate Data Steering Committee[32] and ISSB digital taxonomy[33]) to enable comparability and reduce costs. Current guidance is fragmented, and technical capacity is uneven. FCA and FRC should build on existing thinking[34] on the tagging of TPT-aligned transition plans and ISSB reporting to set out expectations on digital formats for reporting entities, and consider how AI can facilitate the aggregation and analysis of unstructured information to support assessment of compliance.

[29] IFRS, 2025, **Knowledge Hub: Transition Plan Taskforce Resources**
[30] IFRS, 2025, **Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2**
[31] TPT, 2024, **Building Climate-ready Transition Plans: An advisory paper from the TPT's Adaptation Working Group**
[32] Climate Data Steering Committee, 2025, **Solving the climate data challenge**
[33] IFRS, 2024, **ISSB publishes its digital sustainability taxonomy**
[34] FCA, 2023, **Primary Market Bulletin 45**

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Additional comments

- **UK SRS should ensure alignment with UK policy objectives and pathways.** While adopting the IFRS global baseline, the UK should make explicit reference to its legal climate targets and sectoral pathways, ensuring disclosures are decision-useful for both investors and policymakers.

- **Strengthened assurance and liability clarity are necessary.** Endorsement should be coupled with measures to grow the sustainability assurance market and provide good-faith liability protections. This will build trust in reported data without discouraging companies from ambitious disclosure.

About E3G

E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action.

E3G builds broad-based coalitions to deliver a safe climate, working closely with like-minded partners in government, politics, civil society, science, the media, public interest foundations and elsewhere to leverage change.

More information is available at **www.e3g.org**