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To whom it may concern

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

The Chartered Governance Institute is the professional body for governance and the qualifying and membership body for governance professionals across all sectors. Its purpose under Royal Charter is to lead effective governance and efficient administration of commerce, industry, and public affairs working with regulators and policymakers to champion high standards of governance and providing qualifications, training, and guidance. As a lifelong learning partner, the Institute helps governance professionals achieve their professional goals, providing recognition, community, and the voice of its membership.

One of nine divisions of the global Chartered Governance Institute, which was established 130 years ago, the Chartered Governance Institute UK & Ireland represents members working and studying in the UK and Ireland and many other countries and regions including the Caribbean, parts of Africa and the Middle East.

As the professional body that qualifies Chartered Secretaries and Chartered Governance Professionals, our members have a uniquely privileged role in companies' governance arrangements. They are therefore well placed to understand the issues raised by this consultation document. In preparing our response we have consulted, amongst others, with our members.

However, the views expressed in this response are not necessarily those of any individual members, nor of the companies they represent.

Our views on the questions asked in your consultation paper are set out below.

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

We support all four amendments proposed by the UK government based on the Technical Advisory Committee's (TAC) recommendations. Each amendment takes a balanced, pragmatic approach to implementing the UK Sustainability Reporting Standards (UK SRS), improving coherence, flexibility, and accessibility while maintaining regulatory ambition. Below, we explain the rationale for each amendment and offer suggestions for further refinement.

The UK government's acceptance of the TAC's recommendations reflects a thoughtful and responsive stance towards sustainability reporting. These amendments enhance the credibility, usability, and accessibility of the UK SRS, while preserving alignment with international best practices. With minor adjustments—particularly regarding timing and definitional clarity—the standards will be well positioned to support high-quality, decision-useful disclosures across the UK economy.

On amendment 1, we suggest considering sector-specific guidance or exemptions for smaller entities or those with less mature reporting systems and clarifying enforcement expectations during the first year to support a smooth transition without formal relief.

On Amendment 2 we recommend providing clear definitions or examples of “wider sustainability-related risks and opportunities” to assist preparers and encouraging voluntary early adoption, possibly with recognition for entities that exceed minimum requirements.

On Amendment 3 we advise setting minimum criteria for alternative classification systems to ensure consistency and comparability. Additionally, entities should be required to disclose their



rationale for the chosen classification system and explain how it supports their reporting objectives.

On Amendment 4 we suggest providing indicative timelines or scenarios to help entities plan their implementation and clarifying how transitional relief applies to early adopters to ensure consistent expectations.

Across all amendments, the government should prioritise continued interoperability with ISSB, EU CSRD, and TCFD frameworks to facilitate multinational reporting and reduce duplication. It should also focus on capacity building by providing sector-specific guidance, templates, and training, particularly to support SMEs. Finally, establishing mechanisms to gather feedback during initial reporting cycles will help refine the standards and address emerging challenges effectively.

Question 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?

We agree that using the most recent available loans and investments data from a prior period can provide decision-useful information, especially when calculating financed emissions based on the finalised balance sheet for the current reporting period is impracticable. This approach aligns with current industry practice and offers a practical solution given the tight timelines between balance sheet finalisation and annual report publication.

However, additional guidance from the ISSB would help by clarifying that this practice complies with IFRS S1 and S2, particularly regarding paragraph 64 of IFRS S1, which requires disclosures to cover the same reporting period as the financial statements. Clear definitions of what constitutes “impracticable” in this context would promote consistent application across entities. Furthermore, encouraging transparent labelling of the data source and period used will help maintain credibility and comparability.



Question 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?

Revising comparative data for financed emissions can confuse the interpretation of year-on-year changes. When the same third-party emissions data updates both the current and prior periods, differences between the revised prior year and the current year may only reflect portfolio changes or fair value adjustments—not actual emissions changes.

This risks distorting trend analysis and can lead to misinterpretations of progress or setbacks in financed emissions. It also complicates communication with stakeholders who expect emissions changes to reflect operational impact.

The ISSB should provide clear guidance on when and how to revise comparative data, especially if updated emissions data becomes available after reporting. Including illustrative examples would help entities differentiate between changes driven by data updates and those caused by portfolio shifts. Encouraging explanatory disclosures will help contextualise revisions and maintain transparency.

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

The TAC’s final report is thorough and shows a clear grasp of both the technical and practical challenges involved in implementing sustainability disclosures. Its recommendation to seek ISSB clarification on financed emissions is particularly important, given the complexity and evolving nature of Scope 3 reporting.

The TAC strikes a commendable balance between regulatory ambition and practical implementation, especially in its treatment of transition reliefs and classification flexibility. Its focus on data quality and comparability in financed emissions disclosures is timely, as financial institutions face growing scrutiny over their climate impact.



Looking ahead, it would benefit the UK government and ISSB to develop sector-specific guidance and capacity-building initiatives, particularly for smaller institutions and those with limited access to high-quality emissions data.

This view is supported by industry reports from CDP, GFANZ, and PCAF, which highlight the challenges of Scope 3 data collection and underline the need for standardised methodologies and clear timelines.

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.

We agree that “shall” should be amended to “may” however, some potential drawbacks remain. Making reference optional may reduce consistency across entities and sectors, potentially hindering comparability. Assurance providers may face challenges verifying whether entities have adequately considered SASB materials, especially if documentation is insufficient. Furthermore, SASB materials provide valuable guidance for entities less familiar with sustainability reporting. Optional use might discourage these organisations from utilising helpful resources unless explicitly recommended elsewhere.

To address these issues, we suggest clarifying expectations for assurance. The government should provide guidance for assurance providers on how to assess whether an entity has reasonably considered SASB materials, even within a “may” framework. Encouraging entities to document their rationale for using or not using SASB materials will improve transparency.

We also recommend introducing a tiered approach. SASB materials could be “recommended” for sectors or entity types where they are most relevant, such as financial services and extractives. Finally, the timing of the planned review following the ISSB’s July 2025 consultation is sensible. To improve clarity, the government should commit to a specific review window, such as Q1 2026, and engage UK stakeholders during the review to assess the updated SASB materials’ relevance and usability.



**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.**

We support the proposal to link transition reliefs to the date when mandatory reporting requirements come into effect. This approach is both pragmatic and consistent with policy, ensuring fairness for early adopters while providing clear structure for entities subject to future regulatory obligations. Below is a detailed analysis of the benefits, potential challenges, and suggested improvements.

The proposal to tie transition reliefs to the start of mandatory reporting represents a well-considered amendment. However, we suggest minor clarifications—particularly regarding timing and voluntary application—to ensure this amendment will help foster a smooth and equitable transition to UK SRS S1 and S2.

Potential challenges include the risk of inconsistent application among voluntary reporters, which could lead to variations in disclosures and reduced comparability. Assurance providers might also find it difficult to verify the appropriate use of reliefs in voluntary contexts. Additionally, some entities may be uncertain whether reliefs apply from the start of their voluntary reporting or only once mandatory requirements are triggered, potentially causing confusion or misapplication. To address these issues, the government could issue non-binding guidance or illustrative examples to support voluntary reporters in applying reliefs consistently, reducing uncertainty without imposing formal obligations. Clarifying the meaning of “first annual reporting period”—whether it refers to the financial year start, reporting date, or filing deadline—would further enhance understanding. Finally, monitoring how voluntary reporters use reliefs during implementation could provide valuable insights to inform future guidance or adjustments.



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**

Disclosing the purchase and use of carbon credits within the current reporting period would greatly enhance the quality and credibility of sustainability reporting under IFRS S2. Although legitimate challenges exist—particularly around data quality, accounting treatment, and costs—these can be addressed through targeted guidance, standardisation, and capacity-building. Additional disclosures about the nature, source, and strategic use of credits would give stakeholders a clearer understanding of an entity’s climate strategy and its alignment with net-zero goals.

Disclosing carbon credit purchases and usage in the current period provides decision-useful information for investors, regulators, and other stakeholders. It increases transparency by showing how entities meet their net greenhouse gas emissions targets, distinguishing operational reductions from market-based mechanisms. It also improves accountability by clearly separating actual emissions cuts from offsetting strategies and supports comparability across sectors, especially in carbon-intensive industries where offsets play a significant role. Furthermore, it enables better risk assessment, particularly in relation to reputational, regulatory, and market risks linked to carbon credit reliance. Current IFRS S2 disclosures tend to focus on planned future credit use, which is forward-looking but lacks verification. Including actual credit purchases and usage grounds disclosures in verifiable data, improving their reliability.

Despite these benefits, several practical barriers may prevent companies from producing high-quality disclosures on carbon credit purchases and use. Carbon credit markets remain fragmented, with wide variation in credit types, origins, verification standards, and environmental integrity. This makes it difficult for entities to access consistent, auditable data, especially when credits come from voluntary markets. Accounting treatments also vary, as there is no universally accepted standard for carbon credits; they may be recorded as intangible assets, inventory, or financial instruments depending on the entity’s policy, complicating reporting. Smaller entities



often lack the resources or systems to track and report carbon credit transactions accurately, while assurance of these disclosures may require specialist expertise, adding to audit costs. Timing presents another challenge, as credits purchased in one period may be used in another, raising questions about when to report their impact on emissions targets.

To improve transparency and comparability, entities should consider disclosing additional information. This includes the type and source of credits—whether they come from compliance or voluntary markets, the project type (such as reforestation or renewable energy), geographic origin, and the certification standard (e.g., Gold Standard, Verra). Disclosure should also cover the vintage year, indicating when the emissions reduction occurred, and whether the credits have been retired or remain held. Entities should report the proportion of their net emissions reduction achieved through credits versus direct reductions. They should also explain any assumptions about the future availability or pricing of credits, along with risks linked to regulatory changes, market volatility, or reputational concerns. Finally, outlining the entity’s long-term strategy for carbon credit use, including plans to reduce reliance over time, would provide valuable forward-looking context.

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

The ISSB’s proposed amendments to IFRS S2 represent a pragmatic response to implementation challenges, showing a readiness to refine the standards to enhance clarity, feasibility, and global applicability. We support the general direction of these changes but offer a detailed analysis of their benefits, risks, and areas for improvement.

The proposed amendments are sensible and demonstrate a commitment to making IFRS S2 more usable and relevant. However, to maintain the integrity of the global baseline, the ISSB should pair these amendments with clear guidance, transparency requirements, and a roadmap for future harmonisation.

The exclusion of specific Scope 3 categories—derivatives, facilitated emissions, and insurance-associated emissions—recognises the complexity and difficulty of reliably quantifying these areas



given current data limitations and methodological inconsistencies. Removing these categories allows entities to focus on more material, measurable Scope 3 emissions, thereby improving the quality and comparability of disclosures. This approach aligns with the principle of providing decision-useful information by avoiding speculative or potentially misleading disclosures.

However, excluding these categories risks understating total financed emissions, especially for entities with significant exposure to derivatives or insurance portfolios. It may also lead to inconsistencies across jurisdictions if some regulators retain these categories. The ISSB should therefore provide clear guidance on when and how these categories might be included in the future, encouraging voluntary disclosures where appropriate.

Extending jurisdictional relief on global warming potential (GWP) values acknowledges that different regions use varying GWP standards and allows entities to comply with local regulations without penalty. This flexibility supports interoperability and reduces conflicts between IFRS S2 and national frameworks. However, this approach may reduce comparability across entities operating in different jurisdictions and cause confusion among financial report users if GWP values are not clearly disclosed. To maintain transparency, entities should be required to disclose the GWP values they apply, including their sources and justifications.

Clarifying the use of methodologies other than the GHG Protocol recognises that some jurisdictions or sectors rely on alternative, well-established approaches suited to their specific contexts. This avoids imposing a one-size-fits-all methodology, which may not be appropriate for all entities. However, allowing alternative methodologies risks fragmentation, complicating comparisons of emissions data across entities and potentially undermining confidence if these methodologies lack robustness or broad acceptance. The ISSB should therefore define minimum criteria for acceptable alternative methodologies and require entities to justify their choices clearly.



Question 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?

With ongoing engagement, targeted guidance, and responsiveness to stakeholder feedback, the UK SRS will be well placed to drive high-quality sustainability reporting across the UK economy. To promote consistency and comparability, the government could consider issuing non-binding guidance for voluntary reporters.

Question 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.

We agree that the UK government should endorse IFRS S1 and IFRS S2, subject to the proposed amendments. These standards offer a robust framework for sustainability-related financial disclosures and align with the UK's public policy goals of transparency, accountability, and climate leadership.

We suggest the government consider additional amendments. Firstly, providing further guidance on carbon credit disclosures—covering their purchase, use, and characteristics—would improve transparency and credibility, as discussed in Question 7. Secondly, developing sector-specific guidance or templates could support consistent application, particularly in complex areas like financed emissions and Scope 3 reporting. Finally, clarifying assurance expectations by offering guidance on how assurance providers should approach discretionary elements, such as SASB references and voluntary reliefs, would promote consistent verification across entities.

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.

Implementing UK SRS S1 and S2 will deliver significant direct and indirect benefits to reporting entities, investors, regulators, and the broader UK economy. These benefits extend well beyond those achieved by existing frameworks such as TCFD, SECR, and FCA listing rules.



Adopting UK SRS S1 and S2 will improve the quality, consistency, and strategic value of sustainability disclosures, boost investor confidence, and align the UK with global standards. These advantages will help entities manage sustainability challenges and opportunities more effectively while reinforcing the UK's leadership in sustainable finance.

The direct benefits include improved disclosure quality and consistency. UK SRS offers a comprehensive, standardised framework that reduces fragmentation caused by overlapping frameworks. Entities will gain clearer guidance on reporting requirements, enhancing internal processes and reducing duplication. Unlike current frameworks like SECR and TCFD, which tend to be sector-specific or limited in scope, UK SRS provides a unified structure covering a broader range of sustainability risks and opportunities, improving comparability across sectors.

UK SRS also strengthens investor confidence and access to capital. Investors seek high-quality, comparable, and decision-useful information, and UK SRS meets this demand by aligning with ISSB standards and global best practices. Better disclosures can lower the cost of capital by enabling investors to assess risk and reward more accurately. While TCFD disclosures have improved climate transparency, UK SRS broadens this focus to cover a wider range of sustainability topics, allowing investors to evaluate long-term resilience and ESG performance more holistically.

The standards encourage strategic risk management and innovation by prompting entities to assess medium- and long-term sustainability risks and opportunities. This approach fosters strategic thinking, operational efficiency, resilience, and competitive advantage. Existing frameworks tend to emphasise compliance and short-term metrics, whereas UK SRS promotes forward-looking analysis that integrates sustainability into core strategy and governance.

UK SRS also aligns the UK with global standards, as it is based on IFRS S1 and S2. This supports cross-jurisdictional interoperability and reduces the reporting burden for multinational entities. Unlike current UK regulations, which are not fully aligned with the ISSB, UK SRS bridges this gap, enabling UK entities to meet international investor expectations and regulatory requirements more effectively.



Indirectly, UK SRS will enhance market stability and support economic growth by improving sustainability disclosures that reduce systemic risk, particularly in sectors vulnerable to climate and environmental hazards. This contributes to financial stability and aligns with the UK government's economic growth objectives. The adoption of a single coherent standard will also streamline regulatory oversight and reduce administrative burdens by eliminating the need for multiple overlapping disclosures.

Transparent reporting under UK SRS will strengthen stakeholder engagement and enhance reputations. Entities seen as sustainability leaders will build greater trust with customers, employees and civil society, helping them attract talent, investment, and partnerships.

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.

Implementing UK SRS S1 and S2 will bring a range of direct and indirect costs for reporting entities. While some of these costs overlap with existing frameworks such as TCFD and SECR, the expanded scope, detail, and complexity of UK SRS will create additional financial, operational, and strategic burdens, especially during the initial adoption phase. The following provides a detailed overview of the expected cost categories, emphasising incremental costs beyond current reporting requirements.

Although UK SRS promises long-term benefits in transparency, resilience, and investor confidence, the short- to medium-term costs—particularly around value chain data collection, system upgrades, and assurance—will be substantial. These expenses will be significantly higher than those associated with SECR and TCFD. To ease implementation, the UK government may consider phased requirements, sector-specific guidance, and capacity-building initiatives, particularly to support SMEs and less mature reporters.

The direct costs start with familiarisation and training. Entities will need to invest time and resources in understanding the new standards, especially teams unfamiliar with ISSB-aligned frameworks. Training will be necessary across finance, sustainability, risk and governance



functions. Unlike existing frameworks like SECR and TCFD, which are narrower in scope, UK SRS introduces new concepts such as value chain disclosures and integration with financials, demanding deeper technical expertise.

Staffing and resourcing will also require significant attention. Organisations may need to recruit or upskill personnel specialising in sustainability reporting, data analytics and assurance. Larger entities are likely to establish dedicated ESG reporting teams. While current reporting often relies on part-time or cross-functional roles, UK SRS will probably require full-time positions or external consultants, especially during the first one to three years.

Systems and process changes represent another major cost area. Entities must invest heavily in data collection systems, internal controls and reporting software to meet UK SRS requirements. Integrating sustainability data with financial reporting systems is critical to satisfy the connectivity principle. Current frameworks like SECR and TCFD do not demand this level of data integration or granularity, particularly across the value chain.

Value chain data collection will be among the most resource-intensive activities. Gathering Scope 3 emissions and other sustainability-related data from suppliers, customers, and third parties will require supplier engagement programmes, contractual adjustments, and new data-sharing protocols. Unlike SECR and TCFD, which do not mandate comprehensive value chain disclosures, UK SRS introduces systemic data dependencies unfamiliar to many entities.

Third-party assurance will also contribute to costs. Rising investor expectations and regulatory scrutiny will encourage entities to seek external assurance on UK SRS disclosures, resulting in audit fees, internal preparation and ongoing compliance expenses. While some companies currently obtain limited assurance on climate data, UK SRS will likely increase demand for reasonable assurance over a broader range of metrics.

Indirect costs include operational disruption, as collecting and validating new data may divert resources from core business activities, especially during initial reporting cycles. Enhanced transparency might reveal gaps or weaknesses in sustainability performance, increasing reputational risk if not carefully managed. Entities may face strategic trade-offs, needing to



reallocate capital or adjust business models in response to newly disclosed risks and opportunities, which could have short-term financial impacts.

Question 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.

We support including economically significant private companies and LLPs within the scope of UK SRS reporting. Although private entities differ structurally from listed companies, many large private organisations have substantial economic impact, wide stakeholder reach and significant sustainability exposures that justify their inclusion. The following provides a detailed assessment of the direct and indirect benefits and costs.

The benefits of UK SRS reporting for these private entities clearly outweigh the costs, especially when considering long-term resilience, investor alignment and reputational value. However, phased implementation, sector-specific guidance and capacity-building support will be crucial to ensure proportionality and feasibility.

Direct benefits start with improved risk management. UK SRS encourages private entities to identify and manage sustainability-related risks, including climate, nature and social factors. This leads to better-informed strategic decisions, particularly for organisations with complex supply chains or significant environmental exposure.

Investor and stakeholder confidence will also increase. Many private companies rely on private equity, institutional investors, or lenders who increasingly demand high-quality ESG disclosures. UK SRS offers a standardised framework that meets these expectations and facilitates access to capital.

Operational efficiency and innovation represent further advantages. Sustainability disclosures often highlight inefficiencies and reveal opportunities for improvement in areas such as energy use, resource management and employee engagement.



Transparent reporting provides a reputational advantage by enhancing brand value and stakeholder trust, especially in sectors with high public visibility or significant environmental impact.

Indirect benefits include creating a level playing field. Including private entities reduces the risk of regulatory arbitrage, where listed companies might delist to avoid disclosure obligations, thereby promoting fair competition across the market.

The systemic impact is also significant. Large private entities frequently have considerable environmental and social footprints, and their disclosures contribute meaningfully to national sustainability goals and overall market resilience.

On the cost side, resource constraints present a challenge. Many private entities lack dedicated ESG teams, requiring investment in training, systems, and external expertise.

Data collection burdens are also notable. Gathering value chain information and reporting Scope 3 emissions can be resource-intensive, particularly for entities with limited digital infrastructure. Finally, assurance and compliance costs may prove costly and complex, especially for those new to sustainability reporting who seek third-party verification.

Overall, including economically significant private companies and LLPs in UK SRS reporting supports sustainable business practices and market transparency, but successful implementation will depend on careful support and phased rollout.

Question 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.

Readiness among non-listed entities to report under UK SRS, especially UK SRS S1, will vary depending on their size, sector and existing ESG maturity. While many large private companies



already report climate-related data under TCFD or SECR, they will need to develop new capabilities to address non-climate themes such as nature, biodiversity, workforce and governance.

Although many non-listed entities are familiar with climate reporting, UK SRS S1 demands additional resources, particularly in data systems, expertise and governance. To support readiness and ensure high-quality disclosures, a phased implementation combined with clear guidance and training will be crucial.

Entities will require more technical expertise, as UK SRS S1 introduces disclosure areas like nature-related risks, social capital and governance structures that fall outside typical climate reporting. Expanding data collection systems will be necessary to capture both qualitative and quantitative metrics across multiple ESG domains. Additionally, integrating sustainability data with financial reporting systems will be essential to comply with the connectivity principle. Internal governance will also need strengthening. Enhanced disclosures require board-level oversight, cross-functional collaboration and potentially new governance frameworks. Furthermore, non-climate disclosures may present verification challenges, necessitating new assurance methodologies and external expertise.

Question 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.

If UK SRS becomes the central standard for economically significant private entities, it offers a clear opportunity to streamline and rationalise the UK's non-financial reporting framework. This shift would reduce duplication, improve efficiency and enhance coherence across disclosures. Mandating UK SRS for private entities presents a strategic chance to modernise and simplify the non-financial reporting landscape. A consolidated framework would lower the reporting burden, improve data quality and support better decision-making throughout the economy.

Consolidating existing requirements under SECR, TCFD, and FCA rules into UK SRS would create a unified, comprehensive structure and eliminate the need for multiple reports to different regulators. Standardising metrics and definitions within UK SRS—such as GHG emissions



boundaries and methodologies—would reduce confusion and inconsistency. Aligning reporting timelines for financial and sustainability disclosures would avoid repetitive data preparation. Finally, a centralised assurance process for UK SRS disclosures would replace separate audits for SECR or TCFD reports, further easing the compliance burden.

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?

Not applicable.

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.

Current and emerging support for SMEs shows promise but requires coordination to be truly effective. Government and regulatory initiatives already in place include the UK SME Voluntary Emissions Standard, developed by Bankers for Net Zero and the Broadway Initiative, which simplifies emissions data sharing through a “create once, share many” model. The Net Zero Council endorses scalable, SME friendly sustainability practices and encourages FTSE 250 companies to adopt that standard, thereby integrating SMEs into green supply chains. In addition, the ACCA’s SME Sustainability Reporting Guide offers an eight stage reporting cycle tailored for smaller firms. It helps them connect financial and sustainability data and leverages professional accountants to support implementation.

Market based tools and platforms also contribute. ESG software solutions allow SMEs to automate data collection, reporting, and compliance. Training resources deliver both foundational and advanced knowledge on frameworks including GRI, TCFD, IFRS S1/S2, and ESRS.

Support can mitigate various costs. SMEs will spend less time and effort if ESG software automates data tracking and reporting, reducing manual mistakes. The SME Voluntary Emissions Standard helps avoid duplicative disclosure requests. Access to free or low-cost courses enables



upskilling without major financial outlay. Guidance from ACCA allows SMEs to make use of existing accounting expertise for sustainability reporting instead of hiring outside consultants.

With effective support, SMEs can realise significant benefits. Standardised emissions data boosts credibility with lenders and investors and helps improve access to green finance. Meeting sustainability expectations of larger clients enables SMEs to retain contracts and maintain supply chain relationships. ESG reporting drives operational efficiency through innovation and better resource management. Transparent sustainability practices enhance brand reputation and help attract and retain talent.

The UK government and regulators should take immediate actions. They should subsidise ESG software licenses by offering grants or tax credits to SMEs using ESG platforms. They should build a central SME reporting portal, backed by government, to serve all emissions and ESG data submission needs. Expanding availability of training, through partnerships with industry bodies, will help tailor courses to what SMEs actually need.

In the medium term, sector specific templates will simplify reporting by providing prefilled forms suited to typical SME sectors. Large corporates should support their SME suppliers by sharing guidance and tools. Regional SME sustainability hubs could offer advisory services, peer learning, and data support locally.

Looking further ahead, sustainability metrics should become embedded in SME finance—for example in credit scoring or procurement systems. The UK should monitor SME uptake and outcomes to refine support measures, ensuring that assistance remains relevant and effective.

Question 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.

Sustainability reporting under UK SRS, especially where it aligns with IFRS S1 and S2, introduces legal risks because those reports often rely on forward looking statements and third-party data. Forward looking statements—like climate targets, scenario analyses or strategic plans—depend on assumptions, models, or factors outside the company’s control. If those projections prove



inaccurate or unattainable, directors might face liability. Clear documenting of assumptions, usage of scenario analysis and suitable disclaimers help reduce that exposure.

Dependence on third party data—such as in Scope 3 emissions or supply chain metrics—carries its own risks. Entities often have limited influence over the quality or methodology of external data providers, particularly in global supply chains. Mitigation requires robust due diligence, contractual protections and full disclosure of sources.

Section 463 of the Companies Act 2006 provides a qualified safe harbour for directors making disclosures in the Strategic Report, Directors' Report and related statements. It limits liability if directors did not know that statements were false, were not reckless about their truth, or knowingly omitted material facts. It applies only to the company itself, not third parties, and does not shield against civil penalties or criminal offences. Those features encourage good faith reporting and acknowledge the uncertainty inherent in forecasting, but Section 463 does not automatically cover UK SRS disclosures, nor does it protect against reputational damage or regulatory scrutiny if misstatements are negligent but not reckless.

Given the inherent complexity and uncertainties in sustainability disclosures, extending safe harbour protections similar to Section 463 to UK SRS reporting seems both prudent and necessary. Clarifying liability boundaries for directors and preparers will provide legal certainty. Such protections should encourage more transparent disclosure by reducing fear of litigation and reinforce investor confidence in the integrity of sustainability related data.

Question 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.

The implementation of UK SRS introduces both costs and benefits, which will vary depending on the entity's sector, size, and ESG maturity. While the framework promotes better risk management and strategic alignment, it also increases the burden of legal review, assurance, and governance. The balance of these impacts will depend heavily on the clarity of regulatory expectations and the support available from government and standard setters.



Legal and compliance costs will rise as companies assess the legal risks of forward-looking disclosures. Many entities will need legal review to ensure statements are appropriately framed and defensible. At the same time, the requirement to disclose verified ESG data will increase the cost of assurance, especially where third-party sources underpin key metrics. Internally, boards and senior executives will need training to develop ESG literacy, strengthen internal controls, and embed sustainability governance throughout their operations.

On the benefit side, UK SRS will improve how entities identify and manage sustainability risks. It will also enhance credibility with investors and support access to sustainable finance. By integrating ESG considerations into strategic planning and performance evaluation, entities can better align long-term value creation with societal expectations.

Impacts will differ significantly across sectors. In financial services, the exposure to financed emissions and transition risks will make UK SRS reporting both urgent and complex. These entities are also among the most likely to fall under early mandatory reporting thresholds. In manufacturing and supply chains, Scope 3 emissions reporting will require deep engagement with suppliers and robust systems for data validation and governance. Public sector bodies and utilities, while generally more aligned with net zero goals, will need tailored guidance to address issues of materiality and boundary setting, given their unique mandates and stakeholder responsibilities. To ensure a proportionate and effective rollout, the UK government and regulators should take several actions. Firstly, they should provide legal clarity by codifying safe harbour protections for sustainability disclosures under UK SRS. This would reduce legal uncertainty for directors making good-faith forward-looking statements. Secondly, regulators should issue guidance on the use of third-party data, outlining acceptable standards for quality, sourcing, and verification. Thirdly, sector-specific templates would help standardise disclosures in high-impact industries, improving comparability and easing the reporting burden. Finally, regulatory coordination—across the FCA, FRC and ARGA—will be essential to ensure consistency and avoid duplication across the UK's broader corporate reporting landscape.



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.

Assessment of Existing Guidance

The ISSB has published foundational materials covering materiality assessments, interoperability with ESRS, and general application of IFRS S1 and S2. These are useful to entities already familiar with sustainability reporting, but they often remain too high level or generic for SMEs or sector specific users.

HM Treasury's guidance on climate scenario analysis aligns with TCFD and offers a structured method. It leads entities through assessing present day risks, defining scenarios, and iterating their analyses. It emphasises decision usefulness, transparency in assumptions and integration with governance. However, it lacks sector specific scenarios and worked examples, especially for SMEs or non-financial sectors. Entities without internal climate expertise also receive little support with selecting or using models.

The UK government publishes annual GHG conversion factors under SECR in condensed, full, and flat file formats, along with methodology papers that explain their derivation and application. These factors enjoy broad usage beyond SECR, including voluntary disclosures and Scope 3 estimates, and provide a trusted basis for consistent emissions calculations. Yet guidance rarely links these conversion factors explicitly with UK SRS, and contextual examples in complex value chains remain limited. The existing guidance also omits discussion of uncertainty or data quality when applying conversion factors.

The TAC identified 11 areas where additional guidance is essential. Financed emissions calculation periods need clarity on timeframes and data sources. Disaggregation of Scope 1 & 2 emissions within financial control structures needs more examples, especially in groups. Industry based guidance for Scope 3 emissions and supply chains is sparse but critical for SMEs. Ambiguities over comparatives and data quality, targets versus ambitions, and materiality thresholds undermine credibility and comparability. Other topics such as variation in reporting periods for GHG data,



integration of UK specific conversion factors, and updates to the GHG Protocol also require attention.

Recommendations for Additional Guidance

The ISSB should publish sector specific implementation guides for Scope 3 and financed emissions. It should offer worked examples for SMEs, public sector bodies, and financial institutions. A harmonised glossary across IFRS S1/S2, ESRS, and TCFD would help align terms and reduce confusion.

In the UK, the government should develop a scenario analysis toolkit reflecting UK Net Zero pathways. It should integrate SECR conversion factors into UK SRS templates. Guidance on materiality thresholds tailored to UK sectors would support consistency. Finally, expanding training and capacity building resources aimed at SMEs and public sector bodies will help under resourced entities meet the standards.

If you would like to discuss any of the above comments in further detail, please do feel free to contact me.

Yours faithfully,

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