Aldersgate Group response to exposure draft of UK Sustainability Reporting Standards: UK SRS S1 and UK SRS S2

September 2025

Introduction

The Aldersgate Group is an alliance of major businesses, academic institutions and civil society organisations, which drives action for a competitive and environmentally sustainable UK economy.[1] Our corporate members represent all major sectors of the economy and include Associated British Ports, Aviva Investors, BT, the John Lewis Partnership, Michelin, Nestlé, Siemens, SUEZ, Tesco, and Willmott Dixon. Aldersgate Group members believe that ambitious environmental policies make clear economic sense for the UK, and we work closely with members when developing our independent policy positions.

The consultation, including the full list of questions, is available here.

Questions

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

   N/A

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?**

   N/A

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?**

   N/A

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

   N/A

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.**

   N/A

[1] Individual recommendations cannot be attributed to any single member and the Aldersgate Group takes full responsibility for the views expressed.

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.**

   N/A

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.

   N/A

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

   N/A

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.**

   N/A

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.**

    There is strong consensus from across the Aldersgate Group's business membership that the UK government should endorse the drafts of UK SRS S1 and UK SRS S2 for use in the UK.

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.**

    Aldersgate Group business members have highlighted several benefits of the UK SRS S1 and UK SRS S2, both from preparer and user perspectives.

    As a 'preparer', the standards could help simplify reporting by acting as an integrated framework for sustainability disclosure. The standards, for example, will replace the Streamlined Energy and Carbon Reporting (SECR) framework. Minimal divergence from the ISSB standards will also reduce the compliance cost for companies with cross-jurisdictional reporting requirements. Separately, while UK SRS S1 and UK SRS 2 build on comparable information entities are already disclosing (either on a mandatory or voluntary basis), it will require new areas of disclosure and greater depth of reporting.

This will help ensure entities have the information they need to factor climate change and sustainability into business and financial decision making.

As a ‘user’, the adoption of the standards will increase the availability and comparability of sustainability-related financial information. This will help investors to strategically consider climate and sustainability in their in their capital allocation, stewardship, and risk management decisions. On a market level, strengthening investor confidence will help unlock the flow of capital to emerging green and transitioning sectors.

These benefits, however, will only materialise if the UK SRS is interoperable with global standards (including the CSRD and ESRS), and focuses on decision-useful information.

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.**

There are costs associated with using UK SRS S1 and UK SRS S2, as these standards require new areas of disclosure and greater depth of reporting.

Direct costs will include additional ESG team resources required to support expanded data collection and disclosure, investment in software systems for data management and assessments (e.g., climate scenario analysis), and fees for third-party assurance – especially if assurance becomes mandatory. Indirect costs may arise from the reallocation of internal resources, with potential knock-on impacts on other projects and increased complexity of annual reports.

Members highlighted that reporting under the UK SRS is likely to involve an upfront investment during the early years of adoption, after which costs will be absorbed into ongoing reporting processes. A mitigating factor is that the ISSB standards build on the well-established TCFD framework, with which many entities are already familiar. One member said: “We’re a big supporter of the move to the UK SRS and ISSB. From our perspective, we’ve been responding and doing a TCFD disclosure for about five years now, both voluntarily and under the regulation, so we don’t see it as a huge cost to move to the UK SRS”.

Finally, while the UK SRS only minimally diverges from the ISSB standards, members have expressed concern about the complexity of adhering to both the UK SRS and the EU’s CSRD which differ in several respects, such as in materiality focus. This could create duplication and increase compliance costs for companies with cross-jurisdictional reporting requirements. To mitigate this, some members have suggested offering exemptions or mutual recognition to enable companies reporting against both to leverage the same data, processes, and assurance work. Similarly, some members have suggested mandating UK SRS-aligned reporting from 2027, to align with CSRD/ESRS implementation.

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 believe that economically-significant private companies should report against the UK SRS, alongside large listed companies and UK regulated financial institutions.

The transition to net zero necessitates a whole economy approach. Excluding large private companies from reporting against the UK SRS omits a significant part of the business community, both in terms of size and emissions intensity, and limits the availability, comparability, and transparency of information available to investors. A level playing field between public and private markets is also key to avoid the risk of 'regulatory arbitrage', where financing for high-carbon industries is channelled into private markets.

Government and regulators should set out a roadmap towards reporting against the UK SRS to give companies (public and private) lead-time to prepare and resource accordingly. This roadmap should set out when requirements would be rolled out to different economic actors, by whom, and how (e.g., regulatory action or legislative measure). Additionally, government and regulators must carefully consider sequence requirements to enable the flow of information through the value chain. With previous reporting requirements, both in the UK and EU, Financial Institutions and real economy companies have had to report at the same time which creates a data lag – whereby the financial institutions must make an educated guess using proxy data. With the EU Green Taxonomy, for example, analysis of the EU's 100 largest companies found that financial companies are reporting the taxonomy eligibility of their assets at 60%, compared to non-financial companies who are reporting that just 37% of their turnover of their turnover is taxonomy eligible.

Requiring economically-significant private companies to report against UK SRS may involve larger upfront costs, as these entities might be less ready to report against the standards compared with listed companies. To mitigate this, the government could consider giving private companies a longer voluntary reporting period to prepare and familiarise themselves with the standards and the requirements.

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.**

Under UK SRS S1, companies can choose to report on nature if it is deemed material to their business.

Understanding nature-related dependencies, impacts, risks, and opportunities is key for corporates and Financial Institutions to properly integrate nature into business and financial decisions, helping to build resilience and support a shift towards nature-positive capital allocation decisions.

Despite this, nature-related financial information is not yet consistently assessed or disclosed as financial material. According to the World Benchmarking Alliance, only 5% of companies have carried out an assessment of the impact of their operations on nature, and less than 1% have assessed their dependencies on nature. The nascency of nature-related reporting stems from the complex challenge of gathering and interpreting data that is location-specific, time-dependent, and deeply embedded within supply chains

As the Aldersgate Group has previously set out, the government can help support businesses to prepare for nature-related reporting by publishing clear application guidance on TNFD-aligned disclosures to build capacity and skills and continuing to champion the TNFD framework at international fora. The government should also encourage the ISSB to undertake a third standard on Biodiversity and Ecosystem Services and, in future, endorse this standard alongside UK SRS S1 and S2.

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.**

    There are opportunities to simplify existing UK climate-related disclosure requirements. Members highlighted the need for sequencing to avoid duplicative and overlapping reporting requirements. For example, if the government were to require economically-significant companies to disclose against the UK SRS first, it should consider offering relief from the Climate-Financial Disclosures requirements to prevent those companies having to report on both.

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?**

    Our members report against multiple sustainability-related frameworks and standards, both on a mandatory and voluntary basis. These include TCFD-aligned climate disclosures and SECR in Annual Reports, GRI (Global Reporting Initiative) and SASB (Sustainability Accounting Standards Board), TPT-aligned transition plan disclosure, CDP (Climate and Forests) and Workforce Disclosure Initiative (WDI), and CSRD and the ESRS from 2027 for those with EU operations.

    The UK SRS could help simplify reporting by acting as an integrated framework for sustainability disclosure. For example, by encompassing TCFD-aligned reporting requirements and replacing the Streamlined Energy and Carbon Reporting (SECR) framework. Interoperability and exemption mechanisms with other frameworks is key to avoid increasing compliance costs for companies with cross-jurisdictional reporting requirements. In particular, Aldersgate Group members emphasised the need for interoperability with the CSRD/ESRS to allow companies to leverage the same data, processes, and assurance work.

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.**

    Requiring companies to report against the UK SRS will likely have a trickle-down effect through supply chains. To report against the UK SRS, entities will need to request data from their supply chain, including smaller suppliers, to calculate their Scope 3 emissions, measure and manage their sustainability performance and identify risks.

One Aldersgate Group member expressed concern that the growing capacity gap between large and small suppliers could influence supplier selection decisions in future, disadvantaging smaller companies who may lack the expertise and resources to deal with numerous and varied sustainability data requests from large corporates and financial institutions.

The government and regulators can help support smaller companies within the supply chain by offering greater guidance, for example through the new Business Growth Service, encouraging the adoption of the UK SME Voluntary Emissions Standard, as well as continuing to support initiatives like Bankers for Net Zero's Project Perseus – which seeks to create a model for more automated emissions reporting for SMEs. Ideally, the format and approach to data submissions by SMEs to large corporates should be consistent. This would significantly reduce the burden of effort involved.

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.**

    We believe the existing protections under section 463 of the Companies Act are sufficient to mitigate the legal implications of using UK SRS, provided UK SRS disclosures form part of the strategic report. Members highlighted that it would still be helpful to amend section 463 to include specific reference to UK SRS disclosures, as well as any future transition plan requirement.

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.**

    N/A

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.**

    Aldersgate Group members highlighted that additional guidance on scenario analysis, scope 3 emissions, and technical aspects relevant to specific sectors would be helpful.