Principles for Responsible Investment

PRI RESPONSE

EXPOSURE DRAFT UK SUSTAINABILITY REPORTING STANDARDS

September 2025

To inform this paper, the following group has been consulted: UK Regional Policy Reference Group

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

PRI Association

Registered office: 25 Camperdown Street
London, UK, E1 8DZ Company no. 7207947
T: +44 (0) 20 3714 3220 W: www.unpri.org E:info@unpri.org

UN environment programme | finance initiative

United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the UK government's call for feedback on Exposure Draft UK Sustainability Reporting Standards.

ABOUT THIS CONSULTATION

The UK Department for Business and Trade (DBT) is consulting on Exposure Draft UK Sustainability Reporting Standards (SRS), which aim to deliver decision-useful sustainability-related financial information from companies to the financial markets.

The draft standards are well-aligned with the ISSB standards (listed below). Minor changes, informed by input from the UK Sustainability Disclosure Technical Advisory Committee (TAC) and Sustainability Disclosure Policy Implementation Committee (PIC), are proposed to ease implementation.

- IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* – requirements on risks and opportunities across all sustainability issues, and how to prepare and report sustainability-related financial disclosures.
- IFRS S2 *Climate-related Disclosures* – requirements on climate-related risks and opportunities.

If endorsed, the government aims to publish the final SRS in late 2025, so that they are available for voluntary use by companies. Decisions about mandating the SRS, including scope and timing, will be made by the Financial Conduct Authority (FCA) for listed companies and DBT for other economically significant UK-registered entities – subject to further public consultation.

For more information, contact:

Louisa Guy
Policy Specialist
louisa.guy@unpri.org

Benjamin Taylor
Senior Analyst, Driving Meaningful Data
benjamin.taylor@unpri.org

KEY RECOMMENDATIONS

The PRI's key recommendations are for the UK government to:

- Eliminate the phase-in provision allowing entities to defer reporting on non-climate sustainability-related risks and opportunities by two years but also clarify how ISSB relief provisions like "undue cost and effort" would apply to IFRS S1 reporting as companies begin to report beyond climate. This will give investors timely access to material information on sustainability issues, which they need to assess companies' prospects, while allowing for capacity building.
- Leverage capacity building to ensure effective implementation of the standards by preparers – building on resources from the ISSB's Knowledge Hub.

In addition, until further decisions are made by relevant bodies, entities preparing sustainability disclosures have the sole discretion to decide whether this should be done in accordance with the UK SRS or other frameworks. We recommend that the UK government encourage voluntary adoption by companies, and ensure collaboration among relevant authorities to promote and implement the SRS.

The UK government should consider building on the global baseline in the future

Investors' data needs are shaped by the approach they take to responsible investment. Approaches can include a combination of: (i) focusing on incorporating ESG risks and opportunities; (ii) addressing the drivers of financially material sustainability risks; and (iii) actively pursuing sustainability outcomes beyond investment value. All three approaches exist within PRI's signatory base.

Therefore, while all investors need sustainability-related information to inform their assessment of companies' risks and opportunities, some investors also need information to understand and manage a company's impacts and their alignment with sustainability goals and thresholds. PRI's Legal Framework for Impact report demonstrates that as part of their responsibilities to clients and beneficiaries, investors may need to assess the sustainability outcomes which affect the system-level risks to which their portfolio is exposed, and therefore long-term returns. This is especially true for so-called universal owners, such as sovereign wealth funds who invest across entire economies. Many institutional investors now accept that, in acting in their clients' and beneficiaries' best financial interests, they should consider and respond to system-level risks that may affect long-term returns.

While the ISSB standards are expected to enable disclosure of some of this information, they are unlikely to provide investors with all the information they need on companies' impacts and dependencies. Therefore, in line with the IFRS Foundation's "building blocks" approach, the UK government should eventually consider disclosure requirements additional to the ISSB standards, capturing more information on entities' sustainability impacts and dependencies. Similar to the approach of the European Union and Chinese Ministry of Finance, such additions should build on the GRI standards given their widespread global uptake.

DETAILED RESPONSE

Adoption of the ISSB standards will benefit investors

The PRI supports the introduction of sustainability disclosure requirements aligned with the ISSB standards. As a G7 economy and one of the world's largest international financial centres, the UK's adoption of the standards will accelerate the global alignment of sustainability reporting.

As such, we commend the extensive work of the UK Sustainability Disclosure Technical Advisory Committee (TAC) and UK Sustainability Disclosure Policy and Implementation Committee (PIC) to assess the ISSB standards and support the UK government's consultation to finalise ISSB-aligned draft UK Sustainability Reporting Standards (UK SRS S1 and UK SRS S2).

Once adopted into law, these standards can provide investors with the comparable, high-quality[1] sustainability reporting they need (and currently lack) from portfolio companies for decision-making, enabling them to allocate capital more efficiently – accounting for sustainability-related financial risks and opportunities and addressing sustainability goals[2]. For this reason, while the effective date has yet to be determined by the UK government, we recommend that voluntary adoption of the UK SRS by companies is encouraged.

Last year we published a call to action for jurisdictions to commit to adopting both ISSB standards at pace. This was issued in collaboration with the London Stock Exchange Group, UN Sustainable Stock Exchanges initiative and World Business Council for Sustainable Development – and endorsed by 121 investors, companies, stock exchanges and other organisations.

Over thirty-five jurisdictions have adopted the ISSB standards or are taking steps to do so. As we engage with local markets around the world, we have consistently found that investors support the adoption of the ISSB standards by international and local standard setting and policymaking bodies.

Further, we support UK government's proposal to limit deviations from the content of the ISSB standards and achieve proportionality mainly by phasing-in certain requirements. This is preferable because full content alignment with the standards will provide investors with more comparable and better-quality disclosures across their portfolios.

Finally we acknowledge that alongside relief provisions, capacity building will be needed to ensure effective implementation of the standards by preparers, particularly those less experienced with

[1] The ISSB standards are underpinned by the structure and concepts of accounting standards from the International Accounting Standards Board (IASB) and build on the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, among other well established voluntary sustainability reporting frameworks. They have also been endorsed by the International Organization of Securities Commissions (IOSCO), which has recommended that its member jurisdictions consider ways in which they might adopt, apply or otherwise be informed by the standards.

[2] Investors around the world are increasingly committed to incorporating and pursuing sustainability outcomes such as those posed by the UN SDGs, Paris Agreement and the Kunming-Montreal Global Biodiversity Framework. Legal analysis from the A Legal Framework for Impact (LFI) project found that while there are differences across jurisdictions and investor groups, where investing for sustainability outcome approaches can be effective in achieving an investor's financial goals, the investor will likely be required to consider using them and act accordingly. The global LFI analysis and local LFI policy reports, such as the Japan Report, have consistently found that for investors to be able to pursue sustainability outcomes, market mechanisms such as mandatory sustainability disclosure are critical.

sustainability reporting. The PRI is a partner organisation to the ISSB's Partnership Framework for Capacity Building and stands ready to support these efforts.

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

The PRI's position on each amendment is set out below.

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

This amendment removes the transition relief in IFRS S1 that permits entities to provide their annual sustainability-related financial disclosures after the related financial statements in the first year.

We support this proposal, as providing sustainability information at the same time as the financial statements will help to ensure connectivity in reported information, thereby improving the relevance of this data for investors.

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

This amendment entails a one-year extension to the transition relief in IFRS S1 that permits a 'climate-first' approach – in which entities do not report on sustainability-related risks and opportunities beyond those related to climate in the first year they apply the ISSB Standards.

We do not support this proposal, as investors urgently need high-quality reporting on a wide range of sustainability topics, including but not limited to climate, where material to investment decisions. This is evidenced by the emergence of the Taskforce on Nature-related Financial Disclosures (TNFD) Framework and the Taskforce on Inequality and Social-related Financial Disclosures (TISFD), among other well-supported initiatives to meet investor data needs on sustainability issues beyond climate.

As for climate, investors benefit from material information on governance, strategy, risk management and metrics and targets related to these issues – to inform their assessment of entities' prospects. This amendment would further delay investors' access to this information, thereby compromising their ability to make effective decisions.

However, we recommend that clarification is included on how ISSB relief provisions such as "undue cost and effort" would apply to IFRS S1 reporting in preparers' initial reporting periods, as companies build capacity to report beyond climate.

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

This amendment removes the requirement to use the Global Industry Classification Standard (GICS) in IFRS S2 for entities with commercial banking and insurance activities that are required to provide disaggregated information about financed emissions.

Given the ISSB recently consulted on changes to this requirement, we recommend the UK government aligns this amendment with the ISSB's final revisions to ensure a consistent approach across jurisdictions.

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

This amendment would add a clarifying sentence to explain that the timetable for applying the standards depends on subsequent rules or regulations put in place by government or the FCA.

We support this proposal, given the effective date is yet to be determined by the UK government. As noted on page 3, we recommend that voluntary adoption of the UK SRS by companies is encouraged.

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?

PRI supports the proposed requirement to disclose financed emissions, but is unable to comment on this 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?

PRI supports the proposed requirement to disclose financed emissions, but is unable to comment on this question.

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

As noted above and on page 3, the PRI generally supports the TAC's recommendations – as they enable sufficient content alignment between the UK SRS and ISSB standards to deliver high-quality and comparable sustainability disclosures to investors.

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.

The PRI does not support this proposal.

Provisions relating to industry-based metrics in IFRS S1 and S2 enable entities to apply their own materiality assessment to the ISSB's industry-based metrics, to identify those that are relevant and represent their risk exposure and management most appropriately, while also improving the comparability of sector-specific reporting by providing companies with a common set of metrics to choose from.

While we recognise the concern highlighted in this consultation – that entities may need to prove how they have considered the industry-based guidance – the ISSB has since published guidance clarifying that its standards do not require companies to document their consideration process (see page 14).

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.

The PRI supports this proposal, as it will give relevant companies the necessary time to build capacity. It will also ensure that investors eventually receive the information they need from these companies, and that this information is of sufficient quality and comparable with the disclosures of other portfolio companies.

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.

This is useful information given it helps investors to understand the nature and feasibility of investees' climate-related targets. The PRI is unable to comment on barriers to reporting in this area or whether any further disclosures would be useful.

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.

As noted above and on page 3, the PRI generally supports the PIC's recommendations – as they enable sufficient content alignment between the UK SRS and ISSB standards to deliver high-quality and comparable sustainability disclosures to investors.

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.

Yes, we agree the UK government should endorse the standards as proposed. As set out previously in our response, we believe the draft SRS are sufficiently aligned with the ISSB standards to yield high-quality and comparable information for investors, while also achieving proportionality for preparers through phase-in provisions additional to those within the ISSB standards – thereby striking the right balance between meeting investors' data needs and ensuring the SRS can be implemented effectively by the market.

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.

Once adopted into law, these standards can provide investors with the comparable, high-quality sustainability reporting they need (and currently lack) from portfolio companies for decision-making, enabling them to allocate capital more efficiently – accounting for sustainability-related financial risks and opportunities and addressing sustainability goals.

The adoption of UK SRS can substantially improve disclosures compared to current TCFD-based requirements, for the following reasons:

- The ISSB standards are underpinned by the structure and concepts of accounting standards from the International Accounting Standards Board (IASB), bringing the quality of sustainability information closer to that of financial reporting.
- The ISSB standards build on the TCFD recommendations and other established voluntary sustainability reporting frameworks, with additional information that is relevant to investors.
- Given that over 35 jurisdictions have now adopted ISSB-aligned requirements or are in the process of doing so, the UK SRS will improve comparability of sustainability disclosure by UK companies.

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.

Investors need decision-useful sustainability reporting from portfolio companies across all sizes, sectors and regions. However, signatory feedback indicates that many large private companies still do not provide them with adequate sustainability data, despite being exposed to significant climate and other sustainability-related risks.

Therefore, we recommend that economically significant private companies are brought within scope and subject to the same requirements, to ensure comparable reporting across investee companies – with phase-in provisions as needed to allow for capacity building.

Whilst 'economically significant' companies are not defined under UK legislation or regulated framework, we welcome the scope extending to large businesses whose size, market influence and economic activities give them economic relevance, but that may not be listed on the stock exchange. Should the UK government include 'economically significant' companies in legislation, it is important to set clear parameters and classifications of which companies fall in scope.

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.

The PRI is unable to comment on companies' readiness to report. However, we acknowledge that alongside relief provisions, capacity building is needed to ensure effective implementation of the standards by preparers. Signatory feedback indicates that guidance to support compliance by preparers at various stages of the sustainability reporting journey would be particularly useful for companies less experienced with sustainability reporting.

We note that an extensive and growing library of capacity building resources from the ISSB and third-party organisations can be found on the ISSB's Knowledge Hub. These are designed to support implementation of the ISSB standards by preparers at all stages in their sustainability reporting journey and should be leveraged as part of capacity building.

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.

The PRI is unable to comment on this question – but generally supports simplifying overlapping requirements to the extent that investors still receive the sustainability information they need from investee companies across different sizes, sectors and listing statuses.

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.

The PRI is unable to comment on which support would be most useful for SMEs, but recommends that any further support build on the extensive suite of capacity building resources the ISSB has already published on its Knowledge Hub.

20. What are your views on the quality and availability of existing guidance for the topics listed[3] in paragraph 5.6? Explain what additional guidance – particularly on a global basis – would be helpful and why.

We note that guidance covering many of the areas listed is available on the ISSB Knowledge Hub, but recommend this is built out as companies progress in their implementation of the ISSB standards.

For PRI signatories, further guidance on investors' implementation of ISSB standards as preparers (as opposed to users) of this reporting would be useful – particularly in areas such as scenario analysis and financed emissions, where implementation might be more challenging for investors compared to companies in other sectors. For this reason, PRI will publish case studies later this year showcasing how some of our signatories are implementing elements of the ISSB standards.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the UK government further to promote sustainability disclosure in line with the global baseline in the UK.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org

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[3] There are 11 items, covering: (i) the financed emissions calculation period, as also described in paragraph 2.15 of this consultation; (ii) commercially sensitive information, considering requirements in IFRS Accounting Standard, 'IAS 37 Provisions, Contingent Liabilities and Contingent Assets'; (iii) the disaggregation of Scope 1 and Scope 2 GHG emissions where a financial control approach is used; (iv) the development of further industry-based guidance for Scope 3 GHG emissions reporting; (v) the requirements to revise comparatives, including the treatment of changes in data quality and whether these are 'errors' or 'estimates'; (vi) current and anticipated financial effects, including worked examples; (vii) how entities could approach differences between the information disclosed relating to the cross-industry metrics using UK SRS and the information included in the financial statements, guidance for which could be jointly delivered with the International Accounting Standards Board; (viii) clarification of the term 'targets' as used in the Standards and how it differs from other similar terms like 'ambitions', 'commitments', and 'milestones', including worked examples (ix) the role of materials from the Transition Plan Taskforce, which the ISSB now owns (x) how the permission for an entity to use information from a different reporting period for GHG emissions data from entities in its value chain might be applied to other sustainability-related topics; and (xi) how the ISSB will update the numerous references to the GHG Protocol – the Protocol is currently being updated from the previous 2004 version.