The City of London Law Society

The Law Society

Consultation on Exposure draft of UK

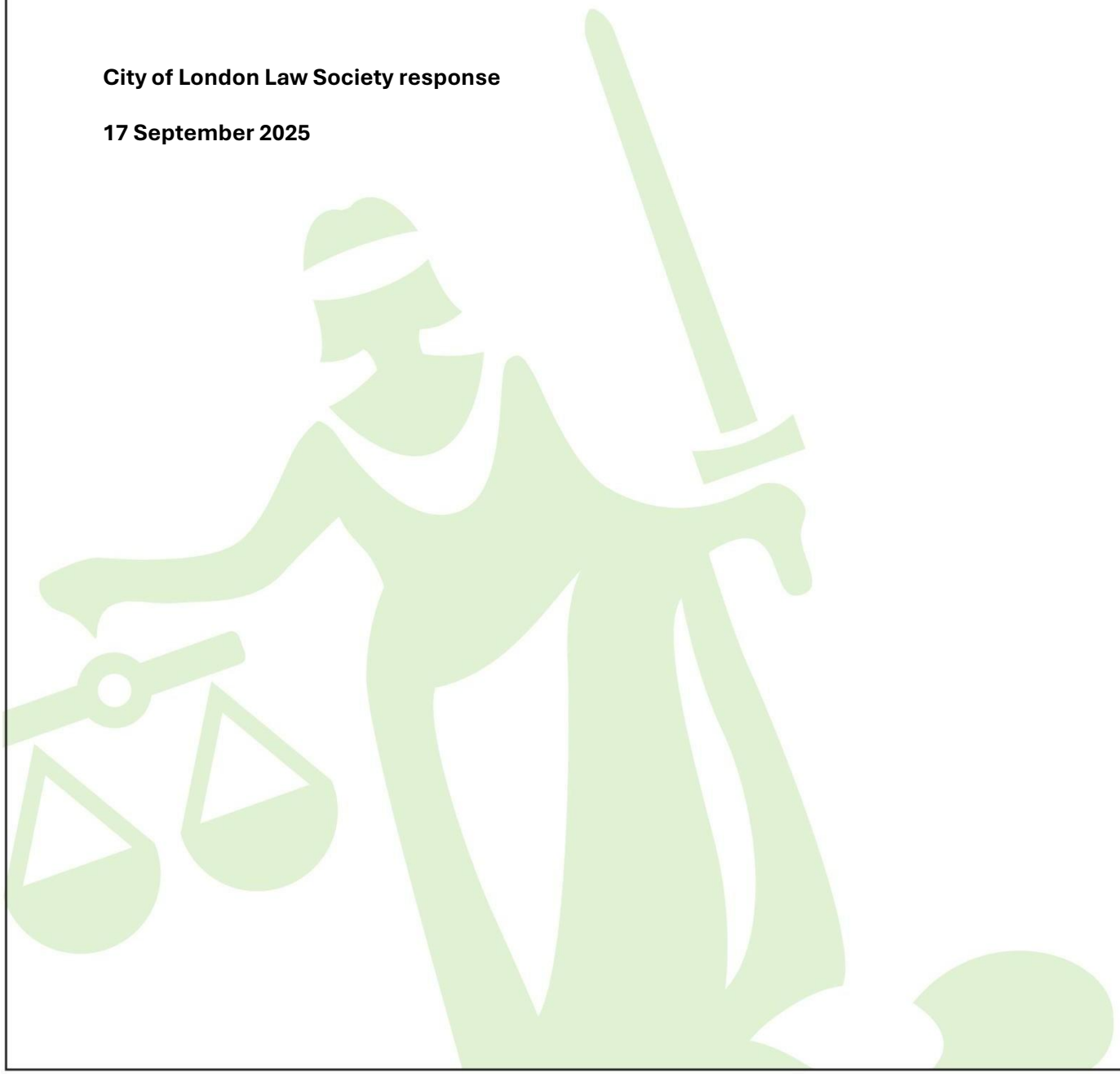
Sustainability Reporting

Standards: UK SRS S1 and UK

SRS S2.

City of London Law Society response

17 September 2025



City of London Law Society
Response to the Department for Business & Trade Consultation:
Exposure Draft of UK Sustainability Reporting Standards (UK SRS S1 and UK SRS S2)

A. Introduction

This submission has been prepared by a cross-disciplinary working group of the Company Law, ESG, and Planning & Environmental Law Committees of the City of London Law Society (the CLLS). The CLLS represents approximately 17,000 City lawyers through individual and corporate membership. Member firms advise a wide range of domestic and international businesses, giving the Society a strong interest in the development of a coherent, internationally comparable UK sustainability-reporting framework.

We understand the UK Government's aim of positioning the UK as a global centre for sustainable finance and recognise that the UK government's adoption of ISSB standards reflects that such standards are increasingly considered as the "global baseline" for sustainability disclosure. Our comments focus on the legal, governance, and implementation issues most likely to affect entities in the event that the UK SRS was adopted (including whether subject to such reporting on a mandatory or voluntary basis). In each answer we advocate clarity, consistency, and proportionality, recognising that certainty of obligations is the pre-condition for high-quality reporting and for maintaining the attractiveness of UK capital markets and the ability of UK businesses to operate within the UK and global marketplace, while supporting the transition to a sustainable economy. Further, we would be supportive (whether through the UK SRS or otherwise) of any intiative to consolidate and rationalise the existing patchwork of sustainability-related reporting requirements currently in place in the UK.

The CLLS responds to a variety of consultations on issues of importance to its members through its 19 specialist committees. The CLLS is currently also responding to further related UK government consultations: (1) DESNZ consultation on climate-related transition plan requirements, and (2) DBT consultation on developing an oversight regime for assurance of sustainability-related financial disclosures. Together our responses to these consultations are relevant and related in shaping the UK's sustainability reporting framework and such responses (in particularly, our overarching comments) have been coordinated across the working groups.

We note that this consultation does not consider which entities may ultimately be subject to mandatory reporting requirements based on the UK SRS. This determination will be material to ensuring that reporting requirements are proportionate and justified, and so we look forward to the opportunities to be involved on future consultations in this respect.

B. Overarching Comments

Need for a Single, Coherent Regime

- Fragmentation of requirements across the Companies Act 2006, FCA Listing Rules, FCA ESG Sourcebook, SECR, potential transition-plan regulation, and now UK SRS risks potentially inconsistent disclosures and disproportionate compliance costs.

- We recommend that the UK Government, in collaboration with relevant regulators, develops and maintains a unified framework or guidance document that clearly sets out the expectations pursuant to, and/or interaction of, sustainability-related disclosure obligations.
- We understand that such guidance was agreed to follow on from a determination as to the scope of mandatory reporting in alignment with the UK SRS, which is not being considered in this consultation.

International Alignment

- Any divergence from IFRS S1/S2 should be limited to matters necessary in the UK context. The four minor TAC amendments and two PIC amendments appear proportionate, but further changes should be avoided unless there is demonstrable need.
- Where divergence is retained (e.g., extension of the "climate-first" transition relief), issuers subject to multiple regimes will need clear inter-operability guidance.
- We note that this is of partiuclar importance to multi-national companies and investors who are present in, or considering investing into, the UK, as such entities are impacted to a greater extent by divergence from consistent global standards.

Interaction with FCA Rules

- Listed issuers and FCA large authorised entities may subsequently be subject simultaneously to UK SRS and existing TCFD requirements.
- Wherever possible, our view is that the FCA should replace current TCFD-based references with cross-references to UK SRS to avoid dual regimes and overlapping reporting requirements.
- This is particularly the case given that the establishment of the ISSB Standards has marked the culmination of the work of the TCFD and that entities applying IFRS S1/S2 will meet the TCFD recommendations (as the TCFD recommendations are fully incorporated into the ISSB Standards) and TCFD monitoring has been transferred to ISSB.

Transition and Phasing

- We support the proposal that transition reliefs be linked to the *effective date of mandatory reporting*, not the first voluntary use, as early adopters should not be penalised and forfeit such reliefs.
- The UK Government should confirm that 'year 1' for an issuer will be the first financial year commencing not less than 12 months after regulations are finalised, allowing adequate lead-time for establishment of effective data collection and preparation for assurance.

Private-Company and SME Scope

- We recognise policy arguments for extending high-quality disclosures beyond listed issuers, yet remain concerned that investor information asymmetry is narrower for many private companies.
- Any Companies Act requirement should be closely considered and further consulted on at a later stage to avoid the risks of disproportionate reporting burdens and to avoid any duplication/overlap with existing disclosure requirements.

C. Responses to Selected Consultation Questions

The paragraphs below adopt the numbering of the Consultation. Questions that raise purely commercial considerations and/or primarily raise technical or scientific issues (e.g., methodology for financed-emissions calculation) have not been addressed here.

Question 1 – TAC Amendments (Removal/Extension of Transition Reliefs, GICS reference, Effective-Date Clauses)

- We support the four TAC amendments.
- These small amendments should offer proportionate phasing-in of requirements for companies and reduce unnecessary costs.

Question 5 – Amendment to "Shall" / "May" Regarding SASB Materials

- We agree with substituting "may refer to and consider" in UK SRS S1/S2.
- Compulsion could otherwise introduce the SASB standards without full due process.
- Once the SASB enhancement project is complete, the UK Government could reassess whether explicit reference is needed.

Question 6 – Linking Transition Reliefs to Mandatory Effective Date

- We support this approach as early voluntary adopters should not be penalised (as discussed in Section B above).

Question 7 – Disclosure of Purchase and Use of Carbon Credits

- **Barriers**: We note there may be practical barriers to producing this information, in particular for large or complex organisations, including data availability and verification. Further, mandatory disclosure might result in lower investment levels in projects that require funding for environmental benefit.
- Disclosure should stay aligned with the ISSB and be kept voluntary. This is an emerging area with standards to be developed. Future guidance from the UK Government as to the general approach to offsets should come before mandatory disclosures.
- **Further disclosures**: We would caution against mandating any further disclosures at this stage.

Question 8 – Views on ISSB's Proposed Amendments to IFRS S2

- The proposed amendments of IFRS S2 would provide reliefs in relation to GHG reporting requirements.
- Excluding emissions associated with derivatives and other financial activities appears to be pragmatic and avoids double-counting.
    - If derivatives are included, a consistent approach should be adopted e.g. both the positive and the negative effects of derivatives should be taken into account.

- Subject to a review to avoid excessive burden on reporting or similar, we believe there should be a presumption in favour of the UK adopting any final ISSB amendments to maintain equivalence and avoid divergence from global standards.

Questions 11 & 12 – Benefits and Costs

Benefits resulting from use of UK SRS S1 and UK SRS S2:

- Consistent global baseline should reduce cost of capital by improving investor comparability.
- Integration with existing TCFD practice enables companies that already report climate-related information to extend/adjust reporting scope and processes without full process redesign.
- Anticipated assurance requirements will improve data reliability and internal risk management.

Costs resulting from use of UK SRS S1 and UK SRS S2:

- Up-front systems investment, especially for value-chain Scope 3 data, could be significant.
- Limited assurance market capacity may increase audit-like fees in early years.
- Potential issues regarding duplication with the ESRS for UK subsidiaries of EU parents reporting under CSRD remain unresolved, and could lead to increased costs.
- One outcome of the CSRD amendments could be the granting of equivalence for companies who are required to report under UK SRS, and we would welcome any discussions between the UK and EU on this point.

Question 13 – Merits of Requiring Economically Significant Private Companies to Report

- Any extension to large private companies should be based on rationalisation and/or, at the very least, ensuring alignment and no conflict with the range of existing reporting measures (e.g., SECR, UK MCD, Companies Act).
- As such, any extension to private companies should be in the context of a top-down review of the disclosure landscape, and involve at least a one-year longer transition period compared with listed issuers.
- A benefit of large private companies reporting would be to assist in plugging the sustainability "data gap" in the UK, in partiuclar with respect to scope 3 reporting and allowing asset managers to more accurately calculate their financed emissions. However, the UK government should approach any such obligation with caution and consider international alignment with respect the timing of reporting requirements for large private companies.
- See our response to ***Question 15*** for further relevant considerations.

Question 15 – Opportunity to Simplify or Rationalise UK Climate-Disclosure Requirements

- To simplify and rationalise UK climate-related disclosure requirements, the UK government should:

- consider integrating SECR metrics into the UK SRS cross-industry metrics to allow companies to report all relevant GHG emissions in a single location (or remove the requirements under SECR);
- align the location of reporting to improve accessibility and comparability, as currently climate-related disclosures may be found in e.g the Strategic Report, SECR tables; and
- harmonise the thresholds for reporting, as at present different regimes (e.g., SECR, TCFD) use varied scoping criteria (to the extent possible and acknowledging the different reach of certain regimes, e.g. rules for listed companies that catch those that are UK-listed but may not be UK-incorporated).

Question 18 – Legal Implications of Using UK SRS and Section 463

- We support extending the s. 463 safe harbour to all entities in scope whether under the Companies Act 2006 or not (or creating an equivalent based on the dishonesty standard) to UK SRS.
- The safe harbour should expressly cover forward-looking statements, scenario analysis, value-chain estimates and reliance on third-party data, provided appropriate methodology disclosures are made.
- We consider that a safe harbour should also apply to FCA regulated entities who are required by regulation to make forward-looking climate related statements. This will require the FCA adopting safe harbour provisions in their handbook.

Question 20 – Adequacy of Guidance

- Existing ISSB educational material is a good starting point. UK-specific guidance should focus on:

    - mapping SECR data into UK SRS metrics;
    - step-by-step illustrative scenario-analysis case studies relevant to key UK sectors;
    - illustrative disclosures demonstrating interaction of UK SRS information with financial-statement notes;
    - worked examples of the proposed director safe harbour language, potentially including guidance confirming any regulatory overview would focus on helping companies achieve compliance; and
    - worked examples of financed emissions calculations and accompanying methodologies.

D. Conclusion

The Society welcomes the opportunity to comment and would be pleased to engage further as the UK SRS regime progresses.

Clear, internationally coherent rules, coupled with proportionate safe-harbour protections and streamlined guidance, will best serve UK companies, investors, and the broader economy.

For further information, please contact:

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