Regulatory Developments Brief

UK Sustainability Reporting Standards

Global Compact
Network UK

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INTRODUCTION

On 7 July, the UN Global Compact Network UK hosted a Regulatory Development Q&A Surgery, with the Department for Business and Trade (DBT) and the Financial Conduct Authority (FCA) on the UK Sustainability Reporting Standards (UK SRS). This briefing combines an introduction to the UK SRS with the key insights, clarifications, and preparation guidance shared during the session.

GLOSSARY

Sustainability reporting is an acronym-heavy field. The table below covers some of the key terms used in this briefing.

Term	What it means
Climate-related Financial Disclosure (CFD)	UK Companies Act requirements (via the 2022 regulations) mandating disclosures aligned with the Task Force on Climate-related Financial Disclosures (TCFD) for large UK companies and limited liability partnerships (LLPs).
Corporate Sustainability Reporting Directive (CSRD) / European Sustainability Reporting Standards (ESRS)	The European Union's (EU) Corporate Sustainability Reporting Directive and the European Sustainability Reporting Standards made under it, which apply on a double materiality basis and capture many UK companies with significant EU operations.
Financial Materiality	The principle underpinning the International Sustainability Standards Board (ISSB) standards and the UK Sustainability Reporting Standards (UK SRS): companies disclose information that could reasonably be expected to affect investors' decisions. It contrasts with the double materiality approach of the EU's European Sustainability Reporting Standards (ESRS), which also requires disclosure of a company's impacts on people and the environment.
International Financial Reporting Standards (IFRS) S1 and S2	The first two standards issued by the International Sustainability Standards Board (ISSB). S1 sets general requirements for disclosing sustainability-related financial information across all themes; S2 sets climate-related disclosure requirements. Together they form the basis of the UK Sustainability Reporting Standards (UK SRS).
International Sustainability Standards Board. (ISSB)	The standard-setting board under the IFRS Foundation responsible for the global baseline of sustainability disclosure standards.
Non-Financial Information Statement (NFIS)	A Companies Act requirement derived from European Union (EU) obligations, under review as part of the modernisation of the UK's corporate reporting framework.
Streamlined Energy and Carbon Reporting (SECR)	The UK requirement for large companies and LLPs to disclose energy use, greenhouse gas emissions, and energy efficiency actions in annual reports.
Sustainability Disclosure Requirements (SDR)	The FCA's wider regime covering sustainability disclosure and investment labelling for FCA-regulated firms, including anti-greenwashing rules and fund labels.
Task Force on Climate-related Financial Disclosures (TCFD)	A framework for climate-related financial disclosure structured around governance, strategy, risk management, and metrics and targets. Now disbanded, with monitoring passed to the ISSB, but still widely referenced in UK regulation.
Transition Plan	A company's plan for transitioning to a low-carbon economy. The UK's Transition Plan Taskforce (TPT) produced the gold-standard disclosure framework, since adopted by the ISSB.
UK Sustainability Reporting Standards (UK SRS)	The UK's national sustainability disclosure standards, based on the ISSB's IFRS S1 and S2 with limited amendments, developed by the Department for Business and Trade (DBT).

WHAT ARE THE UK SUSTAINABILITY REPORTING STANDARDS

The UK Sustainability Reporting Standards (UK SRS) are the UK's national sustainability disclosure standards. They are based on the first two standards issued by the International Sustainability Standards Board (ISSB) in 2023: IFRS S1, which sets general requirements for disclosing sustainability-related financial information across all themes (from climate and nature to human rights), and IFRS S2, which sets climate-related disclosure requirements. Both build on the Taskforce on Climate-related Financial Disclosures (TCFD) architecture of governance, strategy, risk management, and metrics and targets.

Two defining features

The standards are founded on financial materiality: companies disclose the sustainability-related risks and opportunities that could reasonably be expected to affect investors' decisions. And they are designed as a global baseline: a common language of sustainability disclosure upon which individual jurisdictions can build.

The UK endorsed the ISSB standards through a transparent process supported by two committees: a technical advisory committee of industry experts (hosted by the Financial Reporting Council (FRC)), and a policy and implementation committee bringing together government and regulators. Exposure drafts were published in June 2025, and the final standards were published in February 2026. The Government set itself a deliberately high bar for amendments, so that the UK SRS remain internationally comparable. The standards are now available for any entity to use voluntarily, and the Financial Conduct Authority (FCA) is taking forward proposals to mandate their use for listed companies.

DEVELOPMENT AND ENDORSEMENT OF THE UK SRS

The UK SRS preserve the global baseline.

The Government set itself a deliberately high bar for amending the ISSB standards, with international comparability as the overriding goal. Like the ISSB standards, the UK SRS are built on the TCFD's four-pillar structure and founded on financial materiality.

Only a select few amendments were made, including:

- Removing the relief allowing sustainability disclosures to be published later than financial information (reflecting the UK's established practice of same-timeframe TCFD reporting);
- Removing the requirement to use the Global Industry Classification Standard
- Softening the requirement to use Sustainability Accounting Standards Board (SASB) industry-based standards from ‘shall’ to ‘may’ refer to and consider;
- Leaving the timeframes for transitional reliefs to whichever regulator or government body mandates the standards.

Voluntary reporters can claim compliance.

The endorsement process clarified that entities reporting voluntarily may claim compliance with the UK SRS, provided they are transparent about any transitional reliefs used. Entities are actively encouraged to adopt the standards ahead of any introduction of mandatory compliance.

UK SRS reporting will satisfy existing TCFD requirements.

The Department for Business and Trade (DBT) confirmed it plans to issue guidance making clear that entities reporting under the UK SRS will not need to undertake a separate TCFD exercise under the Companies Act climate-related financial disclosure requirements.

No decisions yet on mandating beyond listed companies.

DBT does not currently have the legal powers to mandate the UK SRS under the Companies Act. A post-implementation review of the existing climate-related financial disclosure rules, alongside the wider Modernisation of Corporate Reporting programme, will consider whether and how to extend requirements to private companies and large LLPs. This is subject to the appetite of incoming ministers following the Prime Minister's announced departure.

A sustainability assurance register is coming.

Following widespread support in consultation, the FRC is working to launch a voluntary, opt-in registration regime for sustainability assurance providers later this year. It will be both profession agnostic (open to statutory auditors and other practitioners), and framework agnostic (covering UK SRS, European Sustainability Reporting Standards (ESRS), and other ISSB-based reporting).

Transition plan requirements remain pending.

The Department for Energy Security and Net Zero (DESNZ) consulted last summer on the manifesto commitment to mandate 1.5°C-aligned transition plans for the largest UK-regulated financial institutions, FTSE 100 companies, and pension funds. Proposals – including how ‘large’ organisations will be defined – were not finalised before the Prime Minister’s resignation, and departmental officials will advise any new ministers as necessary in due course.

Guidance will come from the ISSB, not the UK.

To avoid jurisdiction-specific guidance undermining interoperability, entities are directed to the IFRS Foundation's educational materials rather than bespoke UK guidance, though targeted UK guidance is being considered where genuinely needed.

IMPLEMENTING THE UK SRS FOR LISTED COMPANIES

The FCA is not starting from zero.

TCFD-aligned disclosure has been part of the rulebook for listed companies since 2017, now on a comply-or-explain basis. The FCA's 2022 thematic review found over 81% of companies reviewed had implemented the requirements, rising to 90% for the governance and risk management pillars.

Proposals were shaped by extensive industry engagement.

The FCA consulted from January to March, receiving approximately 130 responses from companies of different sizes and trade associations. Proportionality – particularly the burden on smaller issuers – was a central theme.

Mandatory S2, comply-or-explain for the rest

The consultation proposed mandatory disclosure under UK SRS S2 (climate), as the element most closely aligned with TCFD and where issuers are most ready to report. Scope 3 emissions and S1 disclosures would be comply-or-explain, reflecting feedback that data availability and reliance on third parties currently constrain high-quality reporting, especially for smaller firms. A well-reasoned explanation can be as useful as compliance.

Overseas issuers can rely on home reporting.

Companies in the international secondary listing category may rely on disclosures made in their home jurisdiction rather than repurposing reporting to a UK format. Companies in the commercial (equity) category would need to meet the UK SRS requirements.

A staggered timeline.

Under the consultation proposals, the new rules would come into force on 1 January 2027, applying to accounting periods beginning on or after that date. Mandatory S2 reporting would therefore begin with the 2027 financial year (first reports published in 2028), with a one-year transitional relief for Scope 3 disclosures (comply-or-explain from financial years beginning in 2028) and a two-year relief for wider S1 disclosures (from financial years beginning in 2029). The FCA's policy statement, confirming the final rules, scope, and timings, is expected in autumn this year.

Autumn 2026
FCA policy statement
Confirms final rules, scope and timings

1 Jan 2027
Rules in force
S2 climate reporting mandatory from FY2027

FY2028
Scope 3 relief ends
First S2 reposts published; Scope 3 moves to comply-or-explain

FY2029
S1 relief ends
WIder S1 disclousures move to comply-or-explain

Outcome pending   Proposed under CP26/5

Supervisory expectations will follow.

As with TCFD, the FCA will consider guidance and potentially a supervisory statement setting out what it expects from firms under a comply-or-explain approach.

YOUR QUESTIONS ANSWERED

Q. Does UK SRS S2 replace SECR or the Non-Financial Information Statement?
A. Not yet. DBT is considering whether entities reporting under the UK SRS should be exempted from Streamlined Energy and Carbon Reporting (SECR). DESNZ has recently completed its own post-implementation review of SECR, and the future of the Non-Financial Information Statement will be considered as part of the Modernisation of Corporate Reporting programme.

Q. Why single (financial) materiality rather than double materiality?
A. The choice reflects the UK's longstanding support for the IFRS Foundation, the connectivity benefits of the ISSB and International Accounting Standards Board (IASB) sitting under one roof, continuity with the TCFD's investor-focused trajectory, and alignment with the vast majority of jurisdictions globally. For companies navigating both regimes, the IFRS Foundation and the European Financial Reporting Advisory Group (EFRAG) have published joint guidance on how financial materiality assessments interact with double materiality under the ESRS.

Q. Can one consolidated report satisfy the Corporate Sustainability Reporting Directive, Australian standards, and UK SRS?
A. For listed companies, it depends on the listing category: international secondary listings can rely on home-jurisdiction reporting, while commercial category issuers must meet the UK requirements. Both the FCA and DBT acknowledge the burden on multinationals – a global baseline that reduces exactly this kind of duplication is the ultimate goal of the UK SRS.

Q. Can you implement S2 without S1?
A. Yes. The UK endorsement makes clear that compliance with S2 can be claimed so long as the underlying concepts of S1 are adhered to. Under the FCA's proposals, S2 would be mandatory while wider S1 reporting on other themes would be comply-or-explain.

Q. What should companies do on nature reporting
A. Entities reporting in accordance with S1 in its entirety are already required to disclose principal nature-related risks and opportunities. The ISSB's nature and biodiversity practice statement, with an exposure draft expected in October, will add depth and colour – but companies do not need to wait for it to begin.

Q. Where should we look for templates and examples?
A. Companies should draw on the ISSB's educational materials on the IFRS Foundation website.

HOW YOUR COMPANY CAN PREPARE

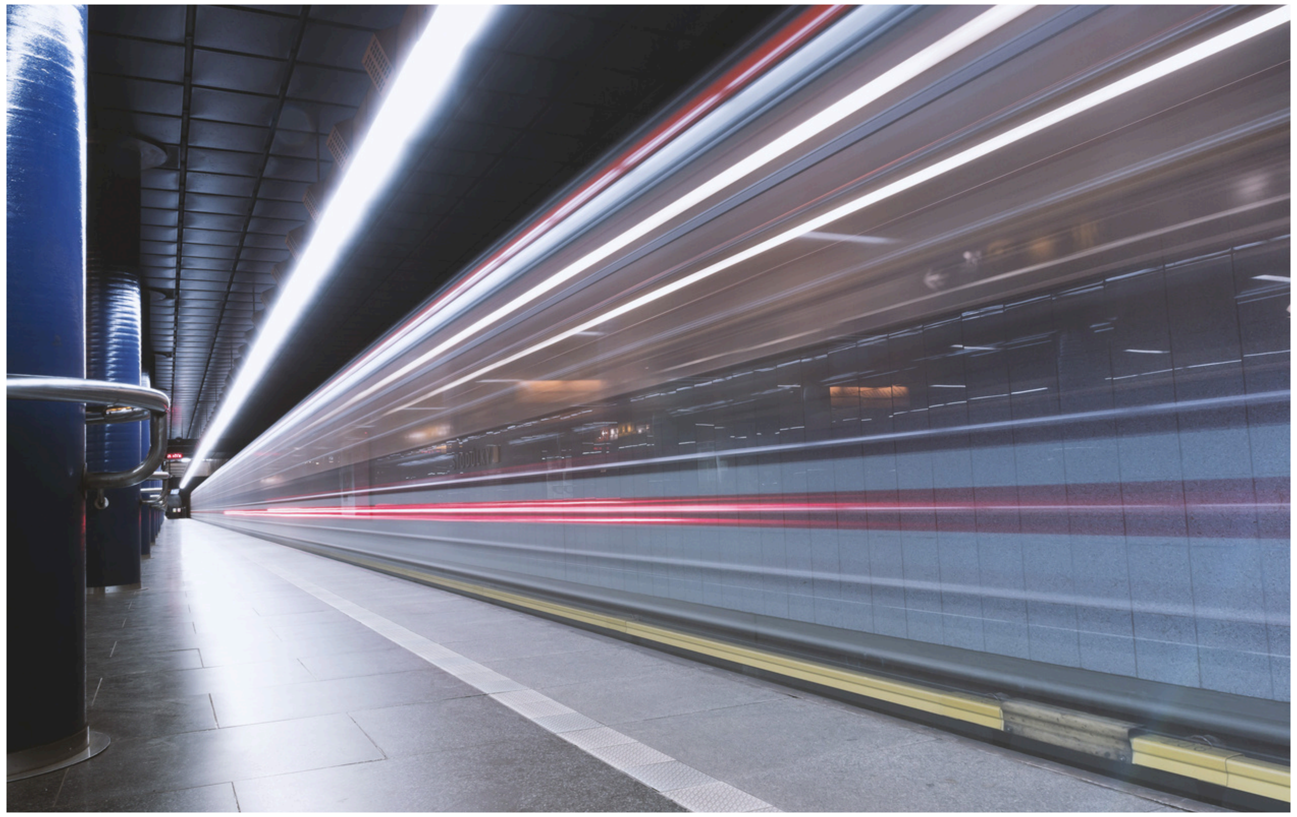
1. Beware of misinformation	Inaccurate claims about UK SRS timelines and obligations are circulating, including on LinkedIn.
2. Assess whether you will be in scope.	Listed companies should follow the FCA's forthcoming policy statement closely. Private companies and LLPs are not currently required to report, but should monitor the post-implementation review of the climate-related financial disclosure rules and the Modernisation of Corporate Reporting programme.
3. Familiarise yourself with IFRS S1 and S2.	Aligning existing reporting practices with the standards now will make any future transition smoother. Firms already reporting under TCFD will find substantial overlap, and UK SRS reporting will satisfy existing Companies Act TCFD requirements.
4. Consider voluntary adoption.	Voluntary reporters can claim compliance with the UK SRS provided they are transparent about any transitional reliefs used. Early, voluntary reporting builds capability before requirements bite – sustainability reporting is a continuous process of learning by doing, and first-year reporting is not expected to be perfect.
5. Undertake or update your materiality assessment	Understand which sustainability topics are material to your business before investing in data systems or external providers. Companies reporting under both UK and EU regimes should consult the IFRS Foundation and EFRAG interoperability guidance.

6. Invest in data and conduct a gap analysis.	Identify the data and controls needed to report to the same level of rigour as financial information, engaging internal teams (including finance, IT, and procurement) and your value chain early.
7. Talk to your assurance provider.	Have an early conversation with your auditor or other assurance providers, and watch for the FRC's registration regime launching later this year. An early understanding of your provider's requirements could save considerable time and cost.
8. Engage your board.	Establish ongoing pathways for the board and senior management to receive sustainability data, assess performance, and be held accountable – the aim of the new standards is information that is decision-useful within the company, not just for external stakeholders.
9. Use the network.	The UN Global Compact Network UK's programming on reporting and sustainable finance offers direct engagement with policymakers and peers, and our policy dispatch provides a regular round-up of UK and global policy developments. For small and medium sized organisations in particular, the annual Communication on Progress (CoP) questionnaire is a practical tool for getting ahead: even where smaller businesses fall outside mandatory requirements, larger customers preparing their own UK SRS disclosures will increasingly request emissions data and other sustainability information from their suppliers, and the CoP helps members build aligned, reporting-ready data before those requests arrive.

LOOKING AHEAD

The direction of travel is set, even where final decisions are pending. The UK SRS are available now for voluntary adoption, mandatory requirements for listed companies are taking shape, and decisions on transition plans, assurance, and the wider corporate reporting framework are expected over the coming months. Key milestones to watch include the FCA's policy statement later this year, the launch of the FRC's assurance register, the ISSB's nature and biodiversity practice statement exposure draft in October, and the Government's next steps on transition plans and the Modernisation of Corporate Reporting programme.

Early preparation is the best protection against a shifting regulatory landscape – and, more than that, an opportunity to realise the strategic benefits of high-quality sustainability reporting. The UN Global Compact Network UK will continue to keep members informed through the Sustainability Policy Dispatch and future Regulatory Development Q&A Surgeries.



TOOLS & RESOURCES

The standards and consultations

- **UK Sustainability Reporting Standards:** DBT's central page on the UK SRS, covering the endorsement process, the Technical Advisory and Policy and Implementation Committees, and next steps.
- **UK SRS S1 and UK SRS S2:** The full text of the standards, published in February 2026 and available for voluntary use now.
- **FCA Consultation Paper CP26/5:** The FCA's proposals to align listed companies' sustainability disclosures with the UK SRS, discussed during the session. The policy statement is expected in autumn 2026.

Implementation guidance

- **IFRS Sustainability Knowledge Hub:** The ISSB's central library of educational materials, guides, webcasts, FAQs, and free e-learning modules – the primary source of guidance the speakers directed companies to, in place of UK-specific guidance.
- **Making the transition from TCFD to ISSB (IFRS Foundation):** A practical guide for companies moving from TCFD-aligned reporting to the ISSB standards – a useful starting point for most UK listed companies.
- **ESRS–ISSB Standards Interoperability Guidance (IFRS Foundation and EFRAG):** The joint guidance referenced in the materiality Q&A, explaining how companies can report efficiently under both the ISSB standards and the EU's ESRS.
- **FRC: Sustainability Reporting Developments FAQs:** Regularly updated FAQs from the Financial Reporting Council covering the UK SRS, transitional reliefs, interaction with Companies Act requirements, and assurance.

ABOUT THE UNITED NATIONS GLOBAL COMPACT

As a special initiative of the United Nations Secretary-General, the UN Global Compact is a call to companies worldwide to align their operations and strategies with Ten Principles in the areas of human rights, labour, environment, and anti-corruption.

Its ambition is to accelerate and scale the global collective impact of business by upholding the Ten Principles and delivering the Sustainable Development Goals through ambitious, accountable companies and environments that enable change. With more than 25,000 companies and 3,300 non-business signatories based in over 160 countries, and 64 Country Networks, the UN Global Compact is the world's largest corporate sustainability initiative — one Global Compact uniting business for a better world.

For more information, visit www.unglobalcompact.org

ABOUT THE UN GLOBAL COMPACT NETWORK UK

The UN Global Compact Network UK is part of the world's largest responsible business initiative, the United Nations Global Compact, connecting UK companies and other organisations in a global movement dedicated to driving sustainable growth. Through an extensive programme of activity, it promotes sustainability leadership to create a world we want to live and do business in, by inspiring ambition, enabling action, and collaborating to shape the business environment.

The Ten Principles of the UN Global Compact, rooted in UN treaties, provide a robust foundation for corporate sustainability and business action on the Sustainable Development Goals (SDGs).

For more information, follow us on LinkedIn (UN Global Compact Network UK) or visit unglobalcompact.org.uk

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