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Technical note on
UK SRS S1 & S2

UK's proposed sustainability reporting standards aligned with ISSB

Research & Development

September 2025

1 General overview

General aspects

The draft UK Sustainability Reporting Standards (SRS S1 and SRS S2) aim to establish a consistent and decision-useful baseline for sustainability disclosures in the UK, closely aligned with ISSB standards while incorporating jurisdiction-specific guidance to enhance relevance, clarity, and comparability for UK companies

Context

- Growing expectations for consistent and reliable sustainability disclosures have prompted international responses. In response, the **ISSB issued IFRS S1 and S2** as a global baseline for high-quality reporting on sustainability-related risks and opportunities.
- In June 2025, the **UK Government launched a consultation on the draft UK Sustainability Reporting Standards** (UK SRS S1 and S2), which are based on the ISSB standards with limited UK-specific adjustments. The drafts were developed by the UK Sustainability Disclosure Technical Advisory Committee (TAC) and the Policy and Implementation Committee (PIC), aiming to maintain alignment with international standards while addressing UK market needs.
- The consultation proposes **amendments to the standards to support their application in a UK context**, while retaining international comparability. It also seeks views on the costs and benefits of UK SRS, which will inform future decisions on whether to mandate disclosure for economically significant UK companies.

Objective and Scope

- The initiative aims to provide investors with **high-quality, comparable sustainability-related financial information** that enhances transparency and supports long-term sustainable growth in the UK.
- It establishes a **UK-endorsed baseline** for disclosures, based on the ISSB's IFRS S1 and S2 standards.

Next Steps

- The consultation period **remains open until 17 September 2025**.
- Following the responses to this consultation, the **UK Government will decide whether to endorse the drafts of UK SRS S1 and S2 for use in the UK** and publish final versions for voluntary adoption.
- If endorsed, the final UK SRS standards are **expected to be issued in autumn 2025**.
- **The FCA** will consult on proposals to **require the use of UK SRS by listed companies** within FCA listing rules.

Main content

UK SRS S1	UK SRS 1 is based on IFRS S1 but introduces key adjustments, including the **removal of the fixed effective date**, replaced with a more flexible "initial application" approach. It also eliminates the **mandatory use of a specific industry classification system**, allowing companies to apply **alternative frameworks** better suited to their **business model** or **reporting practices**. These changes aim to ease implementation while preserving consistency and comparability in sustainability disclosures.
UK SRS S2	UK SRS 2 mirrors the core structure of IFRS S2, centering on climate-related risks and opportunities, but features specific amendments to align with national climate policies. These include **flexibility around Scope 3 emissions reporting** and **adjustments** to the **disclosure of transition plans**. The standard remains consistent with the TCFD framework while embedding considerations unique to the UK's climate strategy.
Additional discussion	Challenges around using **prior-period data for financed emissions** and the **limited clarity** on **carbon credit disclosures** prompted calls for further ISSB guidance and UK-specific alignment efforts.

Access to Document

2 UK SRS 1 & SRS 2
Amendments proposed (1/3)

The UK strengthens alignment and reporting coherence by removing delayed disclosure and extending the climate-first transition relief to support phased implementation

	Committee	SRS affected	IFRS	UK Amendment
Removal of delayed reporting	TAC	SRS 1	Provided a **transition relief** allowing companies, in their first year of reporting under the ISSB Standards, to publish **sustainability disclosures at a later time** than their financial statements. This was intended to ease implementation by granting additional time for preparers to align both sets of reporting.	Removal of the **relief** permitting **delayed disclosures**, which was considered to compromise the connectivity principle—the goal of ensuring consistent, integrated information across sustainability and financial reports. Certain UK companies are subject to TCFD-aligned disclosure requirements, they are considered capable of reporting on the same timeline as financial statements.
Extension of the transition relief permitting a 'climate-first' approach	TAC	SRS 1	**IFRS S1 allows companies to adopt a 'climate-first' approach in the first year**, disclosing only climate-related risks and opportunities. In parallel, **IFRS S2 provides a one-year relief from disclosing Scope 3 emissions**, allowing companies to exclude them in that same first year. From the second year, full reporting across all sustainability topics is required.	Retention and extension of the **relief by an additional year**, allowing for a three-year phased implementation. In this sense the companies will disclose at a minimum: • In year 1: **climate-related risks** and opportunities except Scope 3 emissions. • In year 2: all climate-related risks and opportunities **including Scope 3 emissions**. • In year 3: climate-related risks and opportunities, Scope 3 emissions, and **wider sustainability-related risks** and opportunities. This was considered a balanced way to address some stakeholder concerns on the changes to reporting practices arising from the use of these standards.

2 UK SRS 1 & SRS 2
Amendments proposed (2/3)

The UK clarifies the application of transition reliefs and removes the mandatory use of GICS to enhance flexibility and reduce implementation burdens proposes

	Committee	SRS affected	IFRS	UK Amendment
Treatment of transition reliefs 	PIC	SRS 1 / SRS 2	Both IFRS S1 and IFRS S2 include **a set of transition reliefs intended to support companies in their initial implementation of the standards.** These reliefs vary in duration and purpose, including, for example, the one-year relief from Scope 3 emissions disclosures in IFRS S2 and transitional flexibilities in IFRS S1 related to timing and comparability. Under the ISSB's framework, **these reliefs are available from the point an entity chooses to apply the Standards**, regardless of whether application is voluntary or mandatory. *This approach was designed to encourage early adoption by allowing preparers flexibility while establishing reporting capability.*	Amendment of the **wording on reliefs to explicitly link their use to the introduction of any mandatory reporting requirements**. *Example:* • *IFRS: "In the first annual reporting period in which an entity applies this Standard, the entity is permitted to use one or both of these reliefs…"* • *UK: "In the first annual reporting period in which an entity is required to use this Standard under UK law or regulations, the entity is permitted to use one or both of these reliefs…"* The proposed amendment does not prevent voluntary reporters from using the reliefs. For these companies, the government considers it a business decision whether to apply some or all of the standards, and does not deem it appropriate to define how or when specific requirements should apply.
Removal of the requirement to use the GICS 	TAC/PIC	SRS 2	**Requiring** companies to **use the Global Industry Classification Standard (GICS)** to identify industry-specific sustainability-related risks and opportunities, and to determine which disclosures from the industry-based SASB Standards should be applied. This aims to ensure comparability and consistency across sectors.	**Removal of the mandatory use of GICS**, allowing companies to apply alternative classification systems that may be more aligned with their business model or local reporting practices, since requirement to use GICS, if not already used, could also impose an unnecessary additional cost. The use of an existing classification could allow for increased connectivity with existing reporting.

2 UK SRS 1 & SRS 2

Amendments proposed (3/3)

The UK removes the fixed effective date and softens references to SASB materials, reinforcing voluntary use and flexibility in implementation

	Committee	SRS affected	IFRS	UK Amendment
Removal of the 'effective date' clauses in IFRS S1 and IFRS S2	TAC/PIC	SRS 1 / SRS 2	Both IFRS S1 and IFRS S2 specify an **effective date for annual reporting periods beginning on or after 1 January 2024,** for mandatory application and require companies to apply both standards simultaneously.	Removal of the **fixed effective date** and rephrasing of the section as "**Initial application**", recognising that the standards will be voluntarily available for use at a time chosen by each entity, as proposed by the TAC. Additionally, a **clarifying statement** has been introduced by the PIC to **explain** that any **formal effective date** will be set by future legislation or regulation. However, the requirement to apply both S1 and S2 together remains in place to preserve coherence across sustainability disclosures.
References to the SASB materials in IFRS S1 and IFRS S2	PIC	SRS 1 / SRS 2	**Background:** Originally developed in the US, the SASB Standards provide industry-specific **guidance on disclosing financially-material sustainability information.** Now under the ISSB, these materials are being internationalised and will be further updated through a phased approach, with a consultation on revisions for selected industries expected in July 2025. IFRS S1 and IFRS S2 state that **companies "shall refer to and consider the applicability of" SASB materials** to identify relevant industry-specific disclosures, while allowing flexibility if deemed not relevant.	Replacement of "shall refer to and consider…" with "**may refer to and consider**…" in both S1 and S2, reflecting **UK stakeholder preferences for voluntary use** and acknowledging that SASB content hasn't gone through the same due process as ISSB Standards. The amendment will be revisited after ISSB completes its enhancement of SASB materials.

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4 Additional discussion

Calculating financed emissions for the given reporting period

Through the discussions, several industry practices and implementation challenges were highlighted, underscoring the necessity for additional ISSB guidance to guarantee consistent and practical reporting of financed emissions

Industry practice & implications	• **Current practice** among financial institutions is to **report financed emissions using prior-period investment data**, clearly labelled, due to data availability and tight reporting timelines. • Companies commonly **report financed emissions using the fair value of balance sheet exposures** and the most recent available emissions data from investee companies, **even if this data is several months old**. This approach is intended to provide a consistent basis for emissions reporting, though it may result in **differences between current and prior periods**.
Implementation changes	• Estimating financed emissions **requires counterparty-level** data based on loans and investments at the period-end balance sheet. • **Short timeframes between balance sheet finalisation and reporting** (e.g. ~6 weeks) limit the feasibility of calculating emissions using finalised data. • Companies currently **rely on prior-period data** as the best available input, clearly labelling it accordingly.
Further clarification needed	**The discussions regarding financed emissions concluded that further ISSB clarification is needed to support practical application.** • Whether using **previous-period data complies** with IFRS S1/S2 requirements. • How to handle the **revision of comparative figures** when updated emissions data becomes available. • How to **reconcile fair value changes vs actual emissions** changes when identical third-party data is used in two periods.

Requirements on carbon credits in IFRS S2

Further discussions on carbon credit disclosures in IFRS S2 led to consultation points and potential UK-specific next steps

IFRS S2 Requirements	The current IFRS S2 requirements focus on the planned use of carbon credits with limited mandatory disclosure obligations: • IFRS S2 requires companies to **disclose their planned use of carbon credits** to meet net GHG emissions reduction targets. • Disclosures on **purchased credits** that are planned for future use are **optional**, where relevant to understanding the target. • **No broader disclosure obligations** on carbon credit strategies or purchases are explicitly required.

UK Discussion points	UK policymakers debated whether the IFRS S2 requirements provide enough information and launched a targeted consultation.
	• Two **questions for consultation** were raised:
	  • Are disclosures on credit purchase and use in the reporting period useful for stakeholders?
	  • What practical challenges do companies face when reporting this information?

Next steps	Based on the discussion of the requirements outlined in IFRS S2, the UK has launched a consultation and expects further clarification from the ISSB. • The **UK government seeks market views** on whether additional disclosures or clarification is needed to improve comparability and understanding. • **Further dialogue with the ISSB** is encouraged to assess the suitability of enhancing the global baseline. • **Alignment with the UK's broader framework on voluntary carbon** and nature markets is also under consideration, including potential guidance for preparers.

5 Why Management Solutions?

Key aspects and differential value

At MS we are specialists in both Sustainability and Regulatory Reporting, with knowledge of best practices in different industries and geographies, mobilising a team with extensive experience in the field

ESG

- ✓ **Large experience in projects** developed **in the field of Sustainability**, focusing on diagnosis and development of information models supporting management and regulatory reporting, development of models, strategic plans, adaptation to regulatory requirements, etc.
- ✓ **Exhaustive knowledge of ESG regulation**, with a **Regulatory Observatory** specialising in sustainability requirements, including regulatory exercises (e.g. Pillar 3 ESG, climate stress tests).
- ✓ **R&D team specialised** in the definition and implementation of **climate risk measurement solutions** in different fields (physical risk, transition risk, portfolio alignment) used as accelerators in different projects.
- ✓ **Reference consultant for the World Bank**, maintaining a partnership through the IFC-Green Banking Academy in internal training and training for financial institutions in Climate Change Risk Management.
- ✓ **Member of the Social Impact Chair of internationally renowned universities** to promote training and development of social impact measurement methodologies.

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Data Governance & Regulatory Reporting

- ✓ **Extensive experience in Data Transformation and Data Governance projects** in different industries (banking, insurance, energy, Telco, Retail, ...), considering the architecture, quality, data governance, etc.
- ✓ **Multidisciplinary team** with relevant experience in Regulatory Reporting and **Governance and Quality** projects.
- ✓ Capacity for **technical and functional challenge** through in-depth knowledge of **data management**.
- ✓ Our value proposition relies on a **specialist, cutting-edge R&D** team with centres of excellence in the field of modelling.
- ✓ **Independent view of any supplier,** collaborating with leading suppliers in these areas.

General capabilities of Management Solutions

- ✓ **Leadership in business consultancy with a presence in +50 countries, through 50 offices, which gives us a global vision at world level, fundamental in this field.**
- ✓ **Proven commitment and delivery capacity (agile but high-value deliverables) and compliance with committed deadlines.**
- ✓ **Unique partnership model which facilitates our benchmarking capability.**

A Annex
Acronyms

ESG	Environmental, Social and Governance
GHC	Greenhouse Gas
GICS	Global Industry Classification Standard
BDI	Banco de Descarbonización Industrial
IFRS	International Financial Reporting Standards
ISSB	International Sustainability Standards Board
PIC	Policy and Implementation Committee
SASB	Sustainability Accounting Standards Board
TAC	Technical Advisory Committee
TCFD	Task Force on Climate-related Financial Disclosures
UK SRS	UK Sustainability Reporting Standards

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Marta Hierro
Partner at Management Solutions
marta.hierro@managementsolutions.com

Celia Escudero
Manager at Management Solutions
celia.escudero.gonzalez@msunitedkingdom.com

For more information please visit

www.managementsolutions.com

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