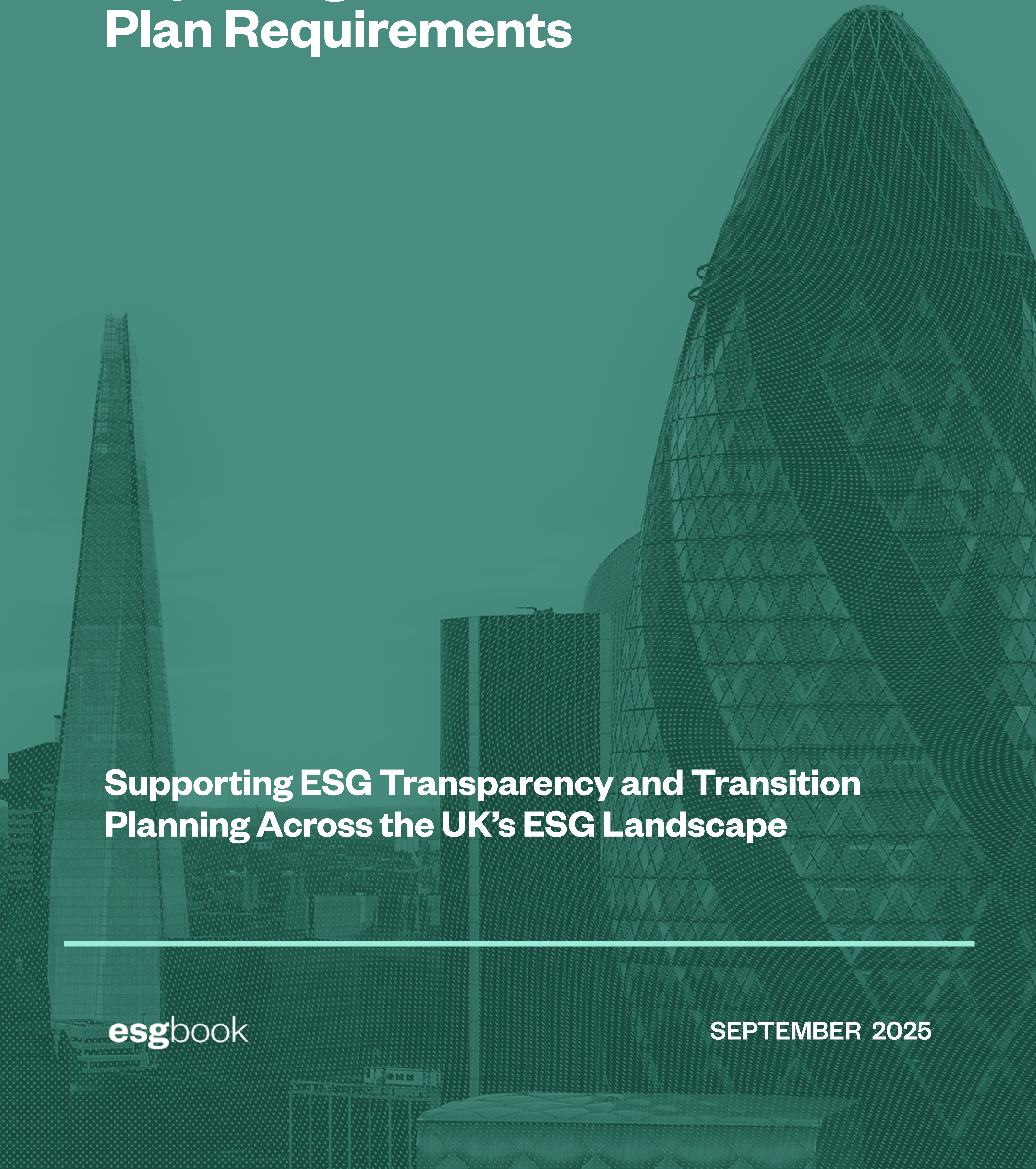
Consultation Response by ESG Book to UK Sustainability Reporting Standards & Transition Plan Requirements



Supporting ESG Transparency and Transition Planning Across the UK's ESG Landscape

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SEPTEMBER 2025

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The UK's twin consultations on UK Sustainability Reporting Standards (UK SRS) and the government's Transition Plan requirements show how the country is shaping a next-generation ESG disclosure regime. While both aim to drive transparent, decision-useful reporting, they differ in focus: UK SRS sets the baseline for sustainability disclosure across all sectors, whereas the Transition Plan consultation hones in on credible net-zero strategies.

1. UK SRS

A Principles-Based Baseline for Sustainability Reporting

Key Takeaways & Supportive Points

- **Timely, integrated disclosure:** Backing the removal of a one-year "transition relief," respondents stressed that UK firms are already familiar with TCFD reporting and can integrate sustainability data with financial statements without delay.
- **Flexibility where it matters:** Support emerged for removing mandatory references to specific taxonomies (e.g., GICS, SASB), promoting a principles-based approach while maintaining international alignment with ISSB standards.
- **Investor relevance:** Agreed that transparent reporting on financed emissions, carbon credit use, and broader ESG risks (biodiversity, water, supply chains) improves capital allocation and market confidence.

Areas of Concern & Recommendations

- **Scope 3 and financed emissions:** Data gaps and comparability issues remain. The government should provide stronger guidance, sector-specific methodologies (e.g., PCAF, GFANZ), and digital data platforms to simplify data collection.
- **Scenario analysis complexity:** Preparers need practical, UK-specific tools and templates for applying climate scenarios and reconciling them with financial statements.
- **SME readiness:** Training, grants, and simplified reporting templates will be essential to avoid leaving smaller firms behind.

2. Transition Plan Requirements

Making Net-Zero Strategy Credible

Key Takeaways & Supportive Points

- **Strategic value creation:** Transition planning is more than compliance - it drives competitiveness, attracts capital, and lowers financing and insurance costs.
- **Investor and market demand:** Standardised transition disclosures help investors price risk, channel capital, and guard against greenwashing.
- **Broader economic benefit:** Aggregated transition plans can guide national infrastructure investments, support job creation, and enhance macroeconomic resilience.

Areas of Concern & Recommendations

- **Cost and capacity hurdles:** Robust plans require extensive data (including Scope 3), scenario modelling, and capital-expenditure mapping - challenging for SMEs and hard-to-abate sectors.
- **Comparability gaps:** Without a mandatory template or minimum disclosure requirements, plans may lack consistency.
- **Balance between ambition and liability:** Mandating implementation or strict net-zero alignment creates legal and operational risks if external enablers (grid capacity, technology rollout) lag.

Suggested Enhancements

- Introduce a structured transition-plan annex covering targets, CapEx, financing, and governance.
- Strengthen Scope 3 and supplier-engagement disclosures.
- Provide standard scenario baselines for comparability and phased assurance for key metrics.
- For adaptation, require reporting on asset-level exposures, costs, and contingency triggers to capture climate-resilience planning.

Closing Thought

At ESG Book, we view the UK's focus on robust sustainability reporting (UK SRS) and credible transition planning as a natural progression of global ESG disclosure and a constructive step for businesses seeking stronger strategies and improved access to capital. By coupling rigorous, ISSB-aligned reporting with finance-ready transition plans, the UK is setting a high standard for transparent and forward-looking sustainability practices. Companies that integrate these requirements into their strategy, finance, and supply chains can enhance resilience and competitiveness while meeting evolving regulatory expectations.

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