NOVEMBER 2025

AN INSTITUTIONAL INVESTOR'S GUIDE TO

SRS S2

EMMI

This guide helps institutional investors prepare for climate-related disclosures under the UK's emerging corporate sustainability regime, focusing on SRS S2 (Climate-related Disclosures), the UK adaptation of IFRS S2, alongside SRS S1 (General Requirements).

Governance of the standards

- **Department for Business and Trade (DBT) / Secretary of State for Business & Trade** decides on UK SRS endorsement (informed by TAC advice).
- **UK Sustainability Disclosure Technical Advisory Committee (TAC)** provides technical endorsement advice on IFRS S1/S2 for UK use.
- **Policy & Implementation Committee (PIC)** coordinates implementation across government and regulators, including the FCA and HM Treasury.
- **Financial Conduct Authority (FCA)** may reference UK-endorsed S1/S2 in rules for listed companies; leads the Sustainability Disclosure Requirements (SDR) labels and the anti-greenwashing rule.
- **His Majesty's Treasury (HMT)** steers wider sustainable-finance policy; established the **Transition Plan Taskforce (TPT)** referenced for transition-plan disclosures.

Terminology used in this guide

- UK SRS = the UK suite: S1 (General) and S2 (Climate).
- SRS S2 = the UK-adapted climate standard aligned to IFRS S2.
- FCA and HM Treasury are cited where relevant to implementation and policy context.

Scope clarification for institutional investors

While the UK SRS standards are not yet mandatory, they are being developed with the expectation that they will form the foundation of a UK sustainable finance framework. Final exposure drafts of SRS S1 and S2 were published on 25 June 2025, with consultation closing 17 September 2025.

Application for institutional investors:

- Banks, asset managers, and insurers: Indirectly affected as users of standardized climate data disclosed by investee companies. SRS S2 data will inform investment decision-making, risk assessment, and stewardship activities.
- Private market participants: Benefit from alignment with ISSB standards, allowing greater comparability of portfolio-company disclosures with international frameworks.
- Voluntary adopters: Even before mandatory adoption, institutional investors can integrate SRS S2 disclosures into portfolio analytics, climate scenario testing, and engagement strategies.

Table of Contents

1. Introduction

Purpose of this guide

This guide is tailored for institutional investors preparing to (or expecting to) analyze disclosures aligned with the UK SRS S2 (Climate-related Disclosures Standard), the UK's adaptation of IFRS S2. It provides a clause-relevant summary of requirements, enabling integration into risk systems, stewardship frameworks, and compliance processes as the UK transitions toward mandatory climate reporting.

It is essential to understand that UK SRS Standards are built on the global baseline set by the ISSB and are intended to ensure international comparability. As such, the UK Climate Standard is underpinned by globally recognised principles, governance, strategy, risk management, and metrics/targets, each evaluated through both financial and environmental lenses.

Important reference documents for UK Standards, as at October 2025

These resources provide the authoritative basis for understanding UK SRS Climate Standards and their interaction with FCA disclosure and labelling requirements.

- Exposure drafts of UK Sustainability Reporting Standards (UK SRS S1 & S2)
- Draft UK SRS S2 Standard (with proposed amendments)
- FCA Policy Statement PS23/16: Sustainability Disclosure Requirements (SDR) and Investment Labels
- Sustainability Disclosure Requirements: Implementation Update 2024

Foundational concepts for SRS S2 Climate Disclosures

To align with international disclosure frameworks, the UK SRS S2 incorporates several key principles from IFRS S2. Institutional investors should understand the following core concepts:

Enterprise value focus: SRS S2 centres on sustainability-related risks and opportunities that could reasonably be expected to affect an entity's enterprise value over the short-, medium-, and long-term.

Materiality: UK SRS applies single materiality (financial materiality), but in practice, investors may integrate disclosures with EU double materiality frameworks for comparability.

Connectivity with financial statements: Climate disclosures must be prepared in unison with financial reporting, ensuring assumptions, judgements, and time horizons are consistent and published alongside financial statements.

Time horizons: Entities must define and disclose the timeframes used in their analysis of climate risks and opportunities (short-, medium-, and long-term) and ensure consistency across governance, strategy, risk, and metrics.

Scenario analysis: Required to assess the resilience of an entity's strategy under at least two climate scenarios, including one aligned with a 1.5°C pathway. Outputs must include quantitative financial impacts and qualitative narrative.

Transition relief & phasing: UK SRS S2 includes climate-first transitional reliefs, particularly on Scope 3 disclosures and industry-specific metrics. Entities must disclose when they apply these reliefs and how this affects comparability.

GHG protocol alignment: Emissions disclosures (Scopes 1, 2, and 3) must be aligned with the GHG Protocol Corporate Standard. For financial institutions, disclosure of financed emissions (Scope 3 Category 15) is critical.

Transition plan transparency: Entities must disclose any existing transition plan, including targets, CapEx alignment, interim milestones, and reliance on offsets. FCA expectations are tied to TPT guidance.

Internal carbon pricing: Where used, entities must disclose the rationale, carbon price assumptions, and how the tool influences capital allocation and strategy.

Industry guidance & classification: Entities may refer to SASB guidance for industry-based metrics, but this is not mandatory. The UK has also removed the requirement to use GICS classifications for financed emissions, allowing alternative sector frameworks.

Estimates & data gaps: Where current data is unavailable, entities may rely on estimates or prior-period data, but must disclose assumptions, methods, and sources of uncertainty.

Interoperability & global comparability: UK SRS is designed to remain interoperable with ISSB (IFRS S2) and comparable with EU ESRS. This ensures investors can use UK data within global portfolios and risk systems.

2.
Scope & Applicability

Entities that are expected to be in-scope for future mandatory UK SRS requirements will include 'economically significant companies,' a category under consultation by HM Treasury and the FCA. The final scope has not yet been legislated.

At present, the UK SRS standards (S1 & S2) remain in exposure draft form. Finalised standards are expected to be available for voluntary adoption in late 2025, before any mandatory regime begins.

Disclosure structure under UK SRS

The UK SRS framework mirrors the ISSB architecture and consists of three core components:

- **Application standard (S1):** Principles for preparing sustainability-related financial disclosures.
- **General standard (S1):** High-level disclosures across all sustainability topics (aligned with IFRS S1).
- **Climate standard (S2):** Detailed disclosure obligations related to climate change (aligned with IFRS S2, with UK-specific amendments).

Entities adopting UK SRS are expected to apply the standards holistically, ensuring consistency across governance, strategy, risk, metrics, and targets.

In-scope entities

- **Listed companies:** Final consultation indicates a likely starting point of large listed entities (public interest entities and FCA-regulated firms), with phased expansion.
- **Financial institutions:** Asset managers, insurers, and banks are indirectly in-scope as users of investee company disclosures, but will also face obligations through FCA SDR and potential entity-level reporting once mandatory adoption is confirmed.
- **Overseas and private funds:** Currently out of scope, but HM Treasury has signalled interest in extending disclosure regimes to overseas funds marketed into the UK via the Overseas Funds Regime (OFR).
- **Voluntary adopters:** Any entity may apply UK SRS S2 voluntarily, either for assurance readiness, investor relations, or stewardship purposes.

Voluntary application considerations

- **Transition reliefs:** Entities adopting early may use phased reliefs (e.g., delayed Scope 3 disclosure) consistent with ISSB's 'climate-first' pathway.
- **Comparability benefits:** Early adoption strengthens comparability for investors, particularly across portfolios spanning EU ESRS and ISSB-aligned markets.
- **Assurance readiness:** Early use prepares companies for likely assurance requirements once UK SRS becomes mandatory.

Regulatory expectations

- The Financial Conduct Authority (FCA), through its Sustainability Disclosure Requirements (SDR), already imposes anti-greenwashing rules, product labelling, and disclosure obligations on FCA-authorised firms. UK SRS S2 will operate as the entity-level disclosure backbone, feeding into SDR rules.
- The UK Government and FCA have committed to phased implementation. While no dates for mandatory adoption are yet confirmed, the expectation is a rollout beginning with large listed companies and expanding to wider financial institutions and portfolio management services.
- Institutional investors should anticipate integration with FCA SDR timelines, Transition Plan Taskforce (TPT) requirements, and eventual assurance mandates.

3.
Core Disclosure Areas

This section introduces the foundational pillars of climate-related disclosures required under the UK SRS S2. Institutional investors should be familiar with these categories, as they align with the ISSB IFRS S2 global baseline and underpin climate reporting across jurisdictions.

Aligned with IFRS S2, UK SRS S2 will require disclosures across four pillars:

Governance

- Oversight by board and management.
- Role of sustainability committees or delegated groups.
- Integration of climate accountability into remuneration and incentive structures, where applicable.

Metrics and targets

- Disclosure of Scope 1, 2, and 3 Green House Gas (GHG) emissions (gross $mtCO_2e$), aligned with the GHG Protocol.
- For financial institutions, inclusion of financed emissions (Scope 3 Category 15).
- Internal carbon pricing, if used, rate, application, and impact on decisions.
- Quantified climate-related financial effects, such as asset impairments or exposure to carbon-intensive activities.
- Targets, timeframes, and methodologies, including alignment with national and sectoral transition pathways.

Risk management

- Processes for identifying, assessing, and managing transition and physical climate risks.
- Integration with broader enterprise risk management frameworks and risk appetite settings.
- Approach to monitoring counterparties, suppliers, and financed emissions exposures.

Strategy

- Identification of climate-related risks and opportunities over short-, medium-, and long-term horizons.
- Description of how these affect the business model, strategy, and finances.
- Strategic resilience analysis across multiple climate scenarios, including at least one 1.5 °C-aligned pathway.
- Impacts of policy, technology, and market transitions on revenue, costs, and capital allocation.

Clause-aligned summary of UK SRS S2 climate disclosure requirements

This section provides a clause-aligned view of the required disclosures under the UK Climate Standard (SRS S2). It is designed to help institutional investors identify relevant datapoints, interpret company reporting, and map disclosures to portfolio-wide analytics and assurance workflows.

Clause	Topic	Required disclosure
1–5	Governance	Board and management oversight of climate-related risks and opportunities. Role of committees and accountability structures, including remuneration linkage where relevant.
6–11	Strategy	Identification and impact of climate-related risks and opportunities on strategy and financial planning. Description of resilience across short-, medium-, and long-term horizons.
12–14	Climate resilience & scenarios	Disclosure of resilience testing against at least two climate scenarios (one aligned with 1.5 °C). Methods, assumptions, and financial outcomes must be described.
16–27	Risk management	Processes for identifying, assessing, and managing climate-related risks; integration with enterprise risk management.
29(a)	GHG emissions	Scope 1, Scope 2 (location-based mandatory; market-based optional), and Scope 3 aligned with GHG Protocol. Include financed emissions where applicable.
29(b–d)	Transition and physical risks / opportunities	Amount and/or proportion of assets, business activities, or financing exposed to transition risks, physical risks, and aligned with climate-related opportunities.

Clause	Topic	Required disclosure
29(e)	CapEx and financial alignment	Proportion of CapEx and financial resources directed toward transition or adaptation activities. Entities should clarify methodology for taxonomy or green investment classification.
29(f)	Internal carbon pricing	Use of carbon pricing, underlying methodology, and price per tonne; description of how pricing influences investment decisions and risk management.
33–36	Targets and tracking	Disclosure of climate-related targets (absolute and intensity-based), timeframes, base year, methodologies, and progress to date. Include Scope 1–3 coverage and financial metrics where relevant.
40–45	Transition plan	If a plan exists: describe targets, funding strategy, decarbonisation levers, offset use, and alignment with TPT and national transition pathways.
47–57	GHG methodology detail	Measurement approach, units, and any deviations from the GHG Protocol with justification. Dual disclosure recommended if alternative methods are used.
84–85	Executive remuneration	Disclosure of whether executive pay is linked to climate targets. If not, the absence of linkage must be stated and explained.

This clause-level summary should be read in conjunction with the full UK SRS S2 Climate Standard (draft), the FCA SDR framework, and ISSB IFRS S2 for interoperability and portfolio relevance.

4.

Assurance Expectations & Transition Reliefs

This section outlines what companies can expect regarding third-party assurance and the reliefs available during the transition period. Institutional investors can use this information to assess disclosure reliability, comparability, and preparedness for future mandatory assurance regimes.

Assurance readiness

At present, UK SRS S2 does not mandate external assurance, but entities are expected to:

- Establish internal controls and documentation that support traceability and verification of climate data.
- Maintain clear audit trails for Scope 1-3 emissions, scenario analysis assumptions, and transition plan progress.
- Prepare for forthcoming assurance regulation, as the UK Government and FRC are consulting on a phased assurance framework covering both SRS S1 and SRS S2 disclosures (see timeline).
- Institutional investors should interpret early assurance statements as a signal of higher data reliability and board readiness for regulatory alignment.

Institutional investor relevance

- Track how investee companies apply transition reliefs, especially Scope 3 and disclosure timing, when assessing data comparability and financed-emissions aggregation.
- Prioritise engagement on assurance readiness, encouraging robust internal controls and independent verification of key metrics.
- Use disclosures on transition plan transparency, scenario analysis, and CapEx alignment as interim proxies for disclosure quality until full assurance becomes mandatory.

Application & timelines

These reliefs apply during the first year of reporting, expected for periods ending on or after 1 January 2026.

Transitional reliefs and phase-in measures

The UK Government has signalled that, consistent with IFRS S2, transitional accommodations will apply during the early implementation phase of UK SRS S2. These are designed to ease adoption while preserving disclosure quality and investor usefulness.

Relief Area	UK SRS S2 Expectation / Adaptation	Investor Implication
Scope 3 emissions	Entities may omit or partially report Scope 3 emissions in their first year, provided they disclose the categories omitted, the rationale, and a plan for full inclusion.	Investors should expect incomplete value-chain coverage initially; emphasis should be on disclosed methodologies and coverage expansion timeline.
Comparative information	First-year adopters are not required to provide prior-period comparative data.	Reduces trend visibility; investors may rely on narrative explanation of methodological baselines.
Disclosure timing	Entities are expected to report sustainability disclosures concurrently with financial statements. However, early adopters may report separately in Year 1 while systems mature.	Institutional users should align data ingestion to fiscal reporting cycles but be alert to temporary timing mismatches.
Transition relief (climate-first approach)	Entities may apply a 'climate-first' focus, deferring broader sustainability topics until subsequent standards are adopted.	Ensures early emphasis on climate disclosures most relevant to financial materiality and portfolio alignment.
Industry classification flexibility	The UK draft removes the GICS-based requirement for industry disaggregation of financed emissions. Entities may use alternate taxonomies (e.g., NACE, SIC, or internal sector mapping).	Enhances flexibility but may reduce cross-portfolio comparability during early years.

5.

Implementation Timeline (Proposed)

Application	FY20'	Relevant for Investors
Consultation on UK SRS S1 & S2 (exposure drafts)	25	Institutional investors gain visibility of UK’s intended adoption of IFRS S1/S2; opportunity to prepare systems and engage with portfolio companies.
Final UK SDS standards published (DBT endorsement)	Late 25	Voluntary early adoption encouraged; investors can begin accessing ISSB-aligned climate data from UK issuers.
First mandatory reporting for UK-listed companies (Premium and Standard segments)	26	Provides comparable climate disclosures across listed equities in UK portfolios; investors gain forward-looking risk, emissions, and target data. *2027 reporting.*
Large private companies come into scope (meeting Companies Act thresholds)	27	Expands climate data availability from significant unlisted portfolio holdings; supports private market risk analysis and engagement. *2028 reporting.*
Financial institutions enter scope (banks, insurers, asset managers subject to FCA thresholds)	27/28	Brings financed emissions, portfolio-level targets, and scenario results into investor disclosures; critical for systemic climate risk transparency. *2028-29 reporting.*
Assurance requirements strengthen (shift from limited to reasonable assurance)	From 28	Ensures climate disclosures are reliable, comparable, and auditable; investors benefit from higher-quality, assurance-ready data.
Transition Plan Taskforce (TPT) disclosures fully integrated	28 Onwards	Enables investors to benchmark portfolio companies’ net-zero strategies, CapEx alignment, and transition credibility.

Note: The final application dates for UK SDS will be confirmed by the FCA and the UK Government following the 2025 consultation. Timelines above reflect current expectations and may be subject to adjustment.

6.

Emmi's Carbon Diagnostics: Purpose-Built for SRS S2 Reporting

Capability	UK SRS S2 alignment	Relevance for investors
Robust financed emissions calculation methodologies	S2-14, S2-15, S2-17	Full portfolio coverage across public & private markets; auditable Scope 1–3 including financed emissions (Scope 3, Category 15); supports UK allowance for using prior-period balance sheets.
Transition risk modelling	S2-9, S2-14, S2-17	10+ scenarios (NGFS and IPCC aligned, plus custom); transparent methodology; quantifies enterprise value impact required under UK SRS S2.
Physical risk modelling	S2-9, S2-17	Portfolio-wide Value-at-Risk quantitative metrics; acute & chronic risks; aligns with Prudential Regulation Authority (PRA) climate stress-test requirements.
Forecasting & target tracking	S2-16, S2-17	Enables forward-looking emissions and risk forecasts; tracks progress against disclosed climate targets and pathways; supports scenario-based portfolio re-forecasting.
Carbon pricing & internal costs	S2-14, S2-15	Audit-ready models for internal carbon pricing; supports disclosure of assumptions and methodologies, consistent with UK SRS S2.
FactSet integration	All	Scalable disclosure-ready exports; automated updates for multi-portfolio and cross-team use; ensures data consistency for FCA SDR-aligned reporting.

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7. Investment Integration and Stewardship

Industry benchmarking

- Compare portfolio companies against UK and global peers on UK SRS S2 metrics.
- Track portfolio-wide financed emissions against FCA-aligned benchmarks.
- Assess transition plan quality relative to TPT guidance and UK market leaders.

Universal applications

- Enhance climate risk assessment in due diligence using UK SRS S2 disclosures.
- Incorporate scenario outputs and target pathways into portfolio construction.
- Develop portfolio-level net-zero targets consistent with UK SRS S2 methodologies.
- Establish risk thresholds using financial effect disclosures (S2-14, S2-17).

Stewardship applications

- Engage portfolio companies on the completeness and credibility of S2 disclosures.
- Set minimum expectations for emissions targets, transition plans, and forecasts.
- Integrate climate metrics into voting guidelines and proxy decisions.
- Align stewardship with FCA's anti-greenwashing and SDR product-labelling rules.
- Collaborate with peers through initiatives like Climate Action 100+ and IIGCC, leveraging consistent UK SRS S2 data.

8.

Interoperability with Key Frameworks

The UK SRS S2 (Climate-related Disclosure Standard) is designed to align with existing international frameworks and UK-specific financial regulations. Institutional investors should understand how SRS S2 interoperates with related standards and regulatory initiatives that influence sustainability reporting and climate data use.

IFRS/ISSB Standards:

UK SRS S1 and S2 are adapted from IFRS S1 and S2, forming part of the global ISSB baseline. This ensures interoperability and comparability across jurisdictions.

FCA Sustainability Disclosure Requirements (SDR): The FCA's SDR and investment labels (PS23/16) regime governs sustainability claims, labelling, and product disclosures. SRS S2 acts as the entity-level foundation, feeding climate data into SDR-aligned product reporting and assurance expectations.

UK Transition Plan Taskforce (TPT): The TPT Disclosure Framework complements SRS S2's requirements on transition plans, resilience, and decarbonisation pathways. Entities must describe how transition plans align with national and sectoral targets.

UK Green Finance Strategy & Transition Finance Guidance: These frameworks underpin the use of SRS S2 data for green and transition-labelled finance, encouraging integration of scenario analysis and taxonomy-aligned metrics into capital allocation.

PCAF & GHG Protocol: SRS S2 requires emissions reporting aligned with the GHG Protocol and, for financial institutions, PCAF for financed emissions. These ensure consistent Scope 1–3 measurement and comparability.

EU SFDR: SRS S2 maintains interoperability with the EU Sustainable Finance Disclosure Regulation (SFDR), allowing consistent treatment of climate risks and metrics across UK and EU portfolios.

Bank of England & NGFS Alignment: SRS S2 scenario expectations are informed by NGFS climate pathways, supporting consistency in stress testing and risk analysis across financial markets.

9.
Next Steps for Institutional Investors

An overview of how to prepare for UK SRS S2 climate-disclosure alignment, which requires a strategic and systematic approach.

1. **Review portfolio exposure**
   Identify investee companies likely to adopt or be mandated under UK SRS S2.

Engage With Emmi+FactSet to operationalise SRS S2 readiness

2. **Identify data gaps**
   Compare reported versus modelled Scope 1–3 emissions, financed-emissions data, and climate targets across asset classes.
3. **Conduct climate risk and scenario analysis**
   Use NGFS-aligned scenarios to assess transition and physical-risk exposure under 1.5 °C and > 2 °C pathways.
4. **Integrate into governance and investment decisions**
   Embed SRS S2 considerations into risk-management frameworks, ESG committees, and strategic-asset-allocation processes.
5. **Track targets and transition plans**
   Monitor investee progress against emissions-reduction targets, CapEx alignment, and transition-plan credibility.
6. **Engage with companies**
   Steward for improved data quality, scenario transparency, and governance maturity.
7. **Prepare for assurance and reporting**
   Establish internal systems to validate external climate disclosures, manage assurance evidence, and support future UK SRS S2 reporting.

Emmi's Solution

Climate data challenges affect all institutional investors. Carbon Diagnostics addresses both upcoming SRS S2 compliance (where applicable) and SRS S2 data utilization.

Climate Data Challenges

Data Gaps and Quality Issues

- Inconsistent data availability across different asset classes
- Varying data quality from different sources and jurisdictions
- Challenges in establishing reliable historical baselines for emissions and climate metrics

Inadequate Scope 3 Calculations

- Difficulty in gathering data across complex value chains
- Challenges in assessing and reporting financed emissions for financial institutions

Aligning with Financial Reporting

- Aligning climate data with traditional financial metrics and timeframes
- Challenges in quantifying long-term climate risks within short-term financial reporting cycles
- Ensuring consistency between climate disclosures and financial statements

Emmi's Solution

Market-leading Coverage

- Market-leading portfolio coverage across all major asset classes
- Seamless integration with existing systems via Excel or FactSet Workstation
- Standardisation of data quality (PCAF) scores across emissions data, for all assets

Advanced Scope 3 Calculation

- Machine learning-based engine for accurate Scope 3 emissions data, applies additional scrutiny on material sectors
- Enables financed emissions estimation for public and private holdings with minimal input data
- Designed to address data gaps across complex value chains and private markets

Timely Emissions Data

- Up-to-date emissions data aligned with latest reported financials
- Use FactSet to view climate risk and financial data in one report, with consistent timeframes and standardised data

Emmi's Solution

Climate Data Challenges	Emmi's Solution
Climate Risk Across Diverse Portfolios	**Climate Risk Quantification**
• Difficulty in quantifying physical and transition risks for varied asset classes, sectors and geographies • Challenges in translating climate risks into financial impacts	• Comprehensive assessment of physical (market-based) and transition risks across all asset classes in a diverse portfolio • Translation of climate risks into financial impacts
Assurance Readiness	**Assurance-Ready Outputs**
• Ensuring data accuracy and reliability for external verification • Multi vendor assurance process • Establishing robust audit trails for data and assumptions as assurance requirements evolve	• Single vendor for all data and assurance • Transparent, auditable methodology for all calculations • Audit trails to meet evolving SRS assurance requirements
Resource and Expertise Constraints	**Expert Support**
• Limited internal capabilities in climate data analysis and reporting • Balancing the cost of comprehensive climate reporting with other business priorities • Keeping pace with rapidly evolving SRS requirements and best practices	• Backed by our team of climate and finance experts, who can provide support to help teams effectively implement emissions and climate risk insights • Supports clients with data interpretation guidance and product documentation • Maintains active research to keep models and assumptions current
Misaligned Scenarios	**Robust Scenario Analysis**
• Complexity in developing forward-looking climate scenarios aligned with SRS requirements • Uncertainty in long-term projections of climate impacts on business models • Limited internal expertise in climate science and modelling techniques	• Modelling capabilities aligned with SRS S2 requirements (10+ scenarios) • Visualisation of potential value erosion across different scenarios **Suitable for organisations of any size, sector, or asset class**

Get in touch

Experience how Emmi's Carbon Diagnostics equips you for SRS S2-aligned reporting and climate-risk analysis.

Book Your Demo Now

George Droulias

Michael Lebbon

Bethany Fitzpatrick

Carbon Diagnostics provides investors with SRS S2-ready climate data, enabling integration of reported and modelled emissions into financial analysis and portfolio-level risk management. It supports compliance preparedness and strategic alignment with forthcoming UK SRS S2 expectations.