Institute and Faculty of Actuaries

17 September 2025

IFOA RESPONSE TO DBT CONSULTATION ON UK SUSTAINABILITY REPORTING STANDARDS: UK SRS S1 and UK SRS S2

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 34,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers. Actuaries are big-picture thinkers who use mathematical and risk analysis, behavioural insight and business acumen to draw insight from complexity. Our rigorous approach and expertise help the organisations, communities and governments we work with to make better-informed decisions. In an increasingly uncertain world, it allows them to act in a way that makes sense of the present and plans for the future.

The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the DESNZ consultation seeking views on implementation routes for transition plan requirements. This response is prepared by the IFoA Sustainability Reporting & Disclosure Working Party. It is written in the public interest.

Actuaries have a crucial role to play in promoting the understanding and integration of climate risks and opportunities within decision-making, and in making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. By evaluating systemic sustainability impacts on the financial systems, actuaries are involved in assessing how sustainability topics and the transition to net zero may impact on our assessment of future liabilities and the adequacy of returns to meet these future liabilities.

Question 1. Do you agree or disagree with the UK government's 4 amendments based on the UK Sustainability Disclosure Technical Advisory Committee's (TAC) recommendations? Provide your rationale.

The IFoA is supportive of a globally aligned implementation of ISSB Standards. The proposed amendments appear to be in line with the goals of alignment to ISSB, proportionality and offering transitional arrangements.

The proposed removal of Y1 transition relief in S1 would be a major challenge for international groups who are dependent on sub-entities to produce reports in jurisdictions that have applied this relief, which could result in misalignment in reporting timelines for groups. We would therefore suggest we should encourage the transitional relief recommended by the ISSB to be implemented in SRS.

Question 2. Industry practice is to use the balance sheet for loans and investments from a previous period to calculate financed emissions (where it is impracticable to provide the information for the current reporting period end). Do you agree or disagree that this results in decision-useful information, and what additional guidance might be useful?

We agree, however suggest that the onus sits with the original data providers where emissions data is used throughout the value chain – this probably needs additional guidance.

Question 3. For entities subject to financed disclosure requirements, what is the impact of revising comparative data for financed emissions calculations and what additional guidance might be useful?

The benefit is in ensuring that data is more consistent and comparable, however there needs to be clear materiality thresholds for restatement to avoid restating for no practical benefit.

The UK should not act unilaterally here and should consider what the ISSB's response to the TAC's report suggests.

Question 5. Do you agree or disagree that 'shall' should be amended to 'may' in "shall refer to and consider the applicability of… [SASB materials]"? Provide your rationale, including any views you have on the timing of the review of the amendment.

We agree that it is a pragmatic change.

Question 6. Do you agree or disagree with the proposal to link the reporting periods in which a transition relief can be used to the date of any reporting requirements coming into force? Provide your rationale.

We agree that it is a pragmatic change.

Effective reporting relies on voluntary submissions to test new initiatives, and a debt is owed to firms that have "stuck their neck out" in the past and been early adopters of reporting initiatives, taking the risks associated with this. Going forward, firms should not be penalised for voluntary early reporting.

Question 7. Explain your views on: a) whether disclosure of the purchase and use of carbon credits in the current period would be useful information; b) what the barriers to companies being able to produce this information are (including the availability of the information required for reporting and the associated costs); c) whether (and how) any further disclosures would be useful.

We are supportive.

This will require clear guidance on when and why carbon credits are appropriate for use. Ideally this should clarify that credits are not an alternative to decarbonisation. More regulation or ratings approaches are required to validate carbon credits and there may need to be some assurance systems in place.

Question 8. What are your views on the potential amendments to IFRS S2 proposed by the ISSB at this time?

Supportive – In particular the Partnership for Carbon Accounting Financials (PCAF) methodology is nascent and does not cover all classes of insurance business and, as such, cannot form a mandatory basis for corporate reporting. That said, voluntary efforts should be encouraged and as noted above, willingness of some firms to test and trial approaches will be key in further developing the approach towards insurance-associated emissions.

Question 10. Overall, do you agree that the UK government should endorse the standards, subject to the amendments described? Explain any other amendments that you judge to be necessary for endorsement and why.

We support endorsement, excluding amending S1 transition relief.

Question 11. Explain the direct and indirect benefits that you are expecting to result from the use of UK SRS S1 and UK SRS S2 (which may or may not be included in paragraphs 4.2 to 4.5). Include an assessment of those benefits which are additional to benefits arising from current reporting practices.

S1 and S2 are an enhancement to existing sustainability reporting standards and will ensure global interoperability as well as market leadership from the UK towards a common approach to reporting global issues.

Question 12. Explain the direct and indirect costs that you are expecting to result from the use of UK SRS S1 and UK SRS S2 (which may or may not be included in paragraphs 4.7 to 4.8). Include an assessment of those costs which are additional to costs arising from existing reporting practices.

Much of the information is already captured by leading firms, however the increased formality of the requirements will likely result in direct costs and indirect costs:

Direct: system upgrades to ensure better data collection and processing, consultancy fees

Indirect: time cost of a limited resource (sustainability specialists) as well as cross-functional resource (actuarial, finance)

However, these costs are proportionate.

Question 13. What are your views on the merits of economically-significant private companies reporting against UK SRS? Explain your assessment of direct and indirect benefits and costs.

We are supportive of creating a holistic picture of how the UK economy is responding the climate and sustainability issues and large private companies are a significant part of this picture.

Question 15. What (if any) would be the opportunities to simplify or rationalise existing UK climate-related disclosure requirements, including emissions reporting, if economically-significant private companies are required to disclose against UK SRS? Consider how duplication in reporting can be avoided.

The proliferation of climate reporting frameworks and associated cost in time of completing multiple reports risk industries that can have the most impact losing dedicated sustainability resources who are spending too much time on reporting. Simplifying and rationalising reporting would reduce this risk.

It is important that any change is considered carefully and allow for suitable preparation and consultation times so that organisations are not faced with requirements that do not align with their reporting timetables.

Question 20. What are your views on the quality and availability of existing guidance for the topics listed in paragraph 5.4? Explain what additional guidance – particularly on a global basis – would be helpful and why.

The CFRF is an effective model for financial services. We are not aware of what exists in other sectors but where such forums are lacking, the CFRF can form an effective model.

Should you wish to discuss any of these points further, please contact Caroline Winchester in the first instance, caroline.winchester@actuaries.org.uk