

Insights

UK SUSTAINABILITY DISCLOSURE REQUIREMENTS – 2024 UPDATE

Jun 05, 2024

SUMMARY

The Government's recently published Sustainability Disclosure Requirements (SDR): Implementation Update 2024 outlines the timeframes and next steps for each of the core elements of SDR, first proposed in 2021 to provide a more robust framework for corporate sustainability related reporting. In this Insight we summarise the latest position on UK Sustainability Reporting Standards, Transition Plan Disclosures, Investment Labels and Green Taxonomy.

BACKGROUND

On 16 May, HM Treasury published [Sustainability Disclosure Requirements: Implementation Update 2024](#).

The Sustainability Disclosure Requirements (SDR) is a framework designed to both facilitate and streamline the flow of robust information through a variety of key players, such as corporates, consumers, investors and capital markets. The framework seeks to support the UK's ambition to become the world's first Net Zero Aligned Financial Centre.

The SDR were first set out in [Greening Finance: A Roadmap to Sustainable Investing \(2021\)](#), to create an integrated framework for disclosures on sustainability across the following:

- Corporate Disclosure, with new requirements for companies to make sustainability disclosures.
- Asset manager and asset owner disclosure, with new requirements for asset managers and asset owners which manage or administer assets on behalf of clients or consumers to disclose how sustainability is taken into account.
- Investment product disclosure, with requirements for creators of investment products to report on the products sustainability impact and relevant financial risks, as well as opportunities.

Following this, the [Mobilising Green Investment: 2023 Green Finance Strategy \(2023\)](#) set out the Government's long-term strategy for ensuring both investors and consumers are able to access information necessary to inform capital allocation, in line with sustainability preferences and goals. Pivotal to this strategy, is the SDR, which seeks to enable the identification of investment opportunities for market participants, and the protection against consumer harms, including greenwashing.

The 2024 Update provides key information and timeframes on each of the core elements of the SDR, as promised by the 2023 Green Finance Strategy.

KEY TAKEAWAYS

UK SUSTAINABILITY REPORTING STANDARDS

The Government aims to make UK-endorsed ISSB standards available in Q1 2025. The UK-endorsed standards are the UK's equivalent to the EU's Corporate Sustainability Reporting Directive, which entered into force in January 2023. The EU's Corporate Sustainability Reporting Directive applies to certain EU organisations, from this financial year. Whilst it does not apply in the UK, under certain circumstances it will impact UK-incorporated companies from 2028. The [UK's Sustainability Reporting Standards](#) sets out the process and advisory committees which will support the Government on the endorsement and implementation of the standards.

The endorsement process will assess the UK standards and, subject to a positive endorsement decision, will conclude with the publication of UK Sustainability Reporting Standards.

After a positive endorsement decision and consultation process, the Financial Conduct Authority (FCA) will be able to use the UK Sustainability Reporting Standards to introduce requirements for UK-listed companies to report sustainability-related information.

Utilising the UK Sustainability Reporting Standards, the Government will also decide upon disclosure requirements for UK companies that do not fall within the FCA's regulatory regime.

The decision on future requirements is expected to be taken in Q2 2025. At the same time, the Government will also consider the creation of exemption from pre-existing requirements in the Companies Act 2006 for companies that use the standards voluntarily. This decision will involve consultation and the introduction of new legislation. Changes will not be effective earlier than accounting periods beginning on or after 1 January 2026.

TRANSITION PLAN DISCLOSURES

In October 2023, the Transition Plan Taskforce (TPT) published the [Disclosure Framework](#). The TPT was first launched to provide a framework which aids companies in communicating their plans to achieve net zero carbon emissions to shareholder and other stakeholders.

Due to the overlap between the TPT and IFRS S2, the International Sustainability Standards Board's climate-related disclosure standards, the FCA plans to consult on strengthening its expectations for transition plan disclosures, with reference to the TPT Disclosure Framework.

The Government will also consult on how the UK's largest companies can effectively disclose their transition plans.

SDR AND INVESTMENT LABELS

In November 2023, the FCA released a policy statement on Sustainability Disclosure Requirements and investment labels regimes for funds based in the UK. These sustainable investment labels comprise the classification and labelling of products, via four investment labels marking products with a sustainability objective.

In April 2024, the FCA published a consultation on the extension of the SDR and labelling regime to portfolio managers based in the UK, open until 14 June 2024.

In January 2024, the Government announced its intention to consult on broadening the scope of the SDR, as to include funds over the Overseas Funds Regime. Consultation was expected to begin in Q3 2024. However, due to the upcoming general election, this is subject to change.

UK GREEN TAXONOMY

The Government expects to consult in "due course" on the proposed UK Green Taxonomy. UK Green Taxonomy is a mechanism which will enable investors to understand which economic activities should be labelled as green. Whilst the UK Green Taxonomy is yet to be developed, EU taxonomy is already applicable under the Taxonomy Regulation, which provides four conditions economic activities must meet to be categorised as environmentally sustainable.

The Government's consultation on UK Green Taxonomy will enable it to seek feedback on the overall framework, use cases and specific activity level criteria that defines green activities. No specific date for this consultation has been provided.

After consultation feedback has been received, there will be a testing period for voluntary disclosures, at least two reporting years before mandatory disclosure. No decision has been made on the introduction of mandatory disclosure against Taxonomy.

NATURE-RELATED DISCLOSURES

The Government has welcomed initiatives such as the Taskforce on Nature-related Financial Disclosures (TNFD) and encourages institutions to engage with the TNFD UK National Consultation Group and consider the recommendations. These recommendations provide for organisations assessing and disclosing their Governance, Strategy, Risk Management, Metrics and Targets in relation to nature-related risk and opportunities.

The Government continues to welcome the ISSB's research and potential future standards on the reporting of nature-related risks and opportunities. However, no indication has been made at present that the Government intends to introduce legislation obliging large companies to comply with the recommendations of the TNFD, as was the case with the recommendations of the Taskforce on Climate-related Financial Disclosures, which are now part of large companies' climate-related financial disclosures as part of their Companies Act 2006 reporting. With the growing interest in nature risk, however, it seems only a matter of time before the recommendations will become mandatory for large organisations.

NEXT STEPS

BCLP will monitor developments in the UK's sustainability reporting sphere to produce additional advice as the Government continues to update its guidance. UK entities should ensure they remain updated on Government guidance concerning the implications of the SDR, ensuring all rules and potential reporting standards are complied with.

Companies should also be mindful of the EU Corporate Sustainability Reporting Directive (CSRD), which increases sustainability reporting standards for companies subject to the Directive, including certain UK-incorporated companies (from 1 January 2028). Companies could be subject to reporting under the CSRD and the UK Sustainability Reporting Standards simultaneously. BCLP will provide further guidance on the impact of the CSRD.

This article was written with trainee solicitor Hannah Fraser.

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