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## UK Announces Plans to Publish Sustainability Disclosure Standards by July 2024

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In August 2023, the UK's Department of Business and Trade (DBT) **announced** the creation of new sustainability rules that are intended to align with the IFRS Sustainability Disclosure Standards issued by the **International Sustainability Standards Board (ISSB)**, the first two of which (IFRS S1 and IFRS S2) **were published** earlier this year and are supported by the UK.

The UK's Sustainability Disclosure Standards (SDS) will form the basis for any future requirements under UK law and regulation for corporate sustainability reporting and disclosure – including risks and opportunities arising from climate change.

The DBT's announcement follows the UK government's plans under its **green finance strategy** to assess the IFRS S1 and S2 for endorsement in the UK and to form the UK SDS. As part of this process, the DBT established two committees:

- UK Sustainability Disclosure Technical Advisory Committee (TAC), whose role is to assess the IFRS on a technical basis and provide recommendations as to its endorsement. This committee is supported by the UK's reporting regulator, the Financial Reporting Council (FRC), and has published a **call for evidence** which closes on October 11, 2023. The call for evidence seeks to establish whether the application of IFRS S1 and S2 in the UK will result in disclosures that are “understandable, relevant, reliable and comparable for investors”; and
- UK Sustainability Disclosure Policy and Implementation Committee (PIC), managed and overseen by DBT, will provide advice on an endorsement decision based on

recommendations from TAC and PIC. If endorsed, PIC will coordinate implementation of the SDS by the UK government and the Financial Conduct Authority (FCA), the UK's financial markets regulator. PIC is comprised of a number of government departments and regulators, including, among others, the Bank of England, the FCA, the FRC, HM Treasury, and the Foreign, Commonwealth and Development Office.

Once endorsed, UK SDS can be referenced in any legal or regulatory requirements for UK entities, for UK registered companies and limited liability partnerships, and by the FCA for UK listed companies, although any mandates regarding disclosure will be made by the UK government.

**In response to the official consultation** regarding the SDS, in August 2023, two of the UK's accounting bodies, the **Institute of Chartered Accountants of Scotland (ICAS)** and the **Association of Chartered Certified Accountants (ACCA)**, called on the government to adopt a broader approach to non-financial reporting, echoing concerns about confusion and additional administrative burdens for businesses if the UK pursues an independent path.

The ISSB standards are primarily geared towards meeting the interests of financial investors and the UK has not yet addressed alignment with European standards.

The DBT's announcement of its plans to introduce the SDS comes **after the FCA confirmed** that it would be updating its existing rules on climate-related reporting for listed companies to "refer" to the UK-endorsed ISSB standards.

**Taking the Temperature: Given that the ISSB has finalized and published IFRS S1 and S2, the UK's July 2024 timeline seems to be a long way off. It is therefore possible that the delay is due in part to consideration and consultation being afforded regarding which companies will be subject to the SDS. Whatever companies ultimately wind up in scope, the need for global alignment of the SDS is an important consideration so as to attempt to promote consistency in reporting obligations across emerging global standards. The time between now and July 2024 should allow the UK to observe how other frameworks evolve and are adopted. Following their calls on the UK government to align sustainability reporting rules with the approach the EU has taken, organizations like the Institute of Chartered Accountants of Scotland (ICAS) and the Association of Chartered Certified Accountants (ACCA) are likely to be supportive. We have frequently discussed the importance of a coherent global reporting framework [here](#), [here](#), and [here](#) and it is likely reassuring for companies that this appears to be a primary consideration for those responsible for developing national reporting and disclosure standards.**