Department for Business & Trade
Old Admiralty Building
Admiralty Pl, London

By email: uk.srs@businessandtrade.gov.uk

17 September 2025

Dear Department of Business and Trade

Re: BVCA response to the Exposure draft of UK Sustainability Reporting Standards: UK SRS S1 and UK SRS S2

The British Private Equity and Venture Capital Association (BVCA) is the industry body and public policy advocate for the private capital industry in the UK. With a membership of around 600 firms, we represent UK-based venture capital, private equity and private credit firms, as well as their professional advisers and investors. The private capital industry backs 13,000 UK businesses, nine in 10 of which are small or medium-sized enterprises. Businesses backed by the industry employ 2.5 million people across the UK and contribute 7% to GDP.

In 2024, £29.4bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. This increased investment has fuelled the growth of businesses across the UK, with six in 10 (58%) of the businesses backed in 2024, located outside of the capital. These investments are long term, with an average investment period of six years, in contrast to less than a year in public markets.

The Chancellor's ambition to establish the UK as a global leader in sustainable finance, as set out in the Mansion House speech, is hugely encouraging and we welcome the Government's continued work to drive this commitment forward. The UK's private capital industry has a leading role to play in global efforts to eliminate the causes and combat the effects of climate change. At the BVCA's annual Summit in September, the Chancellor addressed hundreds of senior investors and reinforced the Government's commitment to reducing the regulatory burden by 25%. She also highlighted the importance of reforming regulation to make it easier to do business in the UK, noting that a more flexible regulatory approach can help foster a competitive and attractive investment ecosystem. We were pleased to hear these remarks and, as such, reiterate throughout this response that unnecessary reporting requirements, particularly those that do not take into account existing regulations and other jurisdictions, can be unhelpful and risk undermining UK competitiveness.

Whilst the transition to a net zero economy and increase in regulation is driving the increase in green investment, there is also increasing evidence that encompassing ESG (Environmental, Social and Governance) factors makes for a smart business strategy and drives value creation. As either majority or significant minority owners, principally of unlisted, fast-growing SMEs, private capital funds managed by BVCA member firms are well-placed to drive transition in areas of the UK and global economies that public markets cannot reach. This includes backing innovation that creates the technology needed to fight the impacts of climate change and supporting businesses to transition to a low carbon economy and grow with sustainably.

More information on the structure of the private capital industry can be found in the included Appendix.

Support for a global baseline for sustainability reporting

The BVCA supports the UK Government's proposals to create the UK Sustainability Reporting Standards (UK SRS) by endorsing the global corporate reporting baseline of IFRS Sustainability Reporting Standards (IFRS S1 & S2). We welcomed the opportunity to respond[1] to the UK Sustainability Disclosure Technical Advisory Committee's (TAC) call for evidence, where we emphasised the importance of a proportionate and phased implementation of the UK SDS – one that considers the nature of private capital, the resources required, the current lack of professional advisors, the nascency of the approaches and systems for collecting data and the associated costs critical to its successful delivery. We are happy to engage further with the TAC and the FRC as well as with government with their proposed implementation of the UK SRS. The BVCA considers that the introduction of IFRS S1 & S2 via the UK SRS and future sustainability standards will enhance sustainability reporting in the UK due to the increasing need for interoperability and standardisation in sustainability reporting.

By aligning these standards with the TCFD, SASB materiality and TPT frameworks, the standards promote consistent disclosures of sustainability information, allowing entities to enhance transparency, manage risks and align with global standards for sustainability disclosures. Private capital funds operating internationally will benefit from these harmonisation efforts.

The IFRS S1 & S2 standards are also designed to align with existing accounting requirements. With over 140 jurisdictions already requiring IFRS Accounting Standards, IFRS S1 & S2 create a global baseline for sustainability reporting. This alignment facilitates consistent understanding and evaluation of sustainability factors across borders and will enable easier adoption as entities will not have to recreate but will instead be able to transfer reporting processes and data. Private capital funds can benefit from companies being evaluated under a homogenous standard, which will streamline reporting processes, reduce duplication and improve comparability.

Potential impact of the UK SRS on private capital

<u>Private capital structure (firms, investors and portfolio companies)</u>
However, in spite of the benefits outlined above, private capital firms, their investors and portfolio companies will all likely be impacted by the implementation of the UK SRS. The data gathering, the processes involved, and the resulting reporting will require significant resource, resulting in increased costs and additional assistance from external advisors, many of whom may not have the increased expertise and capacity to provide such services.

- <u>Limited partners (such as institutional investors, family offices)</u>
  In the vast majority of cases, there will be more than one limited partner invested in a private capital fund, and depending on the type of limited partner, different reporting may be required. Limited partners are a primary user of accounts in our industry and the reporting can vary. It may be a difficult task for general partners to provide bespoke information to each limited partner to meet their own UK SRS requirements, unless the data requirements of the standards are clear, concise and consistent.

  Limited partners seek increased transparency and reporting from general partners in order to inform and guide their boards, trustees, portfolio managers and risk departments. To serve these various constituencies, investors repeatedly inquire with general partners about their investment

[1] UK Sustainability Disclosure Technical Advisory Committee's (TAC) call for evidence

activities. Standardised best practices and reporting templates improve transparency and generate industry efficiencies and putting these in place takes considerable amounts of time and resource. Phasing in the requirements will be critical while the industry puts in place the practices and processes so that investors receive the information they require in a consistent form across all general partners.

- Portfolio companies
  As we note in our opening remarks, there are over 13,000 UK companies backed by private capital which currently employ over 2.5 million people in the UK. 90% of the businesses receiving investment from our members are SMEs. These companies are the backbone of the UK economy, and their focus is primarily on innovation and growth. While we support the principle that more sectors of the economy need to report on sustainability related matters, this needs to be done in a proportionate way so it grows business which are future proofed. Many SME portfolio companies, particularly those at the earliest stage of their growth (Seed – Series B) simply do not have the expertise, resource, systems and data collection processes in place to be able to report in accordance with the UK SRS at this time.

  Whilst, private capital (through its active ownership) will assist these companies, similarly, they are focused on innovation and growing their portfolio companies into better businesses. It will take substantial time and resource for SMEs to align with these standards, and we would advocate for them to be phased in for SMEs over an extended period to enable effective adoption with a minimum threshold for in-scoping, indexed to materiality.

- Private capital firms
  The new rules may result in new burdens being placed on private capital firms not only in terms of disclosure, but also in reshaping their processes to be more sustainable.

  In preparation for potential future mandatory reporting, firms will need to work with their portfolio companies to identify gaps in their data collection and reporting processes. For example, if a company has never collected greenhouse gas (GHG) emissions, they will be required to begin this process. It is not uncommon for companies to require multiple reporting cycles to optimise their data collection processes and, in turn, use this data for business transformation.

  The new range of issues, including monitoring and data collection, is exacerbated when you consider that private capital firms can typically manage multiple funds, each of which contain investments in a number of portfolio companies. These portfolio companies can and will be different sizes and operating across a wide range of sectors and potentially geographies. Our members invest in all sectors, ranging from emerging technologies to heavy industry to consumer goods. Adding to that the requirements around value chains, the implementation of these standards will require substantial work as firms must thoroughly understand the reporting of all their major portfolio companies in order to accurately complete their own disclosures.

The government should carefully consider how the implementation of the standards affects the three types of entity above, including the complexity, skills shortage, additional costs and the time it will take for implementation.

Summary of key points from the response

We support the UK Government's overall direction of sustainability reporting, particularly the drive towards standardisation and interoperability. However, it is essential to recognise the practical constraints this may place on companies within supply chains and to consider the unique characteristics of private capital structures to ensure effective adoption and proportionate and meaningful outcomes from its implementation. We have provided below a summary of our key asks for your consideration:

- With the introduction of new requirements, companies, especially those within scope of the UKSRS, should prioritise materiality assessments. This ensures relevance and proportionality in disclosures and should be clearly emphasised in reporting requirements as an important initial step.
- The reporting frameworks should remain adaptable, scalable and proportionate to the size and complexity of the reporting entity to encourage proactive engagement. Any reporting thresholds should be implemented with this in mind.
- Phasing in reporting requirements will be essential as the industry develops the necessary practices and processes. This approach will help ensure that investors receive consistent information across all general partners.
- Interoperability, not just with other jurisdictions, but with other incoming reporting requirements. Interoperability should remain a key consideration not just with other jurisdictions, but also with other incoming reporting requirements. This consistency is especially important when determining whether to adjust or retain reporting thresholds.
- Flexibility should be built into the regulation wherever it enables the delivery of meaningful and decision-useful sustainability reporting requirements. Reporters should be encouraged to provide clear and well-reasoned explanations when certain data cannot be captured or reported. In cases where robust materiality assessments have been conducted and where limitations are transparently communicated, alongside potential future actions to address these gaps, such disclosures should be recognised as a legitimate aspect of best practice.
- Tailored tools such as templates, checklists and thematic reviews (akin to those by the FRC) would facilitate broader and higher-quality adoption of reporting standards for those who fall in scope and those who may seek to report voluntarily.
- If reporting is mandated for economically significant entities, the distinct nature of private capital, especially TopCos and HoldCos (parent companies that own- shares in other companies, often operating companies (Opcos), rather than directly conducting commercial business itself), must be acknowledged. Private funds often operate differently from public market participants and certain components of the fund structure may not consolidate financial information. Accordingly, it stands to reason that these entities should not be obligated to report consolidated climate-related disclosures.

Response to consultation questions

Q1. Do you agree or disagree with the UK government's 4 amendments based on the TAC's recommendations? Provide your rationale.

Yes, we agree with all 4 amendments based on the TAC's recommendations as per below.

<u>Amendment 1</u>

The BVCA supports the removal of the transition relief that would allow reporting in the first year that is later than the publication date of the financial statements. We are supportive of the overall principle of "connectivity" between financial and sustainability reporting and agree that many large entities are already reporting in line with the requirements of TCFD. However, as noted above, we are mindful of the burden that UK SRS could place on companies that have not previously been subject to similar requirements, including SMEs that may have limited resource and budget to support such reporting.

<u>Amendment 2</u>
The BVCA supports the proposed amendment and the additional relief it gives to entities in the early years of reporting. For our members, scope 3 reporting including financed emissions is a complex area that requires significant input from the value chain including portfolio companies, and therefore additional time for members to put in place the processes and data required to report effectively is appropriate.

<u>Amendment 3</u>
The BVCA supports the ISSB's proposals to require an entity to disclose the industry-classification system used to disaggregate its financed emissions information and, if the entity does not use GICS, to explain the basis for its industry-classification system selection. However, there are concerns that this proposal to require preparers to use the GICS classification system which could unintentionally undermine the coherence between sustainability and financial disclosures. This is particularly prevalent where jurisdictional requirements mandate the use of a different classification system for financial reporting. In such cases, an entity may be required to apply GICS for emissions reporting solely because it is used elsewhere within the Group, leading to inconsistencies and potential confusion. An alternative approach would be to recommend preparers use classification systems aligned with their financial and regulatory reporting and business models. This would provide decision-useful information, enabling connectivity and comparability without undue cost, as useful disclosures can still be achieved through different classification systems.

Regardless, there should be emphasis that the disaggregation method used provides adequately valuable and decision-useful information to stakeholders and users of the emissions information. This will ensure that firms can more transparently identify carbon-intensive sectors in their portfolios, assess climate-related risks and compare emissions performance across peer institutions and industry groups. This was further covered in the BVCA's response to the ISSB's S2 Exposure Draft amendments[2].

<u>Amendment 4</u>
The BVCA supports the proposed change to the effective date, noting that clarity on when the standards will apply to UK companies will be subject to a later consultation. We do, however, recommend that a phased approach is taken by, for example, allowing 1 year from implementation date for listed companies to align and 2 years for larger private companies, should they be brought into scope.

Q2. 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?

It is typical practice for financed emissions data to be reported on a time lag. This is due to the time required for portfolio companies to provide relevant data or for managers to estimate emissions based on available information, especially when more current data is unavailable.

This approach is widely used, including within other jurisdictional reporting frameworks, due to the practical constraints around data availability and timing.

These delays often make it impracticable and costly to provide current-year data alongside financial statements. Nonetheless, this approach can still yield decision-useful information, provided the data

[2] BVCA's response to the ISSB's S2 Exposure Draft amendments

is clearly labelled to indicate the reporting period and the methodology used. In line with our key asks, we urge the Government to release additional guidance confirming how this practice aligns with IFRS S1 and S2 or clarification to the same effect.

Until methodologies evolve to enable access to real-time or more frequent company-level data, relying on a one-year lag remains a reasonable and cost-effective solution. It aligns with resource capabilities and ensures consistency across reporting periods. Ultimately, the key considerations are data availability, timing and the feasibility of obtaining more up-to-date information without significantly increasing costs or complexity.

Q3. 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 use of financed emissions data depends on both data constraints and its usefulness for decision-making. If more accurate data is available and revisions are made, companies must determine whether these updates will enhance their ability to manage their emissions and understanding of year-on-year trends. Therefore, there are two possible angles to consider regarding financed emissions data revision:

- Restating provides better or more accurate information and improved tracking of progress over time against a target or benchmark over the long term. This view is aligned to the recent Transition Implementation Group (TIG) paper on this matter. It is important to note that:
    - This should be done within the bounds of materiality;
    - Presentation is important to allow users to understand what has changed and why.
- Restating creates additional burden on reporters to continue to monitor impact of changes in estimates and prior reporting. This may impact multiple periods, particularly in Private Capital where the time taken for information to move through the value chain can be significant. Restating prior year data may not be decision-useful or comparable to the current period, as recalculating financed emissions using the updated methodology would require estimating prior year figures. This introduces a higher degree of uncertainty and reduces data quality, making the revised figures less meaningful for analysis or comparison.

Both approaches should be considered and potentially enabled, should the data captured prove useful to users of the information.

Q4. Do you have any other comments on the TAC's final report and recommendations? Include any supporting evidence.

We have no further specific comments and are supportive of the final report and recommendations.

Q5. 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 with the proposal to amend "shall" to "may" in reference to the consideration of SASB materials, provided the applied framework is appropriately comparable to SASB and gives clear data. We note that the current wording does not explicitly require the use of SASB but instead encourages its consideration. While this allows for flexibility, companies that are already conducting robust materiality assessments using alternative frameworks should have the option to reference those directly. Requiring an additional evaluation of SASB applicability in such cases may create unnecessary duplication. Furthermore, some members have mentioned preference of a proprietary materiality assessment approach which is tailored to their funds or sectors over a mandated approach.

The flexibility in approach could improve interoperability as it allows for different approaches from companies with different sectors and sizes. There are portfolio companies that are unlikely to align with specific sectors, and therefore applying SASB may not be a sensible approach.

For example, Venture ESG's Materiality Assessment Tool[3] is a similar materiality assessment tool used by Venture Capital, which closely aligns with the SASB framework but includes Venture Capital-specific guidance. This provides preparers with a degree of flexibility in the early years or preparing sustainability related disclosures and to take an approach which is appropriate for their industry/sector.

Furthermore, it is important to note that industry ESG data capture/convergence templates are being created with materiality in mind. This means that, in aligning with these, companies are disclosing topics that are material to them, defeating the need for a full SASB-aligned materiality consideration in many instances.

We also note that the SASB materials were initially designed for a US audience and so whilst they can be a useful reference point for UK reporting, there are some specifics that are not immediately applicable / relevant in a UK context. We consider that it would be appropriate for this amendment to be reviewed once the ISSB have completed their process of "internationalisation".

Q6. 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 with the aim to facilitate use of the reliefs for any mandatory reporting while avoiding penalising any early voluntary reporters. We further agree with the government that for voluntary reporters it will be a business choice to decide whether to report against some, or all, of the standards and it would not be appropriate for government to define how and when certain requirements within the standard apply.

We support making it explicit that the reliefs are available to voluntary reporters during periods prior to mandatory compliance. In particular, we agree that a statement of compliance (as referenced in UK SRS S1 paragraph 72) should not be required from those choosing to report voluntarily ahead of the mandatory timeline.

Q7. 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

[3] Venture ESG's Materiality Assessment Tool

Disclosure of carbon credits should only be considered if the drive for integrity in the voluntary credit market proves successful, as detailed in BVCA's response[4] to *DESNZ's Voluntary Carbon and Nature Markets: Raising Integrity consultation*. Our specific views are laid out below:

a) Disclosure of purchase and use of carbon credits can provide useful information, assuming that the amounts are material to the impact / footprint of the relevant entity. Carbon credits can form an important part of a carbon reduction strategy / transition plan and this disclosure can help investors and other stakeholders assess climate risk and understand what additional steps companies are taking to reach net zero.

b) Barriers to producing this information exist. There is currently a lack of both transparency and integrity in the market, so it is good to see ongoing government efforts to address this (e.g. recent VCNM consultation). There are disclosure requirements at UK SRS S2 paragraph 36(e)(iv) which may help to address this in the interim as these requirements only requires disclosure of carbon credits being used to meet GHG reductions targets. However, we are still of the opinion that this disclosure should be subject to the carbon credits being considered high integrity as per the *Principles for voluntary carbon and nature market integrity*[5].

c) Companies should disclose both the gross emissions (prior to the application of carbon credits) and the net emissions (after credits have been applied). In addition, they should provide a clear explanation of the steps taken to ensure that the carbon credits used are of high integrity, including details on the type of credits, the verification standards applied and any due diligence performed to assess their environmental credibility and permanence.

It is our strong view that disclosure of carbon credits should be a medium/long-term goal. That is because this disclosure will only be considered valuable once a credible market is established and this will take time.

Q8. What are your views on the potential amendments to IFRS S2 proposed by the ISSB at this time?

We have responded[6] directly to the ISSB on the potential amendments to IFRS S2. We are broadly supportive of the proposed amendments but recommend the following points are also taken on and considered:

- In respect of amendment 1, that companies that fall within scope of the exposure draft amendments should be encouraged to maintain an in-depth understanding of the emissions relating to derivatives, facilitation or insurance-related operations in their supply chains and to continue analysing such data, even if they are not required to report. Further, that the proposed requirement to disclose the financial value of derivatives and other financial activities excluded from emissions disclosure may unintentionally add to reporting burden, without providing additional decision-useful information.
- In respect of amendment 2, that the proposal to require preparers to use the Global Industry Classification Standard (GICS) classification system could unintentionally undermine the coherence between sustainability and financial disclosures.
- In respect of amendment 3, that a major divergence in methodology used by companies may result in difficulties benchmarking companies aligning with a jurisdictional methodology

[4] BVCA's response to DESNZ's Voluntary Carbon and Nature Markets: Raising Integrity consultation
[5] Principles for voluntary carbon and nature market integrity
[6] BVCA's response to the ISSB's S2 Exposure Draft amendments

against those aligning with the GHG Protocol and consideration should be given to this, to limit impact.

- In respect of amendment 4, that companies should aim to disclose if there are differences in Global Warming Potential (GWP) values used in calculations for different jurisdictions as this requirement would not be overly resource-intensive and is important to provide decision-useful information for stakeholders attempting to benchmark similar companies in a portfolio.

Q9. Do you have any other comments (including any supporting evidence you would like to share) on the UK government's 2 amendments based on the PIC's conclusions? Explain them here.

We have no further comment.

Q10. 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 the UK government's endorsement of the standards, subject to the recommendations outlined in this response and other broader capital markets submissions. We have

Whilst TCFD reporting has been effective at fund level, concerns have been raised about CFD reporting at a portfolio company level. In some cases, grouping requirements that accumulate companies at a holding entity level mean that several companies have been brought into scope. These companies use the UK as the holding entity (known as TopCos and HoldCos), despite there being little or no activity, which is merely being used as the holding company jurisdiction. Furthermore, many of these companies do not have employees and requiring climate-related financial disclosure would create a disproportionate/burdensome and costly obligation.

We request that these and other similar holding entities established by funds be permitted to opt out of climate-related financial disclosures. Many of these entities should not be classified as ultimate parent companies, as they do not exercise operational control over their subsidiaries through uniform policies or centralised procurement. Including them within the scope of climate disclosure regimes is misaligned with their function and does not serve the intended policy objectives. Given the way in which the private capital industry operates, it could risk imposing disproportionate and impractical reporting obligations on entities that are not equipped to meet them. The consequences could be a misallocation of resources, reduced transparency and a weakening of the overall effectiveness of climate reporting across the private capital industry.

For the sake of alignment, it is important to note that many holding companies benefit from an exemption from preparing consolidated financial accounts. However, this exemption does not currently extend to climate-related financial disclosures. We suggest that the same exemption should apply in this context to ensure consistency and reduce unnecessary reporting burdens. The endorsed standards should clearly set out the commercial benefits of reporting on portfolio companies, with a focus on the importance on investment. If reporting is disproportionately burdensome on companies that are part of private capital investment structures, it will create significant operational challenges including unnecessary red tape. This could deter investment and make it more difficult to support the growth and competitiveness of the private capital industry.

As such, we recommend these companies be allowed the opportunity to signpost or reference to investee companies'/subsidiaries' climate-related financial reporting if they are considered in scope of the UK SRS. For certain fund structures, consolidated reporting would not be perceived to add any meaningful value and would create a disproportionate and costly obligation. Under this proposal, special purpose vehicles created by private equity AIFs should be allowed to opt out entirely, with compliance obligations falling instead on any UK, or non-UK subsidiaries of UK parent companies, that meet the relevant thresholds. Furthermore, this would align with financial reporting as these holding entities would not be required to prepare consolidated financial information.

Q11. 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.

We agree with the benefits already outlined in paragraphs 4.5 to 4.7 of the consultation document. Additional benefits that could be expected include:

- Transparency – greater visibility for investors and others in the value chain of the sustainability risks and opportunities that companies face and the potential financial impact of these.
- Consistency – particularly for investors and companies operating across multiple jurisdictions, reporting under an international standard reduces the risk and costs of divergence.
- Due Process – the strength of the process behind the drafting of the ISSB standards and the focus on investors and financial materiality, creates a common language that will be of use to the investor community.

Q12. 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.

Typically, the introduction of new standards does introduce costs, particularly in the initial periods of adoption. These can be more onerous for SME organisations that don't have dedicated resource to support with analysis and implementation of such standards.

For larger organisations that have already had to report against TCFD (either through the Listing Rules or the Companies Act), the step up to UK SRS S2 is likely to be less than for an organisation that has not previously been subject to climate-related financial disclosure. Some of the cost of application will have already been incurred in responding to those requirements.

There may be greater costs associated with the implementation of UK SRS S1 which requires consideration of a wider range of non-climate sustainability matters. Where this requires reporting of sustainability risks and opportunities that have not previous been disclosed, additional costs will be incurred.

Q13. 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.

Whilst we agree that economically significant private companies should report, this should be applied with the following two important caveats:

- Firstly, consideration should be given to the unique structure of private companies and what is required of them by their stakeholders in comparison to listed companies.
- Secondly, we would urge the Government to consider the *Walker Guidelines* 2024 revision to understand what our members are required to consider and why those specific disclosure

requirements were implemented.[7] (The Walker Guidelines demonstrate the private equity industry's commitment to transparency of its activities and provide data to support the industry's contribution to the UK economy.)

Economically significant private companies are often large employers and can be a large part of value chains and reporting on their sustainability risks and opportunities is useful and important to others in that value chain, including investors. The definition of "economically significant" will be important and as mentioned previously, we recommend alignment with existing thresholds rather than creating a new set of thresholds or criteria. Moreover, any reporting requirements should explicitly highlight the benefits of applying the UK SRS to private companies and their stakeholders, as these advantages are currently not well-understood. For very large companies, similar reporting frameworks already exist, such as the TCFD and the Walker Guidelines.

Regarding the benefits of reporting, BVCA members emphasised that sustainability reporting is driven by two key factors:

- the ability to use data for capital allocation and to gain meaningful insights into company performance; and
- the growing demand from stakeholders for transparency.

The challenge is finding an efficient balance between these drivers as some data is mandatory, while other disclosures are prompted by expectations. To move beyond a reactive approach, the focus should be on building the value proposition of sustainability data, empowering teams to request and utilise it, not just because it is required or expected, but because it delivers strategic value for asset allocation.

The ability to report within the private capital sector is critical for firms' ability to invest. Even companies who fall out of the scope of standards have expressed an understanding for the value of reporting and support a certain amount of reporting, provided reasonable thresholds are in place.

We support thresholds that are aligned and consider this approach preferable to the introduction of new and additional reporting requirements. Larger companies already reporting under CFD and TCFD are better placed to report against UK SRS given they already report a substantial part of what is required. However, for other companies who are not currently reporting under Climate-related Financial Disclosure it would be a significant uplift, and any climate-related reporting requirements against UK SRS should not go further than existing TCFD or Companies Act CFD requirements.

While economic significance is important, it is critical for companies to conduct robust materiality assessments. Economic performance alone does not necessarily reflect material sustainability issues. Companies, and regulation, should prioritise identifying and addressing the most material impacts, particularly in alignment with SASB or similar materiality standards. Where no material ESG topics are identified, there should be a clear explanation and justification for non-disclosure.

There is also an opportunity to enhance flexibility and global alignment in sustainability reporting. Any implementation of climate-related disclosures could consider allowing artificial consolidation, similar to the CSRD model. This would enable a designated regional or functional entity, such as the largest subsidiary in a multinational group, to report on behalf of a group of related entities, even if it is not the ultimate parent. However, whilst this is a helpful concept in theory, organisations have found this challenging in practice. In particular, the systems and structure of a business are not built to

[7] Revised PERG Walker Guidelines (2024)

consolidate the financial and non-financial reporting at the "artificially consolidated" level. Therefore, this should be voluntary only if a company has assessed that this is an efficient and cost-effective option for reporting.

By introducing clear conditions around materiality mapping, governance disclosure and reconciliation to financial boundaries, ISSB could maintain reporting integrity while reducing duplication and easing compliance for companies operating across multiple jurisdictions. This approach would support dual CSRD–ISSB reporters, improve data consistency and encourage broader adoption of ISSB standards globally. In addition to this, there is currently overlap between Listing Rules and Companies Act requirements for entities caught by both and a clear opportunity to reduce burden and complexity by streamlining requirements.

Q14. For non-listed entities, what are your views on your readiness to report against UK SRS – particularly UK SRS S1, which covers non-climate reporting? Explain whether you require additional resources to report on UK SRS, beyond resources used for existing climate or sustainability-related reporting, and what these resources would be.

Non-listed companies are unlikely to have considered sustainability matters beyond climate in detail, and not to the level of detail required for UK SRS S1. It is, furthermore, important to note that many listed entities might have similar issues with implementing UK SRS1 as non-listed entities in this instance.

Guidance on materiality and how entities can apply an approach that leads to proportionate reporting that is focussed on matters of significance to investors would be helpful for all reporters, but particularly for those that are not listed. Thematic reviews and highlighting of examples of good practice have been useful for previous reporting standards and so could also be helpful here.

While there are regulation clauses that do not require companies to report against this, many companies find it difficult to rank materiality. Companies that identify non-climate reporting as less important should therefore not be required to comply if it is not relevant to them. It must be noted that the length of reporting should be flexible and shorter, as more coherent reporting would be more beneficial. Cross-referencing with other relevant reports should also be encouraged to avoid duplication.

It is also important to consider whether additional reporting through UK SRS S1 will actually achieve its stated policy aims, including to support the efficient allocation of capital. For private capital, it is fundamental that any information or data extracted from reporting helps improve decision-making and drives change in facilitating investment and supporting business growth, rather than subjecting companies to additional reporting challenges and costs.

Q15. What (if any) would be the opportunities to simplify or rationalise existing UK climate-related disclosures requirements, including emissions reporting, if economically-significant private companies are required to disclose against UK SRS? Consider how duplication in reporting can be avoided. Responses to this question will support the government's review of the UK's non-financial reporting framework.

Allow for signposting to other relevant disclosures. In other words, if a company can prove that it has disclosed a reporting requirement, they should be able to reference to where, as long as the reporting is relevant and adequate. This signposting extends to reporting performed under requirements such as the ESRS, which may cover aspects of UK SRS reporting too. Every effort should be made with other jurisdictions to ensure this signposting is allowed reciprocally to ensure reporting is as cost-effective as possible. This is particularly important in the context of enhancing the UK's attractiveness as a destination for business and investment and ensuring that regulatory frameworks support rather than hinder the growth of the private capital industry.

To limit duplication in sustainability reporting and enhance interoperability with the ISSB framework, existing UK disclosure mechanisms such as Streamlined Energy and Carbon Reporting (SECR) and the Non-Financial and Sustainability Information Statement (NFSIS) under the Companies Act (sections 414CA and 414CB) can be leveraged. SECR, disclosed within the Annual Report, already captures key climate-related metrics that align with IFRS S2 requirements, enabling data reuse and reducing reporting burden. Similarly, NFSIS applies to public interest entities with over 500 employees, and to large private companies exceeding £500 million in turnover and 500 employees, though the latter are exempt from non-climate-related disclosures. By aligning ISSB disclosures with SECR and NFSIS, organisations can streamline reporting processes, reduce duplication and improve consistency across regulatory frameworks.

The above requirements could be streamlined or removed on the introduction of the UK SRS on the basis that – for those companies in scope – a material risk or opportunity relating to these topics would be captured within SRS-aligned reporting.

Q16. Explain which other sustainability-related disclosure requirements your organisation currently reports against or expects to report against. How does this affect your assessment of associated costs and benefits for any UK SRS reporting?

The private capital sector is subject to various reporting standards and frameworks, whether directly or through requests by respective stakeholders (investors, for example). Some of these requirements include, but are not necessarily limited to:

Reporting and disclosure requirements

- Climate-related Financial Disclosures (both TCFD and CFD)
- Streamlined Energy and Carbon Reporting requirements (SECR)
- SDR requirements
- Corporate Sustainability Reporting Directive (CSRD)
- Corporate Sustainability Due Diligence Directive (CSDDD)
- Sustainable Finance Disclosure Regulation (SFDR)

Voluntary reporting frameworks and initiatives

- ESG Data Convergence template: ESG Data Convergence Initiative (EDCI), Invest Europe templates, EET template
- SBTI (Science Based Targets initiative)
- Global Reporting Initiatives (GRIs)
- Principles for Responsible Investing (PRI)

As is clear, Private Capital funds and companies are often subject to similar reporting requirements as many public companies. Whilst the private capital sector is generally accepting of sustainability reporting requirements, so long as it drives meaningful change, there is a necessity for regulation to be proportionate. While BVCA members acknowledge that compliance with regulations inevitably incurs costs, we emphasise on their behalf that unnecessary expenses, particularly those arising from excessive or misunderstood reporting and disclosure requirements, should be minimised.

Q17. What support from UK government or regulators may be useful for SMEs and what support is already available within the market? Explain which costs could be mitigated and/or which benefits could be realised through this support.

The type of support SMEs may benefit from depends largely on the thresholds set by the UK government and regulators, which determine how many SMEs fall within the scope of sustainability reporting requirements. To help SMEs navigate these obligations effectively, several forms of support would be particularly valuable:

- Scenario analysis guidance: Many SMEs have expressed interest in receiving support for conducting scenario analysis, which can be complex and resource intensive. Tailored guidance or simplified tools could help reduce the cost and time required to perform these assessments.
- Templates, checklists and practical toolkits: Standardised templates and checklists can significantly reduce the administrative burden and improve consistency in reporting. These tools help SMEs focus on material issues and streamline data collection and disclosure processes.
- Thematic reviews and best practice examples: Reviews similar to those conducted by the Financial Reporting Council (FRC) on TCFD disclosures are invaluable. These should include examples of best practice for both disclosure and justified non-disclosure, helping SMEs understand when and how to explain the absence of certain information.
- Cross-Jurisdictional interoperability tools: Tools that map similarities and differences between frameworks such as the UKSRS and the ESRS would help SMEs operating across borders to align their reporting and avoid duplication.
- Supply Chain Reporting Guidance: SMEs are often indirectly affected by sustainability reporting through supply chain requirements. Clear guidance emphasising focus on what constitutes material information, and how to report it efficiently, would help mitigate compliance costs and reduce unnecessary data collection.

Cost Mitigation and Benefits Realised

Through these forms of support, SMEs could:

- Reduce compliance costs by avoiding over-reporting and focusing on material issues.
- Improve reporting quality and credibility, which may enhance access to finance and partnerships.
- Avoid duplication of effort when reporting across multiple jurisdictions.
- Build internal capacity for sustainability strategy and risk management.

Q18. Explain your assessment of the legal implications of using UK SRS and your assessment of the existing provisions in section 463 of the Companies Act.

We agree that "[t]he nature and extent of any legal implications would likely be specific to each case. There could also be implications from any reliance on third-party data including – for example – data used to estimate GHG emissions across the value chain." Further agree that "Directors are liable to the company for any loss suffered as a result of any untrue or misleading statement in a report, or any omission, where the director either "knew the statement to be untrue or misleading or was reckless" or knew that the omission was a "dishonest concealment of a material fact"". There should be convergence on wording regarding purposeful or negligent misrepresentation of financial information and sustainability disclosures. There should be minimal differences apart from the fact that purposeful or negligent misrepresentation of sustainability information may be more difficult to judge based on the lower data quality in the market currently.

It is important, however, to consider that companies are nervous about disclosing forward looking information, partly because it could be wrong, which creates legal risk, but also because there is a concern that stakeholders will not understand or may misunderstand the information and not make effective decisions as a result. Therefore, some leeway should be given unless, as previously mentioned, any misleading disclosures were made purposefully or recklessly. The Government may want to consider referencing or signposting Sustainable Disclosure Regulations' (SDR) Anti-Greenwashing Requirements[8] when considering this.

Q19. If you have any other comments (including any supporting evidence) on the potential costs and benefits of UK SRS for any stakeholder, including any comments on sector-specific impacts, explain them here.

We have no further comment.

Q20. 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.

As previously noted, further guidance on scenario analysis would be valuable. However, it is important that the UK does not develop standalone guidance that risks diverging from the ISSB. Instead, the UK government should collaborate closely with the ISSB to co-develop globally applicable guidance. This approach would promote consistency, comparability and alignment across jurisdictions, and the private capital industry, which operates globally, would welcome this.

In addition, conversion factors are widely used and generally well-understood by practitioners. While they are intuitive for many users, differences between UK government-supplied emissions factors and those used in other jurisdictions can create confusion. It would be helpful to provide clearer explanations or contextual guidance to help users understand and reconcile these differences, particularly in cross-border reporting scenarios.

We agree with the topics which the TAC has flagged as requiring more clarification/guidance, namely:

- the financed emissions calculation period, as also described in paragraph 2.15 of this consultation
- commercially sensitive information, considering requirements in IFRS Accounting Standard, 'IAS 37 Provisions, Contingent Liabilities and Contingent Assets'
- the disaggregation of Scope 1 and Scope 2 GHG emissions where a financial control approach is used
- the development of further industry-based guidance for Scope 3 GHG emissions reporting
- the requirements to revise comparatives, including the treatment of changes in data quality and whether these are 'errors' or 'estimates'
- current and anticipated financial effects, including worked examples

[8] Guidance on the anti-greenwashing rule

- how entities could approach differences between the information disclosed relating to the cross-industry metrics using UK SRS and the information included in the financial statements, guidance for which could be jointly delivered with the International Accounting Standards Board
- clarification of the term ‘targets’ as used in the Standards and how it differs from other similar terms like ‘ambitions’, ‘commitments’, and ‘milestones’, including worked examples
- the role of materials from the Transition Plan Taskforce, which the ISSB now owns
- how the permission for an entity to use information from a different reporting period for GHG emissions data from entities in its value chain might be applied to other sustainability-related topics
- how the ISSB will update the numerous references to the GHG Protocol – the Protocol is currently being updated from the previous 2004 version

Please do not hesitate to get in touch if you have any questions or if you would like to discuss any of the above in more detail (please contact Chris Khoury, ckhoury@bvca.co.uk and Ciaran Harris, charris@bvca.co.uk).

Yours sincerely,

Jonathan Martin
Chair, BVCA Accounting, Reporting & Governance Committee

Appendix

Structure of private capital

Private capital firms are long-term investors, typically investing in companies for around 3-7 years in fund structures that typically subsist for 15 years. This means a commitment to building lasting and sustainable value in the businesses they invest in.

Private capital firms raise capital to invest from sources such as pension funds, endowments, insurance companies, banks, family offices/high net worth individuals and sovereign wealth funds (together, limited partners). They typically use a limited partnership to structure funds and an example of a structure is set out below.

- The general partner of the limited partnership fund will delegate its power and authority to the private equity manager (often limited liability partnerships with the partners being the executives).
- Private capital firms will manage one or more funds. The funds are closed-ended meaning that they have a limited life span, the industry standard being between 10 to 15 years. The life span of a fund can be extended (if permitted in the fund's constitutional agreement) and this is typically contractually up to two additional years with an option to further extend the life of the fund where assets have not been realised.
- Private capital firms raise capital to invest from multiple sources. These overwhelmingly institutional and well-informed investors will be limited partners in the fund and their liability is limited to the capital provided to the fund.
- The fund will typically invest in 10-15 portfolio companies in the earlier part of a fund's life until an agreed date (e.g. 5 to 10 years) and exit investments in the run up to the fund's fifteenth anniversary. Earlier stage investors may invest in up to 30-40 smaller portfolio companies. Typically, firms will sell their stake in a company by listing on the public markets or, more frequently, selling to a strategic buyer.
- The fund's ownership percentage in the portfolio companies will vary depending on the private capital strategy (e.g. buyout, minority stake).
- Private equity acquisitions will often be partly financed by debt, often provided by a number of banks.
- The portfolio companies will operate entirely independently of each other.
- The fund manager will typically have the right to appoint a representative(s) to the board of directors of its portfolio companies.