ICGN
International Corporate Governance Network

Peter Kyle MP
Secretary of State for Business and Trade
Department for Business and Trade
Old Admiralty Building
Admiralty Place
London SW1A 2DY

17 September 2025

Dear Secretary of State,

Subject: Exposure Draft of UK Sustainability Reporting Standards

The International Corporate Governance Network (ICGN) appreciates the opportunity to comment on the Department for Business and Trade's *Exposure Drafts of UK Sustainability Reporting Standards (SRS).*

Led by investors responsible for assets under management of >US$90 trillion, ICGN is an authority on global standards of corporate governance and investor stewardship. Headquartered in London, our membership is based in more than 40 countries. ICGN's *Global Governance Principles* and *Global Stewardship Principles*[1], written from an investor perspective, are widely used by our members in their company assessments and voting decisions, and by regulators when developing corporate governance rules.

Support for the adoption of the ISSB standards in the UK

ICGN supports the UK Government's decision to develop sustainability reporting standards in line with the International Sustainability Standards Board (ISSB) Standards. ICGN supports the ISSB's mission to develop a global baseline of sustainability-related corporate disclosures. Investors have been calling for comparable, reliable, and verifiable corporate sustainability disclosures, grounded in financial materiality, to make informed investment and stewardship decisions, and for their own reporting to beneficiaries. Global adoption of the ISSB Standards is key to achieve this. We believe the adoption of the ISSB standards will contribute to greater transparency on companies' exposure to and management of sustainability risks and opportunities.

In May 2024, ICGN, alongside 121 investors, companies, industry associations and stock exchanges have signed on to a call for commitment from relevant authorities across jurisdictions to adopt the ISSB Standards. So far, 36 jurisdictions announced steps to adopt or use the ISSB Standards.

Investors need to be able to draw comparisons - across companies, markets, sectors and over time - for their analyses. To ensure comparability of information, we encourage the UK government to adopt the ISSB Standards without substantial modifications, to the greatest extent possible.

Key Areas of Concern

We would like to raise our concerns about a divergence from the ISSB Standards in the proposed UK standards, which we find important for maintaining global comparability.

[1] https://www.icgn.org/principles

Amendment 3 – Global Industry Classification Standard (GICS)

We observe that the ISSB is currently consulting on amendments to the GICS requirement in IFRS S2, actively seeking stakeholder feedback on this issue. We encourage the UK to stay as aligned as possible with the international standards, and as such to align the UK standards with whatever consensus emerges with the ISSB's consultation process.

We also note the UK's proposal to allow entities to use any appropriate classification standard rather than specifically requiring GICS for financed emissions reporting. While we understand the cost considerations, and the concern about the private ownership of the GOCS standards, we have concerns about this divergence from the ISSB Standards.

The requirement to use a consistent classification system is important for investors to make meaningful comparisons, particularly for financed emissions which can be complex to assess and compare across financial institutions. GICS provides a standardized framework that enables comparability across companies and is widely used in portfolio analysis and investment decision-making. If the UK Government is not willing to stay aligned to the ISSB standards on this, perhaps at least having a short list of UK approved classification systems that companies could select from would be helpful, to encourage as much comparability and consistency as possible.

Premature divergence from ISSB Standards on technical requirements like classification systems could create regulatory complications, added costs, and undermine the effectiveness of the global baseline for sustainability reporting.

Amendment 5 – SASB Materials References

We note the proposal to amend the requirement in UK SRS S1 and S2 from entities "*shall* refer to and consider the applicability of SASB standards" to entities "*may* refer to and consider the applicability of SASB standards". While we understand the UK government's concerns about the due process applied to SASB materials, we believe this amendment could undermine comparability and the efficiency of application for preparers.

SASB standards are widely used by investors and have been created over many years with the input of a wide variety of investor views, including those of ICGN and many of our members. The ISSB has established its own publicly disclosed due process for reviewing and enhancing these materials, which goes beyond the process applied to other educational materials. The SASB standards have undergone international interoperability assessment and the ISSB is actively working to enhance them through a phased approach, with a consultation on the first set of SASB revisions currently ongoing.

Furthermore, even under the original "shall" requirement, entities retain the flexibility to determine that SASB materials are not applicable to their particular business context. The requirement is to "consider applicability" rather than to mandatorily apply all SASB guidance. Given that the UK SRS will initially be available for voluntary use, and that the ISSB is actively working to improve these materials, we recommend retaining the "shall" language to maintain global consistency and comparability.

Conclusion

Thank you again for the opportunity to share our perspective. If you would like to follow up with questions or comments, please contact our Global Policy Director, Séverine Neervoort, or Junior Policy Analyst Thomas Stables (policy @icgn.org).

Yours faithfully,

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