



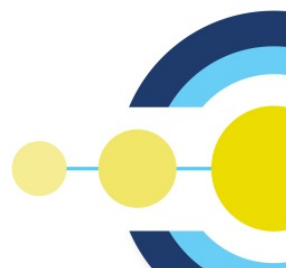
Border to Coast Pensions Partnership's response to the UK Sustainability Reporting Standards Exposure Drafts

Border to Coast is wholly owned by 11 local government pension scheme (LGPS) funds, responsible for managing or overseeing more than £55bn of our Partner Fund's assets. We were established to provide cost-effective, innovative, and responsible investment opportunities that deliver returns over the long-term. This is on behalf of the more than one million LGPS members, over 3,000 employers, and the millions of taxpayers associated with our Partner Funds.

As one of the UK's largest asset owner pools of capital we support efforts to maintain the UK's attractiveness as a location where companies grow and innovate. We welcome the UK Government's consultation on incorporating the ISSB Standards into the UK's regulatory and legislative framework.

Key Messages

- We agree with the proposed amendments recommended. Each amendment addresses a specific practical concern in applying IFRS S1 and S2 in the UK, while preserving the core intent, comparability, and interoperability of the standards.
- We agree that using prior-period data to calculate financed emissions can result in decision-useful information for investors. We highlight the need for consistent standards and transparency. If there are not consistent standards in approach, it may undermine the quality of reporting over-time.
- We agree with the proposed change in wording with respect to voluntary use of SASB standards. We support making it an explicit option rather than an apparent mandate. This amendment is especially relevant for UK companies in industries where the SASB standards include very US-centric metrics or references.
- We agree with disclosure requirements of companies that purchase and make use of carbon credits. Such disclosure would enhance the transparency and credibility of companies' climate reporting particularly on the extent to which companies are seeking to use carbon credits as a way of meeting their GHG emissions targets.
- We support the application of SRS standards to significant private companies. For investors, this improves comparability across value chains, reduces financed-emissions uncertainty in private markets, and enables more effective stewardship and capital allocation.



Question 1: Do you agree or disagree with the UK government's 4 amendments based on the TAC's recommendations? Provide your rationale.

We agree with all four of the proposed amendments recommended by the UK Sustainability Disclosure Technical Advisory Committee (TAC). Each amendment addresses a specific practical concern in applying IFRS S1 and S2 in the UK, while preserving the core intent and comparability of the standards. Our rationale for each is as follows:

- **Removal of the transition relief in IFRS S1 that permits delayed reporting in the first year:** We support removing the option for companies to publish sustainability disclosures at a later stage than financial statements in the first year. Aligning the timing with financial reporting from the start is important to maintain connectivity between narrative reporting and reporting in the financial accounts. Allowing a lag may undermine the interlinkages and could reduce the usefulness of the information to investors. It is crucial that investors understand how sustainability-related matters contribute towards the financial performance of a company.
- This amendment reinforces the message that sustainability-related financial information is an integral part of annual reporting. It upholds comparability (investors can read everything together) and avoids confusion that could arise if, say, the first year's sustainability report came months after the financial statements.
- **Extension of the transition relief in IFRS S1 that permits a 'climate-first' approach:** We agree with extending this relief, which allows companies to focus only on climate-related disclosures before phasing in other sustainability topics, from one year to two years. This amendment will facilitate smoother implementation, reducing the risk of poor-quality data on non-climate factors in initial years. This is a pragmatic recognition of where companies currently stand. Climate reporting frameworks (TCFD) are well advanced and understood; however, reporting on other sustainability matters are less mature.
- **Removal of the requirement to use the Global Industry Classification Standard (GICS) in IFRS S2:** This is a positive step towards encouraging greater uptake of the S2 standard, as it would allow companies to report against a classification tool which is already internally applied and best suited to their business model, creating greater connectivity with existing corporate reporting practices. This in turn will allow companies to disclose the most relevant information to shareholders. Furthermore, it would address commercial concerns of giving one service provider preference in a rapidly developing space.
- **Removal of the 'effective date' clauses in IFRS S1 and IFRS S2 (with PIC consideration):** We agree with deleting the specific effective date clause (which in the ISSB text was 1 January 2024) and instead making it clear that the effective date will be set through UK law or regulation when the time comes. This is a sensible drafting change because until the government formally endorses and mandates the standards, an effective date in the text is theoretical. As a result of this deletion, UK SRS S1 and S2 can be issued for voluntary use immediately upon endorsement. This will allow companies to voluntarily build out their reporting capabilities until a fuller mandate is considered.
- We support the direction of travel, with the FCA due to consult on integrating UK SRS into the listing rules and the Government considering application to economically significant private companies.



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 that using prior-period data to calculate financed emissions can still result in decision-useful information for investors, given the current practical constraints in obtaining real time data. This approach is already commonplace in the industry and, if properly disclosed, provides investors with a reliable estimate of financed emissions on a timely basis.

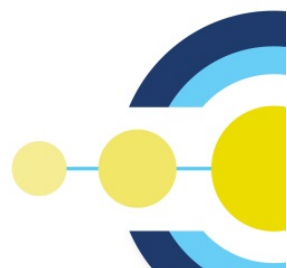
Financed emissions data is particularly useful to investors when making an informed decision. The provision of a trend analysis on emissions reporting over time will require consistency in the way that companies are reporting one year to the next. We acknowledge that guidance and clarity are needed to ensure that the practices around emissions reporting are understood and consistently applied under the standards.

In the financial services sector, companies often must adhere to a reporting deadline just weeks after their financial year-end. As “financed emissions” data requires collating emissions data from numerous investee companies or clients, this may place achieving the deadline at risk. The common approach has been to use the latest available data (say, Q3 data or the prior financial year emissions of those issuers) as a proxy for year-end positions, and then update it in the following reporting cycle. From an investor’s perspective, financed emissions data that is, for instance, based on Q3 data is still informative, as it will be directionally correct and reasonably close to a Q4 (i.e. 31 December) measure. Timeliness is a key aspect of decision-usefulness, and using historical balance sheet data from a recent period strikes the right balance between timeliness and accuracy.

We also want to stress – as did the UK Sustainability Disclosure Technical Advisory Committee (TAC) – that this issue should diminish over time. As sustainability reporting becomes routine, the speed and frequency of emissions data collection will improve.

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 practice of revising previously reported financed emissions figures, in light of new data has an impact on how investors interpret trends on financed emissions reporting over time, and it does present some challenges. Updating prior-year numbers improves accuracy but can make year-on-year comparisons less straightforward. We believe the impact can be managed by explaining and documenting the methodology. We believe investors understand these limitations and may expect revisions to these metrics as data quality improves, provided companies are transparent about this and that any adjustments are well explained.





We support the proposal to seek further guidance regarding revision of comparatives to ensure companies handle these revisions in a transparent and consistent manner and clarify for preparers and users that revisions, handled appropriately, are changes in estimate, not errors.

Question 4: Do you have any other comments on the TAC's final report and recommendations? Include any supporting evidence

Border to Coast does not wish to provide a response to this question.

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 with the proposed wording change from "shall" to "may" in the context of referring to SASB standards and related industry-based guidance. Our rationale is that companies *should* look to these materials as a useful resource, but we support making it an explicit option rather than an apparent mandate. This ensures that if a SASB metric doesn't make sense for a company (perhaps due to a particular business models or geography), the company will not be perceived as breaching the standard by not using it. This also mitigates the government's concerns that a company would not have to prove to its assurance provider how they have addressed the materials.

This amendment is especially relevant for UK companies in industries where the SASB standards include very US-centric metrics or references (which the ISSB is now working to internationalise).

We agree with the government's proposal to review this amendment, pending the ISSB's work to internationalise SASB.

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.

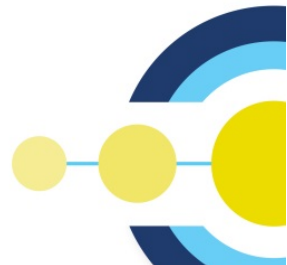
We agree with this proposal. Linking the transitional reliefs to the date when reporting becomes mandatory (rather than to a company's first year of voluntary application) is a sensible modification that ensures fairness and encourages early adoption of the standards.

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

We believe it would be useful for companies to disclose their carbon credit purchases and usage for the current reporting period.

Such disclosure would enhance the transparency and credibility of companies' climate reporting particularly on the extent to which companies are seeking to use carbon credits as a way of meeting their GHG emissions targets.





- 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)

Border to Coast does not wish to provide a response to this question.

- c) Whether (and how) any further disclosures would be useful

Border to Coast does not wish to provide a response to this question.

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

Border to Coast does not wish to provide a response to this question.

Question 9: 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.

No.

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

Border to Coast supports the proposal of the UK Government to endorse the standards subject to the amendments.

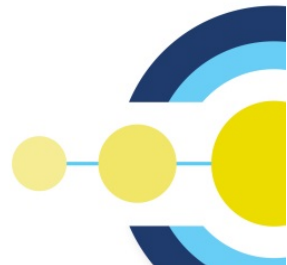
Question 11: Explain the direct and indirect benefits that you are expecting to result from the use of UK SRS S1 and UK SRS S2. Include an assessment of those benefits which are additional to benefits arising from current reporting practices.

Investors will receive more comprehensive, consistent, and comparable information on sustainability-related risks and opportunities that affect company value. This directly improves our ability to assess companies' long-term prospects and risk profiles. For instance, under S2, all companies must disclose their climate-related targets, transition plans, and Scope 1-3 greenhouse gas emissions in a standardised way. This consistency means investment analysts can more confidently incorporate climate and other sustainability risks into valuation models and credit assessments, leading to more accurate pricing of risks and opportunities. In short, capital allocation becomes more efficient: companies managing sustainability risks effectively are more likely to attract investment, and those with unmitigated risks will be disciplined by the market, ultimately benefiting investors' portfolios.

Border to Coast Pensions Partnership Limited

A Company limited by shares and registered in England and Wales with Registration Number 10795539 and whose registered office is at 5th Floor Toronto Square, Toronto Street, Leeds, LS1 2HJ

INTERNAL





The detailed disclosures under S1/S2 provide investors the information required to engage constructively with companies. Uniform disclosure standards help investors compare companies and identify leaders and laggards within an industry, which is essential for effective engagement.

With public reporting under UK SRS, more of this decision-critical information will be available to all investors equally. This levelled playing field should mean that markets overall become more transparent and fair. It can also reduce the reliance on third-party ESG data providers, since companies will themselves be providing more data directly. When all investors have high-quality information, market confidence and trust increase.

As global investors, we manage portfolios spanning multiple jurisdictions. Ability to compare company sustainability profiles in a consistent way without worrying about different frameworks is a huge benefit. It lowers analytical costs (as investors don't have to reconcile or normalise data as much) and improves the accuracy of cross-border investment decisions.

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. Include an assessment of those costs which are additional to costs arising from existing reporting practices.

Border to Coast produces TCFD-aligned reporting with regards climate-related disclosure. We expect minimal additional costs due to the complementary and interoperable nature of the standards.

With regards sustainability-related disclosure, there will be costs of education on the new disclosures and costs of sourcing relevant data and investment in new analytical tools.

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 support the proposal to bring economically significant private companies into scope of UK SRS. For investors, this improves comparability across value chains, reduces financed-emissions uncertainty in private markets, and enables more effective stewardship and capital allocation.

Private markets are integral to the Border to Coast climate strategy and achieving our net zero commitments.

Question 14: 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.

Border to Coast does not wish to provide a response to this question.

Question 15: 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.

Border to Coast does not wish to provide a response to this question.

Question 16: Explain which other sustainability-related 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.

Border to Coast reports against FCA-mandated TCFD-aligned climate related disclosures. Border to Coast is a signatory of the UK Stewardship Code and reports against the principles of the Stewardship Code. With regards to UK SRS reporting, there will be costs of education on the new disclosures and costs of sourcing relevant data and investment in new analytical tools.

Question 17: 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.

Creation of data platform where SMEs enter key data points and then give permission for larger companies in their value chain to access – standardised information entered once.

Legal implications of sustainability-related reporting

Question 18: 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.

Border to Coast does not wish to provide a response to this question.

Question 19: 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.

Border to Coast does not wish to provide a response to this question.

Additional guidance

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.

Border to Coast does not wish to provide a response to this question.

