Nest Invest

Consultation on exposure draft of UK Sustainability Reporting Standards: UK SRS S1 and UK SRS S2

Response from Nest Corporation

17th September 2025

1 About us

Nest was established in 2010 as part of the auto enrolment programme to help people save for retirement. Unlike any other pension scheme in the UK, Nest has a legal obligation to accept any employer that wishes to use us to discharge their auto enrolment obligations. Over 1.2 million employers have signed up to use Nest.

Over the last decade, Nest has grown to be one of the largest pension schemes in the UK with £56 billion assets under management as at 31 August 2025. We are operating at scale as a high-quality, low-cost pension scheme helping over 13.6 million members save for their retirement. Many are low to moderate earners who may be saving into a pension for the first time.

Nest is built around the needs and behaviours of our members, from our approach to responsible investment to our focus on customer service. We now occupy a place in the market as a major Master Trust, helping to drive up standards and best practice across the industry. Nest has great potential for delivering pensions to mass market consumers for many years to come, leveraging our scale to deliver value through the combination of low costs, our market leading investment strategy and modernised services all overseen by strong trustee governance.

2 Response

Introductory comments

We welcome the opportunity to respond to this consultation and strongly support the government's intention to keep any amendments to the International Sustainability Standards Board's (ISSB) standards to the absolute minimum so as not to cause significant divergence from the global standards.

As an investor in companies globally, standardisation of sustainability data and interoperability of reporting frameworks are key priorities for Nest. Alongside the UK, more than 30 jurisdictions are considering introducing ISSB frameworks into regulation.[1] To ensure interoperability, we therefore believe it is important that the UK does not materially diverge from the standards.

That being said, we note that the amendments primarily concern the application of the standards, rather than their content, and are minor in nature. We are therefore broadly supportive of the proposal to adopt the standards, however, there are some amendments that we do not support:

- We are not supportive of Amendment 2 to extend the transition relief in IFRS S1 from one to two years. Receiving consistent disclosures on broader sustainability topics beyond climate in the third year only is a concern for us. Existing TCFD disclosure requirements for corporates and financial institutions are already broadly consistent with the requirements of UK Sustainability Reporting Standard (SRS) S2. We therefore believe that most companies will only require minor updates to

[1] **https://www.ifrs.org/news-and-events/news/2025/06/ifrs-foundation-publishes-jurisdictional-profiles-issb-standards/**

their climate-related disclosures to meet the requirements of UK SRS 2 and that a two-year transition relief is therefore unnecessary.

- We also suggest that the use of the GICS standard is strongly recommended in Amendment 3, but entities may diverge from this if there is a compelling rationale to do so, to ensure an appropriate balance between consistency and flexibility.
- We do not agree with the proposal to weaken the reference to the Sustainability Accounting Standards Board's (SASB) standards that. We agree with the TAC's assessment that entities remain free to interpret that the SASB materials were not relevant, but we believe that encouraging reporting in line with sector-specific materiality standards will help with consistent and comparable reporting and therefore should be encouraged.

Going forward, we strongly urge Government to work closely with the Financial Conduct Authority (FCA) on the implementation of the disclosure requirements and consider appropriate sequencing, starting with large publicly listed corporates.

Response

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

We are supportive of Amendments 1 and 4 but have concerns about the Amendments 2 and 3 as proposed by the TAC. Please see further detail on each amendment below:

- We are supportive of Amendment 1 to remove the transition relief in IFRS S1 to permit reporting entities to publish disclosures made in accordance with ISSB Standards at a different time than their financial statements for the first year. We agree with the TAC's conclusion that they should be connected to financial reports and accounts. In practice, we believe that most large UK companies already publish non-financial reporting at the same time as their annual reports and accounts and would be unlikely to make use of this relief.
- We are not supportive of Amendment 2 to extend the transition relief in IFRS S1 from one to two years. Receiving consistent disclosures on broader sustainability topics beyond climate from the third year only is a concern for us. Existing TCFD disclosure requirements for corporates and financial institutions are already broadly consistent with the requirements of UK SRS S2.[2] We therefore believe that most companies will only require minor updates to their climate-related disclosures to meet the requirements of UK SRS 2 and that a two-year transition relief is therefore unnecessary.
- We are less supportive of Amendment 3 to remove the requirement to use the Global Industry Classification Standard (GICS) in IFRS 2. Standardisation in emissions reporting from corporates is a key challenge for pension schemes like Nest as we rely on this information to report on portfolio financed emissions. While we understand the need for flexibility, to strike the right balance we suggest that the use of the GICS standard is strongly recommended, but entities may diverge from this if there is a compelling rationale to do so.
- We are comfortable with the removal of the effective date clause as outlined in Amendment 4.

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 with this approach. As highlighted in our response to question 1, we are generally not in favour of publishing non-financial reporting information at a different time to the financial reports and accounts. However, in practice we find the process of obtaining and calculating financed emissions data to be time-consuming. We would appreciate further guidance that sets out additional disclosure requirements on material changes to the balance sheet from the previous to the current reporting period.

[2] See further detail on the mapping of TCFD requirements to IFRS S2 here: **https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/ifrs-s2-comparison-tcfd.pdf**

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?**

We believe there is primarily a cost impact from the revision of comparative data. We suggest guidance could consider a threshold for material changes in balance sheet information that would trigger a revision of financed emissions calculations.

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

No further comments.

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 are not supportive of this amendment. As universal owners with holdings across the globe, interoperability of reporting standards is a key priority for Nest. We believe it is important that there is some consistency in sector-specific materiality considerations, and the SASB framework is widely used by investors and corporates for this purpose. We agree with the TAC's assessment that entities remain free to interpret that the SASB materials were not relevant, but we would appreciate entities setting a clear rationale for this. We therefore suggest keeping in the reference as "shall" rather than "may". We also note ISSB's commitment to further enhance the standards and believe this is a better avenue to highlight potential concerns with the materials than weakening the requirement for using an industry-wide standard.

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.**

Yes, we agree with this approach. We do not believe that transition reliefs are relevant for voluntary reporting.

7. **Explain your views on:**
   a) whether disclosure of the purchase and use of carbon credits in the current period would be useful information

Yes, we are strongly in favour of disclosures on the use of carbon credits. While we believe that carbon offsets will play a role in addressing residual emissions particularly in hard-to-abate sectors, we are concerned about companies relying heavily on credits to meet their short- and medium-term targets. We therefore believe that disclosure about the use of credits is essential for investors like Nest to assess the robustness of companies' decarbonisation strategies.

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)

We don't use carbon credits so cannot comment on this directly.

c) whether (and how) any further disclosures would be useful

We suggest follow emerging guidance on best practice disclosures such as the Oxford Offsetting Principles.[3]

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

No comments on this.

[3] **https://www.smithschool.ox.ac.uk/research/oxford-offsetting-principles**

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 further comments.

10. **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.**

Yes, we agree that UK government should endorse the standards subject to the caveats regarding some of the proposed amendments set out above.

11. **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.**

As investors, the primary benefit to us is the benefits from more consistent reporting, which will help us identify financially material ESG-related information, support better capital allocation and support our stewardship activities.

12. **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.**

We believe the costs of implementing UK SRS S2 will be small given the large degree of consistency with existing TCFD reporting requirements, as set out in our response to question 1. There will be implementation cost for UK SRS S1, though there will again be significant overlap with existing voluntary reporting and disclosure requirements in other jurisdictions. For this reason, we would reiterate our comments on keeping the amendments minimal.

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 are generally supportive of this. Nest is a signatory of the Mansion House Accord and supportive of securing better financial outcomes for DC savers by increasing pension investments in private markets. Around 15% of our AUM is already invested in private markets, with an ambition to increase this to 30%. Against this backdrop, it is critical that we have robust, comparable disclosures on climate and sustainability from unlisted companies. Currently, most of our private markets managers have to model data points using information from public companies in the same sector as proxies and request information from portfolio companies through annual questionnaires. Portfolio companies in turn are having to respond to a myriad of slightly different reporting questionnaires from investors. We believe that extending UK SRS to economically-significant private companies, in line with current TCFD reporting requirements, could therefore reduce the reporting burden for both investors and companies.

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.**

We are not best placed to comment on this.

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.

As highlighted in our response to question 1, there is significant overlap between UK SRS 2 and existing TCFD reporting requirements. Reporting in line with SRS S2 should supersede these current requirements.

16. **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?**

Nest is currently subject to mandatory TCFD reporting under the Pension Schemes Act 2021.

We also report on our responsible investment activities and outcomes in line with the FRC's UK Stewardship Code on a voluntary basis.

We believe the costs of aligning with UK SRS 2 would not be significant, however, we note the concurrent consultation on mandatory transition plans which has some overlap with UK SRS 2. We see these disclosures as potentially complementary but would urge DBT to work closely with DESNZ, the FCA, DWP and TPR to assure alignment and appropriate sequencing, which should begin with large publicly listed corporates. The experience with TCFD reporting has been challenging for us, as pension schemes were regulated first despite relying heavily on external fund managers and corporates to be able to fulfil our disclosure requirements. Subsequent TCFD reporting requirements through the Companies Act and TCFD entity and product reporting by the FCA were not completely aligned which means that we still spend significant resource on requesting, reviewing and aggregating data from managers and investee companies.

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.**

› No comment from us

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.**

› No comment from us

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.**

No comment from us

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.**

We agree with the list of guidance provided in the consultation.

On scenario analysis, we note that this is already part of current TCFD disclosure requirements. However, there remains criticism over the usefulness of this type of modelling and confusion over the extent to which such work should be quantitative or qualitative. Further guidance from government on the value of narrative disclosures would be helpful.