



CO₂Pro

The Compliant Pathway
to Sustainable IT

An Update on Regulatory Carbon Reporting in the UK and EU

June 2026

Sustainability Reporting – Why This Matters

Across sectors and geographies, organisations have voiced a consistent concern: there is a lack of granular, high-quality, consistent climate data to support informed decision-making and reporting.

Without reliable data, financial institutions, investors, and corporate decision-makers have often found it difficult to assess climate-related risks and opportunities, even where there is a willingness to act.

This data gap has prompted regulators and standard-setters globally to strengthen sustainability-related disclosure requirements to improve transparency, comparability, and confidence in climate reporting.

One of the most influential early initiatives was the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD), which established a globally recognised framework structured around governance, strategy, risk management, and metrics and targets.

This primer provides a high-level overview of the key frameworks and how they interact, helping organisations understand where they may sit within the evolving regulatory environment and the associated reporting challenges.

The Move Toward Global Standards

Building on the TCFD framework, the IFRS Foundation established the International Sustainability Standards Board (ISSB) to develop a global baseline of sustainability-related financial disclosure standards.

The ISSB has issued:

- **IFRS S1** – General sustainability-related financial disclosures
- **IFRS S2** – Climate-related disclosures

These standards consolidate and build on earlier initiatives, including TCFD, SASB and CDSB, and are designed to provide investors with consistent, comparable information about sustainability-related risks and opportunities that could affect enterprise value.

The ISSB standards focus on **financial materiality**, meaning impacts on the organisation’s financial performance, position, and access to capital.

Aligning Global Frameworks

While regulatory approaches differ across jurisdictions, there is increasing convergence in structure and underlying methodology.

In the UK:

- SECR
- UK SRS S1 and S2 (aligned with ISSB standards and currently being implemented through FCA rulemaking)

In the EU:

- CSRD (as amended through the Omnibus reforms)

Both regimes draw heavily on the framework originally developed by TCFD, which now effectively forms the foundation of global climate-related financial disclosure.

The ISSB standards are increasingly recognised as the global baseline for sustainability-related financial reporting.

For emissions measurement, the ISSB standards rely on the Greenhouse Gas Protocol as the primary methodology for calculating Scope 1, Scope 2 and Scope 3 emissions.

Alongside this, ISO 14064 provides internationally recognised requirements for greenhouse gas quantification and verification.

Ongoing alignment between ISO standards and the GHG Protocol is expected to improve consistency in carbon accounting, although multiple frameworks remain in use.

Note on Existing Frameworks: While UK SRS represents the emerging global baseline for climate-related financial disclosure, it does not immediately supersede existing mandates such as the Streamlined Energy and Carbon Reporting (SECR) framework. SECR continues to apply to a broad range of large unquoted companies and LLPs, ensuring continuity in reporting until the FCA and government formally transition these segments to the UK SRS framework.

Double Materiality vs Financial Materiality

Two principal approaches to materiality are now used globally:

Financial materiality

Focuses on how sustainability risks and opportunities affect an organisation's financial performance and enterprise value. This underpins ISSB standards and UK SRS.

Double materiality

Considers both:

- the impact of sustainability issues on the organisation, and
- the organisation's impact on the environment and society

This underpins EU CSRD reporting.

Understanding this distinction is essential when navigating cross-border reporting obligations.

Clarification: While UK SRS requires disclosure of greenhouse gas emissions (which are an environmental impact), the primary purpose of this data under UK SRS is to help investors assess the **financial risk** those emissions pose to the company (e.g., through future carbon pricing or transition costs). It does not require a report on the company's environmental footprint to assess its impact on the planet, which is the hallmark of the EU's double materiality approach.

UK SRS S2 – Climate-related Disclosures

Who this applies to

UK SRS S2 is expected to apply to entities required by UK regulation or listing rules to provide sustainability-related disclosures. This is expected to include:

- Listed companies
- FCA-regulated financial services firms, including asset managers and insurers

Application is determined by regulatory scope rather than company size alone. UK Companies Act "large company" thresholds are not, in themselves, the trigger for UK SRS reporting.

While initial reporting mandates are defined by regulatory and listing status, the UK government has signalled an intent to align broader corporate sustainability reporting with the 'large company' thresholds defined in the Companies Act, as the framework matures.

When

The UK SRS standards are available for voluntary adoption following their publication in February 2026.

Mandatory application depends on final FCA rules, which are expected to be implemented following consultation, with first reporting expected from financial

years beginning in 2027 (with reporting published in 2028), subject to final regulatory confirmation.

What

The UK SRS framework includes:

- UK SRS S1 – sustainability-related disclosures
- UK SRS S2 – climate-related disclosures

These correspond to IFRS S1 and IFRS S2 issued by the ISSB.

Key climate-related requirements include:

- Reporting Scope 1 and Scope 2 greenhouse gas emissions
- Scope 3 emissions expected to be introduced on a transitional basis, with further requirements subject to FCA final rules
- Governance, strategy, risk management, and metrics aligned with ISSB structure

Why

UK SRS standards are designed to align UK reporting with the global ISSB baseline and improve consistency and comparability of sustainability disclosures.

Over time, they are expected to:

- Streamline UK sustainability reporting frameworks
- Align and potentially rationalise existing UK disclosure requirements
- Support internationally consistent reporting practices

Note

While Scope 3 emissions are not yet fully mandated, they are increasingly required in practice through:

- Customer and supply chain reporting requirements
- Public procurement expectations
- Emerging voluntary disclosure frameworks and investor requests

CSRD – Corporate Sustainability Reporting Directive (as amended by Omnibus I)

Who

Following the EU Omnibus I reforms, a legislative package designed to streamline reporting and improve proportionality, CSRD is focused primarily on the largest organisations operating in the EU. This includes:

- EU undertakings and parent undertakings with **more than 1,000 employees AND global consolidated net annual turnover of more than €450m**
- Non-EU companies with **more than €450 million net annual turnover generated specifically in the EU**, where they have a qualifying EU subsidiary or branch that generated more than €200m in net turnover in the preceding year.
- Companies already captured within earlier reporting waves, namely Public Interest Entities (PIEs), which continue under transitional provisions from NFRD to CSRD under existing timelines.

When

- Companies already in earlier CSRD reporting waves continue to report under existing timelines
- For newly in-scope entities under the Omnibus framework, reporting generally applies to financial years beginning on or after **1 January 2027**, with publication in **2028**, subject to Member State implementation

What

The CSRD framework (as amended) includes:

- European Sustainability Reporting Standards (ESRS)
- Simplification and reduction of reporting requirements compared to the original CSRD package
- Phased implementation approach under the Omnibus reforms
- Corporate Sustainability Due Diligence Directive (CSDDD) timelines adjusted, with later implementation for the largest companies

Why

The Omnibus reforms aim to:

- Reduce administrative burden

- Focus reporting on the largest organisations
- Improve proportionality of sustainability reporting requirements
- Maintain alignment with EU climate and sustainability objectives

Note

Although reporting requirements have been narrowed, large organisations remain central to supply chain and value chain reporting expectations.

As a result, sustainability data requests are expected to continue flowing through supply chains even where smaller organisations are no longer directly in scope.

UK SRS S2 vs CSRD as amended by Omnibus 1 – At-a-Glance Comparison

Topic	UK SRS S2 (Climate)	CSRD (EU – Omnibus)
What it is	UK climate reporting standard aligned to ISSB IFRS S2	EU sustainability reporting framework using ESRS
Geographic scope	United Kingdom	European Union and certain non-EU companies with significant EU activity
Primary focus	Climate-related financial disclosures	Broader ESG reporting (environmental, social, governance)
Who is in scope	Listed companies and FCA-regulated financial services firms (scope defined by regulation)	Large EU undertakings and certain non-EU companies meeting revised Omnibus thresholds
Size thresholds	Not currently determined by Companies Act size thresholds; future expansion expected to align with UK Companies Act “large company” criteria.	Focus on largest organisations, typically those with >1,000 employees and turnover > €450m
Reporting standards used	UK SRS S1 and S2 (aligned with ISSB IFRS S1 and S2)	European Sustainability Reporting Standards (ESRS)

Topic	UK SRS S2 (Climate)	CSRD (EU – Omnibus)
Climate disclosures	Scope 1 and Scope 2 emissions required; Scope 3 introduced on a transitional basis	Full Scope 1, 2 and 3 disclosures under ESRS E1 (subject to phase-ins)
Materiality basis	Financial materiality focuses on how sustainability risks affect the entity’s financial position and value	Double materiality considers both the financial impacts on the entity and the entity’s impact on the environment and society
Timing	Voluntary from Feb 2026; mandatory timing subject to FCA rules, expected from FY 2027 reporting in 2028	Phased implementation under Omnibus; reporting generally from FY 2027 reporting in 2028
Relationship to existing frameworks	Builds on and replaces TCFD-aligned UK reporting over time	Replaces NFRD and expands EU sustainability reporting framework
Overall aim	Align UK with ISSB global baseline	Standardise EU sustainability reporting while improving proportionality

Where This Leaves Organisations

The sustainability reporting landscape remains dynamic and continues to evolve across jurisdictions.

However, the overall direction of travel is clear:

- Sustainability reporting is becoming more structured and standardised
- Expectations for decision-useful climate data are increasing
- Regulatory frameworks are converging around common global building blocks
- Organisations are being asked to provide greater transparency across their value chains
- Carbon data is moving from annual reporting toward more continuous management and oversight

In practice, this means that sustainability reporting is no longer solely a compliance exercise. It is increasingly becoming part of core business decision-making, risk management, and supply chain engagement.

As a result, organisations now face a practical challenge: how to consistently collect, manage, and maintain high-quality emissions data to support both internal decision-making and external reporting requirements.

This is where the focus is beginning to shift from understanding frameworks, to implementing the systems and processes needed to support them.

From Reporting Requirements to Practical Action

As sustainability reporting requirements continue to evolve, organisations need reliable data and consistent methodologies to measure emissions, monitor progress and produce transparent carbon reports.

As organisations move from understanding reporting requirements to implementation, tools such as COzPro can track IT asset lifecycle carbon across an organisation's entire IT estate. It is designed for organisations of all sizes and sectors, helping businesses measure, manage and report greenhouse gas emissions in line with the GHG Protocol.

COzPro Key Features

- Full Scope 2 and Scope 3 emissions accounting for IT assets
- Location-based Scope 2 calculations using recognised conversion factors
- Simple data capture with a complete audit trail
- Consistent, transparent calculations to support reliable reporting
- Reports and analysis that can be exported to Microsoft Excel

Informed Decision-Making

By providing a single source of IT emissions data, COzPro helps organisations identify carbon hotspots, monitor reduction initiatives and respond to increasing customer, supply chain and regulatory reporting requirements.

A recent enhancement integrates COzPro with a leading Data Centre Infrastructure Management (DCIM) platform, enabling near real-time sustainability data for data centre operations. As digital infrastructure and AI continue to drive demand for data centres, this provides organisations with greater visibility into energy consumption and associated Scope 2 emissions, as well as asset-level embodied Scope 3 CO₂e.

Disclaimer

This overview is provided for general informational purposes only and is intended to give a high-level summary of a complex and evolving sustainability reporting landscape as of June 2026. It does not constitute legal, regulatory, or professional advice. Applicability of UK SRS, EU CSRD Omnibus reforms, or related reporting requirements depends on specific organisational size, sector, circumstances and final regulatory implementation. Organisations should seek independent professional advice or consult official regulatory guidance before making compliance decisions.

For more information on Global Sustainability Reporting, contact **Jean-Marc Jefferson, Head of Sustainability and Innovation.**

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"Make the impossible possible, the possible easy and the easy elegant"

Moshe Feldenkrais