2025

# Building a Sustainable Future

## INVESTIGATING THE ROLE OF FINANCE LEADERS

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# INTRODUCTION

Last year we produced the first in our Sustainability in Business series, examining the impact of HR on organisations Sustainability policies and procedures, What we found on the whole was a huge knowledge gap and a shortage of action in organisations. There was certainly no lack of appetite from HR professionals, in fact quite the opposite, but because there are very few regulatory requirements (outside of financial reporting) many organisations just don't even know where to start.

Part two of our series considers the perspective of finance leaders, encompassing those already reporting on sustainability as part of their business as usual and those yet to get involved.

In recent years, sustainability has gone beyond just corporate social responsibility to become a critical component of financial reporting for some UK companies. The push toward more transparent and accountable reporting on environmental, social, and governance (ESG) criteria is driven by regulatory developments, stakeholder expectations, and an increasing recognition of sustainability's impact on long-term financial performance. Over the last 12 months, sustainability financial reporting has gained heightened significance as regulators and investors call for greater insight into the ESG risks and opportunities that shape corporate strategies and resilience.

The UK, as one of the leading voices on Sustainability, has introduced and adopted frameworks aimed at standardising how businesses disclose their ESG performance. Frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB) standards signal a shift toward mandatory, comprehensive, and comparable sustainability reporting. Organisations will be expected to integrate sustainability metrics alongside traditional financial indicators, aligning financial performance with sustainability outcomes in a way that reassures investors, strengthens regulatory compliance, and enhances reputational capital.

This report explores the evolving landscape of sustainability financial reporting in the UK, examining its regulatory trajectory, the factors influencing its adoption, and the impact of these changes on corporate decision-making and investor relations. By analysing these trends, we provide insights into why sustainability financial reporting is not just a compliance measure but an essential tool for companies seeking to maintain competitiveness and accountability in what is rapidly becoming a dynamic, ESG-conscious economy.

We hope you find it interesting and useful wherever you are on your ESG journey as an organisation.

**RESEARCH & INSIGHT**

As well as reviewing current government guidelines, we explore the findings of our recent survey, looking in particular at the current state of Sustainability Reporting and awareness across a whole range of organisations in the Thames Valley (including a handful of responses from the wider South East).

# BACKGROUND

## The International Sustainability Standards Board (ISSB)

The **ISSB** was established to create a global baseline for sustainability disclosures. It's primary goal is to provide investors and other stakeholders with decision-useful information about a company's sustainability-related risks and opportunities. ISSB standards aim to enhance consistency, comparability, and reliability in sustainability reporting, helping organisations demonstrate accountability and transparency.

ISSB's standards are rooted in internationally recognised frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD) and seek to harmonise fragmented sustainability reporting practices across jurisdictions

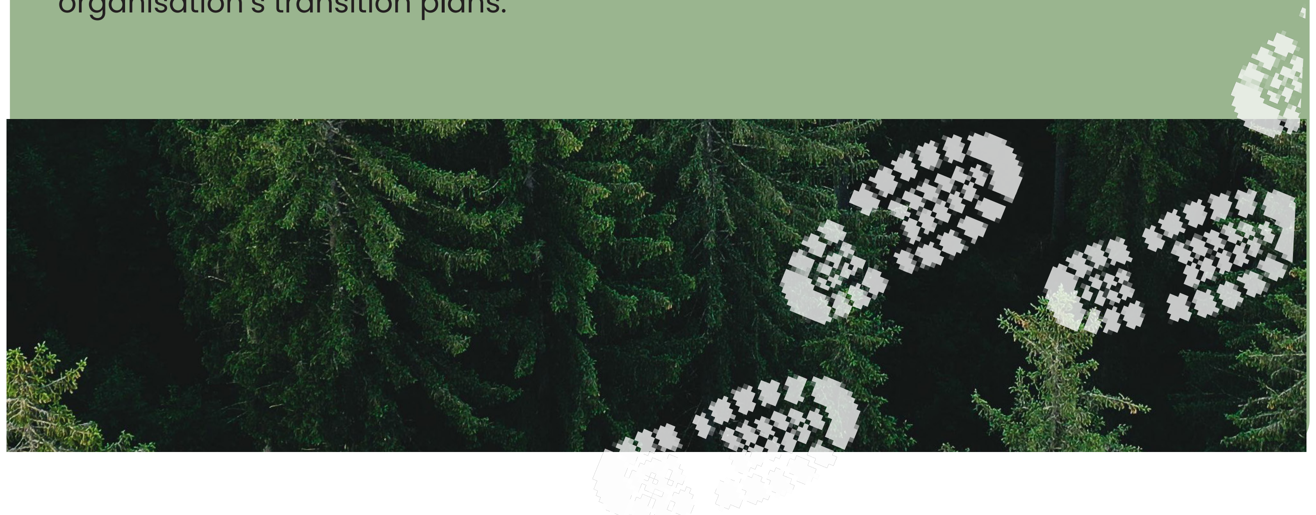

**IFRS S1 and S2** are the cornerstone standards developed by the ISSB, each addressing distinct yet complementary aspects of sustainability reporting:

**IFRS S1: General Requirements for Disclosure of Sustainability related Financial Information:**

- Requires entities to disclose material sustainability-related risks and opportunities that could affect their ability to generate cash flows, access finance, or manage the cost of capital.
- Emphasises the interconnectedness of an organisation's operations with environmental, social, and governance (ESG) factors, highlighting their impact on the organisation's financial and operational health.

**IFRS S2: Climate-Related Disclosures:**

- Focuses specifically on climate-related risks and opportunities.
- Mandates reporting aligned with the TCFD framework, covering governance, strategy, risk management, and metrics and targets related to climate impacts.
- Encourages transparency about mitigation strategies, adaptation measures, and the organisation's transition plans.





## UK Sustainability Reporting Standards (UKSRS)

The **UKSRS** represent the UK's adaptation of ISSB's Sustainability Disclosure Standards into its regulatory environment. These standards are designed to ensure UK organisations provide comprehensive sustainability-related financial information to meet the needs of stakeholders, particularly investors.

The UK government are due to consult on the ISSB's IFRS S1 and S2 standards in 2025 to decide on their formal adoption. Once endorsed, the Financial Conduct Authority (FCA) is expected to require UK-listed companies to comply with these standards, and consultation will follow on their extension to significant non-listed entities.

**3 things the Government will consider before adoption.........**

- The UK Framework will look at where it may need to adapt the ISSB standards, to consider things like whether the use of the standards in the UK would be conducive to economic growth, whether they would support the UK's international competitiveness, and the extent to which they would inform investor decision-making.
- The UK SRS are not expected to be applied to companies before 1 January 2026 at the earliest. There will be full consultation and a detailed implementation process giving plenty of time to prepare.
- There is also a piece of work being done by the government on simplifying non-financial reporting in the UK, which proposes to reclassify an estimated 7,000 "large" companies as "medium-sized" companies. This would effectively take such companies out of scope of the non-financial and sustainability reporting requirements. So, as the Government looks set to move towards more standardised sustainability reporting, there is also a move to reduce the number of companies in scope of the reporting requirements.

# OUR FINDINGS

## A COMPREHENSIVE VIEW FROM THE THAMES VALLEY

This section of the report analyses responses from 110 finance leaders in the Thames Valley, spanning small, medium, and large organisations. By examining their adoption of sustainability practices, governance roles, and awareness of new reporting standards, we uncover critical trends and challenges. With increasing awareness of things like SECR (Streamlined Energy and Carbon Reporting) and TCFD (Task Force on Climate-related Financial Disclosures) shaping the landscape, finance professionals must seize the opportunity to integrate sustainability into their strategic framework.

**Organisational Priorities and ESG Policy**

Across all company sizes, 61% of respondants confirmed that their organisation has an ESG (Environmental, Social, and Governance) policy in place, indicating that a majority of finance leaders are actively addressing sustainability at a governance level. Leadership accountability emerges as the primary driver, with 58% of ESG policies managed by senior leadership or boards. This demonstrates a top-down commitment to embedding sustainability into organisational values.

Breaking this down by size, larger organisations lead the way, with 89% reporting the presence of an ESG policy, largely driven by their senior leadership teams. Medium-sized firms follow at 54%, reflecting a growing but uneven adoption rate, while 53% of small firms have ESG policies. Smaller businesses often rely on ad hoc efforts rather than formalised strategies.

This disparity highlights both the progress made and the challenges faced by organisations of different sizes. Larger firms leverage ESG policies to meet stakeholder expectations and drive business goals, while medium and small firms face barriers related to resources and awareness. To overcome these challenges, all organisations should prioritise ESG integration. Large firms must continually align their policies with emerging global standards, medium-sized organisations should focus on scaling their efforts, and smaller businesses can explore partnerships or grants to initiate robust ESG strategies.

**Awareness of Reporting Standards**

Overall, 71% of respondents across all sizes are familiar with reporting standards such as SECR and TCFD, showcasing a commendable level of awareness among Thames Valley finance leaders. However, only 11% described themselves as “very familiar,” pointing to a significant gap in deep understanding, which could hinder effective compliance.

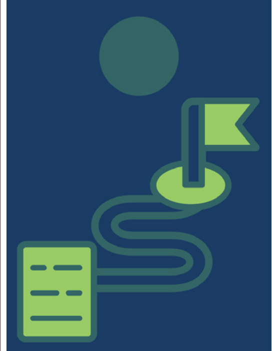
When segmented by size, 83% of larger organisations are familiar with these requirements, followed by 70% of medium-sized firms and 64% of small businesses. Larger organisations are more likely to invest in the expertise required to navigate regulatory landscapes, whereas smaller firms, with limited resources, are more vulnerable to the risks of non-compliance.

> **71% of respondants are aware of sustainability financial reporting standards but worryingly only 11% describe themselves as Very Familiar**



This gap highlights the importance of targeted training and resources to enhance familiarity with these standards. Larger organisations should continue their efforts to remain leaders in compliance and should share their insights through cross-industry collaboration. Medium-sized firms could benefit from building internal expertise or partnering with industry bodies for guidance. Smaller businesses may need simplified resources or external consultants to effectively bridge the knowledge gap.

INCONSISTENT APPROACH



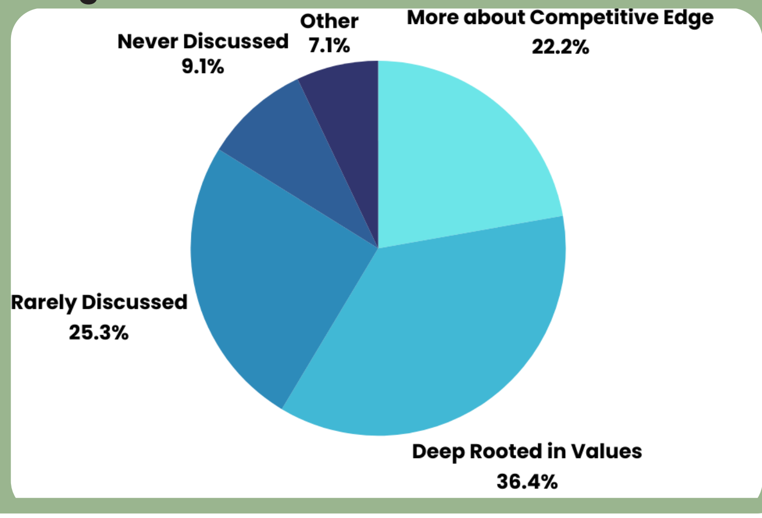
**Sustainability Reporting Practices**

Sustainability reporting practices are gaining traction, with 29% of respondents across all sizes indicating that their finance teams are involved in sustainability reporting. However, only 36% of these organisations produce Corporate Sustainability Reports (CSRs), revealing that reporting efforts remain inconsistent.

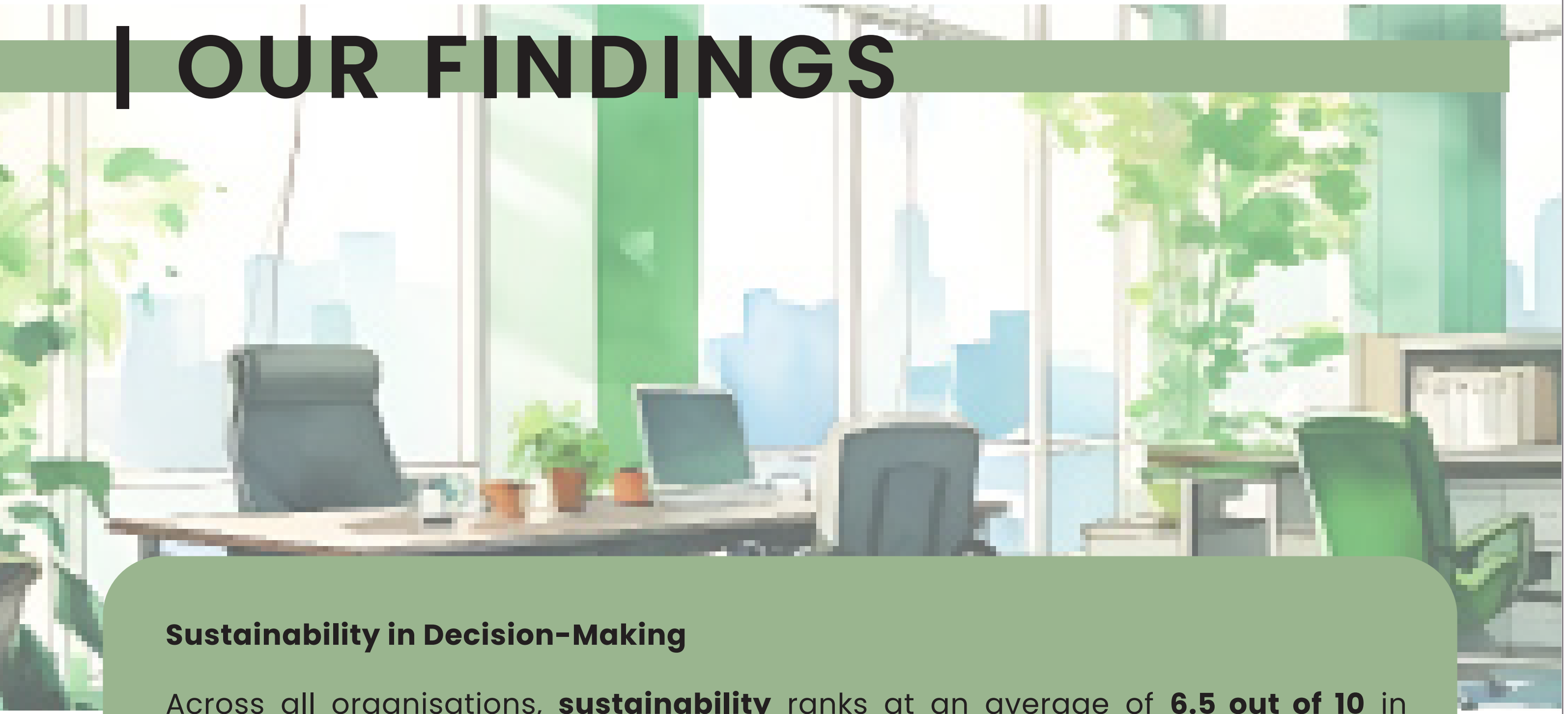
Among large firms, 71% produce CSRs as part of their annual reporting. Reporting is typically structured, with examples including greenhouse gas emissions tracking, progress against carbon goals, and compliance with international standards. For medium-sized firms, 34% produce CSRs, often focusing on frameworks such as SECR or EU Taxonomy KPIs. Small organisations lag significantly, with only 7% producing formal CSRs. Instead, their reporting is limited to basic activities, such as energy use tracking through invoices.

The range of responses to the question of what reporting was currently being done further illustrate the inconsistency. Large firms employ centralised systems, often involving dedicated teams abroad. Medium organisations reported selective compliance with key frameworks, while small businesses cited minimal or exempt reporting requirements. These variations reflect the need for scalable, tailored reporting solutions. Large firms should leverage their resources to set benchmarks for others, medium firms could streamline their processes for greater consistency, and small businesses could adopt incremental practices to build capacity over time.

**Sustainability in your organisation is............**



# OUR FINDINGS



### Sustainability in Decision-Making

Across all organisations, **sustainability** ranks at an average of **6.5 out of 10** in decision-making importance. This highlights a positive, albeit uneven, integration of sustainability into business strategies.

**Medium firms** stand out, rating sustainability highest at **7.3**, followed by **large firms** at **6.3** and **small firms** at **5.6.** Medium firms' flexibility allows them to innovate and integrate sustainability into strategic planning more effectively. Large firms, while resource-rich, may face challenges balancing sustainability with competing priorities. Small firms, constrained by resources, may struggle to prioritise sustainability over immediate operational concerns.

For **finance leaders**, these findings suggest a need to embed sustainability more deeply into decision-making frameworks. Smaller organisations should view sustainability as a growth enabler, identifying areas where it can reduce costs or unlock funding opportunities. Medium firms can build on their existing momentum by formalising KPIs linked to sustainability goals. Large organisations should ensure sustainability becomes a key metric for evaluating long-term profitability and risk.

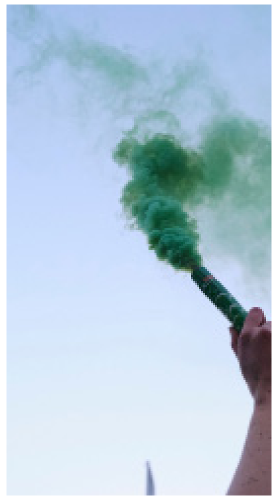
### Impactful Sustainability Initiatives

When asked about impactful initiatives, responses were diverse, reflecting the range of approaches businesses take to address sustainability. Common themes included carbon reduction, renewable energy adoption, and community engagement. Larger organisations often implemented structured, measurable initiatives tied to business outcomes, such as meeting investor expectations or reducing operational costs. Medium and small firms leaned towards initiatives that resonated with employees and local communities, such as supporting charities or enhancing workplace diversity.

These initiatives demonstrate the importance of aligning sustainability efforts with organisational capacity and goals. Larger firms should continue investing in measurable outcomes that showcase leadership and transparency. Medium organisations can focus on blending strategic initiatives with localised impact, while smaller firms might prioritise grassroots efforts that directly benefit their communities and employees. Periodic reviews and clear success metrics are essential for all organisations to ensure the effectiveness of these initiatives.



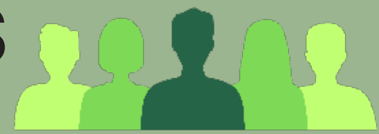
# IMPLICATIONS OF NEW STANDARDS



**New regulatory frameworks** like UKSRS will represent a turning point for sustainability in finance, requiring businesses to adopt comprehensive carbon accounting and disclose climate-related financial risks. While **71%** of organisations are familiar with these requirements, deeper understanding and compliance remain challenging for many, particularly smaller firms.

For finance leaders, this represents an opportunity to integrate sustainability into core operations. Large firms can enhance their frameworks by adopting cutting-edge technologies and setting industry benchmarks. Medium firms should focus on streamlining compliance processes to make them scalable, while small firms could start with basic measures, such as tracking energy use or seeking external guidance. These standards, while demanding, provide a clear pathway for embedding sustainability into financial governance and creating long-term value.

# YOUR THOUGHTS



**We asked what the most impactful initiatives your organisation has implemented..........**

# BENEFITS OF SUSTAINABILITY REPORTING

**Sustainability reporting** offers several advantages to UK organisations, extending beyond regulatory compliance to create value across financial, operational, and reputational dimensions.

**1. Enhanced Transparency and Accountability**

- **Investor Confidence:** Sustainability disclosures provide investors with critical information on risks and opportunities, fostering trust and confidence in the organisation's long-term value creation.
- **Stakeholder Trust:** Transparent reporting assures stakeholders—customers, employees, and regulators—that the organisation is committed to ethical and sustainable practices.

**2. Competitive Advantage**

- **Market Leadership:** Early adoption of sustainability reporting standards positions organisations as leaders in responsible business practices, enhancing their market reputation.
- **Access to Capital:** Companies with robust sustainability practices often attract investment from ESG-focused funds and lenders offering favourable terms.

**3. Risk Management and Resilience**

- **Identifying Risks:** Financial reporting on sustainability helps organisations identify and manage risks related to climate change, resource scarcity, and regulatory changes.
- **Long-Term Planning:** It enables businesses to anticipate disruptions, adapt to changing conditions, and build resilience into their operations.

**4. Operational Efficiency**

- **Cost Savings:** Monitoring energy use, waste, and resource consumption often leads to efficiency improvements, reducing costs over time.
- **Innovation:** Sustainability challenges encourage innovation in products, services, and processes, fostering a culture of continuous improvement.

**5. Alignment with Regulatory Requirements**

- **Compliance:** Aligning with frameworks such as IFRS S1 and S2 ensures organisations meet current and upcoming regulatory standards, reducing the risk of penalties or reputational harm.
- **Preparedness for Future Regulations:** Early adoption equips organisations to adapt to evolving regulations more effectively, avoiding last-minute compliance efforts.



**6. Improved Stakeholder Relationships**

- **Customer Loyalty:** Consumers increasingly prefer companies with strong sustainability commitments, which can enhance customer retention and brand loyalty.
- **Employee Engagement:** Demonstrating a commitment to sustainability helps attract and retain talent, particularly among younger generations who prioritise purpose-driven organisations.

**7. Better Decision-Making**

- **Data-Driven Insights:** Sustainability reporting generates valuable data that informs strategic decisions, from resource allocation to supply chain management.
- **Integrated Planning:** Combining financial and sustainability metrics creates a holistic view of the organisation's performance, enabling balanced decision-making.

**8. Contribution to Global Goals**

- **Support for Net-Zero and ESG Goals:** Sustainability reporting aligns organisations with national and international initiatives, such as the UK's net-zero ambitions and the United Nations Sustainable Development Goals (SDGs).
- **Collaboration Opportunities:** Organisations can partner with other businesses, governments, and NGOs to drive collective progress on sustainability.

**9. Improved Access to International Markets**

- **Global Standards Compliance:** Aligning with international sustainability standards, such as ISSB's IFRS S1 and S2, facilitates entry into global markets where ESG reporting is increasingly a requirement.
- **Trade and Partnerships:** Demonstrating sustainability credentials can make organisations more attractive to global partners and clients prioritising ESG considerations.

**10. Long-Term Value Creation**

- **Enhanced Reputation:** Sustainability reporting reinforces the organisation's commitment to societal and environmental well-being, strengthening its reputation.
- **Sustainable Growth:** Integrating sustainability into financial reporting ensures the organisation is well-positioned to thrive in a rapidly changing global economy.

# GET AHEAD OF THE GAME

To ensure readiness for the ISSB-aligned reporting requirements, organisations should consider the following suggestions. Dependent on the size of your organisation, you may not be in scope of the potential regulations but putting things in place early may give you that competitive edge we discussed in the previous section.

**Understand the Regulatory Landscape:**

- Monitor government and FCA consultations regarding UKSRS and it's implementation timelines.
- Engage with industry groups and regulatory bodies to stay informed of evolving requirements.

**Conduct a Gap Analysis:**

- Compare current reporting practices against IFRS S1 and S2 standards to identify deficiencies.
- Evaluate data collection processes, governance structures, and reporting technologies.

**Strengthen Governance and Internal Processes:**

- Develop cross-functional teams to integrate sustainability into financial and operational decision-making.
- Enhance board and leadership accountability for sustainability strategy and reporting.

**Invest in Data Infrastructure:**

- Implement systems to collect, analyse, and report sustainability-related data.
- Ensure the reliability, accuracy, and consistency of data across reporting periods.

**Engage Stakeholders:**

- Foster collaboration across the value chain to obtain comprehensive insights into sustainability impacts.
- Communicate with investors, employees, and other stakeholders to align expectations.



# CONCLUSION

Our findings reveal a clear progression in how organisations of different sizes approach sustainability. Across the Thames Valley, large firms lead the charge with structured policies and robust reporting, while medium and small businesses face varying challenges but also opportunities to innovate and align their efforts with strategic goals.

The introduction of more reporting regulation will offer a structured framework for organisations to enhance their sustainability initiatives, ensuring compliance and unlocking long-term growth. By addressing resource gaps and encouraging collaboration, finance leaders can position their organisations at the forefront of sustainable business practices.

While we appreciate the challenges this new reporting may present to businesses of all sizes, we hope this report goes some way to showing there is an appetite for change coming from business.

Hopefully you can recognise some of the benefits this refocus could bring to your organisation and that you have a couple of take aways on how to get your business ready for what is on the horizon.

By embracing financial reporting on sustainability, you can turn regulatory obligations into strategic advantages, creating long-term opportunity while contributing to broader societal and environmental goals.

2025

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