

Navigating *SUSTAINABILITY* REPORTING and TAXATION 2025



What does *IT MEAN*
for YOUR BUSINESS?

INTRODUCTION

As part of its Net Zero drive, the UK government is continually exploring the most effective ways of cutting emissions. Invariably, business has a key role to play in that transition.



The regulatory landscape is constantly shifting to encourage more sustainable business practices. Companies large and small need to keep up to speed to ensure compliance.

Measuring and reporting environmental and social performance is becoming a key part of business operations. That is partly driven by legislation, both home and overseas. Yet many businesses are choosing to collect and report this data voluntarily as part of their sustainability strategy or in response to pressures from key stakeholders.

Scrutiny of the claims and commitments organisations make is greater than ever. Stakeholders demand transparency and developing a robust reporting strategy will

help you gain a competitive advantage. Indeed, businesses do not always appreciate that understanding environmental and social impact is not only a moral imperative but can have a major impact on profitability.

For instance, having visibility of greenhouse gas (GHG) emissions helps businesses identify interventions that will drive efficiencies whilst meeting the demands of people, planet and prosperity. Those interventions might include finding ways of reducing energy consumption, minimising

waste, or keeping resources in the value chain. Reporting on your impacts is a win-win and should be embraced by any business wanting to future proof its operation.

Risk management is integral to strategic decision making and the most resilient businesses will be those that drive efficiencies to reduce impact. Future survival will also depend on effective adaptation. That means understanding and acting upon the threats posed by climate change and environmental degradation. In doing so, businesses can gain

a competitive edge and open new revenue streams by identifying products and services that support the sustainability agenda.

With increased environmental taxation, embracing more sustainable practices can also affect the bottom line. Ignoring the ESG agenda is becoming increasingly costly and there is no time to waste in starting your journey as an ethical and responsible business.

The **REGULATORY** LANDSCAPE

So far, UK regulations on sustainability reporting have focused on larger businesses that have a higher number of staff and greater turnover. Yet as the government gets closer to its Net Zero target date, it is ramping up its legislative drive. This means that companies large and small will be required to meet ever more stringent reporting requirements.

As the larger companies continue to face further scrutiny of their impacts, they are relying on their supply chains to help them meet their ESG goals and targets. This means that even if an SME supplier is not yet legally required to report on their own impacts, many are now feeling the downward pressure from the larger businesses who do have to adhere to mandatory reporting requirements.

Smart businesses will get ahead of the game. They will demonstrate their sustainability credentials at the same time as securing competitive advantage by taking a deep dive into their data. Many businesses are taking the opportunity to report on their impacts to satisfy customer requirements, meet the demands of more environmentally aware customers and to help reduce their energy bills.

Identifying and collating the data required is a challenge, especially when regulations continue to be changed and updated. Similarly, making the correct judgements on materiality can make disclosure a difficult task. It is important that business without in-house expertise turn to experts to guide them on their journey. Reporting is most effective when it forms part of an overarching sustainability strategy. More businesses than ever are recognising the advantages of putting sustainability at the heart of their strategic thinking.

Those acting now will be well positioned to navigate upcoming changes and have the agility to respond with ease over the years ahead. A clear plan that considers the bigger picture will allow you to implement and track the data you need to underpin your overall sustainability journey and create value for your organisation.



Smart businesses will
GET AHEAD
OF THE GAME.
They will demonstrate their
SUSTAINABILITY
CREDENTIALS
at the same time as securing
COMPETITIVE ADVANTAGE
by taking a deep dive into
THEIR DATA.

CURRENT REQUIREMENTS

SECR Streamlined Energy and Carbon Reporting



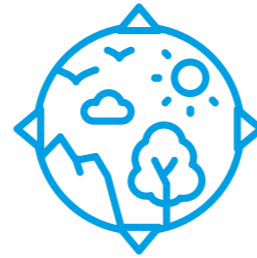
WHAT?

Reporting on energy use, carbon footprint and emissions



WHO?

**Turnover £36m+
Balance sheet £18m+
250+ employee



WHY?

To support carbon reduction plans and hit Net Zero

Introduced in 2019, the UK's Streamlined Energy and Carbon Reporting (SECR) policy requires qualifying businesses to disclose their energy use, carbon footprint, and greenhouse gas (GHG) emissions as part of their annual financial reporting.

**Its requirements apply to all UK listed and quoted companies and organisations already obliged to report under mandatory greenhouse gas reporting regulations. It also applies to large, unquoted companies that consume more than 40,000 kWh of energy in a reporting period and meet two of the following three qualifying criteria:

- Annual turnover of at least £36 million.
- Balance sheet assets of at least £18 million.
- Employing a minimum of 250 people

Unquoted qualifying companies must report on their UK energy use and scope 1 and 2 GHG emissions (quoted companies are required to report their global emissions and energy use) and at least one emissions intensity ratio. They also need to describe their energy efficiency and emissions reduction projects. SECR's "comply or explain" provision allows companies to leave out data that they are unable to collect, as long as they have a reasonable explanation. The UK government may integrate SECR with emerging Sustainability Disclosure Requirements (SDR) – see page 11.

It might not apply to you today, but it could tomorrow...
...be prepared.



TCFD

Financial Conduct Authority Task Force on Climate-related Financial Disclosures



WHAT?

Climate-related financial risk disclosures

The TCFD was established in 2015 in response to the climate crisis. It created a framework to help organisations understand the potential impact climate change has on business operations.



WHO?

500+ employees
Over £500 million in turnover

The framework covers four key areas – strategy, governance, risk management, metric and targets. At first, the reporting was voluntary but from April 2022 it became mandatory for Limited Liability Partnerships



WHY?

Understand the impact of climate change on business operations

(LLP's) and large companies to disclose climate-related financial information in their annual reports. The UK was the first member of the G20 to take this step and it marked a sea change in reporting regulation.

The new requirements affected around 1,300 of the UK's largest traded companies and financial institutions, together with private companies with a turnover of over £500 million and at least 500 employees. TCFD has now been consolidated into the IFRS S2 standards published by ISSB. UK companies can voluntarily use IFRS S2 as their chosen TCFD-aligned disclosure, although this is likely to be mandatory in the near future.

The idea is to give businesses greater insight into how climate change affects their business strategies. The hope is that by gaining greater understanding, they will not only build resilience but take measures to reduce their environmental impact and support the drive to Net Zero.

Up to now, SMEs have avoided reporting legislation, but the consensus is that it is only a matter time before they face

the same requirements. The ethically responsible ones will take the initiative. Many recognise the benefits of gathering and reporting on climate-related financial information as part of their wider sustainability strategy. They understand that it not only helps reduce environmental impact but gives them the information they need to adapt to a heating planet. This strategy will also improve the reputation of their brand, help attract new customers and secure a competitive advantage.

Larger business are required to report...
...SMEs will be next.



Up to now, **SMEs** have avoided **REPORTING LEGISLATION**, but the general consensus is that it is **ONLY A MATTER OF TIME**



ESOS

Energy Saving Opportunity Scheme



WHAT?

Energy assessment scheme requiring audits every four years



WHO?

More than 250 employees or over £44 million in turnover and an annual balance sheet of more than £38 million



WHY?

To identify energy saving opportunities.

This applies to larger business, but...
...every business benefits from measuring energy use.



The Energy Savings Opportunity Scheme (ESOS) is a mandatory energy assessment scheme managed by the Environment Agency. It applies to organisations that have more than 250 employees or a turnover of £44 million and an annual balance sheet of more than £38 million. The scheme requires businesses to either ensure that their significant energy usage is covered by an ISO50001 energy management system or carry out an audit of their energy usage every four years, assessing usage by buildings, industrial processes and transport.

The scheme has resulted in estimated annual efficiency energy savings of 1.65 TWh from buildings, 1.51 TWh savings for industrial processes, and 0.52 TWh of fuel efficiency. Changes to the scheme being introduced from the third compliance period onwards are £1.12 billion in energy bill savings for participants over that period. Phase 4 will introduce additional net zero requirements and is expected to be in place by 2027.

UK SOCIAL SUSTAINABILITY and DIVERSITY REPORTING



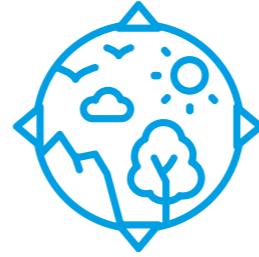
WHAT?

Reporting against diversity targets



WHO?

All UK listed companies



WHY?

To create a more diverse and inclusive UK workforce

Sustainability reporting is not all about measuring and communicating environmental impact. In 2022, the FCA announced that UK listed companies would be required to disclose progress toward diversity targets. This relates to the representation of women and ethnic minorities on boards and within executive management. Disclosure should be made for accounting periods from 1 April 2022 regarding the following targets.

- At least 40% of the individuals on the company's board of directors are women.

- At least one of the company's senior board positions (Chair, Chief Executive Officer, Senior Independent Director or Chief Financial Officer) is held by a woman.

- At least one member of the company's board is from a minority ethnic background (i.e., excluding those listed by the Office for National Statistics as coming from a White British or other White ethnic background).

If companies have not met the targets, they must provide an explanation.

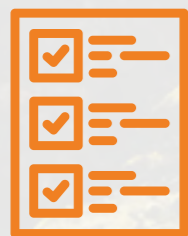


CSRD Corporate Sustainability Reporting Directive

Are you
operating
in the EU?



This directive
is relevant
to you.



WHAT?

Reporting on
"sustainability matters"



WHO?

Large businesses and
listed SMEs operating
in the EU



WHY?

To share information on
environmental impacts

The EU is ramping up environmental reporting requirements. Member states are now legislating to require larger businesses and listed SMEs to extend their reporting to cover wider "sustainability matters". This will incorporate new areas including nature and biodiversity. In-scope companies will now have to report on a wide range of ESG metrics on a double materiality basis. This means that they must identify both external impact on society and the environment, as well as the impact on the enterprise value.

According to PwC, the CSRD data requirement is intensive, with more than 1,000 data points to report on across 10 key ESG topics, including pollution, resource use and biodiversity. Disclosures must cover qualitative and quantitative measures spanning the entire value chain.

Double materiality applies, meaning that business must consider how it is impacted by sustainability risks and opportunities, as

well as how its own activities impact society and the environment.

Even though the UK has now left the EU, UK companies with EU listed subsidiaries may need to report if they exceed at least two of the following criteria:

- more than 250 employees
- a turnover of more than €40 million; or
- total assets of €20 million.

In addition, CSRD applies to non-EU undertakings with annual EU-generated revenues more than €150 million and at least one EU branch with €40 million turnover OR an EU subsidiary with more than 250 employees OR is listed on an EU regulated market. For these businesses, CSRD will become mandatory from financial year 2028.

CSDDD

Corporate Sustainability Due Diligence Directive

How sustainable is your value chain?
It is time to gain insight.




WHAT?

A framework for supply chain due diligence



WHO?

Large businesses operating in the EU



WHY?

To undertake sustainability due diligence on value chains

The directive aims to establish a European framework for a responsible and sustainable approach to global value chains. It requires companies to take responsibility for the environmental and human rights of their operation and its supply chain by conducting due diligence. Once those risks are identified, they must demonstrate how they will address those risks and regularly report on their progress.

For non-EU companies, CSDDD applies to businesses with a net turnover in the EU of

more than €450 million. Parent companies of a group that meet the criteria are also in scope. It also applies to non-EU companies that have franchising or licensing agreements with a return of more than €22.5 million in royalties and a net worldwide turnover of more than €80 million.

The directive was approved by the European Council in April 2024, with full enforcement starting in 2027. Qualifying UK companies are recommended to start preparing now.





ESRS

European Sustainability Reporting Standards

Are you using the right reporting standards?



WHAT?

Standards for reporting on sustainability impacts

ESRS are a set of requirements developed by the European Financial Reporting Advisory Group for companies to report on sustainability-related impacts, opportunities



WHO?

Companies subject to CSRD

and risks. They outline requirements for 10 environmental, social and governance topics and are used to support the implementation of CSRD.



WHY?

To standardise the reporting of ESG opportunities and risks



FUTURE FOCUS

This is a fast-changing landscape and there are many other sustainability-related reporting requirements on the horizon. It is important to keep your finger on the pulse and stay abreast of new legislation that might impact on your business.

The UK Green Taxonomy consultation is still ongoing, but a framework is expected in 2025. This comes in the wake of existing EU regulation and is designed to define which economic activities and investments can be classed as environmentally sustainable. It will focus on improving levels of sustainable investment across the economy and help people make more informed decisions. The Government believes it will help mobilise investment into green activities and help tackle greenwashing.

Progress has been slow, but consultation is expected to begin shortly. Many argue that a science-based taxonomy is critical if the UK is to meet its Net Zero target.

SDR Sustainability Disclosure Requirements



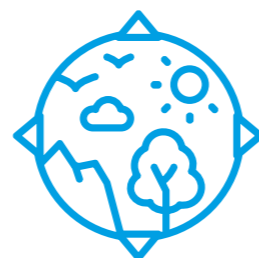
WHAT?

Future framework to combine sustainability reporting regulations



WHO?

Potentially all UK businesses



WHY?

To use reporting to support the drive to Net Zero

In October 2021 the UK Government announced plans to introduce new Sustainability Disclosure Requirements (SDR). As part of the drive to Net Zero, SDR will mark a new era for sustainability reporting, making it mandatory for more companies to report across more areas. It will also introduce the concept of "double materiality", requiring businesses to indicate both how issues around sustainability impact the company and how the company's activities impact the environment and society.

May 2024 saw the release of a framework for creating the UK Sustainability Reporting Standards (SRS) requiring corporate disclosure on sustainability-related risks and opportunities. It will be overseen by the Financial Conduct Authority (FCA) and

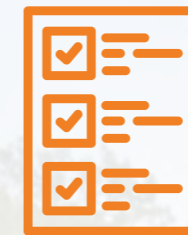
apply to those businesses who are currently in scope for TCFD-aligned disclosures. The government is currently consulting on the framework, and it is expected the regulation will come into force from 2026.

TRANSITION PLAN DISCLOSURES

In April 2022, the government launched the Transition Plan Taskforce (TPT) to provide companies with a framework to communicate their plan to achieve net zero to their stakeholders. Companies required to make TCFD disclosures are currently obliged to present their plans, but this requirement is likely to be extended to other businesses as part of SDR.

TNFD

The Taskforce on Nature-Related Financial Disclosures



WHAT?

Future reporting framework to support the protection of biodiversity



WHO?

Potentially all UK businesses



WHY?





To direct investment to support natural capital

Nature-related disclosures will form a key component of future regulation. Pressure is mounting to use reporting measures to disclose impacts on biodiversity and highlight the need to protect our precious ecosystems. Biodiversity loss is a major challenge and business will play a key role in adapting activities to minimise damage to flora and fauna and start to take a regenerative approach that puts nature at the heart of future economic strategies.

In 2023 TNFD launched its first framework for nature related disclosures designed to help mitigate risk and direct financing to support nature positive outcomes. It recognises that our economy is dependent on natural capital and must do more to protect it. Although not mandatory, the framework builds on TCFD and helps businesses and institutions to understand

and report on the impact of their activities on nature.

Like TCFD, the TNFD framework consists of four pillars of governance, strategy, risk management, and indicators and targets. For each pillar, organisation should consider nature-related factors covering impacts, dependencies, risks and opportunities. The taskforce has recommended that they address TNFD by taking the LEAP approach:


-  **Locate** – Identify where the risks exist that are relevant to their business.
-  **Evaluate** - Diagnose their dependence and impact.
-  **Assess** – Assess the risks and opportunities.
-  **Prepare** – Prepare disclosures

INVESTMENT LABELS and TACKLING GREENWASHING


The Financial Conduct Authority has introduced new measures to help investors identify funds that meet their sustainability objectives. The intention is to combat greenwashing and give consumers the information they need to decide whether investments described as sustainable really meet the mark.


From 31 July 2024 labels will start appearing on some investment funds to indicate that they have a specific environmental or social goal. They provide information on what that goal is, the approach to achieving it and an annual progress update.

If a fund does not include a label but is making sustainability claims, investors will be provided with an explanation as to why. Funds can choose to use four different investment labels if they meet the qualifying criteria:

 **Sustainability Focus:** Funds invested mainly in assets that focus on sustainability for people or the planet, such as renewable energy.

 **Sustainability Improvers:** Funds invested mainly in assets that aim to improve their sustainability, including companies that are on a credible path to net zero by 2050.

 **Sustainability Impact:** Funds invested mainly in solutions to sustainability problems, such as social housing.

 **Sustainability Mixed Goals:** Funds invested mainly in a mix of assets that either focus on sustainability, aim to improve their sustainability over time, or aim to achieve a positive impact for people or the planet.

In May 2024 the FCA also introduced an “anti-greenwashing rule” for all regulated firms making sustainability-related claims about their products or services. It requires them to ensure their claims are fair, clear and substantiated by reliable and up-to-date information. The rule applies to all FCA-authorized firms that communicate with clients in the UK in relation to a product or service, or a financial promotion (or approve a financial promotion for communication) to a person in the UK.

New naming and marketing rules also come into effect on 2 December 2024, restricting the use of sustainability-related terminology. They sit alongside the Competition and Markets Authority’s (CMA) Green Claims Code which sets out 6 key points to check your environmental claims are genuinely green.



ESG TAXATION

Alongside reporting regulations, there have been a series of environmental taxes introduced to encourage businesses to make more responsible choices and help meet Net Zero targets. Refer to our taxation timeline to learn more about the market has evolved and to check whether you are compliant.

1994 AIR PASSENGER DUTY



WHAT?

A tax on all passengers taking flights originating in the UK. Transit passengers must pay if their stopover in the UK is more than 24 hours.



WHY?

To raise money for the Treasury but it may have wider environmental benefits in discouraging people from using a mode of transport which is highly carbon intensive.



HOW MUCH?

Rates from 1 April 2024

⁽¹⁾ If any class of travel provides a seat pitch in excess of 1.016 metres the standard rate is the minimum rate that applies.

⁽²⁾ The higher rate applies to flights aboard aircraft of 20 tonnes and above with fewer than 19 seats.

Bands (distance in miles from London)	Reduced rate (lowest class of travel)	Standard rate ⁽¹⁾ (other than the lowest class of travel)	Higher rate ⁽²⁾
Domestic band	£7	£14	£78
Band A (0 to 2,000 miles)	£13	£26	£78
Band B (2,001 to 5,500 miles)	£88	£194	£581
Band C (over 5,500 miles)	£92	£202	£607



1996 LANDFILL TAX



WHAT?

You are liable for Landfill Tax if your business gets rid of waste using landfill sites. You will also have to pay it if you are disposing of waste at sites not authorised for landfill, in which case you may also have to pay a penalty or be taken to court.



WHY?

Landfill generates significant carbon emissions. The tax is intended to encourage businesses to rethink their waste management strategies and do more to reduce, reuse and recycle.



HOW MUCH?

The tax is added on top of any normal landfill fees and is charged by weight. It is paid at two different rates. The lower rate applies to 'inactive waste' like rocks or soil and in April 2024 is set at £3.30 per tonne. The standard rate is £103.70 per tonne and relates to "active" waste that will either decay or contaminate land over time. There are some exemptions.

2001 CLIMATE CHANGE LEVY



WHAT?

Businesses in the industrial, agricultural, commercial and public services sectors are charged the tax based on the amount of gas and electricity they use. It is paid to your energy provider as part of your monthly bill. There are some exemptions.



WHY?

The tax is designed to encourage more energy efficient operations and reduce the UK's carbon footprint.



HOW MUCH?

The amount paid is based on your energy consumption and is charged at different rates. The Main Rates are paid on electricity, gas and solid fuels. You may be eligible for a reduced rate if you are an energy-intensive business and enter into a Climate Change Agreement with the Environment Agency. Owners of electricity generating stations and combined heat and power stations operators will pay CPS Climate Change Levy rates.

Taxable commodity	Rate from 1 April 2024
Electricity	£0.00775 per kWh
Natural gas	£0.00775 per kWh
LPG	£0.02175 per kg
Any other taxable commodity (solid fuels)	£0.06064 per kg

2002 AGGREGATES LEVY



WHAT?

This is a tax on sand, gravel and rock that has either been dug from the ground, dredged from the sea in UK waters, or Imported.



WHY?

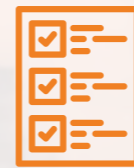
This environmental tax was introduced to reduce the negative environmental impacts of aggregate extraction and encourage recycling and use of by-products from other industrial processes.



HOW MUCH?

You must register with HMRC if you exploit aggregate in the UK and report how much you have produced or sold every quarter. You pay tax of £2.03 per tonne and less for smaller amounts, for example £1.015 on half a tonne. You can get tax relief if you export aggregates or use them in some industrial or agricultural processes. If you do not use the material as aggregate it may be eligible for relief.

2021 EMISSIONS TRADING SCHEME (ETS)



WHAT?

ETS is a system of carbon reduction and trading for UK businesses in energy-intensive sectors. It replaced the EU's ETS following Brexit. Emitters in energy-intensive industries like steelmaking, glassmaking, power generation and aviation need to apply to the UK ETS regulator for a greenhouse gas emissions permit.



WHY?

The trading scheme is designed to reduce emissions by imposing a cost and therefore creating a financial incentive for decarbonisation. It is aligned to the UK's Net Zero 2050 target.



HOW MUCH?

Following the "cap and trade" approach, a maximum cap is set on total emissions and every unit up to that level is part of a system of tradeable allowances. The cap is lowered each year, raising the cost for businesses and incentivising emissions reduction and adoption of green technologies.

2022 PLASTIC PACKAGING TAX



WHAT?

This is a tax on packaging that is imported or manufactured or finished in the UK and which contain less than 30% recycled content. If you have manufactured or imported 10 or more tonnes of plastic packaging in the last 12 months, you may need to register for the tax.



WHY?

Plastic waste is having a devastating impact on the environment. The tax provides an economic incentive for businesses to use recycled material in the production of plastic packaging or look at alternative packaging materials. The government's rationale was that this will lead to greater demand for recycled plastic, driving up recycling rates and diverting plastic from landfill.



HOW MUCH?

Once you have met the 10-tonne threshold and registered your liability for Plastic Packaging Tax you need to submit a return to HMRC four times a year. Check if your packaging is in scope. From 1 April 2024 qualifying businesses need to pay £217.85 per tonne. Pay any tax due no later than the last working day of the month following the end of the accounting period you are reporting.

2023 EU CARBON BORDER ADJUSTMENT MECHANISM



WHAT?

This mechanism is a tax on carbon emitted during the production of carbon intensive goods that are entering the EU. These include cement, iron and steel, aluminium, and fertilisers. The UK plans to introduce its own Carbon Border Adjustment Mechanism in the near future.



WHY?

The tax is designed to create a level playing field. It is intended to put a fair price on carbon during the production of goods entering the EU. As part of the drive for decarbonisation, it encourages cleaner industrial production in countries outside of Europe.



HOW MUCH?

The first emissions reporting deadline for UK exporters to the EU was January 2024 and from 2026 UK businesses exporting high-emission goods to the EU will need to buy CBAM certificates equivalent to the weekly EU carbon price. The UK has announced plans to introduce its own mechanism, expected in 2027.

ON THE HORIZON

The regulatory environment is fast changing, and it is important to keep abreast of what is happening on a national and international level. For instance, in February 2025, the European Commission published its proposed omnibus legislation. It aims to significantly modify the scope and reporting

requirements for CSRD, EU Taxonomy and CSDDD. There are also plans to make amendments to CBAM. The proposals will now be scrutinised by the European Parliament and the European Council and, if adopted, will be transposed into member state legislature.

ACT NOW

As regulation ramps up, there has never been a better time to embark on sustainability reporting. Greater transparency around environmental and social impacts is not only a moral imperative but it makes business sense. Companies cannot afford to be left behind.

Those that bury their head in the sand not only risk falling foul of regulators but will fail to meet the needs of customers and

supply chains. Effective reporting offers a competitive advantage. It provides transparency, gives stakeholders confidence and reduces the risk of greenwashing.

In the not-too-distant future, sustainability reporting will be mandatory for all UK businesses. The savvy ones will embrace it as an opportunity to gain a competitive edge and put sustainable practice at the heart of their growth strategy.



TRUSTED *SUSTAINABILITY* PARTNER

Reporting is an important element of sustainable business, but organisations must take a holistic approach. It is critical that all stakeholders understand the drivers and appreciate how it sits within a wider strategy to become a more ethical and responsible business.

Reporting is most effective when it forms part of a robust sustainability strategy. At Wylde Connections we help businesses transform their operation through our Five Step Model of ASSESS, DEVELOP, IMPLEMENT, ENGAGE and TRANSFORM. Our team of experts is

there to support clients with all aspects of reporting and will maximise its business and planetary benefits.

Wylde's unique blend of services includes self-directed masterclasses and workshops, tutor-led training programmes, and sustainability planning consultancy, development and implementation.



To find out more about how we can help with your reporting and support you on your sustainability journey, get in touch or book a Discovery Call.



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