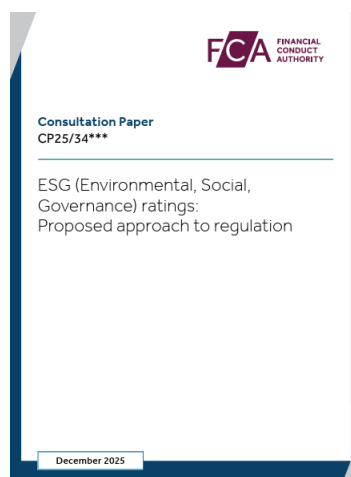




Financial Conduct Authority

CP25/34

ESG ratings: Proposed approach to regulation



IOSH submission: 29 March 2026

FCA CP25/34 ESG ratings: Proposed approach to regulation

About IOSH

The Institution of Occupational Safety and Health (IOSH), the Chartered body for occupational safety and health professionals, with 50,000 members in more than 130 countries. As a Chartered body, we have charitable and international NGO status. We are also listed on the EU Transparency Register (No. 913858710558-02). As an international non-profit organisation, IOSH ethically influences important decisions that affect the safety, health and wellbeing of people at work worldwide. We responsibly collaborate with governments, advise policymakers, commission research, set standards, engage with global, regional and local organisations and run high-profile campaigns to promote awareness of occupational safety and health (OSH) issues.

This response has been produced on behalf of IOSH. We consent to our response being made public and I consent to being publicly named as a respondent to the consultation.

IOSH welcomes the opportunity to contribute to this consultation and will respond only to those questions that fall within our remit and expertise, specifically where they relate to occupational safety and health, social sustainability, workers' rights and protections, and the integrity of non-financial reporting.

Introduction to IOSH and our specific policy and advocacy relating to ESG

IOSH continues to play a leading role in shaping the global conversation on Environmental, Social and Governance (ESG) standards by championing the centrality of occupational safety and health (OSH) within social sustainability and emerging non-financial reporting frameworks. As organisations face increasing expectations to demonstrate responsible and sustainable performance, IOSH has actively engaged with policymakers, regulators and standard-setting bodies to ensure that worker health, safety and wellbeing are recognised as core indicators of social value.

Through formal consultations with the International Sustainability Standards Board (ISSB), the European Commission and the UK Government, IOSH has advocated for stronger OSH metrics, clearer reporting requirements and greater alignment between sustainability disclosures and risk-management practices. IOSH has also contributed expert evidence to the development of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), emphasising that safe and healthy work is fundamental to long-term organisational resilience. IOSH has also contributed to previous consultations on the SASB Standards—covering all active projects that were subsequently transferred from the SASB Standards Board to the International Sustainability Standards Board (ISSB) under the IFRS Foundation—ensuring that occupational safety and health considerations remain embedded within the evolving global sustainability disclosure framework.

Beyond regulatory engagement, IOSH has collaborated with global partners to build capacity, publishing guidance on integrating OSH into ESG strategies and supporting members to

navigate new reporting obligations. By promoting robust, people-centred non-financial reporting, IOSH continues to influence policy and practice, ensuring that the protection of workers remains at the heart of sustainable business performance.

IOSH's Catch the Wave campaign¹ and related materials² has been pivotal in reframing occupational safety and health as a core driver of social sustainability. By urging organisations to “ride the wave” of sustainable business, IOSH positions OSH not as a compliance exercise but as a strategic enabler and investment in people, resilience and long-term value creation. The campaign's publications—such as its reports on social sustainability, responsible supply chains and the value of good work—provide clear evidence that protecting workers strengthens organisational performance and societal wellbeing. IOSH's guidance helps leaders integrate OSH into ESG strategies, highlighting issues like decent work, worker voice and human-centred risk management. Through this work, IOSH has advanced the global understanding that social sustainability begins with safe, healthy and dignified working lives.

IOSH has long contributed to the development of international standards - through our role as Category A liaison on ISO TC 283 occupational health and safety management systems and on the BSI HS/1 mirror committee - that strengthen the visibility of occupational safety and health within human-capital and sustainability reporting. **ISO 30414 (Human Capital Reporting)**, provides organisations with a structured approach to reporting on people-related metrics, including workforce wellbeing and safety. This work complements **ISO 45001**, the global standard for occupational health and safety management systems, which establishes the framework for preventing harm and promoting safe, healthy working environments. Together, these standards reinforce the principle that human-capital reporting must reflect real OSH performance. In addition, **GRI 401 (Employment)** and its associated OSH-related disclosures – including **GRI 403 (OSH)** - provide further alignment by embedding worker safety, health and decent-work considerations into sustainability reporting. Collectively, these frameworks support more consistent, comparable and meaningful social-sustainability metrics.

IOSH Response

Question 3: Do you think existing regulatory regimes sufficiently address the risk of harm? If not, which areas do you think need to be addressed and why?

IOSH does not believe that existing regulatory regimes sufficiently address the risk of harm, particularly where occupational safety and health performance intersects with non-financial reporting, workers' rights and wider ESG expectations. Current frameworks often overlook the materiality of OSH risks, despite clear evidence that poor working conditions, weak worker voice and inadequate risk management create significant harm for individuals and systemic vulnerabilities for businesses and supply chains. IOSH's previous submissions to similar consultations have consistently highlighted gaps in mandatory disclosure requirements, noting that organisations with poor OSH records can continue to operate with limited transparency and minimal consequences.

Regulatory regimes also fail to capture the full spectrum of social harm, especially in high-risk sectors and global supply chains where weak oversight enables unsafe practices, labour

¹ Institution of Occupational Safety and Health. Catch the wave. Harnessing the power of social sustainability. 2022.

² Institution of Occupational Safety and Health. Wave generation: a model approach to socially sustainable safety and health. May 2022.

exploitation and chronic under-reporting of incidents. IOSH has argued that stronger, standardised OSH metrics—aligned with sustainability reporting frameworks such as ISSB, ESRS and IFRS—are essential to ensure comparability, accountability and meaningful scrutiny. Strengthening regulatory expectations around worker engagement, due diligence and the reporting of leading indicators would significantly enhance the ability of regulators, investors and workers to identify harm early, so as to prevent that harm from happening, implement mitigations and drive improvements. Without these reforms, risks to people and businesses will remain insufficiently addressed.

Question 4: Do you agree with the proposed minimum public disclosures listed in Table 2? If not, please specify what you disagree with and why.

IOSH supports the principle of minimum public disclosures but does not believe the proposed list in Table 2 is sufficient to ensure meaningful transparency or to address the full spectrum of harm associated with poor occupational safety and health practices. IOSH's previous evidence to UK, EU and international consultations have consistently shown that OSH is a material factor for organisational resilience, workforce wellbeing and long-term value creation. Yet OSH-related disclosures remain limited, inconsistent and often focused solely on lagging indicators – that are reactive and look solely at historical data and performance that has already happened – such as incident and injury rates, which fail to capture underlying root causes, risks or systemic weaknesses. Without leading indicators and predictive future focused indicators, the ability to focus on prevention efforts will be missed.

The proposed disclosures do not adequately address businesses with poor OSH records, nor do they require organisations to report on leading OSH indicators, worker engagement mechanisms, supply-chain due diligence.

Question 8: Do you agree with our general expectations for transparency? If not, please specify what you disagree with and why.

IOSH supports strong expectations for transparency but believes the proposals must go further to ensure meaningful disclosure of human capital and occupational safety and health performance. As IOSH notes, stakeholders require data that is *“meaningful... reliable and true... tracked, compared and used to inform decisions”*³. Current transparency expectations do not sufficiently address long-standing issues such as inconsistent OSH definitions, lack of standardised indicators, and the dominance of lagging data, all of which hinder comparability and mask poor practices. IOSH therefore advocates strengthened, harmonised transparency requirements that include leading indicators, human-centred OSH metrics and clearer reporting on worker protection and rights.

Question 15: Do you agree with the proposed approach for stakeholder engagement? If not, please specify what you disagree with and why, and if you have identified any gaps.

IOSH supports strong stakeholder engagement but believes the proposed approach must place far greater emphasis on the role of civil society in shaping social-sustainability reporting. Civil society groups are essential to this, as they highlight social harms, poor social practices and gaps in transparency. IOSH therefore recommends strengthening engagement mechanisms to ensure civil society can meaningfully influence metrics, comparability and accountability.

³ Jones, R. Meaningful OSH performance reporting and a new social license to operate. Discussion paper for InGRID-2 expert workshop on OSH policy indicators CIOP-PIB, Poland. October 2020.

Question 16: Do you agree with the proposed approach for complaints handling? If not, please specify what you disagree with and why.

IOSH does not agree that the proposed complaints-handling approach is sufficient, particularly given long-standing evidence of weak worker voice and ineffective mechanisms for raising OSH and labour concerns. Many workers—especially migrant, vulnerable and lower-tier supply-chain workers—lack safe channels to report harm or poor OSH practices, we therefore recommend more robust, worker-centred complaints systems, with protections against retaliation and clearer oversight to ensure concerns lead to corrective action.

Question 24: Do you agree that the threshold to define larger ESG rating providers should be a forecast annual revenue of £250,000 or more? If not, please explain why you disagree.

This threshold differs with the scope applied in comparable EU sustainability reporting regimes, which were originally designed to capture companies representing a far larger share of the labour market and economic activity. As IOSH notes, it is true that EU frameworks such as the Non-Financial Reporting Directive were introduced because reported information was “*insufficiently comparable or reliable*” and because many companies from which users needed information “*do not report it*”. A threshold as low as £250,000 risks creating similar fragmentation by capturing very small providers while failing to ensure consistency, quality and oversight across the broader ESG ratings market. IOSH therefore recommends aligning thresholds more closely with EU practice to support harmonisation, improve comparability and ensure that ESG assessments meaningfully reflect social and OSH-related risks.

Across the EU, sustainability reporting requirements have deliberately been designed to apply to larger companies with significant economic and labour-market presence, ensuring that disclosures meaningfully capture social, environmental and OSH-related risks. Under the original Non-Financial Reporting Directive (NFRD), only large public-interest entities with over 500 employees were required to report. This threshold ensured that reporting obligations targeted organisations with substantial societal impact, rather than small entities with limited systemic relevance. With the introduction of the Corporate Sustainability Reporting Directive (CSRD), the EU expanded the scope even further—not by lowering revenue thresholds to very small levels, but by bringing in all large companies (meeting two of: 250 employees, €40m turnover, €20m balance sheet) and listed SMEs, while still exempting micro-enterprises. This legislation has been significantly diluted, with narrowed company thresholds and reduced due-diligence obligations.

The intention was to improve data quality, comparability and accountability by focusing on companies whose operations, supply chains and workforce size create material sustainability impacts. This approach reflects a core EU principle: robust ESG reporting requires proportionality, targeting organisations with the scale and influence to affect workers, markets and society.

Question 26: Do you have any comments on our proposal to apply the same approach to enforcement investigations and actions to rating providers as we do to other regulated firms, as set out in ENFG? If yes, please specify.

The FCA’s proposed regime applies to both UK-based and foreign ESG ratings providers offering services in the UK. However, and in our opinion, enforcing compliance on non-UK providers presents several challenges:

- **Regulatory divergence:** Providers operating across multiple jurisdictions may prioritise compliance with larger markets, leading to partial alignment with UK rules.

- **Enforcement complexity:** Monitoring foreign firms' methodologies, governance structures, and conflict-management processes will require significant FCA resources.

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