

Primary Markets Policy Team  
Financial Conduct Authority  
12 Endeavour Square  
London E20 1JN

By email

20 March 2026

Dear Primary Markets Policy Team,

**Listing Authority Advisory Panel and Markets Practitioner Panel joint response to the FCA's CP26/5: Consultation on aligning listed issuers' sustainability disclosures with international standards**

The FCA Listing Authority Advisory Panel (LAAP) is an independent statutory panel that advises the FCA on policy issues which affect issuers of securities, and on policy and regulation proposals from the FCA listings function. Similarly, the FCA Markets Practitioner Panel (MPP) is an independent statutory panel. It advises the FCA on policy issues, regulatory proposals and other strategic matters that are likely to affect wholesale financial markets. The FCA is required to establish and maintain these Panels under FSMA. The FCA Board appoints Panel members and not as representatives of any individual firm; they are expected to contribute to the respective Panels from the perspective of wholesale and securities markets or the primary market sub-sector in which they are working, drawing on their personal experience and expertise and industry sentiment more generally. This joint response reflects views widely held by LAAP and MPP Members and does not necessarily imply unanimity.

In September 2025, LAAP responded to the UK Government's consultation on the UK Sustainability Reporting Standards (UK SRS) and as such continues to hold similar views in the context of the FCA consultation. In principle, both LAAP and MPP support the ISSB standards and the UK SRS as a consistent, global baseline of sustainability related information that can support investor capital allocation decisions and improve comparability across markets. The standards also present an opportunity to help reduce complexity arising from the growing number of domestic and international sustainability reporting requirements faced by companies.

However, we believe that implementation must be pragmatic, proportionate and clearly aligned with international practice, taking full account of corporate readiness, the diversity of companies across the Main Market and London's international competitiveness as a listing venue.

**Our position (relevant to Question 1, 2 and 3)**

We do not support the scope of the FCA proposal, in particular the mandatory application of UK SRS requirements to all commercial companies listed on the Main Market. This proposal is not, in our view, proportionate and does not reflect the material uplift UK SRS represents relative to current UK climate reporting requirements. Our suggested alternative approach would be to make UK SRS available on an equivalence basis, allowing voluntary adoption to meet existing TCFD aligned requirements. Following a period of voluntary adoption, the FCA could assess voluntary uptake and market feedback and, subject to evidence of net benefits, consider a comply or explain or mandatory approach with appropriate size thresholds and timescales.

Our position is anchored in three core considerations: the uplift required for corporates, the implications for international competitiveness and the current lack of sufficient evidence on the balance of costs and benefits. These considerations underpin our response.

## **1. Uplift for corporates**

Although UK SRS S2 is built on TCFD, S2 is a more prescriptive, financially integrated, materially broader standard. Critically, more than 50% of IFRS S2's cross-industry disclosure requirements are additional to TCFD and a further 26% require substantially more detail. As a result, new data collection, internal controls and governance enhancements must all be put in place to comply with S2. This represents a meaningful effort and expense (particularly for SME's) at a time when organisations are already contending with several macroeconomic pressures.

While TCFD-aligned reporting has been in place for some time, the level and quality of disclosures remain uneven across listed companies. As a result, the transition to UK SRS will constitute a more substantial step change for the portion of the market that is still developing and maturing its TCFD aligned climate disclosures.

To this point, we encourage the FCA to consider the current level of reporting across the full spectrum of the market. There is a risk that relying predominantly on feedback from larger FTSE 100 entities, many of which are already preparing for, or aligning with, European CSRD requirements, may provide a skewed and overly optimistic picture of market preparedness. Ensuring that the perspectives of midcap and smaller listed companies are equally reflected will help support a more proportionate, evidence based regulatory approach. It is also important to take into consideration the fact that FTSE 100 businesses may attract a very different institutional investor base compared with a small cap company, and as such the depth of sustainability information they require may vary.

## **2. International Competitiveness**

Whilst 40 jurisdictions are described as adopting or working towards adoption of the ISSB standards, the form, scope and timeline of implementation differ substantially from country to country. When you look at this level of detail, the FCA proposal would position London's Main Market as an outlier. This would be at odds with the objectives of the UK's wider capital markets reform agenda, which aims to enhance competitiveness, reduce friction and attract international listings. Other jurisdictions have seemingly sought to balance alignment with ISSB standards against proportionality and market readiness, utilising combinations of size-based thresholds, phased implementation and voluntary application.

From a competitiveness perspective, the most relevant comparisons are the US and the EU, which remain the UK's primary rivals for listings. In the US, there remains no sustainability reporting at the federal level, while the EU has adopted comprehensive sustainability reporting standards but applies them through size-based thresholds, which if applied to the Main Market would descope a significant proportion of companies.

Even modest regulatory differentials can influence primary and dual listing decisions for a company. For internationally mobile issuers, particularly those considering primary or dual listings, the absence of mandatory sustainability reporting in the US remains a meaningful factor in listing decisions.

This proposal therefore risks widening the regulatory differential between the UK and its principal global competitor for listings, the US. As noted above, the EU's size-based approach creates a further adverse differential with the EU (in the context of competitiveness this covers new listings but also existing listed companies considering whether to maintain listings in London).

### **3. Lack of Evidence**

There is currently, in our view, insufficient evidence that the benefits of mandatory UK SRS disclosures for all Main Market issuers would outweigh the costs for corporates, particularly for smaller and mid-sized issuers. Feedback to the UK Government's recent consultation on UK SRS highlighted concerns about implementation costs, operational burden and a lack of clear evidence that additional disclosures would deliver proportionate market benefits.

In practice, many of the anticipated benefits of expanded mandatory reporting are therefore assumed rather than demonstrated. Investor engagement continues to focus primarily on climate-related risks, with broader sustainability information typically requested only where it is clearly sector-specific or financially material. Where issues represent genuine risks to enterprise value, companies already have strong incentives to disclose them under existing frameworks. It is therefore unclear that mandating additional disclosures will materially improve market outcomes.

A blanket approach to mandating UK SRS suggests investor demand is uniform. Asset owners, active managers, passive managers and specialist ESG teams seek different types and levels of information. Increased disclosure does not automatically lead to better investment decisions where information is not decision useful, and a one size fits all approach risks imposing additional reporting burdens without delivering commensurate market benefits.

We believe a period of voluntary adoption would allow policymakers, regulators and market participants to better understand the real-world costs, challenges and benefits of UK SRS disclosures before embedding them in regulation. This is particularly relevant in the content of the macroeconomic environment.

#### **Carve out of Scope 3 emissions (relevant to question 4)**

We do not agree with the proposal to introduce UK SRS S2 Scope 3 reporting on a 'comply or explain' basis. This would put the Main Market out of step with key peers and underplays how significant a comply or explain requirement is in practice.

A comply or explain mechanism is itself a meaningful disclosure requirement. The information expected, and the level of detail required to support a credible explanation, involves a significant amount of work, including data collection, governance oversight and narrative justification. ESG Ratings agency scores do not appear to disregard the non-mandatory nature. In our view, it should not be assumed that comply or explain represents a carve out.

Finally, the treatment of comply or explain disclosures in the context of the overall compliance statement is unclear and potentially counterintuitive. The current proposal suggests that companies making full comply or explain disclosures would nevertheless be ineligible to make a compliance statement. This appears inconsistent with the significant effort required to meet comply or explain expectations and risks discouraging meaningful engagement with the framework.

#### **Proposal to introduce UK SRS S1 on a comply or explain basis (relevant to question 6)**

UK SRS S1 reporting should in our view be treated as voluntary. Consistent with the arguments set out at the outset of our response, we consider the proposed approach to be out of step with international practice, to underestimate the significance and burden of a comply or explain requirement, and to currently lack sufficient evidence that the disclosures would materially improve capital allocation outcomes across all listed companies.

Main Market companies have not previously been subject to mandatory sustainability reporting beyond climate related disclosures. Extending mandatory requirements to the

wider set of S1 topics therefore represents a significant expansion in scope. In practice, reliance on comply or explain would still require companies to undertake materiality assessments and supporting analysis, often a costly element of the reporting process.

International practice has largely followed a climate first approach, making comply or explain S1 requirements for all Main Market companies likely to place London at a competitive disadvantage relative to key peers.

Even within the UK, these proposals appear misaligned with the expectations placed on AIM and private companies of a similar size. A company's exposure to sustainability risks and therefore its relevance to investors is not determined by whether it is public or private, on AIM or the Main Market. Sustainability reporting requirements should therefore potentially be applied consistently across all comparable companies; however, under the current proposals, only Main Market companies would be required to disclose sustainability risks beyond climate.

### **Transition plans (relevant to question 8)**

We agree with the proposal not to mandate the publication of transition plans, while requiring listed companies to disclose whether, and where, they have published a climate related transition plan or to explain why they have not done so. However, we think that the FCA should give careful consideration to how this transparency requirement is implemented to ensure it does not become de facto mandatory in practice. The FCA should also monitor the outcomes of the DESNZ consultation on transition plans to ensure that any expectations or guidance remain aligned as the UK Government policy framework develops.

### **Assurance (relevant to question 10)**

We are broadly supportive of the FCA's proposal not to mandate third party assurance but to require transparency where assurance has been obtained voluntarily. Clear disclosure improves comparability for investors and improves trust in sustainability-related information. However, obtaining assurance entails significant budget and resourcing commitments, as, along with the not inconsiderable cost to be paid to assurance providers, companies must also build the data, processes and controls needed to support external validation. The FCA have recognised these challenges in their proposal.

Given the FCA's indication that mandatory assurance may be considered in the future, ahead of doing so we would strongly encourage the FCA to assess the level of benefits relative to the significant costs. In that event, we would like to better understand what evidence is available of the benefit of sustainability assurance (or conversely the evident risks of not having it) and would want it to be taken into account that there are multiple other significant reporting obligations that companies have that are not subject to assurance. The FCA should provide companies with meaningful advance notice of any shifts in expectation as companies require adequate lead time to divert budgets from other activities and develop and test systems, enhance internal controls and build capability.

Finally, as the sustainability assurance market remains relatively nascent, any future move to mandatory requirements should therefore take account of market maturity, capacity and readiness.

### **Cost benefit analysis (relevant to Question 21, 22 and 23)**

Finally, we would query several of the assumptions underpinning the cost benefit analysis accompanying the proposals.

Firstly, while it is stated that around 40 jurisdictions are adopting or working towards adoption of ISSB standards, this headline figure seems to obscure a highly fragmented global implementation landscape. Jurisdictions differ materially in scope, timing, mandatory application and the extent of local adaptations. As a result, ISSB adoption does

not automatically translate into streamlined reporting across jurisdictions, nor does it guarantee the cost savings assumed from international alignment.

Secondly, evidence on implementation costs is also drawn largely from larger entities already aligning with EU requirements, which is likely to understate costs for smaller and mid-sized issuers that face more significant capability gaps.

There remains limited evidence that expanded sustainability disclosure requirements will lead to a lower cost of capital for listed companies. While improved transparency is often cited as a benefit, the link between additional mandated disclosures and capital allocation outcomes is not well established. Where sustainability risks are financially material, companies already have strong incentives to disclose relevant information under existing frameworks, calling into question whether broader mandatory disclosures would deliver incremental benefits proportionate to the additional costs.

A period of voluntary adoption would enable assumptions to be tested against real world evidence and support a more informed assessment of costs and benefits prior to mandating compliance against the standards.

In closing, we would recommend that the FCA gain a deeper understanding of the cost-benefit feedback received through the UK SRS consultation. The FCA should then work in further collaboration with government to ensure its approach and implementation timelines align. Such coordination will support consistency across the Main Market, AIM, and private companies, help safeguard Main Market competitiveness, and minimise the risk of unnecessary market confusion.

We would welcome the opportunity to discuss any of these points further.

Yours sincerely,

[signed]

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*Chair, FCA Listing Authority Advisory Panel*

[signed]

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