

Consultation Response

FCA consultation on aligning listed issuers' sustainability disclosures with international standards

20 March 2026

Introduction

The Association for Financial Markets in Europe (“AFME”) welcomes the opportunity to respond to the Financial Conduct Authority (“FCA”) consultation seeking views on replacing the FCA’s current rules for listed companies’ climate disclosures with rules aligned to the UK Sustainability Reporting Standards (“UK SRS”) (the “Consultation Paper”), which is a key area of focus for AFME members.

We support applying the UK SRS via the UK Listing Rules and the UK SRS being closely aligned with the ISSB IFRS S1 and IFRS S2 standards. The direction of travel toward internationally consistent sustainability reporting is welcome. Our comments focus on implementation stability, sequencing and proportionality considerations with the aim of supporting capacity building and a smooth transition to UK SRS.

Scope

Q1) Do you agree with the proposed scope for our rules? If not, what alternative scope would you suggest and why?

AFME supports the proposed scope of the new rules and agrees with the FCA’s proposal not to apply the requirements to the debt and debt-like securities category (UKLR 17).

Should the FCA consider extending the scope to include debt and debt-like securities in the future, AFME requests that any such extension be subject to separate consultation, clear policy rationale and sufficient implementation time, recognising potential differences in investor base and issuer readiness.

Climate-related disclosures

Q2) Do you agree that we should replace our TCFD-aligned rule (which has not been updated since 2023 due to TCFD being disbanded) and guidance with requirements to report against UK SRS S2 (and relevant aspects of UK SRS S1)? This would be for companies with a listing in the commercial companies, non-equity shares and non-voting equity shares, and transition categories. If not, what alternative approach would you suggest and why?

AFME supports the FCA’s proposal to replace its current TCFD-aligned climate disclosure rules with requirements to report against UK SRS S2 and relevant aspects of UK SRS S1 (with certain transition reliefs).

Given the scale of uplift from TCFD to UK SRS S2, careful sequencing and implementation stability will be important to support credible and decision-useful sustainability disclosures. We elaborate on this further below.

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Q3) Do you agree that the UK SRS S2 reporting requirements should apply on a mandatory basis (with the exception of Scope 3 emissions, as addressed in Q4)? If not, what alternative approach would you suggest and why?

AFME agrees that UK SRS S2 reporting requirements should apply on a mandatory basis (with the exception of Scope 3 emissions).

While we support UK SRS S2 applying on a mandatory basis, the transition from TCFD to UK SRS S2 raises the level of detail and ambition expected in climate-related disclosures. This is particularly the case for banks, where climate risk is primarily driven by lending and investment portfolios and translated into financial risk metrics and forward-looking estimates. This requires complex modelling and associated control frameworks to be in place. AFME members therefore ask that, in the early years of implementation, supervisory expectations recognise this step-up and allow time for disclosures to develop as underlying methodologies become more robust and stabilise.

Scope 3 emissions reporting

Q4) Do you agree that UK SRS S2 Scope 3 reporting should apply on a 'comply or explain' basis, for companies with a listing in the commercial companies, non-equity shares and non-voting equity shares, or transition categories? If not, what alternative approach would you suggest and why?

AFME supports UK SRS S2 Scope 3 emissions reporting being on a 'comply or explain' basis.

Scope 3 emissions reporting remains challenging across the economy and is particularly complex for financial services firms, where financed emissions depend upon counterparty data that is often time-lagged, evolving and outside the direct control of the reporting entity. In the early years of implementation, firms are likely to rely more heavily on estimation and proxy methodologies while data quality and coverage improve over time. Robust and early reporting of Scope 1, 2 and 3 emissions by non-financial corporates will be critical to supporting high-quality disclosures by financial institutions over time. Certain asset classes and products, including capital markets activities and facilitated emissions, present additional methodological challenges. In addition, data may only be available at the consolidated counterparty level, which can complicate subsidiary level calculations.

We would also welcome further guidance, particularly in relation to Scope 3 reporting for loans and advances, to provide clarity on reporting expectations and support consistent application across firms and audit providers.

As envisaged in paragraph 4.12 of the Consultation Paper, AFME members would welcome further detail on how issuers should frame their UK SRS compliance statements where they rely on transition reliefs and/or "comply or explain" provisions established in the Listing Rules. It would also be useful to clarify how compliance with the Listing Rules may or may not constitute compliance with the UK SRS. Paragraph 4.11 of the Consultation Paper suggests that opting to "explain" in relation to Scope 3 emissions may prevent an issuer from stating that it complies with the UK SRS in its statement of compliance. AFME members would welcome confirmation that, noting the transition reliefs in the recently published final UK SRS (new paragraph 73A of S1) and through application of the provisions of paragraph 73B, a company that makes use of the Listing Rule transition reliefs by opting to "explain" can still give an unqualified statement of compliance with the UK SRS.

Wider sustainability disclosures

Q6) Do you agree that UK SRS S1 non-climate reporting requirements should apply on a 'comply or explain' basis for companies with a listing in the commercial companies, non-equity shares and non-voting equity shares, or transition categories? If not, what alternative approach would you suggest and why?

AFME supports UK SRS S1 non-climate reporting requirements applying to in-scope companies on a 'comply or explain' basis. Non-climate reporting requirements represent a significant capability uplift compared with the existing TCFD aligned framework. This approach offers a phased and manageable implementation path that balances ambition with practicality. While many firms have established processes for climate disclosures, far fewer have mature systems, governance structures and controls in place for broader sustainability topics. Applying UK SRS S1 on a comply or explain basis provides a proportionate and manageable implementation pathway supporting progressive capability building

while maintaining overall ambition. The proposed approach provides firms with appropriate flexibility during the early stages of implementation while governance, systems and controls mature.

Location of Reporting

Q5) Do you agree with our proposals regarding the location of UK SRS S2 climate-related disclosures? If not, what alternative approach would you suggest and why?

AFME supports UK SRS S2 disclosures forming part of the Annual Financial Report and being published alongside the annual report and accounts, with flexibility to cross-reference to externally published reports (as contemplated by UK SRS 1 paragraph B45). This approach enhances transparency and alignment with financial reporting, which is important as sustainability becomes increasingly embedded into general financial reporting practices. The ability to cross-reference also avoids unnecessary duplication of reporting.

We do not consider it necessary to mandate placement within the audited financial statements or to prescribe a specific location within the annual report structure.

Q7) Do you agree with our proposals regarding the location of UK SRS S1 sustainability-related disclosures? If not, what alternative approach would you suggest and why?

AFME supports UK SRS S1 disclosures forming part of the Annual Financial Report and being published alongside the annual report and accounts, with flexibility to cross-reference to externally published reports (as contemplated by UK SRS 1 paragraph B45). This approach enhances transparency and alignment with financial reporting, which is important as sustainability becomes increasingly embedded into general financial reporting practices. The ability to cross-reference also avoids unnecessary duplication of reporting.

We do not consider it necessary to mandate placement within the audited financial statements or to prescribe a specific location within the annual report structure.

Transition plan disclosures

Q8) Do you agree with our proposals for listed companies to disclose whether and where they have published a climate-related transition plan, if they have one, or stating why they have not published one? If not, what alternative approach would you suggest and why?

AFME supports the FCA's proposal to require listed companies to disclose whether they have published a climate-related transition plan and, if so, where it can be found.

AFME members also support a flexible approach to transition plan disclosures. Transition plans are valuable for investors and for banks assessing client transition pathways. However, firms should retain discretion to adopt approaches that are proportionate to their business model and transition strategy. Avoiding prescriptive requirements also supports the ability of firms to adopt a group-wide transition plan which meets obligations in multiple jurisdictions.

AFME therefore welcomes the FCA not prescribing a detailed format at this stage. Given the forward-looking nature of transition plans and evolving methodologies, prescriptive templates could constrain flexibility and create inconsistency with transition plan disclosure requirements in other jurisdictions.

It would be helpful for the FCA to confirm:

- that transition plans published outside the Annual Financial Report would meet the proposed requirement, provided that they are clearly referenced; and
- to what extent the transition plan disclosures need to be together (i.e., standalone) or if they can be integrated throughout the Annual Financial Report.

The interaction with any future UK Government requirements on transition plan publication (particularly arising from the Department of Energy Security and Net Zero consultation published in June 2025) should also be carefully considered to avoid duplication or misalignment.

Q9) Do you agree with our proposal to note in guidance that listed companies may wish to use the IFRS Educational Material? If not, what alternative approach would you suggest and why?

AFME broadly agrees with the proposed reference being made to the IFRS Educational Material in the guidance, noting this material can provide useful guidance on establishing and disclosing the company's transition plan, while supporting international interoperability. Retaining its status as guidance is important to allow firms the flexibility to apply the principles in a manner proportionate to their business model and transition strategy, while supporting high quality and decision-useful disclosures.

It is important that the IFRS Educational Material remains a reference point and it is clear that there is no obligation on companies to apply it in full or in part. The IFRS Educational Material sets a high bar for companies and includes a significant number of detailed requirements. AFME members are concerned that creating an expectation that this material be applied in full would not provide sufficient flexibility in their transition plans and would create unnecessary additional burdens on banks, which would ultimately have knock-on effects regarding the ambition of transition plans.

Assurance

Q10) Do you agree with our proposals for transparency about third-party assurance, where it has been obtained voluntarily? If not, what alternative approach would you suggest and why?

AFME members broadly support the FCA's proposal to require issuers to disclose whether sustainability information has been subject to third-party assurance and to identify the assurance provider where assurance has been obtained. This approach provides transparency to investors while recognising that the sustainability assurance market continues to evolve.

In practice, firms may obtain different forms of third-party verification or validation beyond their statutory auditors. For example, institutions may rely on specialist organisations such as the Science Based Targets initiative (SBTi) to validate climate targets or related methodologies supporting their disclosures. In this context, it would be helpful for the FCA to clarify the scope of the proposed disclosure requirement.

In particular, disclosure should focus on assurance provided by a firm's statutory auditor or by an assurance provider operating within a recognised assurance framework, including providers participating in the developing voluntary registration regime for sustainability assurance providers consulted on by the UK Government in 2025. This would support transparency and comparability while recognising that certain forms of technical validation may be carried out by specialist bodies rather than formal assurance providers.

Q11) What benefits and costs would arise from mandatory assurance requirements for sustainability-related information? Where possible, please include how the benefits and costs could vary depending on factors such as the type of listed company, implementation approach or level of assurance obtained. Please be as specific as possible in your response.

As sustainability disclosures play an increasingly important role in capital allocation and risk assessment, independent assurance has benefits in supporting market integrity. However, mandatory assurance would lead to significant costs for firms, even where only limited assurance is required. This is already evident in the European Union, where firms in scope of the first wave of the *Corporate Sustainability Reporting Directive* (CSRD) have faced higher assurance costs than expected. Obligations to obtain limited assurance in the absence of assurance standards led to increased burdens for firms which were acknowledged by the European Commission in the 2025 'omnibus' legislation amending European corporate sustainability reporting. As discussed below, some of these costs could be mitigated by establishing clear assurance standards and limiting assurance to specific metrics and decision-useful information, rather than imposing a broad requirement to assure disclosures in full.

These costs include both external and internal costs. At present, the market for sustainability assurance is still maturing, with a lack of uniform assurance standards and supervision. As set out in the FRC's market study on sustainability assurance¹, there are limited firms with the capacity to carry out large

¹ Financial Reporting Council, [Assurance of Sustainability Reporting Market Study](#), February 2025.

mandates, and the assurance market requires further investment and upskilling to meet potential growth in demand for assurance. We recognise that the UK Government is already taking steps to encourage greater competition in this market.

Another challenge that goes to costs is that internationally active firms already face overlapping assurance regimes. Further layering assurance requirements without coordination would increase cost and operational complexity. It will be important to consider the level of assurance required in other jurisdictions implementing the ISSB standards and to take that into account if and when the FCA or government consider introducing any mandatory assurance requirements.

Q12) Do you have any further views on sustainability assurance which we should factor into future policy development? For example, any views on the type of information that should be assured, the feasibility of limited and reasonable assurance, or over what timeframe we should revisit our approach.

Any future move toward mandatory assurance in the UK should be toward limited assurance only, and we suggest that this be focused on specific sustainability metrics in the first instance. Focusing sustainability assurance on the most material, mature and comparable metrics would increase trust and usability, without introducing disproportionate burden and costs for preparers.

AFME members also suggest that mandatory assurance be preceded by the development of clear and consistent assurance guidelines, appropriate international alignment, clarity on the expected level of assurance, and practical guidance to promote consistent and proportionate application. Such guidance would also benefit assurance providers themselves and help them to meet regulatory expectations, which is part of the challenge.

Greater transparency on the FCA's longer term direction of travel including any phased approach would support efficient capability building for both preparers and assurance firms and avoid unnecessary duplication.

If the FCA were to consider moving toward mandatory assurance in the future, it would be important to set out a clear roadmap. Firms will require sufficient time lead time to plan and sequence investments across data architecture, governance frameworks, internal controls and external assurance relationships. Audit and assurance firms will also need to build capabilities to support an efficient assurance process.

Timing and transitional arrangements

Q13) Do you agree with our proposed implementation approach and transitional arrangements for the commercial companies, non-equity shares and non-voting equity shares, and transition categories? If not, what alternative approach would you suggest and why?

1. Interaction between the draft UK SRS initial application and transitional provisions

AFME supports the flexibility provided for firms to use transitional reliefs as set out in the UK SRS. The FCA should also ensure that companies are not disincentivised from early adoption of the SRS through inability to utilise transitional relief within the UK SRS. As the transitional reliefs in the final UK SRS are undated, early adopters which wish to voluntarily comply with the UK SRS for accounting periods before 1 January 2027 should be able to use the transition reliefs as set out in the UK SRS. The FCA should consider expressly reflecting in its rules that firms wanting to report under UK SRS for accounting periods prior to 1 January 2027 are able to utilise the reliefs in the final UK SRS whilst also claiming early compliance with the Listing Rules.

2. Proposed transitional arrangements

AFME supports the principle of proportionate and phased implementation of UK SRS. We therefore support the proposed transitional arrangements proposed by the FCA including the transitional arrangements set out in paragraphs 8.12-8.17 of the Consultation Paper, establishing a roadmap for listed companies to implement the proposed new rules. For accounting periods prior to 1 January 2027, we understand that preparers can choose to report on a 'comply or explain' basis against TCFD or UK SRS. As set out above, the FCA should clarify how the undated transitional reliefs in the final UK SRS interact with the comply or explain provisions in the Listing Rules.

3. Alignment with UK Companies Act

AFME encourages close coordination between the FCA and the UK Government to ensure clarity and alignment on the application of the UK SRS in the Listing Rules and the Companies Act. Given the likely diverging timelines between the application of the UK SRS in the Listing Rules and any potential forthcoming Companies Act requirements, it will be important to avoid divergence in approach and companies being subject to multiple sustainability reporting requirements. It will be important to avoid situations in which companies are required to report under both TCFD-based requirements and UK SRS in parallel, as this could create duplication, operational complexity and potential confusion for users of disclosures. The FCA and UK Government must align or explicitly permit equivalence between TCFD and UK SRS S2 to avoid diverging and parallel requirements.

We therefore welcome the Government's confirmation² that companies reporting against UK SRS under the Listing Rules is sufficient for companies' reporting obligations under section 414(CB)(2A) of the Companies Act. It is essential that the Government updates its guidance to reflect this well in advance of the application of the updated Listing Rules. Additional coordination regarding the use of reliefs would also be welcomed.

Secondary listing and depository receipt categories

Q15) Do you agree with our proposals for companies in the secondary listing category and the depository receipts category not to disclose against the UK SRS, but instead to disclose which overseas climate and sustainability standard they are subject to, or which they voluntarily adopt? If not, what alternative approach would you suggest and why?

Q16) Do you agree with our proposals for transparency about third-party assurance, where it has been obtained, for companies in the secondary listing category and the depository receipts category. If not, what alternative approach would you suggest and why?

AFME welcomes the flexibility proposed for companies in the secondary listing and depository receipts categories to disclose the climate and sustainability standards to which they are subject in their primary listing jurisdiction, rather than requiring separate reporting against UK SRS.

This approach supports international coordination and reduces the risk of fragmentation or duplication of reporting requirements across markets. It also supports the UK's attractiveness as a location for secondary listings and should help encourage other jurisdictions to take a similar approach.

Digital Reporting

Q18) What are the benefits and costs of digital tagging of sustainability information? For example, are there any disclosures under UK SRS for which you would find digital tagging most useful, and how would the information be used? Please be specific in your response.

Q19) What are your views on digital reporting? Are issuers in a position to digitise sustainability reporting, or as a service provider, to support preparers with this? If not, how long do you think it would take?

AFME supports the development of digital tagging in principle, recognising its potential to improve efficiency, comparability, and auditability of sustainability information. Digital reporting may also support improved data availability across supply chains, including for Scope 3 emissions reporting, provided that implementation is coordinated and proportionate.

² See Department for Business & Trade, [Exposure draft of UK Sustainability Reporting Standards: UK SRS S1 and UK SRS S2 Consultation Response](#), "Companies reporting in accordance with UK SRS S2 should therefore proceed with confidence that they do not need to duplicate their disclosures in order to meet their obligations under section 414CB(2A) so long as the relevant requirements under section 414CB (1) to (5) are met and the use of UK SRS S2 is clearly referenced in the relevant statement. This applies whether they are applying UK SRS S2 on a mandatory basis, including under the proposed FCA Listing Rules, or using UK SRS S2 voluntarily. We will update the guidance on climate-related financial disclosures for companies and LLPs to reflect this." (pg 28).

However, digital tagging requirements should follow the stabilisation of underlying disclosure expectations. Premature mandates risk repeated system reconfiguration and unnecessary cost. A phased approach, aligned with international taxonomy developments, would be preferable.

Supervisory approach

Q20) Do you have any comments on what we should consider when developing our supervisory strategy for the new requirements?

When developing its supervisory strategy, the FCA should recognise the significant capability uplift required and the evolving nature of methodologies, particularly in the early years of application.

The FCA should therefore focus on encouraging high-quality implementation and progressive improvement, rather than expecting immediate technical precision in areas where data and methodologies continue to develop. The FCA should seek to support preparers and take a proportionate approach to supervision, providing guidance to support the implementation of sustainability reporting.

Cost-benefit analysis

Q21) Do you have any comments on our cost benefit analysis?

Based on implementation experience under existing sustainability reporting regimes and the cumulative impact of multi-jurisdiction requirements, implementation costs may be higher than estimated, particularly for multi-jurisdictional firms. Key cost drivers include systems development and data architecture changes, integration with financial reporting and internal controls, preparation for assurance, and overlapping requirements across jurisdictions.

Alignment with the ISSB baseline supports long term UK competitiveness. However, for complex, multi-jurisdictional firms, such overlapping requirements create cumulative burden. Careful sequencing and international coordination will therefore be important to minimise duplication and ensure implementation remains proportionate.

Related considerations

In addition to the above responses to the questions raised in the Consultation Paper, AFME would like to highlight the following additional points for consideration as the FCA and the government take forward work in this area:

- Noting that the UK Government has announced plans to launch a consultation on simplifying and modernising existing non-financial reporting requirements and thresholds, AFME encourages the FCA to engage with the UK Government to remove or consolidate requirements that will become redundant or duplicative once the UK SRS applies, including the streamlined energy and carbon reporting regime. The UK SRS should be seen as an opportunity to consolidate the non-financial reporting requirements contained within sections 414CA and section 414CB of the Companies Act 2006 which aim to meet similar objectives relating to a company's sustainability impacts, policies, due diligence and outcomes.
- Recognising that the FCA's consultation has a limited scope, AFME continues to encourage the FCA and UK Government to consider carefully the introduction of safe harbour protections for forward-looking sustainability-related statements. AFME supports the introduction of a statutory safe harbour regime in respect of sustainability-related forward-looking statements, subject to an appropriate framework that provides protection where disclosures are made in good faith, are clearly identified as forward-looking, are based on reasonable assumptions, and are accompanied by suitable disclaimers. We note that the FCA's Policy Statement (PS 25/9) on the final rules to implement the new Public Offers and Admissions to Trading Regulations 2024 (POATRs) clarifies the application of safe harbour provisions to certain forward-looking sustainability-related disclosures, and we recommend that both the Companies Act 2006 and the FCA Listing Rules adopt a consistent approach.

About AFME

The Association for Financial Markets in Europe (AFME) is the voice of the leading banks in Europe's financial markets, providing expertise across a broad range of regulatory and capital markets issues. We represent over 150 leading global and European banks and other significant market players. Our members play a vital role in Europe's financial ecosystem, underwriting around 90% of European corporate and sovereign debt, and 85% of European listed equity capital issuances. Importantly, AFME members are market makers, providing liquidity, which is essential for ensuring financial markets can function efficiently. We also represent law firms and other associate members which advise market participants and support AFME's legal and regulatory initiatives.

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