# *Consultation Response*

*FCA GC26/6: Primary Market Bulletin No. 66*

26 October 2026

## Introduction

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to respond to the FCA Primary Market Bulletin 66 consultation on draft Technical Note (TN) 803.1, replacing TN 802.3.

AFME continues to support applying the UK SRS via the UK Listing Rules and the UK SRS being closely aligned with the IFRS S1 and IFRS S2 standards (ISSB Standards). The direction of travel toward internationally consistent sustainability reporting is welcome. Our technical comments reflect members' experience with sustainability reporting globally, particularly in relation to the ISSB Standards and the EU CSRD, with an aim to support listed companies who are preparing sustainability reports in multiple jurisdictions.

1. Do you agree with our proposed expectations for complying? If not, what alternative do you suggest and why?

We recommend that the FCA clarify in TN 803.1 that issuers may include an appropriately qualified affirmative statement confirming that they met the applicable UK Listing Rule requirements through the comply-or-explain mechanism, while clearly distinguishing this from an explicit and unreserved statement of compliance with UK SRS.

Under the existing TCFD-aligned requirements in UKLR 6.6.6R(8), issuers are required to state whether their disclosures are consistent with the TCFD recommendations, including identifying and explaining any exceptions. The new framework removes this overarching regulatory statement and does not require a compliance statement to be made under UKLR, while permitting an unreserved UK SRS compliance statement only where the relevant standard's requirements are satisfied.

This change could create unintended discontinuity in how issuers communicate regulatory compliance across reporting periods, potentially leading investors, ESG-data providers and automated screening tools to interpret the absence of an affirmative regulatory compliance statement as a deterioration in reporting compliance, even where an issuer has fully met its FCA Listing Rule obligations through the prescribed explanation mechanism.

Explicit FCA clarification would help preserve transparency and comparability across reporting periods, without implying full compliance with the underlying UK SRS standards where their requirements have not been met.

We would also welcome a minor clarification to the second row of the illustrative table in Annex 1 to make it clear that the transitional reliefs in UK SRS S1 and S2 operate independently. In particular, an issuer using the permitted climate-related reporting reliefs in UK SRS S2 may still be able to make an unreserved compliance statement for both UK SRS S1 and S2, provided it otherwise meets the relevant requirements and has not elected to defer wider sustainability reporting under the climate-first relief in UK SRS S1. A separate example/row would help make this distinction clearer.

Separately, we recommend that the FCA retain TN 802.3, or make an archived version publicly accessible, until the FY2026 reporting cycle is complete in 2027. This would ensure issuers continue to have access to the relevant guidance when preparing annual reports under the previous TCFD-aligned Listing Rules, consistent with the transitional provisions in UKLR TP 16.3R.

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2. Do you agree with our proposed expectations for explaining? If not, what alternative do you suggest and why?

Our comments concern the expectations for "explaining" when an issuer chooses to "explain" rather than comply with disclosure under UK SRS S1. The TN confirms the approach originally consulted upon for "explaining" under UK SRS S1: the issuer must "clearly identify… any other sustainability-related risks and opportunities, of the kind described in paragraph 3 of UK SRS S1, for which disclosures have not been prepared in accordance with UK SRS S1." While CP26/5 made it clear that issuers should not have to conduct a separate assessment for the purpose of identifying risks which are not disclosed under UK SRS S1, this important context is absent from TN 803.1. CP26/5 states the following:

> *5.9 We are proposing that if issuers choose to 'explain', they provide clear explanations to investors about any sustainability-related risks or opportunities that they have identified as part of their risk processes/reporting. However, we are aware that the sustainability-related risks and opportunities that companies face vary significantly depending on the listed company's industry and company-specific factors. We therefore are not proposing to require companies to set out in detail all UK SRS S1 reporting requirements not disclosed for each potential sustainability-related risk or opportunity as this could lead to lengthy explanations, with limited benefit to investors.*
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> *5.10 To meet the requirements in relation to UK SRS S1, issuers may be able to use analysis they have carried out in order to meet other disclosure requirements, for example in relation to DTR 4.1.8R.*

This context from the CP is important for issuers (particularly issuers who are choosing to assure their sustainability reporting) because it confirms that issuers will not need to conduct a separate "materiality assessment" process in order to identify risks which would need to be referenced in the brief "explanation" for UK SRS S1. This clarification is particularly important for members who have undergone a double materiality assessment process under the EU CSRD, where a detailed and prescriptive process is required to determine whether a sustainability-related impact, risk or opportunity is *not* material. Issuers' existing disclosure processes and analysis to comply with DTR 4.1.R should be sufficient for the purpose of identifying the relevant risks which should be mentioned in such an explanation. While paragraph 5.9 refers to "risk processes", we think the reference to "reporting" processes and analysis is most accurate. Risk processes, especially for financial institutions, might have hundreds of identified risks, and might have 10s of potential material risks for conservative risk management, but only a small number or no risks that rise to the level of materiality required for disclosure under UK SRS.

It should be clear to issuers that a UK SRS-specific, standalone "materiality assessment" process is not required for "explaining" under UK SRS S1 – analysis for reporting under UK SRS should be integrated within the overall process of preparing the management report. Example 3 in Annex 2 is helpful in this respect because it does not prescribe a specific process for identifying the issuer's sustainability-related risks (in this case, chemical or environmental impacts in the supply chain). We therefore recommend adding some of the important context from CP 26/5 paragraphs 5.9 and 5.10 directly into the TN, with a reference to "reporting" rather than "risk processes." The same clarification should be applicable to international companies, e.g. in Annex 2 Example 4.

3. Do you agree with our proposed guidance for international companies? If not, what alternative do you suggest and why?

The FCA's final policy approach for international companies seeks to address even playing field concerns by requiring international companies to report against UK SRS on a 'comply or explain' basis. While we acknowledge the desire to address any potential divergence between UK and international companies' disclosure requirements, the TN's proposed comply-or-explain guidance must also provide a workable approach for companies which already publish sustainability disclosures in their home jurisdictions. As internationally recognised sustainability reporting frameworks continue to evolve and become increasingly interoperable, UKLR 14 should be applied in a way that supports that interoperability and avoids duplicative jurisdiction-specific assessments. We have set out below some comments on the TN which seek to improve the workability of the "comply or explain" approach for international companies while still achieving the policy objective of an even playing field.

**1. Reliance on the ISSB global baseline rather than jurisdiction-specific implementations**

We support the FCA's approach of allowing international issuers to rely on sustainability reporting prepared outside the UK. However, for international issuers, the relevant reference point should be the ISSB Standards as issued by the ISSB, as the common international baseline, rather than each jurisdiction's specific implementation or adaptation of those standards.

International issuers reporting under the ISSB Standards, or under an internationally recognised framework determined to be substantially aligned or interoperable with the ISSB global baseline, should be able to rely on that reporting without being required to perform a separate reconciliation or requirement-by-requirement assessment against UK SRS, as is contemplated in ULKR 14(4)(b). It's not clear what added value this would provide for investors.

Recognition should operate at framework level and should result in acceptance of the sustainability information prepared under that framework for UKLR 14 purposes. It should not merely reduce the scope of an assessment that ultimately requires the issuer to identify, explain or supplement differences arising from the UK's jurisdiction-specific implementation.

Otherwise, even relatively limited differences introduced through local adoption could require multinational groups to maintain parallel jurisdictional analyses and reporting processes, despite reporting under frameworks derived from, or substantially aligned with, the same international baseline.

This would also be consistent with the regulatory approach traditionally applied to international financial reporting. Where financial information has been prepared under a recognised IFRS framework, international groups are able to use that consolidated information as the relevant reporting basis, rather than modifying or reconstructing their accounting information separately for every jurisdiction in which they operate or are listed. The same principle should apply to sustainability reporting: recognition of the global framework should lead to acceptance of the resulting consolidated reporting, rather than to a further layer of jurisdiction-specific reconciliation or supplementation.

Using the ISSB Standards as the common reference point for international companies would promote consistency across jurisdictions, preserve the integrity of consolidated sustainability reporting and deliver the intended efficiencies of international convergence.

**2. Framework-level recognition / presumption of interoperability for substantially aligned standards**

To make this approach operational, the FCA should consider recognising, at framework level, sustainability reporting standards that are substantially aligned or interoperable with the ISSB global baseline.

Where such recognition exists, issuers reporting under the relevant framework should be able to rely on that determination, rather than each issuer having to independently demonstrate substantially the same degree of alignment with ISSB. This would be particularly relevant for internationally recognised frameworks such as ESRS, given the work already undertaken internationally to enhance interoperability between ESRS and ISSB Standards.

A framework-level recognition or presumption of interoperability would provide greater consistency and significantly reduce duplicative assessment efforts for multinational groups operating across several jurisdictions.

**3. Reinforce proportionality of the "explain" – focus on material disclosure gaps**

We welcome the FCA's proposed guidance that explanations under the comply or explain regime can be short and proportionate and do not need to address each individual UK SRS requirement separately. The proposed Example 4 is helpful in this respect, but the guidance should be more explicit that international companies reporting under ISSB or interoperable jurisdictional frameworks should not need to conduct a detailed "gap analysis" of their own reporting against the UK SRS.

We would encourage the FCA to reinforce this approach by clarifying that explanations for UK S2 and S1 should focus primarily on material gaps in disclosure outcomes, rather than on technical or non-material differences between the reporting framework applied by the issuer and UK SRS.

In particular, where the information provided under an internationally recognised reporting framework already delivers substantially the same decision-useful disclosure outcome, we believe no additional explanation should be expected solely because the underlying requirements are structured or expressed differently. This would further support a proportionate, outcome-based application of the regime while preserving the information that is relevant to investors.

## 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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