

By email: cp26-5@fca.org.uk.

20th March 2026

Dear Sir / Madam

The Chartered Governance Institute is the professional body for governance and the qualifying and membership body for governance professionals across all sectors. Its purpose under Royal Charter is to lead effective governance and efficient administration of commerce, industry, and public affairs working with regulators and policymakers to champion high standards of governance and providing qualifications, training, and guidance. As a lifelong learning partner, the Institute helps governance professionals achieve their professional goals, providing recognition, community, and the voice of its membership.

One of nine divisions of the global Chartered Governance Institute, which was established 135 years ago, The Chartered Governance Institute UK & Ireland represents members working and studying in the UK and Ireland and many other countries and regions including the Caribbean, parts of Africa and the Middle East.

As the professional body that qualifies Chartered Secretaries and Chartered Governance Professionals, our members have a uniquely privileged role in companies' governance arrangements. They are therefore well placed to understand the issues raised by this consultation document. In preparing our response we have consulted, amongst others, with our members. However, the views expressed in this response are not necessarily those of any individual members, nor of the companies they represent.

Our views on the questions asked in your consultation paper are set out below, together with some general comments on the issues raised.

General comments

The Institute supports replacing the obsolete TCFD framework with the UK Sustainability Reporting Standards (UK SRS). UK SRS provides a modern, internationally aligned basis for disclosure and reflects the global ISSB standards. We support the proposed scope. It maintains continuity for companies already reporting under TCFD and focuses regulatory expectations on issuers where sustainability risks are financially material. The scope also avoids extending requirements to entities where such disclosures would offer limited value to investors.

We support mandatory reporting under UK SRS S2 for in-scope issuers. After several years of TCFD reporting, market practice has matured sufficiently to support a mandatory climate reporting regime. Moving to S2 will improve comparability and strengthen global alignment. We agree that Scope 3 emissions should remain on a comply-or-explain basis because methodologies and value chain data remain uneven. Issuers should provide clear, specific and time-bound explanations to maintain accountability and demonstrate progress. For UK SRS S1, which covers broader sustainability topics, we support a comply-or-explain approach. Readiness varies across sectors and organisational capabilities remain uneven. This approach strikes the right balance between ambition and proportionality.

We support a model where only the most material sustainability disclosures sit within the ARA, with fuller reporting published separately. This aligns with DBT's aim to reduce the regulatory burden while preserving clarity for investors. Clear signposting from the ARA to the separate sustainability report would ensure accessibility. Companies should also confirm whether they have a transition plan and where it is available, without being required to produce one ahead of Government policy. Transparency on voluntary assurance remains important and should focus on disclosing the provider, scope and standards used, without mandating assurance before an oversight framework is in place.

We support the proposed implementation timetable. First application in 2027 is realistic and aligned with UK SRS and ISSB timelines. The transitional reliefs for Scope 3 and non-climate S1 disclosures are proportionate and recognise differing levels of market readiness. The early adoption provisions and rules for pre-2027 reporting periods maintain coherence and avoid overlapping frameworks. We also support the tailored approach for overseas issuers in the secondary listing and depositary receipts categories. These issuers should disclose which home-jurisdiction standards they follow and signpost to the relevant disclosures rather than adopting UK SRS directly. This approach avoids double regulation while preserving transparency for investors.

On costs, we recognise the FCA's transparent methodology but note that the current evidence base is narrow. It may understate costs for SMEs and for sectors with high Scope 3 exposure. Additional sectoral sampling and dynamic modelling of assurance uptake and learning effects would improve the analysis. On benefits, we support the FCA's causal framework but recommend refining assumptions on issuer behaviour under comply-or-explain and on the investor value of core climate disclosures.

The Institute supports digital reporting in principle, but issuer readiness varies. Large and dual-listed issuers could adopt digital reporting relatively quickly. Mid-caps and SMEs may require several years to develop the necessary systems and processes. A phased, taxonomy-aligned approach would manage costs more effectively and support market capacity. In developing its supervisory strategy, the FCA should prioritise clarity and accessibility in the early years, recognise transitional reliefs, account for sectoral differences and use early supervisory insights to refine guidance.



Overall, we support the FCA’s proposals. They modernise the UK reporting regime, improve the quality and comparability of sustainability information and reinforce the UK’s position as a leading market for high-quality, investor-focused disclosure. The proposals are proportionate, sequenced and internationally coherent. They respond to investor needs while giving issuers the time and flexibility required to transition effectively.

Response to the questions

Question 1: Do you agree with the proposed scope for our rules? If not, what alternative scope would you suggest and why?

We agree with the proposed scope. It is proportionate, coherent and consistent with the UK’s transition from TCFD-aligned reporting to the UK Sustainability Reporting Standards (UK SRS). It preserves continuity for issuers already producing climate disclosures, avoids unnecessary disruption and focuses the regime on companies where sustainability risks are financially material.

Retaining the existing TCFD population is appropriate. These issuers already have governance arrangements, systems and controls in place. Without this transition they would rely on a framework that is no longer maintained. Applying UK SRS to this group supports a smooth transition without creating additional operational burden.

The scope also aligns UK reporting with global developments. Focusing on issuers that already report on climate supports early and credible adoption of UK SRS, improves comparability and avoids imposing premature expectations on sectors that are not yet prepared.

The emphasis on financial materiality is sound. The scope captures issuers whose strategy, operations and valuations are exposed to sustainability-related risks, while excluding entities where issuer-level disclosure adds little value. This includes shell companies and funds where disclosure responsibility rests primarily with the asset manager. Excluding debt issuers and similar structures is also proportionate, as these entities are often too distant from underlying economic activity for issuer-level sustainability reporting to be meaningful.

Overall, the scope strikes the right balance. It maintains continuity, aligns with international standards, targets investor-relevant disclosures and avoids requirements that would add limited informational value.

As market practice develops, there may be scope for refinement. Large, listed investment funds with significant exposures could move to a phased comply-or-explain approach. Issuers in the transition category may require more granular expectations given the structural changes they face. A voluntary pathway for debt issuers could also encourage transparency without creating prescriptive obligations.



Question 2: 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?

We support replacing the current TCFD-aligned rule with mandatory reporting under UK SRS S2, supported by the relevant provisions of UK SRS S1, for issuers in the commercial companies, non-equity shares, non-voting equity shares and transition categories. The proposal represents a necessary and proportionate update that aligns the UK framework with international standards while preserving continuity for issuers.

Updating the regime is necessary because the TCFD framework is no longer maintained. Retaining a static framework would weaken regulatory coherence and gradually erode comparability as other jurisdictions adopt ISSB-based standards. Over time, this would also reduce the relevance of UK disclosures for investors. Moving to UK SRS ensures that the UK framework remains current and internationally aligned.

UK SRS S2 enables an efficient transition. The standard retains the established TCFD architecture across governance, strategy, risk management, and metrics and targets. Issuers can therefore build on existing systems, controls and reporting processes rather than redesign them. The transition should therefore focus on improving disclosure quality rather than creating operational disruption.

The inclusion of the relevant provisions of UK SRS S1 is also important. S1 provides the cross-cutting principles, definitions and qualitative characteristics that underpin sustainability reporting. Anchoring S2 disclosures within this common conceptual framework reduces interpretive divergence and strengthens comparability across issuers.

The proposal will also enhance the decision usefulness of disclosures. Because S2 reflects the ISSB global baseline, it strengthens cross-market comparability and clarifies regulatory expectations. It should also improve the granularity and consistency of climate information that investors use to assess risk exposures and allocate capital.

The approach is proportionate. Issuers within scope already report under TCFD, and S2 builds directly on that framework. The transition therefore represents a structured evolution rather than a disruptive regulatory change.

Targeted implementation support could further assist issuers. A staged timetable for technically complex areas such as scenario analysis or transition planning could help manage execution risk where readiness varies. A voluntary pathway for issuers outside scope could also support early adoption and market learning without imposing mandatory costs. In addition, focused guidance and worked examples during the first reporting cycle, particularly on S1 cross-cutting requirements, would support consistent interpretation.

Overall, replacing the TCFD-aligned rule with UK SRS S2, anchored by the relevant provisions of S1, is the appropriate step. The proposal modernises the regime, maintains continuity for issuers and improves comparability for investors, while remaining measured and proportionate in its implementation.



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

We agree that UK SRS S2 climate disclosure requirements should apply on a mandatory basis, with Scope 3 emissions remaining subject to “comply or explain”. This approach reflects current market maturity and balances transparency with practical feasibility.

Market readiness supports a mandatory regime for the core elements of S2. Since the introduction of the FCA’s TCFD-aligned requirements, reporting quality and alignment have improved steadily across listed companies. These developments indicate that issuers now have the systems, governance structures and internal capabilities to meet mandatory expectations without disproportionate cost or disruption.

UK SRS S2 is closely aligned with current practice. Because it builds directly on the TCFD framework, applying S2 on a mandatory basis does not introduce a sharp shift in expectations. It consolidates existing reporting behaviours, reduces variation in approach and creates a more stable and predictable disclosure environment. Mandatory application therefore strengthens consistency rather than adding complexity.

A mandatory regime also enhances comparability and reduces the risk of selective disclosure. Investors rely on complete and consistent information to assess climate-related financial risks. When disclosure remains optional, variation in format, scope or depth can limit comparability and create opportunities for selective reporting. Mandatory S2 requirements help ensure that climate information is comprehensive, decision-useful and less vulnerable to greenwashing concerns.

Applying S2 in this way supports the integrity and credibility of the UK’s sustainability reporting framework. The UK aims to remain aligned with the global baseline established by the ISSB. A mandatory approach for core climate disclosures reinforces that alignment and ensures the UK continues to be viewed as a jurisdiction with reliable, high-quality reporting expectations.

Retaining “comply or explain” for Scope 3 emissions is justified. Many companies still face genuine challenges in accessing reliable value chain data, assessing methodological limitations and producing estimates that meet expected quality standards. A flexible approach avoids incentivising disclosures that rely on weak assumptions or incomplete datasets, while remaining consistent with the Government’s draft position under the UK SRS. It also allows reporting quality to improve gradually as data availability strengthens and methodologies become more consistent.

If the FCA wishes to enhance implementation over time, several measured adjustments could be considered without altering the core policy. A phased transition to mandatory Scope 3 reporting could be signalled once methodologies stabilise and data availability improves. Sector-specific expectations may also be appropriate where industries already have mature value chain data and established estimation practices. In addition, safe-harbour protections for good-faith Scope 3 reporting could encourage companies to disclose more information while recognising inherent uncertainties.

In summary, mandatory UK SRS S2 reporting is proportionate and supported by market maturity. The exception for Scope 3 is a balanced response to current data and methodological constraints. Together, these elements create a disclosure framework that is rigorous, practical and aligned with investor needs.



Question 4: 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?

We support mandatory application of UK SRS S2 climate disclosures, with Scope 3 emissions subject to a comply-or-explain approach. This structure reflects current market maturity and balances transparency with practical feasibility.

Market readiness justifies mandating the core elements of S2. Since the FCA introduced TCFD-aligned requirements, disclosure quality and consistency across listed companies have improved steadily. Most issuers now possess the governance arrangements, systems, and internal capabilities necessary to meet mandatory expectations without disproportionate cost or disruption.

UK SRS S2 aligns closely with prevailing reporting practice. The standard builds on the TCFD framework across governance, strategy, risk management, and metrics and targets. Mandatory application consolidates existing behaviours rather than imposing a sharp change, reducing variation and creating a more stable and predictable disclosure environment.

Mandatory reporting enhances comparability and mitigates the risk of selective disclosure. Investors rely on consistent, complete information to assess climate-related financial risks. Optional disclosures can vary in scope, format, and depth, limiting comparability and enabling selective reporting. Applying S2 mandatorily ensures disclosures are more comprehensive, decision-useful, and less vulnerable to greenwashing.

A mandatory regime reinforces the credibility of the UK sustainability reporting framework. By aligning with the ISSB global baseline, core S2 requirements signal that the UK maintains high and reliable reporting standards.

Retaining comply-or-explain for Scope 3 emissions is appropriate at this stage. Many companies still face structural challenges in obtaining reliable value-chain data, managing methodological uncertainty, and producing estimates that meet expected quality thresholds. A flexible approach avoids disclosures based on weak assumptions or incomplete datasets, supports gradual improvement in reporting quality, and aligns with the Government’s draft UK SRS position.

Mandatory UK SRS S2 reporting is proportionate and feasible, supported by market readiness, while retaining comply-or-explain for Scope 3 recognises current data and methodological constraints. Together, these elements create a disclosure framework that is rigorous, practical, and aligned with investor needs.

The FCA could strengthen the regime over time through targeted adjustments without altering the core policy. For instance, it could signal a future transition to mandatory Scope 3 reporting once methodologies and data availability stabilise. Sector-specific expectations may also be appropriate where industries have mature value-chain data and established estimation practices. Safe-harbour protections for good-faith Scope 3 estimates could encourage fuller disclosure while acknowledging inherent uncertainties.

Question 5: 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?

We support the proposal to locate UK SRS S2 climate-related disclosures within the annual financial report. Placing these disclosures in the annual report, with cross-referencing permitted under UK SRS S1, ensures coherence, accessibility, and accountability while allowing issuers flexibility to accommodate different reporting obligations.



Requiring disclosures in the annual report aligns with UK SRS S1 and creates a more integrated reporting package. Presenting climate information alongside financial statements strengthens the link between climate-related risks and financial outcomes, particularly as climate factors increasingly influence strategy, risk management, cash flow assumptions, and valuation judgements. Locating disclosures within the annual report subjects them to the same governance standards, audit committee oversight, and assurance expectations as the rest of the document, enhancing discipline and reliability. Investors benefit from a single, coherent source of both financial and climate information, reducing the need to navigate multiple documents.

Not prescribing an exact location within the report is proportionate and practical. Issuers operate under varied frameworks, including EU ESRS, ISSB standards, and sector-specific rules, and often structure reporting to avoid duplication. Flexibility supports interoperability, respects industry-specific practices, and enables coherent narrative reporting within existing structures. This approach prevents fragmentation while embedding climate disclosures in the core reporting cycle.

Mandatory signposting complements this flexibility. Requiring companies to identify clearly where climate disclosures and any Scope 3 explanations appear improves usability for investors and analysts, reduces search costs, and assists supervisors in assessing compliance. This mitigates the risk that greater flexibility could make disclosures difficult to locate or disperse across the report.

Allowing cross-references under UK SRS S1 enhances efficiency without weakening disclosure integrity. It avoids unnecessary duplication where information exists elsewhere in the report while keeping all relevant content within the same reporting boundary. This approach supports conciseness and maintains a clear audit and assurance perimeter.

Requiring UK SRS S2 disclosures within the annual financial report, supported by clear signposting and permitted cross-referencing, strikes an appropriate balance. It enhances coherence, auditability, and investor accessibility while respecting the diverse reporting obligations and structures issuers must manage.

The FCA could consider limited enhancements to support consistent implementation. Clarifying expectations on prominence and accessibility would reduce fragmentation risk. Non-binding guidance illustrating common reporting locations or good practice cross-referencing could help issuers align approaches. Early clarity on audit interactions may assist companies in developing internal controls and preparing for future assurance.

Question 6: 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?

We support applying UK SRS S1 non-climate reporting requirements on a comply-or-explain basis for issuers in the commercial companies, non-equity shares, non-voting equity shares, and transition listing categories. This approach is proportionate, recognising the materiality and breadth of non-climate sustainability issues while acknowledging significant differences in capabilities and systems across sectors and issuers. It embeds accountability without forcing premature or low-quality disclosures.

UK SRS S1 covers all sustainability-related risks and opportunities likely to affect a company's prospects, including human capital, supply chain practices, biodiversity, data governance, and product safety. While some issuers report on these topics through frameworks such as GRI, SASB, or existing Companies Act requirements, the UK has not previously mandated comprehensive non-climate disclosures. Maturity therefore varies widely, and immediate full compliance would outpace current capabilities. Comply-or-explain provides a realistic balance between ambition and readiness.



The approach maintains credible accountability. Issuers must explain clearly where material sustainability risks or opportunities exist but disclosures are not yet provided. Explanations should indicate which S1 elements are unmet, the reasons for gaps, and the steps and timeframe for improvement. This structure avoids opacity and supports investor visibility, while preventing unhelpful checklists that increase volume without clarity. The FCA's decision not to require line-by-line explanations is appropriate given the issuer-specific nature of many sustainability topics.

Comply-or-explain also supports interoperability. Many issuers already conduct risk assessments under UK obligations, including narrative reporting under the Companies Act and DTR requirements. Drawing on existing processes reduces duplication, supports internal coherence, lowers compliance costs, and encourages a unified narrative across the annual report rather than parallel processes for financial and sustainability risks.

Requiring companies that identify no sustainability risks or opportunities to state this explicitly strengthens transparency. It prevents silence from being interpreted as compliance and provides supervisors with a clear basis for assessing whether statements are credible relative to sector norms.

The FCA's decision not to add an additional compliance statement beyond UK SRS S1 is reasonable. Where issuers choose to explain rather than comply, they may not claim full compliance with the Standard. This is a transparent and proportionate consequence, which will become clearer once the final UK SRS are published and issuers align their statements accordingly.

Implementation could be strengthened through non-binding guidance clarifying robust comply-or-explain practices. This could include examples of effective materiality assessments, guidance on linking sustainability topics to strategy and financial outcomes, and criteria for credible plans to achieve future compliance. Such guidance would enhance comparability without imposing prescriptive rules.

Risks such as prolonged reliance on explanations or boilerplate disclosures can be mitigated through time-bound explanations, thematic supervisory reviews, and clear signposting in the annual report. Reinforcing a coherent narrative prevents fragmentation across reporting sections.

The FCA could refine the approach in future, for example by reviewing the regime after several reporting cycles to assess whether selected S1 topics should become mandatory, or by providing voluntary sector-specific prompts to help issuers identify commonly material topics. These refinements are optional and not required for the regime to function effectively at this stage.

Question 7: 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?

We support locating UK SRS S1 sustainability-related disclosures, and any associated explanations, within the annual financial report, with flexibility on precise placement and the use of cross-references as permitted by UK SRS S1. This approach integrates sustainability with financial reporting, maintains governance consistency, preserves investor usability, and allows issuers to accommodate different reporting architectures.

Placing S1 disclosures within the annual report reinforces the principle that sustainability risks and opportunities affect financial prospects. Presenting this information alongside strategy, risk reporting, and financial statements strengthens the coherence of the reporting package and encourages companies to consider sustainability as part of mainstream governance and oversight. It aligns disclosures with the systems and controls that govern annual reporting, supporting future assurance and enhancing investor confidence in the reliability of the information.

The FCA's decision not to prescribe a specific location is proportionate and pragmatic. Reporting structures vary across sectors and jurisdictions, particularly for companies already reporting under the Companies Act, SASB, GRI,



or frameworks such as EU ESRS. Flexibility enables issuers to organise disclosures in ways that minimise duplication, respect internal reporting processes, and support coherent narrative reporting. This avoids unnecessary restructuring costs and accommodates sector-specific practices without compromising regulatory expectations.

Allowing cross-references within the report, in accordance with UK SRS S1, enhances readability and efficiency. Many sustainability disclosures overlap with governance sections, risk discussions, or business model explanations. Cross-referencing prevents duplication while keeping all relevant content within the same reporting boundary, preserving auditability and accountability. This approach aligns with established financial reporting practices and improves usability without reducing completeness.

Mandatory signposting complements this flexibility. Requiring issuers to identify where sustainability disclosures and any comply-or-explain statements appear ensures that investors, analysts, and supervisors can locate the information easily. Clear signposting maintains accessibility while allowing disclosures to reflect each company's business model and reporting structure.

Implementation could be strengthened through non-binding guidance promoting coherence and comparability. Guidance could encourage logical grouping of S1 disclosures, illustrate placement relative to the strategic report, governance reporting, and financial assumptions, and reinforce internal consistency with principal risk reporting, financial judgements, and any transition or sustainability plans.

Question 8: 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?

We support the proposal for listed companies to state in their annual financial report whether they have published a climate-related transition plan, indicate where it can be found, or explain why they have not. This approach is proportionate and transparent, reflecting current market practice while avoiding any implication that the FCA is creating a substantive requirement ahead of the Government's separate policy process.

A clear statement on the existence and location of a transition plan provides valuable information to investors, given the role these plans play in demonstrating how a company intends to navigate and contribute to a lower-emissions economy. Transition plans offer insight into strategy, capital allocation, governance, and resilience, all highly relevant to financial prospects. UK SRS S2 requires disclosure of a transition plan only if one exists, and the FCA's proposal aligns with this principle by ensuring transparency without mandating plan adoption.

The regulatory context supports this measured approach. Existing FCA Handbook guidance references former TCFD transition plan guidance without defining substantive content, and this guidance will be withdrawn. The Transition Plan Taskforce has developed a voluntary UK framework, while the Government is consulting on potential mandatory requirements. Pending the Government's decision, it is appropriate for the FCA to provide clarity on whether a plan exists and where it is located, without imposing a de facto mandate.

Requiring issuers that have not published a plan to explain why ensures accountability and prevents disclosure gaps. It makes any absence explicit and considered, reduces greenwashing risks, and encourages boards to assess the role of transition planning as expectations evolve.

Locating the statement within the annual financial report aligns with the FCA's broader reporting framework. It ensures the disclosure is subject to the same governance, control, and oversight standards as the rest of the report, giving investors a single, clear point of access. This also reflects the integration principle underpinning the placement of UK SRS S1 and S2 disclosures.



The FCA could support implementation through non-binding guidance clarifying what “where it can be found” means in practice, for example by specifying direct links for web-published plans or page references for plans included within the annual report. Guidance could also encourage consistency between the transition plan, UK SRS S2 disclosures, stated targets and assumptions, and relevant financial statement judgements, strengthening coherence without altering the underlying requirement.

Foreseeable risks include limited explanations for the absence of a plan or dispersal of transition information across multiple documents. These risks can be mitigated through precise signposting and requiring explanations to be specific and time-bound. Clarifying that the requirement concerns transparency rather than plan adoption will prevent the perception of a de facto mandate.

Question 9: 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?

We support the proposal to note in guidance that listed companies may use the IFRS Educational Material when preparing transition plan-related disclosures. Referencing this resource is proportionate and practical, supporting high-quality implementation, maintaining international alignment, and avoiding the introduction of new or duplicative requirements.

The IFRS Educational Material builds directly on the Transition Plan Taskforce’s UK-developed Disclosure Framework, which has already influenced market practice and international approaches. Following the transfer of TPT materials to the IFRS Foundation and the publication of IFRS Educational Material in 2025 to support IFRS S2, pointing issuers to this resource preserves the substance of the TPT framework while situating it within the ISSB architecture. This enhances global comparability without altering UK SRS S2, which requires disclosures only when a transition plan exists.

The FCA’s proposal is proportionate because it avoids duplicating material that already supports S2 implementation and highlights a credible, widely recognised resource. It signals where issuers can find practical guidance while remaining non-prescriptive, respecting issuer diversity and avoiding embedding specific methodologies or indicators at a time when the UK Government is considering the broader policy on transition plans.

The IFRS Educational Material is practical and usable. It provides structure on transition plan components, such as strategy, governance, metrics, and sequencing, and offers methodological support and examples. Referencing it in guidance raises the baseline quality of transition-related disclosures for issuers that choose to develop a plan, without imposing a requirement to do so.

The FCA could support preparers through optional enhancements without changing the substance of the proposal. A brief mapping note showing how the IFRS material aligns with UK SRS S2 could aid navigation. Signposting sector-specific considerations would help issuers apply the resource to their exposures, particularly in sectors with advanced transition pathways. Encouraging documentation of assumptions, dependencies, and uncertainties could also support assurance readiness over time.

Alternative approaches could include referencing both the IFRS Educational Material and the original TPT Disclosure Framework explicitly, given their complementarity. Non-binding “quick start” guidance summarising the minimum informative elements of a credible transition plan, or phased guidance reflecting future Government decisions, could also support issuers without creating new regulatory expectations.



Question 10: 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?

We support the FCA’s proposal to require transparency where companies have voluntarily obtained third-party assurance over UK SRS S1 and S2 disclosures. This is a proportionate measure that reflects market developments, improves investor understanding of data reliability, and avoids pre-empting Government decisions on mandatory assurance or the design of an oversight regime.

Demand for sustainability assurance has grown rapidly, reflecting increased investor reliance on sustainability information and concerns about inconsistent data quality. The FCA notes that the share of FTSE 350 companies obtaining assurance rose significantly between 2019 and 2023, illustrating market maturity and expectations for credible, externally validated information. Requiring issuers to state whether assurance has been obtained, and, if so, its scope, level, standard used, and provider, gives investors clarity to assess the robustness of disclosures without imposing a requirement to obtain assurance at this stage.

The proposal is proportionate given the Government’s ongoing consideration of a registration and oversight regime for assurance providers and potential mandatory assurance in the future. Until these policy decisions are made, mandating assurance or specifying detailed quality expectations would be premature. The FCA’s approach focuses on transparency rather than prescription, preparing the market for a more structured assurance environment while avoiding additional compliance burdens.

The proposed disclosure requirements provide appropriate detail. Requiring companies to identify the provider, scope, level of work, standards applied, and report location helps investors distinguish substantive assurance from marketing claims and assess credibility. The decision not to require explanations for not obtaining assurance is sensible, avoiding unnecessary boilerplate and reflecting the FCA’s intention not to introduce assurance expectations ahead of Government policy.

The approach aligns with emerging international practice. Global regulators, including IOSCO, emphasise transparency on what has been assured, the level and standards applied, and the competence and independence of assurance providers. The FCA’s proposal reflects these principles and reinforces global alignment while maintaining flexibility as markets evolve.

Optional enhancements could support consistent practice without increasing regulatory burden. Clarifying expectations around partial assurance, particularly where only certain disclosures are assured, would help investors understand the boundary of work undertaken. Encouraging disclosure of provider accreditation could promote early discipline pending a UK oversight regime. Non-binding examples illustrating clear assurance disclosures and effective signposting would also support consistency, especially for first-time reporters.

Question 11: 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.

Mandatory assurance over sustainability-related information could deliver substantial benefits for investors, issuers, and the wider market, but it also introduces costs and operational demands that vary by issuer size, sector, data maturity, and assurance level. A phased, risk-based approach aligned with UK SRS S1 and S2 and the Government’s proposed ARGAs oversight regime would maximise benefits while managing execution risk and cost pressures.

Assurance enhances credibility and comparability of sustainability disclosures, supporting investor analysis, valuations, and stewardship decisions. Independent verification reduces information risk, ensures disclosures are



fairly presented and evidence-based, and safeguards against greenwashing. This is particularly valuable where disclosures influence capital allocation, transition planning, debt covenants, or executive remuneration.

A mandatory regime would also strengthen comparability and internal controls. It encourages consistent application of UK SRS S1 and S2, disciplined processes for defining boundaries, applying estimation methods, and documenting assumptions. Preparing for assurance drives investment in data architecture, integration with risk and finance processes, and clear governance, embedding sustainability considerations into strategy, risk appetite, and financial decision-making.

Market-wide, a mandated regime under ARGAs oversight would strengthen the assurance ecosystem by raising expectations for provider competence, independence, and quality, while aligning with international regulatory trends moving toward formal assurance requirements.

Costs and challenges vary. Fees depend on disclosure scope, assurance level, and operational complexity. Initial cycles are more expensive due to first-time preparation and remediation. Scope 3 and externally dependent data pose particular difficulties due to reliance on third-party inputs, inconsistent methodologies, and uncertainty. Readiness differs across the market: large, complex issuers are better equipped, whereas smaller or less mature reporters may face steep capability gaps. Immediate full assurance for all S1 and S2 topics could be disproportionate and divert resources from improving underlying data quality.

Operational burdens include duplication across reporting regimes and focus on easily evidenced areas rather than the most decision-useful disclosures. Rapid introduction could also create market bottlenecks, fee inflation, or inconsistent quality. Sector characteristics influence impact: financial institutions face complex counterparty data; extractives and heavy industry have mature Scope 1 and 2 data but extensive Scope 3; services and technology focus on non-climate S1 topics such as human capital, data governance, and product stewardship.

Implementation and assurance level materially affect feasibility. A “big bang” regime maximises comparability but carries high execution risk. Phased approaches by issuer size, sector, or disclosure set allow learning, capacity building, and smoother cost curves. A hybrid model requiring assurance on core elements (e.g., S2 Scope 1 and 2, governance, key targets) while deferring complex areas such as Scope 3 or non-climate S1 topics balances credibility and feasibility. Limited assurance offers a pragmatic interim step, while reasonable assurance provides greater confidence but may not be achievable immediately for complex or modelled data.

Levers to manage cost and preserve benefits include prioritising decision-useful elements, clarifying methodological expectations, strengthening ARGAs oversight of providers, offering safe-harbour protections for good-faith estimates, and developing templates or digital tagging standards.

Overall, mandatory assurance could significantly enhance the integrity of UK sustainability reporting, but its benefits depend on a phased, risk-based, and well-sequenced implementation aligned with market readiness and the emerging UK assurance framework.

Question 12: 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.

Several considerations should guide the FCA’s future policy development on sustainability assurance, including the scope of information to be assured, the feasibility of different assurance levels, and the appropriate timeline for reviewing and expanding requirements as market maturity evolves.



The assurance regime should initially focus on the core climate-related elements of UK SRS S2. Governance, strategy, risk management, and key metrics and targets, including Scope 1 and 2 emissions, provide the most decision-useful information for investors and benefit from relatively mature methodologies and controls. Assurance over these disclosures would strengthen confidence in data central to assessing transition risk and strategic resilience. As sustainability information becomes integrated with financial reporting, assuring its consistency with key financial statement assumptions, such as impairments, provisions, and asset lives where climate strategy materially affects them, would also be valuable.

Scope 3 emissions should follow a staged, risk-based pathway. Early assurance should prioritise disclosure controls, category coverage, boundary definitions, and methodological transparency rather than quantitative precision. Limited assurance on selected material categories, particularly sector-specific ones, would be appropriate as data quality improves. Reasonable assurance should only be applied once methodologies stabilise and value chain data become more consistent. A similar phased approach should apply to non-climate S1 topics, initially focusing on governance, risk processes, and key indicators, before extending to broader metrics as data maturity develops. For issuers publishing transition plans, assurance should prioritise internal consistency, scope, boundaries, progress tracking, and alignment between strategy, capital allocation, and interim milestones.

The feasibility of limited versus reasonable assurance varies by disclosure. Limited assurance is achievable in the near term for most core S2 elements, provided issuers maintain clear documentation and established controls, and should form the starting point for a mandatory regime. Reasonable assurance is more demanding and is feasible primarily for directly measured, stable data sets, such as metered Scope 1 and 2 emissions. Estimation-heavy areas, including Scope 3 and many S1 topics, will require multiple reporting cycles to mature data pipelines, methodologies, and control environments. A multi-year glidepath should be signalled to allow issuers, providers, and regulators to plan capability development and capacity building.

A formal review after two to three reporting cycles would provide an appropriate point to consider expanding scope or increasing assurance levels. By then, the FCA and ARGA would have evidence on issuer readiness, control weaknesses, restatement frequency, provider capacity, fee trends, and investor perceptions of decision usefulness. An evidence-based review would allow a calibrated transition from limited to reasonable assurance and guide expansion to additional Scope 3 categories or S1 topics.

Provider oversight and standard setting will be crucial. ARGA should establish requirements for provider registration, independence, ethical safeguards, and quality inspection. Alignment with recognised international assurance standards for sustainability information, applied consistently to UK SRS S1 and S2, will enhance comparability and support cross-border recognition, particularly for companies reporting under multiple frameworks.

Costs and operational burden must be managed without compromising quality. Proportionality should guide scope decisions, with expectations scaled to issuer size, risk profile, and topic materiality. A modular approach, assuring specific components, such as controls or selected metrics, allows issuers to progress in line with their maturity. Over time, digital tagging and structured data will support more efficient assurance and analytics. Clear labelling of what has and has not been assured, and at what level, is essential to investor understanding.

Taken together, these considerations indicate that mandatory assurance will play a central role in strengthening the quality, reliability, and comparability of sustainability reporting. A phased, risk-based approach, beginning with limited assurance over core S2 elements and selected material S1 topics, supported by ARGA oversight, methodological guidance, and safe-harbour protections, would maximise public interest benefits while managing costs and execution risk. A structured post-implementation review is necessary to guide transition towards broader coverage and higher assurance levels as data maturity improves.



Question 13: 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?

We support the FCA's proposed implementation approach and transitional arrangements for companies in the commercial companies, non-equity shares, non-voting equity shares, and transition categories. The proposals are coherent, proportionate, and sequenced to reflect both the structure of UK SRS S1 and S2 and the operational realities facing issuers transitioning from TCFD-aligned requirements.

Aligning effective dates with the Government's endorsement timetable is essential for regulatory coherence. UK SRS has a single commencement date, and bringing S1 and S2 into force together from 1 January 2027 avoids fragmentation that would arise if cross-cutting and climate-specific disclosures became effective separately. A split approach would introduce governance complexity and risk undermining the conceptual integrity of the regime. Linking implementation to the Government's 2026 endorsement schedule provides issuers with clarity and a stable horizon for planning.

The proposed transitional reliefs are appropriately calibrated. Two-year relief for non-climate S1 disclosures recognises variability in data maturity and governance processes across issuers. One-year relief for S2 Scope 3 emissions reflects the acknowledged challenges with value chain data, estimation methodologies, and control environments. Applying these reliefs in full and tying initial application to accounting periods beginning between 1 January 2027 and 1 January 2028 maintains consistency with the underlying UK SRS design.

Flexibility for issuers with accounting periods beginning before 1 January 2027 is proportionate and pragmatic. Companies may continue reporting under TCFD-aligned rules or adopt UK SRS early, reflecting differences in readiness and strategic preference. This also recognises that the TCFD framework is no longer maintained. Withholding transitional reliefs from early adopters maintains conceptual discipline, ensuring relief applies only once UK SRS is formally in force.

The approach to disclosure during transitional periods is well calibrated. Companies using transitional reliefs are required to state the fact of non-disclosure, without explaining why relief was used. This avoids unnecessary narrative burdens while ensuring transparency. Companies may also continue to disclose Scope 3 voluntarily, preserving continuity for those with established processes.

The proposals on comparative information are appropriate. Allowing issuers to omit comparatives in the first year of UK SRS reporting reflects best practice for initial adoption of a new framework. Requiring comparatives thereafter supports consistency and trend analysis without imposing impractical demands in the initial year.

The timetable provides adequate preparation time. Companies must upgrade data systems, strengthen internal controls, align financial and sustainability narratives, and prepare for future assurance expectations. Implementing the regime from 2027, with clear reliefs and early adoption options, offers a balanced path that supports readiness without unnecessary delay.

Question 14: Would you expect to be an early adopter of our proposed new rules? If so, do you have any comments on our proposed approach?

Not applicable.



Question 15: Do you agree with our proposals for companies in the secondary listing category and the depositary 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?

We support the FCA's proposed implementation approach and transitional arrangements for companies in the commercial companies, non-equity shares, non-voting equity shares, and transition categories. The proposals are coherent, proportionate, and sequenced to reflect both the structure of UK SRS S1 and S2 and the operational realities facing issuers transitioning from TCFD-aligned requirements.

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The timetable provides adequate preparation time. Companies must upgrade data systems, strengthen internal controls, align financial and sustainability narratives, and prepare for future assurance expectations. Implementing the regime from 2027, with clear reliefs and early adoption options, offers a balanced path that supports readiness without unnecessary delay.

Question 16: 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 depositary receipts category. If not, what alternative approach would you suggest and why?

We agree with the FCA's proposal that companies in the secondary listing and depositary receipts categories should disclose whether they have obtained third-party assurance over their climate or sustainability-related disclosures, including any related information provided to the market. This approach is proportionate, aligns with



the assurance transparency model for UK incorporated commercial companies, and appropriately reflects the position of overseas issuers whose primary reporting obligations lie elsewhere.

Applying the same transparency expectations across these categories maintains consistency in UK markets. Without this requirement, an implicit assurance gap could emerge between UK incorporated companies and overseas issuers whose securities are traded in the UK. A uniform transparency obligation allows investors to understand whether sustainability information for all listed entities, regardless of domicile, is supported by external assurance. It also reinforces market signalling: the UK market values the credibility of sustainability information, and transparency about assurance communicates this without mandating assurance itself.

The proposal remains proportionate because it does not impose a requirement for overseas issuers to obtain assurance. These companies are already subject to their home jurisdiction's disclosure and assurance regimes. Introducing a UK mandatory assurance obligation could create duplication, conflicts between regimes, and legal or operational friction. The FCA's approach respects jurisdictional boundaries and avoids assessing the adequacy of overseas frameworks. A transparency-only model avoids unnecessary burdens that could undermine the attractiveness of the UK as a venue for secondary listings while still providing investors meaningful information on data reliability.

The proposal equips investors with the essential information to assess the quality of any voluntary assurance obtained. Requiring issuers to state the identity of the assurance provider, scope and level of assurance, standards applied, and report location allows investors to evaluate provider competence, independence, methodological rigour, and breadth of work. This mirrors the FCA's approach for UK incorporated issuers and supports comparability even where underlying disclosure regimes differ.

The model also reflects the reality that UK SRS requirements do not apply to these categories. In this context, transparency about assurance is the most effective and proportionate tool to enhance market information quality without creating overlapping or conflicting obligations. It ensures UK investors are not disadvantaged relative to investors in the issuer's primary market and can understand the assurance context of disclosures that may influence pricing, risk assessment, or stewardship decisions.

Optional enhancements could improve clarity without changing the policy intent. The FCA could reinforce expectations that issuers clearly identify the documents and sections covered by assurance, noting that many overseas companies publish multiple sustainability reports. Issuers could also indicate whether assurance extends to related elements such as transition plans, GHG inventories in financial filings, or narrative disclosures on governance and risk management. Clarifying expectations for partial assurance, where only selected metrics or categories are covered, would further support comparability while retaining proportionality and usability for investors.

Question 17: Do you agree with our consequential amendments to enable asset managers, life insurers and FCA-regulated pension providers in scope of UKLR to cross refer to UK SRS S2 disclosures in their TCFD entity report, where applicable? If not, what alternative approach do you suggest, and why?

We support the FCA's proposed amendments to ESG 2.2.6R, allowing in-scope asset managers, life insurers, and FCA-regulated pension providers to cross refer to UK SRS S2 disclosures, including Scope 3 disclosures or explanations, within their entity-level TCFD reports. The update is coherent, proportionate, and necessary to preserve the original purpose of ESG 2.2.6R as UK listed companies transition from TCFD-aligned rules to UK SRS S2 and S1.



The amendment maintains the rationale of the existing rule, which was introduced to avoid duplicative reporting for firms subject to both the UK Listing Rules and ESG 2. Without the update, firms would need to reproduce disclosures in their TCFD entity-level reports that they have already made under the UKLR, simply because the reporting framework has shifted. Updating ESG 2.2.6R preserves continuity, prevents fragmentation across regimes, and allows firms to anchor their entity-level reports in the most up-to-date disclosures, reducing administrative burden while ensuring a single, consistent set of climate information.

The proposal is appropriately sequenced. ESG 2.2.6R remains unchanged for firms reporting under TCFD-aligned UKLR rules until they begin using UK SRS, avoiding any regulatory gap. This aligns with the UK SRS implementation timetable, final rules in 2026, first reporting for accounting periods from 1 January 2027, and transitional reliefs embedded in S1 and S2, enabling firms to transition smoothly without operating dual frameworks.

The amendment supports coherence across related regulatory regimes. Some ESG 2 firms are also subject to the SDR and sustainable investment labels regime. Cross referencing UK SRS S2 in the entity-level TCFD report ensures consistency between entity- and product-level disclosures and reduces duplication across SDR and UKLR frameworks. The ability to cross refer to non-climate S1 disclosures where relevant further strengthens this coherence.

Investor usability is preserved. Cross reference is a location mechanism, not a reduction in disclosure. Investors retain access to all substantive information, while signposting from the TCFD entity report ensures it is easy to locate. Concentrating disclosures within the annual report under UK SRS also maintains governance oversight and supports future assurance expectations.

Optional enhancements could improve clarity without changing the policy intent. The FCA could set expectations for high-quality signposting, including document title, reporting year, section or page references, and URLs. Where transitional reliefs leave gaps in UK SRS coverage, firms could indicate any remaining gaps and where they are addressed. A brief consistency statement confirming alignment between UK SRS S2 content and the entity-level TCFD narrative would help prevent divergence during the transition.

Alternative approaches, such as requiring an executive summary within the TCFD entity report, temporary mapping between UK SRS and legacy TCFD headings, or deferring the amendment until TCFD entity rules are replaced, would increase complexity or prolong duplication. Given the FCA's objective of minimising reporting burden during the transition, the proposed amendment is the most proportionate and effective option.

Question 18: 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.

We agree that digital tagging of sustainability information offers substantial long-term benefits for investors, regulators, data users, and issuers, but costs and readiness vary significantly across sectors and firm sizes. A phased, taxonomy-aligned approach would deliver the greatest net benefit.

Digital tagging materially enhances the usability and comparability of sustainability disclosures. Structuring narrative and numerical information as machine-readable data allows investors and analysts to extract, screen, and compare information more efficiently, particularly climate-related metrics under UK SRS S2 such as Scope 1, Scope 2, and Scope 3 emissions, intensity metrics, targets, and transition plan KPIs. These metrics feed directly into portfolio analytics, scenario modelling, and transition risk assessment. Tagging also reduces search costs, ensures consistent interpretation over time, and, because UK SRS aligns with ISSB standards, supports cross-border comparability and reduces duplicative effort for dual-listed issuers.



Digital tagging also strengthens regulatory oversight. Machine-readable data enables supervisors to automate checks for completeness, outliers, and inconsistencies, and to identify potential greenwashing, for example where emissions disclosures diverge from stated targets or sector baselines. This enhances market integrity and allows regulators to deploy resources more efficiently.

For issuers, tagging reinforces internal controls and data governance. Preparing disclosures for tagging requires firms to formalise definitions, consolidate data sources, document methodologies, and establish repeatable extraction and validation processes. These steps support future assurance readiness and improve the consistency of data pipelines linking sustainability and financial reporting.

Implementation costs and challenges are significant. Digital tagging requires technology upgrades, including XBRL-capable reporting software and integrated data systems, as well as investment in controls, training, and change management. Large issuers with XBRL experience face lower barriers, while smaller or less mature reporters may require external support, increasing costs and potentially straining market capacity.

Methodological and interpretive issues also arise. Firms must map every disclosure requirement to the correct taxonomic element and apply it consistently across reporting periods. Quantitative climate metrics are relatively straightforward, but qualitative, entity-specific S1 disclosures, such as governance, risk identification, and assumptions, pose greater challenges. Introducing tagging before a UK-specific taxonomy aligned to SRS could result in inconsistencies and rework.

Tagging is most valuable for structured, comparable disclosures. S2 climate data, including emissions, intensity metrics, targets, transition pathways, and core governance and risk information, is particularly suitable. S1 cross-cutting disclosures, such as roles and responsibilities, time horizons, risk identification, and key management metrics, also benefit from tagging. Qualitative S1 content can be made searchable and comparable, but tag granularity should remain proportionate.

Overall, digital tagging delivers clear long-term value for market functioning, investor protection, and regulatory oversight. However, costs and readiness gaps, especially for smaller issuers and complex S1 topics, justify a phased approach. Prioritising S2 climate metrics, aligning implementation with a UK SRS-specific taxonomy, and gradually expanding coverage as data maturity improves will maximise benefits while managing disruption.

Question 19: 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?

Issuer readiness to digitise sustainability reporting varies significantly across the UK market. Some large, internationally active companies could adopt digital reporting relatively quickly, while smaller issuers or those still developing sustainability data governance will require considerably more time. In this context, the FCA's decision to gather evidence before proposing rules is appropriate and proportionate.

Large, complex, and dual-listed issuers are closest to readiness. Many already tag financial statements under the DTR XBRL requirements and therefore have established tagging tools, internal control frameworks, and vendor support. Several are also preparing disclosures under frameworks such as ISSB, ESRS, or forthcoming SEC climate rules, which are moving toward structured digital formats. Their sustainability data systems and internal processes are often sufficiently advanced to support digital tagging within 12 to 18 months once a UK SRS-aligned taxonomy becomes available.

Mid-cap issuers generally have moderate capability but face more gaps in data architecture and internal controls. Sustainability information is often dispersed across systems and processes remain less automated. Despite these challenges, many could build capability progressively and would likely require two to three years to implement



structured digital reporting effectively, depending on the maturity of tagging software, vendor support, and alignment between the IFRS sustainability taxonomy and any UK SRS taxonomy.

Smaller issuers and companies with less developed sustainability reporting processes face the greatest barriers. Data collection frequently relies on manual compilation, internal controls remain limited, and sustainability expertise varies widely. Transitioning to digital reporting would therefore require significant investment in systems, processes, and training. A realistic readiness horizon for these issuers is three to five years, particularly if digital tagging extends beyond climate-related disclosures to broader S1 topics that are more qualitative and entity specific.

Service providers are broadly capable of supporting digital adoption but will also require time to scale. Software vendors already supporting XBRL financial reporting are well placed to extend their systems once a UK SRS taxonomy is finalised. Consultants and sustainability data platforms can adapt quickly but may face capacity constraints if many issuers implement digital reporting simultaneously. Assurance providers will benefit from structured digital data, although methodologies for tag-level assurance remain under development and will require further maturation.

Assuming the IFRS sustainability taxonomy is adapted for UK SRS and rulemaking concludes in 2026, implementation timelines are likely to vary by issuer type. Large and dual-listed issuers could implement tagging within roughly one to one and a half years, mid-caps within two to three years, and smaller or less mature reporters within three to five years. A phased approach beginning with S2 climate metrics and expanding gradually to structured S1 disclosures would reduce transition risk and provide a manageable pathway for issuers with differing levels of maturity.

Overall, digital sustainability reporting offers clear long-term benefits for investors, regulators, and issuers, but readiness across the market remains uneven. A proportionate, phased approach aligned with development of a UK SRS taxonomy, supported by evidence gathered through this consultation, provides the most effective path to achieving high-quality and cost-efficient digital reporting.

Question 20: Do you have any comments on what we should consider when developing our supervisory strategy for the new requirements?

The FCA's supervisory strategy for the new requirements must balance credible expectations, market readiness, and transitional risks associated with the shift to UK SRS S1 and S2.

Supervision should initially focus on clarity and accessibility of disclosures. Given the breadth of UK SRS, firms will need strong internal processes and governance. Early supervisory activity should emphasise clear signposting, coherent narratives, and transparent articulation of material sustainability-related risks and opportunities. This approach supports investor usability and reduces the risk of fragmented or overly technical disclosures.

Supervision must also account for transitional reliefs. Early cycles should assess whether firms apply reliefs, particularly for Scope 3 emissions and non-climate S1 topics, appropriately and transparently. The FCA should ensure that disclosures under relief provisions remain meaningful and that firms maintain credible plans to develop capability over the relief period.

Supervisory focus should evolve as assurance expectations mature. Coordination with ARGA will be important to align expectations on internal controls, data governance, and audit readiness. This will promote consistency across financial and sustainability reporting and avoid duplicative requirements.

Sectoral differences should inform supervisory expectations. Industries such as financial services, extractives, manufacturing, and technology face distinct sustainability data challenges and disclosure burdens. Supervisory



guidance should reflect these variations while maintaining alignment with the cross-cutting principles in UK SRS S1.

The FCA can use early supervisory findings to inform future guidance. Insights on interpretation challenges, comparability gaps, or areas requiring additional clarity can support consistent implementation across the market.

Overall, the FCA's supervisory strategy should prioritise proportionality, clarity, and consistency in the early years while laying the groundwork for robust supervision as data maturity, internal controls, and assurance practices strengthen.

Question 21: Do you have any comments on our cost benefit analysis?

The FCA's cost-benefit analysis (CBA) is well constructed, providing a clear articulation of the problem, a transparent causal chain from intervention to market outcomes, and a balanced discussion of benefits and costs. Assumptions are explicit, sensitivity testing is meaningful, and the CBA addresses prior feedback by including an executive summary, expanding scenario work, and situating proposals in an international context. These enhancements strengthen both accessibility and analytical rigour.

The CBA's strongest feature is its clarity of causal logic. It demonstrates how mandatory UK SRS S2, comply-or-explain S1, transition plan disclosures, and assurance transparency are expected to improve the quantity, quality, and comparability of sustainability information. This is credibly linked to firm-level decision making, market efficiency, pricing accuracy, and investor welfare. The chain of causation is coherent and consistent with evidence that higher quality sustainability information reduces information risk and supports capital allocation.

The quantified benefits are deliberately conservative. Modelling focuses on UK equity investors, despite debt and international investors also benefiting, producing a central estimated present value of £519.20m and an NPV of £233.61m. Acknowledging that including other investor groups could materially increase the NPV reinforces the robustness of the central estimate.

Sensitivity and scenario analysis is another strength. Alternative assumptions around impact coefficients, issuer compliance, counterfactual alignment, and cost variability produce low, central, and high scenarios. Extended-benefit cases incorporating additional investor groups provide stakeholders with a clear view of key uncertainties.

The CBA demonstrates awareness of proportionality. It reflects the mix of "comply" and "explain" responses, realistically allocates costs across S1, S2, and Scope 3 activities, and recognises transitional reliefs. This ensures estimates align with the staged introduction and flexibility inherent in the UK SRS framework.

However, several areas could be strengthened to improve credibility and decision usefulness. First, the issuer cost evidence is narrow, based on eight primarily large financial institutions with mature TCFD processes. This sample is not representative of all listed entities, particularly those with complex Scope 3 supply chains or less mature sustainability reporting, and the uniform 75% SME scalar only partially mitigates this limitation.

Second, the CBA distinguishes SMEs from large issuers but does not capture sectoral differences. Sectors with significant Scope 3 exposure, extractives, transport, consumer goods, and financials, face different cost drivers and realise different investor benefits. Sectoral segmentation would enhance granularity for both costs and benefits.

Third, the benefit scaling may be overly conservative. Applying a 46.31% scalar for partial compliance assumes a linear relationship between expenditure and investor value. Investors often gain most value from core climate disclosures, Scope 1 and 2, governance, strategy, and key targets, before full S1 or Scope 3 maturity, so early benefits may be understated.



Fourth, the assigned 8% cost share for Scope 3 may underestimate effort for sectors where purchased goods, use of sold products, or financed emissions dominate. Even under a comply-or-explain approach, many issuers are likely to incur higher data, vendor, and assurance readiness costs than currently modelled.

Finally, the CBA could better reflect long-run dynamics. Costs typically fall as issuers move down the learning curve, tooling matures, and processes standardise, while assurance uptake tends to increase as internal controls strengthen. Modelling these effects would create a more realistic trajectory of costs and benefits.

To improve the analysis, the FCA could expand the cost evidence base to include SMEs and high Scope 3 sectors, refine sectoral segmentation of costs and benefits, and adjust the benefit scalar to capture the disproportionate investor value of core climate disclosures. Incorporating learning curve effects and modelling different assurance uptake scenarios would improve accuracy. A methodological annex mapping TCFD to UK SRS elements driving investor value would also enhance transparency of the 0.52% coefficient.

Overall, the CBA provides a strong foundation for policy evaluation. Expanded sectoral coverage, broader issuer sampling, and refined benefit modelling would deliver an even more robust assessment of the net impact of the proposed UK SRS reporting framework.

Question 22: Do you have any comments on the assumptions made in our cost–benefit analysis?

Building on the observations above, the following comments focus on the assumptions underpinning the CBA. They provide reasonable starting points, but several would benefit from greater granularity to reflect differences in issuer maturity, sector exposure, and likely behavioural responses over time.

1. Counterfactual alignment (29%) (¶147; ¶145–146)

The 29 per cent counterfactual is a defensible global anchor, but UK listed issuers are likely above this baseline due to prior TCFD alignment and stronger investor expectations. Segmenting the counterfactual by size and sector would improve accuracy. As currently applied, the assumption may overstate benefits attributable to the intervention while understating avoided duplication for multinationals preparing for ISSB/CSRD alignment.

2. Issuer response to comply or explain (15% near full; 56% mostly explain) (¶148)

The assumed distribution is plausible for year one, but compresses expected behaviour evolution. As capabilities mature and investor expectations increase, the share of firms moving from “explain” to “comply” should rise. A time-varying assumption over years 2–3 would yield a more realistic benefit trajectory.

3. Cost apportionment across S1/S2/Scope 3 (60% / 32% / 8%) (Table 2)

The 60/32/8 split is a useful simplification, but the 8% allocation to Scope 3 is likely too low for sectors where value chain emissions dominate, particularly purchased goods, use phase, and financed emissions. Many issuers are likely to incur higher Scope 3 costs even under a comply-or-explain regime. Introducing sector-specific scenarios with Scope 3 weights of 10–20% would enhance robustness.

4. Application of average per issuer costs (¶152–54)

Using mean values is reasonable, but the sample, eight issuers, five with quantitative data, mostly large financial institutions with mature TCFD processes, creates upward bias in preparedness assumptions and downward bias in SME and operations-heavy sector costs. Complementing mean values with median, interquartile ranges, and sector-specific multipliers as evidence grows would reduce this distortion.

5. Impact coefficient (0.52%) and 46.31% scalar (¶179–81; ¶149–153)

The 0.52% coefficient is a major analytical strength. The 46.31% scalar assumes a linear relationship between issuer cost and investor value. In practice, investors derive disproportionate value from a small set of disclosures, Scope 1 and 2 emissions, governance, strategy, and targets, before full S1 or Scope 3



maturity. Weighting based on completion of core disclosure elements, rather than cost ratios, would better reflect investor value and reduce underestimation of partial compliance benefits.

6. Domestic-only benefits in baseline (¶151; ¶173–82)

Restricting quantified benefits to UK equity investors is conservative and transparently presented. Scenario analysis appropriately extends to other investor groups. Over time, including lower-bound estimates for UK debt investors, where methodology already exists, would enhance completeness without overstating impact.

Overall, the assumptions are clear and well documented, but refinements around sector heterogeneity, partial compliance benefit modelling, long-run behavioural shifts, and cost input representativeness would materially improve accuracy and credibility. These enhancements would strengthen the FCA's ability to assess proportionality, understand distributional effects, and support evidence-based supervisory prioritisation.

Question 23: Do you have any comments on our assessment of the estimated costs to listed companies? Please provide evidence to support your response.

The FCA's cost assessment is clearly presented and methodologically transparent. It follows a conventional structure, familiarisation and gap analysis, one-off implementation, and ongoing reporting costs, and benchmarks these against international comparators, notably ESRS. The FCA also acknowledges the limitations of its evidence base (¶183–104). Nevertheless, several aspects could be strengthened to better reflect sectoral variation, SME realities, the complexity of Scope 3 reporting, and the emerging cost profile of assurance.

1. Sample Composition and Preparedness

The underlying cost evidence derives from eight issuers, five with quantitative data, mostly large financial institutions that are fully TCFD aligned and likely within CSRD scope (¶189–91). This sample may bias results: downwards, because these issuers are relatively prepared; upwards, due to their size and complex internal processes (¶194–96). Costs for less prepared, operations-intensive, and SME issuers are therefore underrepresented in Table 7.

2. SME Adjustment (75%)

SME costs are estimated at 75% of large issuer costs, based partly on TCFD patterns (¶153; ¶192–93). Annex 2 notes SMEs are more likely to outsource reporting, engage external expertise, and face a steeper uplift when moving to mandatory climate reporting (¶1101–102). A flat 75% scalar may be too low. A sector-differentiated range (75–100%) would better capture variation.

3. Scope 3 Cost Share (8%) and Comply-or-Explain Behaviour

Table 2 allocates 8% of total costs to Scope 3, informed by a foreign regulator's analysis. Annex 2 highlights that assurance is the largest incremental cost and that Scope 3 estimation drives vendor and assurance effort (¶199). High Scope 3 sectors, extractives, consumer goods, logistics, chemicals, financials (Categories 1, 11, 15), will likely incur higher costs, even under comply-or-explain. Modelling a 10–20% cost allocation for Scope 3 in sensitivity analysis would improve robustness.

4. One-off vs Ongoing Costs

The CBA estimates £19.96m PV for implementation and £30.39m per year for ongoing reporting (Table 7). While acknowledging learning effects, it does not model a decline in ongoing costs, whereas Annex 2 indicates increasing assurance uptake may raise long-run costs (¶199). A dynamic model should reflect: declining ongoing costs as processes mature (e.g., years 2–3) and rising assurance-related costs as voluntary uptake grows.



5. International Benchmarking

ESRS estimates for large firms, £0.29m one-off and £0.32m ongoing, are 12–126% higher than UK SRS equivalents (¶103), demonstrating proportionality. Yet UK sector diversity suggests some issuers may face costs closer to ESRS levels. Sector-specific analysis is needed to capture dispersion across industries.

Recommendations to Strengthen the Cost Evidence Base

To enhance reliability and proportionality, the FCA could:

- Expand the sample to 30–50 issuers across energy/extractives, industrials, transport/logistics, consumer sectors with deep supply chains, healthcare, and tech/services, explicitly including SMEs.
- Produce sector-specific cost ranges (minimum, median, maximum) for implementation and ongoing reporting.
- Disaggregate Scope 3 into key categories (1, 11, 15) when modelling data, IT, supplier engagement, and assurance costs.
- Model voluntary assurance uptake, reflecting Annex 2 evidence that assurance is the main cost driver (¶199).
- Incorporate learning curves, e.g., 10% cost reduction after year 2 and 20% after year 4 as processes, templates, and tooling mature.
- Publish a simple costing worksheet to allow issuers to benchmark against CBA assumptions and provide structured feedback.

The FCA's cost estimates are proportionate and robust for consultation. However, they likely understate costs for SMEs and high Scope 3 sectors and do not fully account for rising assurance uptake or learning curve effects. Implementing the refinements above would better capture distributional impacts and support proportionate supervision, transition planning, and policy implementation.

If you would like to discuss any of the above comments in further detail, please do feel free to the policy department at policy@cgi.org.uk.

Yours faithfully,

Valentina Dotto

Policy Adviser

The Chartered Governance Institute UK & Ireland

