ICGN
International Corporate Governance Network

Ashley Alder
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

19 March 2026

Dear Mr Alder,

Subject: Aligning listed issuers' sustainability disclosures with international standards

The International Corporate Governance Network (ICGN) appreciates the opportunity to comment on the Financial Conduct Authority's (FCA) consultation on aligning listed issuers' sustainability disclosures with international standards.[1]

Led by investors responsible for assets under management of >US$90 trillion, ICGN is an authority on global standards of corporate governance and investor stewardship. Headquartered in London, our membership is based in more than 40 countries. ICGN's *Global Governance Principles*[2] and *Global Stewardship Principles*,[3] written from an investor perspective, are widely used by our members in their company assessments and voting decisions, and by regulators when developing corporate governance rules.

ICGN is generally supportive of the rollout of ISSB-aligned sustainability disclosure requirements and associated assurance expectations. Investors value clear, consistent, financially material information about sustainability-related risks and opportunities. Improving the quality and comparability of disclosures supports market integrity and efficient capital allocation.

In particular, we support the FCA's direction of travel to:

- move climate-related disclosures onto a mandatory footing by referencing UK SRS S2 (with the proposed exception of Scope 3 emissions);
- require transparency on whether and where issuers have published a transition plan (or why not); and
- require transparency regarding third-party sustainability assurance where obtained.

Scope and Implementation Timeline

We agree with the proposed scope of application for in-scope UK listing categories (UKLR 6, 16 and 22) and support the proposed implementation date of 1 January 2027, applying to accounting periods beginning on or after 1 January 2027.

Where the FCA retains an 'explain' pathway (for Scope 3 emissions and for UK SRS S1 disclosures), ICGN encourages the FCA to make clear that the objective is to support a timebound transition, not to create an ongoing opt-out from decision-useful disclosure. We therefore suggest committing to a formal post-implementation review (for example, after the

[1] FCA, CP26/5, 2026
[2] ICGN, Global Governance Principles, 2021
[3] ICGN, Global Stewardship Principles, 2024

first two reporting cycles) to assess market readiness and whether elements of the 'explain' flexibility should be tightened.

In the meantime, issuers should provide financially material sustainability information as soon as practicable.

Climate disclosures under UK SRS S2 (mandatory, excluding Scope 3)

ICGN supports moving from the current comply or explain TCFD-based regime (introduced in 2020/2021) to mandatory climate-related reporting aligned with UK SRS S2 (excluding Scope 3), leveraging the maturity and improving quality of climate reporting practices in the UK market.

We agree that anchoring the requirements in UK SRS (and relevant UK SRS S1 conceptual foundations and general requirements) should strengthen consistency, comparability and connectivity with financial reporting.

Scope 3 emissions

Investors generally expect Scope 3 emissions to be disclosed where they are material to enterprise value, and the proposed 'explain' pathway should not be seen as reducing that expectation.

We encourage the FCA to promote closer alignment with the core discipline of ISSB S2: namely, that entities should *consider Scope 3 categories and determine which categories, if any, are material* to enterprise value (i.e., expected effects on cash flows, access to finance, or cost of capital).

In our view, even where full and reliable quantification remains difficult, the market benefits when issuers transparently demonstrate:

- that they have assessed relevant Scope 3 categories across their value chain;
- which categories they consider material (and why); and
- where data limitations currently prevent complete measurement, what governance, systems and supplier/customer engagement steps are being taken to close those gaps over time.

Accordingly, we suggest the FCA consider whether the UKLR explain pathway for Scope 3 could more explicitly encourage (or require) disclosure of the issuer's Scope 3 category assessment and materiality conclusions, even when quantification is partial. This would drive the decision-useful analysis investors need, without ignoring real-world data constraints.

More broadly, as Scope 3 emissions are often the dominant component of many issuers' climate footprints (including through financed emissions for relevant financial sector activities), we believe the medium-term policy goal should remain fuller, more consistent reporting once market capacity improves.

We therefore encourage the FCA to consider a defined review point (e.g., aligned with the expiry of the UK SRS transitional reliefs) and/or a transition plan toward a more mandatory footing over time.

Wider sustainability disclosures under UK SRS S1 (non-climate)

ICGN supports the introduction of wider sustainability disclosures (non-climate) aligned with UK SRS S1.

We note the FCA's proposed design of the explain pathway, which still requires transparency where the issuer has identified sustainability-related risks and/or opportunities that could reasonably be expected to affect its prospects, together with reasons for not disclosing and steps/timeframes to reach fuller reporting.

Investors expect companies to disclose non-climate sustainability-related information where they are financially material. We encourage the FCA to consider whether a review point (or progression expectation) should be embedded, so the market can plan for a clearer endpoint where comply becomes the norm as capability grows.

Transition Plans

Many investors expect their investee companies to publish climate transition plans, which contains relevant and strategic information that helps inform investment and stewardship decisions.

We support the FCA's proposal requiring issuers to state whether and where they have published a climate-related transition plan (in the annual financial report or elsewhere), and if not, to explain why not.

We also welcome the FCA's decision to signpost relevant supporting implementation materials (including the IFRS Foundation's June 2025 transition disclosure guidance referenced in the draft Handbook glossary).

Sustainability-related assurance

Investors expect sustainability reporting to be prepared by companies with the same rigor and ethical approach as financial statements. To enhance trust in the quality and reliability of companies' sustainability reporting, assurance of this information by an independent third party also plays a crucial role.

ICGN supports introducing requirements for issuers to disclose whether they have obtained third-party sustainability assurance and, where obtained, to provide clear details (assurance provider, scope of what was assured, level of assurance, assurance standards used, and where the assurance report can be accessed). This transparency supports investor confidence and comparability, particularly during a transition period while the UK's broader assurance oversight regime is still being finalised.

We also support applying equivalent assurance transparency expectations for issuers in the secondary listing and depositary receipts categories where they have obtained assurance over the disclosures/information they provide.

Looking ahead, we encourage the FCA (alongside relevant UK authorities) to articulate a pathway toward consistent assurance expectations over time. For example, covering which disclosures are most decision-useful to assure first, the feasibility of limited versus reasonable assurance, and an indicative timeframe for revisiting the assurance approach.

Secondary listings and depositary receipts

ICGN recognises the FCA's objective of avoiding duplicative reporting burdens for overseas issuers with a primary listing in another jurisdiction. We therefore see value in the proposed approach for secondary listings and depositary receipts: removing existing TCFD-based requirements for those categories and instead requiring a statement setting out the climate and/or wider sustainability disclosure requirements applicable in the issuer's home regime (including any reliefs/exemptions) and/or any voluntarily-adopted disclosure standards, with clear signposting to where disclosures can be found.

At the same time, we share concerns that this approach could, in some cases, reduce the comparability and completeness of decision-useful sustainability information available to investors in UK markets. This would be the case when a home jurisdiction has not adopted equivalent disclosure requirements. This risks undermining the objective of globally comparable information and the concept of ISSB Standards as a cross-border reporting passport.

We therefore encourage the FCA to consider whether additional safeguards are needed, such as:

- ensuring the required statement is sufficiently granular (covering climate, wider sustainability and transition plan-related expectations where relevant, including how any reliefs affect what is actually disclosed); and/or
- exploring whether an opt-in mechanism could enable overseas issuers to meet UK expectations by reporting directly against UK SRS/ISSB-aligned disclosures where they wish to demonstrate best practice to UK investors.

Consistency under the existing IFRS Framework

Finally, we wish to make an additional point regarding the effectiveness of the proposed disclosure regime. For many issuers, climate-related risks are already financially material and should therefore be reflected, where relevant, in the audited financial statements under the existing IFRS framework. ICGN has welcomed the IASB's Illustrative Examples (Uncertainties in the Financial Statements)[4] as a helpful clarification of how existing standards should be applied. We encourage the FCA, working with the FRC, to help ensure these expectations are applied consistently by issuers and appropriately considered by auditors. Without this foundation, the investor usefulness of new sustainability disclosures may be reduced.[5]

Thank you again for the opportunity to share our perspective on the alignment of sustainability disclosures with international standards. If you would like to follow up with questions or comments, please contact our Senior Policy Executive, Ayan Tewari (policy@icgn.org).

Yours faithfully,

Jen Sisson

Jen Sisson

Chief Executive Officer, ICGN

[4] IFRS, Disclosures about Uncertainties in Financial Statements, November 2025

[5] ICGN published a viewpoint exploring whether climate-related matters are adequately reported, specifically in financial statements. ICGN, Reflecting climate-related matters in financial statements, November 2023