



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

26 October 2026

Dear Mr Alder,

Subject: GC26/6: Primary Market Bulletin No. 66

The International Corporate Governance Network (ICGN) welcomes the opportunity to comment on the FCA's consultation on the changes in the technical notes as a result of PS26/19: Aligning listed issuers' sustainability disclosures with international standards

Led by investors responsible for assets under management of >US\$100 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](#) and [Global Stewardship Principles](#), 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.

We welcome and support the adoption of UK SRS

ICGN supports the adoption of the UK Sustainability Reporting Standards (UK SRS), which build on the International Sustainability Standards Board (ISSB) Standards. We strongly support the ISSB standards as a global baseline for financially material sustainability-related disclosures.

Investors rely on comparable, reliable and verifiable information to make informed investment and stewardship decisions, fulfil their fiduciary responsibilities and assess companies' long-term prospects. Our general view is that governments and regulators should seek to adopt standards as closely aligned to the ISSB global baseline as possible, with limited amendments and maximum interoperability. This protects the completeness, consistency and comparability of financially material information available to investors, reducing costs and complexity.

We also support a pathway to mandatory reasonable assurance of this information, which is also made more efficient by global consistency of standard setting.

Our concerns around the comply-or-explain approach to UK SRS

We are concerned that the comply-or-explain approach adopted in PS26/19 introduces an additional layer of flexibility beyond the materiality and proportionality provisions already embedded in the ISSB Standards. This risks undermining the completeness and international comparability of information available to investors.

UK SRS already incorporates provisions designed to ensure that disclosure requirements remain proportionate to an entity's circumstances.

- Under UK SRS S1, paragraph B25, companies are not required to disclose information that is not financially material, even where a standard prescribes specific disclosures. The absence of such information is therefore consistent with the standards and does not constitute non-compliance.
- Additionally, UK SRS S1 paragraphs 37-40 provide relief where companies face practical challenges in quantifying certain financial effects, including where they lack sufficient skills, capabilities or resources. These provisions permit proportionate reporting while retaining requirements to provide alternative information that remains useful to investors.

The FCA's addition of comply-or-explain mechanism in addition to the materiality lens in the standard creates a risk of lack of comparability and lack of disclosure of financially material information.

- It allows companies to identify financially material sustainability-related information but not disclose it in accordance with UK SRS, provided they explain their reasons.
- This creates an important distinction between omitting information because it is not material and omitting information that is material because an issuer lacks the resources, capabilities or willingness to disclose it. The latter could deprive investors of information that the standards themselves identify as decision-useful.

The rules create inconsistencies that may cause confusion in application by reporting entities and to investor expectations:

- UK SRS S1 paragraph B32 establishes the principle that material sustainability-related financial information should be disclosed even where law or regulation permits its omission. While paragraph 73B recognises the authority of UK regulators to determine applicable requirements, the FCA's approach nevertheless creates a tension with this underlying principle.

We note that the FCA explicitly acknowledged this concern in PS26/19 (paragraph 2.31), recognising feedback that comply-or-explain could lead to under-reporting of financially material information and reduce comparability, particularly given the existing materiality and proportionality provisions.

The FCA's own cost-benefit analysis also recognises the potential consequences. Paragraph 4.40 assumes that 37% of domestic listed issuers may use the explain option for most of UK SRS, reducing estimated benefits by £142.16 million due to reduced quantity, completeness and comparability of disclosures. We acknowledge the FCA's caveat that this estimate is likely an overestimate but consider the underlying risk significant.

We encourage the FCA to ensure that its final guidance clearly distinguishes between these concepts and minimises the risk that comply-or-explain becomes an alternative to meaningful sustainability reporting.

We recognise that PS26/19 has finalised the regulatory approach and that this consultation concerns the accompanying guidance. Our comments to the below questions should be read in this context, that while we do not support the comply or explain approach, we do believe it is important to seek to ensure that the proposed guidance preserves as much of the integrity of UK SRS disclosures as possible and establishes meaningful expectations for companies choosing to explain rather than comply.

Question 1: Do you agree with the proposed expectations for complying?

Broadly yes, subject to further clarification on materiality and proportionality.

ICGN supports the proposed emphasis on financially material information, clear and concise disclosures, and the application of relevant UK SRS S1 requirements when reporting under UK SRS S2.

However, we recommend that the FCA explicitly clarify:

- **Materiality:** Companies that omit information following an appropriate assessment that it is not financially material remain compliant with UK SRS. This should not be confused with the FCA's separate explain mechanism.
- **Existing proportionality provisions:** Issuers should first consider the reliefs and alternative disclosure requirements already available under UK SRS before relying on the FCA's broader explain option.
- **Significant judgements:** Where materiality assessments involve significant judgements, companies should provide sufficient information to enable investors to understand their basis, consistent with UK SRS S1.

Clarifying these distinctions would reduce the risk of confusion among issuers and preserve the integrity of the standards.

Question 2: Do you agree with the proposed expectations for explaining?

No, we do not agree with the proposed expectations for explaining.

Whilst ICGN supports the objective of the proposed guidance, we believe that stronger expectations are necessary to protect the quality and comparability of disclosures.

While we recognise that companies will face different implementation challenges, the option to explain should not become a justification for failing to report financially material information.

Under the proposed Technical Note 803.1, companies may provide relatively short explanations and are not required to specify a timeframe for achieving compliance. We are concerned that these provisions, taken together, could enable companies to repeatedly withhold financially material information without demonstrating meaningful progress towards compliance.

We recommend that the FCA strengthen the guidance in the following areas:

1. Clear identification of omitted material information

Companies should clearly distinguish between:

- Information omitted because it is not financially material.
- Information omitted under specific reliefs permitted by UK SRS or the FCA's transitional provisions.
- Information that is financially material but has not been disclosed in accordance with UK SRS.

For the third category, issuers should identify the disclosure gaps and explain their significance, rather than relying on generic statements about reporting difficulties.

2. Substantive, company-specific explanations

Where companies cite insufficient data, operational capabilities, systems or financial resources, they should explain the specific nature of these constraints and why the disclosure cannot currently be prepared.

The guidance should discourage general statements that compliance would be too costly or administratively burdensome without further explanation.

Companies should also be encouraged to disclose relevant qualitative information or estimates where reasonably available, even where full compliance is not possible.

3. Timelines and progress towards compliance

We are particularly concerned that the proposed guidance explicitly states that companies are not required to provide an expected timeframe for future compliance.

Investors expect companies disclose an estimated timeframe for addressing material reporting gaps or explain why no reasonable timeframe can currently be provided.

Companies should also describe progress against previously disclosed plans in subsequent reporting periods. This would allow investors to distinguish genuine implementation challenges from persistent non-compliance.

4. Board oversight and accountability

The board should oversee decisions to omit financially material information under the FCA's explain mechanism. Where significant reporting gaps exist, companies should explain how the board has considered their implications and the arrangements in place to address them.

Question 3: Do you agree with the proposed guidance for international companies?

Broadly yes, provided that international comparability is maintained.

ICGN supports allowing international companies to use relevant home-market disclosures to meet UK SRS requirements, where this avoids unnecessary duplication and supports interoperability. However, this flexibility should not result in weaker disclosure expectations for international companies listed in the UK.

International companies within the scope of the FCA's rules should, in line with UK domestic companies, either comply with UK SRS S1 and S2 or explain where their disclosures do not meet these standards. Compliance with home-market reporting requirements should not automatically be considered equivalent to compliance with UK SRS.

Where home-market disclosures do not satisfy UK SRS requirements, international companies should clearly identify the relevant gaps and explain their reasons for non-compliance and disclose any steps they are taking or planning to take to address them. Cross-references should be sufficiently precise and accessible to enable investors to locate and compare the relevant information.

Explanations should meet the same expectations for clarity, specificity and transparency as those provided by UK domestic companies and should be included in their UK annual financial reports.

We therefore encourage the FCA to ensure that its final guidance establishes a consistent approach for domestic and international issuers, maintaining a level playing field and preserving the comparability of financially material sustainability information available to investors.

Additional comments and conclusion

We have no objections to the proposed consequential amendments to Technical Note 801.4 or the withdrawal of Technical Note 802.3, provided that the finalised guidance clearly reflects the requirements introduced under PS26/19.

We recognise the FCA's intention to balance investor information needs with implementation costs and market readiness. However, the ISSB Standards already provide materiality and proportionality mechanisms intended to achieve this balance.

The central risk is that the FCA's additional comply-or-explain mechanism permits omissions of financially material information that would otherwise be required under the international standards, weakening the comparability and usefulness of the resulting disclosures.

While we recognise that the underlying policy decision has been finalised, we encourage the FCA to strengthen Technical Note 803.1 by requiring meaningful explanations of disclosure gaps, clearer distinctions between materiality and non-compliance, and stronger expectations around remediation and timelines.

We also encourage the FCA to keep the effectiveness of comply-or-explain under review, with a view to moving towards mandatory reporting of financially material information as implementation capabilities mature, or if the comply-or-explain regime is deemed ineffective.

Thank you again for the opportunity to share our perspective and we would be pleased to engage further with the FCA on these matters. If you would like to follow up with questions or comments, please contact our Global Policy Director, Peter van Veen or Senior Policy Executive, Ayan Tewari (policy@icgn.org).

Yours faithfully,



Jen Sisson

Chief Executive Officer, ICGN