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Date: 19 March 2026

Dear Financial Conduct Authority,

Consultation CP 26/5 : Aligning listed issuers' sustainability disclosures with international standards

We welcome the opportunity to comment on the FCA's consultation CP 26/5.

In the UK, Forvis Mazars LLP has approximately 170 partners and over 3,250 employees and is ranked one of the top 10 firms nationally. Forvis Mazars Group SC is an independent member of Forvis Mazars Global, a leading professional services network. Operating as an internationally integrated partnership in over 100 countries and territories, Forvis Mazars Group specialises in audit, tax and advisory services. The partnership draws on the expertise and cultural understanding of over 35,000 professionals across the globe to assist clients of all sizes at every stage in their development.

We strongly support the FCA's proposals to align listed companies' sustainability reporting with UK Sustainability Reporting Standards (UK SRS) in Annual Financial Reports for accounting periods beginning on or after 1 January 2027.

Below we outline our responses to the consultation followed by responses to the specific questions.

General comments

Support for adoption and scope: We agree that it is appropriate for the FCA to adopt UK SRS. Aligning the scope for this with those companies previously reporting under the TCFD framework to those companies is a practical and proportionate approach.

We note, however, that the proposed scope excludes companies with secondary listings and depositary receipts. While we are not strongly opposed to this we note that these companies were previously required to report under the TCFD framework and will continue to be required to report on additional areas including, for instance, corporate governance and gender reporting. The maintenance of these requirements, in contrast to the removal of the TCFD requirement, seems somewhat inconsistent. In due course the FCA may wish to consider some form of equivalence requirement here in a similar manner to that applied in DTR 4 or for accounting standards, i.e. insisting that secondary listings comply with a recognised sustainability disclosure regime from their home market or adopt UK SRS.

Timing: With regard to the timing of the requirements, given the available exemptions and the existing experience of the UK market with TCFD reporting, we feel that the proposed 2026 start date is appropriate.

Comply or explain: We appreciate that the comply or explain approach is familiar to market participants. We feel this approach is appropriate in the case of corporate governance reporting where the UK code provides a “standard” approach through its provisions, but companies are free to adopt alternative methods of achieving the aims of the principles of the code. It is less clear to us that this approach is appropriate beyond a short-term transition in the case of sustainability reporting, especially as a number of plausible cases for “explaining” rather than complying are covered by exemptions already in UK SRS or by immateriality. We urge the FCA to encourage companies to use these exemptions instead of relying on an overlay of comply or explain which obscures whether the company is in compliance with the underlying sustainability disclosures. We also feel there is a risk here that companies will feel obliged to “explain” their omissions of immaterial risks rather than simply omitting them based on a materiality assessment. The FCA should make it clear that this is not required.

Scope 3 emissions: While we understand the FCA’s concerns on the availability and reliability of Scope 3 information, the combination of need for international regulatory compliance or compliance with voluntary targets combined with the desirability of international consistency incline us to suggest that this relief should have a clearer time limit.

We appreciate that there are various conceptual issues with Scope 3 emissions reporting but do not feel that the FCA should recommend such a significant divergence from the IFRS SRS on an ongoing basis.

Taking this into consideration and flagging the exemptions already available around disclosure of Scope 3 emissions we feel it would be more appropriate for the FCA to set a simple time limit by which it would become mandatory to report rather than allowing the “explain” option.

IFRS S1: While we agree that some time to prepare for reporting under UK SDS S1 is necessary and proportionate, as for Scope 3 emissions, we do not agree that the comply or explain approach is appropriate here. We appreciate there are difficulties in skills building and assessing and acquiring the required information but feel the comply or explain option offered risks being interpreted as an indefinite exemption from reporting here. We feel that UK capital markets would be better served by either setting a time limit here or signalling that a review would be performed within a limited period of time to consider the use of “explain” in this context and whether the exemptions available in the IFRS standards would be sufficient to allow reliefs where these were appropriate.

Assurance: We support the FCA’s proposals for disclosure of third-party assurance, which will help to clarify the scope and quality of assurance which is in place. We believe, however, that the FCA should set out a timetable for mandatory assurance as is the case in most, if not all, other jurisdictions that have adopted ISSB-based sustainability reporting requirements. Without assurance, the UK risks lagging behind the rest of the world and risks the credibility of its sustainability reporting. This is not in line with the government’s ambition for the UK to be the world leader in sustainable finance which included delivering a regulatory framework to support sustainable growth and enable the private sector to realise the opportunities of the transition. We also provide more detailed comments in the answers to the questions below.

Transition plans. We agree that it is not appropriate for the FCA to require listed companies to have a transition plan. Such a mandate should come from government rather than the FCA and we noted this in our response to DESNZ’s consultation on climate-related transition planning requirements held in October 2025. We do believe, however, that the FCA has a role where companies publish sustainability-associated targets. In such cases we believe it would be appropriate for FCA to require companies publishing such targets to disclose their plans for achieving these targets in a manner similar to transition plans though potentially of narrower scope.

We also note that UK SRS S2 already includes disclosure requirements around transition plans which require both presence and detail of transition plans to be disclosed where they are in place. Given this we feel it is unnecessary and potentially duplicative for the FCA to add additional disclosure requirements here.

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

Yes, we agree with the proposed scope remaining consistent with the current application of TCFD requirements for listed firms.

We do have some comments on the FCA’s approach to aligning of the of listed issuers’ sustainability disclosures with international standards which are outlined in our response to later questions.

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?

Yes, we agree with the proposal to replace TCFD-guidance with the requirements to report against UK SRS S2 and relevant aspects of UK SRS S1.

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

We agree that adoption should be mandatory for in scope companies. We note that, while material information is important to investors, immaterial information is not. It would be helpful for the FCA to stress the materiality filter explicitly included in UK SRS and that disclosure of immaterial information to “tick boxes” should be discouraged.

We deal with the issue of comply or explain for Scope 3 emissions in our response to later questions.

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?

While we understand the FCA’s concerns on the availability and reliability of Scope 3 information, and on the conceptual issues associated with it, the combination of need for international regulatory compliance or compliance with voluntary targets, combined with the desirability of international consistency incline us to suggest that this relief should have a clearer time limit.

Taking this into consideration and flagging the exemptions already available around disclosure of Scope 3 emissions we feel it would be more appropriate for the FCA to set a simple time limit by which it would become mandatory to report rather than allowing the “explain” option. We also note that it may be necessary to develop appropriate safe harbour regulations such as those in ‘The Prospectus Rules’ set out at the beginning of 2026. We note that the government has dealt with some issues with category 15 of Scope 3 in its amendments to UK SRS prior to finalisation and emphasised the options for use of a materiality filter in respect of producing comparative information.

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 agree with the proposals to the extent that they allow sustainability-related disclosures to appear anywhere in the company’s annual report. This view is also reflected in our answer to Q7.

We note the provision for cross-reference in **S1 B45-47** but feel that, while sustainability reports can be useful, particularly for non-financial users, financially material sustainability information should be included in the annual report directly. The option for cross-reference outside the annual report risks fragmentation of information and later loss of information as additional reports are not subject to the same requirements for access and retention as the annual report.

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?

As outlined in Question 4 we are concerned that the layering of the “comply or explain” option on top of the existing exemptions in UK SRS risks obscuring compliance and reduces expectations.

In addition, while we agree that some time to prepare for reporting under UK SRS S1 is necessary and proportionate, as for Scope 3 emissions, we do not agree that the comply or explain approach is appropriate here.

Given the above we believe the combination of a two-year delay and “comply or explain” thereafter has limited real benefit and does not serve the UK’s reputation as a centre for green finance and investment and transparent reporting well. If the FCA wishes to have reporting under S1 start in 2028 it should be clear about this expectation and not add a “comply or explain” filter. Alternatively it could signal that a review would be performed within a limited period of time to consider the use of “explain” in this context and whether the exemptions available in the IFRS standards would be sufficient to allow reliefs where these were appropriate.

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?

As outlined in Q5, we agree that the annual report is the appropriate location for this information. We note the provision for cross-reference in **S1 B45-47** but feel that, while stand-alone sustainability reports can be useful, particularly for non-financial users, financially material sustainability information should be included in the annual report directly. The option for cross-reference outside the annual report risks fragmentation of information and later loss of information as additional reports are not subject to the same requirements for access and retention as the annual report.

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 agree that it is not appropriate for the FCA to require listed companies to have a transition plan. Such a mandate should come from government rather than the FCA and we noted this in our response to DESNZ's consultation on climate-related transition planning requirements held in October 2025. We do believe, however, that the FCA has a role where companies publish sustainability-associated targets. In such cases we believe it would be appropriate for FCA to require companies publishing such targets to disclose their plans for achieving these targets in a manner similar to transition plans though potentially of narrower scope.

We also note that UK SRS S2 already includes disclosure requirements around transition plans which require both presence and detail of transition plans to be disclosed where they are in place. Given this we feel it is unnecessary and potentially duplicative for the FCA to add additional disclosure requirements here.

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 agree that companies should be encouraged to use the IFRS educational material but note that the FCA should consider where this is sited to avoid giving the impression that the use of guidance needs to be referenced or cited leading to non-informative clutter.

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 proposals for disclosure of third-party assurance which will help to clarify the scope and quality of assurance which is in place. We believe, however, that the FCA should set out a timetable for mandatory assurance as is the case in most other jurisdictions that have adopted ISSB-based sustainability reporting requirements. Without assurance, the UK risks lagging behind the rest of the world and risks the credibility of its sustainability reporting. This is not in line with the government's ambition for the UK to be the world leader in sustainable finance which included delivering a regulatory framework to support sustainable growth and enable the private sector to realise the opportunities of the transition.

We note that it would be possible to restrict mandatory reasonable assurance requirements to specific areas where reliable data is currently more readily available such as Scope 1 and 2 emissions and that such restrictions would aid proportionality and practicability. We would, however, encourage maintaining a commitment to achieving a more general scope in the future if this approach is taken.

We also note that it is not clear what the FCA means in Para 7.7 by requiring listed companies to state “Which assurance standards were used”. When referring to assurance standards, does this simply mean the assurance standard itself (i.e. ISAE 3000, ISSA 5000, ISAE 3420) or is it intended to refer to “Professional Standards”, incorporating other standards applicable to the engagement such as those covering systems of quality management and ethical standards? In our view companies should provide information on the wider professional standards adopted rather than just the assurance standard on its own.

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.

We believe that providing assurance would drive both greater confidence and consistency and credibility to sustainability data. This would put sustainability information on the same basis as financial information where the benefits of assurance are widely accepted, drive further consistency with international markets and provide a more attractive capital market for investors.

We accept that there is inevitably some cost associated with this, but it is difficult to be specific about these in the general case.

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.

Assurance of UK SRS reports is not only desirable but, in our view, essential if we are to ensure that UK sustainability information is credible and of high quality. Furthermore, we do not believe that this should be a long-term ambition, assurance over UK SRS should be introduced as soon as practicable starting with limited assurance or reasonable assurance in specific areas but with a timeline for transition to more general reasonable assurance. Only when sustainability reports are subject to reasonable assurance will sustainability information be as credible as financial statements and on an equal footing. Many jurisdictions around the world have already adopted reporting standards, and the first are undertaking limited assurance from 2025. It is important the UK is not left behind in reporting and assurance of sustainability information.

The UK regulatory framework should include mandatory application of assurance, quality management and ethical standards (IESBA) based on the international standards issued by the IAASB and IESBA, to mitigate concerns over the use of different assurance standards which are not clearly understood by the market and to ensure international consistency, while also ensuring a level playing field for high quality assurance and providing clarity to investors and companies. Clarity is also required over which disclosures are subject to assurance.

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?

As we have noted above, we are concerned that the layering of comply or explain on top of the UK SRS, which already have significant transitional and materiality-based exemptions, will obscure and reduce compliance with UK SRS and comparability between the UK and international application of sustainability disclosure. We would prefer any use of comply or explain to be temporary, for preparers to have a climate of greater certainty about application and for the FCA to emphasise materiality and proportionate use of transitional arrangements and exemptions within UK SRS.

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?

No response.

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?

While we are not strongly opposed to this we note that these companies were previously required to report under the TCFD framework and will continue to be required to report on additional areas including, for instance: corporate governance and gender reporting or board members. The maintenance of these requirements, in contrast to the removal of the TCFD requirement seems somewhat inconsistent.

In due course the FCA may wish to consider some form of equivalence requirement here in a similar manner to that applied in DTR 4 or for accounting standards.

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 have no strong objection to this proposal but note, again, that it seems odd to require disclosure in this one specific area when the underlying data is not required.

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?

Yes, this will ensure there are not unintended inconsistencies for those FCA-regulated entities who are also listed entities. We believe there should be a consistent approach when the FCA consults on amending the application of TCFD requirements for the above entities with a focus on ensuring comparable information under different areas of FCA/PRA regulatory requirements.

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.

No response.

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?

No response

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

No response

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

No response

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

No response

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

No response

Yours faithfully,

Forvis Mazars LLP