ICAEW
REPRESENTATION 90/26

DRAFT PRIMARY MARKET TECHNICAL NOTE (TN 803.1) ON UK SRS SUSTAINABILITY DISCLOSURES FOR LISTED COMPANIES

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ICAEW welcomes the opportunity to comment on the draft Primary Market Technical Note 803.1 on UK SRS sustainability disclosures for listed companies (draft TN 803.1), which is intended to help issuers interpret the UK Listing Rules (Sustainability Reporting Standards Disclosure) Instrument 2026.

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This response has been prepared by the ICAEW Sustainability Reporting and Assurance Department, a leading authority on sustainability reporting and assurance matters. The Department is responsible for formulating ICAEW policy on such matters and making submissions to standard-setters and other external bodies on behalf of ICAEW, including supporting our 20 March 2026 response to CP26/5 *Aligning listed issuers' sustainability disclosures with international standards*. For this response, the Department obtained input from ICAEW's Non-Financial Reporting, Non-Financial Assurance and Sustainability Committees.

Below we set out our key points along with our detailed responses to the questions posed in GC26/6: Primary Market Bulletin No. 66.

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KEY POINTS

A pathway to full UK SRS mandatory reporting

The introduction of UK Sustainability Reporting Standards (UK SRS) for listed companies is a significant and positive step for the UK market, bringing the potential to increase the quality of corporate reporting through improved consistency, transparency and accountability. This is why we have been strong supporters of the International Sustainability Standards Board's (ISSB) IFRS® Sustainability Disclosure Standards (ISSB Standards).

Given current varying levels of market readiness, we recognise the pragmatic value of the FCA's "comply or explain" approach to updating the UK Listing Rules (UKLR) to incorporate UK SRS and replace the current TCFD-related rules, on top of the proportionality mechanisms that already exist in the ISSB Standards. However, once conditions allow, a transition to mandatory, comprehensive UK SRS reporting will be essential to maintain international comparability, provide investors with consistent and decision-useful information, and avoid the UK falling behind other jurisdictions. To support a progression towards mandatory UK SRS disclosures at an appropriate time, we recommend that the FCA publicly establishes a clear review point to assess reporting quality, levels of preparedness and emerging market needs. This would help prevent interim flexibility from persisting longer than necessary and give preparers greater certainty as they develop their reporting capabilities.

Furthermore, the language used in the draft TN 803.1 risks giving the perception that a company is permitted to, at its discretion, explain away its non-compliance with providing information about whether and how it manages relevant sustainability-related risks or opportunities (SRROs) it faces, thereby reducing accountability. There is a noticeable lack of a clear regulatory expectation of compliance, which, if established, could sit alongside permitting explanations when there is a timing or data gap that limits a company's ability to comply in that reporting period in a meaningful way. This risk is compounded when there is not a clear review point in place.

The proportionality mechanisms built into UK SRS (as in the ISSB Standards) already provide flexibility for preparers and in many cases offer a more appropriate way of addressing difficulties in readiness. If "comply or explain" remains in place for too long, there is a risk that entities rely on it instead of making effective use of those proportionality mechanisms in order to get ready to comply fully. UK listed companies are well placed to implement UK SRS given their existing experience with TCFD-aligned disclosures and the maturity this has brought to their climate-related reporting. The proportionality built into the standards further supports this transition, recognising that companies globally will be starting from different levels of readiness.

Materiality should be at the centre of the final Technical Note

Materiality (as defined in UK SRS S1) must remain the central principle guiding sustainability disclosures under UK SRS and should be more clearly reflected in the final Technical Note. The explicit investor-focused materiality lens in UK SRS is an integral proportionality mechanism that applies regardless of company size. It focuses disclosures on SRROs and information about them that is relevant to the company and its circumstances. This is true for all sustainability-related matters, including climate. UK SRS is not a disclosure checklist and does not require disclosure of every SRRO or every data point. In fact, a company is not required to provide information about sustainability matters that do not affect its prospects (that is, that do not meet the definition of an SRRO) and UK SRS S1 explicitly prohibits the disclosure of immaterial information that obscures material information.

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We are therefore concerned that, without further clarity, the "explain" disclosures in particular may encourage compliance-driven behaviours that do not start from the fundamental principle of materiality alongside the identification of only the relevant SRROs for the company. For example, a company may feel obliged to:

- either explain the omission of immaterial information (which is not required in the UKLR) or, conversely, disclose immaterial information simply to demonstrate compliance (disclosing immaterial information that obscures material information is prohibited in UK SRS); or
- report on climate-related (or other) matters even when they are not reasonably expected to affect its prospects in order to comply (as we saw some companies do when the TCFD recommendations entered the UKLR).

As a result, preparing explanations could add avoidable costs without delivering benefits to users.

We are also concerned that without an explicit recognition of materiality as a proportionality mechanism, the draft TN 803.1 appears to be inconsistent with the direction of travel for corporate reporting in the UK more generally. For example, the FRC's July 2026 publication on *Applying materiality in corporate reporting* noted that a "focus on the needs of primary users and financial implications means that the UK corporate reporting framework is based on financial materiality". It also explains that "to achieve high-quality, decision-useful reporting, it is important that entities make good materiality judgements in deciding what information to include in their annual reports and what to exclude." Furthermore, there are clear materiality-focused expectations for the future of corporate reporting set out in the Government's Modernising Corporate Reporting consultation. The draft TN 803.1 appears to treat the application of UK SRS as somehow different from what is expected in the UK's materiality-focused corporate reporting framework more broadly.

Therefore, a strong regulatory signal throughout the final Technical Note that reinforces the materiality principle would help avoid unnecessary reporting that risks reducing the overall clarity and usefulness of disclosures, while ensuring any "explain" disclosures are consistent with the design and intent of UK SRS.

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ANSWERS TO SPECIFIC QUESTIONS

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

In addition to the need to make the materiality principle more evidently central in the final Technical Note, we believe that the FCA should explicitly state its expectation of compliance, as it did in the UKLR provisions on TCFD-based climate-related financial disclosures. Without clearly setting out that expectation of compliance, there is a significant risk that UK SRS application by UK and international companies will be interpreted as entirely voluntary.

While we understand the need to avoid being prescriptive and to accommodate the capabilities of companies that may not be ready for a mandatory regime, the UKLR and the draft TN 803.1 will apply to all companies in scope, not just those smaller companies for which proportionality is seen to be necessary. In our view, there is a risk that large, well-resourced companies will make little effort to apply UK SRS if they interpret the draft TN 803.1 to mean it is voluntary. Even though such companies are best placed to report fully, investors would be left without decision-useful information and comparability across the UK market, as well as globally, could suffer.

Furthermore, although we have seen high levels of compliance with TCFD by UK companies, it is also the case that the UKLR and the 802.3 Primary Market Technical Note on TCFD-aligned climate-related disclosure requirements for listed companies were much more explicit about that expectation and the TCFD recommendations did not have the materiality filter that UK SRS does. UKLR 6.6.11G(1) stated that the FCA would ordinarily expect a listed company to be able to make the relevant disclosures, except where it faced transitional challenges in obtaining data or embedding modelling or analytical capabilities. Technical Note 802.3 explicitly referred to that expectation. Such an expectation is noticeably absent from the draft TN 803.1.

We recommend that the FCA include language consistent with Technical Note 802.3 in the final Technical Note 803.1, explicitly stating that the FCA ordinarily expects a listed company to be able to make the disclosures except where it faces transitional challenges beyond those already accommodated by UK SRS. This would make it clear that compliance is expected. Consistent with the approach in UKLR 6.6.11G, the final Technical Note should specify the circumstances in which an explanation is acceptable. It should also be clear that the use of the UK SRS investor-focused materiality lens and the application of its other proportionality mechanisms do not mean that an entity is unable to include a statement of compliance with UK SRS.

A final Technical Note with that clear expectation of compliance, combined with guidance on applying the fundamental principle of materiality and a reminder to use the proportionality mechanisms already built into UK SRS, would support consistency in application and improve comparability across listed companies in the UK. This would send a clear message to companies that “comply or explain” is not a voluntary regime and explain that they are expected to apply the UK SRS proportionality mechanisms to make reasonable efforts to disclose material information, including by using estimates and information that is available without undue cost or effort. This would make it clear that explanations are expected to be provided when those proportionality mechanisms are not relevant or appropriate for the reporting entity.

We also suggest that the language and intent of Primary Market Bulletin 36 be taken forward in the forthcoming information about the FCA’s supervisory approach for UK SRS disclosures to reinforce

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that expectation of compliance. Being clear about the regulatory expectations will support effective enforcement.

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

We believe that the final Technical Note should say more about when it is appropriate to explain rather than comply.

We agree that explanations should be proportionate, clear, concise, cogent and issuer specific. However, the draft TN 803.1 focuses principally on the form of an explanation and gives less attention to the circumstances in which explaining, rather than complying, is appropriate. As noted in our response to Question 1, we believe the final Technical Note should set out a clear expectation of compliance, combined with guidance on applying the fundamental principle of materiality and a reminder to use the proportionality mechanisms already built into UK SRS.

The final Technical Note should make it clear that explanations are not required when companies deem information not to be material and therefore omit it (indeed, the inclusion of immaterial information that obscures material information is prohibited by UK SRS S1). The draft TN 803.1 also does not explain that the proportionality mechanisms (including the materiality lens) and application guidance already available in UK SRS should be considered, and exhausted, before resorting to explaining and that the use of those mechanisms does not mean that an entity is unable to include a statement of compliance with UK SRS.

The final Technical Note should encourage partial disclosure where full compliance is not yet possible. UK SRS permits the use of estimates (not dissimilar to UK-adopted IFRS) and, in relevant areas, reasonable and supportable information available without undue cost or effort. It also allows for varying levels of skills, capabilities and resources of reporting entities for some areas, such as when reporting anticipated financial effects and performing quantitative scenario analyses. These proportionality mechanisms are designed to enable companies at different levels of reporting maturity to provide decision-useful information. An explanation should reflect a company's ability to provide reliable disclosures after applying those mechanisms. It should not replace their application or introduce new mechanisms that may conflict with UK SRS.

We recommend strengthening the examples that illustrate explanations to facilitate listed companies' understanding of the UKLR requirements (and UK SRS) and to support consistent application. The examples should show how companies have applied and exhausted the relevant proportionality mechanisms in UK SRS before determining that they need to provide an explanation rather than comply with the requirements. Specifically:

- Example 2 does not reflect the fact that UK SRS allows companies to use estimates and "reasonable and supportable information that is available without undue cost or effort". It also does not reflect the impracticability exemption in UK SRS S2 that requires an explanation of how a company manages its Scope 3 greenhouse gas emissions – only after it determines it cannot apply the requirement to disclose Scope 3 emissions "after making every reasonable effort to do so". Given the facts in the example, an explanation is therefore unnecessary.
- Example 3 risks creating an understanding that disclosure of material information in accordance with UK SRS is optional. The example states that the company has identified SRROs but has not yet prepared disclosures about them. It does not explain why it has not done so or what the company is doing to be able to make such disclosures in the future as required by the UKLR. If a company were to provide such an explanation, investors would

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be left with the understanding that the company knows it has SRROs but that it has simply decided not to provide material information about them.

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

We believe the final Technical Note should explain more clearly that an international company's home reporting is a starting point and that incremental information required by UK SRS that is not required in the home jurisdiction needs to be disclosed in order to state compliance with UK SRS, with an explanation needed for any remaining gaps. Providing an explanation should be subject to the same criteria as for domestic listed companies; an explanation should be provided only after applying the materiality principle and the proportionality mechanisms in UK SRS. The final Technical Note should not permit, even implicitly, an international company to make no disclosures at all if there is no sustainability reporting obligation in its home jurisdiction.

We believe that, to comply with the UKLR, international companies should, at a minimum, identify which parts of their home jurisdiction reporting meet the requirements of UK SRS. By doing so, investors can recognise the UK SRS-compliant disclosures and compare them across the UK market (and globally).

We recommend strengthening Example 4 to make it clear that the absence of a reporting requirement in an international company's home jurisdiction is not, by itself, a sufficient explanation. The example is not consistent with what the UKLR require. As noted above with respect to Example 3, if an international company were to provide such an explanation about its identified SRROs, investors would be left with the understanding that the company has identified SRROs but has decided not to provide material information about them.

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