

FCA Consultation CP24/12: Consultation on the New Public Offers and Admissions to Trading Regulations regime (POATR) –IIGCC Response

Executive Summary

The below is the Institutional Investors Group on Climate Change's (IIGCC) formal response to [Consultation Paper CP24/12 on the new Public Offers and Admissions to Trading Regulations regime \(POATRs\)](#).

IIGCC has provided detailed responses to the proposals outlined in Chapter 6: Sustainability-related disclosures in prospectuses for admission to trading on a regulated market. Specifically, IIGCC addresses questions 31, 33, 34, 35, 36, 37, 38, 40, 41, 42, and 43.

The response highlights the importance of aligning these disclosures with existing frameworks such as TCFD and ISSB standards and incorporating them into financial reporting as well as the narrative report, in line with existing requirements from the IASB and FRC. Extending these disclosure requirements to debt issuers, as well as equity, is essential, given the significant role the debt market plays in financing high-emitting sectors. Additionally, IIGCC underscores the need for further guidance for mineral companies, including the incorporation of the Atmospheric Viability Test (AVT) to assess reserve alignment with global climate goals. These measures are crucial to mitigating climate risks, improving transparency, and enabling more informed capital allocation across all sectors and asset classes.

IIGCC also welcomes the proposals on disclosures for labelled debt. These are critical to growing the credibility of the labelled debt market. We call on the FCA to bring these proposals forward on a mandatory basis, with more explicit links to issuers' transition plans, where appropriate.

Q31. Do you agree with the proposed climate disclosure rule to prompt relevant and financially material information to be included in prospectuses? Y/N. Please give your reasons. If not, what should be done differently?

Y - IIGCC welcomes the FCA's proposals to require sustainability-related disclosures at the point of listing. Material, relevant and decision-useful disclosures are essential for informing capital allocation, and it is prudent and sensible that they be required for issuers seeking admission of equity and debt securities to a regulated market. As noted in the CP, it will also provide clarity on the type of information that issuers are expected to disclose by users of reporting and potentially enable them to access more and cheaper capital based on their sustainability profile.¹

However, we do not fully support the proposed basis on which the climate disclosure rule would be introduced. While sustainability-related disclosures in the Listing Rules and annual reporting require TCFD-aligned disclosures on a 'comply or explain' basis, the rule proposed by the FCA would not require any explanation by the issuer if climate-related risks and/or opportunities are not deemed material. Additionally, the TCFD recommendations and ISSB Standards are cited as potentially being 'of assistance' in identifying these risks or opportunities, but there is no requirement to align disclosures in the prospectus with these standards.

In the interest of consistency with the UK's wider sustainability reporting regime, we would prefer to see the rule aligned with existing approaches. Issuers should be required to produce sustainability-related disclosures on a 'comply or explain' basis, with disclosures based on the current TCFD obligations and/or future International Sustainability Standards Board (ISSB) standards.

We note previous commitments by the FCA to explore options to move away from 'comply or explain' disclosures for sustainability-related topics towards mandatory compliance (see [PS21/23](#)). At the time, many respondents agreed that the appropriate time to consider this process would be when the FCA sought to introduce rules referencing the ISSB Standards. We request that this continues to be kept under review by the FCA ahead of the expected endorsement and adoption of the Standards for use in the UK next year.

Q33. Do you have any views on the importance that investors and other readers of prospectuses would place on the additional climate-related information disclosed under the proposed climate disclosure rule?

Many investors see climate-related risks and opportunities as material factors for informing their investment decisions and long-term capital allocation. It is, therefore, essential that they are provided with high-quality, comparable, reliable and decision-useful climate-related information at every stage of the capital-raising process.

It is worth highlighting the continued disconnect between the mandatory TCFD reporting requirements for asset managers and FCA-regulated asset owners, and the 'comply or explain' disclosures in place for listed companies. This mismatch can hinder the flow of information along the investment chain, from companies through to asset managers and ultimately to asset owners. Protections need to be in place for investors who need this information to meet their own reporting obligations, manage climate-related risks, and

¹[Corporate net zero transition and financing cost: Evidence of impact from global energy and utilities sectors, September 2024](#)

capture the opportunities presented by the transition. Enhanced sustainability-related disclosures at the point of listing and issuance, aligned with existing standards, is one such protection.

Q34. Do you agree that our proposed climate disclosure rule should apply to issuers of equity securities and issuers of depository receipts only, with other securities addressed through the Technical Note? Y/N. Please give your reasons.

N – The FCA should extend the proposed climate disclosure rules to apply to the listed debt market.

As noted in our response to Q33, investors understand climate-related risks and opportunities as material factors informing their investment decisions and long-term capital allocation. This is not limited to equity investors. It is, instead, like the physical and transition risks posed by climate change, asset class agnostic.

The fixed income market is “significantly more carbon-intensive” as an asset class than equities². For oil & gas companies, for example, 26% of new capital comes from bonds, compared to just 10% from equity³. Yet the importance of the debt market to financing the highest emitting companies is not reflected in disclosure requirements. While disclosure regimes for listed equity are mature and growing (as demonstrated by the FCA’s proposals), climate-related disclosure regimes for corporate debt are insufficient and stagnating. This is a primary challenge for net zero bondholder stewardship⁴.

Steps to improve disclosures for labelled debt (see Q41 – 43) represent a positive step, but we stress that this remains a small, if growing, segment of the market – playing a limited role in carbon-intensive sectors, “accounting for only 8.2% of 2022 issuance and 7.7% of the sectors’ total outstanding debt”⁵. Investors’ assessment of the materiality of climate risks is not limited to labelled debt: The Net Zero Investment Framework 2.0,⁶ the most commonly used methodology for investors setting individual net zero targets, with nearly 200 institutional investors using it directly, recommends asset level targets for listed equity and fixed income, irrespective of label.

Ultimately, bonds are exposed to the same risks as equities and arguably at heightened risk from the transition due to the carbon-intensive nature of issuers. This is set to increase as the debt market plays a critical role in financing companies critical to the transition, as “over half of carbon-intensive debt is set to mature before the end of the decade”⁷. The risks are further

² [Tracing Carbon-Intensive Debt, Meng et al, 2024](#)

³ [Does the Fossil Fuel Divestment Movement Impact New Oil and Gas Fundraising, T.F Cojocanu et al, 2021](#)

⁴ [A Critical Element: Net Zero Bondholder Stewardship Guidance, IIGCC, 2023](#)

⁵ [Tracing Carbon-Intensive Debt, Meng et al, 2024](#)

⁶ [Net Zero Investment Framework 2.0, IIGCC, 2024](#)

⁷ [Tracing Carbon-Intensive Debt, Meng et al, 2024](#)

exacerbated as carbon-intensive debt continues the trend towards longer tenors, even against overall market trends⁸⁹. This increases investors' exposure to high-risk companies and sectors beyond climate target dates and, subsequently, their exposure to incoming transition and physical risks as well as potentially deteriorating funding environments¹⁰. As the Transition Finance Market Review Scaling Transition Finance report notes, "Over the next five years as much of this carbon-intensive debt matures, and companies return to the market with new issuances, their exposure to transition risk, the maturity of their transition strategy and its flow through into financial data will become increasingly material"¹¹. Investors need commensurate disclosures.

Climate risk is increasingly being priced into costs of capital¹², but the absence of basic climate-related disclosures risks mispricing of assets, misallocation of capital at the point of issuance and ultimately unidentified risks for market participants. We therefore call for the FCA to introduce sustainability disclosure requirements for debt issuers.

Q35. Do you agree with the proposed minimum climate-related disclosures in the prospectus annexes? Y/N. Please give your reasons. If not, what should be changed?

N – In line with previous responses, we do not agree with the proposal to align requirements with high-level categories that are common to TCFD and/or ISSB. Instead, we suggest that the FCA bases these disclosures directly on these standards in the interest of consistency and harmonisation.

We acknowledge the FCA's rationale for the proposed approach, namely that industry practice is developing and the UK endorsement process for ISSB is not yet complete. But in relation to the former consideration, we are not convinced that this is entirely the case. TCFD-aligned disclosures have become an established part of the UK's reporting landscape, with many financial market participants, as well as listed and non-listed corporates, having gone through several reporting cycles since 2021/22. It does not seem too onerous a burden to expect disclosures that explicitly align with TCFD under the Prospectus Regulation, in line with existing requirements under the Listing Rules and annual reporting obligations. Additionally, while ISSB will require more detailed reporting, it incorporates and builds on the existing high-level TCFD framework. Those companies that are already reporting against TCFD will, therefore, not be 'starting from scratch' and will be able to leverage their existing reporting to meet the requirements of the ISSB Standards. This is a case of evolution, not revolution, and we therefore feel that closer alignment with both sets of standards would not impose undue burdens on issuers and would better support investors' information needs.

⁸ [Tracing Carbon-Intensive Debt, Meng et al, 2024](#)

⁹ [Buyers of Long-Dated Oil Bonds Beware, Anthropocene Fixed Income Institute, 2024](#)

¹⁰ [Buyers of Long-Dated Oil Bonds Beware, Anthropocene Fixed Income Institute, 2024](#)

¹¹ [Scaling Transition Finance, Transition Finance Market Review, 2024](#)

¹² [Climate Risk, Bank Lending and Monetary Policy, European Central Bank, 2024](#)

Q36: Do you agree with our proposed approach to transition plans? Y/N. Please give your reasons. If your reasons relate to cost or other concerns, please provide further detail.

Y - We broadly agree with the proposed approach to transition plans. However, as noted in our previous answers, explicit alignment of disclosures with existing reporting obligations across the UK's wider sustainability disclosure regime is our preference. On this basis, we recommend that transition plan disclosures are aligned with the TCFD framework, and in future, the ISSB Standards and TPT Disclosure Framework, once these are incorporated into UK Sustainability Disclosure Requirements.

Q37: Do you have any other comments on the design of our proposed climate disclosure rule?

The proposed climate disclosure rule should emphasise greater integration between sustainability-related disclosures and financial statements, in line with existing requirements. As set out by the IASB and also the FRC (see below), wherever climate considerations are material they should be incorporated into financial reporting—such as impairment tests, asset valuations, and depreciation schedules—While this will apply to all companies where climate risks are potentially impactful for the entity's prospects. We provide specific examples regarding this in our response to Question 40.

The IFRS Foundation, which oversees both the International Accounting Standards Board (IASB) and ISSB, recognises the benefits of connectivity between sustainability-related financial disclosures and financial statements for the primary users of financial reporting (investors)¹³. The Financial Reporting Council (FRC) has also emphasised the need for clear connectivity between narrative climate-related disclosures and financial statements.¹⁴ However, while the FCA's listing rules require companies to incorporate the TCFD framework, there is still no explicit guidance on how climate risks should be reflected in financial accounts.

A guideline on the financial implications of climate risks in prospectuses would encourage companies to thoroughly assess their risks before listing, thereby strengthening investor confidence. Narrative disclosure alone is insufficient to fully capture the financial impacts of climate risks. As noted in the Investor Expectations for Paris-aligned Accounts¹⁵, the absence of material climate impacts from financial statements can misinform investors and may lead to misallocated capital, creating potential financial risks for both companies, their investors and the financial system more broadly.

Q38: Do you agree with our proposed approach to addressing sustainability-related information beyond climate through the Technical Note?

We agree that, for now, the proposed approach is sensible. As the ISSB commences work to develop nature-related reporting requirements, and in anticipation of the potential

¹³ [Connectivity—what is it and what does it deliver? IASB, March 2023](#)

¹⁴ [FRC Statement of Intent on Environmental, Social and Governance challenges, FRC, July 2023](#)

¹⁵ [Investor Expectations for Paris aligned accounts, IIGCC, December 2020](#)

incorporation of the Taskforce on Nature-related Financial Disclosure (TNFD) into the UK reporting regime, this approach should be kept under review and revisited.

As the FCA notes, where sustainability-related risks and opportunities beyond climate are considered by the issuer to be material, then they should, of course, be included in prospectus disclosures.

Q40: Should we provide additional guidance relating to climate disclosures for mineral companies (including mining and oil and gas)? Please give your reasoning, and if so, how should we do so?

Y - IIGCC would support the FCA in providing additional guidance on climate disclosures for mineral companies, specifically those extracting fossil fuels (coal, oil, and gas). These companies are highly exposed to significant physical and transition-related risks as climate change accelerates and the global economy shifts towards a low-carbon model¹⁶. Therefore, enhanced guidance is essential for providing investors with the material information they need, improving transparency in UK regulated markets and promoting overall market stability.

In line with this, we recommend that the FCA provide enhanced guidance, including incorporating the Atmospheric Viability Test (AVT) within the Competent Person's Report (CPR), as well as underlining the importance of including climate consequences into the existing commercial viability test. The AVT would offer important additional information on the financial consequences of 1.5C and well below 2C temperature pathways for reserve viability. These additional disclosures would be consistent with (and supplement) the inclusion of material climate risks in issuers' financial reporting (see Q37 above).

Therefore, we encourage the FCA to provide additional guidance on climate-related disclosures for mineral companies in prospectuses, including the following actions:

1. Introducing an Atmospheric Viability Test (AVT) as part of the Competent Person's Report (CPR) to assess compatibility with a 1.5°C (or well below 2°C) carbon budget. This should reference IEA price scenarios to determine the impact on the financial viability of reserves¹⁷.
2. Ensuring that the CPR's existing commercial viability test explicitly incorporates the financial consequences of decarbonisation and physical risks. While the AVT functions as a stress test, evaluating alignment with long-term climate goals, the commercial viability test should reflect the current pathways, including regulatory changes, market shifts, and the evolving costs associated with decarbonisation.
3. Establishing consistency between climate disclosures in the CPRs and financial statements to ensure that climate-related risks are fully integrated into financial reporting, providing investors with an accurate assessment of long-term financial

¹⁶ [Climate Risks in the Oil and Gas Sector, UNEPFI, April 2023](#)

¹⁷ [IEA, World Energy Outlook 2023, Oct 2023](#)

viability. As outlined in the response to Question 37 of this consultation, the principle of connectivity to financial statements is critical for high-emission industries.

4. Extending these proposals to long-dated debt issuances, noting that the increased debt maturities of mineral companies heighten investor exposure to companies whose long-term viability is increasingly questioned due to climate risks.

Rationale for Enhanced Climate-Related Disclosures for Mineral Companies

1. Atmospheric Viability Test addresses a disclosure gap for investors

Mineral companies, specifically those involved in the extraction of fossil fuels, are likely to be exposed to significant transition risks, including the shift of demand to lower carbon energy alternatives, global policy shifts, reputation and legal action. The Carbon Tracker report Unburnable Carbon: Ten Years On¹⁸ emphasises that a large share of fossil fuel reserves owned by listed companies cannot be exploited if the targets established in the Paris Climate Agreement are to be met. It will be important for investors, particularly asset owners with long investment horizons, to see necessary disclosures that enable them to fully assess the long-term climate-related risks and structural decline associated with these companies.

Despite anticipated risks, current disclosure practices are generally inadequate to evaluate the alignment of fossil fuel reserves with global carbon budgets. Based on the findings from Setting the Standard: Assessing Oil and Gas Companies' Transition Plans¹⁹, there is a notable lack of disclosure on the alignment of fossil fuel companies' transition plans with the goals of the Paris Agreement²⁰. There is also a lack of regulatory requirements. Fossil fuel companies on the London Stock Exchange Group (LSEG) currently are not required to consider the remaining carbon budget when listing, which means investors do not have the full information needed to consider the risks.

Introducing climate-related factors as recommended content in the Competent Person's Report, as outlined in Technical Note 619.1 Appendices II and III²¹, would be a first step in addressing this disclosure gap. This test would evaluate the compatibility of fossil fuel reserves with global carbon budgets, incorporating science-based climate scenarios and price assumptions. This should include an analysis of the percentage of an issuer's reserves that remain viable under a recognised climate scenario in line with the goals of the Paris Agreement²², such as those from the IEA or IPCC. This would provide investors with another layer of useful information to help inform their capital allocation decisions and, by extension, responsible management of clients' assets.

¹⁸ [Unburnable Carbon: Ten Years On, Carbon Tracker, June 2022](#)

¹⁹ [LSE Transition Pathway Initiative Centre, Setting the Standard: Assessing oil and gas companies' transition plans, March 2024](#)

²⁰ [10 Company Assessments Against The Net Zero Standard For Oil & Gas Made Available To Investor Signatories, CA100+, Jan 2024](#)

²¹ [Primary Market Technical Note, FCA, May 2022](#)

²² [Paris Agreement, UNFCCC, 2015](#)

2. CPR's commercial viability test should explicitly incorporate the financial consequences of decarbonisation and physical risks of today's pathway

As mineral companies navigate decarbonisation pathways, including regulatory changes, carbon pricing, slowing market growth with low-carbon technologies (such as EVs and heat pumps) and surging supply²³, these factors become critical for assessing long-term commercial viability. The Competent Person's Report (CPR) should reflect these changing dynamics by explicitly integrating the financial consequences of decarbonisation and physical risks into the commercial viability test. By linking these pathways to commercial assessments, the CPR can provide a more accurate forecast of how these risks affect a company's profitability, ensuring that financial reporting aligns with evolving climate standards and physical risks.

The Atmospheric Viability Test (AVT) complements this approach by functioning as a Paris Agreement stress test, evaluating whether reserves can align with global climate goals, such as keeping warming to 1.5°C or well below 2°C. Together, these assessments create a comprehensive analysis that connects both short-term financial viability and long-term climate resilience. Therefore, we suggest the FCA amend the recommended content for the Competent Person's Report, as outlined in Technical Note 619.1 Appendices II and III, to explicitly include the financial consequences of decarbonisation and physical risks in the economic assessment of reserves.

As highlighted in the same note, "materiality should be assessed from an investor's point of view" (TN 619.1 Part III Section 2 Paragraph 131.c). The viability of reserves, when considered from a climate perspective, along with a commercial viability test based on existing pathways, is likely to be material for investors to evaluate companies effectively at the point of listing.

3. Connectivity to Financial Statements is important for better decision-making

Companies extracting fossil fuels face material financial risks as they navigate the transition to a low-carbon economy, yet these risks are often insufficiently reflected in today's financial statements. According to IAS 1²⁴, information should be disclosed if it could reasonably influence investors' decisions. For example, following a climate risk assessment, a company may need to clarify whether and how climate-related risks have been considered in its impairment calculations, even though IAS 36 does not explicitly require such disclosures.

Climate-related risks should be factored into financial accounts, as most accounting standards require forward-looking assessments to ensure accurate capital strength representation²⁵. Even when the lifecycle of financial investments shorter, long-term estimates,

²³ [Slowing demand growth and surging supply put global oil markets on course for major surplus this decade](#), IEA, June 2024

²⁴ Starting in 2027, IAS 1 Presentation of Financial Statements will be replaced by IFRS 18.

²⁵ [Investor Expectations for Paris aligned accounts, December 2020](#)

such as those used in fair value accounting and impairment testing, still impact current asset valuations based on anticipated future cash flows.

For mineral companies, property, plant, and equipment (PPE), for example, is particularly critical, as these assets represent significant capital investments directly tied to the extraction and exploitation of reserves. The value of PPE could be significantly impacted by climate-related risks, such as regulatory changes, carbon pricing, or shifts in market demand for fossil fuels. Similarly, a coal mining company may need to reconsider the depreciation of its operations if coal power is expected to be phased out sooner. Oil and gas companies should also consider the financial implications of the Paris Agreement's goals on refining margins or the introduction of carbon taxes, which could further influence the economic viability of these assets.

In recent cases, several proposed fossil fuel developments have been blocked specifically because they did not consider the emissions associated with the combustion of fossil fuels and the inconsistency with climate goals^{26,27}. In line with our response to Question 37, these developments show the need for companies to integrate climate risks into financial reporting more robustly, ensuring that accounts are properly evaluated in light of evolving environmental regulations and market expectations.

4. Applicability to Debt

In line with our calls elsewhere across this response, IIGCC also calls on the FCA to consider whether the proposals should be extended to debt issuances. In particular, for long-dated bond issuances. We note that the average maturity of large oil & gas producers' debt has nearly doubled in recent years²⁸. As the Anthropocene Fixed Income Institute remarks, this "extends investors' exposure to these businesses at a time when their long-term viability is most in question"²⁹ – questions about the viability of mineral companies arise out of their atmospheric viability and are thus a concern for all investors.

For the above reasons, we support the FCA's proposal to amend the content of the CPR to incorporate an atmospheric viability test alongside a commercial viability test that considers climate risks and guides mineral companies to disclose the financial implications of these risks in their prospectuses. We also recommend extending these proposals to long-dated debt issuances, given the similar risks they pose. Transparency regarding future fossil reserve development in relation to climate goals and its expected financial implications in prospectuses will provide investors with a clearer ability to accurately assess climate-related risks. Including climate-related, financially material information in prospectuses would boost

²⁶ [Controversial coal mine consent blocked by High Court, The Planner, Sept 2024](#)

²⁷ [Oil firms forced to consider full climate effects of new drilling, following landmark Norwegian court ruling, The Conversation, Jan 2024](#)

²⁸ [Buyers of long-dated oil bonds beware, Richardson, Josepine, May 2024](#)

²⁹ *Ibid*

investor confidence in UK-regulated markets and potentially bring this disclosure in line with recent legal rulings. Additionally, aligning the listing rules with broader policy objectives would help reduce systemic risks and enhance market stability.

Q41. Do you agree with the proposed new disclosure requirement and set of voluntary additional disclosures we are proposing to mitigate information gaps between bond frameworks (or similar documents) and prospectuses? Are there other disclosures that you think we should consider?

Y - We support the FCA's goal to reduce information gaps that have emerged for sustainability-labelled debt instruments. These should be brought forward on a mandatory basis and be accompanied by additional disclosures related to alignment and post-issuance reporting.

Labelled debt instruments will play an important role in providing the capital and accountability needed to support the net zero transition. Labelled debt is a valuable tool for investors seeking to mitigate the financial risks of climate change and decarbonise their portfolios through real economy emission reductions. For issuers, labelled debt can help finance transition plans, signal credibility and open new pools of capital.

The proposed common disclosures, such as the availability and location of any bond framework, would provide transparency and help streamline data collection by investors, facilitating more effective stewardship, comparison and capital allocation decisions.

We note that current disclosure expectations are crystallising, based on voluntary best practice standards such as those provided by the International Capital Market Association (ICMA) and the Climate Bonds Initiative (CBI). More than 90% of issuers reference ICMA principles when issuing sustainable bonds³⁰, although outside the prospectus. Further evolution, including mandatory disclosure, is needed to address concerns³¹ about the longevity, efficacy and credibility of the labelled debt market.

Nonetheless, sustainability-related disclosure practices, especially those provided in the bond documentation, such as the prospectus, remain a major challenge for bond investors seeking to appropriately integrate climate into their investment decision-making process³². The FCA correctly identifies inconsistent disclosure between prospectuses and bond frameworks and the subsequent need for investors to "rely on different sources of information to different standards, to achieve a sufficient understanding of the sustainability considerations attached to a given debt security".

Fragmented disclosures of this kind jeopardise investors' understanding of a company's approach to climate and the credibility of the labelled instrument, heightening the risks of greenwashing. Moreover, where disclosures are provided outside the prospectus, "there is no commitment that issuers will continue complying with such standards until the maturity of the

³⁰ [International Capital Market Association, 2024](#)

³¹ [Green Bonds, Empty Promises, Curtis et al, 2023](#)

³² [A Critical Element: Net Zero Bondholder Stewardship Guidance, IIGCC, 2023](#)

bond". This may lead to mispricing, unidentified risks to long-term value, the misallocation of capital, and failure to meet investors' sustainability goals.

We therefore strongly urge the FCA to implement the proposals on a mandatory basis. This should apply to both the common set of disclosures and instrument-specific disclosures (for more on the latter, please see our responses to Q42 and Q43). Voluntary disclosures, as proposed here, would do little to shift the dial. Given the prevalence of disclosures in line with those being proposed by the FCA³³, their mandatory inclusion in the prospectus would not be an undue burden on issuers. Moreover, the proposed requirements are sufficiently flexible to allow for the market to grow, expectations to develop and new products to emerge, and only point to disclosures that should already be produced by the issuer.

In addition to the proposed common disclosures, we urge the FCA to require the following disclosures:

- Whether the bond is being issued in line with the issuer's framework.
- Whether the bond will be subject to post-issuance review. If so, what type, who will provide it and where it can be located.

IIGCC was supportive of both these disclosure proposals in Engagement Paper 4.

Investors are seeking alignment between issuers' transition plans, bond frameworks and specific issuances³⁴. The current proposals fail to adequately address this information gap between the framework and prospectus. As presently constructed, the proposals would only cover whether a framework exists and whether it is aligned with any standards or principles.

Secondly, the requirements should also extend to the issuer's approach to post-issuance reporting. Post-issuance disclosure "provides transparency, ensures accountability and underpins the credibility of green bonds"³⁵. Post-issuance reviews and disclosure are equally critical for SLBs, especially given concerns of greenwashing and unambitious targets. ICMA's SLB Principles calls on issuers to publish regularly (at least annually), "up-to-date information on the performance of the selected KPI(s)" and "any information enabling investors to monitor the level of ambition of the SPTs"³⁶. This should be reflected in the FCA's common disclosure proposals.

The FCA's common disclosures represent an important first step towards bridging the information gap between the framework and the prospectus. They provide important, decision-useful information without creating an undue burden for issuers. The disclosures should be brought forward on a mandatory basis and include information on framework alignment and post-issuance review to be truly additional.

³³ [International Capital Market Association, 2024](#)

³⁴ [A Critical Element: Net Zero Bondholder Stewardship Guidance, IIGCC, 2023](#)

³⁵ [Post-Issuance Reporting in the Green Bond Market, Climate Bonds Initiative, 2019](#)

³⁶ [Sustainability Linked Bonds Principles, ICMA, 2024](#)

Q42. Do you agree with the additional voluntary disclosures we are proposing to introduce in prospectuses for UoP bonds? Are there other disclosures that you think we should consider?

We support the additional disclosures for Use of Proceeds (UoP) bonds and call on the FCA to require these in the prospectus on a mandatory basis. We would welcome additional disclosure requirements on the alignment between issuance and, where available, the issuer's transition plan, with clear links to the location of the transition plan.

The strength of the labelled debt market will be improved where regulations act in harmony to provide assurances as to the quality of the instruments. The proposals by the FCA represent minimum standards for labelled UOP bonds. Rather than a burden on issuers, their disclosure serves to increase their 'investability' – in many instances, failure to provide information on the elements proposed by the FCA may lead to instruments that are not suitable for investment. Failure to include this information in the prospectus diminishes the credibility of the statements, as explored in our response to Q41.

While we recognise that the FCA does intend to create a standard for labelled bonds, we welcome the effort to harmonise expectations by the FCA. The prompts are well aligned with existing market standards, such as the ICMA Green Bond Principles' four core components: use of proceeds, the process for project evaluation and selection, management of proceeds, and reporting.

As noted above, we welcome the FCA's call for issuers to provide information on post-issuance performance, including where reports can be found and when investors can expect these to be updated. Post-issuance reporting is both valuable data for investors and a critical accountability mechanism for labelled debt. Investors have expressed concerns about the current availability and accessibility of post-issuance reporting.

IIGCC further supports the proposal for disclosures to cover "any potential risks to social and/or environmental objectives" arising from the projects and related mitigants. This may help draw links with the EU's Do No Significant Harm objectives for investors subject to these regulations.

We would welcome an additional recommended disclosure based on the alignment between issuance and, where available, the issuer's transition plan, with clear links to the location of the transition plan. A key message from IIGCC's Bondholder Stewardship Guidance is the importance of alignment between the issuer, its net zero commitments and targets, and specific issuances. Institutional investors want to understand "how the debt strategy supports the delivery of the corporate strategy [including how it] supports the issuer's transition plan and climate strategy". Investors want to understand how a specific issuance is aligned with the overall debt strategy, how that issuance is aligned with market expectations, and finally, in the example of labelled debt, how that issuance is aligned with relevant sustainability goals, including relevant net zero pathways.

This is relevant for UOP bonds. Assessments of green bonds that primarily focus on the use of proceeds potentially risk isolating the assessment of the bond from the wider strategy of the company. This can lead to greenwashing or ineffectual financing, where UOP bonds finance 'green' projects which are not fundamentally addressing the emissions and/or transition risks of

the company nor providing wider climate solutions³⁷. This echoes the encouragement from ICMA's Green Bond Principles for issuers to "position the information [on project evaluation and selection] within the context of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability"³⁸.

It would also be helpful for the FCA to reference standards and best practice expectations for these disclosures to provide a benchmark for reference. For instance, the EU Green Bond Standard requires the proportion of bond proceeds used for activities that are environmentally sustainable to be at least 85%. This provides a useful basis to understand the disclosures provided. Where possible, investors should be able to situate the FCA's requirements within the broader regulatory landscape.

Q43. Do you agree with the additional voluntary disclosures we are proposing to introduce in prospectuses for SLBs? Are there other disclosures that you think we should consider?

We support the additional disclosures for SLBs and call on the FCA to require these in the prospectus on a mandatory basis. We urge the FCA to consider additional disclosures relating to alignment with transition plans and post-issuance reporting/verification.

As with Q42, IIGCC supports the need for additional disclosures for SLBs and welcomes harmonisation with existing market standards, such as the ICMA SLB Principles and their five core components: selection of KPIs, calibration of SPTs, bond characteristics, reporting, and verification.

We particularly welcome disclosure requirements on bond characteristics. As noted in our response to Engagement Paper 4, requiring issuers to provide an explanation of why the financial consequences are deemed to be adequate incentives is a healthy intervention. Currently, the financial consequences of failing to meet targets often lack a clear rationale. Rather than demonstrating the increased credit risk of failing to reach climate targets, the size of the issuer/issuance, or even the ambition of the targets, issuers have generally coalesced around a step-up coupon of 25bps. The materiality and relevance of this number will differ significantly by issuer/issuance, altering the incentive for each issuer to meet their targets. Current step-ups may be too small to plausibly impact incentives³⁹. There is no one solution to identifying a material step-up – but encouraging companies to provide a rationale may encourage more considered approaches.

While the selection of KPIs, the calibration of SPTs and bond characteristics are covered in the FCA's recommended disclosures, we would welcome disclosures on links between the KPIs/SPTs and the issuer's transition plan and further expectations on post-issuance reporting and verification.

³⁷ [Net Zero Bondholder Stewardship: Engaging Labelled Debt Guidance, IIGCC, 2024](#)

³⁸ [Green Bond Principles, ICMA, 2022](#)

³⁹ [Green Bonds, Empty Promises, Curtis et al, 2023](#)

As explored in our response to Q42, it is critical that issuers demonstrate how issuances are aligned with broader transition plans/corporate strategy. This is especially important due to the general-purpose nature of the financing provided by SLB. The targets included in the bond should be clearly linked to issuer-level progress against its transition plan. Accordingly, disclosures on the process and rationale for the selection of KPIs should be made with explicit reference to the company's transition plan, where appropriate, and the selection of SPTs should be made with explicit reference to transition plans, where appropriate, as well as "the strategy of the issuer" as currently proposed.

Finally, if not included in the common disclosures, as proposed in our response to Q41, we would welcome further disclosures around post-issuance reporting and verification. In line with expectations set out elsewhere by the FCA, this may include companies disclosing when and where they will provide updates on progress towards targets. This is often overlooked for SLBs, as is the case in the proposals, but is critical to understanding progress by issuers and accurately assessing the value of the bond. IIGCC's recent Engaging Labelled Debt paper emphasises the importance of this type of reporting to investors' approach to the instrument.