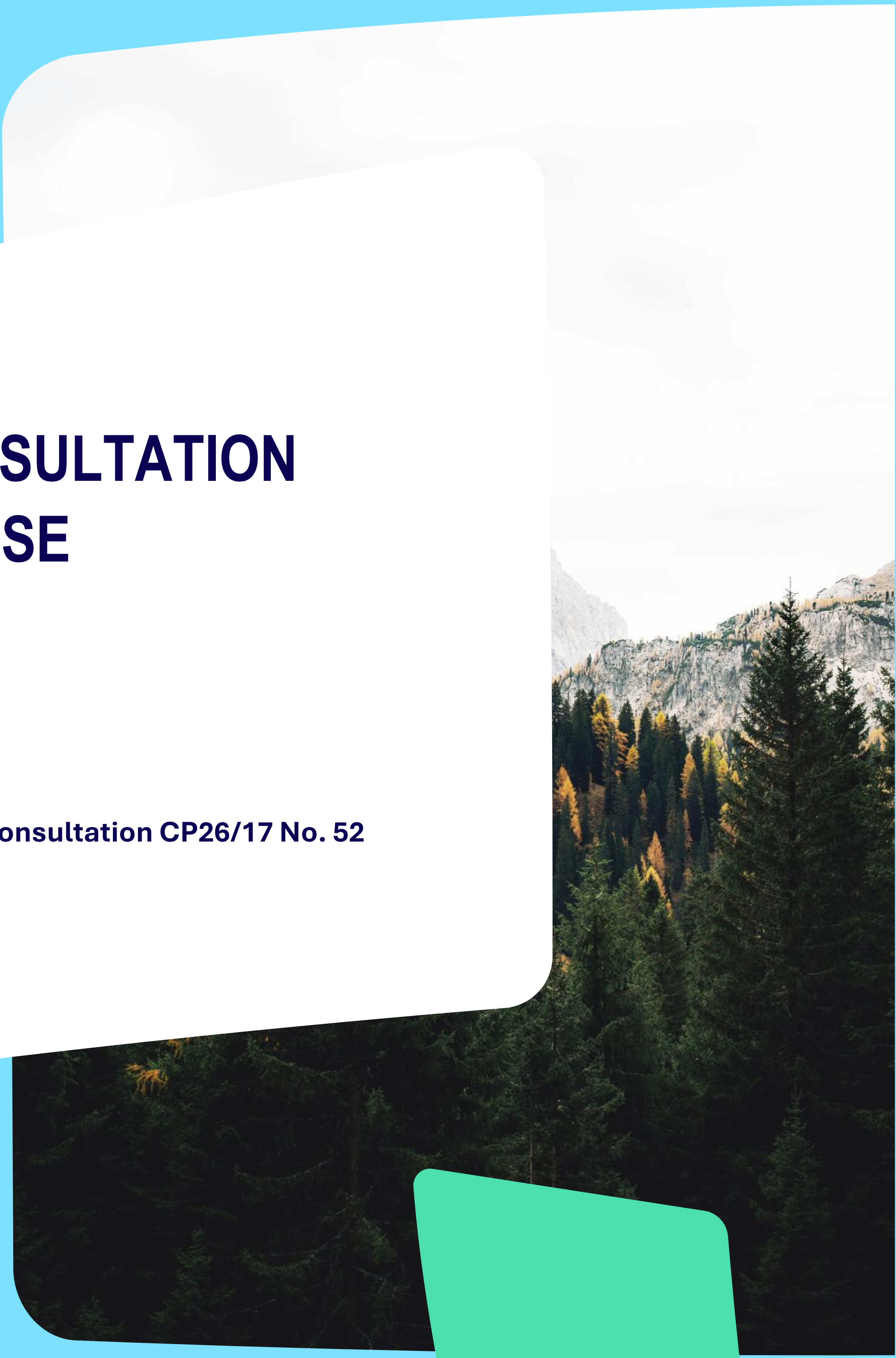

PRI CONSULTATION RESPONSE

FCA Quarterly Consultation CP26/17 No. 52

July 2026

An investor initiative in partnership with
UNEP Finance Initiative and UN Global Compact

About this consultation

The Financial Conduct Authority (FCA) publishes quarterly consultations on miscellaneous amendments to its Handbook. Following a post-implementation review of climate disclosure rules, the FCA has proposed changes to product-level disclosure requirements. **The PRI's response will focus on the FCA's proposals around simplifying climate disclosure requirements for investment products.**

The PRI is the leading organisation in advancing responsible investment globally. Set up with United Nations' support, our unique community contributes to stable financial markets and a more prosperous world for all. We bring together signatories, amplify their voices and provide resources and guidance for complex sustainability challenges. The six Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the FCA's call for feedback on simplifying climate disclosure requirements for investment products.

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To inform this paper, the following group has been consulted: UK Regional Policy Reference Group.

Key recommendations

The PRI welcomes the FCA's efforts to simplify climate disclosure requirements for investment products, based on feedback from the financial industry around the complexity, length, and accessibility of Task Force on Climate-related Financial Disclosures (TCFD) reporting. However, access to **comparable, decision-useful data** must be maintained. The proposed removal of product-level reporting risks lowering market standards and consistency across climate-related disclosures. Rather than eliminating product-level reporting entirely, the FCA should retain a streamlined regime.

The PRI recommends that the FCA:

- Retain a set of **consistent, high-quality decision-useful metrics** that provide institutional investors with genuine insights into how firms are managing climate-related risks and opportunities. This includes a set of **core mandatory, standardised product-level metrics**, including financed emissions, carbon footprint, Weighted Average Carbon Intensity (WACI), portfolio alignment metrics and data quality or coverage metrics.

- Explore opportunities to streamline the **format and structure** of disclosures to focus on how material climate-related risks and opportunities are managed, consider that **climate scenario analysis** at the product-level could be better placed under entity-level reporting, and provide guidance on producing data that is **machine readable with data tagging.**

- **Reconsider the proposal to remove the requirement for data to be publicly accessible**. Restricting public product-reports could disadvantage smaller institutional investors who rely on readily available public data sets for manager selection, monitoring and engagement. Accessibility is important, and an 'on demand' structure with requests for data points no longer captured by the regime in different formats should be avoided. This risks disrupting the flow of information across the investment chain.

- Consider that a balanced combination of **standardised metrics and narrative reporting** could help enhance contextual understanding, similar to the Sustainability Disclosure Requirements (SDR) regime. Narrative reporting may improve investors' contextual understanding of climate-related risks and opportunities, which data around scope 1, 2, 3 GHG emissions may not.

- Drive **global alignment** and mutual recognition of product-level disclosure standards. This helps global investors more easily compare cross-border products and reduces operational compliance costs.

PRI response

The PRI's response firstly details the changes proposed by the FCA on simplifying climate disclosure requirements for investment products and assesses their potential impacts. We then outline investor data needs on product-level reporting and lastly consider opportunities to streamline the existing requirements whilst ensuring decision-useful, standardised data is maintained.

TCFD product-level reporting: proposed changes and potential impacts

Under existing reporting obligations, firms with over £4 billion in AUM are required to publish a TCFD entity report and TCFD product report. Entity-level reporting will remain intact until January 2027, where it will be superseded by the incoming UK Sustainability Reporting Standards (SRS).

The FCA propose to remove existing TCFD product reporting requirements. Instead, they intend to 'introduce fewer, more targeted and more outcomes-based rules. This aims to ensure that retail and institutional investors get the right information based on their specific needs, while giving firms more flexibility in how they communicate with them.'[1]

Under the proposed new regime, firms are required to provide data on scope 1, 2, and 3 GHG emissions when requested by institutional clients to satisfy their climate disclosure obligations. Clients are only eligible to request this information once per calendar year. For retail clients, firms would consider periodically whether climate risks and/or opportunities could be materially relevant to the financial performance or return of the product and disclose this. The requirement for TCFD product reports to be public facing would be removed.

Expectations for a streamlined product-level disclosure regime

PRI recognise the value for streamlining product-level TCFD reporting requirements. Without access to comparable, decision-useful data, investors cannot manage risks and opportunities associated with an energy transition. The final measures should strike a balance between being proportionate and appropriate for preparers, whilst ensuring a coordinated flow of climate information across the investment chain to enable more informed investment decision-making by institutional investors, as the main data users.

Regulatory direction and standard setting play an important role in promoting consistency and comparability across climate-related financial disclosures. Excessive flexibility in reporting requirements risks creating divergent reporting, increased fragmentation, and reduces the comparability and decision-usefulness for investors seeking to assess climate-related risks across managers and products.

Simplification should not come at the expense of information that is decision-useful for investors or necessary to fulfil their fiduciary responsibilities. We are concerned with the proposal that firms are only required to provide data on scope 1, 2, and 3 GHG emissions when requested by institutional investors to satisfy their climate disclosure obligations. This would significantly reduce access to data required by institutional investors. There is a risk that institutional investors won't have access to comparable, decision-useful data that not only satisfies their own climate-related financial disclosure obligations but does not cover information needed to manage their own climate-related risks and opportunities. Whilst, under the proposed amendments, firms may face lower mandatory reporting requirements, institutional investors could face increased costs and resource demands in sourcing, validating and consolidating data from multiple managers.

We encourage the FCA to **engage directly with institutional investors** to ensure that streamlining product-level requirements does not eradicate important datapoints that are crucial from a user-perspective. The PRI

[1] FCA, Quarterly Consultation CP26/17 No 52 (2026)

would welcome the opportunity to coordinate these discussions with the FCA and the investment community.

We encourage the FCA to consider that product-level information is not solely used for reporting purposes. This information supports manager selection, due diligence, portfolio monitoring, engagement, voting and stewardship activities, helping investors make informed decisions and assess whether managers are appropriately managing climate-related financial risks and opportunities.

More broadly, for entity-level reporting, as the incoming UK SRS will supersede standalone TCFD entity-reports, there is scope for **product-level reporting to be modernised to ensure it is fit for purpose and consistent with the UK's wider regulatory landscape**. The FCA should work with the Department for Work and Pensions (DWP), Department for Business and Trade (DBT), and TPR (The Pensions Regulator) to ensure that disclosure requirements are aligned across asset owners and managers.

We also encourage the FCA to drive **global alignment and mutual recognition of product-level disclosure standards,** working with other regional and international regulators on globally applicable core indicators, metrics and methodologies. If regulators adopt diverging approaches, asset managers may continue to face parallel reporting demands despite the proposed simplification.

Communicating with retail clients

Our response focuses on the FCA's proposals for institutional investors, but the FCA could consider the following on communicating with retail clients. For retail disclosures, clarification is needed on whether firms must disclose a list of material climate risks and opportunities, explain whether and why climate is financially material, or both. Requiring a list would imply new product-level materiality assessments and may add limited value for retail investors.

The FCA could instead guide firms on how best to present the information in a clear and accessible way for a retail audience, as well as how managers assess the materiality of climate-related issues. The FCA should require that, where firms conclude climate is not material, they should explain why. This approach would provide an essential safeguard against dismissing important and material climate risks.

Investor data needs at product-level

This review of product-level climate disclosure rules provides an opportunity for the FCA to engage directly with financial market participants to coalesce around a **set of consistent, high-quality decision-useful metrics** that provide institutional investors with genuine insights into how firms are managing climate-related risks and opportunities.

Impacts of removing decision-useful metrics

Removing product-level reporting entirely risks reducing consistency and comparability between products and firms and a reduced availability of publicly accessible climate information. For institutional investors, product-level data enables aggregation to total portfolio level, supports manager comparisons and allows climate risks to be assessed consistently across different mandates.

The FCA should carefully consider operational challenges that could arise if metrics are removed that are commonly asked for by institutional investors' customers and intermediaries. There is a risk that the proposed changes could lead to an increase in on-demand, tailored reporting requests that could lead to resource intensive, custom reporting for large numbers of investors across various products.

We encourage the FCA to engage directly with institutional investors to ensure that product-level reporting requirements are not only limited to data that is needed to satisfy users' own climate-related financial disclosure obligations, but also covers information needed to manage their own climate-related risks and opportunities. This is important for institutional investors to consistently obtain data that enhances capital allocation decisions and improves portfolio risk-pricing, whilst avoiding eradicating important datapoints.

Investor data needs

PRI's project on decision-useful investor sustainability disclosure found that for institutional investors, disclosure supports investment manager and product selection and monitoring; enables meaningful engagement with investment managers; helps them to meet their own disclosure obligations and compare themselves against other institutional investors.

Incorporating climate-related disclosures into annual reports enhances decision-making by providing critical insights into future risks and opportunities via horizon scanning. Medium- and long-term analysis of risks, and strategic planning based on the results of that analysis, will lead to better overall risk management within companies. This helps organisations strategically plan and build resilience, ensuring long-term value and transparency for stakeholders, improving climate risk management and enhancing response efforts.

Institutional investors use a combination of backward-looking and forward-looking metrics to assess climate-related risks and opportunities, monitor progress against climate objectives and support stewardship activities. No single metric provides a complete picture; rather, these metrics are a complementary toolkit for informed decision-making. Collectively, these metrics enable institutional investors to manage financially material climate risks in line with their fiduciary duties to members and employers. They also support transparency and accountability to stakeholders, including scheme members, employers and governing bodies, who increasingly expect robust reporting on how climate-related risks and opportunities are being considered within investment decision-making and stewardship activities.

Public disclosure requirements

Restricting public product-reports could disadvantage smaller institutional investors who rely on readily available public data sets for manager selection and portfolio construction. Public reporting creates transparency, accountability, and a consistent minimum disclosure standard. Restricting public datasets may place a heavier burden on investors to seek out decision-useful information and inadvertently create a fragmented data landscape. Accessibility is important, and an 'on demand' structure with requests for data points no longer captured by the regime (potentially) in different formats should be avoided.

A greater reliance on bilateral requests for information risks creating inefficiencies; and ensuring a comprehensive set of indicators avoids the risks of divergence in the climate information (requested or) provided to different stakeholders. It may be more efficient for firms to provide standardised information for a core set of indicators through public reports or reporting platforms than for multiple institutional investors to submit separate requests for the same underlying data.

Public disclosure ensures information is available to all market participants rather than only clients with sufficient resources to request and analyse bespoke data. This supports market efficiency and reduces information asymmetries between investors – including for an investment manager's potential clients. Requirements for product-level reports to be public may also improve external accountability.

In addition, public disclosure supports investee stewardship and manager engagement. Investors rely on climate-related information to engage with managers and portfolio companies, monitor progress against commitments and hold them accountable for outcomes over time. Access to consistent and transparent information is therefore important not only for reporting, but also for effective stewardship activities.

We caution against the elimination of public, standardised data requirements for product-level reports for investment products, which could make it harder to obtain decision-useful climate-related financial information. Should the FCA decide to remove the requirement for data to be publicly available, we encourage **a future assessment once the changes have bedded in on whether this improves or hinders the flow of decision-useful data across the investment chain.** This would ensure that restricting public datasets does not place a heavier burden on investors to seek out decision-useful information.

Opportunities to streamline existing product reporting

As the FCA note, there are opportunities to recalibrate current product requirements to ensure they provide decision-useful, relevant data for investors whilst not over-burdening preparers. The PRI supports a streamlined regime centred on consistent, high-quality decision-useful metrics that provide institutional investors with genuine insights into how firms are managing climate-related risks and opportunities.

Relying solely on emissions metrics

Investor engagement undertaken through PRI's decision-useful investor sustainability disclosure project points to the **demand for scope 1, 2 and 3 GHG emissions information**. Disclosure of emissions metrics should remain a core minimum requirement and be applied consistently across product throughout the investment chain, regardless of their sustainability objectives or characteristics. This consultation presents an opportunity for the FCA to reassess the existing framework and strengthen its focus on metrics that more effectively capture climate-related risks and opportunities.

There may be a disconnect between the assessment of climate risks/opportunities and the proposed requirement to disclose emissions metrics. While emissions metrics are an important component of climate related disclosure, they provide only a partial view of climate risk, and do not capture other relevant dimensions, such as physical risk, land use, and biodiversity-related considerations. Emissions metrics also do not provide information on climate opportunities.

The PRI therefore recommends retaining product-level reporting requirements in a streamlined way, beyond emissions metrics alone. There is a risk that the proposed **FCA rules 2.3.5 R and 2.3.8 G could limit data availability of information that institutional investors require both to meet climate-related financial disclosure obligations and to effectively assess climate-related risks.**[2] This would be inconsistent with the FCA's direction of travel and could lead to greater inconsistencies in information provided across the market, thereby lowering market standards. Instead, streamlined reporting would encourage a shift away from a tick-box compliance reporting exercise to a focus on disclosing material data around climate risks and opportunities.

Elements of product-reporting that should be retained

Our positions on product-level reporting elements that should be retained are based on direct engagement with investors and could serve as a foundation for the FCA to consider.

Core metrics such as financed emissions, carbon footprint, WACI, portfolio alignment metrics and data quality indicators should continue to be disclosed in a standardised format. Streamlining should focus on ensuring that disclosures remove duplication rather than reducing the availability of decision-useful information. This would ensure that disclosures remain decision-useful and support investment decision-making, risk management and stewardship activities.

In the FCA's PS21/24, the changes proposed would mean that information around total carbon emissions, total carbon footprint, and WACI would be lost [2.3.9]. Standardised climate metrics like WACI and total carbon emissions allow investors to compare funds directly. They are the most widely understood and comparable climate metrics across portfolios, provide a useful indication of exposure to carbon-intensive sectors and can support trend analysis. They offer complementary perspectives on financed emissions and carbon exposure analysis, as well as manager oversight. Under pension schemes regulation, trustees must calculate, set targets for, and disclose their total carbon emissions and emissions intensity annually. If requirements around product-level total carbon emissions were removed, this would leave to an information gap for asset owner reporting.

Relying on absolute emissions metrics alone would not cover information that asset owners need for their climate reporting, such as **portfolio alignment metrics (Implied Temperature Rise, Climate Value-at-Risk,**

[2] Under the existing ESG 2.3.5 R, if an asset manager receives a request from an institutional client, the firm must prepare and provide a full on-demand TCFD product report. The update to this rule would reduce the mandatory data required to scope 1, 3, and 3 GHG emissions. Under existing ESG 2.3.8 R, institutional clients can request additional climate or carbon-related data to satisfy their own regulatory disclosure obligations. The update would change this from a rule (R) to guidance (G), which would encourage asset managers to share this data, but not legally oblige them to. FCA Handbook, ESG 2.3 Product-level reporting (2026)

Science-based Targets alignment) and proportion of GHG emissions data that is reported, estimated, or unavailable. These metrics typically cannot be derived from emissions data.

On portfolio alignment metrics, feedback from institutional investors indicates that these metrics provide useful insights into how portfolios are positioned relative to transition pathways, net zero objectives, and a forward-looking view of transition risk. Institutional investors expect that their customers and intermediaries will still require this metric.

On the proportion of emissions data, feedback from institutional investors indicates that data quality and coverage are important contextual metrics. To elaborate, some institutional investors have identified challenges associated with scope 3 metrics that can limit the decision-usefulness of aggregated scope 3 data at the product or portfolio level. Aggregating scope 3 emissions across a portfolio may create a risk of double counting, particularly where products invest across a diversified pool of companies. Without transparency on data sources and estimation rates, there is a risk that emissions figures may be misunderstood or over-interpreted. Data quality and coverage metrics should be disclosed to explain the reliability and robustness of emissions data. Such disclosures can also help identify areas where further issuer engagement or improved in underlying corporate disclosure are needed. Therefore, emissions metrics should be contextualised with appropriate caveats to support informed interpretation and help customers understand the limitations of such data.

Other areas for improvement

As noted above, our positions on product-level reporting elements that could be improved are based on direct engagement with investors and could serve as a foundation for the FCA to consider in streamlining the existing requirements.

Entity-level disclosure on scenario analysis

Requirements for climate scenario analysis at the product-level could be more robust and meaningful under UK SRS entity-level reporting, as the FCA recognise. At entity-level, firms can assess risks across their full business and governance frameworks, rather than detailed scenario analysis for every individual product. Scenario analysis methodologies vary and results are dependent on underlying assumptions, so requiring detailed scenario analysis at product-level may not represent the most efficient use of resources, particularly where firms undertake more meaningful climate risk assessment at entity or portfolio-construction level. For this reason, we support the FCA's proposal that product-level disclosure on scenario analysis can be superseded by entity-level reporting under UK SRS.

Clarification on terminology

The regime should enable users to meaningfully assess and compare investment managers' and financial products' performance. Credibility and comparability are key to this. Based on The Investment Association's findings, a lack of specific guidance in key areas can lead to a variation in approaches for product-level reporting.[3] For example, as the FCA's Handbook doesn't provide a definition of 'carbon intensive' sectors or what constitutes 'high' or 'concentrated' exposure, firms have defined these terms independently. This creates a risk that two near-identical products could have different levels of disclosure – one disclosing qualitative analysis only versus disclosing both qualitative and quantitative analysis.

A combination of metrics and narrative reporting

We encourage a **balanced combination** of standardised metrics and narrative reporting to ensure comparability and contextual understanding. The reports could be more user-friendly for consumers by defining key terminology. This could enhance the usefulness of these reports and form part of the reporting requirements to institutional investors.

Format and scope

[3] The Investment Association, Insights and Suggested Actions on the FCA's TCFD Rules for Asset Managers (2024)

To reduce the reporting burden investors should have the flexibility to determine the format and structure of disclosures, whilst still ensuring a degree of consistency and credibility around disclosure.

Digital tagging

The FCA could collaborate with the UK National Access Point (UKAP) framework to streamline data collection and enhance accessibility. Ensuring that data is machine readable and that data tagging can be facilitated is crucial. Beyond the scope of this consultation, the FCA could explore capacity building efforts with guidance based on digital solutions to facilitate reporting.

Interaction with the SDR regime

Currently, TCFD reporting acts as a building block for reporting under the Sustainability Disclosure Requirements (SDR) regime, with a requirement for SDR product reporting to include TCFD product reports or hyperlink them. Managing two separate disclosure regimes for funds can cause greater administrative and compliance burden, and we support a single disclosure stream of decision-useful information. Institutional investors should also be able to easily access the labelled fund's scope 1, 2, and 3 emissions alongside its stated sustainability goals.

It is not sufficiently clear whether or how existing product-level data would be captured under SDR reporting under the FCA's proposed regime. Importantly, SDR reporting should not be the only mechanism for product-level reporting, considering its scope only applies to sustainability-labelled funds. More broadly, the FCA's proposals to remove existing product-level reporting risk placing a higher burden on sustainability-focused funds. As a solution to ensuring continued reporting of material climate information to institutional investors, the FCA could provide additional guidance on how a streamlined version of existing product reporting obligations can be linked with SDR reporting.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the FCA further to simplifying climate disclosure requirements for investment products in the UK.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org