

David Stubbs  
Financial Conduct Authority  
12 Endeavour Square  
London E20 1JN  
Email: [cp24-12@fca.org.uk](mailto:cp24-12@fca.org.uk)

18 October 2024

**SARASIN & PARTNERS' SUBMISSION TO CONSULTATION ON NEW PUBLIC OFFERS AND ADMISSION TO TRADING REGULATIONS REGIME (POATRS)**

Dear Mr. Stubbs,

We are writing to offer our perspectives as a long-term investor in the UK listed securities market on the FCA's Consultation Paper 24/12 regarding new Public Offers and Admissions to Trading Regulations regime (POATRS).

Sarasin & Partners LLP is a London-based investment manager serving charities, private clients and other institutions. Our goal is to deliver sustained investment returns through an active long-term investment approach, which emphasises stewardship. We have been a longstanding advocate for reliable company reporting and financial statements as a key pillar underpinning market efficiency and investor protection. We therefore welcome the FCA's consultation on improvements to the existing Prospectus regime and the invitation to submit our views.

We provide feedback on a selection of questions relating to sustainability-related disclosures (Chapter 6 of the consultation document, questions 31 to 40) in the Addendum to this letter. We would particularly like to draw out the following key points for your attention:

- **Investor protection goal:** While we are supportive of the goal to 'reduce the costs of listing on UK markets' (Consultation paragraph 1.5) wherever this stems from unnecessary red tape that provides little benefit to investors, we would like to underline the equally important goal of ensuring reliable information for investor protection and market efficiency.

We have some concern over the apparent emphasis placed on issuer cost reduction, with no equivalent focus on investor protection. The UK has built a reputation for high standards of disclosure and corporate governance over many years, largely as a result of its strong and stable regulatory framework. These high standards attract long-term capital. In seeking to entice a larger pool of issuers to UK markets, the FCA's reforms to the Listing Rules have already attracted investor concern, as underlined by a global investor statement representing US\$77 trillion in assets on this matter earlier this year<sup>1</sup>. It is vital that standards are not lowered further in changes to Prospectus Rules.

---

<sup>1</sup> <https://www.icgn.org/icgn-statement-high-standards-corporate-governance-and-investor-protections-pre-requisites-uk>



Given the points above, we are cautious about a ‘bolder’ approach proposed where companies seek to make further issuance of securities (para 1.4 of the consultation). The proposal is to loosen the regulation by raising the threshold for when a prospectus may be required from further issuance equivalent to 20% of existing issuance to 75%. While we recognise this will reduce the reporting burden on issuers, this could also reduce investor protection due to the lower level of disclosure requirements in general for annual reporting versus the prospectus.

- **Sustainability-related disclosures:** We support the proposal to require equity issuers to make clear disclosures on material climate-related (or indeed any sustainability) risks and opportunities. This is in line with existing requirements for issuers to make disclosures that enable investors “to assess (amongst other things) the assets and prospects of the issuer”<sup>2</sup>. We agree that having specific minimum requirements for these disclosures will help to enhance transparency and consistency in reporting. Moreover, as the consultation emphasises, this is in line with strengthening Listing Rule requirements for annual reporting on sustainability information.
- We would further like to see the following:
  - **Sustainability disclosures rules should apply to debt issuers:** Climate factors that are material and thus have a potential impact on default risks, are just as pertinent for debt holders as shareholders. This is also highlighted in the FCA’s Technical Note 801.2<sup>3</sup>. While this would, in our view, fall under the FCA’s ‘necessary information test’, making this explicit would help to deliver greater transparency and consistency in reporting, as set out in para 6.10 of the consultation. We therefore do not agree with the proposed exclusion of debt issuers from the sustainability disclosures requirements.
  - **Underline the importance of connectivity/consistency with financial statements:** While the consideration of material climate (or other sustainability) factors are already required under existing accounting standards<sup>4</sup>, this appears to be widely disregarded<sup>5</sup>. The weak accounting disclosure has prompted regulatory statements from the Financial Reporting Council (FRC) and Prudential Regulation Authority (PRA)<sup>6</sup>. Given the critical

<sup>2</sup> See FCA TN801.2: <https://www.fca.org.uk/publication/ukla/fca-tn-801.2.pdf>

<sup>3</sup> *ibid*

<sup>4</sup> The International Accounting Standards Board (IASB) published Educational Material to underline the relevance of climate-related information to existing accounting standards in 2020, updated in 2023: <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/documents/effects-of-climate-related-matters-on-financial-statements.pdf>. In July 2024 the IASB issued an Exposure Draft on “Illustrative examples of climate-related and other uncertainties in the financial statements” (<https://www.ifrs.org/content/dam/ifrs/project/climate-related-other-uncertainties-fs/iasb-ed-2024-6-climate-uncertainties-fs.pdf>).

<sup>5</sup> Carbon Tracker analysis since 2022 has reviewed financial statements for some of the most carbon-intensive listed companies globally and shown that few issuers provide adequate visibility on how they have considered material climate factors in their accounting: See the latest report covering 140 listed issuers, published in February 2024: <https://carbontracker.org/reports/flying-blind-in-a-holding-pattern/>

<sup>6</sup> FRC has reminded Boards and Chief Finance Officers of their responsibility to consider material climate risks in annual guidance and thematic reviews, for instance: <https://www.frc.org.uk/news-and-events/news/2023/07/frc-thematic-review-examines-quality-of-climate-related-metrics-and-targets-disclosures/>; PRA outlines concerns over a lack of consideration of climate in banks’ accounting: <https://www.bankofengland.co.uk/prudential-regulation/letter/2022/october/thematic-feedback-2021-2022-written-auditor-reporting> ; <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/letter/2023/september/thematic-feedback-2022-2023-written-auditor-reporting.pdf>

role played by reliable accounts in underpinning investor protection and market efficiency, we would welcome explicit expectations within the prospectus rules that the financial consequences of entities' identified risks and opportunities and transitions plans be incorporated into forward-looking assumptions used in the accounts. This would also ensure consistency in expectations between the annual reporting framework and prospectus requirements.

- **Mineral (particularly oil and gas) companies' reserve viability tests should consider material climate-related consequences** – In the same way that climate change and decarbonisation need to be factored into entities' financial statements where material, they need also to be considered in oil and gas companies' reserve viability tests undertaken as part of the required Competent Persons Report. To leave out climate impacts could mislead investors on the financial prospects of these businesses. Linked to this, we are also supportive of the introduction of a 1.5°C and well below 2°C sensitivity test in the form of the proposed Atmospheric Viability Test (AVT).

We hope our submission provides a helpful long-term investor perspective and would be happy to answer any follow-up questions.

Yours sincerely,

Natasha Landell-Mills, CFA  
Partner and Head of Stewardship

## ADDENDUM – RESPONSES TO CONSULTATION QUESTIONS

**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?**

A: Yes, we agree with the proposed climate disclosure rule to ensure material climate-related information is included in Prospectus disclosures. In our view this would be required under the existing ‘necessary information test’ but making it explicit should help ensure greater and faster adherence and consistency in reporting.

**Q32: n/a**

**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?**

A: As set out in Q31, we consider the proposed requirement for the disclosure of material climate-related information to be essential for investors to be adequately informed on issuers’ financial position and prospects. We do not consider these disclosures as ‘supplementary’ but vital to meet the ‘necessary information test’.

A key concern for us is that there is currently a lack of consistency between the proposed climate-related disclosures, including forward-looking information relating to risks, opportunities, targets etc and issuers’ financial statements. This is vital to ensure issuers’ deliver true and fair view accounts as required under Company Law. However, this point does not appear to be covered in the consultation document.

Guidance on this matter already exists from the IASB<sup>7</sup>, the FRC and the PRA (with respect to banks)<sup>8</sup>. In practice, however, we see a lack of adherence to these requirements as documented in Carbon Tracker’s annual reviews of carbon-intensive companies’ financial statements<sup>9</sup>.

---

<sup>7</sup> The IASB published Educational Material to underline the relevance of climate-related information to existing accounting standards in 2020 and updated in 2023: <https://www.ifrs.org/content/dam/ifrs/supporting-implementation/documents/effects-of-climate-related-matters-on-financial-statements.pdf>. In July 2024 the IASB issued an Exposure Draft on “Illustrative examples of climate-related and other uncertainties in the financial statements” (<https://www.ifrs.org/content/dam/ifrs/project/climate-related-other-uncertainties-fs/iasb-ed-2024-6-climate-uncertainties-fs.pdf>).

<sup>8</sup> FRC has reminded Boards and Chief Finance Officers of their responsibility to consider material climate risks in annual guidance and thematic reviews, for instance: <https://www.frc.org.uk/news-and-events/news/2023/07/frc-thematic-review-examines-quality-of-climate-related-metrics-and-targets-disclosures/>; PRA outlines concerns over a lack of consideration of climate in banks’ accounting: <https://www.bankofengland.co.uk/prudential-regulation/letter/2022/october/thematic-feedback-2021-2022-written-auditor-reporting> ; <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/letter/2023/september/thematic-feedback-2022-2023-written-auditor-reporting.pdf>

<sup>9</sup> Carbon Tracker analysis since 2022 has reviewed financial statements for many of the most carbon-intensive listed companies globally and shown that very few issuers provide adequate visibility on how they have considered material climate factors in

We would suggest that the new rules explicitly underline the requirement for issuers' financial statements to fully reflect relevant material climate factors, and appropriate disclosures are made. This should encompass the inclusion of sensitivity analysis to different key forward-looking accounting assumptions, especially in situations of uncertainty. This has been a clear expectation from investors since 2020, as documented in IIGCC's report "Investor expectations for Paris-aligned accounting"<sup>10</sup>.

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

A: No. We do not agree with the proposal to limit the required climate-related disclosures to issuers of equity. Debt issuers face the same material consequences from climate change and the energy transition, and so there is no persuasive rationale for seeking disclosure for one type of security over another. Where climate factors have a bearing on default risk, this should be disclosed to investors.

While the consultation makes clear that issuers of debt securities will continue to be required to adhere to the 'necessary information test', the reality is that debt issuer disclosures on climate factors is patchy. In the same way that clear minimum standards will help improve transparency and consistency in reporting for equity issuers, minimum disclosure standards would strengthen debt market efficiency.

Given the potential for systemic risks building in financial markets, as underlined by the Bank of England<sup>11</sup> and Financial Stability Board<sup>12</sup> amongst others, excluding debt issuers from these enhanced disclosure requirements would hinder investors ability to act on and protect against these risks. We would likewise argue that the Listing Rules should be amended to ensure debt issuers are subject to the equivalent climate disclosure rules as equity issuers.

As noted under Q33, we would also ask that debt issuers be required to ensure consistency between their non-financial climate disclosures and their financial statements, such that investors have visibility on the consequences of climate-driven factors for entities' financial position and performance.

---

their accounting: See the latest report covering 140 listed issuers, published in February 2024:  
<https://carbontracker.org/reports/flying-blind-in-a-holding-pattern/>

<sup>10</sup> <https://sarasinandpartners.com/row/stewardship-post/investor-expectations-for-paris-aligned-accounting/>

<sup>11</sup> <https://www.bankofengland.co.uk/climate-change#:~:text=The%20risks%20from%20the%20physical,soundness%20of%20firms%20we%20regulate.>

<sup>12</sup> <https://www.fsb.org/work-of-the-fsb/financial-innovation-and-structural-change/climate-related-risks/>

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

A: Yes. We are supportive of the proposal to require detailed disclosure in the Annexes to the PRM, which follow the TCFD framework and the ISSB standards. This should help deliver the necessary transparency and consistency in reporting that enables investors to assess an entity's exposures and outlook.

**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.**

A: Yes. We believe that it is important for issuers to include disclosures of their transition plans in their prospectuses where these plans have a material bearing on the issuers' strategy, performance and outlook. Having a separate disclosure of transition plans would potentially leave out critical and material information pertaining to the issuer's business.

We would expect that all relevant and material information from the transition plan should be included in the prospectus, to ensure it is subject to FCA oversight. We are comfortable that this information would be eligible for protected forward-looking statements, subject to the criteria proposed in Chapter 7.

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

A: We would like to underline a core point running through several of our responses above that the FCA makes explicit the requirement that issuers ensure consistency between their climate-related disclosures and their financial statements. In other words, issuers' financial statements should properly reflect the economic consequences of climate trends, transition plans, decarbonisation policies etc. We have noted already under question 33 existing evidence of a widespread failure to provide this information and guidance from the IASB, FRC and PRA on this topic. The FCA should also make clear its expectations in this regard.

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

A: Yes. We support the iterative approach, starting with specific reporting guidance for climate-related disclosures. However, it will be important to emphasise that where sustainability related information is material to an issuer, this information must be disclosed under the 'necessary information test'.

**Q39: Do you agree with the proposed areas for revision of the Technical Note in relation to sustainability-related disclosures? Y/N. Are there any other areas that we should seek to address?**

A: Yes. We are supportive of the proposed revisions, including the proposal to remind issuers of equity and non-equity securities alike to disclose any information that has a bearing on the prospects and creditworthiness of the issuer.

**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?**

A: Yes. In our view, current prospectus disclosures by mineral companies are failing to adequately and consistently inform investors of the financial consequences of climate-related risks, including on reserve viability. This is true even where these same companies are pointing to material climate risks and opportunities in separate TCFD or related reports. It is particularly notable that Competent Persons Reports tend not to disclose how decarbonisation or physical climate impacts have been considered in assessing either the technical or commercial viability of the entity's reserves<sup>13</sup>. This would appear to run contrary to existing requirements for all necessary information to be considered and consistency with other reporting (TN 619.1 III.2 paragraph 133 iii).

We would like to see two additional disclosure requirements added to the CPR requirements set out in TN 619.1, Appendix II and III:

- Commercial viability test - Climate-considerations should be clearly documented in Net Present Value calculations, including how expected decarbonisation or physical impacts are incorporated into cash flow projections, e.g. through impacts on demand and commodity prices, and/or discount rates<sup>14</sup>.
- Atmospheric viability test (AVT) – which examines the consistency of reserve exploitation with the global Paris Agreement goals. Specifically, oil and gas companies should disclose consistency with 'well below 2°C' and 1.5°C scenarios.

Regarding the commercial viability test, we would note that UK-listed oil and gas companies are already providing disclosures on how climate is being incorporated into financial statements, including in asset impairment tests, which depend on future oil and gas price assumptions. See, for instance, Note 4 in Shell's 2023 Financial Statements<sup>15</sup>. It would be consistent for the FCA to ensure that the material consequences of decarbonisation are incorporated into reserve testing.

We consider the AVT as a form of Paris-alignment sensitivity test, which provides material information to investors on two points. First, it provides visibility for how resilient the reserves would be to a lower

---

<sup>13</sup> See for instance, Capricorn Energy and Harbour Energy's latest CPRs, published in 2024, which make no reference to climate risks in the viability tests: <https://www.capricornenergy.com/umbraco/surface/media/mediaitem/glj-competent-persons-report-abridged?path=/media/3717/glj-competent-persons-report-abridged.pdf> ; <https://www.harbourenergy.com/news-and-media/latest-news/2024/publication-of-circular-and-prospectus-in-connection-with-proposed-acquisition-of-wintershall-dea-asset-portfolio/>

<sup>14</sup> The International Energy Agency (IEA) produces independent demand and commodity price projections associated with different temperature pathways, including a 1.5C scenario (the NZE2050 scenario):

<https://iea.blob.core.windows.net/assets/86ede39e-4436-42d7-ba2a-edf61467e070/WorldEnergyOutlook2023.pdf>.

<sup>15</sup> <https://reports.shell.com/annual-report/2023/>

demand pathway, which is important at a time of heightened uncertainty around future demand for fossil fuels<sup>16</sup>.

Second, the AVT would provide clarity to investors as to whether the entity is operating within a Paris-aligned carbon budget. For investors that have committed to align with the Paris goals, e.g. signatories to the Net Zero Asset Managers' initiative, representing US\$57.5 trillion in assets<sup>17</sup>, being able to assess consistency with this commitment is important.

---

<sup>16</sup> We note that this could also be incorporated under the commercial viability test noted above, which already requires for sensitivities to critical assumption changes to be disclosed (TN 619.1, Appendix II, para iv) 3)

<sup>17</sup> <https://www.netzeroassetmanagers.org/>