Financial Conduct Authority

12 Endeavour Square

Stratford Cross

London

By email: cp26-17@fca.org.uk

13 July 2026

Dear Financial Conduct Authority,

RE: UK Private Capital response to CP26/17 chapter2: Simplifying climate disclosure requirements for investment products

UK Private Capital (previously the British Private Equity and Venture Capital Association, BVCA) is the industry body and public policy advocate for the private capital industry in the UK. With a membership of around 600 firms, we represent UK-based venture capital, private equity and private credit firms, as well as their professional advisers and investors. The private capital industry backs 13,000 UK businesses, nine in 10 of which are small or medium-sized enterprises. Businesses backed by the industry employ 2.5 million people across the UK and contribute 7% to GDP.

In 2024, £29.4bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. This increased investment has fuelled the growth of businesses across the UK, with six in 10 (58%) of the businesses backed in 2024, located outside of the capital. These investments are long term in nature, with an average investment period of six years, in contrast to less than a year in public markets.

We welcome the FCA's proposal to remove mandatory TCFD product-level reporting and replace it with a more targeted and flexible approach. The proposal is proportionate, reflects limited engagement with existing product-level reports and should reduce cost and complexity, while remaining compatible with the FCA's objectives, including competitiveness and the UK's net zero target. This approach is particularly appropriate for private markets, which operate differently from public markets and benefit from direct engagement with portfolio companies and tailored LP-GP (Limited Partner-General Partner) information exchanges. We therefore support the FCA's direction of travel and recommend that the final rules preserve proportionality, avoid recreating product-level TCFD reporting burdens through replacement requirements, and ensure that any residual reporting obligations remain focused on information that is material, decision-useful and capable of being delivered efficiently.

<u>**Key points from our response:**</u>

Our response focuses on the questions in Chapter 2, which are most relevant to the private capital industry. Based on member feedback, we recommend that the FCA:

- Proceeds with removing mandatory product-level TCFD reports;
- Maintains a flexible and materiality-based approach for LP-GP communications;

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- Promotes harmonisation by aligning any institutional client information requests with existing investor reporting channels and looks to avoid duplicative or inconsistent data requests;
- Limits mandatory metrics to scope 1, 2 and 3 GHG emissions data, with additional metrics provided only where reasonably required, feasible and permitted; and
- Provides greater transparency on how the removal of product-level TCFD report interacts with any future move towards ISSB S2-aligned reporting requirements.

Consultation Questions

Question 2.1: Replacing public TCFD product reports with a more flexible approach for retail investors

We agree with replacing TCFD product reports with a more flexible approach tailored to the needs of investors. The FCA's proposal better reflects the evidence that long and technical product-level TCFD reports are not always accessible or decision-useful for investors, while still preserving a requirement to disclose financially material climate-related risks and opportunities to retail investors where relevant to the product. This is consistent with feedback provided from UK Private Capital members and wider stakeholder engagement where both GPs and LPs reported limited investor engagement with existing TCFD product reports. LPs within our membership also confirmed that the removal of mandatory product-level reporting would not result in the loss of climate related information integral to their decision-making, as product-related information prepared by GPs is primarily driven by investor requests, while also reflecting relevant regulatory requirements.

We support the proposal that firms should consider whether climate-related risks and opportunities could be materially relevant to the financial performance or return of a product and disclose these in existing communications, where appropriate. This should help ensure that information is presented in a clear and proportionate way that is accessible to retail investors, rather than through a standalone reporting format that may not be read or understood by its intended audience.

Question 2.2: Practical and operational challenges

Any simplification should preserve interoperability with broader sustainability reporting standards, including ISSB and, where relevant for firms with EU operations, ESRS. If the proposed simplification reduces alignment with these standards, the FCA should consider the implications for firms' reporting systems, data collection and investor communications. Subject to this, we do not foresee material practical or operational challenges with the proposed approach, provided the FCA maintains the flexibility described in Chapter 2.

The FCA should also make clear that disclosure is required only where climate-related risks or opportunities are materially relevant to the financial performance or return of the product. This will be important to avoid boilerplate disclosure and to support the Consumer Duty objective of helping investors understand the information presented to them. In future policy design, the FCA should also consider how to support consistent and proportionate materiality assessments, so that firms are not incentivised either to over-disclose immaterial information or to under-disclose by determining that no climate-related matters are material without sufficient explanation. This will ensure that information provided is decision useful and allows firms to meet investor expectations.

The FCA should also clarify that any statement regarding material climate-related risks and opportunities is a non-promotional statement and therefore does not engage the naming and marketing rules under ESG 4.3.2R.

Question 2.3: Scope of the institutional client communication rules

We agree that products currently in scope of the TCFD product reporting rules should remain in scope of the proposed institutional client communication rules. This will help preserve the coordinated flow of climate information along the investment chain, particularly where LPs need information to meet their own regulatory or reporting obligations.

However, the final rules should recognise that private capital markets are characterised by close GP-LP and regular detailed communications. Institutional LPs investors commonly obtain climate-related information through due diligence, side letters, periodic all-investor reporting, bespoke investor specific sustainability reporting, investor reporting, data rooms and direct engagement, rather than relying on standardised public reports. The regime should therefore support, rather than displace, these existing channels and the FCA should clarify that the once-per-year request limit does not inhibit GPs from providing climate-related information to LPs voluntarily or through existing reporting and engagement processes.

We also support limiting eligible requests to once per calendar year per product. This is a proportionate constraint that should help prevent duplicative requests while preserving a regulatory basis for institutional clients to obtain information required for their own climate disclosure obligations.

The FCA should also encourage harmonisation between the proposed request mechanism and existing LP data requests. In private markets, climate-related information is often collected through established LP-GP reporting processes and templates and additional regulatory requests should be designed to complement those channels rather than create parallel, duplicative or inconsistent reporting expectations. The format of information required under the FCA rules should be flexible enough that LPs and GPs can use their existing reporting frameworks and mechanisms, including private markets sustainability reporting templates such as the EDCI and Invest Europe templates. Therefore, the FCA should permit firms to use existing market-standard reporting templates and frameworks to meet sustainability disclosure requirements.

Question 2.4: Reducing metrics to scope 1, 2 and 3 GHG emissions data

We agree with reducing the mandatory metrics to scope 1, 2 and 3 greenhouse gas emissions data at a minimum, supported by guidance encouraging additional metrics where reasonably required, feasible and permitted under contractual arrangements. This strikes a better balance between investor information needs and the operational burden of producing broader product-level TCFD metrics and scenario analysis.

For private markets, climate data quality and availability can vary significantly by asset class, geography, investment stage and portfolio company maturity. The FCA should therefore preserve the proposed guidance on data gaps and methodological challenges, including the expectation that firms should not provide information where unresolved gaps, assumptions or proxies would make the disclosure misleading. The FCA may also consider an acknowledgement within 2.3.5R itself that scope 3 emissions data remains challenging for many firms and that this information should be provided on a "where available" or "best efforts" basis to encourage disclosure wherever possible.

Question 2.5: Consequential amendments

We support the proposed simplification of terminology and removal of definitions that would no longer be needed under the new regime. These amendments should reduce interlinkages within the Handbook and help firms understand the obligations that remain after product-level TCFD reporting is removed.

The FCA should, however, ensure that the final drafting is clear on the interaction between the new institutional client communication rules and any remaining SDR product-level sustainability reporting obligations, so that firms are not subject to overlapping requirements that undermine the intended simplification.

In addition to the above, the FCA should seek to include transparency around how the proposed removal of product-level TCFD reporting will interact with any future regulatory transition towards ISSB S2-aligned reporting. Private capital managers now have an established practice of entity-level TCFD reporting, which has been embedded in their compliance processes over the past three years and works well for this sector. Clear signalling on the expected direction of travel would help firms plan systems, data collection and investor communications efficiently and would reduce the risk that short-term simplification is followed by new requirements that recreate similar burdens in a different form.

Conclusion

UK Private Capital supports the FCA's proposals in Chapter 2. They represent a proportionate update of the product-level climate disclosure regime by removing mandatory TCFD product reports, preserving targeted information flows for institutional clients and improving the decision-usefulness of information.

For private markets, the proposed approach better reflects market practice, including existing GP-LP engagement practices and tailored investor reporting. The final rules should retain this flexibility, protect the estimated cost savings and avoid introducing replacement requirements that would undermine the FCA's stated objective of simplification if the simplification brings into question interoperability with other regulations or common frameworks.

For further engagement or to explore perspectives on private capital, please feel reach out to Chris Khoury or Harriet Assem.

Sincerely,

Lucie Mills

Chair, UK Private Capital's Sustainability Committee

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