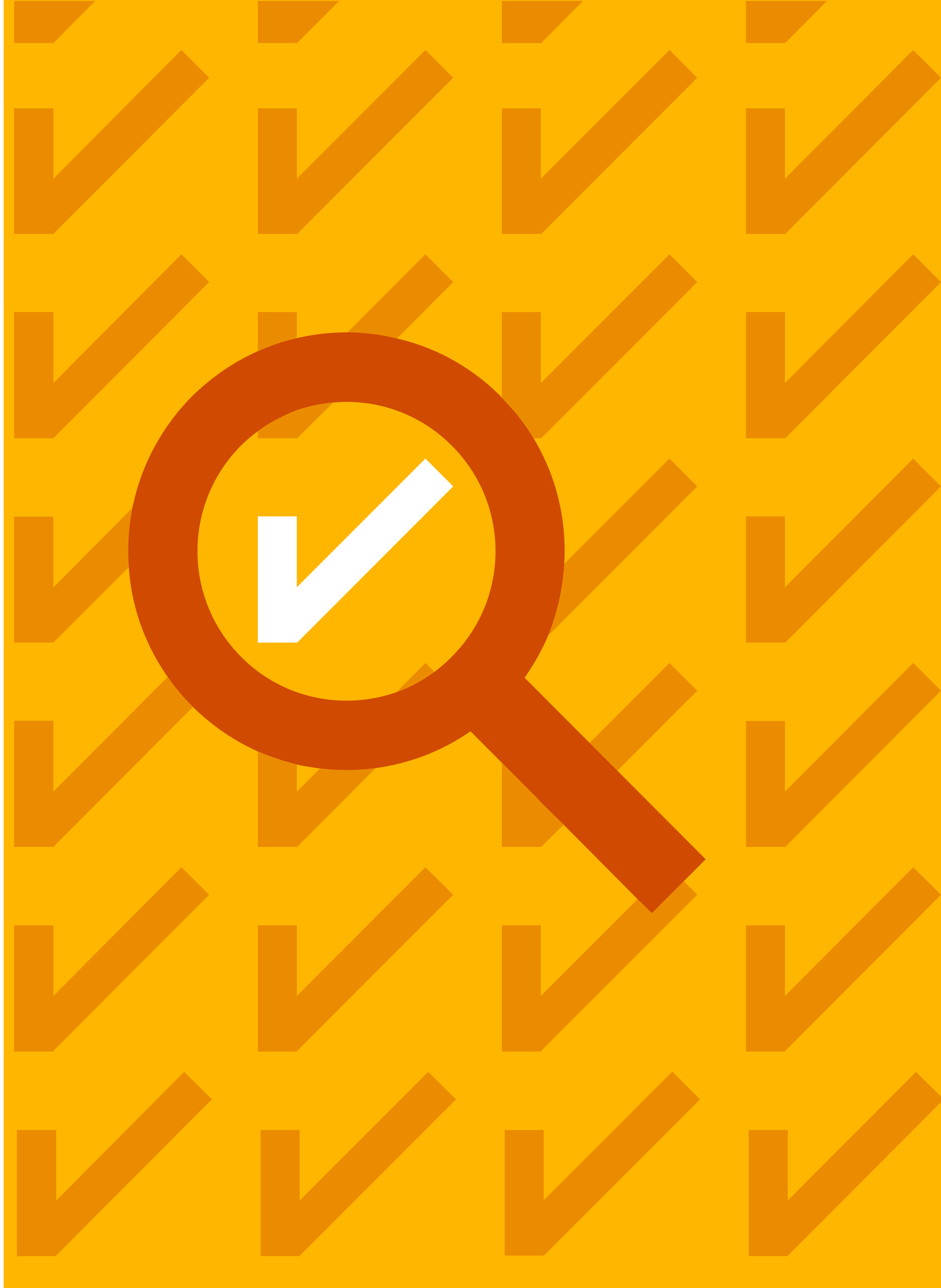
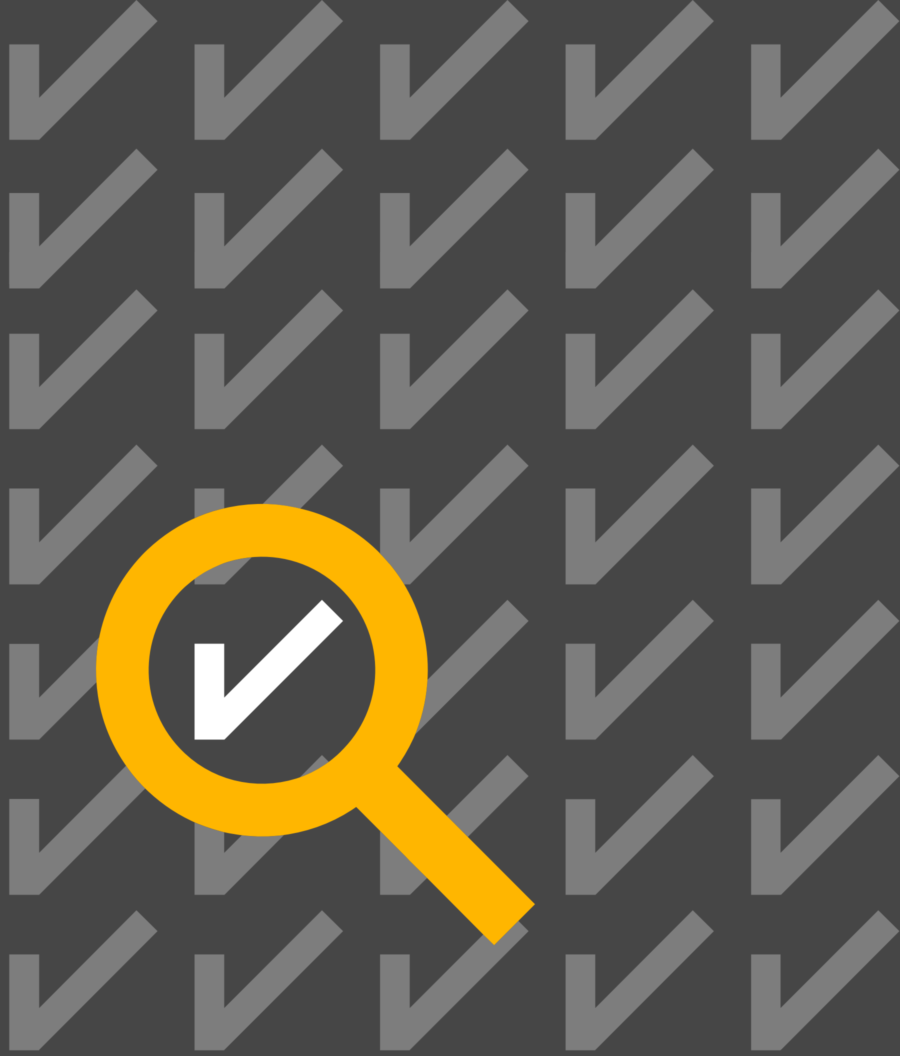
UK climate change and TCFD reporting

Where do I start?

June 2024



Content overview



1. Introduction and scope of this guide

The global debate about the role of business has turned a spotlight on sustainability policies. There are growing calls from investors, regulators and other stakeholder groups for better information on how these issues have been considered, particularly in relation to climate change.

A recent PwC survey showed that investors want companies' reporting to:

- Focus on the sustainability issues that are most important to their business – three-quarters of respondents said that how companies manage sustainability-related risks and opportunities is an important factor in their investment decision-making.
- Show how sustainability factors are embedded into corporate strategy (70%) and also what impact a company has on the environment and society (75%).

As part of the regulatory and governmental response, the recommendations of the Taskforce on Climate-related Financial Disclosures ('TCFD') are now incorporated into the Financial Conduct Authority ('FCA') Listing Rules for major listed companies, and similar reporting on climate change has also been extended through the Companies Act to other listed companies and the largest private businesses, as well as LLPs.

This guide starts with a high-level overview of the climate change/TCFD reporting requirements that currently apply or will apply in the near future for companies and goes on to provide more detail on these. It includes:

- A summary of climate change requirements, including the TCFD and UK Companies Act reporting requirements
- A summary of disclosures required by financial services companies
- A summary of the TCFD Annex relevant to all companies applying the TCFD framework
- Further information and contacts

Looking ahead

The global debate continues and there has been considerable activity in recent times from three significant bodies (International Sustainability Standards Board (ISSB), SEC, and EU) having each published climate-related reporting standards that provide the quality information that investors and other stakeholders are demanding.

In May 2024, the UK government released a Sustainability Disclosure Requirements ('SDR') implementation update confirming its intention to make the UK-endorsed ISSB standards available in Q1 2025. Subsequently the FCA and Government will consult on bringing in the requirements for UK companies. At the same time, the FCA will consult on guidance that sets out their expectations for listed companies' transition plan disclosures. At the time of writing, the Government expects a decision regarding future requirements to be taken in Q2 2025. Therefore, the endorsed standards will be effective no earlier than accounting periods beginning on or after 1 Jan 2026.

[1] The guide is targeted at companies but there are also requirements for organisations including LLPs, pension schemes, and asset managers. See the links provided in the Further information in Section 7.

2. Summary of climate change annual report disclosures

Annual report disclosures

Source of requirement	Applicable to	Applicable date	Notes
Listing Rule LR 9.8.6(8) R	Premium listed issuers (excluding investment entities and shell companies)	Periods beginning on or after 1 January 2021	This applies to premium listed issuers that are commercial companies, regardless of where they are incorporated. They must report, on a comply or explain basis, against the eleven disclosure recommendations of the TCFD. The annual report must include a statement setting out: • whether the issuer has made disclosures consistent with the TCFD recommendations in the annual financial report; • where they have included some, or all, of the disclosures in a document other than the annual financial report, an explanation of why, and a reference to where the disclosures can be found; and • where they have not made disclosures, an explanation of why, and a description of any steps they are taking or plan to take to be able to make consistent disclosures in the future – including relevant time frames.
Listing Rules LR 14.3.27 R and LR 18.4.3 R	Issuers with standard listed equity Issuers with standard listings of GDRs representing equity (excluding investment entities and shell companies)	Periods beginning on or after 1 January 2022	The reporting requirements are the same as for premium listed issuers (see above) and again apply regardless of where the issuer is incorporated. Note that issuers with only standard listed debt are exempt.

2. Summary of climate change annual report disclosures

Annual report disclosures (continued)

Source of requirement	Applicable to	Applicable date	Notes
Companies Act 2006 s414, 414CA and 414CB	UK Public Interest Entities ('PIEs') with >500 employees AIM companies with >500 employees Other companies with >500 employees AND >£500 million turnover	Periods beginning on or after 6 April 2022	UK incorporated companies that exceed the relevant thresholds must report on the items listed below in their strategic report, as part of a 'non-financial and sustainability information statement'. The content is similar to the requirements of the TCFD framework. Although it is not technically on a comply or explain basis, the requirements allow companies to apply judgement as to whether disclosures against requirements (e) - (h) are necessary for an understanding of the business in their circumstances. The reporting should be at the group level if the annual report relates to a consolidated group. Subsidiaries whose activities are included within a consolidated group report of a UK parent that complies with these climate-related financial disclosures requirements are not required to report separately. Further detail on reporting requirements is included in **section 6** of this guide.

Where an entity is subject to more than one of the requirements above they need to address all those that are relevant – there are no exemptions from one because another has been applied (such as an exemption from the Companies Act reporting because the Listing Rules are already being addressed). In practice, however, it is likely that the same content can be used for more than one purpose.

2. Summary of climate change annual report disclosures

Annual report disclosures (continued)

Source of requirement	Applicable to	Applicable date	Notes
Streamlined Energy and Carbon Reporting ("SECR")	A quoted company. An unquoted company or LLP that exceeds two of the following three thresholds (subject to smoothing arrangements where circumstances change): *Entities:* £36 million turnover; £18 million total balance sheet assets; 250 Employees. *Groups:* Turnover: £36 million net (or £43.2 million gross; Balance sheet assets total: £18 million net (or £21.6 million gross); Employees (regardless of location): 250	Periods beginning on or after 1 April 2019. (The period used for the SECR information can be different from the rest of the directors' report, subject to certain conditions.)	For unquoted companies meeting the thresholds, a directors' report must include disclosure of: ● UK (including UK offshore area) energy use in kWh (as a minimum gas, electricity and certain types of transport); ● GHG emissions associated with energy use, using published conversion factors; ● Energy use and GHG emissions figures from the previous year (except in year one of the disclosures); ● At least one intensity ratio; ● Narrative on energy efficiency action taken in the year, where applicable; and For quoted companies, regardless of size, a directors' report must include disclosure of: ● Underlying global energy use (as a minimum, gas, electricity and transport) in kWh, and UK (including UK offshore area) proportion of this. ● Annual global GHG emissions from activities for which the company is responsible, including combustion of fuel and operation of any facility, and the annual emissions from the purchase of electricity, heat, steam or cooling by the company for its own use. (Also referred to as Global GHG Protocol Scope 1 and Scope 2 emissions). ● Energy use and GHG emissions figures from the previous year (except in year one of the disclosures). ● UK (including UK offshore area) proportion of GHG emissions ● Narrative on energy efficiency action taken in the year, where applicable. ● At least one emissions intensity ratio. ● Details of methodology used. There are exemptions available, including: ➔ Reporting is not required where energy use is less than 40,000 kWh annually or when information would be seriously prejudicial or impractical to obtain. ➔ A subsidiary is not required to report where it is included in a group SECR report. ➔ In a group directors' report, information on a subsidiary is not required where the subsidiary would not be required to report on its own account.

Prudential Regulation Authority ('PRA')

There are additional requirements set out by the PRA for disclosures required by financial services firms outside of these specific annual report disclosure requirements. Details of these can be found in **Appendix B** to this guide.

3. TCFD – the basics

The TCFD was established by the global Financial Stability Board **'to develop voluntary, consistent climate-related financial disclosures that would be useful to investors, lenders, and insurance underwriters in understanding material risks.... its members were selected by the Financial Stability Board and come from various organisations, including large banks, insurance companies, asset managers, pension funds, large non-financial companies, accounting and consulting firms, and credit rating agencies'**.
[TCFD Final Report, page iii]

The Final Report of Recommendations was published by the TCFD in June 2017 and sets out a framework of four core elements (sometimes referred to as 'pillars'), supported by eleven recommended disclosures:

Recommendations and supporting recommended disclosures

Governance	Strategy	Risk management	Metrics and targets
Disclose the organisation's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Disclose how the organisation identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended disclosures	**Recommended disclosures**	**Recommended disclosures**	**Recommended disclosures**
a. Describe the board's oversight of climate-related risks and opportunities.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
b. Describe management's role in assessing and managing climate-related risks and opportunities.	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	b. Describe the organisation's processes for managing climate-related risks.	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

3. TCFD – the basics (continued)

Further guidance has been published by the TCFD o accompany the framework: the TCFD Annex (Implementing the Recommendations of the Taskforce on Climate-related Financial Disclosures) in particular builds out what to consider when putting together the recommended disclosures. More information on this and the other TCFD guidance can be found in section 4 below.

The TCFD also releases status reports that highlight the latest reporting trends in relation to the four core elements and eleven recommended disclosures and include helpful published examples of reporting. The full suite of TCFD documents can be found at www.fsb-tcfd.org/publications.

4. FCA Listing Rules requirements and guidance – TCFD reporting

Through Policy Statement 20/17, the FCA amended the Listing Rules so that premium listed companies (other than investment trusts) had to report on a 'comply-or-explain' basis against the TCFD framework for periods beginning on or after 1 January 2021.

The Listing Rules include 'requirements' (paragraphs indicated by a final 'R') and 'guidance' (paragraphs indicated by a final 'G'). Both of these are summarised below. The guidance provides more details on what the requirements are intended to mean for companies and they must have regard to it.

The TCFD's own guidance on applying the four core elements and eleven recommended disclosures of the framework is referred to by the FCA in the Listing Rules guidance paragraphs, which set out how the various TCFD publications are to be taken into account.

The FCA requirements

Under Listing Rule 9.8.6(8)R, premium listed companies must include a statement setting out:

- **whether they have made disclosures** consistent with the TCFD's recommendations and recommended disclosures in their annual financial report;
- where they have **not made** disclosures consistent with some or all of the TCFD's recommendations and/or recommended disclosures, an **explanation** of **why**, and a description of any **steps** they are taking or **plan to take** to be able to make consistent disclosures in the future – **including relevant timeframes** for being able to make those disclosures;
- where they have included some, or all, of their disclosures in a document **other than their annual financial report**, an explanation of why; and
- **where** in their annual financial report (or other relevant document) the various disclosures can be found.

The FCA guidance

LR 9.8.6BG '...in determining whether climate-related financial disclosures are consistent with the TCFD Recommendations and Recommended Disclosures, a listed company should undertake a detailed assessment of those disclosures which takes into account:

1. Section C of the TCFD Annex entitled 'Guidance for
2. All Sectors'; (where appropriate) Section D of the TCFD Annex entitled 'Supplemental Guidance for the Financial Sector' [i.e. Banks, Insurance Companies, Asset Owners and Asset Managers]; and
3. (where appropriate) Section E of the TCFD Annex entitled 'Supplemental Guidance for Non-Financial Groups' [i.e. Energy, Transportation, Materials and Buildings and Agriculture, Food and Forest Product groups]'.

The implication of LR 9.8.6BG is that these Sections of the TCFD Annex should be considered in detail as part of a company's assessment of its disclosures, emphasising the importance of the Annex to the overall framework. A summary of the TCFD Annex relevant to all companies applying the TCFD framework has therefore been provided in the Appendix A to this guide. Sections D & E of the Annex provide additional guidance under each of the eleven recommended disclosures for the types of organisation noted in LR 9.8.6BG (2) & (3) above.

4. FCA Listing Rules requirements and guidance – TCFD reporting (continued)

The FCA guidance (continued)

LR 9.8.6CG then lists a number of other TCFD guidance documents that the FCA considers are relevant to a company's assessment of its disclosures:

Guidance document	Summary
TCFD Technical Supplement on the Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities (2017)	The Technical Supplement recognises that the use of scenario analysis is currently limited for climate-related risks but advocates it as an important tool in assessing the potential impacts on organisations – particularly as they are likely to emerge over the medium to longer term, and their precise timing and magnitude are uncertain. The Supplement begins by setting out why scenario analysis is useful, what a scenario is, and how selected companies have used scenarios. It goes on to discuss the application of scenario analysis; key parameters, assumptions, and analytical choices organisations should consider when they undertake scenario analysis; and some of the key benefits and challenges.
TCFD Guidance on Risk Management Integration and Disclosure (2020)	This Guidance provides a model for integrating the management of climate change-related risk with a company's main risk management processes and disclosures. It sets out five key takeaways for this: • **Common understanding.** Basic agreement across the company on climate change concepts and their potential impacts. • **Interconnections.** All relevant functions, departments, and experts must be involved. • **Temporal orientation.** Physical and transition risks should be analysed across short, medium and long-term timeframes for operational and strategic planning, potentially extending beyond traditional planning horizons. • **Proportionality.** The integration of climate-related risks into existing risk management processes should be proportionate in the context of the company's other risks, the materiality of its exposure to climate-related risks, and the implications for the company's strategy. • **Consistency.** The methodology used must be consistent over time to allow clarity in the analysis of developments and drivers of change over time.
TCFD Guidance on Scenario Analysis for Non-Financial Companies (where appropriate) (2020)	This Guidance is intended to extend and deepen the 2017 version (see above). The focus is on a 'practical, process-oriented way for businesses to use climate-related scenario analysis' and the main targets are large and mid-sized non-financial companies. The advocated approach emphasises how scenario analysis can inform strategic management and enhance the resilience of a company's strategy to climate change, both of which can be key to TCFD disclosures.

The implication of LR 9.8.6CG is that these guidance documents are relevant but might not have to be considered in the same level of detail in every case.

5. TCFD reporting in practice

Companies need to consider both the TCFD framework itself and how the FCA has implemented it through the Listing Rules. We have considered some of the practical implications of this below under three headings:

a. **Case-by-case reporting**
b. **Elements of TCFD reporting expected of all premium listed companies**
c. **'Report and explain'**

a. Case-by-case reporting

The TCFD framework is not a one size fits all model. It is for individual companies to assess the extent of the impact that climate change will have on them, and how and when it should be reflected in the financial statements as well as the narrative disclosures.

The first step in practice is likely to be an initial risk assessment using a company's existing governance and risk management arrangements, supplemented where necessary by additional specialists, and covering: physical risks (including direct damage to assets and operational disruption) and transition risks (such as policy, legal, technology, and market changes); short, medium and long-term implications; and the implications for others in the same supply chain. This initial assessment should be reflected in the weight that the company places on each of the four elements of the TCFD framework and the whole process should then inform the approach to disclosure.

Both the TCFD and FCA recognise that reporting needs to be done on the basis of such a case-by-case assessment. In particular the FCA states in the Listing Rule Guidance that:

LR 9.8.6DG 'For the purposes of LR 9.8.6R(8), in determining whether climate-related financial disclosures are consistent with the TCFD Recommendations and Recommended Disclosures, a listed company should consider whether those disclosures provide sufficient detail to enable users to assess the listed company's exposure to and approach to addressing climate-related issues. A listed company should carry out its own assessment to ascertain the appropriate level of detail to be included in its climate-related financial disclosures, taking into account factors such as:

1. the level of its exposure to climate-related risks and opportunities; and
2. the scope and objectives of its climate-related strategy, noting that these factors may relate to the nature, size and complexity of the listed company's business'.

5. TCFD reporting in practice (continued)

b. Elements of TCFD reporting expected of all in-scope companies

In the guidance in Listing Rule LR 9.8.6EG the FCA makes it clear that all in-scope listed companies should ordinarily be able to make disclosures consistent with the TCFD's recommendations on governance and risk management but that the same is not necessarily true of the other two core elements of the framework, strategy (only parts of which are always expected) and metrics and targets:

LR 9.8.6EG '(2) In particular, the FCA would expect that a listed company should ordinarily be able to make disclosures consistent with:

a. the recommendation and recommended disclosures on **governance** in the TCFD Recommendations and Recommended Disclosures;

b. the recommendation and recommended disclosures on **risk management** in the TCFD Recommendations and Recommended Disclosures; and

c. recommended disclosures (a) and (b) set out under the recommendation on **strategy** in the TCFD Recommendations and Recommended Disclosures, to the extent that the listed company does not face… transitional challenges… in relation to such disclosures'.

This is entirely consistent with the message that each company must apply the framework on a case-by-case basis, which will mean starting with the initial assessment discussed above.

c. 'Report and explain'

Although the FCA refers to its reporting requirement as 'comply or explain' in Policy Statement 20/17, this language is not used in Listing Rule LR 9.8.6(8) in the same way that it used in Listing Rule LR 9.8.6(6) in relation to reporting against the Provisions of the UK Corporate Governance Code. Unlike the corporate governance reporting requirement the TCFD reporting is expected to be a single statement in which a company sets out how the framework has been implemented, including any areas in which disclosure has not been made. It may therefore be helpful to think of it as a 'report and explain' requirement, with the emphasis on what the company has done, while also setting out what is missing and explaining why.

6. Climate change reporting requirements for other publicly quoted companies and large private companies

As noted earlier, climate-related financial disclosures aligned with the TCFD framework have been extended to certain publicly quoted companies other than premium listed companies and certain large private companies and limited liability partnerships.

When does it apply?

This applies for periods beginning on or after 6 April 2022, under two statutory instruments ('the Regulations') – one for Companies and one for LLPs.

Who is required to report?

Companies in scope for the Regulations are as follows:

- All UK registered companies that are currently required to produce a non-financial information statement, being UK companies that have more than 500 employees AND have transferable securities admitted to trading on a UK regulated market, or are banking companies or insurance companies (that is, current Relevant Public Interest Entities (PIEs));
- UK registered companies with securities admitted to AIM with more than 500 employees;
- UK registered companies which are not included in the categories above, which have more than 500 employees AND a turnover of more than £500m (these are referred to as 'high turnover' companies).

There are also requirements for parent companies – see **How does this affect parent companies and groups?** below.

Where should this be reported?

The climate-related financial disclosures must be included in a 'non-financial and sustainability information statement', which for PIEs will expand the existing 'non-financial information statement'. Companies not currently required to prepare a non-financial information statement need only include the climate-related disclosures discussed below in the new statement.

Like the non-financial information statement, the expanded statement must be in the strategic report, but it can cross-refer to other parts of the annual report (to avoid unnecessary duplication, for instance).
As with the existing non-financial information statement, any material information must be included in the annual report; references outside the annual report can relate only to complementary information.

What needs to be reported?

A company's climate-related financial disclosures should include:

a. a description of the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities.

b. a description of how the company identifies, assesses,and manages climate-related risks and opportunities.

c. a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management process.

d. a description of:

   i. the principal climate-related risks and opportunities arising in connection with the company's operations, and

   ii. the time periods by reference to which those risks and opportunities are assessed.

e. a description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy.

f. an analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios.

g. a description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and performance against those targets.

h. a description of the key performance indicators used to assess progress against targets used to manage climate- related risks and realise climate-related opportunities and of the calculations on which those key performance indicators are based.

6. Climate change reporting requirements for other publicly quoted companies and large private companies (continued)

If the directors of the company or members of the LLP reasonably believe that having regard to the nature of the organisation's business, and the manner in which it is carried on, the whole or a part of a climate-related financial disclosure required by subsection (e), (f), (g) or (h) is not necessary for an understanding of the organisation's business, they may omit the whole or the relevant part of that climate-related financial disclosure. Where they do this, the strategic report must provide a clear and reasoned explanation.

How does this affect parent companies and groups?

As is already the case for the non-financial information statement, if the company's strategic report is a group strategic report, the new non-financial and sustainability information statement must be a consolidated/group statement relating to the undertakings included in the consolidation.

Regardless of its own size, a parent company is a 'high turnover' company and needs to prepare a non-financial and sustainability information statement if in the relevant year the group headed by the company had an aggregate turnover of more than £500 million net (and over 500 employees). Where a parent does not produce a group strategic report the climate-related disclosures would, however, only need to relate to the parent entity. Where relevant, the parent's disclosure should address how climate-related risks and opportunities may affect the value of investments in subsidiaries.

A subsidiary undertaking is exempt from making the new statement in its own report if it is included in a group strategic report of a parent that includes a group non-financial and sustainability information statement In respect of all the undertakings included in the consolidation.

Non-financial information provided by groups other than as part of a non-financial and sustainability information statement under the UK Companies Act will therefore not make a subsidiary exempt.

What are the implications for companies already required to report against TCFD under Listing Rule 9.8.6?

The Regulations are aligned with the recommended disclosures in the TCFD framework with only a few minor differences, so we expect that a company that reports against the TCFD under the Listing Rules will also meet its obligations under the Regulations unless it uses the comply-or-explain option in the Listing Rules to a very significant extent.

With respect to the location of disclosures, a company that reports against TCFD under the Listing Rules is able to explain why it has included TCFD recommendations or recommended disclosures in another document. However, for a company to meet the Regulations, all information that is provided to meet the disclosure requirements must be included within the annual report. Where that information is included in the annual report but outside of the non-financial and sustainability information statement, the statement must cross-refer to it.

When scenario testing is judged to be appropriate, what disclosures are expected?

If scenario testing is judged by the board to be appropriate, the non-binding guidance issued by BEIS states that a company or LLP should select scenarios depending on the nature of the risks and opportunities to which the business is most exposed. Scenario analysis should be at least qualitative in approach. Scenario analysis can be developed over time and should be renewed when circumstances change, or at least every three years.

7. Further information and contacts

External publications and guidance

Publication or guidance	Summary	Link to Guidance
Financial Stability Board (FSB) – TCFD Guidance	• This publications hub contains all the TCFD guidance, including the updated Annex, and the final TCFD report, that has been released by the FSB. • Includes all the original documents referred to in this guide.	FSB TCFD Publications
Financial Reporting Council (FRC) – Metrics and Targets Thematic Review	• FRC thematic review of • Disclosures around metrics and targets	FRC Thematic - metrics and targets
Sustainability Disclosure Requirements: Implementation Update 2024	• Updates to the 2023 Green Finance Strategy to provide timeframes for the implementation of the sustainability disclosure requirements	Sustainability Disclosure Requirements: Implementation Update 2024
UK Government – Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs: Non-binding guidance	• This aims to help companies and LLPs understand how to meet the new mandatory climate-related financial disclosure requirements applying from 6 April 2022.	UK Government – Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs: Non-binding guidance
UK Government Streamlined Energy and Carbon Reporting guidance	• Guidance to help companies comply with the Streamlined Energy and Carbon Reporting regulations, including greenhouse gas (GHG) reporting.	Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting requirements

External publications and guidance for asset managers, life insurers and pension providers

Publication or guidance	Summary	Link to Guidance
Financial Conduct Authority (FCA) – Enhancing climate-related disclosures by asset managers, life insurers and FCA- regulated pension providers	• Outline of the final rules and guidance on the mandatory disclosure requirements, consistent with the TCFD's recommendations, that are required at both an entity-level and product or portfolio level.	Policy Statement PS21/24 – Enhancing climate-related disclosures by asset managers, life insurers and FCA- regulated pension providers
FCA - Sustainability Disclosure Requirements (SDR) and investment labels	• Outline of the final rules and guidance to improve trust and transparency to the market for sustainable investment products.	Policy Statement PS23/16 - Sustainability Disclosure Requirements (SDR) and investment labels
FCA - Finalised non-handbook guidance on the Anti-Greenwashing Rule	• Guidance to support the implementation of the anti-greenwashing rule introduced through PS23/16.	Finalised Guidance FG24/3 - Finalised non-handbook guidance on the Anti-Greenwashing Rule
Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021	• A new power under the 2021 Pensions Act has been used to put in place Regulations which will impose requirements on trustees of certain occupational schemes to ensure that there is effective governance of the scheme with respect to the effects of climate change. Guidance on this has been issued by the Government and The Pensions Regulator.	Governance and reporting of climate change risk: guidance for trustees of occupational schemes Governance and reporting of climate-related risks and opportunities

7. Further information and contacts (continued)

PwC guidance

Guidance	Summary	Link to Guidance
Still early days - A review of year two of TCFD reporting	• Practical suggestions to help companies explain the impact of climate change based on a review of the year two TCFD disclosures	Still early days - A review of year two of TCFD reporting
Practical guide to the non-financial and sustainability information statement for group companies	• Summary of the scope and applicability of the requirements • Implications and illustrative examples for companies that form part of a group, especially intermediate parent companies and subsidiaries.	Practical guide to the non-financial and sustainability information statement for group companies

7. Further information and contacts (continued)

PwC contacts

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8. Appendices

Appendix A: TCFD annex – Aspects relevant to all companies

Matters that should be considered under **LR 9.8.6BG** in relation to the recommended disclosures under each of the core elements.

Governance

Recommended disclosures	What to consider
Describe the board's oversight of climate-related risks and opportunities.	In describing the board's oversight of climate-related issues, organisations should consider including a discussion of the following: • processes and frequency by which the board and/or board committees (e.g. audit, risk, or other committees) are informed about climate-related issues; • whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organisation's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures; and • how the board monitors and oversees progress against goals and targets for addressing climate-related issues.
Describe management's role in assessing and managing climate-related risks and opportunities.	In describing management's role related to the assessment and management of climate-related issues, organisations should consider including the following information: • whether the organisation has assigned climate-related responsibilities to management-level positions or committees; and, if so, whether such management positions or committees report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues; • a description of the associated organisational structure(s); • processes by which management is informed about climate-related issues; and • how management (through specific positions and/or management committees) monitors climate-related issues.

Appendix A: TCFD annex – Aspects relevant to all Companies (continued)

Strategy

Recommended disclosures	What to consider
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Organisations should provide the following information: • a description of what they consider to be the relevant short-, medium-, and long-term time horizons, taking into consideration the useful life of the organisation's assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms; • a description of the specific climate-related issues potentially arising in each time horizon (short, medium, and long term) that could have a material financial impact on the organisation; and • a description of the process(es) used to determine which risks and opportunities could have a material financial impact on the organisation. Organisations should consider providing a description of their risks and opportunities by sector and/or geography, as appropriate. In describing climate-related issues, organisations should refer to Tables A1.1 and A1.2 in the Appendices in the Annex.
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Building on recommended disclosure (a), organisations should discuss how identified climate-related issues have affected their businesses, strategy, and financial planning. Organisations should consider including the impact on their businesses, strategy, and financial planning in the following areas: products and services; supply chain and/or value chain; adaptation and mitigation activities; investment in research and development; operations (including types of operations and location of facilities); acquisitions or divestment; and access to capital. Organisations should describe how climate-related issues serve as an input to their financial planning process, the time period(s) used, and how these risks and opportunities are prioritised. Organisations' disclosures should reflect a holistic picture of the interdependencies among the factors that affect their ability to create value over time. Organisations should describe the impact of climate-related issues on their financial performance (e.g. revenues, costs) and financial position (e.g. assets, liabilities). If climate-related scenarios were used to inform the organisation's strategy and financial planning, such scenarios should be described. Organisations that have made GHG emissions reduction commitments, operate in jurisdictions that have made such commitments, or have agreed to meet investor expectations regarding GHG emissions reductions should describe their plans for transitioning to a low-carbon economy, which could include GHG emissions targets and specific activities intended to reduce GHG emissions in their operations and value chain or to otherwise support the transition.

Appendix A: TCFD annex – Aspects relevant to all companies (continued)

Strategy (continued)

Recommended disclosures	What to consider
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Organisations should describe how resilient their strategies are to climate-related risks and opportunities, taking into consideration a transition to a low-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organisation, scenarios consistent with increased physical climate-related risks. Organisations should consider discussing: • where they believe their strategies may be affected by climate-related risks and opportunities; • how their strategies might change to address such potential risks and opportunities; • the potential impact of climate-related issues on financial performance (e.g. revenues, costs) and financial position (e.g. assets, liabilities); and • the climate-related scenarios and associated time horizon(s) considered. Refer to Section D in the Task Force's final report for information on applying scenarios to forward-looking analysis.

Appendix A: TCFD annex – Aspects relevant to all companies (continued)

Risk management

Recommended disclosures	What to consider
Describe the organisation's processes for identifying and assessing climate-related risks.	Organisations should describe their risk management processes for identifying and assessing climate-related risks. An important aspect of this description is how organisations determine the relative significance of climate-related risks in relation to other risks. Organisations should describe whether they consider existing and emerging regulatory requirements related to climate change (e.g. limits on emissions) as well as other relevant factors considered. Organisations should also consider disclosing the following: • processes for assessing the potential size and scope of identified climate-related risks; and • definitions of risk terminology used or references to existing risk classification frameworks used.
Describe the organisation's processes for managing climate-related risks.	Organisations should describe their processes for managing climate-related risks, including how they make decisions to mitigate, transfer, accept, or control those risks. In addition, organisations should describe their processes for prioritising climate-related risks, including how materiality determinations are made within their organisations. In describing their processes for managing climate-related risks, organisations should address the risks included in Tables A1.1 and A1.2 in the Appendices to the Annex, as appropriate.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Organisations should describe how their processes for identifying, assessing, and managing climate-related risks are integrated into their overall risk management.

Appendix A: TCFD annex – Aspects relevant to all companies (continued)

Metrics and targets

Recommended disclosures	What to consider
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Organisations should provide the key metrics used to measure and manage climate-related risks and opportunities, as described in Tables A1.1 and A1.2 in the Appendices to the Annex, as well as metrics consistent with the cross-industry, climate-related metric categories described in Table A2.1 in the Appendices to the Annex. Organisations should consider including metrics on climate-related risks associated with water, energy, land use, and waste management where relevant and applicable. Where climate-related issues are material, organisations should consider describing whether and how related performance metrics are incorporated into remuneration policies. Where relevant, organisations should provide their internal carbon prices as well as climate-related opportunity metrics such as revenue from products and services designed for a low-carbon economy. Metrics should be provided for historical periods to allow for trend analysis. Where appropriate, organisations should consider providing forward-looking metrics for the cross-industry, climate-related metric categories described in Table A2.1 in the Appendices to the Annex, consistent with their business or strategic planning time horizons. In addition, where not apparent, organisations should provide a description of the methodologies used to calculate or estimate climate- related metrics.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Organisations should provide their Scope 1 and Scope 2 GHG emissions independent of a materiality assessment, and, if appropriate, Scope 3 GHG emissions and the related risks. All organisations should consider disclosing Scope 3 GHG emissions. GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organisations and jurisdictions. As appropriate, organisations should consider providing related, generally accepted industry-specific GHG efficiency ratios. GHG emissions and associated metrics should be provided for historical periods to allow for trend analysis. In addition, where not apparent, organisations should provide a description of the methodologies used to calculate or estimate the metrics.

Appendix A: TCFD annex – Aspects relevant to all companies (continued)

Metrics and targets (continued)

Recommended disclosures	What to consider
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Organisations should describe their key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc. in line with the cross-industry, climate-related metric categories in Table A2.1 in the Appendices to the Annex, where relevant, and in line with anticipated regulatory requirements or market constraints or other goals. Other goals may include efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a low-carbon economy. In describing their targets, organisations should consider including the following: • whether the target is absolute or intensity based; • time frames over which the target applies; • base year from which progress is measured; and • key performance indicators used to assess progress against targets. Organisations disclosing medium-term or long-term targets should also disclose associated interim targets in aggregate or by business line, where available. Where not apparent, organisations should provide a description of the methodologies used to calculate targets and measures.

Appendix B: PRA requirements

Sustainability Disclosure Requirements (SDR) and investment labels

Source of requirement	Applicable to	Applicable date	Notes
PS23/16 contains final rules and guidance FG24/3 contains finalised non-handbook guidance on the anti-greenwashing rule	The anti-greenwashing rule applies to all FCA-authorised firms who make sustainability-related claims about their products and services. The investment labels, disclosure, and naming and marketing rules apply to UK asset managers. The FCA have also introduced targeted rules for the distributors of investment products to retail investors in the UK.	31 May 2024 - **Anti-greenwashing rule and guidance** comes into force 31 July 2024 - Firms can **begin to use labels**, with accompanying disclosures 2 December 2024 - **Naming and marketing rules** come into force, with accompanying disclosures 2 December 2025 - **Ongoing product-level and entity level disclosures** for firms with AUM over £50bn 2 December 2026 - **Entity-level** disclosure rules extended to firms with AUM over £5bn	The package in **PS23/16** includes: ● An **anti-greenwashing rule** for all FCA authorised firms to reinforce that sustainability-related claims must be fair, clear and not misleading; ● **Four labels** to help consumers navigate the investment product landscape and enhance consumer trust; ● **Naming and marketing rules** for investment products, to ensure the use of sustainability-related terms is accurate; ● **Consumer-facing information** to provide consumers with better, more accessible information to help them understand the key sustainability features of a product; ● **Detailed information** in pre-contractual, ongoing product-level, and entity-level disclosures, targeted at institutional investors and consumers seeking more information; and ● **Requirements for distributors** to ensure that product-level information (including the labels) is made available to consumers. The guidance in **FG24/3** is designed to help firms understand and implement the FCA's anti-greenwashing rule.

Appendix B: PRA requirements

Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers

Source of requirement	Applicable to	Applicable date	Notes
PS21/24 introduces a new 'ESG Sourcebook' to the FCA's Handbook	Asset managers: - Any firm; - UK UCITS* management company; - ICVC** that is a UCITS* scheme without a separate management company; - Full-scope UK AIFM***; or - Small authorised UK AIFM*** Asset owners: - Insurer or pure reinsurer; or - Other asset owners (other than insurers or pure reinsurers) A firm is **exempt** from the disclosure requirements if and for as long as the assets under administration or management in relation to its TCFD in-scope business amount to less than £5bn calculated as a 3-year rolling average on an annual assessment	1 January 2022 for the largest in-scope firms (asset managers with over £50bn in AUM; and asset owners with assets over £25bn) - public report(s) must be published by 30 June 2023 1 January 2023 for small firms above the £5bn exemption threshold - public report(s) must be published by 30 June 2024	The policy statement introduces a new ESG Sourcebook to the FCA Handbook containing rules and guidance for asset managers and certain FCA-regulated asset owners to make disclosures consistent with the TCFD's recommendations. The rules require in-scope firms to make disclosures on an annual basis at: ● Entity-level: an annual TCFD entity report published in a prominent place on the main entity's website of the firm's business setting out how they take climate-related matters into account in managing or administering investments on behalf of clients and consumers; and ● Product-level: disclosures (including a core set of climate-related metrics) on the firm's products and portfolios made publicly in a prominent place on the main website of the firm's business and included or cross-referenced in an appropriate client communication, or made upon request to certain eligible institutional clients. These rules go beyond the minimum TCFD requirements as they require additional disclosures at individual entity and product level and include specific metrics.

* UCITS = Undertakings for Collective Investment in Transferable Securities;
** ICVC = Investment Company with Variable Capital
*** AIFM = Alternative Investment Fund Manager

Thank you

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