



Need to know

FCA Policy Statement and Listing Rule promoting better climate-related financial disclosures aligned with TCFD

Contents

Background

Scope of the Listing Rules

TCFD recommendations and recommended disclosures

Statement of compliance and extent of disclosures

Location of the statement of compliance and disclosures

Implementation guidance

Assurance

Effective date and recommended actions

Application to prospectus

Progress towards an international standard on climate-related financial disclosures

TCFD for asset managers, life insurers, and FCA-regulated pension providers

Further information

For more information please see the following websites:

www.ukaccountingplus.co.uk

www.deloitte.co.uk

In December 2020, the Financial Conduct Authority (FCA) published Policy Statement [\(PS20/17\)](#) which introduced Listing Rule LR 9.8.6R(8) requiring premium-listed commercial companies to make climate-related financial disclosures consistent with the recommendations and recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD) on a comply or explain basis. This Listing Rule took effect for periods commencing on or after 1 January 2021.

In December 2021, the FCA published Policy Statement [PS21/23](#) and the associated new Listing Rule LR 14.3.27R, extending these disclosure requirements to standard-listed companies. The FCA also published a further PS [\(PS21/24\)](#), which introduces requirements for certain asset managers, life insurers and FCA-regulated pensions providers to make climate-related disclosures. These requirements are effective for periods commencing on or after 1 January 2022.

In this *Need to know*, we outline the key requirements of these Listing Rules and Policy Statements.

- Listing Rule LR 9.8.6R(8)¹ applies to UK incorporated and overseas commercial companies with a premium listing² (including sovereign-controlled commercial companies). LR 9.8.6R(8) is effective for accounting periods beginning on or after 1 January 2021 with the first annual reports subject to this rule published in early 2022.
- Listing Rule LR 14.3.27R³, applies to issuers of standard-listed shares and standard-listed issuers of Global Depositary Receipts (GDRs) representing equity shares⁴. LR 14.3.27R is effective for accounting periods beginning on or after 1 January 2022 with the first annual reports subject to this rule to be published in early 2023.
- Companies in scope of these Listing Rules must include a statement in their annual report setting out:
 - Whether they have made disclosures consistent with the TCFD's⁵ recommendations and recommended disclosures in their annual report.

1. Introduced via LISTING RULES (DISCLOSURE OF CLIMATE-RELATED FINANCIAL INFORMATION) INSTRUMENT 2020

2. LR 9.8.7R confirms that the rule introduced as LR 9.8.6R(8) is applicable to an overseas company with a premium listing.

3. Introduced via LISTING RULES (DISCLOSURE OF CLIMATE-RELATED FINANCIAL INFORMATION) (No 2) INSTRUMENT 2021

4. LR 14.3.27R confirms that investment entities and shell companies, including special purpose acquisition companies (SPACs), and issuers of solely standard listed debt and debt-like securities, are not in scope.

5. The Task Force on Climate-related Financial Disclosures (TCFD) is a Task Force established by the Financial Stability Board (FSB) to develop more effective climate-related financial disclosures useful to investors and others in understanding material risks related to climate.

- Where they have not made disclosures consistent with all of the TCFD's recommendations and 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 the 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 report, an explanation of why.
- Where in their annual report (or other document) the various disclosures can be found.
- The scope of businesses affected will continue to increase in line with the roadmap detailed by the UK government in its policy paper, [Greening Finance: A Roadmap to Sustainable Investing](#) ("the roadmap"). This is discussed in further detail in the Deloitte *Need to Know* publication, [UK Government publishes Greening Finance: A Roadmap to Sustainable Investing](#).
- A [technical note](#) was published alongside PS20/17 in December 2020 clarifying how other disclosure requirements apply in an ESG context. This technical note is applicable to all listed issuers and took immediate effect on publication.

Background

Climate change continues to be at the top of political, investor and corporate agendas. The World Economic Forum's [2022 Global Risks Report](#) continues to find that environmental- and climate-related risks are raised as amongst the most concerning short-, medium- and long-term risks facing the world. These findings are echoed by the [Intergovernmental Panel on Climate Change's \(IPCC's\) Sixth Assessment Report](#), which "shows that climate change is a grave and mounting threat to our wellbeing and a healthy planet".

Market participants and policymakers agree that better climate-related disclosure is required. The Institutional Investors Group on Climate Change (IIGCC)⁶ published a [report](#) in November 2020 setting out their expectation that companies should prepare accounts that properly reflect the impact of achieving net zero by 2050 consistent with the Paris Agreement, emphasising that:

- Materiality is determined by investor views.
- Material climate risks must be disclosed in the financial statements and associated notes.
- Disclosure must be company-specific, not boilerplate.

"Achieving net zero will require a whole economy transition – every company, every bank, every insurer and investor will have to adjust their business models. This could turn an existential risk into the greatest commercial opportunity of our time." Mark Carney⁷

Investor and pressure groups, including ClientEarth⁸ and the Carbon Tracker Initiative⁹, published studies in 2021 which criticised aspects of corporate reporting which they saw as not meeting expectations of 'Paris-alignment'.

Furthermore, the [TCFD 2021 Status Report](#) noted that, despite the largest year-on-year increase in disclosures and over 2,600 organisations and over 120 regulators and government organisations supporting the TCFD Recommendations, reporting was still not comprehensive across the TCFD's four recommendations, often referred to as the four pillars, and eleven recommended disclosures, with only 50% of entities disclosing alignment with at least 3 recommended disclosures. These observations are consistent with the findings of [Deloitte's Annual Report Insights 2021](#) survey.

6. The Institutional Investors Group on Climate Change is a pan-European group of investors representing assets worth over \$33 trillion

7. <https://www.bankofengland.co.uk/-/media/boe/files/speech/2020/the-road-to-glasgow-speech-by-mark-carney.pdf?la=en&hash=DCA8689207770DCBB8179CBADBE3296F7982FDE5>

8. Accountability Emergency: A review of UK-listed companies' climate change-related reporting (2019-20)

9. Flying blind: The glaring absence of climate risks in financial reporting.

The UK Government and regulators have responded: in October 2021, the UK Government released a new policy paper, [Greening Finance: A Roadmap to Sustainable Investing](#). The roadmap represents the government's strategy for informing investors and customers – the first phase towards greening the financial system – bringing together new and existing UK sustainability reporting requirements under a single framework of Sustainability Disclosure Requirements ("the SDR"), detailing plans for a new UK Green Taxonomy and setting out government expectations as to investor stewardship and sustainability. The roadmap is discussed in further detail in the Deloitte *Need to Know* publication, [UK Government publishes Greening Finance: A Roadmap to Sustainable Investing](#).

Further, in November 2021, at COP26, the IFRS Foundation announced the formation of the International Sustainability Standards Board (ISSB). The ISSB will be responsible for developing global sustainability disclosure standards, with the exposure drafts for the first two IFRS Sustainability Standards [published in March 2022](#). The roadmap confirms that the government expects that ISSB standards will form a core component of the SDR once they are published and will develop an endorsement mechanism by which ISSB Standards may be endorsed for use in the UK.

Improvements have since been seen, with Deloitte's [survey of the first wave of reporters](#) subject to Listing Rule LR 9.8.6R(8) finding that 90% of surveyed companies included a clearly identifiable compliance statement in their annual report and all surveyed companies met the FCA's expectations by indicating consistency with TCFD with respect to their Governance and Risk Management disclosures.

Deloitte observation

The proposed SDR framework follows the four pillars of the TCFD recommendations; ISSB Standards will also be developed with the TCFD pillars as their basis as demonstrated by the first two exposure drafts, [IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information](#) and [IFRS S2 Climate-related Disclosures](#).

The roadmap sets out the requirements expected to be in place by 2022. These include the Listing Rules introduced by the FCA, as well as new [disclosure requirements published by the Department for Business, Energy and Industrial Strategy](#) (BEIS), which are effective for periods commencing on or after 6 April 2022 and affect a wider range of companies and LLPs. These requirements already use the TCFD Recommendations as their basis.

Scope of the Listing Rules

LR 9.8.6R(8) applies to commercial companies with a UK premium listing; this includes sovereign-controlled commercial companies (companies subject to LR 9 and LR 21).

UK-authorized asset managers with premium listings are within the scope of LR 9.8.6R(8). These entities have two audiences for their reporting - their shareholders and their clients. Under LR 9.8.6R(8), they should report in their capacity as listed companies. However, as discussed further below, the FCA has also introduced TCFD-aligned disclosure requirements for UK-authorized asset managers, life insurers and FCA-regulated pension providers, which take effect for periods commencing on or after 1 January 2022.

LR 14.3.27R applies to issuers of standard-listed shares (both equity shares and shares other than equity shares) and standard-listed issuers of Global Depositary Receipts (GDRs) representing equity shares. However, investment entities and shell companies, including special purpose acquisition companies (SPACs), and issuers of solely standard listed debt and debt-like securities, are not in scope of LR 14.3.27R.

This extension of the scope of the rules forms part of the UK Government's roadmap as illustrated below.

Figure 1. The [roadmap](#) sets out the timeline for sustainable finance regulation over the next three years and beyond for different sectoral pathways.

	Scope	Requirements in place by 2022
1. Corporate Disclosure	a) UK-registered companies, including relevant financial services firms (e.g. banks and insurance companies)	TCFD for certain companies (subject to Parliamentary approval) See BEIS consultation on p.10 Consultation on SDR Framework for companies
	b) UK-listed companies	TCFD for premium listed issuers TCFD for certain standard-listed issuers
2. Asset Manager and Asset Owner Disclosure	a) Asset managers, life insurers providing investment products and FCA-regulated pension schemes	TCFD via FCA Rules Discussion paper on SDR disclosure requirements to be launched in November 2021
	b) Occupational pension schemes	TCFD via DWP regulations
3. Investment Product Disclosure and Labelling	a) Investment products – Disclosure	TCFD via FCA Rules Discussion paper on consumer-facing product-level SDR disclosures in November 2021
	b) Investment products – Labelling	Discussion paper seeking feedback on the sustainable investment labelling regime in November 2021
4. Financial Advisors	a) Financial advisors	

		+ 1-2 years	+ 2-3 years	+ 3 years
1.	a)	Mandatory disclosure requirements in Annual Reports incorporating UK Green Taxonomy and ISSB-issued standards for most economically significant companies	Mandatory disclosure requirements in Annual Reports incorporating Taxonomy and ISSB-issued standards for other companies subject to consultation	
	b)	Consultation on mandatory disclosure requirements in Annual Reports incorporating UK Green Taxonomy and ISSB-issued standards		
2.	a)	Consultation on potential mandatory SDR disclosure requirements	Subject to 2022 consultation, potential mandatory SDR disclosure requirements	
	b)		Mandatory disclosure requirements incorporating taxonomy disclosures to be presented in sustainability report referenced within the Annual Report.	
			For: funds > £5 billion	For: funds > £1 billion
3.	a)	Consultation on potential mandatory consumer-facing and more detailed product-level SDR disclosure requirements	Subject to consultation in 2022, potential mandatory consumer-facing and more detailed product-level SDR disclosure requirements	
	b)	Consultation on potential mandatory sustainability related labels for investment products	Subject to consultation in 2022, potential mandatory sustainability-related labels for investment products	
4.		Subject to consultation, potential requirements including on how sustainability matters are taken into account in investment advice.		

Deloitte observation

Under the roadmap, the government proposes to consult on the SDR Framework, including the UK Green Taxonomy and application of global sustainability standards issued by the ISSB, with the goal that all UK-registered companies will be subject to some form of disclosure in this regard by 2025.

More information on how the SDR will be delivered is available in the Deloitte *Need to know* publication, [UK Government publishes Greening Finance: A Roadmap to Sustainable Investing](#)

TCFD recommendations and recommended disclosures

The FCA PSs require in-scope companies to state whether they have made disclosures consistent with the recommendations and recommended disclosures included in the TCFD's final report. The recommendations are the four thematic pillars that represent core elements of how organisations operate – governance, strategy, risk management, and metrics and targets. The recommended disclosures are the 11 specific climate-related financial disclosures. Together, they provide information that will help investors and others understand how reporting organisations think about and assess climate-related risks and opportunities.

Figure 2. The four pillars and eleven recommended disclosures as set out in the [Recommendations of the Taskforce on Climate-related Financial Disclosures](#) (TCFD).

Recommendations and Supporting Recommended Disclosures			
Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization 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 organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization 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 organization's businesses, strategy, and financial planning.	b) Describe the organization'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 organization'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 organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Statement of compliance and extent of disclosures

A company in the scope of these rules must include in its annual report a statement setting out:

- whether it has included in its annual report climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures;
- if some or all of the disclosures consistent with the TCFD recommendations and recommended disclosures are included in a document other than the annual report: the recommendations and/or recommended disclosures for which the disclosures are included in that other document; a description of that document and where it can be found; and the reasons for including the relevant disclosures in that document and not in the annual report;
- if it has not made disclosures consistent with all of the TCFD recommendations and recommended disclosures in either its annual financial report or other document: the recommendations and/or recommended disclosures for which disclosures have not been made; the reasons for not including such disclosures; and any steps it is taking or plans to take in order to be able to make those disclosures in the future, and the timeframe within which it expects to be able to make those disclosures; and
- where in its annual report or (where appropriate) other document the climate-related financial disclosures can be found.

Deloitte observation

The FCA specified that it would “ordinarily expect a company to be able to make climate-related financial disclosures consistent with the TCFD Recommendations and Recommended Disclosures, except in limited circumstances where it faces transitional challenges in obtaining relevant data or embedding relevant modelling or analytical capabilities”.

Where disclosures are not consistent with all the TCFD recommendations and recommended disclosures, the rules require the statement to include:

- the reasons for not including the disclosures;
- the steps the company is taking or plans to take in order to be able to make disclosures consistent with TCFD’s recommendations and recommended disclosures; and
- the timeframe within which it expects to be able to make those disclosures.

This is with the intention of improving market discipline and accountability of the statement. Companies should take note of the additional efforts that may be required to meet this obligation.

The table below summarises the FCA’s expectations.

Figure 3. The expectations set out by FCA in relation to the TCFD recommendations and recommended disclosures.

Recommendations and Supporting Recommended Disclosures			
Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization’s governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material.	Disclose how the organization 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 organization has identified over the short, medium, and long term.	a) Describe the organization’s processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization 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 organization’s businesses, strategy, and financial planning.	b) Describe the organization’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 organization’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 organization’s overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.
In-scope companies should ordinarily be able to make these disclosures. Furthermore, these disclosures should be made irrespective of materiality	In-scope companies should consider whether strategy, metrics and targets disclosures meet the materiality threshold.	In-scope companies should ordinarily be able to make these disclosures. Furthermore, these disclosures should be made irrespective of materiality	In-scope companies should consider whether strategy, metrics and targets disclosures meet the materiality threshold.
	Except where they face transitional challenges in obtaining relevant data or embedding relevant modelling or analytical capabilities, in-scope companies should ordinarily be able to make strategy (a) and (b) disclosures.		

The technical notes remind issuers of the ongoing disclosure requirements of Disclosure Guidance and Transparency Rules (DTR) and of the obligation to “take all reasonable care to ensure that any information it notifies to a RIS is not misleading, false or deceptive and does not omit anything likely to affect the import of the information”, which may include information in relation to ESG matters. The technical notes further remind issuers that when disclosing climate-related and other ESG-related information, an issuer must not do so in a way that breaches the prohibition of market manipulation under Article 15 of the Market Abuse Regulation (MAR)¹⁰. Furthermore, the technical notes emphasise that listed issuers need to have appropriate arrangements in place to support their disclosure obligations. The technical notes detail that issuers should consider whether they need to develop specific systems, analytical instruments, or arrangements to collate and assess information required to enable it to meet its obligations. Issuers should have adequate systems and controls to identify information that requires disclosure in a timely manner and ensure that any information identified is properly considered for disclosure by the directors. The FCA highlights the applicability of this to the new rule and how it applies to climate-related and other ESG-related information.

The FCA intends to consult on proposals to strengthen the compliance basis from a ‘comply or explain’ basis towards full compliance once the International Sustainability Standards Board’s (ISSB’s)¹¹ new reporting standards are endorsed for use in the UK.

Deloitte observation

Reporting requirements have been paving the way for mandatory climate-related financial disclosures for several years. For instance, [the Section 172\(1\) statement](#), which took effect for periods beginning on or after 1 January 2019, includes the need to report on how directors have discharged their duty to have regard to the impact of the company’s operations on the environment, which might be addressed by disclosures on climate change governance.

Companies are also already required to report on the principal risks for the business, which may include climate-related risks. The introduction of [Streamlined Energy and Carbon Reporting](#) (SECR) in addition to the requirements under the Non-Financial Reporting Regulations should mean companies in scope are already measuring and reporting key climate metrics.

In their corporate reporting, companies should already be addressing matters raised by investors and regulators. These matters include:

- the [IASB educational material on climate](#);
- findings and expectations from the [FRC Thematic Review on climate](#);
- investor expectations on net zero commitments and financial statements consistent with alignment to the 2015 Paris Agreement; and
- increasing attention on reporting the financial impacts of climate change, as identified in the [TCFD 2021 status report](#).

Location of the statement of compliance and disclosures

The statement of compliance should be clearly identified and included in the annual report; however, the Listing Rules do not specify a location for the statement. A company’s TCFD-aligned disclosures should be presented either in the annual report or in a document other than the annual report. Where a company has taken the latter approach, it must specify the recommended disclosures which are included in that other document, describe that document and where it can be found and explain the reasons for not including those disclosures in the annual report.

10. Per the FCA: “UK MAR defines and prohibits market manipulation. This offence captures attempted manipulation, benchmarks and, in some situations, spot commodity contracts.”

11. The International Sustainability Standards Board (ISSB) is a newly formed board created by the IFRS Foundation (IFRSF) to develop global standards and disclosure requirements to facilitate consistent and comparable reporting by companies across jurisdictions to help to direct capital to long-term, resilient business in the transition to a low-carbon economy.

Implementation guidance

Together with these rules, the FCA has published implementation guidance in LR9.8.6B to 9.8.6E, and LR 14.3.28G to 14.3.32G. This clarifies that companies in scope should perform a detailed assessment of its climate-related financial disclosures, and consider the available guidance materials, to determine whether its disclosures are consistent with the TCFD's recommendations and recommended disclosures.

Guidance in LR 9.8.6D and LR 14.3.30G sets expectations around the extent and level of detail of disclosures made by companies:

- In determining whether its climate-related financial disclosures are consistent with the TCFD's recommendations and recommended disclosures, a company should consider whether those disclosures provide sufficient detail to enable users to assess the company's exposure and approach to addressing climate-related issues.
- Companies should carry out their own assessment of the appropriate level of detail to be included in their climate-related financial disclosures. A company should take into account factors such as the level of its exposure to climate-related risks and opportunities, the scope and objectives of its climate-related strategy, and the nature, size, and complexity of the company's business.

The following guidance materials should be considered in the assessment of whether climate-related financial disclosures are consistent with the TCFD's recommendations and recommended disclosures, as appropriate:

- section C of the TCFD Annex entitled "[Guidance for All Sectors](#)";
- section D of the TCFD Annex entitled "[Supplemental Guidance for the Financial Sector](#)";
- section E of the TCFD Annex entitled "[Supplemental Guidance for Non-Financial Groups](#)";
- the [TCFD Final Report](#) and the [TCFD Annex](#), to the extent not already referred to.

The following guidance materials are also relevant in determining whether a company's climate-related financial disclosures are consistent with the TCFD's recommendations and recommended disclosures:

- the TCFD [Technical Supplement](#) entitled "The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities";
- the TCFD [Guidance on Risk Management Integration and Disclosure](#);
- the TCFD [Guidance on Scenario Analysis for Non-Financial Companies](#); and
- the TCFD [Guidance on Metrics, Targets and Transition Plans](#).

As noted above in the [Statement of compliance and extent of disclosures](#) section, in instances where companies are unable to make climate-related financial disclosures consistent with the TCFD's recommendations and recommended disclosures, companies need to explain the steps they are taking to address these gaps and the expected timeframe to achieve this.

Consistent with the TCFD's final report, the FCA confirms that disclosures consistent with the TCFD's governance and risk management recommendations should be made irrespective of a materiality assessment, whereas "in-scope companies should consider whether disclosures under the strategy and metrics and targets recommendation meet the materiality threshold".

Deloitte observation

The concept of materiality is equally relevant for TCFD disclosures as it is for financial reporting. Climate-related matters, though sometimes characterised as non-financial, may have a material short-term and long-term impact on the business operations of the organisation, as well as on risks and returns for investors and their investment decisions.

When assessing materiality of, and exposure to, climate-related issues, companies need to look at risks and opportunities across the entire value chain and consider longer time horizons than in traditional operating and financial planning. The FCA signposts to the definition of “material” in IAS 1, wording in the IASB article published in November 2019, and FRC resources (for example, the [FRC Climate Thematic review](#)) for guidance.

In addition to the Listing Rules, each policy statement includes a technical note reminding listed companies of disclosure requirements under the Market Abuse Regulation (MAR) and the Prospectus Regulation (PR). Specifically, the technical notes state that since climate-related risks and opportunities are widely understood to be financially material to many issuers’ assets, they may need to be disclosed. Other environmental, social and governance (ESG)-related risks and opportunities are also likely to be financially material to many issuers, and issuers should consider ESG matters carefully when determining what should be disclosed under the PR, as well as under the other disclosure regimes. The technical notes took immediate effect on publication.

In December 2021, the FCA updated its definition of ‘TCFD Annex’ to reference the updated “Guidance for All Sectors”, “Supplemental Guidance for the Financial Sector” and “Supplemental Guidance for Non-Financial Groups”, which was published by the TCFD in October 2021. In addition, the FCA added the TCFD Guidance on Metrics, Targets and Transition Plans (also published by the TCFD in October 2021) to the list of guidance materials to consider. These updated references apply for financial years beginning on or after 1 January 2022. Entities may, however, choose to apply these updated materials sooner. These documents can be found on the [TCFD website](#).

Assurance

The FCA acknowledges the significant value of independent assurance of TCFD-aligned disclosures. However, third-party assurance is not required at present given that this is a developing area. The FCA has stated that it will review this position as ISSB sustainability-related disclosure standards develop.

Effective date and related legislation

LR 9.8.6R(8) is effective for accounting periods beginning on or after 1 January 2021 with the first annual reports subject to this rule published in early 2022. LR 14.3.27R is effective for accounting periods beginning on or after 1 January 2022 with the first annual reports subject to this rule to be published in early 2023. This expansion of scope captures more than 200 additional listed companies.

The FCA acknowledges that the timeline is challenging, particularly given the pressures on business arising from the COVID-19 pandemic. They chose not to delay given the urgency for Climate Change action. However, the FCA has observed that the nature of the TCFD’s recommendations and the ‘comply or explain’ basis of the rule affords companies flexibility to refine disclosures over time.

Additional legislation comes in for periods commencing on or after 6 April 2022 requiring climate-related financial disclosures aligned to the TCFD recommendations to be made in the annual report by a wider range of companies and LLPs. Under *The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022* (SI 2022/31) (“the 2022 Climate Regulations”), UK public interest entities, Alternative Investment Market (AIM) companies and high turnover companies will be required to report climate-related financial information in the non-financial information (NFI) statement, which is also renamed by the legislation to become the non-financial and sustainability information statement (NFSI) “High turnover” is defined as turnover in excess of £500m per annum.

Meanwhile *The Limited Liability Partnerships (Climate-related Financial Disclosure) Regulations 2022* (SI 2022/46) will require traded and banking LLPs, and those LLPs with turnover of more than £500m, to report climate-related financial information in either the strategic report or, if no Strategic Report is prepared, the Energy and Carbon Report which forms part of their Annual Report.

Companies and LLPs are exempt from these requirements if they have fewer than 500 employees. BEIS has issued non-binding FAQs (“the BEIS Climate FAQs”) to assist in applying these regulations.

Deloitte observation

Many companies may find themselves within the scope of both the Listing Rules requirements and the 2022 Climate Regulations. In such cases, the [BEIS Climate FAQs](#) state that disclosure in a manner consistent with all of the TCFD recommendations and recommended disclosures for the purposes of the Listing Rules is normally likely to meet the requirements of the 2022 Climate Regulations.

However, it is important to note that to comply fully with both requirements, the disclosures need to be located in the NFSI statement, either in full or by cross-reference to another location in the annual report. It would not be sufficient to cross-refer to a separate publication or a company website as doing so would not be compliant with the 2022 Climate Regulations.

Further information on the 2022 Climate Regulations is available in a Deloitte Need to know publication, [UK government finalises legislation on climate-related financial disclosure](#).

Application to prospectus

The technical note observes that information on climate change and other ESG-related matters may need to be provided within a prospectus where relevant. The relevant reduced information presented in the simplified prospectus for secondary issuances should enable investors to understand the prospects of the issuer, and any significant changes in the business and financial position of the issuer.

Other more technical guidance is given in relation to inclusion of climate change and other ESG-related risks within risk factors presented in the prospectus, as well as climate change impacts on various annexes to the Delegated Prospectus Regulation.

Progress towards an international standard on climate-related financial disclosures

The TCFD recommendations do not form a corporate reporting standard, although the FCA highlights the advances in reporting that TCFD is facilitating, by promoting transparency, and aiming to “drive organisational change to better manage climate-related financial risks and opportunities”.

In November 2021, at COP26, the IFRS Foundation (IFRSF) announced and officially launched the ISSB. This will develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors’ information needs, building on the TCFD’s recommendations.

The IFRSF created the Technical Readiness Working Group (TRWG) to integrate and build on the work of relevant organisations to provide the ISSB with technical recommendations to consider. The work programme of the TRWG and Prototype standards on climate and general requirements were published in November 2021. These prototypes demonstrate significant progress towards an international standard on climate-related financial disclosures and build on the work of the ‘Group of 5’¹².

In March 2022, the ISSB published exposure drafts for the first two IFRS Sustainability Standards, [IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information](#), which sets out the overall requirements for an entity to disclose sustainability-related financial information about all its significant sustainability-related risks and opportunities, and [IFRS S2 Climate-related Disclosures](#), which sets out climate-related disclosure requirements.

As discussed above, the UK Government has confirmed in its roadmap that it expects that the standards to be developed by the ISSB will form a core component of the Sustainability Disclosure Requirements (SDR) framework introduced as part of the roadmap, being the backbone of its corporate reporting element. Subject to consultation, the UK Government will create an adoption and endorsement mechanism for ISSB-issued standards for use in the UK.

12. The CDP, CDSB, GRI, IIRC, and SASB – the five leading international sustainability framework- and standard-setters who published a [prototype climate-related financial disclosure standard](#) in December 2020.

TCFD for asset managers, life insurers, and FCA-regulated pension providers

In December 2021, the FCA published [PS21/24](#), confirming new rules requiring asset managers, life insurers and FCA-regulated pension providers to make climate-related disclosures consistent with the four overarching disclosures and 11 specific disclosures of the TCFD recommendations.

These rules mandate disclosures setting out how climate-related matters are considered in managing or administering investments ('entity-level' disclosures). The rules also mandate disclosure on the firm's products and portfolios ('product-level' disclosures). These disclosures are to be published in a prominent place on the firm's main website.

The new rules are included within the [Environmental, Social and Governance \(ESG\) sourcebook](#), a new part of the FCA Handbook and apply from 1 January 2022. There is a phased implementation which means that smaller in-scope firms will only be required to make the required disclosures from 1 January 2023. Smaller in-scope firms are asset managers with less than £50 billion in assets under management and asset owners with less than £25 billion in assets. Firms with less than £5 billion in assets under administration or management (calculated as a 3-year rolling average) are exempt from making the required disclosures. For further information see [PS21/24](#).

Further information

The FCA's full Policy Statements including appended Technical Notes ([PS20/17](#), [PS21/23](#)) are available on the FCA website.

The TCFD's recommendations, updated implementation guidance, the 2021 Status Report, and updated guidance on metrics, targets and transition plans, scenario analysis, and risk management integration and disclosure are available on their [website](#).

Our publication, [A closer look: Climate change](#), considers the TCFD recommendations in detail.

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