



# *Introducing the Climate-related Financial Disclosure Regulations*

10 MARCH 2022

This webinar will commence shortly .....

# *Introduction*



Sally Baker

Head of Corporate Reporting Policy, ICAEW

## *Today's presenters*

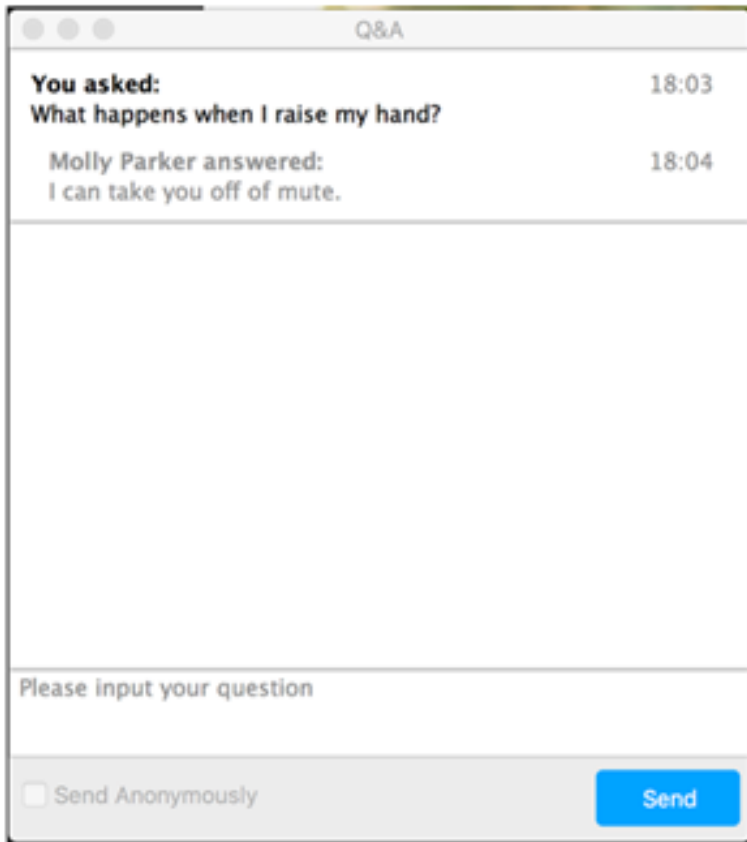


Anne Warner  
Senior Manager  
Deloitte



Ollie Law  
Senior Manager  
PwC

# Ask a question and access resources



The screenshot shows a Q&A interface with the following elements:

- Header: Q&A
- Question: **You asked:** What happens when I raise my hand? 18:03
- Answer: **Molly Parker answered:** I can take you off of mute. 18:04
- Input field: Please input your question
- Buttons:  Send Anonymously and a blue **Send** button.

An arrow points from the text 'send anonymously' in the adjacent text block to the 'Send Anonymously' checkbox in the screenshot.

## ***To ask a question***

Click on the **Q&A** button in the bottom toolbar to open the question box.

Type in your question and press **send**.

Note: If you wish to ask your question anonymously check the **send anonymously** box shown on the illustration on the left.

## ***Download resources***

Access related resources, including the presentation slides at [icaew.com/frfwebinars](http://icaew.com/frfwebinars)

# ***Contents***

Overview and context

Scope and requirements

Additional government guidance

Observations to date

Q&A

# *Poll question*

How would you describe yourself?

1. Audit practitioner
2. Report preparer
3. Board member / charged with governance
4. Other

# *Overview and context*

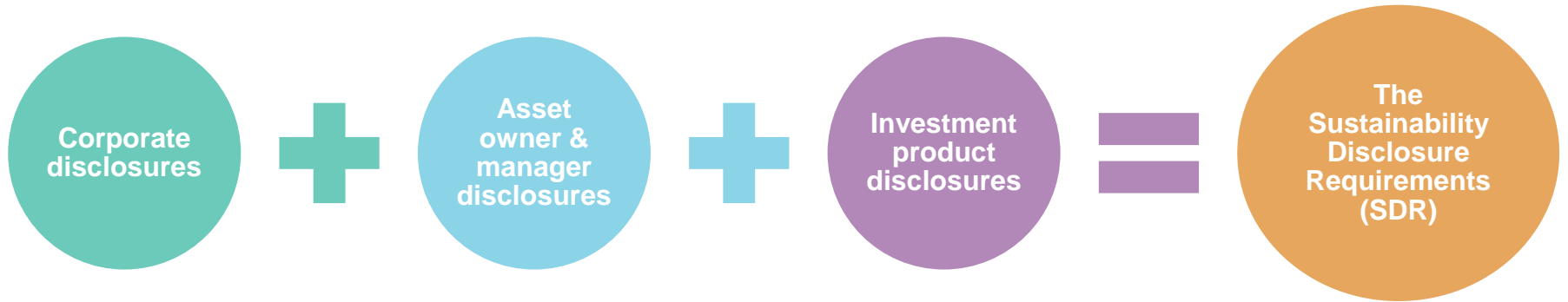
# *Poll question*

What is your level of knowledge and experience of the TCFD recommendations and recommended disclosures?

1. None/very little
2. Basic
3. Moderate
4. Experienced



# *“Greening Finance” – the government roadmap*



Available at  
<https://www.gov.uk/government/publications/greening-finance-a-roadmap-to-sustainable-investing>

# *Climate-related financial disclosures*

p/c 1  
January  
2021

- Premium-listed companies required by Listing Rules to disclose against TCFD Recommendations on a comply or explain basis

p/c 1  
January  
2022

- Standard-listed companies required to do the same

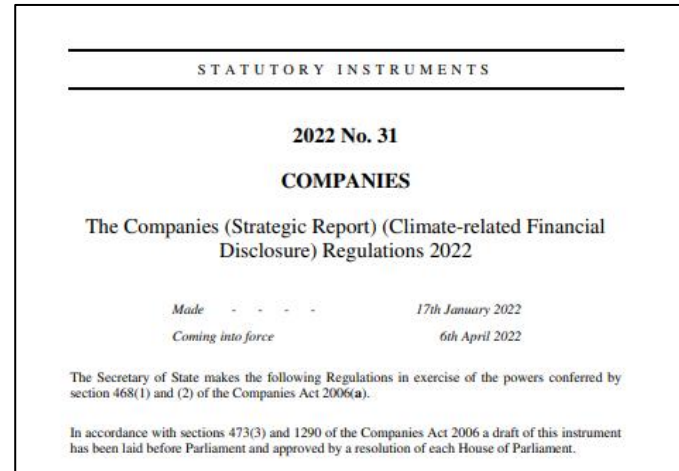
p/c 6 April  
2022

- UK PIEs, AIM companies and “high turnover” companies and LLPs with >500 employees to disclose against TCFD-aligned requirements in the Companies Act 2006
- NB “high turnover” = >£500m

# *Scope and requirements*

# *What are the regulations?*

- Two statutory instruments – one for companies, the other for LLPs.
- Effective periods commencing on or after 6 April 2022.
- Amend the Companies Act 2006 and related LLP legislation.
- Expected to affect 1,350 groups of UK companies and LLPs.



# *Who needs to apply the new regulations?*

UK Public Interest  
Entities (PIEs)  
with >500  
employees

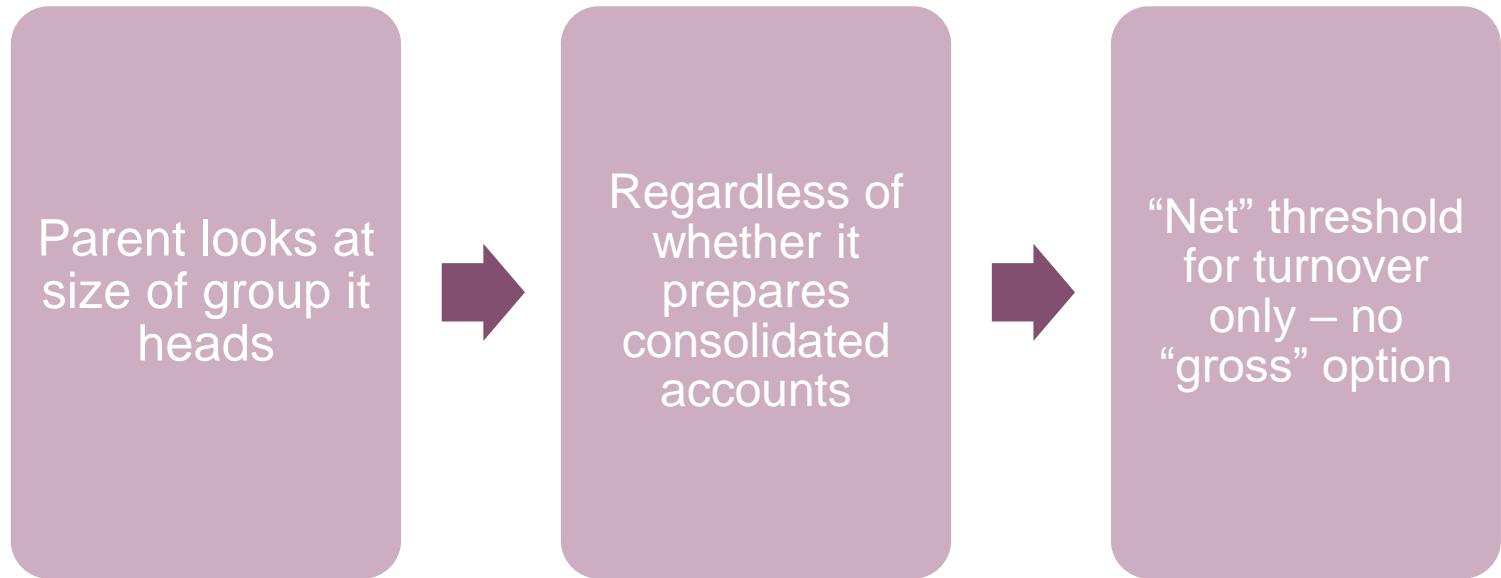
AIM-listed  
companies  
with >500  
employees

“High turnover”  
private companies  
Turnover: >£500m  
Employees: >500

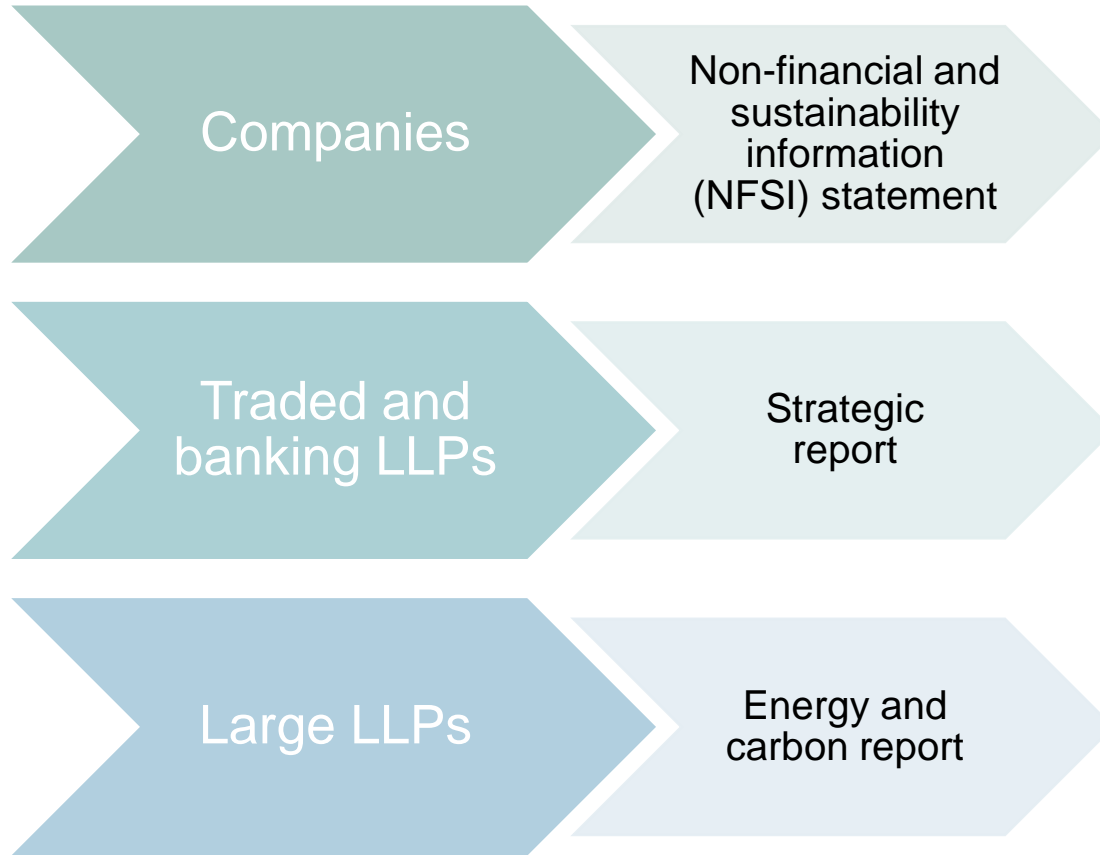
“Large LLPs”  
Turnover: >£500m  
Employees: >500

Traded and  
banking LLPs  
Employees: >500

# *What about groups?*



# *Location of disclosures*



Unless a UK PIE, only required to include climate disclosures in this statement

Disclosures may be included by cross-reference to other sections of the report.

# *The requirements*

- 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 of **performance against those targets**; and
- 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**.

\* Qualitative only – made clear in BEIS guidance



# Mapping to the TCFD recommendations

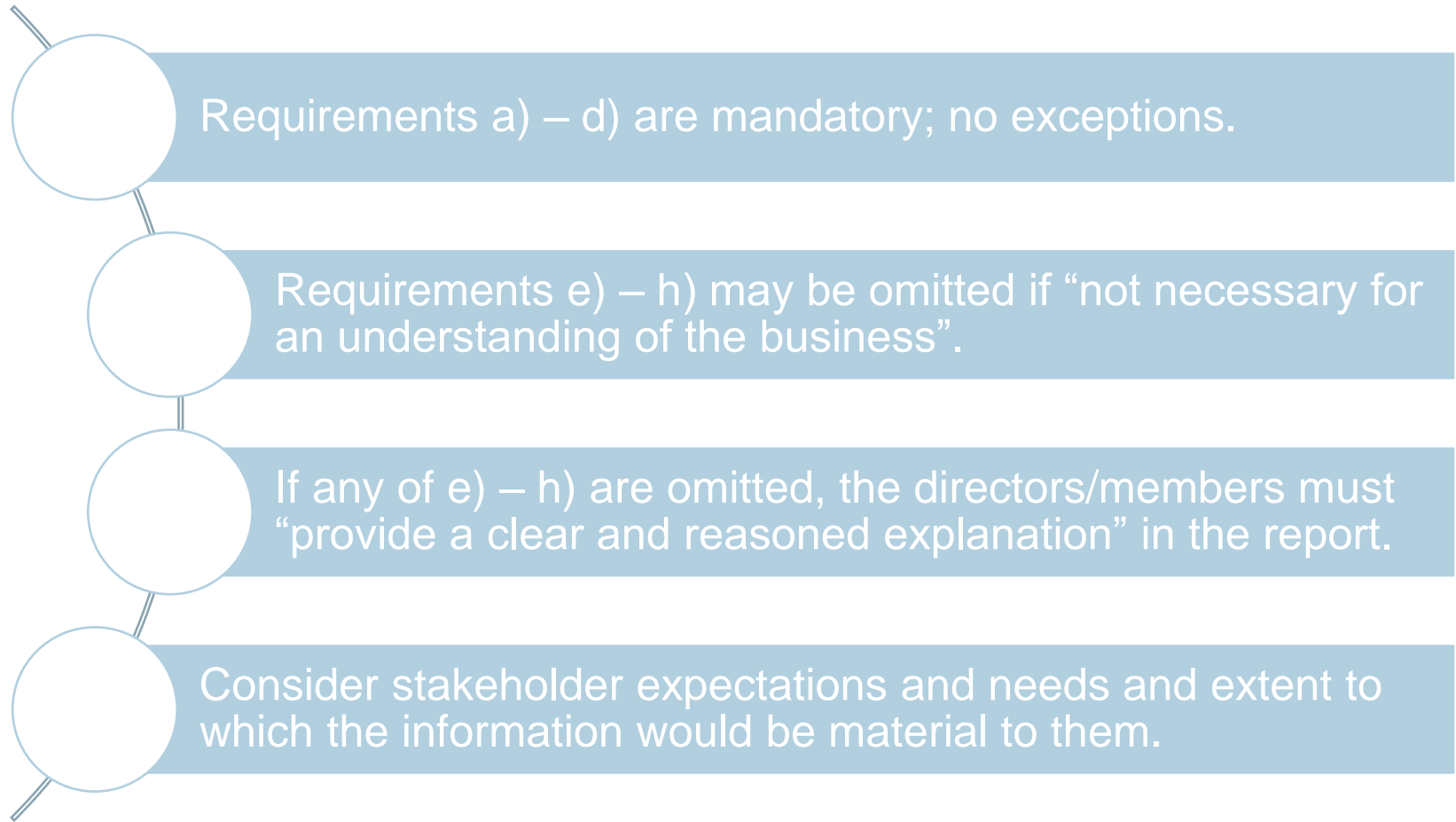
## TCFD – Four Pillars of Recommended Climate-Related Financial Disclosures

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.

## Government regulations – climate-related financial disclosure

<b>a)</b> a description of the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities.	<b>d)</b> a description of: <ul style="list-style-type: none"><li>○ the principal climate-related risks and opportunities arising in connection with the company's operations, and</li><li>○ the time periods by reference to which those risks and opportunities are assessed;</li></ul> <b>e)</b> a description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy;	<b>b)</b> a description of how the company identifies, assesses, and manages climate-related risks and opportunities; <b>c)</b> a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management process.	<b>g)</b> a description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets; <b>h)</b> 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.
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# *Do all the disclosures have to be made?*



# *Exemptions*

## Companies

- Only exempt if included in a UK parent company's consolidated non-financial information and sustainability statement.
- No exemption if included in an LLP's report.

## Large LLPs

- Only exempt if included in a UK parent's consolidated energy and carbon report or directors' report (i.e. where the SECR disclosures are made).

## Traded and banking LLPs

- No exemption as there is no exemption from preparing a strategic report.

# *Additional government guidance*

# *Key points from government guidance*

## **Materiality**

Companies and LLPs within scope will be required to include disclosures on climate change related risks and opportunities, where these are material.

## **Location of disclosures**

All information that is provided to meet the disclosure requirements of the regulations must be included within the Annual Report and Accounts.

## **Impact and outcomes**

Impacts should be considered in respect of each of the risks identified, together with mitigating actions. This should provide a clearer narrative for the reader of the accounts. The targets should, where possible, be linked to the risks and impacts identified.

## **Premium Listed Companies**

Where a UK-registered listed company is subject to both sets of requirements, disclosure in a manner consistent with all of the TCFD recommendations and recommended disclosures for the purposes of the FCA's listing rule in its annual report.....is normally likely to meet the requirements of these regulations.

## **Quantitative scenario analysis**

To meet the requirements of these regulations it is not necessary to produce quantitative scenario analysis, though some companies and LLPs may find it useful to do so to support their strategy and risk management considerations.

## **Timing of scenario analysis**

It may not be necessary to undertake climate scenario analysis for the disclosures by companies and LLPs every year, however new analysis should be undertaken where there is a significant change in assumptions. In any event, the climate scenario analysis should normally be renewed at least every 3 years.

# *Emerging TCFD themes*

# ***Emerging themes from December reporters***

## **Insight and Impact**

- What was the outcome from the process?
- How do the pillars relate to each other?
- How do the measures and targets monitor the risks?
- What's the potential impact from the risks and scenario analysis?

## **Financial Implications**

- What are the underlying assumptions?
- What are the financial implications of commitments and risk management?
- How do the assumptions align to those in the back half?
- How should commitments be reflected in the back half?

## **Future focus**

- What is the transition plan?
- What are the implications on the strategy/business model?
- What are your future plans?
- How will disclosures evolve in yr 2?

## **Compliance Statement**

- How much is enough?
- How do you strike the balance between annual report vs other mediums?
- Should it be a separate section/statement?
- Are scope 3 emissions required?

# *Faculty resources*

- Non-financial reporting hub  
[icaew.com/nfr](https://icaew.com/nfr)
  - Overviews of reporting requirements plus the latest guidance
  - TCFD recommendations and interaction with other requirements
  - Reporting on climate resources
- By All Accounts  
[icaew.com/byallaccounts](https://icaew.com/byallaccounts)
  - January 2022 edition: sustainability themed issue
  - A practical guide to TCFD





# Financial reporting at your fingertips

## Financial reporting

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### Need to know

The screenshot displays a navigation menu with three items:

- Financial reporting news and insights**: Highlights of the latest guidance published by the Financial Reporting Faculty as well as news and insights on current developments in financial reporting. Includes a sub-menu for 'August 2021'.
- Planning for the 2021/22 reporting season - Practical help for preparers**: In this guide the Financial Reporting Faculty looks at what is different about the current reporting season and where to focus your efforts. Includes a sub-menu for 'January 2022'.
- 2021 UK GAAP Accounts**: This factsheet highlights new and modified requirements for preparers of UK GAAP accounts for accounting periods beginning on or after 1 January 2021. Includes a sub-menu for 'June 2021'.

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# *Questions*



Anne Warner  
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Deloitte



Ollie Law  
Senior Manager  
PwC

# *Thank you for attending*



Please take the time to fill out our short survey.



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