

UK to enshrine mandatory climate disclosures for largest companies in law

- UK will become first G20 country to make it mandatory for Britain's largest businesses to disclose their climate-related risks and opportunities, in line with Taskforce on Climate-related Financial Disclosures (TCFD) recommendations
- new legislation will require firms to disclose climate-related financial information, with rules set to come into force from April 2022
- follows publication of UK's landmark Net Zero Strategy and forms part of the government's commitment to making the UK financial system the greenest in the world

The UK will become the first G20 country to enshrine in law mandatory TCFD-aligned requirements for Britain's largest companies and financial institutions to report on climate-related risks and opportunities.

From 6 April 2022, over 1,300 of the largest UK-registered companies and financial institutions will have to disclose climate-related financial information on a mandatory basis – in line with recommendations from the Task Force on Climate-Related Financial Disclosures. This will include many of the UK's largest traded companies, banks and insurers, as well as private companies with over 500 employees and £500 million in turnover.

The Taskforce on Climate- Related Financial Disclosures (TCFD) is an industry-led group which helps investors understand their financial exposure to climate risk and works with companies to disclose this information in a clear and consistent way. It was launched at the Paris COP21 in 2015 by the Financial Stability Board (FSB) and Mark Carney, the UN Special Envoy on Climate Action and Finance and UK Finance Adviser for COP26, and has since published a clear and achievable set of recommendations on climate-related financial disclosures.

Our decision to require mandatory disclosures comes ahead of the G20 and COP26 summits, and it will increase the quantity and quality of climate-related reporting across the UK business community, including among some of the most economically and environmentally significant companies. This will ensure businesses consider the risks and opportunities they face as a result of climate change and encourage them to set out their emission reduction plans and sustainability credentials.

The new requirements will help investors and businesses to better understand the financial impacts of their exposure to climate change, and price climate-related risks more accurately, while supporting the greening of the UK economy. By applying a common set of requirements aligned with the TCFD recommendations, UK companies will be provided with a uniform way to assess

how a changing climate may impact their business model and strategy, and ensure they are well placed to harness opportunities from the UK's transition to net zero.

Energy and Climate Change Minister Greg Hands said:

If the UK is to meet our ambitious net-zero commitments by 2050, we need our thriving financial system, including our largest businesses and investors, to put climate change at the heart of their activities and decision making.

By mandating large businesses to disclose their climate risks and opportunities – the first G20 country to do so – we are showing global leadership by making our financial system the greenest in the world.

Economic Secretary to the Treasury John Glen said:

With COP26 in just a few days, I'm proud that we are taking steps to enshrine the UK's transition to a greener financial system into law.

We are already world leaders in green finance, having recently launched the UK's first Green Savings Bond and raised £16 billion for green projects through our Green Gilts.

These TCFD requirements will not only help tackle greenwashing but also enable investors and businesses to align their long-term strategies with the UK's net zero commitments.

Companies already providing TCFD-aligned disclosures and experiencing the benefits include Tesco, Aviva, and Unilever.

Today's legislation will become law in April 2022 subject to Parliamentary approval, puts the government on track to achieve its ambition of the UK becoming the first G20 country to mandate TCFD-aligned climate disclosures across the economy – as set out by the Chancellor of the Exchequer in November 2020.

The UK government has been delivering on our green finance ambitions through a package of recent measures, including the recent Sovereign Green Bond issuances, and a commitment to set out an indicative sectoral transition pathway to 2050 to align the financial system with the UK's net zero commitment.

It follows last week's publication of the Net Zero Strategy, which outlined a commitment to ensure the UK's financial system is the greenest in the world, driving ambition on global green finance as the UK prepares to host the upcoming UN COP26 summit.

Chris Cummings, Chief Executive of the Investment Association, said:

These regulations are an important step to taking an economy wide approach to addressing climate change and reaching net zero carbon emissions. TCFD-aligned disclosures are a crucial part of managing the impact of climate change; supporting companies to focus on the effects of climate change on their business and communicating how these are being managed to their investors and other stakeholders.

IA members are major investors in UK listed and private companies, so enhancing climate-related disclosures will enable investment managers to provide the necessary support and challenge, through their stewardship role, to their investee companies, as they transition to more sustainable business models

Flora Hamilton, Director, Financial Services, Confederation of British Industry (CBI) said:

The government's proposed framework for mandatory climate disclosures will help companies and investors better manage risks and opportunities resulting from climate change. With COP26 on the horizon, it is great to see that the government is working hard to make the UK the greenest financial centre in the world.

Increased transparency and more comparability on corporate sustainability performance will be key for directing more money to sustainable projects across the whole economy.

James Alexander, Chief Executive, UK Sustainable Investment and Finance Association (UKSIF), said:

We strongly welcome BEIS's latest proposals to implement robust TCFD-aligned mandatory disclosures for publicly quoted and large private companies, which marks another important step in strengthening the UK's leadership on climate disclosure ahead of COP26.

It is very positive to see a scenario analysis requirement now included in the final regulations for companies, which UKSIF and others have called for. This is necessary to ensure companies can provide to investors and savers a clearer and more meaningful picture of climate risks and the opportunities to support the transition in their annual report and accounts.

- These disclosure requirements have been based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) – a taskforce set up in 2015 by the Financial Stability Board (FSB) to

- improve and increase reporting of climate-related financial information. The disclosures brings together both the Chancellor's November 2020 [Roadmap towards mandatory climate related disclosures](#) and the [Roadmap on new Sustainability Disclosure Requirements](#), published just last month
- non-mandatory guidance to support in-scope companies in their disclosure will be issued before the end of the 2021, following parliamentary scrutiny of the regulations
 - following widespread stakeholder support and feedback gathered as part of the [UK government consultation on proposals to require mandatory TCFD-aligned climate-related financial disclosures](#), which ran from March until May 2021, 2 key changes have been made:
 - firstly, the UK government is introducing a requirement for qualitative scenario analysis – a powerful tool to support companies in their assessment of climate-related risks and opportunities
 - secondly, the requirements will be more closely aligned with the recommendations of the TCFD, to ensure coherence with associated requirements introduced by the Financial Conduct Authority and the Department for Work and Pensions
 - in 2017, the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) set out a framework of 11 overarching recommendations for disclosure over 4 thematic areas – governance; strategy; risk management; and metrics and target – that could be used by economic actors to provide information on how they manage material risks and opportunities arising from climate change
 - today's announcement brings into force the government's commitment, announced by the Chancellor of the Exchequer in November 2020, that the UK will become the first country in the world to make Task Force on Climate-related Financial Disclosures (TCFD) aligned disclosures fully mandatory across the economy by 2025, going beyond the 'comply or explain' approach. The Chancellor set out a roadmap showing how the government would achieve this by 2025, with most of the measures in place by 2023
 - the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2021 are due to be laid on 28 October 2021, with the regulations coming into force for accounting periods starting on or after 6 April 2022 subject to parliamentary scrutiny
 - this approach is recognised in the green investment chapter of the government's [Net Zero Strategy](#) published on 19 October