Department for
Business, Energy
& Industrial Strategy

Consultation on requiring mandatory climate-related financial disclosures by publicly quoted companies, large private companies and Limited Liability Partnerships (LLPs).

Closing date: 5th May 2021

March 2021

Any enquiries regarding this publication should be sent to us at:
climatedisclosure@beis.gov.uk

Contents

General information

Why we are consulting

This consultation seeks views on proposals to mandate climate-related financial disclosures by publicly quoted companies, large private companies and Limited Liability Partnerships (LLPs). To support our transition to net zero, the Government considers it important to ensure that companies with a material economic or environmental impact or exposure assess, disclose and ultimately take actions against climate-related risks and opportunities. Accordingly, the proposals set out in this consultation document aim to significantly increase the proportion of companies taking such actions. This will in turn provide investors with more of the information they need to adequately understand and manage climate-related financial risks and provide other stakeholders with a greater level of information on climate-related matters. We are consulting to test the scope of requirements, the depth of requirements, the appropriate guidance, and an appropriate monitoring and enforcement regime. Feedback will help to ensure we achieve a fair, proportionate approach which delivers on both the quantity and quality of climate-related financial disclosures.

These proposals build on the expectation set out in the Government's 2019 Green Finance Strategy[1], that all listed companies and large asset owners should disclose in line with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations by 2022. The proposals have been developed in co-operation with the HM Treasury led TCFD joint taskforce, which has considered an approach to economy-wide mandatory climate-related financial disclosure, as set out in the 2020 Roadmap and Interim Report[2]. The proposals will contribute towards the UK's intention to become the first G20 country to make TCFD-aligned disclosures mandatory across the economy as set out by the Chancellor on the 9th of November 2020[3].

Consultation details

Issued: 24th March 2021

Respond by: 5th May 2021

Enquiries to:

Tel: 020 7215 1023

Email: climatedisclosure@beis.gov.uk

1 https://www.gov.uk/government/publications/green-finance-strategy
2 https://www.gov.uk/government/publications/uk-joint-regulator-and-government-tcfd-taskforce-interim-report-and-roadmap
3 https://www.gov.uk/government/speeches/chancellor-statement-to-the-house-financial-services

Consultation reference: Consultation on requiring mandatory climate-related financial disclosures by publicly quoted companies, large private companies and Limited Liability Partnerships (LLPs).

Audiences:

Listed companies with securities traded on a UK market, large private companies, Public Interest Entities (PIEs), LLPs, financial services organisations, investors and investor groups industry associations, professional bodies, NGOs, academics.

Territorial extent:

Consultation proposals cover the United Kingdom.

How to respond

Respond online at: https://beisgovuk.citizenspace.com/energy-efficiency/climatedisclosure-consultation

or

Email to: climatedisclosure@beis.gov.uk

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable UK data protection laws. See our privacy policy.

We will summarise all responses and publish this summary on GOV.UK. The summary will include a list of names of organisations that responded, but not people's personal names, addresses or other contact details.

Quality assurance

This consultation has been carried out in accordance with the government's consultation principles.

If you have any complaints about the way this consultation has been conducted, please email: beis.bru@beis.gov.uk.

Executive Summary & Ministerial Foreword

Executive Summary

Climate change poses risks to companies, financial institutions and individuals alike. Both physical and transition risks could have material impacts on the value of companies and their assets. Physical risks are those arising from the climatic impact of higher average temperatures (such as the increased frequency and severity of extreme weather events), whilst transition risks are those arising from the changes in technology, markets, policy, regulation, and consumer sentiment which will result from our transition to a low-carbon economy. If these risks are not properly managed, the Intergovernmental Panel on Climate Change estimates $69 trillion in global financial losses by 2100 from a 2-degree warming scenario[4]. Disclosure, in this case the provision of material climate-related financial information, can help support investment decisions aligned with our transition to a low-carbon economy. The increased transparency such disclosures provide will influence behaviours of companies and their stakeholders. As it becomes easier to compare companies' exposures to climate-related risks and opportunities, investors will be better equipped to incorporate these risks into their investment and business decisions, and this also provides greater information to other stakeholders for relevant decisions. In their advice to Ministers on the 6th Carbon Budget, the Climate Change Committee noted the importance of disclosure to smooth the transition to net zero[5]. Although the voluntary disclosure of climate-related financial information has increased in quantity and quality, we believe now is the time to take regulatory action to support the UK's transition to net zero and help cement the UK as a global centre of excellence for green finance.

The Government recognises the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures[6] (TCFD) as one of the most effective frameworks for companies to analyse, understand and ultimately disclose climate-related financial information against. As of September 2020, the TCFD recommendations were supported by over 1,440 organisations, representing a market capitalisation of over $12 trillion[7]. Accordingly, the Government proposes to use the TCFD's four pillar framework of Governance, Strategy, Risk Management and Metrics and Targets as the basis of our disclosure requirements, with adjustments made where necessary to make requirements coherent with UK company law. Our actions form part of wider efforts to achieve our aim of becoming the first G20 country to make climate-related financial disclosures mandatory across the economy, as set out in the HMT led TCFD Taskforce's Interim Report and accompanying

[4] https://www.ipcc.ch/sr15/
[5] https://www.theccc.org.uk/publication/sixth-carbon-budget/
[6] https://www.fsb-tcfd.org/
[7] https://www.fsb.org/wp-content/uploads/P291020-1.pdf

Roadmap[8]. To complement our domestic agenda, and as highlighted in our statement[9] to the IFRS Foundation, we support the development of international sustainability-related reporting standards, which will further help to achieve consistent and comparable disclosures.

Our stated objectives are to increase the quantity and quality of climate-related financial disclosures in a proportionate manner. This is both to ensure market participants have better information to adequately understand climate-related financial risks and opportunities to support the transition to net zero, but also to help companies think about what they need to do to address climate change as an important risk and opportunity for their organisation, operations and people. Our proposals to achieve these objectives are set out in detail in this document, with key questions set out under each section and on page 31. In summary, our proposals are:

- **Scope:** For the following entities to be within scope for the disclosure requirements proposed in this document:
    - All UK 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[10], banking companies or insurance companies (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.
    - LLPs which have more than 500 employees and a turnover of more than £500m.
- **Mechanism:** For changes to be implemented through a Statutory Instrument, using powers under the Companies Act 2006, and powers under the Limited Liability Partnerships Act 2000.
- **Location of disclosures:** Companies will be required to report climate-related financial information in the non-financial information statement which forms part of the Strategic Report. LLPs will be required to report climate-related financial information in either the non-financial information statement which forms part of their Strategic Report or the Energy and Carbon Report which forms part of their Annual Report.
- **Disclosure requirements on companies and LLPs:** To require companies and LLPs to disclose climate-related financial information in line with the four overarching pillars of the TCFD recommendations on a mandatory basis (Governance, Strategy, Risk Management, Metrics & Targets).
- **Timing:** Regulations are to be made by the end of 2021, with regulations coming into force on the Common Commencement Date of 6th April 2022, and to be applicable for accounting periods starting on or after that date.

[8] https://www.gov.uk/government/publications/uk-joint-regulator-and-government-tcfd-taskforce-interim-report-and-roadmap
[9] https://www.gov.uk/government/publications/joint-statement-of-support-for-ifrs-foundation-consultation-on-sustainability-reporting
[10] UK regulated market as defined in section 1173 CA 2006

- **Guidance:** Non-binding Q&A will be produced to support companies in their application of these requirements.

Our proposals form an important part of the UK Government's fight against climate change, at a crucial time. We welcome your feedback and comments to climatedisclosure@beis.gov.uk, and look forward to continuing to engage with our stakeholders on this issue.

Ministerial Foreword

Society and businesses are already being impacted by the effects of climate change and our response to it. Mark Carney outlined in his seminal address "Breaking the Tragedy of the Horizon" how severe weather, changing consumer trends and demands, and a shifting regulatory landscape all pose material financial risks and opportunities for businesses. Net zero is not optional so, to avoid a disorderly transition we must equip businesses and investors with the information they need to measure and manage climate financial risk.

The UK has continuously set the pace internationally when it comes to policy and action to address climate change. From bringing the issue to the UN General Assembly in 1989, to being the first major economy to pass a net zero emissions law in 2019, we have led by example. Through our Green Finance Strategy and the Prime Minister's Ten Point Plan, we have emphasised the importance of green finance as a critical enabler for our transition to net zero. The Chancellor's commitment last November continues this proud tradition: the UK will become the first G20 country to require mandatory climate-related financial disclosures across the economy. The proposals set out in this consultation form an important step towards meeting that commitment.

High-quality disclosure on how organisations will manage the material financial risks and opportunities arising from climate change will improve transparency and encourage more informed pricing and capital allocation. Over time, these climate-related financial disclosures will support investment decisions aligned with our transition to net zero, and the increased transparency such disclosures provide will influence the behaviours of companies and their stakeholders. This move will support investment in green technologies, services and infrastructure, and help to mobilise billions in private investment as set out in the Prime Minister's Ten Point Plan.

At no point has it been more important for the UK to show leadership than ahead of our G7 and COP26 Presidencies. Both represent significant opportunities for collective action to address the most pressing challenge of our time, and to encourage countries across the globe to match our ambition. We are using both fora to urge other countries to come forward with their own pathways to mandatory climate-related disclosure by COP26 in November this year.

The work set out in this consultation should not be viewed in a silo. As our Plan for Growth makes clear, the government is continuously working to ensure the UK remains the best place in the world to do business. We have published a major package of reforms to audit and corporate governance, creating a platform for confident investment, in which climate risk reporting will play an integral part. And, through Lord Hill's recent review, we are looking to make the UK the best place for high-growth, innovative businesses to publicly list, including companies tackling the challenges of a zero-carbon future.

Despite the enormous and immediate pressures many businesses are currently facing due to the Covid-19 crisis, it is clear the climate crisis will not go away without concerted near-term action, and now is the right time to consult on how to implement these important measures.

We are confident the proposed regulations will support a competitive and resilient UK economy. Businesses that are prepared for the challenges and opportunities of the low-carbon transition are the businesses that will be sustainable long into the future.

The Rt. Hon. Anne-Marie Trevelyan MP

Minister of State for Business, Energy and Clean Growth, and UK International Champion on Adaptation and Resilience for the COP26 Presidency.

Lord Callanan

Minister for Climate Change and Corporate Responsibility

Chapter 1: Introduction

Climate change as a financial risk

The financial risks from climate change may materialise through two channels – physical risks or transition risks. Physical risks are those arising from the climatic impact of higher average temperatures (e.g., the increased frequency and severity of extreme weather events), while transition risks are those arising from the changes in technology, markets, policy, regulation, and consumer sentiment which will result from our transition to a low-carbon economy[11].

Both physical and transition risks have the potential to have material financial impacts on businesses and individuals in the short, medium, and long-term. However, if exposure to these risks is not properly analysed, understood and managed, the likelihood of unexpected and unmanageable losses from extreme weather events will increase, as will the likelihood of assets becoming 'stranded' as a result of our transition to a low-carbon economy. If these risks are not properly managed, the Intergovernmental Panel on Climate Change estimates $69 trillion in global financial losses by 2100 from a 2-degree warming scenario[12]. Importantly, the transition to a low-carbon economy also presents significant opportunities. The OECD estimate $90tn in investment will be required by 2030 to support the transition[13], but markets need sufficient information on the opportunities associated with emerging energy sources and technologies for capital to flow into the areas required. The UK Government is committed to ensuring investors, stakeholders and corporates are equipped with the information they need to manage climate-related financial risks but also take advantage of opportunities as they arise.

[11] https://www.gov.uk/government/publications/green-finance-strategy
[12] https://www.ipcc.ch/sr15/
[13] http://www.oecd.org/env/investing-in-climate-investing-in-growth-9789264273528-en.htm

Government action to address climate-related financial risks

In June 2019, the UK Government became the first major economy to legislate for net zero greenhouse gas emissions. The target requires the UK to bring all greenhouse gas emissions to net zero by 2050. In addition to our net zero target, the UK has ambitious interim emission reduction targets, Carbon Budgets. The fifth carbon budget requires the equivalent of 57% reduction in emissions relative to 1990 levels from across the UK economy by 2032 with the sixth carbon budget being set in 2021.

Green finance is a critical enabler for us to reach our net zero target as well as managing the risks from climate change, reflected in an increasing focus across Government. In its advice to Ministers on the 6th Carbon Budget, the Climate Change Committee noted the importance of finance in supporting the transition to net zero, and that with our leading global position on green finance the UK market is well placed to provide this support. In July 2019, the UK Government published its Green Finance Strategy[14], where a vision was set out for transforming the global financial system for a greener future. To achieve the goals of the Paris Agreement[15] and our wider environmental ambitions, all finance will need to incorporate the financial risks and opportunities presented by climate change and other environmental challenges. There is increasing international recognition of the need to integrate climate and environmental factors into mainstream financial decision-making, an objective being embraced by actors across the private and public sectors alike.

Disclosure as a mechanism for change

As set out in the Green Finance Strategy, one of our aims is to 'green' our financial system. An important tool to green the financial system is disclosure. High-quality disclosure on how organisations will manage the material financial risks and opportunities arising from climate change will improve transparency and encourage more informed pricing and capital allocation. As a result, over time, these climate-related financial disclosures will support investment decisions aligned with our transition to a low-carbon economy, and the increased transparency such disclosures provide will influence behaviours of companies and their stakeholders. The Climate Change Committee have noted the importance of disclosure to smooth the transition to net zero. As such, the UK Government sees the importance of improving the quantity and quality of climate-related financial disclosures.

While disclosure to financial markets is essential to ensure climate risk is priced appropriately, of equal importance is the process that companies need to go through to recognise climate change as an important risk and opportunity to their organisation. It is essential that companies ensure the potential impact of climate change is considered in major decisions. It is also essential for appropriate behaviours to be embedded into organisational culture so that climate change is considered at all levels of an organisation, and for this behavioural change process to be applied across all economically significant companies and LLPs. The structure of the TCFD recommendations is specifically designed to promote this organisational change. Finally, embedding climate-related disclosure requirements for UK companies and LLPs at this stage

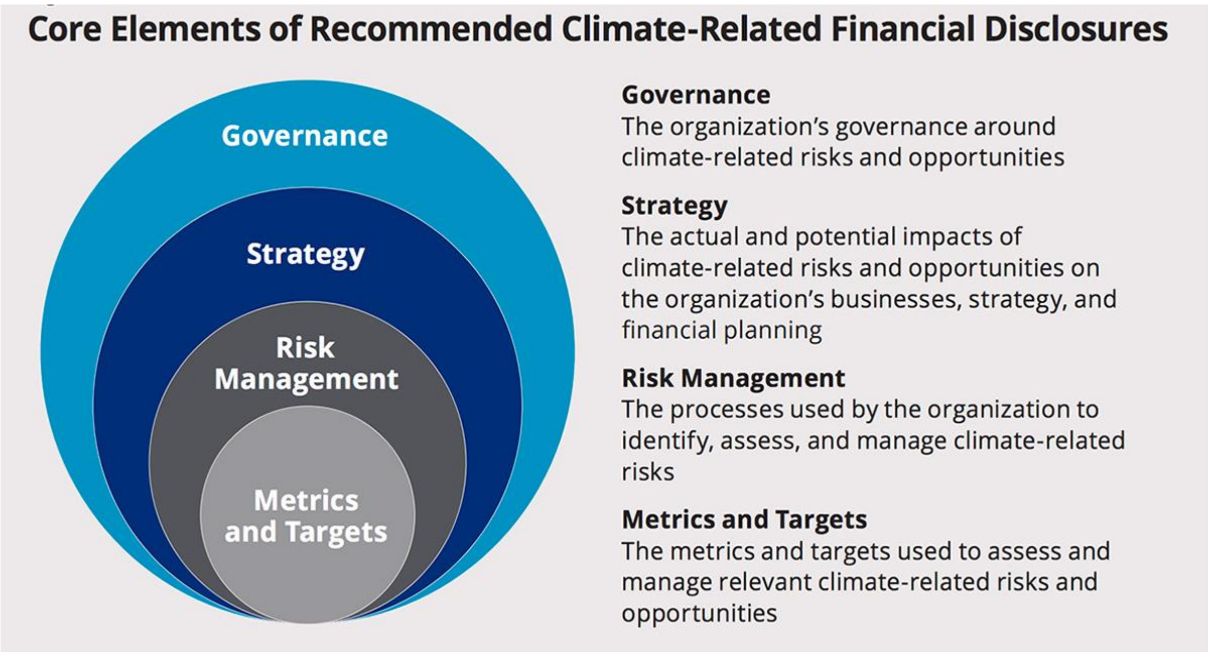
[14] https://www.gov.uk/government/publications/green-finance-strategy
[15] https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

will prepare them for growing future expectations around the provision of climate-related information, and ensure they remain competitive internationally in this regard.

The recommendations of the Task Force on Climate-related Financial Disclosure as a framework

The Task Force on Climate-related Financial Disclosures (TCFD) is an industry-led initiative which seeks to develop recommendations for climate-related financial disclosures. In 2017, the TCFD launched their recommendations, which set out how companies of any size, and in any sector or geography, could better manage and disclose their climate-related financial risks. The recommendations of the TCFD have fast become the industry standard, supported by more than 1,440 organisations, representing a market capitalisation of over $12.6 trillion (as of September 2020)[16]. TCFD is supported by Governments including the UK, Canada, Chile, Denmark, France, New Zealand, Sweden, Government Ministries in Australia, Belgium, Japan and South Korea, and numerous exchanges internationally, including the London Stock Exchange, NASDAQ, Deutsche Börse and Hong Kong Exchanges[17].

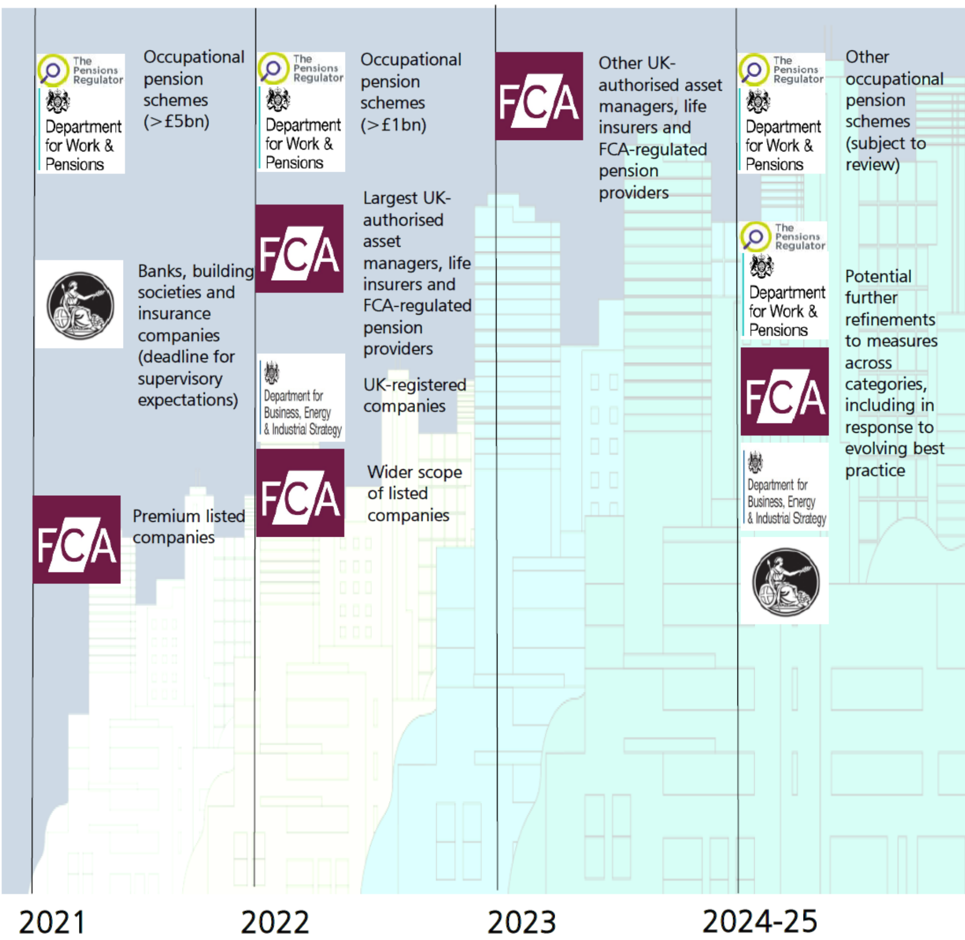
The TCFD recommendations are structured around four pillars: Governance, Strategy, Risk Management and Metrics & Targets[18]. The recommendations provide a clear framework for organisations to better understand and ultimately disclose their exposure to physical and transition risks, and how they plan to address that exposure. Given the relatively widespread use of the TCFD framework in voluntary disclosures, and the proven ability for the framework to drive meaningful disclosure, we have aligned our proposals to these recommendations.



[16] www.fsb.org/wp-content/uploads/P291020-1.pdf
[17] https://www.fsb-tcfd.org/supporters/
[18] https://www.fsb-tcfd.org/recommendations/

Government action on climate-related financial disclosures to date

In our 2019 Green Finance Strategy, the UK Government set out our expectation that all listed companies and large asset owners would disclose in line with the TCFD recommendations by 2022. To deliver this expectation, we established a joint taskforce with UK regulators, chaired by Government, which sought to examine the most effective way to approach disclosure, including exploring the appropriateness of mandatory reporting. The Government and regulators have concluded that in order to accelerate progress on climate risk disclosures, the UK will move towards mandatory TCFD-aligned disclosures across major segments of the UK economy by 2025, with a significant portion of requirements to be introduced by 2023. This will make the UK the first G20 country to make TCFD-aligned disclosures mandatory across the economy, further cementing our position as a world-leader in this regard. This consultation sets out how the Department for Business, Energy and Industrial Strategy (BEIS) plans to legislate, through the Companies Act 2006 and other relevant powers, for certain companies and LLPs to disclose TCFD-aligned climate-related information. These plans will complement work being undertaken by both other Government Departments and financial regulators, as set out below[19]:



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[19] https://www.gov.uk/government/publications/uk-joint-regulator-and-government-tcfd-taskforce-interim-report-and-roadmap

Taken together, the output of these measures will ensure that more timely, comparable and transparent information about the climate-related financial risks companies face is disclosed to investors and other stakeholders.

Why Government has chosen further regulatory action

Whilst companies, financial institutions and Governments globally have expressed a great deal of support for the private sector led, voluntary TCFD framework, levels of disclosure overall are low, and many companies are often not disclosing against all four pillars of the TCFD recommendations. For example, the percentage of companies disclosing under the 'Strategy' pillar is significantly lower than that of any other recommended disclosures. Additionally, information is four times more likely to be disclosed in sustainability reports than in financial filings or annual reports, as is recommended by the TCFD[20]. An increase in the quality and quantity of TCFD disclosures is needed. Financial markets only work if they are consistently supplied with timely, comparable and transparent information and data, something which regulatory action to require relevant disclosures can support. The proposals set out in this consultation paper aim to ensure that all UK companies and LLPs above certain thresholds give due consideration to climate change in risk assessment and decision making while providing a good level of disclosure to financial markets.

How these proposals align with action by other UK Government departments and regulators

BEIS' action in this space is part of a coordinated effort across a number of Government departments and regulators. There are a number of actions that have already been taken which interact with our proposals. The Financial Conduct Authority (FCA) have introduced a new listing rule and guidance which requires commercial companies with a UK premium listing[21] to include a compliance statement in their annual financial report, stating whether they have made disclosures consistent with the recommendations of the Task Force on Climate-related Financial Disclosures or providing an explanation if they have not done so. This rule applies for accounting periods beginning on or after 1 January 2021. The first annual financial reports subject to this rule will be published in spring 2022[22]. Our proposed rules are complementary to the FCA's, with the FCA requiring disclosures in line with the four pillars and 11 recommended disclosures of the TCFD. This represents a tiering between premium listed companies and those subject to proposed BEIS requirements. We will continue to work closely with the FCA and the Financial Reporting Council (FRC) to ensure that our respective requirements and monitoring and enforcement capabilities operate in a coherent and complementary way.

[20] https://www.fsb.org/2020/10/2020-status-report-task-force-on-climate-related-financial-disclosures/

[21] The FCA have committed to consulting on expanding these requirements to issuers of standard shares (excluding listed funds)

[22] https://www.fca.org.uk/publications/policy-statements/ps20-17-proposals-enhance-climate-related-disclosures-listed-issuers-and-clarification-existing

BEIS has recently issued a consultation document in respect of Restoring Trust in Audit and Corporate Governance[23]. The proposals in that consultation document include extending the definition of Public Interest Entities, a proposal to introduce a mandatory resilience statement and it asks whether the resilience statement could be used as a vehicle for climate-related financial disclosures in the future. While timing of those reforms and implementation of the proposals set out in this document may differ, we think that the approach to climate-related financial disclosures should be consistent with that envisaged by the wider reform work.

Our proposals will also support financial institutions subject to increasing legislative and regulatory expectations, by facilitating the supply of information throughout the investment chain. Parliament has recently passed the Department for Work and Pensions (DWP) Pension Schemes Act (2021)[24] that gives it the power to require Occupational Pension Schemes to make climate-related disclosures. DWP issued a consultation in August 2020, proposing a phased implementation of mandatory obligations, beginning with the largest schemes, from 2022. DWP have subsequently issued a further consultation in January 2021[25] that contains and consults on the draft legislation and draft statutory guidance that would enact the government's policy proposals. These have been produced in light of the outcome of the August policy consultation. Additionally, banks, building societies and insurance companies are subject to a Supervisory Statement on climate-related financial risks, published in 2019, by the Bank of England's Prudential Regulation Authority (PRA). The PRA provided further guidance in a "Dear CEO" Letter, issued in July 2020. The PRA will assess the need for further measures in 2022. In both instances, our proposals will support the financial institutions in question.

We are also conscious of the interactions with the Streamlined Energy and Carbon Reporting (SECR) framework, which requires large UK companies and large LLPs to make disclosures on energy use and emissions in their Annual Reports. The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 came into force on 1 April 2019 and apply to financial years which started on or after 1 April 2019. The 2018 Regulations introduced new obligations for what must be included in the Directors' Report for quoted and large unquoted companies as well as placing an obligation on large LLPs to prepare a new reporting format ('the Energy and Carbon Report'). We are therefore seeking views on how best to simplify the interaction of the proposed TCFD requirements with the SECR obligations, including ways in which the SECR obligations may be changed to make them more effective.

Other UK Government work to green the financial system

Government Disclosure

Government and our key delivery partners have been leading by example with regards to climate-related financial disclosures. In their 2020-2024 business plan, UK Export Finance have committed to disclosing in line with the TCFD recommendations as soon as practicable

[23] https://www.gov.uk/government/news/business-secretary-launches-major-overhaul-of-uks-audit-regime-in-wake-of-big-name-company-collapses
[24] https://www.legislation.gov.uk/ukpga/2021/1/contents/enacted/data.html
[25] https://www.gov.uk/government/consultations/taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes-response-and-consultation-on-regulations

after financial year 20/21[26]. Similarly, CDC, the UK Government's development investment arm, has aligned their climate change strategy with the four pillars of TCFD[27]. Finally, the Bank of England published their first climate-related financial disclosure in 2020, which addressed all four pillars of the TCFD recommendations[28].

UK Green Taxonomy

In a speech in November 2020, the Chancellor announced that the UK will implement a green taxonomy – a common framework for determining which economic activities can be defined as environmentally sustainable. The UK taxonomy will provide a framework to enable financial institutions to assess the impact and performance of companies with respect to environmental objectives. This will facilitate the flow of capital to low-carbon companies and projects, accelerating the low-carbon transition. Implementing a green taxonomy will also strengthen the UK's expertise and position as a leading green finance centre.

The UK will be launching a UK Green Technical Advisory Group in 2021 to review the Technical Screening Criteria of the taxonomy and advise Government on an ongoing basis on any improvements or additions that could be made to the taxonomy to better facilitate the UKs environmental goals. We will announce further information on the composition and mandate of the expert group, in due course. The UK Government has also joined the International Platform on Sustainable Finance[29] to influence, support and benefit from the development of common international standards on taxonomies. Given the potential complementary nature of the work outlined in this consultation on climate-related financial disclosures, and work on the development of a UK green taxonomy, Government will continue to align work in these areas where suitable and will seek to align obligations where possible.

Data

The data and analytics that companies and financial institutions are able to access will be important in determining their ability to properly measure, manage and ultimately disclose their own climate-related financial risks. Government is committed to supporting stakeholders in their ability access data and has invested £10m to launch the UK Centre for Greening Finance and Investment (CGFI)[30]. The Oxford University led centre will provide world-class data and analytics to financial institutions such as banks, lenders, investors and insurers around the world to better support their analysis of climate and environmental risks and opportunities.

The international picture

For many financial institutions, their investments, loans, and operations are diversified across many countries and jurisdictions. As such, it will be desirable for greater adoption of mandatory

[26] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/899097/uk-export-finance-business-plan-2020-2024.pdf
[27] https://www.cdcgroup.com/en/climate-change-strategy/
[28] https://www.bankofengland.co.uk/prudential-regulation/publication/2020/climate-related-financial-disclosure-2019-20
[29] https://www.gov.uk/government/publications/green-finance-uk-joins-the-international-platform-on-sustainable-finance-ipsf
[30] https://www.gov.uk/government/news/leeds-and-london-set-to-become-global-centres-of-green-finance

climate-related financial disclosures internationally. The UK is leading in this area by publishing a pathway to mandatory disclosure. We will use our Presidencies of the G7 and COP26 to further the agenda internationally by encouraging other countries to publish their own pathways to mandatory climate-related financial disclosure requirements and support them on their journey.

In addition to the work the UK Government directly undertakes, we see the benefits of further international alignment on the standards used by companies. As previously mentioned, the more comparable the information disclosed to markets is, the more decision-useful it can be for investors and other stakeholders. The development of international standards will be complementary to our proposals and will help to deliver further international consistency and comparability of disclosures. As such, the UK Government and Regulators Taskforce released a joint statement[31], supporting the International Financial Reporting Standards (IFRS) Foundation's proposal to create a new, global Sustainability Standards Board, as well as complementary work underway on harmonisation by an alliance of voluntary standard-setting organisations co-ordinated by the Impact Management Project. Current proposals are for IFRS Trustees to produce a definitive proposal (including a road map with timeline) by the end of September 2021, possibly leading to an announcement on the establishment of a sustainability standards board at COP26[32]. UK Government will follow these developments closely and seek to align where appropriate.

[31] https://www.gov.uk/government/publications/joint-statement-of-support-for-ifrs-foundation-consultation-on-sustainability-reporting
[32] https://www.ifrs.org/news-and-events/2021/02/trustees-announce-next-steps-in-response-to-broad-demand-for-global-sustainability-standards/

Chapter 2: Detailed proposals

Summary of proposals for companies and LLPs

Our stated objective is to increase the quantity and quality of climate-related financial disclosures in a proportionate manner. This is both to ensure market participants have sufficient information to smooth the transition to net zero, but also to facilitate the process that companies need to go through to recognise climate change as an important risk and opportunity to their business as a whole. Our proposals to achieve these objectives are set out in detail in this chapter, with key questions on which we are seeking feedback set out under each section and on page 31.

In summary, our proposals for companies and LLPs are for:

- **Scope**: For the following entities to be within scope for the disclosure requirements proposed in this document:
    - All UK 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[33], banking companies or insurance companies (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.
    - LLPs which have more than 500 employees and a turnover of more than £500m.
- **Mechanism**: For changes to be implemented through a Statutory Instrument, using powers under the Companies Act 2006, and powers under the Limited Liability Partnerships Act 2000.
- **Location of disclosures**: Companies will be required to report climate-related financial information in the non-financial information statement which forms part of the Strategic Report. LLPs will be required to report climate-related financial information in either the non-financial information statement which forms part of their Strategic Report or the Energy and Carbon Report which forms part of their Annual Report.
- **Disclosure requirements on companies and LLPs**: To require companies and LLPs to disclose climate-related financial information in line with the four overarching pillars of the TCFD recommendations on a mandatory basis (Governance, Strategy, Risk Management, Metrics & Targets).
- **Timing**: Regulations are to be made by the end of 2021, with regulations coming into force on the Common Commencement Date of 6th April 2022, and to be applicable for accounting periods starting on or after that date.

[33] UK regulated market as defined in section 1173 CA 2006

- **Guidance**: Non-binding Q&A will be produced to support companies in their application of these requirements.

Proposed Scope

Our proposals are for the following entities to be within scope of the disclosure requirements proposed in this document:

- All UK 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[34], banking companies or insurance companies (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.
- LLPs which have more than 500 employees and a turnover of more than £500m.

Justification of scope

Companies that are Public Interest Entities (PIEs) that have more than 500 employees are already required to demonstrate a high level of transparency in respect of principal risks and opportunities, including those risks and opportunities that are climate-related. This is because environmental matters are one of the specified categories of disclosure in S414CB. These companies are already required to produce a non-financial information statement under section 414CA and all companies that are required to produce a non-financial information statement will be required to report under these proposals. We note that, for traded companies in-scope, there is a broader incentive to ensure public markets are provided with sufficient information and data.

We recognise that economically and/or environmentally significant companies are not limited to those entities with securities admitted to trading on a regulated market and therefore we intend to extend the scope of the regulations to companies above certain size thresholds which do not meet the definition of a traded company. These additional entities include UK registered companies with securities admitted to trading on AIM, privately owned companies and LLPs. Economically significant companies such as these continue to have a material impact on our environment as well as an exposure to climate risk, and as such we believe that it is important for their climate-related financial risks to be assessed, understood and ultimately disclosed. We also want to avoid significant disparity between requirements on UK headquartered companies with securities admitted to trading and those that are private.

We are mindful of the current complexity of scope issues which already affects many elements of the Strategic Report. Section 414CA of the Act already requires entities which meet the current definition of Public Interest Entities (PIEs) and which have more than 500 employees to

[34] UK regulated market as defined in section 1173 CA 2006

produce a non-financial information statement. We believe that using the existing scope of companies that are required to produce a non-financial statement and expanding the scope of companies captured under these proposals to include relevant large companies that are not PIEs strikes an appropriate balance between not adding to the existing scope complexity, but also ensuring that relevant large companies are brought into scope[35]. We propose to align the thresholds for LLPs with those of private companies to ensure a simple and proportionate approach.

Size thresholds

In all categories of entity caught by these proposals, we propose to include a size threshold of some description. We believe this is in line with our stated objective to ensure climate-related financial disclosures are brought into law in a proportionate manner. It is likely that, within industries, the larger the company or LLP, the greater their potential impact on the environment and subsequent climate risk. Larger companies will also be more interconnected with other companies and stakeholders, and so ensuring their climate risk is well understood and disclosed will be important to avoid the build-up of systemic risk. Requiring the largest and most well-resourced companies to provide climate related financial disclosures first will also allow time for the development of capabilities and industry best-practice.

We believe that this approach strikes an appropriate balance between requiring companies to go through the important process of considering climate change risks and opportunities, and the reporting burden arising from these requirements. It is important to recognise that UK companies which are premium listed commercial companies will also be subject to the comply or explain rules of the FCA in respect of four pillars and 11 recommended disclosures of the TCFD, thereby creating a tiered approach to disclosure requirements. The FCA will also soon be consulting on expanding these rules to issuers of standard shares (excluding listed funds). This complementary Listing Rule recognises the FCA's role as a securities regulator in underpinning transparency of public markets in accordance with its market integrity objective.

We propose that no company with less than 500 employees will be brought into scope of the disclosure requirements proposed in this document. Sections 414CA (5) and (6) set out how the aggregate number of employees will be calculated both when the company is a standalone company or the parent of a group of companies. For companies that are not PIEs, or do not have transferable securities admitted to trading on AIM, a further size threshold will apply. In these cases, we propose an additional scope threshold be applied that annualised turnover must exceed £500 million. It is proposed that the usual definition of "turnover", which is set out

[35] The Independent Review of the Financial Reporting Council recommended that the Government should review the UK's definition of a PIE. The Government has welcomed the recommendation and has committed to consult on proposals in due course. This consultation is not intended to pre-empt the Government's proposals. However, we recognise that alignment of scopes and thresholds is important, and we will consider whether the scope of companies required to report against these climate change requirements should be aligned to the new PIE definition once as that definition is determined.

in section 474 Companies Act, will apply[36]. We do recognise that the 500-employee threshold is larger than the threshold used for SECR (which uses 250 employees as the employee threshold).

We propose to align climate-related financial reporting requirements with the reporting that is of greatest importance to investors, other finance providers and other stakeholders. In most cases this will be reporting at the group level on a consolidated basis and therefore we propose that climate-related reporting will also apply at this level on a consolidated basis and the scope thresholds should also apply on a consolidated basis. We also propose including a subsidiary exemption if a company's results and relevant climate-related disclosures are included in a consolidated report of a UK parent company.

QUESTION 1: Do you agree with our proposed scope for companies and LLPs?

QUESTION 2: Our proposed scope includes UK registered companies with securities admitted to AIM with more than 500 employees. Do you have any views on expanding this to include other unregulated markets and Multilateral Trading Facilities (MTFs)?

QUESTION 3: Do you agree with the proposal to require climate related financial disclosures for companies and LLPs at the group level?

Proposed mechanism

We propose that the provisions requiring companies and LLPs to report climate-related financial information will be implemented through secondary legislation. The proposed application in the case of companies and LLPs will be via a Statutory Instrument, using the Secretary of State's powers under the Companies Act 2006. The regulations would amend those sections of the Companies Act 2006 which set out the requirements for a company to produce a Strategic Report. Specifically, the regulations would seek to amend sections 414A to D and sections 414CA and CB which require certain companies to produce a non-financial information statement as part of their Strategic Report.

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[36] Defined as: "in relation to a company, means the amounts derived from the provision of goods and services falling within the company's ordinary activities, after deduction of:

(a) trade discounts,

(b) value added tax, and

(c) any other taxes based on the amounts so derived;"

The turnover test appears in various places in Part 15, including section 465 (companies qualifying as medium sized) and section 466 (companies qualifying as medium sized parent companies).

The Strategic Report already includes a number of disclosures relating to environmental matters, of which climate-related matters are an important subset. It is also where a company includes information about its strategy, business model, risks and key performance indicators, or metrics. The non-financial information statement, within the Strategic Report, includes information on matters which are non-financial in nature, but which can pose financial risks to the company. The non-financial information statement already includes some environmental information, and these proposals expand the required disclosures and provide an explicit requirement to consider climate change. There are clear overlaps and synergies between the disclosures which are already required in the Strategic Report and those which we are proposing to introduce.

With regards to the Strategic Report, the provisions which apply to LLPs are slightly different from those which apply to companies. Under the 2008 Regulations, only those LLPs which are traded LLPs or banking LLPs are required to produce a Strategic Report. Large LLPs are, however, required to produce an energy and carbon report under SECR, which forms part of their Annual Report. As such, the question arises as to whether the Strategic Report or Energy and Carbon Report would be the more suitable place for this information, on which we would welcome feedback (see questions below)[37].

The regulations will require companies and LLPs in scope to disclose climate-related financial information in line with the four pillars of the TCFD recommendations - Governance, Strategy, Risk Management and Metrics and Targets relating to climate risks and opportunities. This approach will provide the structure required to deliver comparable and decision-useful information, whilst still allowing an appropriate level of flexibility as to the detail of such disclosures. This approach is consistent with the existing requirements in the Strategic Report.

The regulations themselves will not require or prescribe the disclosure of climate-related financial information in line with the 11 more detailed TCFD recommendations, as we believe that some of the recommendations are at a level of granularity that would be inconsistent with current legislative requirements in the Strategic Report. Companies which also have a premium listing will be required by the FCA Listing Rules to report against the 11 detailed recommendations on a comply or explain basis. We believe that this provides a proportionate approach which recognises the greater resources and expertise that listed companies generally have access to, while still making a significant improvement to the reporting of the non-listed companies within scope. Non-binding Q&A will be published alongside the regulations to help companies to understand what it would be appropriate to disclose under each of the four pillars. More information and our questions can be found in the 'Proposed Obligations' section below.

Interaction with international standards

Additionally, we note the prospects that a new standard setter for non-financial standards may be set up within the IFRS Foundation structure. Given the growing and urgent demand, the

[37] The LLP requirements in connection with annual accounts, strategic report and the Energy and Carbon Report are set out in the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 SI 2008/1911 which modify the relevant provisions of the Companies Act in their application to LLPs

intention would be for IFRS Trustees to produce a definitive proposal (including a road map with timeline) by the end of September 2021, and possibly leading to an announcement on the establishment of a sustainability standards board at COP26[38]. We believe that it is important and preferable that climate change reporting is ultimately done against international standards and are mindful that legislative requirements that we bring in now should not hinder our ability to subsequently align with international standards for use in the UK if appropriate. We believe that the four pillar approach creates an appropriate balance between improving company reporting in this important area now and minimising the likelihood of needing further significant legislative changes if international standards are adopted. In addition, in introducing the legislative requirements at the four pillar level we would balance our aim of improving the availability of timely, comparable and transparent information relating to the impact of climate change on companies, with a recognition that reporting capabilities and expertise in this area will need time to develop over time.

Proposed obligations

The Companies Act 2006 already contains requirements for a Strategic Report of a company to include information relating to Governance, Strategy, Risk Management and Metrics and Targets. On Strategy, we are aware that the requirement to disclose the business model only currently applies to listed companies and PIEs with more than 500 employees and the requirement to disclose strategy only applies listed companies. We believe that disclosure of current business model and strategy is an important element of providing a clear picture of a company or LLP's exposure to climate-related financial risk, how it plans to manage climate related risks and opportunities and how the business model and strategy is expected to change in the light of those climate related risks and opportunities. Therefore, we will expect all companies and LLPs within scope of these proposed regulations to disclose their current business model and strategy as it relates to climate change, together with how it is expected to change.

The new requirements will introduce specific reporting obligations to include reporting in these areas in light of the risks and opportunities posed by climate change. Reporting by companies is expected to be included in the non-financial information statement (or cross referenced into that statement). Reporting by LLPs may be in the energy and carbon report if a non-financial information statement is not required. We propose to require in scope companies and LLPs to provide disclosures relating to:

Governance

(a) a description of the governance arrangements in place to identify and manage risks and opportunities arising from climate change;

38 https://www.ifrs.org/news-and-events/2021/02/trustees-announce-next-steps-in-response-to-broad-demand-for-global-sustainability-standards/

(i) who has operational responsibility for climate change, including the experience of that executive or committee; and

(ii) if the company has an audit committee, whether climate change is a matter considered by the company's audit committee

Strategy

(b) a brief description of the company's business model and strategy (to the extent that the company is not already required to report such information),

(c) a description of how the company's business model and strategy may change in response to effects relating to climate change, and the trends and factors that affect this change.

Risk Management

(d) a description of the principal risks and principal opportunities, including material financial risks and opportunities, relating to transition risk, physical risk and regulatory risk arising from climate change which may affect the business and a description of how the company manages those areas of risk and opportunity including:

(i) a description of its business relationships, products and services which are likely to cause adverse impacts in those areas of risk, and

(ii) a description of how it manages the principal risks, and

(e) a description of the risk management policies pursued by the company in relation to climate change, any due diligence processes implemented by the company in pursuance of those policies and a description of the outcome of those policies

Metrics & Targets

(f) a description of the key performance indicators relevant to the entity's exposure to climate change risk and opportunity, and the targets set by the business for those key performance indicators.

(i) "key performance indicators" means factors by reference to which the development, performance or position of the company's business, or the impact of the company's activity, can be measured effectively.

Scenario analysis

Separately, we propose that scenario analysis will be encouraged but will not be required in a company or LLP's annual report and accounts. We recognise that this is one of the most challenging areas of the TCFD recommendations and while some companies are quickly developing capabilities in this area, there remains a significant skill and expertise gap for many companies. Where companies are already able to produce quantitative scenario analysis, we encourage those companies to continue to disclose their outputs to support the disclosures provided in the Strategic Report. We also note that such disclosures may be disclosed outside of the Annual Report.

Alignment with Streamlined Energy and Carbon Reporting

When consulting on SECR requirements in 2017, the Government was conscious of the need to limit administrative burdens on those businesses that were not subject to Mandatory Greenhouse House Reporting (MGHG), resulting in limited disclosures required from large unquoted companies and LLPs, who are required to disclose energy use data and related emissions from purchased electricity, combustion of gas and transport only. Another exemption was applied to corporate groups, requiring them to report only for those subsidiaries which would qualify for SECR reporting as a separate entity. Finally, while quoted companies are required to make SECR disclosures based on their global energy use and emissions, for large unquoted companies and LLPs, this is limited to UK only.

These exemptions, while helping some businesses limit the administrative burdens of complying with SECR, have also resulted in complexities for others, such as corporate groups that are made up of both quoted and unquoted entities; and for businesses where excluding process emissions, subsidiaries or global energy consumption from SECR requirements has created material gaps in energy use and emissions reporting, if businesses choose to comply with only the minimum requirements. Given that businesses in scope of TCFD disclosures may rely on data collection and reporting practices developed to meet their SECR requirements, we are seeking views on whether an amendment to the SECR regulations to align the SECR reporting requirements on quoted companies and large unquoted companies and LLPs would be beneficial. Alignment would help to bring consistency in annual report disclosures, as both TCFD and SECR reporting requirements would be based on all direct emissions (Scope 1 and 2) and could simplify procedures for businesses in scope of both schemes and for those in corporate groups made up of both quoted and unquoted companies. We would also welcome views on whether reporting of Scope 3 emissions under SECR should continue to be voluntary given the increased interest of stakeholders in indirect emissions, including supply chains.

Other disclosures

The Strategic Report only requires disclosure of information that is material to a company. If required climate-related financial disclosures are not made, we propose that the non-financial information statement must provide a clear and reasoned explanation for the omission. In this explanation the company or LLP must state why climate change is not expected to materially affect the company’s business model or strategy and provide a reasoned explanation of the basis on which it has come to this position.

QUESTION 4: Do you agree that the Strategic Report is the best place for the disclosure of climate-related financial information by companies?

QUESTION 5: Do you have views on whether LLPs should be required to disclose climate-related financial information in the Strategic Report (where applicable), or the Energy and Carbon Report?

QUESTION 6: Do you agree that requiring disclosure in line with the four pillars of the TCFD recommendations, rather than at the 11 recommendation level is suitable?

QUESTION 7: Do you agree that information provided in line with the obligations set out above would provide investors, regulators and other stakeholders with sufficient information to assess the climate-related risks and opportunities facing a company or financial institution?

QUESTION 8: Do you agree with our proposal that scenario analysis will not be required within a company or LLP's annual report and accounts?

QUESTION 9: Would alignment of the scope for climate-related financial disclosures and SECR requirements, such that large unquoted companies and LLPs would be subject to the same reporting requirements under SECR as quoted companies, aid reporting of climate related financial disclosures and simplify reporting procedures? Do you have any views on the continuation of voluntary Scope 3 emissions reporting under SECR requirements?

QUESTION 10: Do you have comments on the proposal to permit non-disclosure if the information is not material and the reasons why climate change is not material are properly explained?

Proposed Timing

Subject to consultation, and Parliamentary approval, the Statutory Instrument will be made in 2021. As a result, the rules would come into force on the Common Commencement Date of 6th April 2022. Accounting periods starting on or after 6 April 2022 will need to be compliant with these regulations.

QUESTION 11: Do you have comments on the proposed timing for these regulations coming in to force?

Proposed guidance

It is proposed that BEIS will produce non-mandatory Q&As to support companies and LLPs in their application of these requirements.

Chapter 3: Enforcement, Penalties and Impacts

Proposed Duties and Enforcement

The duty to prepare a strategic report for each financial year is imposed on the directors of certain companies and on the members of certain LLPs by section 414A of the Companies Act 2006. For certain companies and LLPs, the strategic report must include a non-financial information statement (section 414CA) or, in the case of LLPs, a description of the principal risks and uncertainties facing the LLP (modified section 414C). We propose that for those companies identified in the 'Scope' section of this consultation, the non-financial information statement should include the new climate-related financial disclosures. In the case of relevant LLPs, the climate-related financial disclosures should be set out in the strategic report or in the energy and carbon report.

The Companies Act and the relevant LLP Regulations already contain general enforcement provisions which deal with a failure to prepare or file the relevant report. In addition, a director of a company or a member of an LLP is liable to compensate the company or LLP for any loss suffered as a result of any untrue or misleading statement in the strategic report or the energy and carbon report. This only applies if the director or member knew that the statement to be untrue or misleading or was reckless whether it was untrue or misleading. Further, if it appears to the Secretary of State or the FRC that the reports do not comply with the requirements of the CA 2006, then the Secretary of State or the FRC may apply to the court for an order requiring the preparation of revised accounts and/or reports. The existing provisions will apply to the new duties in connection with climate-related financial disclosures because the new duties will form part of the strategic report or the energy and carbon report. As a result, we do not propose, at this stage, to introduce new monitoring or enforcement powers.

QUESTION 12: Do you have any comments regarding the existing enforcement provisions for companies and the BEIS proposal not to impose further provisions?

QUESTION 13: Do you have any comments regarding duties and enforcement provisions for LLPs?

The role of auditors

Auditors play a key role in the production and assurance of financial statements. They audit the financial statements and perform other procedures on other parts of the annual report. They report various matters about the audit to the company's audit committee. And they report on the financial statements to shareholders; thus, playing a key role in enabling and informing the effective stewardship of companies by their shareholders. As set out above, our proposals are to require climate-related financial disclosures be situated in the annual report. As such, auditors will be required to obtain an understanding of the legal and regulatory requirements applicable to the entity and how the entity is complying with those legal and regulatory requirements.

Auditors are then required to consider whether there is a material inconsistency between the other information and the financial statements. They are required to consider whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit, in the context of audit evidence obtained and conclusions reached in the audit; and to consider whether the statutory other information appears to be materially misstated in the context of the auditor's understanding of the legal and regulatory requirements applicable to the statutory other information. When climate-related risks are financially material for a company, auditors should consider whether and how these should be reflected in a company's financial statements.

It is not our intention here to alter the role of auditors in relation to climate-related financial disclosures. The Government's programme of corporate governance and audit reform (which follows on from a CMA review of the statutory audit market and recommendations of the independent reviews of the FRC and of the quality and effectiveness of audit) is expected to strengthen and broaden the FRC's powers and focus as it is transformed into a new regulatory body called the Audit, Reporting and Governance Authority (ARGA). We will continue to follow developments in this area closely to ensure alignment where necessary.

QUESTION 14: Do you have any comments on the responsibilities of auditors in relation to climate-related financial disclosures?

The roles of the FRC and FCA

The proposed requirements will be monitored and regulated by the FRC. The FRC's Conduct Committee is an authorised body under section 457 Companies Act 2006 for the purposes of section 456 of the 2006 Act, and the FRC has a role to ensure that the provision of financial information (including directors' reports) by public and large private companies complies with Companies Act requirements. In other matters, the FRC challenges companies where they have concerns with accounts and report on their findings.

The Financial Conduct Authority (FCA), which already had Transparency rules covering the financial statements of companies with securities admitted to regulated markets in the UK, including regarding their compliance with applicable financial reporting framework and the content of the management report, has put in place a new 'comply or explain' rule in the FCA's Listing Rules[39], referencing the TCFD's recommendations. This new rule is a separate but complementary rule to the proposals in this document. The Listing Rule requires commercial companies with a UK premium listing to include a compliance statement in the annual report stating whether they have made disclosures consistent with the TCFD's recommendations and recommended disclosures in their Annual Report or providing an explanation if they have not done so.

The FCA will be primarily responsible for the supervision and enforcement of the compliance statement included in the Annual Report of companies within scope of its new Listing Rule.

[39] https://www.fca.org.uk/publications/policy-statements/ps20-17-proposals-enhance-climate-related-disclosures-listed-issuers-and-clarification-existing

This will include monitoring of companies' underlying disclosures and the extent to which they are consistent with the TCFD's recommendations and recommended disclosures.

The FRC will be primarily responsible for monitoring and enforcement of the Companies Act provisions proposed in this consultation. Information disclosed outside the Annual Report and reporting by in-scope listed companies that are headquartered overseas (around 10% of premium listings) falls within the FCA's remit. In this context, it is important that the two regulators operate a joined up and consistent approach to monitoring and enforcement of these requirements.

QUESTION 15: Do you have any comments regarding the proposed enforcement of our disclosure requirements?

Impacts

A draft impact assessment estimating the direct and indirect financial impacts on business, as well as discussing the potential benefits to others (for example, their counterparties or the society in general from an efficient allocation of capital) has been published alongside this consultation. We would welcome any evidenced comments on the impact assessment.

Future Impacts

As set out in the TCFD Taskforce Interim Report[40], BEIS will review the case for expanding the scope of the regulations in 2023.

[40] https://www.gov.uk/government/publications/uk-joint-regulator-and-government-tcfd-taskforce-interim-report-and-roadmap

Devolved Administrations

This policy will apply in Scotland and Wales automatically. Company law is a transferred matter for Northern Ireland under section 4 of the Northern Ireland Act 1998. By convention, the UK government has made changes to the Companies Act on a UK-wide basis with the consent of NI Ministers. The intention is for this legislation to apply on behalf of the whole of the UK. Correspondence has been sent to seek consent. We are keen to ensure a UK-wide approach is achieved so the benefits of wider climate-related financial disclosures can be felt equally across the Union.

Protected groups and other Comments

Government is required under the Equalities Act 2010 to have due regard to the needs of people with protected characteristics[41]. As part of this consultation, we are seeking any views and evidence of the impact of our proposals on protected groups, and how any negative effects may be mitigated. We also welcome any other comments respondents may wish to offer about the proposals in this document which are not specifically consulted on elsewhere.

QUESTION 16: Do you have any comments regarding the impact of our proposals on protected groups and/or how any negative effects may be mitigated?

QUESTION 17: Do you have any further comments about our proposals?

[41] Set out in section 4 of the Equality Act 2010.

Chapter 4: Consultation questions

QUESTION 1: Do you agree with our proposed scope for companies and LLPs?

QUESTION 2: Our proposed scope includes UK registered companies with securities admitted to AIM with more than 500 employees. Do you have any views on expanding this to include other unregulated markets and Multilateral Trading Facilities (MTFs)?

QUESTION 3: Do you agree with the proposal to require climate related financial disclosures for companies and LLPs at the group level?

QUESTION 4: Do you agree that the Strategic Report is the best place for the disclosure of climate-related financial information by companies?

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QUESTION 6: Do you agree that requiring disclosure in line with the four pillars of the TCFD recommendations, rather than at the 11 recommendation level is suitable?

QUESTION 7: Do you agree that information provided in line with the obligations set out above would provide investors, regulators and other stakeholders with sufficient information to assess the climate-related risks and opportunities facing a company or financial institution?

QUESTION 8: Do you agree with our proposal that scenario analysis will not be required within a company or LLP's annual report and accounts?

QUESTION 9: Would alignment of the scope for climate-related financial disclosures and SECR requirements, such that large unquoted companies and LLPs would be subject to the same reporting requirements under SECR as quoted companies, aid reporting of climate related financial disclosures and simplify reporting procedures? Do you have any views on the continuation of voluntary Scope 3 emissions reporting under SECR requirements?

QUESTION 10: Do you have comments on the proposed qualification to a company's duty to make climate-related financial disclosures for companies?

QUESTION 11: Do you have comments on the proposed timing for these regulations coming in to force?

QUESTION 12: Do you have any comments regarding the existing enforcement provisions and the BEIS proposal not to impose further provisions?

QUESTION 13: Do you have any comments regarding duties and enforcements for LLPs?

QUESTION 14: Do you have any comments on the responsibilities of auditors in relation to climate-related financial disclosures?

QUESTION 15: Do you have any comments regarding the proposed enforcement of our disclosure requirements?

QUESTION 16: Do you have any comments regarding the impact of our proposals on protected groups and/or how any negative effects may be mitigated?

QUESTION 17: Do you have any further comments about our proposals?

This consultation is available from: https://www.gov.uk/government/consultations/mandatory-climate-related-financial-disclosures-by-publicly-quoted-companies-large-private-companies-and-llps

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