

FCA Has Extended the Rule on Listed Companies' Climate-Related Financial Disclosure Standards

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What Disclosure is Required and When?

In summary, the disclosure rule requires listed commercial undertakings to include a statement in their annual financial report setting forth whether their climate-related disclosures are consistent with the Task Force on Climate-Related Financial Disclosures' (TCFD) recommendations and recommended disclosures.

Where this is not the case, issuers must explain the reasons for not disclosing the information and set out their plan to make TCFD-consistent disclosures in the future. Disclosures may be included in a document other than the annual financial report, provided that issuers explain the reason for including such disclosures in such alternative document and where such other document may be located.

Pursuant to the Requirements, the disclosures should include the following:

- An overview of the issuer's compliance with the recommendations and recommended disclosures set out by the TCFD.
- Where no disclosure is set out as contemplated by the Requirements, the reasons for not including such disclosures, including a timetable detailing steps being taken to ensure future disclosures are compliant with the Requirements.
- If some or all of the disclosures are made outside of the company's annual financial report, an explanation of why.

- Clear indication of where in the annual financial report or other document the required disclosures are.

This rule takes effect for accounting periods that begin on or after January 1, 2022. The proposals regarding the extension of the disclosure rule was discussed in a previous Speaking Sustainability posts.²

Evolving Guidance

The FCA has provided guidance³ to assist issuers to determine whether their disclosures are sufficient. The FCA also has encouraged listed companies to consider Sustainability Accounting Standards Board (SASB) metrics when making these TCFD-aligned disclosures. SASB metrics are tailored specifically to different industries, and aim to assist with the disclosure of sustainability information to investors.

The FCA's Primary Market Technical Note published on February 25, 2022, provides further guidance and that the rules require issuers who are subject to the Requirements to explain, in plain and unambiguous language, why they have not complied with the Requirements, as well as disclosures setting forth a detailed timetable and plan to enable stakeholders to understand how the issuer intends to comply with the Requirements in the future.

The Technical Note also makes it clear that while a listed company may seek the views of third parties (e.g., external auditor and other advisors), the obligation in respect to climate-related financial disclosures is on the listed company using its knowledge of its actual and expected activities, operating environment and exposure to physical and transition risks. Such disclosures will need to include sufficient, company-specific information to support decision-making by investors.

In addition, the TCFD continues to publish updated advice, such as [guidance on metrics, targets and transition plans](#) and an updated [implementation annex](#). In October 2021, the TCFD released its [2021 Status Report](#) and, as discussed above, some additional guidance for issuers. The Status Report and guidance are relevant to issuers subject to the FCA's TCFD-aligned disclosure rules. For example, the guidance emphasizes the need for the publication of transition plans that address how low-carbon emissions are to be achieved. A cross-industry metric has also been implemented, to enable comparison, and therefore consistency, between adherents in different sectors.

Akin Gump will continue to monitor developments with respect to the Requirements and will publish additional information as and when warranted.

¹ See LR 14.3.27R.

² See previous posts [here](#) and [here](#).

³ See LR 9.8.6BG to LR 9.8.6DG and LR 14.3.28G to LR 14.3.32G and Primary Market Technical Note 802.1 (Technical Note).

Categories

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