

# Environmental, Social and Governance Alert

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## UK Extends Mandatory TCFD Climate Disclosures Beyond Premium Listed Companies to All Large Companies and LLPs

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### TCFD Mandatory Disclosures

The UK Department for Business, Energy & Industrial Strategy (BEIS) has published a **Consultation** on requiring mandatory climate-related financial disclosures by large publicly quoted companies, private companies and LLPs.

The proposed regulations will require all large companies and LLPs to mandatorily disclose climate-related financial information in line with the following four overarching pillars of the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD):

- I. Governance
- II. Strategy
- III. Risk Management
- IV. Metrics and Targets.

The Consultation follows shortly from the Financial Conduct Authority introducing a new **Listing Rule** requiring premium listed companies to disclose in line with the TCFD Recommendations for accounting periods beginning on or after 1 January 2021 (first reports anticipated in spring of 2022).

Significantly, the BEIS proposal will not require the disclosure of climate-related financial information across the 11 more detailed TCFD Recommendations that support the four overarching pillars. By contrast, the new Listing Rule requires premium listed companies to report against all 11 detailed TCFD Recommendations on a comply or explain basis, in effect creating a hierarchy of climate disclosure standards between premium listed companies and those subject to the new proposed BEIS requirements.

In another departure from the full requirements of the TCFD Recommendations, scenario analysis will be encouraged but will not be mandatory.

### Contact Information

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BEIS is also seeking feedback on whether aligning the Streamlined Energy and Carbon Reporting (SECR) reporting requirements for quoted companies (required to report on a global basis) and unquoted companies (required to report on a UK basis only) would be beneficial in light of the new proposed TCFD disclosure requirements, as in scope companies and LLPs may rely on data collection and reporting practices that were developed to meet their SECR requirements.

## In-Scope Entities

Companies and LLPs within the scope of the new rules are:

- All UK companies that have more than 500 employees and have transferable securities admitted to trading on a UK regulated market, banking companies or insurance companies (“Relevant Public Interest Entities” (PIEs)).
- AIM listed UK registered companies with more than 500 employees.
- UK registered companies that are not included in the above categories, which have more than 500 employees and a turnover of more than £500 million.
- LLPs that have more than 500 employees and a turnover of more than £500 million.

## Where to Disclose

Companies will be required to report climate-related financial information in the non-financial information statement that forms part of their Strategic Report. The non-financial information statement already includes some environmental information, but these proposals expand the required disclosures and provide an explicit requirement to consider climate change.

LLPs will be required to report climate-related financial information in the non-financial information statement that forms part of their Strategic Report, or the Energy and Carbon Report that forms part of their Annual Report.

## Timing

The Consultation is open until 5 May 2021. The regulations are expected to be finalised by the end of 2021 with a 6 April 2022 commencement date, and to become applicable for accounting periods starting on or after that date.

## What This Means for You

Companies and LLPs will need to assess whether they will be subject to this new disclosure requirement and whether their climate related data gathering and reporting systems are aligned with TCFD. Work on this, including any potential response to the consultation, should begin right away.

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