

Chapter 2

Disclosure of climate related financial information

2.1 Preparation of climate-related reports

Application

- 2.1.1 **R** (1) A *firm* (excluding an *OPS firm*) must prepare and publish its *TCFD entity report* and any *public TCFD product reports* by 30 June of each calendar year.
- (2) If a *firm* (including an *OPS firm*) receives a request for *on-demand TCFD information* from a *person* who is entitled to make such request under ■ ESG 2.3.5R, it must prepare and provide the *on-demand TCFD information* to the *person* within a reasonable period of time and in a format which the *firm*, acting reasonably, considers appropriate to meet the information needs of that *person*.

- 2.1.2 **R** (1) A *firm* must cover a reporting period of 12 *months* starting no earlier than 1 January of the previous calendar year in its *TCFD entity report*.
- (2) The reporting period in (1) may be changed by the *firm* in subsequent yearly reports, but the *firm* must ensure there is no period of time after 1 January 2022 which is not covered by its *TCFD entity report*, issuing an interim report if necessary.
- (3) A *firm* must adopt a calculation date within the 12-*month* reporting period covered by the *TCFD entity report* in calculating any metrics and targets either for inclusion in its *TCFD entity report* or its *TCFD product reports*.

Publication of climate-related reports

- 2.1.3 **R** A *firm* must take all reasonable steps to publish its *TCFD entity report* and its *public TCFD product reports* in a way that makes it easy for prospective readers to locate and access, including, as a minimum, by making the most recent of these reports available in a prominent place on the main website for the business of the *firm*.

- 2.1.4 **G** Prominence may be achieved by adding hyperlinks to the reports which are accessible via the landing page of the main website for the business of the *firm*.

Consistency with TCFD Recommendations and Recommended Disclosures when preparing climate-related reports

2.1.5 **R** A firm must ensure the climate-related financial disclosures in its *climate-related reports* are consistent with the *TCFD Recommendations and Recommended Disclosures*, unless otherwise specified by *rules* in this chapter.

2.1.6 **R** In complying with **■ ESG 2.1.5R**, a firm must take reasonable steps to ensure its climate-related financial disclosures also reflect the following materials, to the extent they are relevant to the *firm's climate-related reports*:

- (1) section C of the *TCFD Annex*, entitled "Guidance for All Sectors"; and, as applicable,
- (2) part 3, section D of the *TCFD Annex*, entitled "Asset Owners"; or
- (3) part 4, section D of the *TCFD Annex*, entitled "Asset Managers".

2.1.7 **G** The FCA considers that the following supplemental documents are also relevant in assessing whether climate-related financial disclosures are consistent with the *TCFD Recommendations and Recommended Disclosures*:

- (1) the *TCFD Final Report* and the *TCFD Annex* to the extent not already referred to in this chapter;
- (2) the *TCFD Technical Supplement*;
- (3) the *TCFD Guidance on Risk Management Integration and Disclosure*; and
- (4) the *TCFD Guidance on Metrics, Targets, and Transition Plans*.

Data considerations when preparing climate-related reports

2.1.8 **R** In satisfying its reporting and disclosure obligations under this chapter, a firm must, insofar as is reasonably practicable, use the most up to date information available.

2.1.9 **R** In preparing a *TCFD product report* or *underlying asset data*, a firm must select, from within the 12-month reporting period, the most recent calculation date for which up to date information is available.

2.1.10 **R** A firm must not disclose metrics or quantitative scenario analysis or examples where:

- (1) there are gaps in underlying data or methodological challenges; and
- (2) these data gaps or methodological challenges cannot be addressed using proxy data or assumptions without the resulting disclosure, in the reasonable opinion of the firm, being misleading.

2.1.11 **G** (1) The FCA expects a firm to make climate-related financial disclosures in its *climate-related reports* consistent with the *TCFD Recommendations*

and *Recommended Disclosures* using proxy data or assumptions to address gaps in underlying data and methodological challenges, as appropriate, and should only omit disclosures in accordance with ■ ESG 2.1.10R.

- (2) The *FCA* expects such gaps in underlying data and methodological challenges to be transitional and considers that such gaps and challenges are only likely to arise in relation to certain asset classes, such as asset-backed securities and currencies, and are likely to narrow over time.

2.1.12 **R** In addition, a *firm* must ensure its *climate-related report* includes an adequate explanation of:

- (1) any gaps in the underlying data relied upon to make climate-related financial disclosures consistent with the *TCFD Recommendations and Recommended Disclosures*;
- (2) how the *firm* has addressed these gaps, for example, by using proxy data or assumptions and briefly setting out any methodologies used in doing so, providing relevant contextual information and explaining any limitations of the approach;
- (3) any metrics or quantitative scenario analysis or examples that the *firm* has not been able to disclose, in accordance with ■ ESG 2.1.10R; and
- (4) in respect of (3),
 - (a) the gaps in underlying data or methodological challenges that have resulted in the *firm* being unable to make the relevant disclosure;
 - (b) why the *firm* has not been able to address those gaps or challenges using proxy data or assumptions; and
 - (c) what steps the *firm* will take to address those gaps or challenges in the future.

2.1.13 **G** In addition, a *firm* may include in its *climate-related report* an explanation of the proportion of each *TCFD product* for which data are verified, reported, estimated or unavailable.

Cross-referencing climate-related financial disclosures

- 2.1.14 **R**
- (1) A *firm* may include hyperlinks and cross-references to relevant climate-related financial disclosures contained in a third party's climate reporting, where such information enables the *firm* to make climate-related financial disclosures consistent with the *TCFD Recommendations and Recommended Disclosures*.
 - (2) The *firm* must set out the rationale for relying on these third party disclosures, and any deviations between the third party's approach and that of the *firm*, where relevant to the *TCFD Recommendations and Recommended Disclosures*.
 - (3) An *insurer* or *pure reinsurer* which operates *linked funds* which mirror funds operated by a third party (but which are not close-matched by

an insurer's or pure reinsurer's direct investment in that third party's fund) must consider the extent to which it is appropriate to rely wholly or partly on disclosures by that third party.

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Where relevant, a firm may also draw links and make reference to its TCFD product report from its TCFD entity report and vice versa.