

## Chapter 2

# Disclosure of climate related financial information

2.3 Product-level reporting

Public TCFD product reports

- 2.3.1

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In addition to the publishing obligation in ■ ESG 2.1.3R, a *firm*, other than a *UK AIFM* to which ■ ESG 2.3.2R applies, must include its *public TCFD product report*, or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in any one of the following communications which follow most closely after the annual reporting deadline of 30 June, as applicable:

(1) the annual report or half-yearly report of an *authorised fund* as required under ■ COLL 4.5.3R, ■ COLL 8.3.5R or ■ COLL 15.5.2R, provided that its *public TCFD product report*, or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, is always included in the annual report;

(2) a periodic *client* report under ■ COBS 16.3.1R, ■ COBS 16.4.1R, ■ COBS 16A.4.2AR or ■ COBS 16A.5.1R;

(3) a report to *with-profits policyholders* under ■ COBS 20.4.7R; or

(14) an annual pension benefit statement or an annual *drawdown pension* statement under ■ COBS 16.6.8R.
- 2.3.2

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A *UK AIFM* that manages an *unauthorised AIF* listed on a *recognised investment exchange* must include its *public TCFD product report*, or an adequately contextualised and prominent cross-reference and hyperlink to this report, in its *TCFD entity report*.
- 2.3.3

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A *firm* is not required to prepare a *public TCFD product report* in respect of a product which is a wrapper, provided that it has issued *public TCFD product reports* for the *TCFD products* available within the relevant wrapper.
- 2.3.4

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A *firm* is not required to prepare a *TCFD product report* in respect of an *authorised fund*, or where the *authorised fund* is an *umbrella scheme* the relevant *sub-fund*, which is in the process of winding up or termination.

On-demand TCFD product reports and underlying data

- 2.3.5

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A *client* who requires *on-demand TCFD information* in order to satisfy climate-related financial disclosure obligations, whether under this chapter or as a result of other legal or regulatory requirements, is entitled to request such information from, and be provided with it

by, the *firm* and to receive a response to that request in accordance with ■ ESG 2.1.1R(2).

On receipt of a request from a *client* under (1), a *firm* must provide *on-demand TCFD information* as at a calculation date determined in accordance with ■ ESG 2.1.9R or at an alternative calculation date where this has been agreed between the *client* and the *firm*.

The request by a *client* in (1) may be made no earlier than 1 July 2023 in respect of any reporting period of the *firm* under ■ ESG 2.1.2R(1) which starts after 1 January 2022 or, if later, with effect from the reporting period in which the *client's* arrangements with the *firm* concerning the *TCFD product* commenced;

This *rule* also applies in respect of a *person* who is an investor in an *unauthorised AIF* managed by a *UK AIFM* which is not listed on a *recognised investment exchange*.

2.3.6 R The entitlement in ■ ESG 2.3.5R(1) is limited to one request for an *on-demand TCFD product report* or *underlying asset data* or both in respect of each *TCFD product* in each of the *firm's* reporting periods under ■ ESG 2.1.2R(1).

2.3.7 G A *firm* is encouraged to consider, where practicable, making available to a *client* disclosures broadly equivalent to an *on-demand TCFD product report* irrespective of the *client's* eligibility to request such report under ■ ESG 2.3.5R.

2.3.8 R If a *person* in ■ ESG 2.3.5R requests additional climate or carbon-related data which are reasonably required in order to satisfy climate-related financial disclosure obligations, a *firm* must provide the data if doing so is reasonably practicable and permitted under any contractual arrangements governing the *firm's* use of the data.

Content of TCFD product reports

2.3.9 R (1) A *firm* must include in its *TCFD product report* for each *TCFD product* information according to the following metrics, using the calculations contained in the *TCFD Annex* and having regard to the *TCFD Guidance on Metrics, Targets, and Transition Plans*, as relevant:

- (a) scope 1 and 2 greenhouse gas emissions;
- (b) scope 3 greenhouse gas emissions;
- (c) total carbon emissions;
- (d) total carbon footprint; and
- (e) weighted average carbon intensity.

(2) A *firm's TCFD product report* must also include:

- (a) relevant contextual information such as explaining how the metrics should be interpreted and their associated limitations, for example, if particular assumptions or proxies have been used;
- (b) historical annual calculations of the metrics in (1), after the first year of preparing a *TCFD product report*; and

		(c) any disclosures under the Governance, Strategy and Risk Management recommendations under the <i>TCFD Recommendations and Recommended Disclosures</i> , where the <i>firm's</i> approach in relation to a <i>TCFD product</i> materially deviates from the <i>firm's</i> overarching approach disclosed in the <i>firm's TCFD entity report</i> .
2.3.10	R	If a <i>firm</i> discloses material deviations under ■ ESG 2.3.9R(2)(c), it may refer to the relevant sections of its <i>TCFD entity report</i> , and similarly its <i>TCFD entity report</i> may refer to these disclosures in the <i>TCFD product report</i> .
2.3.11	R	<p>(1) Where a <i>TCFD product report</i> relates to a <i>TCFD product</i> that has concentrated exposures or high exposures to carbon intensive sectors, the <i>firm</i> must describe these and disclose:</p> <p>(a) a qualitative summary of how climate change is likely to impact the assets underlying the relevant <i>TCFD product</i> under 'orderly transition', 'disorderly transition' and 'hothouse world' scenarios;</p> <p>(b) a discussion of the most significant drivers of impact on that <i>TCFD product</i>; and</p> <p>(c) a quantitative analysis of 'orderly transition', 'disorderly transition' and 'hothouse world' scenarios.</p> <p>(2) Where a <i>firm</i> manages <i>TCFD products</i> that do not have concentrated exposures or high exposures to carbon intensive sectors, a <i>firm</i> must still make the disclosures under (1)(a) and 1(b).</p> <p>(3) For the purposes of (1)(a) and 1(c):</p> <p>(a) 'orderly transition' scenarios assume climate policies are introduced early and become gradually more stringent, reaching global net zero CO2 emissions around 2050 and likely limiting global warming to below 2 degrees Celsius on pre-industrial averages;</p> <p>(b) 'disorderly transition' scenarios assume climate policies are delayed or divergent, requiring sharper emissions reductions achieved at a higher cost and with increased physical risks in order to limit temperature rise to below 2 degrees Celsius on pre-industrial averages; and</p> <p>(c) 'hothouse world' scenarios assume only currently implemented policies are preserved, current commitments are not met and emissions continue to rise, with high physical risks and severe social and economic disruption and failure to limit temperature rise.</p>
2.3.12	R	(1) Where a <i>firm</i> prepares a <i>public TCFD product report</i> in relation to a <i>default arrangement</i> or other fund in a <i>qualifying scheme</i> which uses life-styling or differing target retirement dates for different cohorts of members, a <i>firm</i> may calculate the information in ■ ESG 2.3.9R to ■ ESG 2.3.11R and, where relevant, ■ ESG 2.3.13R, in relation to the most representative member profile in that <i>default arrangement</i> or fund.

- (2) However, where relevant, the *firm* must include a qualitative explanation in its *public TCFD product report* of how this information might vary between cohorts.

Other elements of a TCFD product report

2.3.13

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When preparing a *TCFD product report*, a *firm* must, as far as reasonably practicable, also include the following calculations for each *TCFD product*:

- (1) climate value-at-risk;
- (2) metrics that show the climate warming scenario with which a *TCFD product* is aligned, such as using an implied temperature rise metric.

2.3.14

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A *firm* may also disclose in a *TCFD product report* any other metrics that the *firm* considers an investor will find useful when deciding whether to select a particular *TCFD product* (including metrics set out in the *TCFD Annex* and under ■ ESG 2.3.9R calculated in accordance with recognised alternative methodologies). However, to the extent that a *firm* chooses to disclose such metrics, it should clearly explain the methodology used in providing each relevant metric and ensure that the metrics calculated under ■ ESG 2.3.9R in accordance with the *TCFD Annex* are at least as prominently presented.