HERBERT SMITH FREEHILLS

CORPORATE GOVERNANCE

Corporate Governance snapshot:
Mandatory climate-related reporting by UK premium listed companies

Only 15% of **FTSE 350** companies consider themselves **very well prepared** for **TCFD aligned reporting**[1]

From 2022, all premium listed companies must report in line with the TCFD Recommendations and TCFD Recommended Disclosures on climate-related reporting, on a comply or explain basis, and include a statement in their annual report to that effect. See our client guide for more information.

The TCFD Framework

The most widely adopted climate-related reporting framework is the Recommendations of the Task Force on Climate-related Financial Disclosures (**TCFD** and the **TCFD Recommendations**). The TCFD Recommendations are structured around four thematic areas:

- **Governance:** Disclose the organisation's governance around climate-related risks and opportunities.
- **Strategy:** Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.
- **Risk management:** Disclose how the organisation identifies, assesses and manages climate-related risks.
- **Metrics and targets:** Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Mandatory reporting

New LR 9.8.6(8) requires premium listed UK-incorporated companies (to include in their annual report:

- a statement setting out whether the annual financial report includes climate-related financial disclosures consistent with the TCFD Recommendations and TCFD Recommended Disclosures and where in its annual financial report the climate-related financial disclosures can be found;
- where a company has **included** climate-related financial disclosures consistent with the TCFD Recommendations and TCFD Recommended Disclosures **in a separate document** (ie sustainability report or climate change report) rather than the annual report itself, the annual report should set out: (i) which disclosures where made in the separate document: (ii) where the document can be found: and (iii) why the disclosures were dealt with separately; and
- where a company has **not included** climate-related financial disclosures consistent with all of the TCFD Recommendations and TCFD Recommended Disclosures in either its annual financial report or other document, the annual report shall explain: (i) which recommendations/ disclosures have not been included; (ii) the reasons for not including such disclosures; and (iii) any steps the company is taking or plans to take in order to be able to make those disclosures in the future, and the timeframe within which it expects to be able to make those disclosures.

Overseas companies with a premium listing are subject to the same requirements under LR 9.8.7.

Next steps

Get Familiar
Ensure that the relevant finance and company secretarial teams become familiar with the TCFD Recommendations and underlying reporting requirements

Governance and policy mapping
Map existing climate governance and risk policies and procedures against TCFD Recommendations framework

Disclosure obligation mapping
Map existing Companies Act 2006 and Governance Code environmental and climate disclosures against the TCFD Recommended Disclosures to identify helpful overlap and relevant differences

Risk assessment
Assess the companies risks and opportunities in relation to climate change, directly taking into account the company's exposure to climate change-related transitional, reputational, physical and litigation risks, as well as potential business opportunities arising from the transition to a low carbon environment

Key contacts

Jannis Bille
Associate
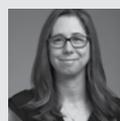T +44 20 7466 6314
jannis.bille@hsf.com

Gareth Sykes
Of Counsel
+44 20 7466 7631
gareth.sykes@hsf.com

Silke Goldberg
Partner
+44 20 7466 2612
silke.goldberg@hsf.com

Ben Ward
Partner
+44 20 7466 2093
ben.ward@hsf.com

Sarah Hawes
Head Of Corporate Knowledge
+44 20 7466 2953
sarah.hawes@hsf.com

1. Based on responses of 64 companies FTSE 350 companies in November 2020.