Department for Business, Energy & Industrial Strategy

Consultation response: Mandatory climate-related financial disclosures by publicly quoted companies, large private companies, and LLPs

October 2021

Any enquiries regarding this publication should be sent to us at:
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A. Ministerial Foreword

As we look ahead to the UK hosting COP26, we are leading by example in going further and faster in tackling climate change through setting out our world leading Net Zero Strategy to end the UK's contribution to climate change and drive a green industrial revolution. The science could not be clearer, with the latest IPCC report showing that if we fail to limit global warming to 1.5°C above pre-industrial levels, the floods and fires we have seen around the world this year will get more frequent and more fierce, crops will be more likely to fail, and sea levels will rise driving mass migration as millions are forced from their homes. Ensuring the business community and financial sector is equipped to play its part in delivering net zero is vital.

Our Net Zero Strategy – a comprehensive roadmap outlining measures to transition to a green and sustainable future – set out the vital role businesses and private finance will play in our transition to net zero, building on the framework outlined in the 2019 Green Finance Strategy. In the same week, HMG published Greening Finance: A Roadmap to Sustainable Investment, articulating how we will make the UK the best place in the world for green and sustainable investment. This includes a focus on ensuring that every financial decision maker has the information needed to take climate and the environment into account. Clear and consistent disclosures by companies and the financial sector will be integral to this, and by applying common standards, UK companies and financial institutions will be provided with a uniform way to assess how a changing climate may impact their business model and strategy, and will be better equipped to assess how best to harness the opportunities our transition to net zero will present.

That is why we were pleased to publish our consultation - Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs – in March, and even more pleased to see the widespread support the proposals received. We would like to thank all those that took the time to respond to the consultation. Our stated objectives of this policy are to increase the quality and quantity of climate-related financial disclosures in a fair and proportionate way. Your feedback has given us confidence that our approach to achieve this was the right one.

Following strong stakeholder feedback, we have also chosen to introduce a qualitative scenario analysis requirement. Respondents were clear how crucial this aspect of the Taskforce on Climate-related Financial Disclosure (TCFD) recommendations are for delivering meaningful information, and what a powerful tool it could be for companies to assess their climate-related risks and opportunities. These new requirements on the largest companies in the UK, complement measures brought forward for pensions and listed firms as part of delivering on the Government's commitment to mandate TCFD- aligned disclosures across the economy by 2025, with many measures in place by 2023.

With COP26 merely days away, now more than ever we turn to our international partners to match our ambition. The G7 Finance Ministers have already supported moving towards mandatory climate-related financial disclosures, and we hope that with a clear path set by the UK, many others will join us ahead of this crucial summit. Climate change will present risks and opportunities to all in society. What gets measured gets managed, and through the regulations laid before Parliament today, the largest businesses in the UK will be in the best position in the world to manage climate-related risks, and take advantage of the opportunities our transition to net zero will present.

The Rt. Honourable Greg Hands MP

Minister of State at the Department for Business, Energy & Industrial Strategy

Lord Callanan

Parliamentary Under Secretary of State

B. Introduction

From 24th March to 5th May 2021, the Department for Business, Energy and Industrial Strategy (BEIS) consulted on proposals to introduce mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs[1]. The consultation sought views on the scope of requirements, the depth of requirements, the appropriate guidance, and an appropriate monitoring and enforcement regime. Feedback has been used to help to ensure BEIS introduces a fair, proportionate approach which delivers an improvement on both the quantity and quality of climate-related financial disclosures. To support our transition to net zero, the Government considers it important to ensure that companies with a material economic or environmental impact or exposure assess, disclose and ultimately take action on climate-related risks and opportunities. This approach was reiterated in the recently published Net Zero Strategy[2] - a comprehensive roadmap outlining measures to transition to a green and sustainable future. Accordingly, the proposals set out in the consultation document aimed to significantly increase the proportion of companies taking such actions. This will in turn provide investors with more of the information they need to adequately understand and manage climate-related financial risks and provide other stakeholders with a greater level of information on climate-related matters.

The Government recognises the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures[3] (TCFD) as one of the most effective frameworks for companies to analyse, understand and ultimately disclose climate-related financial information against. As such, our proposals were based on the TCFD recommendations, to achieve coherence with other requirements in the UK and internationally, and to ensure continuity for those companies already disclosing in line with the recommendations voluntarily.

These proposals built on the expectation set out in the Government's 2019 Green Finance Strategy[4], that all listed companies and large asset owners should disclose in line with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations by 2022. The proposals have been developed in co-operation with the HM Treasury led TCFD joint taskforce, which considered an approach to economy-wide mandatory climate-related financial disclosure, as set out in the 2020 Roadmap and Interim Report[5]. The proposals contribute towards the UK's intention to become the first G20 country to make TCFD-aligned disclosures mandatory across the economy by 2025, with most requirements in place by 2023, as set out by the Chancellor on the 9th of November 2020.

[1] https://www.gov.uk/government/consultations/mandatory-climate-related-financial-disclosures-by-publicly-quoted-companies-large-private-companies-and-llps
[2] https://www.gov.uk/government/publications/net-zero-strategy
[3] https://www.fsb-tcfd.org/
[4] https://www.gov.uk/government/publications/green-finance-strategy
[5] https://www.gov.uk/government/publications/uk-joint-regulator-and-government-tcfd-taskforce-interim-report-and-roadmap

In summary, we consulted on the following proposals:

- Scope: For the following entities to be within scope for the disclosure requirements proposed in this document:
    - All UK companies that are currently required to produce a non-financial information statement, being UK companies that have more than 500 employees and have either transferable securities admitted to trading on a UK regulated market, or are banking companies or insurance companies (Relevant Public Interest Entities (PIEs));
    - UK registered companies with securities admitted to AIM with more than 500 employees;
    - UK registered companies which are not included in the categories above, which have more than 500 employees and a turnover of more than £500m.
    - LLPs which have more than 500 employees and a turnover of more than £500m.
- Mechanism: For changes to be implemented through a Statutory Instrument, using powers under the Companies Act 2006, and powers under the Limited Liability Partnerships Act 2000.
- Location of disclosures: Companies to be required to report climate-related financial information in the non-financial information statement which forms part of the Strategic Report. LLPs to be required to report climate-related financial information in either the non-financial information statement which forms part of their Strategic Report or, if no Strategic Report is prepared, the Energy and Carbon Report which forms part of their Annual Report.
- Disclosure requirements on companies and LLPs: To require companies and LLPs to disclose climate-related financial information in line with the four overarching pillars of the TCFD recommendations on a mandatory basis (Governance, Strategy, Risk Management, Metrics & Targets).
- Timing: Regulations to be made by the end of 2021, with regulations coming into force on the Common Commencement Date of 6th April 2022, and to be applicable for accounting periods starting on or after that date.
- Guidance: Non-binding Q&A will be produced to support companies and LLPs in their application of these requirements.

Options considered:

In our consultation stage Impact Assessment[6], we had included a “Do nothing” option, a “Voluntary disclosure” option, and the option of mandatory disclosure. The options considered under mandatory disclosure (Options 2a to 2d) varied in their coverage of companies in scope. Option 2a in our consultation stage (our preferred option) proposed mandatory TCFD-aligned

6 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/972423/impact-assessment.pdf

climate-related disclosure requirements to apply to Relevant Public Interest Entities (PIEs), including Premium and Standard Listed Companies with over 500 employees, UK registered companies with securities admitted to AIM with more than 500 employees, and Limited Liability Partnership (LLPs) and other UK registered companies (private companies) with over 500 employees and over £500 million in turnover.

The remainder of this document sets out the feedback we received on the proposals above, and how we have reflected this feedback in our final policy. As a result of legal and parliamentary consideration, two sets of regulations are planned – one for companies and another for LLPs. The company regulations will be taken forward through an affirmative resolution procedure and have been laid in Parliament on the 28th October 2021. A copy of these regulations can be found here[7]. The company regulations will be made when they have been debated in, and approved by, Parliament.

The LLP regulations will be made under the negative resolution procedure, which means that they will be made and then laid before Parliament. However, because the LLP regulations will apply a modified form of the company provisions to LLPs, the LLP regulations will need to be made after the company regulations have been approved by Parliament and signed by the Minister. The requirements of the regulations will come into force on 6th April 2022, subject to parliamentary approval.

[7] https://www.legislation.gov.uk/

C. Conducting the consultation exercise

BEIS conducted a 6-week formal consultation, running from 24th March – 5th May 2021. During this period, respondents were able to provide feedback via email, to a dedicated inbox (climatedisclosure@beis.gov.uk), and to our CitizenSpace website. We received 137 formal responses from a wide range of stakeholders, including companies and LLPs, financial institutions, civil society organisations, trade associations and accountancy firms. A summary of feedback and our responses to that feedback can be found in Section C of this document.

Alongside our formal consultation, BEIS also conducted a range of informal engagement throughout the consultation period, including:

- On 31st March, BEIS held a public webinar. This online event was an opportunity for stakeholders to hear more about the proposals recently published for consultation. The event was intended to raise awareness of the consultation publication as early as possible, and it also represented an opportunity for us to take any immediate questions from stakeholders on the proposals.
- Senior BEIS officials recorded a short podcast with the Institute of Chartered Accountants in England and Wales (ICAEW), which was publicised and made available to all ICAEW members. The webinar gave us the opportunity to reach a wide range of the corporate reporting community in a manner which enabled members of ICAEW to access relevant information at a time that suited them.
- Senior BEIS officials also recorded a public podcast with the Financial Reporting Council, setting out our proposals in detail and taking questions from the host. This was intended to reach a different and wider audience, to raise awareness of the consultation. The podcast can be found here.

A summary of all responses can be found in Annex 1.

D. Government response

QUESTION 1: Do you agree with our proposed scope for companies and LLPs?

Summary of feedback: Overall, respondents were supportive of our proposed scope. Of 108 responses to this question, 63 (58%) agreed with our scope. The next most frequent response was for our scope to be wider. Here, largely financial institutions and civil society bodies called for our scope to align with the lower thresholds under Streamlined Energy and Carbon Reporting (SECR) requirements on quoted companies, large unquoted UK companies and large LLPs.

Government response: Given the strong support for our proposed scope, we will implement the scope proposed in our consultation, being:

- All UK companies that are currently required to produce a non-financial information statement, being UK companies that have more than 500 employees and have either transferable securities admitted to trading on a UK regulated market, or are banking companies or insurance companies (Relevant Public Interest Entities (PIEs));
- UK registered companies with securities admitted to AIM with more than 500 employees;
- UK registered companies which are not included in the categories above, which have more than 500 employees and a turnover of more than £500m.
- LLPs which have more than 500 employees and a turnover of more than £500m.

Although some called for our scope to widen, our original policy position still stands that those companies with the greatest economic and environmental impact should be required to assess and disclose their climate risk first. Our longer-term ambition is for this to lead to the development of best practice, to support smaller companies to disclose should they wish to.

QUESTION 2: Our proposed scope includes UK registered companies with securities admitted to AIM with more than 500 employees. Do you have any views on expanding this to include other unregulated markets and Multilateral Trading Facilities (MTFs)?

Summary of feedback: Of 57 responses received for this question, 37 suggested we should expand our scope to include other unregulated markets and Multilateral Trading Facilities (MTFs), representing 65% of respondents. 13 respondents (23%) suggested we should not include any further unregulated markets and MTFs. Following this feedback, Government conducted further analysis as to the number and types of companies that may be brought into scope should we expand past AIM and to other unregulated markets and MTFs. Upon further investigation, it became clear the impact of this expansion would be minimal in relation to the overall scope and impact of the policy. Given the strong support for our original proposed scope in response to Question 1, we do not propose further changes.

Government response: Given the significant support for our proposed scope, as captured in response to Question 1, and the limited impact and benefit from a policy perspective of expanding to include other unregulated markets and MTFs, we propose to implement the scope set out in our consultation, being:

- All UK companies that are currently required to produce a non-financial information statement, being UK companies that have more than 500 employees and have either transferable securities admitted to trading on a UK regulated market, or are banking companies or insurance companies (Relevant Public Interest Entities (PIEs));
- UK registered companies with securities admitted to AIM with more than 500 employees;
- UK registered companies which are not included in the categories above, which have more than 500 employees and a turnover of more than £500m.
- LLPs which have more than 500 employees and a turnover of more than £500m.

QUESTION 3: Do you agree with the proposal to require climate related financial disclosures for companies and LLPs at the group level?

Summary of feedback: We received very strong support for our proposal to require climate-related financial disclosures to be made at the group level. Of 102 respondents to this question, 82 (80%) agreed with our proposal. 11 respondents (11%) disagreed with our proposal, with most raising concerns that information disclosed at the group level may not be granular enough. Here, respondents suggested subsidiaries raising debt or equity themselves should also be brought into scope.

Government response: Given the very strong support for our proposal to require climate-related financial disclosures at the group level, we will implement our requirement on this basis. Our intent is to require reporting that is of the greatest importance to investors, other finance providers and other stakeholders. In most cases this will be reporting at the group level on a consolidated basis. Therefore, both climate-related reporting and the scope thresholds will apply on a consolidated basis.

QUESTION 4: Do you agree that the Strategic Report is the best place for the disclosure of climate-related financial information by companies?

Summary of feedback: Of 104 respondents to this question, 92 (88%) agreed with our proposal to require climate-related financial disclosures in the Strategic Report. Only 7 (7%) disagreed with our proposal, with these respondents suggesting primarily that relevant information could be reported elsewhere and a cross reference included in the Strategic Report.

Government response: Given the very strong support we received for this proposal, we will implement the requirement as planned, and require companies to disclose their climate-related financial information in what is currently called the Non-Financial Information Statement (NFIS) of the Strategic Report. The NFIS already includes a number of disclosures relating to environmental matters, of which climate-related matters are an important subset. The Strategic Report more broadly is also where a company includes information about its strategy, business model, risks and key performance indicators, or metrics. For companies not currently required to produce a NFIS, we will require them to just produce the climate-related financial disclosure elements of that statement. We have also proposed to change the name of the NFIS to the Non-Financial and Sustainability Information Statement. This is to better take into account the information that will now be required under this section of the Strategic Report.

QUESTION 5: Do you have views on whether LLPs should be required to disclose climate-related financial information in the Strategic Report (where applicable), or the Energy and Carbon Report?

Summary of feedback: Of 63 responses received to this question, 39 (62%) suggested LLPs should also disclose in the Strategic Report. Here, most respondents were seeking consistency between companies and LLPs. 21 respondents' (33%) feedback fell into the 'other' category. Here, many respondents noted either reporting location would work, with many also reiterating the need for consistency between companies and LLPs. Others reiterated responses to Question 4, such as proposing that climate-related financial information could be disclosed in a number of places and should be to the discretion of each LLP.

Government response: Given the relatively strong feedback for disclosure in the Strategic Report, and the policy intent to introduce a coherent and consistent requirement, we propose to ask LLPs to disclose their climate-related financial information in what is currently called the NFIS of their Strategic Report, where relevant. For LLPs not currently required to produce a NFIS, we will require them to include the climate-related financial disclosures in the Energy and Carbon Report. As above, the NFIS section of the Strategic Report is proposed to be renamed the Non-Financial and Sustainability Information Statement,

QUESTION 6: Do you agree that requiring disclosure in line with the four pillars of the TCFD recommendations, rather than at the 11-recommendation level, is suitable?

Summary of feedback: Of 117 respondents, 66 suggested we should pursue a four-pillar approach (56%), whilst 42 suggested an 11-recommendation approach was more appropriate (35%). However, the feedback we received was mixed and, in some cases, unclear. Our question distinguished between requiring disclosures in line with the four pillars of the TCFD framework vs requiring disclosures against all 11 recommendations, with our proposal being to require alignment with the four pillars of TCFD – Governance, Strategy Risk Management, and Metrics and Targets. We thus proposed in our consultation document (p24) a disclosure requirement which broadly covered 9 of the 11 recommendations. This left outstanding two of the recommendations from the TCFD, on scenario analysis and on the emissions metric, which we addressed in Question 8 and Question 9. These two subsequent questions elicited clearer feedback. Therefore, we focussed on the feedback to these questions to determine our approach to these two TCFD recommendations.

Government response: We are aiming to align the approach of our regulations more clearly to the TCFD framework in response to stakeholders' strong calls for consistency and clarity in this regard. Given the mixed feedback we received to this question, we have used the relevant feedback to Questions 8 and 9 to determine outcomes on scenario analysis and the emissions reporting metric respectively.

QUESTION 7: Do you agree that information provided in line with the obligations set out above would provide investors, regulators, and other stakeholders with sufficient information to assess the climate-related risks and opportunities facing a company or financial institution?

Summary of feedback: Of 108 responses to this question, 64 (59%) respondents agreed or somewhat agreed that the obligations as consulted on would provide investors, regulators, and other stakeholders with sufficient information to assess the climate-related risks and opportunities facing a company or financial institution. This can be compared to 40 (37%) of respondents who disagreed or somewhat disagreed that our proposals would deliver the required information. The most popular response at 37 (34%) fell under the 'somewhat agree' category. Here, responses focussed on reiterating the point that disclosure in line with all 11 of the TCFD recommendations, particularly scenario analysis, would improve the sufficiency of information. Responses also called for the need for clear and detailed guidance to support companies in their disclosures.

Government response: Our stated objective of this policy is to increase the quantity and quality of climate-related financial disclosures in a proportionate manner. This is to ensure market participants have better information to adequately understand climate-related financial risks and opportunities to support the transition to net zero. Given the mixed feedback, and how closely this question relates to one of our core objectives, we considered feedback to this question in our responses to Question 8 and Question 9, focussing on how we may be able to ensure the final policy best delivers on the relevant stated objective.

QUESTION 8: Do you agree with our proposal that scenario analysis will not be required within a company or LLP's annual report and accounts?

Summary of feedback: We received mixed feedback to this question. Of 107 responses, 44 (41%) agreed with our proposal to not require scenario analysis from in scope companies and LLPs. This is compared to 46 (43%) of responses which disagreed with our proposal, stating that scenario analysis should be required or at least initially required in a qualitative form. We received compelling feedback from many respondents about the importance of scenario analysis to meaningful climate disclosures. For example, the Investor Forum said "Scenario analysis is an essential component of understanding climate risk and opportunities"; whilst the Institute of Directors said "We would also encourage scenario analysis within a company or

LLP's accounts, although we accept that it should only be a mandatory requirement for the largest enterprises. Scenario analysis can potentially play a useful role in demonstrating how each individual company and LLP has considered how they are affected by climate change alongside suggested actions to mitigate the consequences." Some respondents commented on how businesses could grow their capabilities and approaches to scenario analysis. Principles for Responsible Investment said "Testing the resilience of the business strategy against a range of future climate scenarios is at the heart of the TCFD recommendations and essential for companies to think forward on climate-related issues. Whilst this exercise can be daunting for companies that need to undertake this for the first time, the level of complexity involves varies considerably. At the lower end of the scale, scenario analysis can be as simple as a firm explaining in qualitative terms what a net zero emissions target would mean for its business. At the higher end of the scale, it can involve quantitative modelling, based on a range of scenarios and linked variables over a range of different timescales."

We also took account of the mixed feedback from respondents to Question 7 on how far the disclosure obligations we proposed would provide investors, regulators and other stakeholders with sufficient information to assess the climate-related risks and opportunities facing a company or financial institution.

Government response: Taken together, the feedback to Question 8 and related questions led to a reconsideration of our proposal on scenario analysis. Given the clear message from stakeholders on the importance of scenario analysis for the policy to meet our stated ambitions, and recurring theme of respondents proposing that qualitative scenario analysis would be an appropriate first step, our final regulations will include a requirement for in scope companies and LLPs to include an analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios. In associated guidance, we will be clear that a qualitative assessment of resilience against different scenarios will be sufficient to meet the obligation.

QUESTION 9: Would alignment of the scope for climate-related financial disclosures and SECR requirements, such that large unquoted companies and LLPs would be subject to the same reporting requirements under SECR as quoted companies, aid reporting of climate related financial disclosures and simplify reporting procedures? Do you have any views on the continuation of voluntary Scope 3 emissions reporting under SECR requirements?

Summary of feedback: We considered feedback to this question in two parts – question 9a) on alignment of the scope of climate-related financial disclosure requirements with existing SECR requirements, and question 9b) on views regarding the disclosure of Scope 3 emissions. On question 9a), of 86 respondents, 67 (78%) suggested we should align the scope of these requirements. Only 9 respondents (10%) suggested we should not align the scope of these requirements. Here, the majority of those calling for us to align requirements focussed on the simplicity this would bring to reporting. On question 9b), of 93 respondents, 31 (33%) suggested Scope 3 disclosure should be mandatory. This is compared to 38 respondents (41%) who suggested Scope 3 disclosure should remain voluntary. Many respondents noted the need for a clear roadmap to mandatory Scope 3 disclosure if this is to be the policy outcome, with appropriate lead in time to allow companies and LLPs time to prepare the systems required.

Government response: Given the strong feedback in response to question 9a), on the need for better alignment between SECR and TCFD requirements, we will now consider how best to achieve that. Any changes to the SECR regime to facilitate that alignment will require a separate consultation process, and that process will run in due course, but will take into account the proposed introduction of the Sustainability Disclosures Requirements (SDR) Regime, as set out in Greening Finance: A Roadmap to Sustainable Investment[8] published on 18th October 2021 and the requirements introduced in the June 2021 Procurement Policy Note[9] that require mandatory Scope 3 disclosures in carbon reduction plans when bidding for major government contracts. We will look to implement any changes to the SECR regime by 2023. In our accompanying Q&A guidance document, we will set out clearly to in-scope companies and other stakeholders to what extent current SECR requirements meet TCFD recommendation 4b, regarding the disclosure of emissions. Given the strong feedback to question 9b) regarding the need for clarity and a long-term plan for any Scope 3 disclosure requirements, officials will also now consider this issue in due course.

QUESTION 10: Do you have comments on the proposal to permit non-disclosure if the information is not material and the reasons why climate change is not material are properly explained?

Summary of feedback: Of 90 responses to this question, 51 (57%) suggested only material information should be disclosed as part of the proposed climate-related financial disclosure requirements. 30 (33%) suggested non-disclosure should not be allowed. For those suggesting non-disclosure should not be allowed, most comments related to the idea that it would be hard to imagine a situation where climate change would not be material to a company or LLP, and that this may cause confusion for in-scope companies and LLPs.

Government response: Overall, feedback was more supportive of only requiring disclosure of material information. Accordingly, we are proposing regulations which provide for a company's directors to have flexibility, taking account the nature of the business and how it is conducted, to omit all or part of some of the climate-related disclosures required. Specifically, this materiality filter will apply to disclosures made under the Strategy and Metrics and Targets elements of the TCFD recommendations, where directors reasonably believe these disclosures are not necessary for the understanding of the business. Where the directors omit part or all of these disclosures, they must offer a clear and reasoned explanation why they are doing this.

[8] https://www.gov.uk/government/publications/greening-finance-a-roadmap-to-sustainable-investing
[9] https://www.gov.uk/government/publications/procurement-policy-note-0621-taking-account-of-carbon-reduction-plans-in-the-procurement-of-major-government-contracts

QUESTION 11: Do you have comments on the proposed timing for these regulations coming in to force?

Summary of feedback: Of 80 responses to this question, 52 (65%) agreed with our proposed timeline for laying regulations by the end of 2021, for them to come into force on 6th April 2022. Of remaining responses which showed a clear preference, 13 suggested our approach was too slow and 10 suggested our approach was too fast.

Government response: Given the strong support for our proposed timeline, and the mixed feedback from respondents suggesting our timeline is either too slow or too fast, we propose to continue with our original timeline. Subject to Parliamentary approval of the regulations we propose these would come into force on 6th April 2022.

QUESTION 12: Do you have any comments regarding the existing enforcement provisions and the BEIS proposal not to impose further provisions?

QUESTION 13: Do you have any comments regarding duties and enforcements for LLPs? Mandating climate-related financial disclosures by publicly quoted companies, large private companies and LLPs

QUESTION 15: Do you have any comments regarding the proposed enforcement of our disclosure requirements?

Summary of feedback: Questions 12, 13 and 15 all relate to the monitoring and enforcement mechanism for the regulations. We considered responses to these questions together, to give a clear picture of views regarding monitoring and enforcement. Fewer respondents provided feedback on these questions. Where feedback was received, it was generally supportive that the current enforcement and monitoring mechanism was sufficient and accepted that it would be inappropriate to make any wider changes to enforcement and monitoring via the proposed secondary legislation. Where concerns were raised, these focussed on the need for clarity on how the FRC and FCA would work together to regulate companies subject to both FCA listings rules and Companies Act climate-related financial disclosure requirements.

Government response: Given there was no strong feedback suggesting the current monitoring and enforcement mechanisms for the proposals were insufficient and given there is limited scope for changes to be made via the proposed legislative process, the current enforcement and monitoring mechanisms will be applied to the regulations.

QUESTION 14: Do you have any comments on the responsibilities of auditors in relation to climate-related financial disclosures?

Summary of feedback: We received very mixed feedback to this question. Many respondents accepted the fact that the implementation of this policy would not be a suitable place to make any significant changes to the role of auditors, and that this was a more exploratory question.

Some suggested a clearer link between this work and the parallel consultation 'Restoring trust in audit and corporate governance: proposals on reforms[10]' was needed.

Government response: The Government remains of the view that there is no need to alter the role of auditors specifically in relation to climate-related disclosures. Existing and future disclosures related to climate change which feature in companies' financial statements will continue to be subject to a high standard of assurance by the statutory auditor in line with company law and auditing standards. Climate-related disclosures elsewhere in companies' annual reports will continue be reviewed by the statutory auditor to ensure that they are legally compliant and materially consistent with the financial statements based on the auditor's knowledge of the company and its environment gained through the course of the audit. Separately, the Government will be publishing in due course its response to its consultation on 'Restoring trust in audit and corporate governance'. That consultation features a number of proposals to enhance the role of auditors more generally, as well as a proposal that Public Interest Entities should publish an audit and assurance policy which sets out their approach to assuring corporate disclosures out-with the financial statements.

QUESTION 16: Do you have any comments regarding the impact of our proposals on protected groups and/or how any negative effects may be mitigated?

Summary of feedback: of 27 responses to this question, 20 (74%) had no comments. Of the 7 responses (26%) to the question, feedback centred around the fact that the cost of inaction on climate-related financial risks could be significant and may impact vulnerable groups in a more acute way. As such, respondents suggested that there may be a positive impact from our proposals.

Government response: Given most respondents agreed our proposals would have no impact on protected groups and did not suggest how any negative effects may be mitigated, we do not propose to introduce any additional elements to our policy.

QUESTION 17: Do you have any further comments about our proposals?

Summary of feedback: Of 137 responses to this question, 96 (70%) had additional comments. Of the 41 (30%) of respondents who provided additional comments, nothing was raised which has not already been addressed by earlier feedback.

Government response: We have responded in the context of earlier questions to all the points which were reiterated here.

[10] https://www.gov.uk/government/consultations/restoring-trust-in-audit-and-corporate-governance-proposals-on-reforms

E. Overall conclusion

Overall, the proposals consulted on received widespread support. Respondents were pleased to see Government taking action in this space, and appreciative of the clear timeline being set for companies and LLPs to prepare for forthcoming requirements. As a result of the consultation process, two policy changes have been made – the introduction of a qualitative scenario analysis requirement, and closer alignment of the regulations to the language used in the TCFD recommendations themselves. Both changes are in response to strong and clear stakeholder feedback and will ensure the regulations are better equipped to meet our stated policy objectives.

The inclusion of qualitative scenario analysis influences the costs of this policy on companies and LLPs, and this is reflected in the final stage Impact Assessment. The final stage Impact Assessment reflects our chosen policy of mandatory qualitative scenario analysis from 2022 (Option 1b within the Impact Assessment). We believe that this option directly responds to stakeholder feedback on the issue, whilst also balancing our stated policy objectives to increase the quantity and quality of climate-related financial disclosures in a proportionate manner.

F. Next Steps

As a result of legal and parliamentary consideration, two sets of regulations have been produced – one for companies and another for LLPs. The company regulations will be taken forward through an affirmative resolution procedure and are being laid in Parliament on 28th October 2021. A copy of these regulations can be found here[11]. The company regulations will be made when they have been debated in, and approved by, Parliament. The LLP regulations will be made under the negative resolution procedure, which means that they will be made and then laid before Parliament. However, because the LLP regulations will apply a modified form of the company provisions to LLPs, the LLP regulations will need to be made after the company regulations have been approved by Parliament and signed by the Minister. The companies' regulations will now receive parliamentary scrutiny. The requirements will come into force on 6th April 2022, subject to parliamentary approval. A commitment was made in the 2020 Roadmap and Interim Report[12] to review the requirements in 2023. Additionally, the Secretary of State must from time to time carry out a review of the regulatory provision contained in these Regulations and publish a report setting out the conclusions of the review. The first report must be published before 6th April 2027.

[11] https://www.legislation.gov.uk/

[12] https://www.gov.uk/government/publications/uk-joint-regulator-and-government-tcfd-taskforce-interim-report-and-roadmap

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H. Annexes

Annex 1: The Summary of the Responses

Summary of who responded to the consultation exercise, and distribution of those respondents.

Stakeholder	Number	Percentage
Trade Association	39	28.47%
Professional Body	8	5.84%
Civil Society Body	13	9.49%
Consultancy	3	2.19%
Company	37	27.01%
Financial Institution	15	10.95%
LLP	4	2.92%
Accountancy Firm	10	7.30%
Academic	3	2.19%
Other	5	3.65%
TOTAL	137	100.00%

Summary of responses by question

Question 1

	Agree	Scope should include Wates	Scope should include all large	Scope should widen	Scope should be less wide	Scope should not include private	Other	Nil	TOTAL
Trade Associat-ion	15	0	1	4	2	0	5	12	39
Profession-al Body	6	0	0	0	0	0	1	1	8
Civil Society Body	3	0	0	3	0	0	2	5	13
Consult-ancy	2	0	0	0	0	0	1	0	3
Company	19	0	2	5	0	1	3	7	37
Financial Institution	7	0	0	5	1	0	0	2	15
LLP	1	0	0	1	0	0	2	0	4
Account-ancy Firm	6	0	0	1	1	0	2	0	10
Academic	1	0	0	0	0	0	0	2	3
Other	3	0	0	2	0	0	0	0	5
TOTAL	63	0	3	21	4	1	16	29	137

	Agree	Scope should include Wates	Scope should include all large	Scope should widen	Scope should be less wide	Scope should not include private	Other	Nil	TOTAL
TOTAL responses received	108								

Question 2

	Should not expand further	Should expand further	Other	Nil	TOTAL
Trade Association	3	7	2	27	39
Professional Body	1	3	1	3	8
Civil Society Body	1	2	1	9	13
Consultancy	0	2	0	1	3
Company	2	9	2	24	37
Financial Institution	2	6	0	7	15
LLP	1	1	0	2	4
Accountancy Firm	2	6	0	2	10
Academic	0	0	1	2	3

	Should not expand further	Should expand further	Other	Nil	TOTAL
Other	1	1	0	3	5
TOTAL	13	37	7	80	137
TOTAL responses received	57				

Question 3

	Agree	Disagree	Unclear	Other	Nil	TOTAL
Trade Association	18	2	3	0	16	39
Professional Body	5	1	0	0	2	8
Civil Society Body	5	2	0	1	5	13
Consultancy	2	0	0	0	1	3
Company	26	2	3	1	5	37
Financial Institution	11	2	0	0	2	15
LLP	2	1	1	0	0	4
Accountancy Firm	8	0	0	0	2	10

	Agree	Disagree	Unclear	Other	Nil	TOTAL
Academic	1	0	0	0	2	3
Other	4	1	0	0	0	5
TOTAL	82	11	7	2	35	137
TOTAL responses received	102					

Question 4

	Agree	Disagree	Other	Nil	TOTAL
Trade Association	23	1	0	15	39
Professional Body	6	0	1	1	8
Civil Society Body	9	0	0	4	13
Consultancy	2	0	0	1	3
Company	25	2	3	7	37
Financial Institution	12	2	0	1	15
LLP	3	0	1	0	4
Accountancy Firm	7	0	0	3	10

	Agree	Disagree	Other	Nil	TOTAL
Academic	3	0	0	0	3
Other	2	2	0	1	5
TOTAL	92	7	5	33	132
TOTAL responses received	104				

Question 5

	Strategic Report	Energy and Carbon Report	Other	Nil	TOTAL
Trade Association	12	0	3	24	39
Professional Body	3	2	0	3	8
Civil Society Body	4	0	1	8	13
Consultancy	0	0	2	1	3
Company	7	0	8	22	37
Financial Institution	6	0	2	7	15
LLP	0	0	3	1	4

	Strategic Report	Energy and Carbon Report	Other	Nil	TOTAL
Accountancy Firm	5	1	1	3	10
Academic	1	0	1	1	3
Other	1	0	0	4	5
TOTAL	39	3	21	74	137
TOTAL responses received	63				

Question 6

	4 Pillars	11 Recommendations	Other	Nil	TOTAL
Trade Association	22	7	3	7	39
Professional Body	4	3	0	1	8
Civil Society Body	1	8	2	2	13
Consultancy	2	1	0	0	3
Company	17	11	2	7	37
Financial Institution	6	8	1	0	15

	4 Pillars	11 Recommendations	Other	Nil	TOTAL
LLP	0	1	1	1	3
Accountancy Firm	9	0	0	1	10
Academic	2	1	0	0	3
Other	3	2	0	0	5
TOTAL	66	42	9	19	136
TOTAL responses received	117				

Question 7

	Agree	Somewhat Agree	Somewhat Disagree	Disagree	Other	Nil	TOTAL
Trade Association	7	9	3	3	3	14	39
Professional Body	3	1	3	0	0	1	8
Civil Society Body	1	1	1	9	0	1	13
Consultancy	1	1	0	1	0	0	3
Company	7	13	4	4	1	8	37

	Agree	Somewhat Agree	Somewhat Disagree	Disagree	Other	Nil	TOTAL
Financial Institution	3	5	6	1	0	0	15
LLP	0	1	0	1	0	2	4
Accountancy Firm	3	5	1	0	0	1	10
Academic	1	0	1	0	0	1	3
Other	1	1	1	1	0	1	5
TOTAL	27	37	20	20	4	29	137
TOTAL responses received	108						

Question 8

	Agree	Disagree	At least qualitative	Roadmap to mandatory	Other	Nil	TOTAL
Trade Association	13	6	3	4	1	12	39
Professional Body	2	4	1	0	0	1	8
Civil Society Body	0	7	3	0	1	2	13
Consultancy	0	2	0	0	0	1	3

	Agree	Disagree	At least qualitative	Roadmap to mandatory	Other	Nil	TOTAL
Company	15	9	1	3	1	8	37
Financial Institution	3	7	0	1	2	2	15
LLP	0	0	0	3	0	1	4
Accountancy Firm	6	2	0	0	1	1	10
Academic	1	0	0	0	0	2	3
Other	4	1	0	0	0	0	5
TOTAL	44	38	8	11	6	30	137
TOTAL responses received	107						

Question 9a

	Should align	Should not align	Other	Nil	TOTAL
Trade Association	14	2	6	17	39
Professional Body	5	0	0	3	8
Civil Society Body	4	0	0	9	13

	Should align	Should not align	Other	Nil	TOTAL
Consultancy	2	0	0	1	3
Company	19	4	2	12	37
Financial Institution	11	0	0	4	15
LLP	2	1	1	0	4
Accountancy Firm	7	1	1	1	10
Academic	1	0	0	2	3
Other	2	1	0	2	5
TOTAL	67	9	10	51	137
TOTAL responses received	86				

Question 9b

	Scope 3 should be mandatory	Scope 3 should be voluntary	Roadmap to mandatory	Other	Nil	TOTAL
Trade Association	6	13	3	1	16	39
Professional Body	1	3	0	1	3	8

	Scope 3 should be mandatory	Scope 3 should be voluntary	Roadmap to mandatory	Other	Nil	TOTAL
Civil Society Body	4	1	2	1	5	13
Consultancy	2	0	0	0	1	3
Company	9	11	5	3	9	37
Financial Institution	4	2	2	3	4	15
LLP	1	1	1	0	1	4
Accountancy Firm	2	4	1	1	2	10
Academic	1	0	0	0	2	3
Other	1	3	0	0	1	5
TOTAL	31	38	14	10	44	137
TOTAL responses received	93					

Question 10

	Yes only material information	No non-disclosure not allowed	Proposal ambiguous	Other	Nil	TOTAL
Trade Association	12	6	2	1	18	39

	Yes only material information	No non-disclosure not allowed	Proposal ambiguous	Other	Nil	TOTAL
Professional Body	4	1	0	1	2	8
Civil Society Body	1	8	0	1	3	13
Consultancy	2	0	0	0	1	3
Company	8	7	0	3	19	37
Financial Institution	9	4	0	0	2	15
LLP	3	0	0	0	1	4
Accountancy Firm	7	1	0	1	1	10
Academic	1	2	0	0	0	3
Other	4	1	0	0	0	5
TOTAL	51	30	2	7	47	132
TOTAL responses received	90					

Question 11

	Correct	Too fast	Too slow	Other	Nil	TOTAL
Trade Association	10	4	2	1	22	39
Professional Body	4	1	0	1	2	8
Civil Society Body	6	0	2	0	5	13
Consultancy	2	0	0	0	1	3
Company	15	2	3	1	16	37
Financial Institution	7	0	2	1	5	15
LLP	1	2	0	0	1	4
Accountancy Firm	4	0	4	0	2	10
Academic	1	0	0	0	2	3
Other	2	1	0	1	1	5
TOTAL	52	10	13	5	57	137
TOTAL responses received	80					

Question 12

	Currently sufficient	Currently insufficient	Other	Nil	TOTAL
Trade Association	9	3	0	27	39
Professional Body	4	1	0	3	8
Civil Society Body	2	7	0	4	13
Consultancy	2	0	0	1	3
Company	12	1	2	22	37
Financial Institution	5	1	0	9	15
LLP	2	0	0	2	4
Accountancy Firm	6	1	0	3	10
Academic	1	0	0	2	3
Other	1	2	0	2	5
TOTAL	44	16	2	75	137
TOTAL responses received	62				

Question 13

	No comment	Comment	Other	Nil	TOTAL
Trade Association	6	0	0	33	39
Professional Body	1	2	0	5	8
Civil Society Body	1	3	0	9	13
Consultancy	1	0	0	2	3
Company	5	1	1	30	37
Financial Institution	3	1	0	11	15
LLP	1	0	1	2	4
Accountancy Firm	1	2	0	7	10
Academic	0	1	0	2	3
Other	3	0	0	2	5
TOTAL	22	10	2	103	137
TOTAL responses received	34				

Question 14

	Auditor are equipped	Auditors are not equipped	Auditors will become equipped	Other	Nil	TOTAL
Trade Association	6	3	6	2	22	39
Professional Body	1	1	3	1	2	8
Civil Society Body	1	5	0	2	5	13
Consultancy	2	0	0	1	0	3
Company	2	0	5	10	20	37
Financial Institution	3	3	4	2	3	15
LLP	1	0	0	1	2	4
Accountancy Firm	6	1	1	1	1	10
Academic	1	2	0	0	0	3
Other	1	0	2	0	2	5
TOTAL	24	15	21	20	57	137
TOTAL responses received	80					

Question 15

	Currently sufficient	Currently insufficient	Other	Nil	TOTAL
Trade Association	3	1	4	31	39
Professional Body	1	1	1	5	8
Civil Society Body	2	2	1	8	13
Consultancy	1	0	0	2	3
Company	4	2	4	27	37
Financial Institution	4	3	1	7	15
LLP	1	0	1	2	4
Accountancy Firm	6	0	0	4	10
Academic	1	0	0	2	3
Other	1	0	0	4	5
TOTAL	24	9	12	92	137
TOTAL responses received	45				

Question 16

	No comment	Comment	Other	Nil	TOTAL
Trade Association	5	0	0	34	39
Professional Body	1	2	0	5	8
Civil Society Body	2	1	0	10	13
Consultancy	1	0	0	2	3
Company	4	2	0	31	37
Financial Institution	3	1	0	11	15
LLP	0	0	0	4	4
Accountancy Firm	1	1	0	8	10
Academic	1	0	0	2	3
Other	2	0	0	3	5
TOTAL	20	7	0	110	137
TOTAL responses received	27				

Question 17

	No comment	Comment	Other	TOTAL
Trade Association	26	13	0	39
Professional Body	5	3	0	8
Civil Society Body	10	3	0	13
Consultancy	1	2	0	3
Company	27	10	0	37
Financial Institution	12	3	0	15
LLP	3	1	0	4
Accountancy Firm	5	5	0	10
Academic	3	0	0	3
Other	4	1	0	5
TOTAL	96	41	0	137
TOTAL responses received	137			

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