



HM Treasury

TCFD-aligned disclosure update and progress

Paper to note

April 2024

Overview

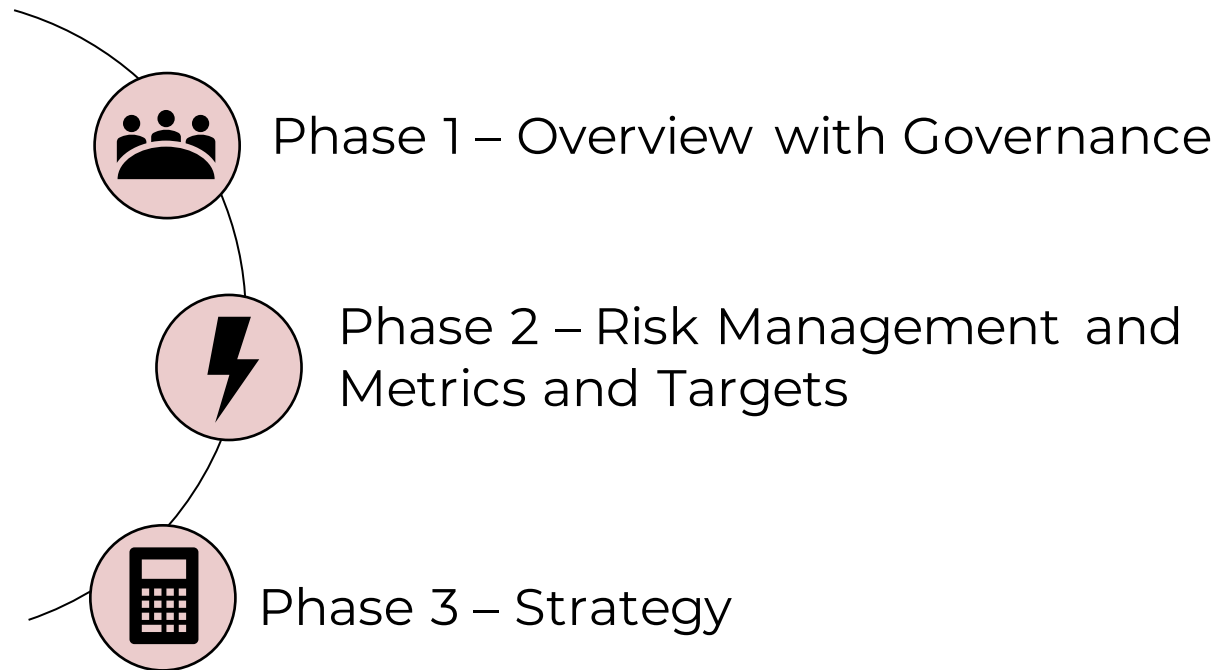
The Task Force on Climate-related Financial Disclosures (TCFD) recommendations identify key climate-related information for decision making and accountability purposes – refer to [Annex 1](#)

In line with private sector/standard setter developments, and with the support of the Financial Reporting Advisory Board (FRAB), HM Treasury is mandating TCFD-aligned disclosure in central government annual reports and accounts in a three-year phased approach from 2023-24 – refer to [Annex 2](#) and [Annex 3](#)

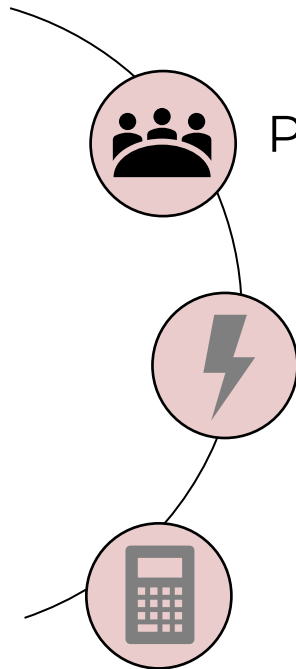
Following consultation on the Exposure Draft, HM Treasury has published [TCFD-aligned disclosure application guidance for Phase 1 and Phase 2](#). This was approved by FRAB in March 2024, having issued a position statement on TCFD-aligned disclosure earlier this year – refer to Annex 3 of [FRAB 152 \(02\)](#).

FRAB supports the framework's adoption as an appropriate step forward, considering the uptake of the framework's structure and underlying disclosures by the UK private sector and by international standard-setters.

Phased three-year implementation



Phased three-year implementation



Phase 1 – Overview with Governance

- For 2023-24 annual reports
- Application guidance published in July 2023
- Mandated for departments and large central government bodies but can be applied across the UK public sector – refer to Annex 2
- **Governance** recommended disclosures on the Board's oversight and management's role
- **TCFD Compliance Statement** - detailing which disclosures have been complied with and explaining any non-compliance
- Metrics and Targets recommended disclosure (b) on **emissions** – for central government aligns with Sustainability Reporting Guidance (SRG)

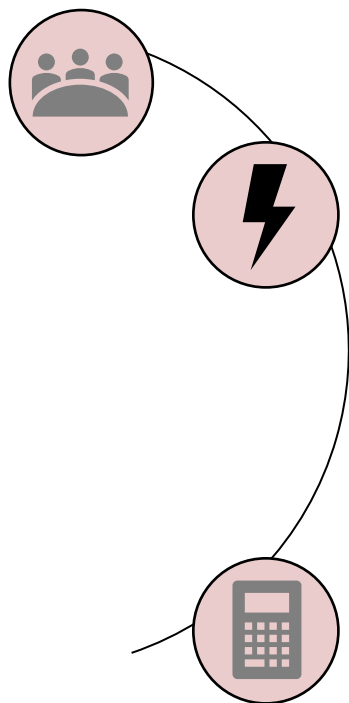
Update:

Training from PwC in February and March 2024

Positive feedback and engagement from preparers

Drive awareness through announcements (e.g., on government finance functions digital platform, published annual reporting guidance)

Phased three-year implementation



Phase 2 – Risk Management and Metrics and Targets

- For 2024-25 annual reports
- Application Guidance expected by March 2024
- **Risk Management pillar** has qualitative process focus - drawing on existing risk reporting within the performance report. Articulate rationale where climate is not a principal risk
- **Metrics and Targets recommended disclosures (a) and (c)** – only where climate is a principal risk. Introduces new metrics to disclose (e.g., amount/extent vulnerability to risk), and draws from SRG

Update:

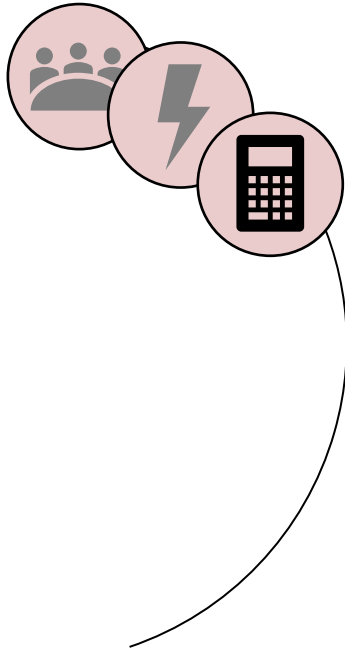
Consultation on exposure draft closed 26 Feb – Supportive with requests for clarification.

Guidance updated to add further detail on:

- Income/funding thresholds for ALBs
- Principal risk and materiality assessment requirements
- Reporting boundaries
- Industrial groupings
- FReM connectivity (e.g. Governance Statement)



Phased three-year implementation



Phase 3 – Strategy

- For 2025-26 annual reports
- **Exposure draft expected in summer 2024**, with final application guidance in late 2024
- **Strategy** has a quantitative focus – only where climate is a principal risk. Includes climate scenario analysis (next slides), impact on financial planning, and detailed information on risks and opportunities
- Will consider next round of Greening Government Commitments 25-30 (aligning where possible), but will be adaptable and build on existing emissions and climate adaptation guidance from across the wider UK public sector

Update:

GAD consulted on proposals for scenario analysis guidance

Technical Working Group and FRAB's Subcommittee will discuss options for:

- scenarios focus
- scenario centralised assumptions and principles
- time horizons

Phase 3 - Climate Scenario Analysis

- **Scenario definition:** SSP-RCP - socio-economic factors with GHG emissions trajectories – for temperature pathways, while allowing reporting entities the ability to diverge, where appropriate, with an explanation (e.g., regulatory requirements, policy remit)
Further work required to consider views from FRAB’s Sustainability Subcommittee and other recent developments (e.g., Met Office).
- **Scenario provider:** IPCC SSP-RCP scenarios – as most common and consistent with other UK public sector frameworks (e.g., National Adaption Programme)
- **Frequency of updating analysis:** Every 3-5 years – aligns with timeframes for political cycles, spending reviews, updates to models, and existing cross-government reporting
- **Number of scenarios:** 2°C (low physical risk) and 4°C temperature (high physical risk) based scenarios, with the ability to explain divergence where necessary (e.g., regulation) - aligns with existing frameworks for public sector bodies
- **Entity on climate impact:** Focus on climate-related risks and opportunities on the entity while encouraging quantitative assessment of the impacts of the entity on the environment, economy and public.
- **Scope of analysis:** Reporting entity’s operations.

Technical detail for scenario analysis

IPCC SSP-RCP scenarios amalgamate both socio-economic factors with GHG emissions trajectories into a spectrum of climate scenario on which to explore future impacts. Shared Socioeconomic Pathways (SSP) set plausible future socio-economic conditions, including population growth, technological advancements, and governance, as inputs into model projections. Representative Concentration Pathways (RCPs), specifying future GHG concentration trajectories. RCPs complement SSPs and are crucial for understanding the extent of impacts (e.g., on global temperatures, ecosystems).

Phase 3 - Climate Scenario Analysis

Time horizons for climate scenario analysis

Early proposals suggest time horizons are defined as follows:

- short-term is defined by the entity in line with their business planning processes
- medium-term is 2050
- long-term is the end of the century

In addition, alternative options are being explored (e.g., including very long term as end of century, ranges).

Wider considerations for time horizons:

- Needs of users (Parliament, management information)
- Interaction with internal risk management/strategy, processes
- Ease for preparer in application
- Consistency across annual report
- Comparability across sector
- Appropriateness



HM Treasury

An update will be presented to UPAG in Autumn 2024.

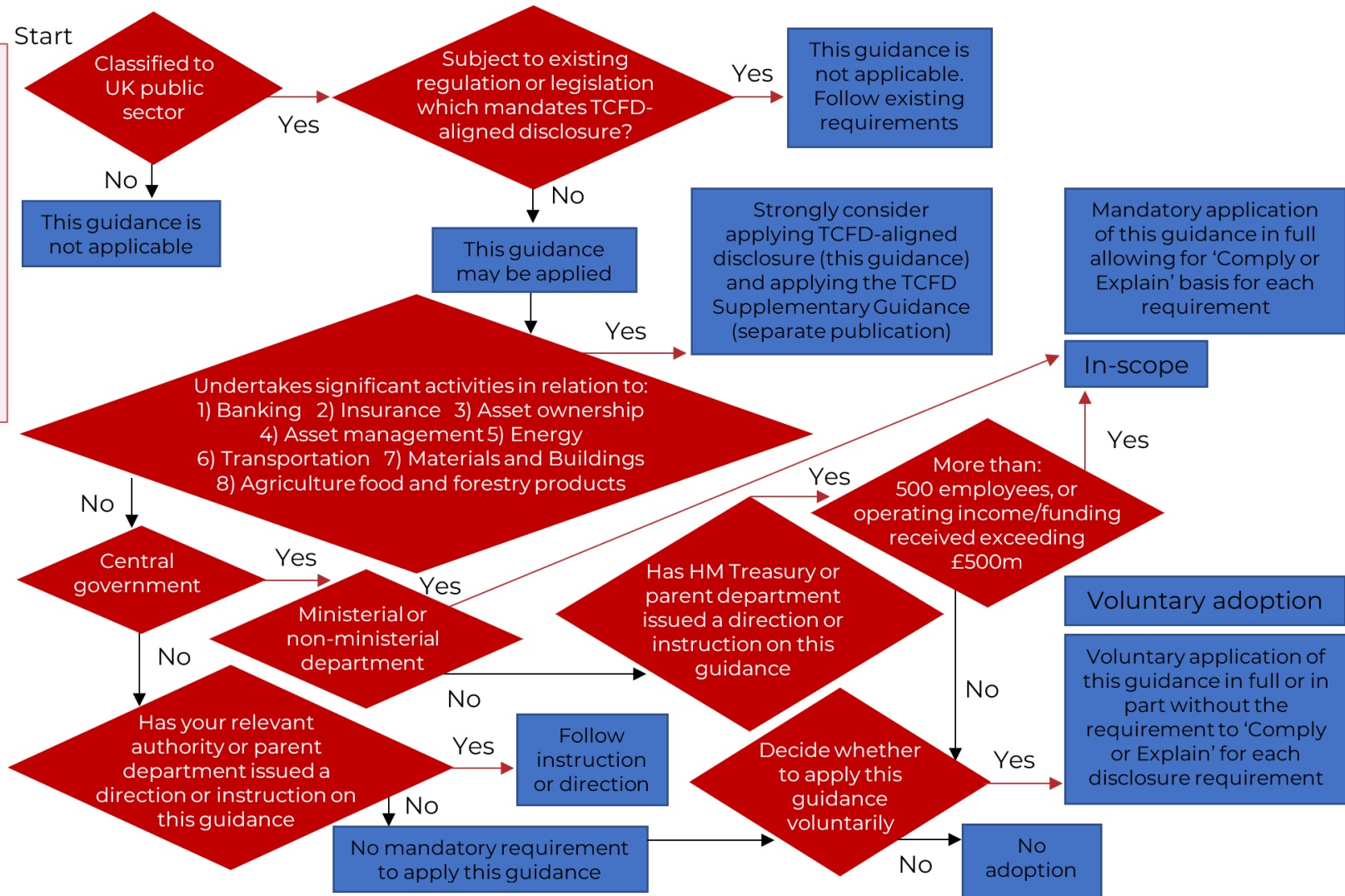
If you have any immediate questions - please contact Max Greenwood, HMT's Public Sector Sustainability Reporting Lead

Annex 1 – TCFD Overview: the pillars, the recommendations and the recommended disclosures



Annex 2 – Determining whether an organisation is in-scope

Decision tree for organisations to determine whether they are in scope, and whether they can apply this guidance



Annex 3 – Determining the minimum reporting requirements

Decision tree for in-scope reporting entities to determine the minimum requirements

