

OPEN CONSULTATION - TCFD-aligned disclosure Exposure Draft for Phase 3

A public consultation issued by UK HM Treasury
Comments from ACCA to UK HM Treasury

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Founded in 1904 to widen access to the accountancy profession, we've long championed inclusion and today proudly support a diverse community of over **252,500 members** and **526,000 future members** in 180 countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

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GENERAL COMMENTS

ACCA welcomes the opportunity to respond to this consultation on the TCFD-aligned disclosure Exposure Draft Phase 3 (ED) for the UK public sector. We have compiled our general comments covering all questions below. These follow on from our supportive comments of the TCFD Phase 2 ED.¹

ACCA sees this final ED as a useful document for entities in the public sector. We have made some minor considerations below however are broadly supportive. We think that the main area of improvement would be more specific and frequent referencing to the Annexes, where the examples and clear guidance are located.

Question 1

Is the Principal, new and emerging risk section sufficiently clear?

The section is clear in its breakdown of principal, new and emerging risks, however, there could be improvements in the referencing to Annex A, where physical and transition risks are defined. Despite this being Phase 3, we think that continual reference to relatively new concepts is crucial in driving meaningful disclosure.

Does the guidance on risk assessments, risk reporting and risk prioritisation adequately set out the expectation and disclosure requirements, and support preparers? If not, what further detail should be added?

References to the Orange Book and the FReM provide some additional guidance. ACCA think that there could be links to meaningful sector related TCFD reporting-related examples. Despite this being a public sector specific document, entities are operating in different industries and risk assessments may have cross overs that allow for meaningful examples to be accessed.

Question 2 a) Do you support our approach to not adapt Strategy recommended disclosure a) or the Supporting Guidance from TCFD? If not, why not?

ACCA supports this approach; it drives consistency and comparability across national reporting. Time horizons for both the public sector and beyond should align with national net zero commitments and this supports this concept. Further, there is additional guidance for further clarification to assist users in disseminating the document.

¹ [Consultation: TCFD-aligned disclosure Exposure Draft for Phase 2 | ACCA Global](#)

Question 2 b) Is the additional detail on time horizons, impacts with respect to broader public sector considerations, and climate-related opportunities sufficiently clear? Do you support this public sector interpretation? If not, why not?

We think that having additional guidance can be useful, however this information seems rather vague as opposed to providing clarification and support. Reference to specific government net zero goals and targets may be useful, as well as examples of strategic planning.

Question 3 a) Do you support our approach to not adapt Strategy recommended disclosure b) or the Supporting Guidance from TCFD?

ACCA supports this approach; it drives consistency and comparability across national reporting. The areas and activities listed in the support guidance are consistent across the entities that this guidance is for, therefore we see no need for adaptation.

Do you support the interpretations for Strategy recommended disclosure b) and the Supporting Guidance from TCFD? If not, why not?

ACCA supports these interpretations; they align with the recommended disclosures. The specific public sector interpretations in Annex A support the user in applying the guidance.

Question 3 b) Is the additional clarification and guidance on impacts with respect to broader public sector considerations sufficiently clear? If not, why not?

We see the additional clarification and guidance as sufficiently clear.

Do you believe further guidance is required in this sub-section? If so, what?

ACCA does not believe that further guidance is needed in this sub-section.

Question 3 c) Are the disclosure requirements and guidance for quantification sufficiently clear? Do they strike the appropriate balance, considering the utility of the information for decision-makers and annual report users, as well as the ability of reporting entities to adequately make a quantified assessment? If not, why not?

The guidance is sufficient clear and provides an appropriate balance.

Question 4 Are you supportive of the adaptation to Strategy recommended disclosure c) to remove the revenue size thresholds consideration for robust scenario analysis; and instead apply this guidance in deciding the level of detail for climate scenario analysis? Do you believe further guidance is needed in this section? If so, what?

We believe that the removal of the revenue size thresholds maintains appropriate application within the public sector and adapts the guidance to be UK specific. The 'comply or explain' application allows sufficient scope for bodies to master climate-scenario analysis and ensures easier application and disclosure for smaller entities.

Question 5 Are you supportive of the application guidance setting a common reference periods of mid-century (2050s)? If not, why not? Which alternative reference period (or anchor point) would you suggest, if any?

ACCA is supportive of the application guidance setting out a common reference period of mid-century.

Question 6 a) Are you supportive of the application guidance setting a common reference period of the end of the century (2080-2100)?

ACCA is supportive of the application guidance setting out a common reference period of the end of the century.

Question 6 b) Are you supportive of this reference period, only being required where reporting entities:

1. own, manage or regulate significant long-life assets or infrastructure; or,
2. deliver essential public goods and services which are likely to be significantly impacted by climate change; or,
3. set longer term policy which is, or regulate industries/sectors that are, likely to be significantly impacted by climate change. Do you support the chosen test characteristics? If not, why not? What alternative text characteristics would you suggest? Is this guidance sufficiently clear for reporting entities? If not, why not?

ACCA is supportive of the reference periods being applied only where it is decision useful information for users of the disclosures.

Question 7 Are you supportive of mandating a total of three reference periods (or points)? Are you supportive of near-term reference periods (or points) being selected by the organisation? Is this guidance sufficiently clear? If not, why not?

ACCA is supportive of three reference periods. This is consistent with wider TCFD applications when considering scenario analysis. The entity should be able to choose those that best align with their organisational structure or purpose. We do expect, however, that the reference periods will mostly be consistent given that many entities have significant long-term assets.

Question 8 Are you supportive of aligning climate scenario analysis with the global warming level/temperature pathways set out by the Climate Change Committee? If not, why not? Do you believe further guidance is needed in this section - including on alternative physical and socio-economic pathways? If so, what?

Though these are the pathways set out by the Climate Change Committee, the rationale for the 2- and 4-degree scenarios seems at odds with "The strategic framework set out the government's three priorities for its "2030 vision": keep 1.5°C alive by halving global emissions. build resilience

to current and future climate impacts".² As well as the Climate Change Strategy 2021-24.³ Further consideration should be given as to whether this signals reduced ambition to meet the UK's overarching net-zero targets, it also could result in inconsistencies across private and public sector reporting and reduce comparability.

Question 9 Is the guidance on transition pathways and shadow carbon pricing sufficiently clear? Does this support preparers with this type of analysis and disclosure? If not, what further detail should be added? Are there any other potential or perceived risks which have not been addressed in this guidance?

ACCA believes the guidance on transition pathways is somewhat clear. Since transitional risks are predominantly driven by government policy, examples of the key/principal sources of new policies would be a useful to ensure reasonable horizon scanning by entities. The guidance does support the preparers with this type of analysis and disclosure, however, examples of specific transition scenarios and how they should be applied, should be clearly signposted.

We believe that the guidance on shadow carbon pricing is sufficiently clear and supports preparers. ACCA recommends that this section in the document is regularly reviewed since this subject matter is evolving at speed.

Question 10 Do you support the approach that scenario analysis is conducted every 3 to 5 years, or more frequently where the assumptions used no longer apply? Is the associated guidance sufficiently clear? If not, why not? Do you believe further guidance is needed in this section? If so, what

ACCA broadly supports this approach. It aligns with commonly used short-term time horizons and therefore enables reasonable revisions when re-assessing scenarios across the medium and long term. However, we do believe that additional detail may assist in generating the desired outcomes of this guidance, we recommend particularising that it is also conducted where there are significant changes or achievements within the organisation. Further, we believe it should be clarified that scenario analysis is conducted at a minimum every five years with a preference for tri-annual reassessments.

Question 11 Is the Climate Scenario Analysis section sufficiently clear? Does the guidance on transition driven pathways, and support preparers with this type of disclosure? If not, what further detail should be added? Do you believe further guidance is needed in this section?

² [The 1.5-degree celsius global warming threshold: Could it be breached in 2024? - House of Lords Library \(parliament.uk\)](#)

³ [Climate Change Strategy 2021- 2024 \(publishing.service.gov.uk\)](#)

ACCA believes that the Climate Scenario Analysis section is sufficiently clear. Please see our response to question nine for our recommendations on transition pathways. We do not see any additional detail needed with regards to question 11.