

Response ID ANON-MRZR-CA3H-A

Submitted to **Consultation on mandatory climate-related financial disclosures by publicly quoted companies, large private companies and Limited Liability Partnerships (LLPs)**

Submitted on **2021-05-05 12:26:00**

About you

What is your name?

Name:

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What is your email address?

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What is your organisation?

Organisation:

ICMA

Are you happy for your response to be published?

Yes

Would you like to be contacted when the consultation response is published?

Yes

Consultation questions

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

Write your answer here:

Yes, on the basis that International Capital Market Association (ICMA) UK-based Corporate Issuer Forum (CIF) members are PIEs that have more than 500 employees and are already required to produce a non-financial information statement under section 414CA Companies Act 2006 (CA 2006) (Non-financial information statement), a Strategic Report under Section 414A CA 2006 and to demonstrate a high level of transparency in respect of principal risks and opportunities, including those risks and opportunities that are climate-related under Section 414 CB CA 2006 (Contents of non-financial information statement).

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)?

Write your answer here:

No comment

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

Write your answer here:

Although reporting at the group level on a consolidated basis may seem optimal for investors, other finance providers and other stakeholders, it is important to highlight that data collection for reporting purposes can require a lot of work, resulting in a full reporting 'suite' comprising different data required for different purposes, requiring different teams collating different sets of data due to different (sometimes inconsistent) requirements. Many issuers are grappling with disclosure/data, which may become exacerbated for large, global companies who might not have access to, or be able to co-ordinate, all their subsidiary operations data and disclosures on a global basis. It may be worth engaging further with large companies with global reach to determine whether any other exemptions (or possibly 'best efforts' qualifications) are required.

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

Write your answer here:

ICMA CIF members are already required to produce a non-financial information statement under Section 414 CA 2006. As the regulations would seek to amend the relevant sections of the CA 2006 which require certain companies to produce a non-financial information statement as part of their Strategic Report, it seems sensible to build upon the existing disclosure and expand it in the Strategic Report. The Strategic Report provides a meaningful structure in which to include further information, and would only become subject to prospectus liability if specifically incorporated by reference into a prospectus, which is a consequence we would seek to avoid given the forward-looking and somewhat variable nature of climate-related financial information (see further Annex 1 of the Disclosures Chapter of the UK FCA and PRA's Climate Financial Risk Forum (CFRF) Guide 2020).

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?

Write your answer here:

No comment.

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?

Write your answer here:

As highlighted in the consultation, the 11 detailed TCFD recommendations are at a level of granularity that could be inconsistent with current legislative requirements in the Strategic Report. In any event, in-scope entities will be required by FCA listing rules to report against the 11 recommendations on a 'comply or explain' basis. So it seems appropriate and proportionate for this new disclosure requirement to align generally with the four pillars, as it allows for evolution of the 11 recommendations. To ensure consistency and alignment, attention should be paid to the drafting of the requirements aligning generally with the four pillars to ensure they do not qualify or contradict the 11 recommendations. The non-binding Q&A referred to in the consultation would be helpful.

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?

Write your answer here:

No comment.

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

Write your answer here:

We agree that those who can conduct scenario analysis should be strongly encouraged to do so, but with a view to ultimately ensuring that all companies get to a point where they can conduct scenario analysis mandatorily. To make disclosures is one helpful aspect, but stress testing or quantifying risks/disclosures against a series of scenario metrics is more valuable than just identifying risks. In particular, in the case of a possible statement that only part of the climate-related financial disclosure is required, it could become difficult for a reader to quantify the degree to which certain elements (and not others) are expected to materially affect the company's business model or strategy.

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?

Write your answer here:

No comment.

10 Do you have comments on the proposed qualification to a company's duty to make climate-related financial disclosures for companies?

Write your answer here:

If a company considers that no climate-related financial disclosure is required at all, then a reasoned explanation of the basis for this assessment should be provided. There is however a question of degree, i.e. if some elements of climate-related financial disclosure are considered necessary, would a reasoned explanation be required as to why certain other elements are not?

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

Write your answer here:

No comment.

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

Write your answer here:

No, assuming that, as the new disclosures will form part of the Strategic Report, existing monitoring or enforcement powers will continue to apply to the new duties in connection with climate-related financial disclosures.

13 Do you have any comments regarding duties and enforcements for LLPs should they be brought into scope?

Write your answer here:

No comment.

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

Write your answer here:

The proposed approach of following developments in the area but ensuring respective requirements and monitoring and enforcement capabilities operate in a coherent and complementary way to ensure alignment seems sensible.

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

Write your answer here:

No comment.

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

Write your answer here:

No comment.

17 Do you have any further comments about our proposals?

Write your answer here:

No further comments.