

## Europe: Asset Managers – Are You Ready for Climate-Related Reporting Under UK TCFD?

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1 January 2023 marked the latest regulatory milestone in the UK’s phased implementation of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

The TCFD – first set up in 2015 by the Financial Stability Board – is an international body that has issued recommendations, targeted at multiple sectors, for disclosing climate-related financial information.

In November 2020, the then UK Chancellor, Rishi Sunak, committed to making TCFD-aligned disclosures mandatory for large companies and financial institutions across the UK economy by 2025.

In December 2021 the UK’s Financial Conduct Authority introduced rules requiring most asset managers and certain asset owners to make climate-related disclosures consistent with TCFD recommendations no later than 30 June 2024 – with a reporting period commencing on 1 January 2023. Affected asset managers include all except the largest (> £50 billion under management), which need to report by 30 June 2023 on the position from 1 January 2022, and the smallest (with TCFD in-scope business of less than £5 billion calculated as a 3-year rolling average on an annual assessment), which are exempt.

The rules are set out in the FCA’s ESG Sourcebook, and apply to UK asset managers, life insurers, and FCA-regulated pension providers with respect to “TCFD in-scope business”. This includes UK UCITS management companies managing a UK UCITS, UK AIFMs managing an AIF, and FCA-authorized firms carrying on portfolio management.

The TCFD-aligned disclosures require in-scope firms to produce entity and product level reports in relation to their TCFD in-scope business – including certain detailed metrics such as Scope 1, 2 and 3 greenhouse gas emissions, total carbon emissions and weighted carbon intensity. In-scope firms accordingly need to be in a position to gather the relevant data.

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