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## Climate-related Disclosures: Final Rules

*Of particular interest to: asset managers, FCA-regulated pension providers and life insurers*

### In brief

Our Alert of last June drew attention to FCA Consultation Paper CP21/17 concerning climate related disclosures for asset managers, FCA-regulated pension providers and life insurers. The final rules have now been published.

### Summary

The **final rules** on climate-related disclosures were published by the FCA in the run-up to Christmas and can be found in Appendix 1 of Policy Statement **PS21/24** (“Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers”) – see ‘Useful Links’. Most of the new rules appear in a **new sourcebook** in the FCA Handbook – “Environmental, Social and Governance sourcebook” (**ESG**) – although some consequential changes have also been made in COLL.

For the record the FCA also published Policy Statement PS21/23 which sets out climate-related disclosures for issuers of standard listed shares – this Alert only concerns PS21/24.

The disclosures are climate-related (the rules refer to **‘TCFD reports’** – TCFD being an initialisation of ‘Task Force on Climate-related Financial Disclosures’) which is in contrast with the EU Sustainable Finance Disclosure Regulation (SFDR) where disclosures also capture ‘social’ and ‘governance’.

The disclosures are at both **entity** and at **product** level.

The requirements for the entity level report (**‘TCFD entity report’**) are to be found in ESG 2.2 whilst those for the product level report (**‘public TCFD product report’**) are in ESG 2.3. Note that the scope of this latter report includes (but please full definition in ‘Useful Links’):

- an **authorised** fund;
- a with-profits fund;
- a linked fund;
- a pre-set investment portfolio;
- a closed-ended investment fund; or
- an **unauthorised AIF** managed by a **UK AIFM** that is **listed** on a recognised investment exchange; this includes an investment trust.

As such an unauthorised AIF managed by a UK AIFM that is **not listed** does **not** fall within the scope of a public TCFD product report. Having said that, an investor in such a fund (and for that matter 'a client') can request '**on demand information**' – further details can be found in ESG 2.3.5.

The good news for **smaller firms** is that ESG 2 (which contains the rules specifically relating to TCFD reports) is **disapplied** if, and for as long as, the assets under administration or management in relation to its **TCFD in-scope business** amount to **less than £5bn** calculated as a 3-year rolling average on an annual assessment (see ESG 1.2.2).

The rules are **directed** at both '**asset owners**' (which will include, but not be limited to, insurers and SIPP operators) and '**asset managers**'. The latter captures:

- UK AIFMS (both full-scope and small)
- UK UCITS Management Companies of UK UCITS
- UK UCITS that do not have a separate Management Company
- Firms undertaking portfolio management

Although the rules apply from **1 January 2022**, the effect of transitional rules (which can be found in ESG TP1) means that the first disclosure obligations take effect over **two phases** depending upon the size of the firm.

For larger firms (specifically '**enhanced scope SMCR firms**' – see 8.2 of SYSC 23 Annex 1) the first publication deadline is **30 June 2023**.

For other firms the first publication deadline is **30 June 2024** (note that for this category of firms **ESG 2** as a whole is **disapplied until 31 December 2022** and therefore the reporting period that must be covered for the entity report is to commence from 1 January 2023).

The FCA has also established a **Disclosures and Labels Advisory Group** (DLAG) being an advisory group made up of key financial market stakeholders and subject matter experts which will provide independent advice to the FCA on the development and implementation of new sustainability-related financial disclosure requirements ('**disclosures**') and a sustainable classification and labelling system for investment products ('**labels**'). Please see 'Useful Links' for the Terms of Reference of the DLAG.

#### **Useful Links**

[June 2021 Climate-disclosures Alert](#)

[PS21/24](#)

[SYSC 23 Annex 1](#)

[Definition: 'TCFD in-scope business'](#)

[Definition: 'public TCFD product report'](#)

[Definition: 'TCFD product'](#)

[Definition: 'on demand information'](#)

[Definition: 'on demand TCFD product report'](#)

[Definition: 'underlying asset data'](#)