



**The new FCA compliance
statement on TCFD disclosures –
Observations from first reporters**

April 2022

Contents

Executive summary	03
Introduction	05
Location and structure	07
Governance	09
Strategy	10
Risk management	15
Metrics and targets	16

Executive summary

The first wave of premium-listed commercial companies within scope of the new Listing Rule, requiring companies to make a statement setting out whether they have made disclosures consistent with TCFD’s four recommendations and eleven recommended disclosures, have now published their annual reports. In this survey we looked at the reporting by the first 30 UK premium listed companies to publish their December 2021 year-end annual reports.

90% of companies in our survey disclosed a clearly identified statement of compliance. The three companies without a clear statement described their climate-related reporting in the annual report as being aligned, or structured in line, with TCFD without explicitly confirming consistency with the TCFD recommended disclosures or highlighting any areas where disclosures were inconsistent with the TCFD recommended disclosures or indeed missing.

Five companies explicitly called out the TCFD’s four recommendations and eleven recommended disclosures that they did not comply with. This is summarised in the table below.

It was evident from the survey that a spectrum of approaches was taken by companies in making their assessment of consistency. For example, one company took a very granular approach, deeming consistency with the TCFD recommendations and recommended disclosures to require full consistency with the TCFD’s guidance for all sectors. In comparison, another company indicated that whilst the disclosures provided were consistent with TCFD, only limited initial disclosures had been made.

TCFD pillar	Recommended disclosure	No. of companies explicitly stating non-compliance
Governance	a) Describe the board’s oversight of climate related risks and opportunities.	-
	b) Describe management’s role in assessing and managing climate-related risks and opportunities.	-
Strategy	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	1
	b) Describe the impact of climate related risks and opportunities on the organisation’s businesses, strategy, and financial planning.	4
	c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	3
Risk Management	a) Describe the organisation’s processes for identifying and assessing climate-related risks.	-
	b) Describe the organisation’s processes for managing climate-related risks.	-
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.	-

Executive summary cont.

TCFD pillar	Recommended disclosure	No. of companies explicitly stating non-compliance
Metrics and targets	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	4
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	1
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	2

None of the companies surveyed explicitly stated that their disclosures were not consistent with TCFD with respect to their Governance and Risk Management disclosures, which is in line with the FCA's expectations, as set out in Listing Rule 9.8.6E.

Of the five companies that explicitly called out that their disclosures were not fully consistent with the TCFD's four recommendations and eleven recommended disclosures, three fully explained the reasons for this, the steps being taken, and the timeframe in which they expect to be able to make full disclosures.

70% of companies included their TCFD disclosures wholly within the annual report. Of these:

- 62% stated that they had performed quantitative scenario analysis;
- all but one company disclosed a carbon reduction target, with 80% of these companies describing their target as 'net zero' or 'carbon neutral';
- 81% have set long term targets, with 65% of these companies also having set associated interim targets; and
- 13 companies stated that they had obtained independent external assurance over some or all metrics disclosed; all of these companies gained assurance over at least Scope 1 and 2 emissions, with 11 also having obtained assurance over Scope 3 emissions.

87% of all 30 companies surveyed disclosed Scope 3 GHG emissions, with the remaining 13% stating plans to disclose Scope 3 emissions in future periods.

Introduction

a. Purpose of the survey

Climate change is at the top of regulatory, investor and corporate agendas, with climate-related risks making up four of the five biggest risks faced by business¹. Market participants and policymakers agree that better climate-related disclosure is needed. In November 2020, the UK Government published a Roadmap and set out a [ten point plan](#) to establish mandatory disclosures aligned with the Task Force on Climate-related Financial Disclosures (TCFD) across the UK economy by 2025, with the majority of requirements put in place by 2023.

In December 2020, the Financial Conduct Authority (FCA) introduced a new Listing Rule (LR 9.8.6R(8)) (the Listing Rule) to promote higher-quality climate-related financial disclosures. The Listing Rule applies to premium listed commercial companies and is effective for accounting periods beginning on or after 1 January 2021.

This survey presents a picture of how the first wave of December 2021 year-end reporters have approached the new Listing Rule requirement for commercial companies with a UK premium listing to include a statement in their annual report setting out the extent to which they have made disclosures consistent with TCFD's four recommendations and eleven recommended disclosures.

c. Reminder of the reporting requirement

Companies within scope of the Listing Rule are required to include a statement in their annual report setting out:

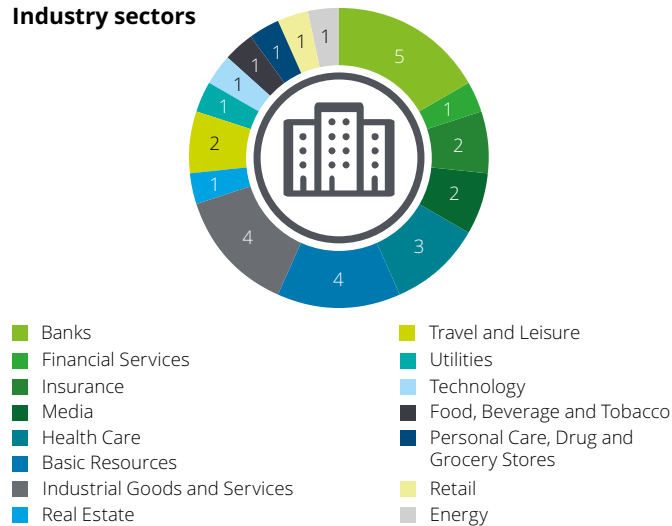
- Whether they have included disclosures consistent with TCFD's four recommendations and eleven recommended disclosures in their annual financial report.
- In cases where disclosures consistent with some or all of TCFD's four recommendations and eleven recommended disclosures have not been included, an explanation of why they have not been included, and a description of any steps they are taking or plan to take to be able to make consistent disclosures in the future – including relevant timeframes for being able to make those disclosures.
- Where they have included some, or all, of the disclosures in a document other than the annual financial report, an explanation of which disclosures are in the other document and why they have been made there, a description of that document and where it can be found.
- Where in the annual financial report (or other relevant document) the various disclosures can be found.

¹ See the World Economic Forum's 2022 Global Risks Report https://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2022.pdf

b. Scope of the survey

This survey is based on the first 30 annual reports published by UK premium listed companies with December 2021 year-ends. 22 were in the FTSE 100, 7 in the FTSE 250 and 1 company was in the FTSE All-share index. Companies were from a broad range of industry groups, as indicated in the graph.

Industry sectors



Introduction cont.

d. FCA implementation guidance

Together with the Listing Rule, the FCA published implementation guidance (LR 9.8.6BG to 9.8.6EG). This guidance clarifies that entities in scope should perform a detailed assessment of its climate-related financial disclosures, taking into account the following guidance materials:

- *Recommendations of the Task Force on Climate-related Financial Disclosures* (or Final Report), published in June 2017, which provides the general framework for climate-related financial disclosures;
- *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures* (or Annex), originally published in June 2017 and updated in October 2021, which includes guidance for all sectors and supplemental guidance for certain sectors;
- *The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities* (or Technical Supplement), published in June 2017, and *Guidance on Scenario Analysis for Non-Financial Companies*, published in October 2020, which provides a further level of detail to help organisations with scenario analysis;
- *Guidance on Risk Management Integration and Disclosure*, published in October 2020, which aids organisations in integrating climate-related risks into existing risk management processes; and
- *Guidance on Metrics, Targets, and Transition Plans*, published in October 2021, which provides further guidance on recent developments around metrics and targets, and introduces recommended disclosures for transition plans.

In December 2021, the FCA updated the above list to include the updated guidance for all sectors and supplemental guidance for certain sectors, which was published by the TCFD in October 2021, and added the TCFD Guidance on Metrics, Targets and Transition Plans. These updated guidance materials apply for financial years beginning on or after 1 January 2022. Entities may, however, choose to apply these updated materials sooner. All the above publications can be found on the [TCFD website](#).

Sources of best practice examples

There is a number of sources of further TCFD guidance and best practice examples, including the following:

- TCFD status reports include examples of best practice disclosures (see [TCFD publications page](#));
- [TCFD knowledge hub](#) includes further guidance, tools and case studies to help understand and implement the TCFD framework;
- [Accounting for Sustainability](#) website includes guidance on adopting TCFD and practical examples; and
- FRC Financial Reporting Lab report, [Taskforce on Climate-related Financial Disclosures \(TCFD\): ahead of mandatory reporting](#), explores the pathway to mandatory TCFD disclosure and is also accompanied by examples of useful disclosures.

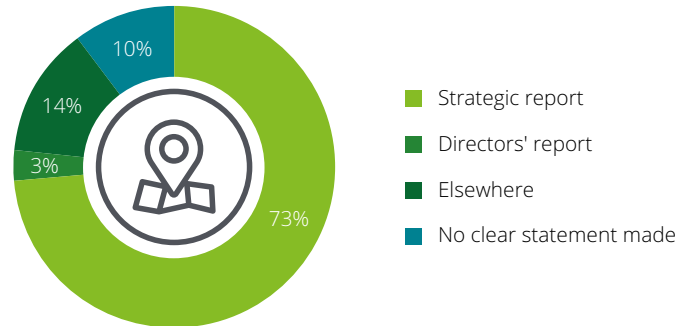
Location and structure

a. FCA compliance statement and its location

In line with the Listing Rule, 90% of companies included a clearly identified statement outlining the extent to which they have made disclosures consistent with the TCFD recommended disclosures. Most of the statements were in the strategic report and all statements described where the TCFD disclosures are located, as required by the Listing Rule.

Those three companies without a clear statement did provide TCFD disclosures but it was difficult to determine whether, in the directors' opinion, disclosures consistent with all the TCFD recommended disclosures had been made.

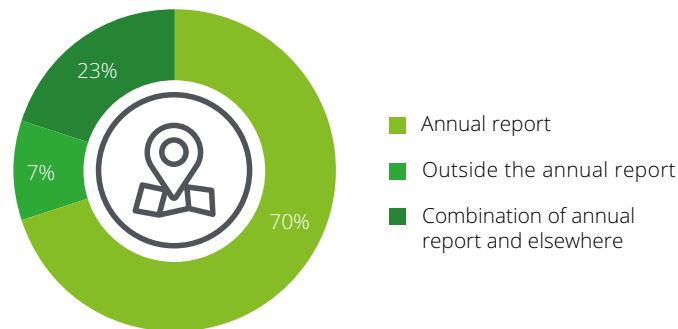
Location of FCA statement



b. Location and structure of TCFD disclosures

Most companies presented all their TCFD disclosures in the annual report, as shown in the graph. Where some or all of the disclosures were made outside of the annual report, in almost all cases the disclosures were made in a standalone "TCFD Report" or "Climate Report". This tended to be the standard practice for financial businesses (such as banks, insurers and financial services companies). Of the companies providing some or all of the disclosures elsewhere, all but one included an explanation for this, as required by the Listing Rule. The rationale was commonly due to the length and technical detail of the separate reports.

Location of TCFD disclosures

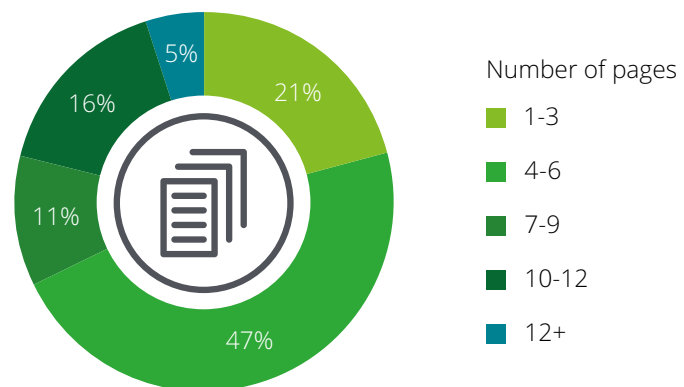


Location and structure cont.

Of the 28 companies including some or all of their TCFD disclosures in the annual report, 19 presented a single, self-contained section on TCFD recommendations (with minor cross-referencing only). Four companies presented a table with cross-references to direct readers to detail on other pages of the annual report or to another report and the remaining five companies adopted alternative approaches in presenting the information, such as detailed disclosures for some but not all aspects of the TCFD recommendations and signposting to where other information might be found.

The TCFD disclosures of the 19 companies that presented a single, self-contained section in the annual report ranged from 3 – 21 pages in length, with an average length of 6 pages .

Where TCFD disclosures are presented in a single, self-contained section in the annual report, how long are these disclosures?



Governance

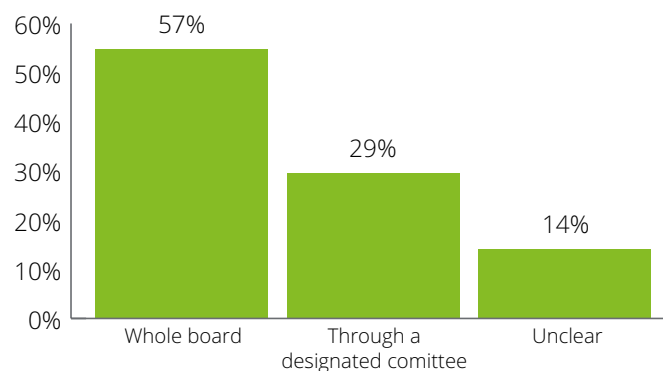
Recommended disclosure a) Describe the board's oversight of climate-related risks and opportunities

Recommended disclosure b) Describe management's role in assessing and managing climate-related risks and opportunities

None of the companies surveyed explicitly stated that their disclosures were not consistent with the TCFD recommended disclosures of both board oversight of climate-related risks and opportunities and management's role in assessing and managing climate-related risks and opportunities.

In many cases where the whole board was identified as having oversight of climate-related matters, specific tasks were delegated to board-level committees. For a few companies, it was unclear quite where the oversight and responsibility lay. Some reports articulated the clearly defined roles and responsibilities at different levels in the organisation through use of a table. A few disclosures were enhanced by reference to training on climate-related issues which had been provided not only for the board and executives, but for the organisation as a whole.

For those companies presenting their TCFD disclosures wholly in the annual report, how does the board have oversight of climate-related matters?



The TCFD guidance for all sectors suggests that organisations include a discussion of:

- processes and frequency by which the board and/or board committees (e.g., audit, risk, or other committees) are informed about climate-related issues;
- whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organisation's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures;
- how the board monitors and oversees progress against goals and targets for addressing climate-related issues;
- whether the organisation has assigned climate-related responsibilities to management-level positions or committees; and, if so, whether such management positions or committees report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues;
- a description of the associated organisational structure(s);
- processes by which management is informed about climate-related issues; and
- how management (through specific positions and/or management committees) monitors climate-related issues.

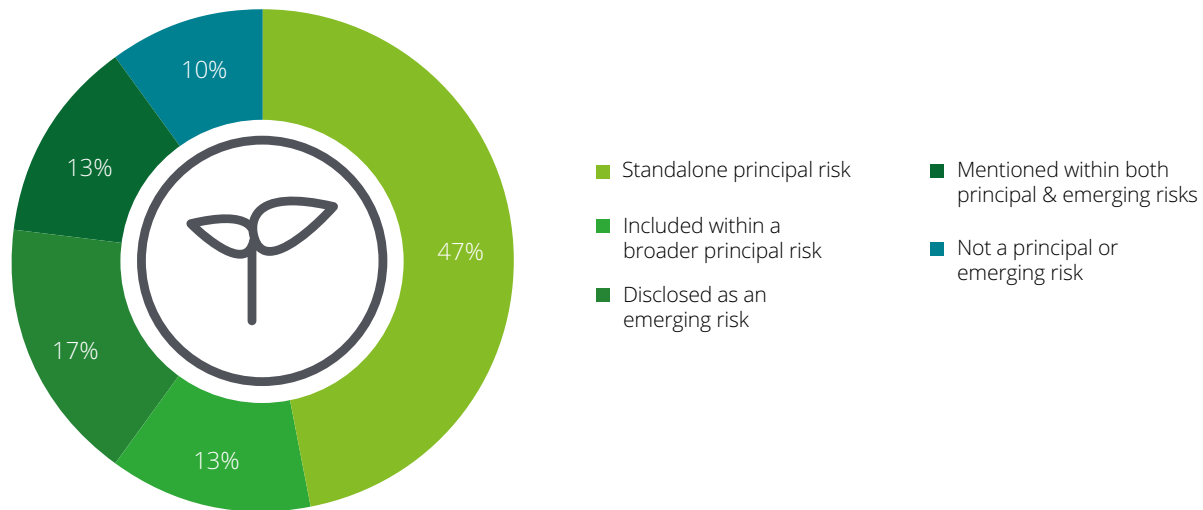
Strategy

Recommended disclosure a) Describe the climate-related risks and opportunities the organisation has identified over the short-, medium- and long-term

One company explicitly stated that their disclosures were not consistent with this TCFD recommended disclosure. As required by the Listing Rule, this company clearly explained in its statement of compliance the reasons for not including such disclosures (highlighting that the work currently in progress in mapping how specific climate-related issues impact on the business, across each time horizon and for each line of business, was not sufficiently completed to meet the requirement of the recommended disclosure). The company also described the steps being taken to be able to make those disclosures and set out the timeframe within which it expected to be able to do so.

All UK quoted companies must disclose in their annual report a description of the principal risks and uncertainties facing the company. They must also describe the procedures in place to identify emerging risks; and while there is no requirement to disclose any emerging risks identified, many companies choose to do so.

Of all 30 companies surveyed, is climate change identified as a principal risk?



Strategy cont.

Of the 70% of companies presenting their TCFD disclosures wholly within the annual report:

- All companies described both physical (such as acute risks from extreme weather events or chronic longer-term shifts in climate patterns) and transition risks (such as policy and legal, technology, market and reputation risks) in line with TCFD recommendations.
- 90% clearly defined the short-, medium- and long-term horizons. Of these companies, 37% indicated the time horizon over which each climate risk was expected to arise, while 58% did so for both risks and opportunities. The remaining 5% did not indicate the time horizons for either risks or opportunities.
- 19% of companies provided a description of their risks and opportunities using appropriate categories, such as by sector and/or geography, with varying, often company- or industry-specific categories being used.

The TCFD guidance for all sectors suggests that organisations include:

- a description of what they consider to be the relevant short-, medium-, and long-term time horizons, taking into consideration the useful life of the organisation's assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms;
- a description of the specific climate-related issues potentially arising in each time horizon (short, medium, and long term) that could have a material financial impact on the organisation; and
- a description of the process(es) used to determine which risks and opportunities could have a material financial impact on the organisation.

Organisations should consider providing a description of their risks and opportunities by sector and/or geography, as appropriate.

Strategy cont.

Recommended disclosure b) Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning

Four companies explicitly stated that their disclosures were not consistent with this TCFD recommended disclosure. Of these, three clearly explained the reasons for not including such disclosures (for example, due to not having a completed or approved financial analysis of climate-related risks and opportunities or due to data challenges and system limitations). These three companies also went on to describe the steps being taken to be able to make the disclosures. All four companies set out the timeframe within which they expected to be able to make those disclosures.

One company presenting their TCFD disclosures wholly in the annual report quantified the actual financial impacts of climate-related risks in the period. This was in relation to the adverse impact on earnings as a result of specific storms and hurricanes during the year and also the cost of compliance with the EU Emissions Trading Scheme.

Six companies presenting their TCFD disclosures wholly in the annual report quantified the potential financial impacts of climate-related issues in their TCFD disclosures in the annual report, with four of these providing an estimated range and the other two specific point estimates. Of these six companies:

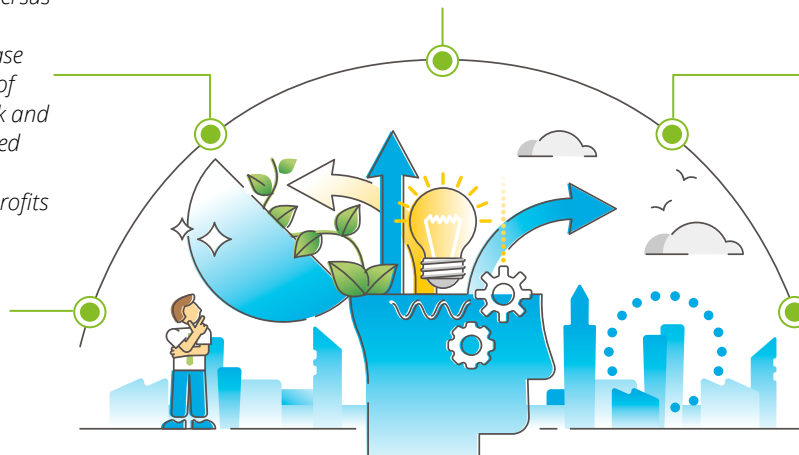
a metals mining company estimated future capital expenditure needed to meet their climate-related targets, indicating how much is needed to meet their "stay-in-business" base case versus incremental additional spending beyond the base case; their descriptions of each climate-related risk and opportunity also included an estimated range of percentage impact on profits

similarly, a healthcare company and a consumer goods manufacturer both quantified the range of the potential impact on profit of each climate-related risk, with the latter estimating potential revenue increases from opportunities as well

one utilities company identified potential increases in value of a nuclear asset held on balance sheet due to international governmental climate-related policy changes and the impact of these policies on the price of nuclear power

one real estate company estimated the capital expenditure required to upgrade the energy efficiency of their property portfolio

one energy company estimated a future annual carbon cost exposure due to increasing climate-related regulations



Strategy cont.

The TCFD guidance for all sectors suggests that the disclosure should include:

- a description of how climate-related issues serve as an input to their financial planning process, the time period(s) used, and how these risks and opportunities are prioritised;
- a holistic picture of the interdependencies among the factors that affect their ability to create value over time; and
- a description of any climate-related scenarios used to inform the organisation's strategy and financial planning.

Organisations should consider the following areas when describing the impact on their business and strategy: products and services; supply chain and/or value chain; adaptation and mitigation activities; investment in research and development; and operations (including types of operations and location of facilities). When describing the impact on their financial planning, organisations should consider the following areas: operating costs and revenues; capital expenditures and capital allocation; acquisitions or divestments; and access to capital.

The 2021 update of the original 2017 TCFD guidance clarified that companies should consider all the above areas when describing the impact on their business, strategy and financial planning. The 2021 update also added that organisations should describe the impact of climate-related issues on their financial performance (e.g., revenues, costs) and financial position (e.g., assets, liabilities).

The 2021 update further added that organisations that have made GHG emissions reduction commitments, operate in jurisdictions that have made such commitments, or have agreed to meet investor expectations regarding GHG emissions reductions should describe their plans for transitioning to a low-carbon economy, which could include GHG emissions targets and specific activities intended to reduce GHG emissions in their operations and value chain or to otherwise support the transition.

Strategy cont.

Recommended disclosure c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Three companies explicitly stated that their disclosures were not consistent with this TCFD recommended disclosure. Of these, two clearly explained the reasons for not including such disclosures (one bank stated that it could not fully disclose the impacts of transition and physical risk quantitatively, due to transitional challenges including data limitations and evolving science and methodologies, while an insurer confirmed its scenario analysis was submitted to the Prudential Regulation Authority (PRA) and the company was unable to publish the results until the PRA communicated their findings). Both these companies described the steps being taken to be able to make the disclosures. All three companies set out the timeframe within which they expected to be able to make those disclosures.

Of the 70% of companies presenting their TCFD disclosures wholly within the annual report:

- 62% stated that they had performed quantitative scenario analysis, with three being the most common number of different scenarios used. All of these companies indicated that at least one of the scenarios used was a 2°C or lower scenario, with 31% of these companies using a 1.5°C scenario. For a handful of reporters, it was unclear how many scenarios had been used in the analysis.
- One company made it clear in their TCFD disclosures which scenario had been used for the affected judgements and estimates in the financial statements. Forecasts of financial statement assumptions may have a strong association with climate scenarios. While there are no requirements to link the two, investors have highlighted the importance of being able to understand the linkage.

The TCFD guidance for all sectors suggests that organisations should discuss:

- where they believe their strategies may be affected by climate-related risks and opportunities;
- how their strategies might change to address such potential risks and opportunities; and
- the climate-related scenarios and associated time horizon(s) considered.

Organisations should describe how resilient their strategies are to climate-related risks and opportunities, taking into consideration a transition to a lower-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organisation, scenarios consistent with increased physical climate-related risks.

The 2021 update of the original 2017 TCFD guidance added that organisations should discuss the potential impact of climate-related issues on financial performance (e.g., revenues, costs) and financial position (e.g., assets, liabilities).

Risk management

Recommended disclosure a) Describe the organisation's processes for identifying and assessing climate-related risks

Recommended disclosure b) Describe the organisation's processes for managing climate-related risks

Recommended disclosure c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

None of the companies surveyed explicitly stated that their disclosures were not consistent with the TCFD recommended disclosures about risk management.

All companies that presented their TCFD disclosures wholly within the annual report clearly indicated that their processes in relation to climate-related risks were integrated into their overall risk management, with 14% of these companies indicating that they had supplementary climate-related risk management activities in addition to their usual processes. Such integration reflects the fact that climate change is an undiversifiable risk that transcends financial, operational and strategic risks.

The TCFD guidance for all sectors suggests that organisations should discuss:

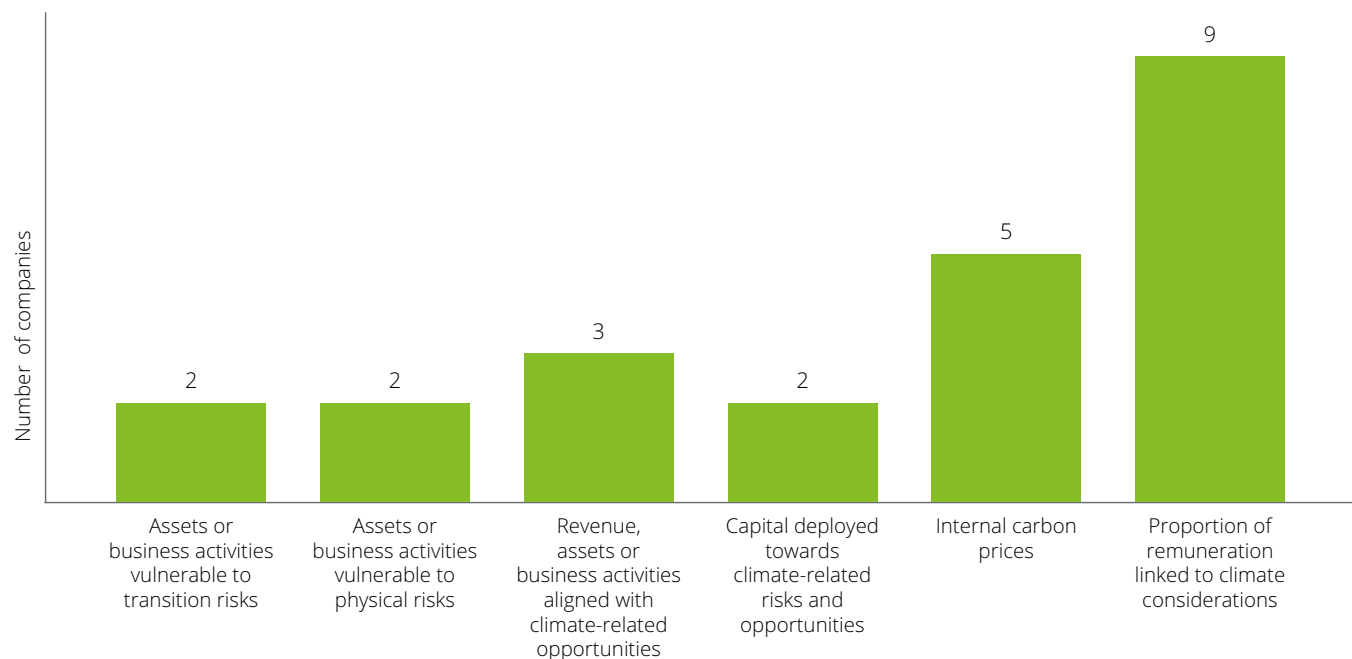
- their risk management processes for identifying and assessing climate-related risks;
- how organisations determine the relative significance of climate-related risks in relation to other risks;
- processes for assessing the potential size and scope of identified climate-related risks;
- definitions of risk terminology used or references to existing risk classification frameworks used;
- whether they consider existing and emerging regulatory requirements related to climate change (e.g., limits on emissions) as well as other relevant factors considered;
- their processes for managing climate-related risks, including how they make decisions to mitigate, transfer, accept, or control those risks;
- their processes for prioritising climate-related risks, including how materiality determinations are made within their organisations;
- how their processes for identifying, assessing, and managing climate-related risks are integrated into their overall risk management.

Metrics and targets

Recommended disclosure a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

Four companies explicitly stated that their disclosures were not consistent with this TCFD recommendation. In line with the Listing Rule, three of these companies clearly explained the reasons for not including such disclosures (one insurance company is still developing climate-related metrics, a bank stated it did not fully disclose its metrics due to data and system limitations and a mining company stated that its methodology for establishing an internal carbon price was being revised so the metric could not be disclosed) and described the steps being taken to be able to make the disclosures. Two of these three companies also set out the timeframe within which they expected to be able to make those disclosures. The fourth company not presenting consistent disclosures set out the timeframe within which it expected to be able to make the disclosures but did not give the other additional information required by the Listing Rule.

For those companies presenting their TCFD disclosures wholly in the annual report, which TCFD cross-industry metrics are disclosed?



Metrics and targets cont.

Of the 21 companies presenting their TCFD disclosures wholly within the annual report:

- 62% disclosed metrics other than in relation to GHG emissions and energy consumption in their TCFD disclosures. The chart above shows how many companies disclosed metrics which fall in the scope of the cross-industry metrics encouraged by TCFD in their [Guidance on Metrics, Targets, and Transition Plans](#) [October 2021]. Companies disclosing these metrics were from a variety of industries. A number of companies presenting some or all of their TCFD disclosures outside of the annual report indicated that they had also disclosed some of these cross-industry metrics.
- The disclosures of seven companies clearly stated that the organisation used some or all the metrics other than GHG emissions and energy consumption to assess climate-related risks and opportunities.
- 13 companies stated that they had obtained independent external assurance over some or all metrics disclosed; all of these companies gained assurance over at least Scope 1 and 2 emissions, with 11 also having obtained assurance over Scope 3 emissions.

The TCFD guidance for all sectors suggests that organisations should:

- use the examples of climate-related risks and opportunities in the TCFD guidance to disclose key metrics used to measure and manage climate-related risks and opportunities;
- include metrics on climate-related risks associated with water, energy, land use, and waste management where relevant and applicable;
- describe whether and how related performance metrics are incorporated into remuneration policies, where climate-related issues are material;
- provide their internal carbon prices as well as climate-related opportunity metrics such as revenue from products and services designed for a low-carbon economy, where relevant;
- provide metrics for historical periods to allow for trend analysis; and
- provide a description of the methodologies used to calculate or estimate climate-related metrics.

The 2021 update of the original 2017 TCFD guidance added that organisations should provide metrics consistent with the cross-industry, climate-related metric categories, including related forward-looking metrics, consistent with their business or strategic planning time horizons, where appropriate.

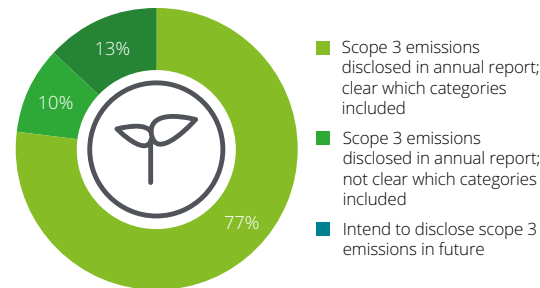
Metrics and targets cont.

Recommended disclosure b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

One company explicitly stated that their disclosures were not consistent with this TCFD recommendation. This company – a bank – explained that it had not got all the data for scope 3 financed emissions from customers and suppliers (and, as such, disclosed only partial scope 3 emissions), described the steps being taken to be able to make the disclosures and set out the timeframe within which it expected to be able to make those disclosures.

All UK quoted companies are required under UK law to disclose scope 1 and scope 2 emissions from their global operations in their annual report. The TCFD recommended disclosures state that scope 3 emissions should be disclosed, if appropriate, and the revised TCFD guidance for all sectors strongly encourages such disclosure while acknowledging that there are inherent data and methodological challenges in calculating scope 3 emissions. 87% of all 30 companies surveyed disclosed some Scope 3 GHG emissions in their annual report, with the remaining 13% stating plans to disclose Scope 3 emissions in future periods.

Are scope 3 emissions disclosed in the annual report?



The TCFD guidance for all sectors suggests that organisations should:

- provide their Scope 1 and Scope 2 GHG emissions, and, if appropriate, Scope 3 GHG emissions and the related risks;
- calculate GHG emissions in line with the GHG Protocol methodology to allow for aggregation and comparability across organisations and jurisdictions;
- provide related, generally accepted industry-specific GHG efficiency ratios, as appropriate;
- provide GHG emissions and associated metrics for historical periods to allow for trend analysis; and
- provide a description of the methodologies used to calculate or estimate the metrics.

The 2021 update of the original 2017 TCFD guidance added that organisations should provide Scope 1 and Scope 2 GHG emissions independent of a materiality assessment and that all organisations should consider disclosing Scope 3 GHG emissions.

Metrics and targets cont.

Recommended disclosure c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Two companies explicitly stated that their disclosures were not consistent with this TCFD recommended disclosure. In line with the Listing Rule, both companies explained the reasons for not including such disclosures: one bank had set interim 2030 targets for on-balance sheet financed emissions for certain sectors, rather than short-term targets, given that climate scenarios are mainly focused on medium- to long-term horizons, and it had also not included a water usage target as it considered it not to be material; and an energy company was still working on achieving an accurate GHG emissions baseline before being able to set targets. Both companies described the steps being taken to be able to make the disclosures and set out the timeframe within which they expected to be able to make those disclosures.

80%

described their target as “Net zero” or “carbon neutral”

25%

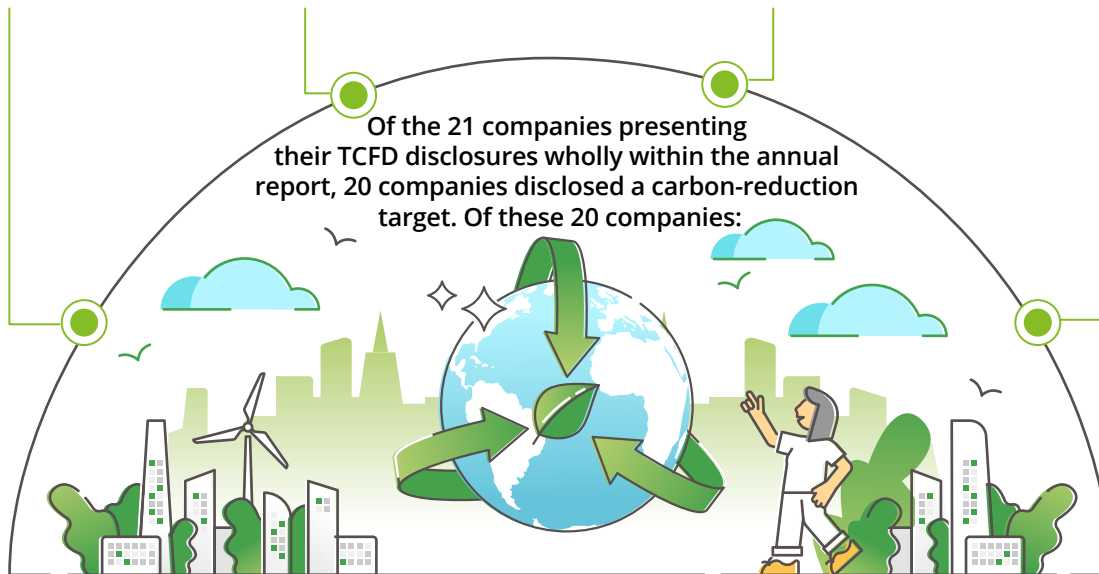
included Scope 1 and 2 emissions only in the target;

70%

included Scope 1, 2 and 3 emissions in the target

50%

indicated that the target was “science-based”¹



¹ Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

Companies which stated that their target is science-based or has been validated by the SBTi were recorded in the data collection. Those companies which claimed to be in the process of validating their targets with SBTi were not captured in the data collection.

Metrics and targets cont.

In its 2021 update of the original 2017 TCFD guidance for all sectors, the TCFD added a disclosure of interim targets for organisations disclosing medium-term or long-term targets. Of the 21 companies presenting their TCFD disclosures wholly in the annual report, 17 companies disclosed long term targets.

Of these, 11 companies included associated interim targets (nine disclosed interim targets for all long-term targets, whilst two only disclosed interim targets for some long-term targets). The date of these interim, or short-term, milestones varied depending on the company's original interpretation of "long-term", but many companies set interim targets between 2024 – 2030.

The TCFD guidance for all sectors suggests that organisations should:

- describe their key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc., in line with anticipated regulatory requirements or market constraints or other goals (e.g. efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a low-carbon economy);
- include the following when describing their targets: whether the target is absolute or intensity based; time frames over which the target applies; base year from which progress is measured; and key performance indicators used to assess progress against targets;
- provide a description of the methodologies used to calculate targets and measures.

The 2021 update of the original 2017 TCFD guidance added disclosure of targets in line with cross-industry, climate-related metric categories, where relevant, and for organisations disclosing medium-term or long-term targets, disclosure of associated interim targets in aggregate or by business line, where available.



Important notice

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