

## FCA Policy Statement on Climate-Related Disclosures by Listed Companies

7 January 2021

**On 21 December 2020, the UK Financial Conduct Authority (“FCA”) published a policy statement (PS 20/17) with regard to disclosures by listed companies in respect of climate-related risks and opportunities that affect, or may affect, their businesses.**

The FCA’s **policy statement (PS 20/17)** summarises feedback to its consultation proposals in CP 20/3, which we covered in our **client memorandum on 6 March 2020**, and confirms the FCA’s final policy position.

PS 20/17 confirms the introduction of a new rule in Listing Rule 9.8, requiring that commercial companies with a UK premium listing (including sovereign-controlled commercial companies) include a statement in their annual financial report setting out:

- whether they have made disclosures consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and recommended disclosures in their annual financial report;
- where they have not made disclosures consistent with some or all of the TCFD’s recommendations and/or recommended disclosures, an explanation of why, 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 their disclosures in a document other than their annual financial report, an explanation of why; and
- where in their annual financial report (or other relevant document) the various disclosures can be found.

The policy statement also confirms the publication of a new FCA Technical Note, with minor changes to the version the FCA consulted on in CP 20/3, clarifying existing disclosure obligations for a wider scope of issuers. Issuers may, in the FCA’s view, already be required to make disclosures on climate-related and other ESG matters under particular provisions of the Listing Rules (LR), Disclosure Guidance and Transparency Rules (DTR), the UK Market Abuse Regulation and the UK Prospectus Regulation, in certain circumstances.

The FCA has made no changes to the scope and compliance basis of the rule that it consulted on previously. The rule applies to commercial companies with a UK premium listing, on a ‘comply or explain’ basis. As a result of feedback received on CP 20/3, the FCA has made changes in three areas:

- The rule has been amended to promote transparency of any steps companies are taking or plan to take to make consistent disclosures in the future.
- As requested by many respondents, additional guidance is provided on the limited circumstances in which the FCA would expect issuers to explain, rather than disclose.
- Guidance is provided to clarify that a company’s determination of consistency with the TCFD’s recommendations should be informed by a detailed assessment of their disclosures which takes into account certain of the TCFD’s published guidance materials. There is also additional high-level guidance in relation to the level of detail to be included in companies’ disclosures.

## Next steps

The new LR applies for accounting periods beginning on or after 1 January 2021. The first annual financial reports including disclosures subject to the rule would therefore be published in spring 2022. The finalised Technical Note applies with immediate effect.

The FCA recommends that a listed company which is directly impacted by the new LR should familiarise itself with the details of the rule and associated guidance (including the content of the Technical Note), and consider what arrangements it needs to put in place to ensure that it is able to meet the requirements of the rule.

The FCA also confirms plans to issue a follow-up consultation paper in the first half of 2021 on proposals to extend the application of the rule to a wider scope of listed issuers, and consider strengthening the compliance basis, and consult on potential TCFD-aligned disclosures by UK-authorized asset managers, life insurers and FCA-regulated pension providers designed to better inform their clients and end investors.

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If you have any questions regarding the matters covered in this publication, please contact any of the lawyers listed below or your usual Davis Polk contact.

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