



# The Task Force on Climate-related Financial Disclosures (TCFD)

## What is it?

The TCFD was established in December 2015 by the Financial Stability Board. It was tasked with embedding climate-related risk analysis into the wider financial system. In 2017, the TCFD published a report which set out four core elements of recommended climate-related financial disclosures that are now being adopted across sectors and jurisdictions.

## How does it work?

The TCFD framework recommends 11 disclosures across the four pillars of governance, strategy, risk management and metrics and targets:

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

## UK regulatory and market context

The UK Government was one of the first to endorse the TCFD recommendations. In its Green Finance Strategy (2019), the Government set an expectation that all listed issuers and large asset owners would move towards disclosing in line with TCFD. To support the Government's ambition, the Financial Conduct Authority has introduced requirements for premium-listed companies to report against the TCFD framework on a 'comply or explain' basis for years starting on or after 1 January 2021 (and is consulting on extending the requirements to non-premium listed companies after this date). In addition, the Department for Business, Energy and Industrial Strategy recently consulted on new requirements for a broad range of entities to report against the TCFD framework from April 2022.

## FRC support for TCFD

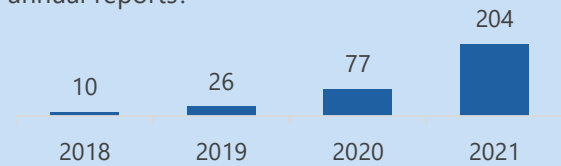
The FRC supports the use of TCFD by companies and has released a report that highlights current and evolving practice. The FRC is also facilitating the digitisation of company TCFD disclosures by providing a [TCFD-ready digital reporting taxonomy](#). The FRC sees TCFD as a key step in greening the finance system and we expect that it will form a key building block in any international move towards sustainability reporting.

## Practice in the UK

### There is a growing focus on TCFD within the UK market ...

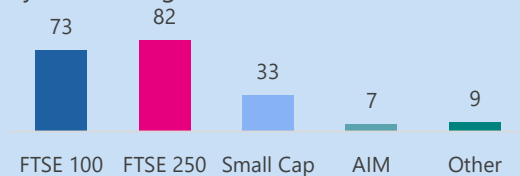
Among those UK companies that have published their annual reports in 2021, 204 have made extensive reference to the TCFD framework. This is a significant increase from previous years, but outside the FTSE 100 progress is still to be made.

How many in the UK have made extensive reference\* to TCFD in their annual reports?



\*Source: <https://www.sentio.com>; References (6 or more times) to "TCFD" within an annual report published during each respective year (2021 data updated to 24/09/2021) by UK reporters.

### Number of Reporting Companies by Market Segment



### Across both companies and industries ...

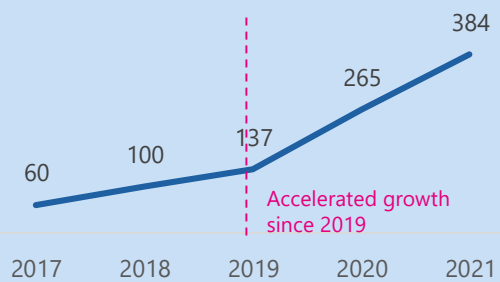
The numbers of TCFD reporters in the top four industries (by total number of reporters) all show significant growth in the past three years.

Key industries	2019	2020	2021
Financials	6	17	35
Industrials	3	7	32
Consumer Discretionary	1	4	25
Materials	4	7	22

### But disclosure is behind the wider level of formal support for TCFD ...

More UK companies also expressed their formal support for the framework, a trend that has accelerated since 2019. In 2021, 178 of the 384 supporters are investors.

### Growth of UK TCFD Supporters

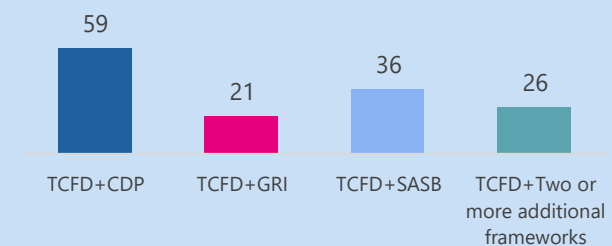


Source: <https://www.fsb-tcdf.org/supporters/> as at 14/10/21

### And represents just one of the frameworks that companies are reporting under.

A significant number of companies are reporting under multiple frameworks.

What other frameworks are these companies using?



Source: 2021 data updated to 24/09/2021; Reporters of the additional frameworks are identified per the respective standards' (excl. TCFD) website.

## Examples



**National Grid** has incorporated a range of TCFD disclosures across the annual report, as well as a specific TCFD section.

**nationalgrid**

**Task Force on Climate-related Financial Disclosures (TCFD)**

National Grid has committed to implementing the recommendations of the TCFD in this 2021 Sustainability Report. We are committed to the TCFD's recommendations that are consistent with the Paris Agreement and therefore set a commitment in November 2019 to reduce our Scope 1 and 2 emissions to net zero by 2050. The details of the interim targets that we have set to achieve this are included in our Responsible Business Group (RBG) that was published in October 2020. In our 2021 Sustainability Report and Accounts, we are publishing our first Responsible Business Report (RBR) which includes our progress against the commitments set out in the RBG.

This year we have continued to make strong progress on all commitments with the recommendations of the TCFD in our 2021 Sustainability Report. To address these actions, we have progressed our strategic analysis of the physical risks to our assets using updated climate scenarios, developed our RBG and updated our Company strategy to incorporate our net zero commitments. For the 2021 communication we have enhanced the previous climate change 'if' section from COP21 to Climate Change.

**Highlights of key updates:**

- Publication of our 2021 Sustainability Report for 2021
- Publication of our 2021 Sustainability Report for 2021
- Publication of our 2021 Sustainability Report for 2021
- Publication of our 2021 Sustainability Report for 2021

**Overview of climate-related risks and opportunities:**

The Board is ultimately responsible for the oversight of climate-related risks and opportunities (spanning the Group). It is to turn delegate some elements of their responsibility to their various sub-committees, as set out in the diagram below.

**Board of Directors:** There has been an increased focus on climate-related matters at the Board level as the leadership continues to evolve with further reporting requirements and the Board's oversight responsibilities. Board members have approved a strategic plan for 2021, which includes the TCFD recommendations and the Paris Agreement. The Board will continue to monitor the progress of the TCFD recommendations and the Paris Agreement. In addition, the Board will continue to monitor the progress of the TCFD recommendations and the Paris Agreement.

**The Audit Committee:** The Audit Committee is responsible for overseeing the financial reporting process, including the TCFD disclosures. The Committee will continue to monitor the progress of the TCFD recommendations and the Paris Agreement.

**The Remuneration Committee:** The Remuneration Committee is responsible for overseeing the remuneration process, including the TCFD disclosures. The Committee will continue to monitor the progress of the TCFD recommendations and the Paris Agreement.

**The Safety, Environment and Health Committee:** The Safety, Environment and Health Committee is responsible for overseeing the safety, environment and health process, including the TCFD disclosures. The Committee will continue to monitor the progress of the TCFD recommendations and the Paris Agreement.

**The Sustainability Committee:** The Sustainability Committee is responsible for overseeing the sustainability process, including the TCFD disclosures. The Committee will continue to monitor the progress of the TCFD recommendations and the Paris Agreement.

**LandSec** has produced a separate sustainability performance and data report that provides rich detail using the TCFD recommendations and other climate and industry frameworks relevant to multiple stakeholders.

**SUSTAINABILITY PERFORMANCE AND DATA REPORT 2021**

**Welcome to our Performance and Data Report**

We're committed to reporting our performance, methodology and data every year in a transparent way. In this report you'll find details of our sustainability performance against each of our twelve commitments, along with our comprehensive sustainability disclosures aligned with best practice frameworks and standards.

**QUICK REFERENCE**

- 02 Corporate commitments and performance summary
- 03 Our benchmarking scores
- 06 Sustainability Reporting Methodology
- 07 Corporate commitment performance
- 17 Portfolio carbon intensity
- 18 Portfolio energy intensity
- 19 Portfolio recycling rates and construction waste
- 20 Social Value
- 21 Operational energy and carbon reporting (GECF)
- 21 Scope 1 and 2 emissions
- 22 Scope 1, 2 and 3 emissions
- 24 PFRA reporting
- 24 Environmental indicators
- 34 Social indicators
- 39 Stakeholder and Climate-related Financial Disclosures (TCFD)
- 45 UN Global Compact Communication on Progress 2021
- 49 Global Reporting Initiative (GRI) index table
- 52 Sustainability Accounting Standards Board (SASB) index table
- 55 Independent Assurance Statement

Examples of disclosures which highlight current better practice reporting in line with the TCFD recommendations, and reminders of where improvements are needed, can be found in the Lab's latest [report](#) *TCFD: ahead of mandatory reporting – developing practice*. All the Lab's work is available on our website [www.frc.org.uk/lab](http://www.frc.org.uk/lab)

## Time to get involved

The Financial Reporting Lab (Lab) **is inviting companies**, service and systems providers, investors and other interested parties to participate in a new project looking at how companies produce ESG data. The project is expected to cover:

- what ESG data companies collect;
- what methodologies companies use; and
- what systems companies use to collect and produce ESG data.

If you would like to take part, please contact the Lab at [financialreportinglab@frc.org.uk](mailto:financialreportinglab@frc.org.uk)

**Call for participants** September 2021

**ESG data – production**

The Financial Reporting Lab (Lab) is inviting companies, service and systems providers, investors and other interested parties to participate in a new project looking at how companies produce ESG data. Contact the Lab at [financialreportinglab@frc.org.uk](mailto:financialreportinglab@frc.org.uk) by 13 November 2021 if you are interested in taking part.

**Background**

Investors and other stakeholders are increasingly interested in disclosures on the environmental and social impact of companies' activities and their governance arrangements. As part of the TCFD's commitment to assist on ESG indicators, the data and systems underlying such disclosures pose challenges. High-quality data is important for both investors' decision-making as well as companies' decision-making. However, the systems to produce, distribute and consume ESG data are significantly less mature than those for financial information.

In this context, the Lab is starting a project about production, distribution and consumption of ESG data. The first phase of the project will focus on the production of ESG data.

**How to participate**

The Lab invites companies, service and systems providers, investors and other interested parties to participate in a new project looking at how companies produce ESG data. Contact the Lab at [financialreportinglab@frc.org.uk](mailto:financialreportinglab@frc.org.uk) by 13 November 2021. Participation is expected to involve:

- a 1-hour individual virtual meeting to discuss your needs and experiences; and
- multi-party round table meetings of 1.5 hour (attendance is not required at all round tables).

Participants will be kept up to date on the progress of the project and will be given an opportunity to comment on draft findings. Stakeholders are also welcome to express their interest in the planned project phase on ESG data distribution and consumption.

What this short (ESG) to find out what it is like to participate in a Lab project. Further information on the Lab, including its publications, can be found [here](#).