UK FCA Climate–Related Disclosure Requirements: An Overview for Investors

What it is and who does it apply to?

In December 2021, the UK Financial Conduct Authority (FCA) released its final rules and guidance outlining mandatory climate disclosure requirements for asset managers, life insurers and FCA-regulated pension providers.[1] The FCA's framework is consistent with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

1 Financial Conduct Authority (FCA), Policy Statement 21/24, December 2021

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What are the requirements?

The regime requires in-scope firms to make disclosures on an annual basis:

- Entity-level — a TCFD report published on a prominent place on the firm's website on how the firm takes into account climate-related risk and opportunities in managing or administering investments on behalf of clients. This includes disclosing any targets (including KPIs to measure against their progress) as well as approach to climate-related scenario analysis.
- Product-level — disclosures (including a core set of climate-related metrics) on the firm's products and portfolios made publicly at a prominent place on the main website of the firm and included or cross-referenced in an appropriate client communication or made on request to certain eligible institutional clients. Disclosures include:
    - » Scope 1, 2 and 3 greenhouse gas emissions, total carbon emissions, total carbon footprint and weighted average carbon intensity.
    - » As far as reasonably practicable, climate value-at-risk and metrics that show climate warming scenario such as implied temperature rise.

When does it come into force?

There is a phased approach to implementation:

- Largest asset managers with more than GBP 50 billion of AUM and asset owners with assets over £25 billion with a deadline to publish first report by 30 June 2023
- All remaining in-scope smaller firms with assets more than GBP 5 billion with a deadline to publish first report by 30 June 2024

How can MSCI help?

- **Climate Change Metrics** - Carbon footprinting for Scopes 1, 2 and 3 (absolute and intensity-based metrics) for all PCAF[2] asset classes.
- **Climate Scenario Analysis** - forward-looking issuer and portfolio valuation assessment on transition and physical risks across different scenarios and time horizons. MSCI's Climate Value-at-Risk model includes Orderly Transition, Disorderly Transition, and Hot House World scenarios and is available across listed equities, corporate bonds, sovereign bonds and real assets.
- **Temperature Alignment** – MSCI's Implied Temperature Rise model is designed to show the temperature alignment of companies, portfolios and funds to global temperature targets and follows GFANZ[3] global standards.
- **Climate Risk Report:** Reporting with metrics designed to be aligned with TCFD recommendations. Allows capabilities to aggregate various climate related metrics at portfolio and entity level. Provides Transparency and granularity and can be generated in a scalable way using batch reporting.

2 PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.

3 GFANZ (2022) Measuring Portfolio Alignment: Driving Enhancement, Convergence, and Adoption

Where can I get more information?

PS 21/24 Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers

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