DEVELOPMENTS IN CLIMATE-RELATED DISCLOSURES FOR UK LISTED COMPANIES

The list of climate-related disclosure requirements affecting UK public listed companies is evolving. Following the UK government's expected endorsement in Q1 2025 of the International Sustainability Standards Board (ISSB) disclosure standards, the Financial Conduct Authority (FCA) is expected to turn its attention to aligning the newly-minted UK Listing Rules with the ISSB's requirements. The scope of disclosures under the UK prospectus regime is also expanding, with the FCA due to soon publish its feedback to a 2024 consultation on introducing additional climate-related disclosures where issuers have identified material climate-related risks and / or opportunities.

Listed companies should pay attention to these developments, as should corporates and private equity sponsors looking to prepare portfolio companies for listing or managing large private companies. Laying a good foundation ahead of time with respect to climate-related disclosures can help to streamline operations and data flow, and will assist with the listing and prospectus preparation process further down the line.

Introduction and background to the ISSB

The Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), published in 2017 by the Financial Stability Board (FSB), are the most widely adopted climate-related reporting framework globally. The recommendations cover: (i) governance; (ii) strategy; (iii) risk management; and (iv) metrics and targets, and are designed to help investors assess and price climate-related risks and opportunities. The TCFD recommendations generated significant buy-in from companies, governments and financial regulators. In October 2020, the TCFD found that nearly 60% of the world's 100 largest public companies supported the TCFD, reported in line with the TCFD recommendations, or both.

The ISSB was established by the IFRS Foundation at COP26 in 2021. Its mission is to address a fragmented global landscape of voluntary, sustainability-related standards and requirements that add cost, complexity and risk to both companies and investors – and instead to provide standards that deliver comparable and useful information for investors. In June 2023, the ISSB published IFRS S1 (*General Requirements for Disclosure of Sustainability-related Financial Information*) and IFRS S2 (*Climate-related Disclosures*), and in 2024, the FSB asked the IFRS Foundation to take over the monitoring of TCFD disclosures. The ISSB standards fully incorporate the TCFD recommendations – and go further: over half of the IFRS S2 disclosure requirements are additional to the existing TCFD recommendations and around another quarter are substantial advancements.

Key differences between the TCFD recommendations and IFRS S2 include:

Pillars (TCFD and ISSB)	TCFD: Current baseline	IFRS S2: Going further
Governance	Disclose the company's governance around climate-related risks and opportunities.	More detail than TCFD required, for example how appropriate responsibilities are reflected in relevant governance policies; and specific consideration of skills and competences.
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy and financial planning where such information is material.	More detail than TCFD required and, in addition, companies must: ▪ refer to and consider the applicability of the industry-based disclosure topics in the ISSB's industry-based guidance implementing IFRS S2; and ▪ include an explanation of the resilience of strategy and business model to physical and transition finance related risks and opportunities.
Risk management	Disclose how the company identifies, assesses, and manages climate-related risks.	More detailed information than TCFD, including on the processes used to identify, assess, prioritise and monitor climate-related opportunities as well as risks, and the resilience of the strategy in terms of its ability to adapt over time. More extensive requirements relating to climate transition plans, including on assumptions and dependencies.
Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	More detailed information than TCFD and additional disclosures relating to: ▪ GHG emissions categories (including Scope 3 information on financed emissions); ▪ planned use of carbon credits to achieve net GHG emissions targets; and ▪ how the latest international agreement on climate change has informed the company's targets and whether such targets have been validated by a third party.

In May 2024, the IFRS confirmed that more than 20 jurisdictions had already decided to use, or are taking steps to introduce, the ISSB standards in their legal or regulatory frameworks (this number should continue to grow, noting how many jurisdictions use IFRS accounting standards). This includes the UK where, subject to government endorsement and with the assistance of two newly-established government committees (the UK Sustainability Disclosure Technical Advisory Committee (TAC) and the UK Sustainability Disclosure Policy and Implementation Committee (PIC)), the government is expected to develop UK Sustainability Reporting Standards (SRS) based on IFRS S1 and IFRS S2. These standards will form part of the UK government's wider Sustainability Disclosure Reporting (SDR) framework, also impacting sustainability-related fund labelling, marketing and greenwashing rules for FCA regulated entities. In December 2024, the TAC committee finalised its Technical assessment and endorsement recommendations, making minor amendments to the ISSB detail but ultimately concluding that the endorsement of IFRS S1 and IFRS S2 and the creation and implementation of SRS would support long-term public good in the UK. TAC's assessment has been presented to the Department for Business and Trade, which is ultimately responsible for the endorsement decision.

UK Listing Rules – current status and expected changes

Since 2020, the UK Listing Rules required commercial companies with a UK premium listing to disclose, on a "comply or explain" basis, against the recommendations of the TCFD. In July 2024, the FCA's Listing Rules were subject to significant reforms which, among other things, replaced the premium and standard listing segments with a new "equity shares in commercial companies" (ESCC) listing category. The original Listing Rules requirements relating to ongoing climate-related disclosures were carried over into new UK Listing Rule 6.6.6R(8).

Following and subject to the UK government's endorsement of IFRS S1 and S2, the FCA is expected to consult on proposals to implement a new UK Listing Rule referencing IFRS S1 and IFRS S2. The FCA has previously said in its Primary Market Bulletin 45 (August 2023) that this would be an appropriate time to consult on moving from the "comply or explain" compliance basis to mandatory disclosure requirements for listed issuers.

UK Prospectus Regime – current status and expected changes

Since Brexit, the UK has been involved in various consultations and negotiations relating to the UK's prospectus regime with the aim of moving away from the European standard and making its equivalent rules more agile and effective, facilitating wider participation in the ownership of public companies and delegating a greater degree of responsibility for the regime to the FCA.

In January 2024, the Public Offers and Admissions to Trading Regulations 2024 (POAT Regulations) were made and published, establishing a new regulatory framework for the UK public offers regime and admissions to trading. Pursuant to this new framework, the FCA has consulted (via Consultation Paper 24/12) on new prospectus rules, which will eventually be implemented in a new "Prospectus Rules: Admission to Trading on a Regulated Market" sourcebook (PRM) to replace the existing Prospectus Regulation Rules (PRRs). The proposals in CP24/12 follow the publication of a series of Engagement Papers in 2023 on key areas of the new regime (including sustainability-related disclosures) and extensive engagement with market participants, on which the FCA also published feedback in December 2023.

Key sustainability-related FCA proposals in CP24/12 are set out in PRM 4.6 and 4.7, including:

- if an issuer has identified climate-related risks as material risk factors to disclose in the prospectus, or climate-related opportunities that are material to its prospects, it must disclose sufficient supporting climate-related information to allow investors to make an informed assessment of that risk or opportunity. Item 5.8 (*Climate-related information*) of Annex 1 (*Registration document for Equity Securities*) of the draft PRM includes various new climate related minimum information disclosure requirements (and they are aligned with the high-level categories common to the TCFD and ISSB standards: governance, strategy, risk management and metrics and targets); and
- where an issuer has published a climate-related transition plan, it should provide in its prospectus a summary of key information about the transition plan and where it may be located and inspected. The FCA also says that the UK Transition Plan Taskforce (TPT) Disclosure Framework may provide guidance in deciding what specifically to disclose (note that the TPT Framework is now being taken forward by the ISSB who plan to develop it into a global standard). Any transition plan may also be impacted by rules around the disclosure of forward looking statements.

Notwithstanding that it will be updated in line with PRM changes, issuers should also cross refer to guidance published under the existing / outgoing regime set out in FCA Technical Note 801.2 (*Disclosures in relation to ESG matters, including climate change*). It includes a high-level expectation that issuers disclose relevant climate-related information under the general prospectus necessary information test, as well as specific references to risk factors and annexes of the outgoing regime – covering areas such as the regulatory environment and the impact of environmental issues on tangible fixed assets. In its updated form, this Technical Note is expected to cover sustainability-related risks and opportunities in addition to climate change and industry specific disclosures.

It is also worth noting that the FCA sought views in CP24/12 on whether it should introduce climate-related factors as recommended content for part of the Competent Person's Report (see FCA Technical Note 619.1 (*Guidance on specialist issuers*) for context) for an oil and gas or minerals company.

The FCA's consultation closed on 18 October 2024. It plans to finalise the regime by the end of the first half of 2025, followed by a transition period (of a length to be confirmed) before the regime enters force.

Key takeaways

- Sustainability-related disclosures are an established element of the UK listed company disclosure regime and the proposed changes to the UK listing and prospectus regimes (on the basis of the ISSB standards) are likely to support simplification and consistency.
- Widespread adoption, internationally, of the ISSB standards should make navigating disclosure requirements easier for existing and prospective issuers.
- UK company disclosures should also become more easily comparable for investors globally, enabling better decision-making and efficient allocation of capital in the UK's capital markets.
- In its Primary Market Bulletin 49 (May 2024), the FCA advised that companies familiarise themselves with the ISSB standards and consider starting to report voluntarily against them, prior to the conclusion of the UK government's endorsement process.
- Over time and as existing and prospective issuers are required to make more climate-related disclosures to investors, investors will increasingly take such disclosures into account in their investment decision-making processes. The risk profile of issuers' climate-related disclosures will, in turn, increase as they play into key stakeholders' investment decisions.
- Issuers planning a UK IPO for 2025 will need to consider these climate-related disclosure requirements as part of their IPO readiness, planning and execution processes.
- Listed companies should continue to report in line with existing climate-related disclosure rules and to consider the areas listed for improvement in relevant FCA publications.

For completeness, note that other, climate-related disclosure requirements, for UK listed issuers, large private companies and LLPs may flow from various regulations made under the Companies Act 2006 (including accounting-related), the FCA's Disclosure Guidance and Transparency Rules and the UK Market Abuse Regulation. The quality of these disclosures is often commented on by bodies such as the Financial Reporting Council (FRC), which published a thematic review of climate-related financial disclosures produced by large private companies earlier this month. The FCA is also proposing to update its rules to reflect the increasing use of sustainability-labeled debt instruments. There are other rules to consider for different types of entities includng asset managers.

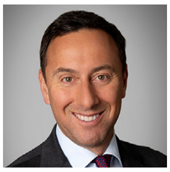
Listed companies with significant operations in the EU may also be subject to reporting obligations under the EU's Corporate Sustainability Reporting Directive (CSRD) and associated European Sustainability Reporting Standards (ESRS), as well as voluntary disclosure frameworks such as the Carbon Disclosure Project (CDP) or Global Reporting Initiative (GRI). Conscious of the need to reduce complexity and duplication for companies applying both the ISSB standards and the ESRS, the IFRS Foundation and the European Financial Reporting Advisory Group (EFRAG) have published Interoperability Guidance (May 2024) on how companies can apply (and comply with) both sets of standards. Similar collaborations exist under other disclosure frameworks, and so companies should check for relevant publications and guidance to maximise efficiencies.

Timeline of key dates

- Imminent: Feedback on FCA prospectus consultation due
- Q1 2025: UK government endorsement of ISSB standards / creation of SRS expected
- Later in 2025: FCA consultation on moving from existing TCFD-based Listing Rules to UK-endorsed ISSB-aligned rules and transition plans; POAT Regulations regime finalised

For More Information

For more information about the topics raised or referred to in this briefing (including ongoing reforms to the EU or UK listing and prospectus regimes), please speak to your regular contact at Weil or to any of the authors listed below: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