

Insights

WHAT ARE THE CLIMATE CHANGE REPORTING REQUIREMENTS THAT UK INSURERS ARE REQUIRED TO COMPLY WITH?

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SUMMARY

In line with the UK's Net Zero Strategy, the UK became the first G20 country to adopt the recommendations of the Taskforce on Climate-related Financial Disclosures (**TCFD**), with effective dates rolling out for different organisations between 2021 and 2025. Reporting of climate-related risks and opportunities became mandatory for the largest UK companies (including general insurance companies) from 6 April 2022, the largest life insurers were covered in 2022 and other life insurers became subject to the reporting requirements from 1 January 2023.

Taskforce on Climate-related Financial Disclosures

The TCFD was established in 2015 by the G20's Financial Stability Board (**FSB**) (a nongovernmental international body that monitors and makes recommendations about the global financial system) to help identify the information needed by investors, lenders and insurance underwriters to appropriately assess and price climate-related risks and opportunities. The TCFD Framework divides climate-related risks into two major categories: risks related to the physical impacts of climate change (**Physical Risks**); and risks related to the transition to a lower-carbon economy (**Transition Risks**). The TCFD developed recommendations on climate-related financial disclosures structured around four core categories: Governance; Strategy; Risk Management; and Metrics and Targets (the **TCFD Recommendations**).

Implementation in the United Kingdom

On 6 April 2022, the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations (the **Company Regulations**) came into force. The Company Regulations amended the Companies Act 2006 to require all large UK companies with over 500 employees and £500 million in turnover (including general insurance companies), as part of their strategic reporting, to provide information in accordance with the TCFD Recommendations for accounting periods starting on or

after 6 April 2022. Both climate-related reporting and the scope thresholds apply at the group level. Companies are required to disclose the sustainability-related information outlined in the Company Regulations in the non-financial information statement portion of their strategic reports. Guidance published by the UK Department for Business, Energy and Industrial Strategy (**BEIS**) in February 2022 provides additional detail on the expected disclosures for companies within the scope of the Company Regulations.

On 17 December 2021, the UK Financial Conduct Authority (**FCA**) published its policy statement ([PS21/24](#)) setting out final rules and guidance relating to the requirements under a new climate-related disclosure regime for asset managers as well as “asset owners” (i.e. life insurance companies and FCA-regulated pension providers). The rules, taking effect through a new Environmental, Social and Governance (**ESG**) sourcebook in the FCA Handbook, came into effect on 1 January 2022 for the largest firms with more than £50 billion in assets under management (or £25 billion assets under administration for asset owners). The first set of reports for these firms will be due by 30 June 2023, reflecting the 2022 calendar year. Other firms, with assets greater than £5 billion (such threshold to be reviewed after three years of disclosures), will be subject to the new rules from 1 January 2023, with reports for calendar year 2023 due by 30 June 2024.

The new regime requires in-scope firms to make disclosures on an annual basis at: (a) entity-level (an annual TCFD entity report published in a prominent place on the main website of the firm setting out how the firm takes climate-related matters into account in managing or administering investments on behalf of clients and consumers); and (b) product-level (disclosures (including a core set of climate-related metrics) on the firm’s products and portfolios made publicly in 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). Under the new rules, firms’ entity-level and product-level reports must be consistent with the TCFD Recommendations.

The application of a common set of requirements aligned with the TCFD recommendations provides both UK general insurers and life insurers with a uniform way to assess how a changing climate may impact their business model and strategy. The requirements ensure that insurers are well placed to harness opportunities from the UK’s transition to net zero, while supporting the greening of the UK economy.

RELATED PRACTICE AREAS

- Insurance: Corporate & Transactional

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