

# Consultation on requiring mandatory climate-related financial disclosures by publicly quoted companies, large private companies, and Limited Liability Partnerships (LLPs)

## Input from techUK

techUK is the trade association which brings together people, companies and organisations to realise the positive outcomes of what digital technology can achieve. We create a network for innovation and collaboration across business, government and stakeholders to provide a better future for people, society, the economy and the planet. We have 850 members that span the entire digital ecosystem: from consumer electronics and ICT equipment, the UK's telecommunication sector, emerging tech firms and data scientists, digital platform providers, and datacentre operators.

### Summary

- techUK's members are strong supporters of meaningful and ambitious action on climate change, with some having called for mandatory climate-related financial disclosures.
- We strongly support the UK's plans to advocate for global harmonization via the G7 and COP26.
- However, it is unclear whether the reporting scope is aligned only with the operations of the UK entity with the duty to file a report, or whether UK entities can refer to existing reporting done on the group level. If it is the former, we would have deep reservation whether the proposals would result in meaningful outcomes for global organisations.
- We would like to see a mechanism introduced that allows UK companies to refer to reporting at the global level, which would be far more meaningful for the financial community. We have proposed a simple link in the Strategic Report to the group level reporting.

### Question 1: Do you agree with our proposed scope for companies and LLPs?

No. We are concerned that the new scope will create confusion. techUK has consistently highlighted during consultations on energy and carbon reporting that a lack of consistency in respect to scope, metrics and reporting deadlines has created confusion and overlaps, and weakens the collective sum of its parts. We would be supportive if the scope of climate related financial disclosure, energy and carbon reporting were to be aligned to give a consistent measurable, accurate, transparent and trackable disclosure process across the whole climate spectrum.

### Question 2: Our proposed scope includes UK registered companies with securities admitted to AIM with more than 500 employees. Do you have any views on expanding this to include other unregulated markets and Multilateral Trading Facilities (MTFs).

No views submitted from members.

### Question 3: Do you agree with the proposal to require climate related financial disclosures for companies and LLPs at the group level?

Yes, in part, but techUK is concerned over how this ties in with existing reporting at the international group level.

The proposal is unclear whether a UK entity can refer to existing group level reporting, or whether the UK entity's reporting must refer only to their own operations.

If it is the latter, there is a real risk this could lead to confusing duplication of reporting for no real benefit. Additionally, the work that would be required to factor out reporting from the UK Group level to satisfy a national reporting requirement would be disproportionate to any benefits and in doing so would compromise accuracy of reporting.

To address this, we suggest that the UK entity can discharge their reporting duty by sharing a link in the Strategic Report to group level reporting.

### Question 4: Do you agree that the Strategic Report is the best place for the disclosure of climate-related financial information by companies?

Yes, and we very much welcome the ability for companies to report in line with their annual reporting cycle, which we again believe will ensure it is more meaningfully bedded into business processes.

However, some of techUK's members are already reporting against TCFD recommendation at the international group level and they should be able to provide a link in the Strategic Report to the relevant information.

Adopting this approach will pave the way for international alignment, will ensure investors have access to the most meaningful and relevant information, and will reduce reporting burdens for companies already leading in this space.

Question 5: Do you have views on whether LLPs should be required to disclose of climate-related financial information in the Strategic Report (where applicable), or the Energy and Carbon Report?

techUK is not well placed to answer

Question 6: Do you agree that requiring disclosure in line with the four pillars of the TCFD recommendations, rather than the 11-recommendation level, is suitable?

Yes, we agree. The TCFD four pillar approach to corporate disclosures is one of the most effective frameworks for companies to analyse, understand and ultimately disclose climate-related financial information, and answers the needs of a variety of stakeholder groups. This move will spur investment in clean technologies, services and infrastructure. It will also aid in providing holistic, top level, and comprehensive insights into each large companies and LLPs climate risks, opportunities, and mitigation pathways.

.

Question 7: Do you agree that information provided in line with the obligations set out above would provide investors, regulators and other stakeholders with sufficient information to assess the climate-related risks and opportunities facing a company or financial institution?

Not necessarily. Investors and stakeholders are interested in climate risks and opportunities at the international group level, rather than at a national one. The reporting obligation therefore should ensure, and seek to encourage, reporting at the highest group level as opposed to just national entities or UK group companies.

From a regulators perspective, the UK's data centre sector already reports at a national level on the climate change readiness of data infrastructure, providing a sector overview via Defra's Adaptation Reporting Programme and we are preparing to report again by the end of the year.

Question 8: Do you agree with our proposal that scenario analysis will not be required within a company or LLP's annual report and accounts?

Yes. We agree with Government's assessment that there remains a significant skills and expertise gap here for many companies.

Question 9: Would alignment of the scope for climate-related financial disclosures and SECR requirements, such that large unquoted companies and LLPs would be subject to the same reporting requirements under SECR as quoted companies, aid reporting of climate related financial disclosures and simplify reporting procedures? Do you have any views on the continuation of voluntary Scope 3 emissions reporting under SECR requirements?

techUK has consistently highlighted during consultations on energy and carbon reporting that a lack of consistency in respect to scope, metrics and reporting deadlines has created confusion and overlaps, and weakens the collective sum of its parts.

techUK strongly supports the continuation of voluntary scope 3 emissions reporting under SECR requirements.

Whilst many of techUK's members are increasingly starting to report their Scope 3 emissions, for many this will prove difficult if not impossible. For the following reasons:

- Lack of a commonly agreed methodologies for assessing Scope 3 emissions: there are several competing approaches, some which are more suitable for some companies than others.
- Ability to obtain high quality data: this will prove more challenging for some companies, than others.
- Lack of consistency in what is being measured: the GHG protocol allows companies to assess the scope 3 emissions most material to them. This will differ according to the shape and business model of companies. This flexibility is needed to allow companies to focus on where they can make the most impact.

Question 10: Do you have comments on the proposal to permit non-disclosure if the information is not material and the reasons why climate change is not material are properly explained?

Yes, we support this measure.

### Question 11: Do you have comments on the proposed timing for these regulations coming in to force?

Even assuming the legislation is made this year and the guidance is produced on time, there is concern among some techUK members that this will only leave companies a year to establish new reporting systems and collect data. We think this is insufficient to properly bed in this reporting duty meaningfully.

However, we also recognise that the urgent need to address the risk posed by climate change merits the tight timing. But in order for this to work, there needs to be a degree of flexibility in the first year, and lots of support, training and best practice guidance (including proformas and the like).

### Question 12: Do you have any comments regarding the existing enforcement provisions for companies and the BEIS proposal not to impose further provisions?

No comments shared.

### Question 13: Do you have any comments regarding duties and enforcement provisions for LLPs?

No comments shared.

### Question 14: Do you have any comments on the responsibilities of auditors in relation to climate-related financial disclosures?

No comments shared.

### Question 15: Do you have any comments regarding the proposed enforcement of our disclosure requirements.

No comments shared.

### Question 16: Do you have any comments regarding the impact of our proposals on protected groups and/or how any negative effects can be mitigated?

No comments shared.

## Question 17: Do you have any further comments about our proposals?

Thank you, we've just four follow up points we'd like to make:

- techUK strongly supports the UK's ambition to use its platform at the forthcoming G7 and COP26 talks to strengthen international coordination in mandatory disclosures.
- Many of our members have questioned whether SECR's relevance will be blunted as a result of this TCFD aligned reporting requirements. There is already a considerable view in our sector that SECR adds burdens without leading to positive outcomes. We ask whether government could consider replacing with SECR with this reporting framework.
- We would like to see better alignment between climate, carbon and energy reporting to give a consistent measurable, accurate, transparent and trackable disclosure process across the whole climate spectrum.
- Finally, we would like to see more thinking on how the government can draw from mandatory disclosures in understanding cumulative risks being reporting by sectors and businesses to inform future policy.