

The United Kingdom has taken great strides in the realm of climate-related disclosures. The UK government, as part of its [July 2019 Green Finance Strategy](#), both set a goal of net-zero emissions by 2050 and adopted the TCFD's climate-related disclosure recommendations. The [Financial Conduct Authority \(FCA\)](#)—an independent public regulatory body which aims to maintain public confidence in the UK as a major global market and to ensure the market fairly benefits all players—adopted the TCFD's recommended disclosure standards in a [March 2020 Consultation Paper](#). Premium listed issuers will be required to include TCFD disclosures in their annual financial statements beginning in 2021. This is to be enforced on a comply or explain, rather than mandatory, basis. In choosing this enforcement mechanism, the FCA recognized that issuers' capabilities are constantly evolving. It, accordingly, hoped to refrain from setting an unachievable goal.

The goals of the March 2020 Consultation Paper were confirmed as a final policy decision in a [December 2020 Policy Statement](#). There, the FCA called this “just the first step” to implement TCFD disclosures. The FCA also provided guidance on the “limited circumstances” where issuers should “explain, rather than disclose.” A 2021 follow-up consultation paper is expected to extend the application of the rule to more issuers and to consider alternative enforcement mechanisms. Given the FCA's commitment to a broader adoption of the TCFD recommended disclosures, perhaps the FCA may take a more forceful approach in the near future, especially with respect to changing the current comply or explain basis of enforcement. A true mandatory regime seems like the next logical and potentially likely next step for the FCA which views TCFD disclosures as a means to “pave the way to an eventual international standard for corporate reporting on climate-related and wider sustainability matters, integrated with financial reporting.” The FCA's emphasis that the UK's adoption of the TCFD's recommendations is just one piece of a larger international effort towards unified climate-related disclosure suggests more aggressive application and enforcement may be in order in the near future.