

- (b) before subsection (1), insert—
 - “(A1) A strategic report of a company to which this subsection applies must include a non-financial and sustainability information statement.”;
- (c) in the introductory wording of subsection (1), for “A strategic report of a company must include a non-financial information statement if the company” substitute “Subsection (A1) applies to a company if it”;
- (d) omit “or” at the end of subsection (1)(c);
- (e) after subsection (1)(d), insert—
 - “or
 - (e) a company any securities of which are admitted to trading on the market known as the Alternative Investment Market.”;
- (f) after subsection (1), insert—
 - “(1A) Subsection (A1) also applies to a company if it was a high turnover company in relation to that financial year.
 - (1B) Subsections (1) and (1A) are subject to subsections (3) to (7).”
- (g) in subsection (2)—
 - (i) for “subsection (1)” substitute “subsection (A1)”; and
 - (ii) after “non-financial” insert “and sustainability” in both places where it occurs;
- (h) after subsection (2) insert—
 - “(2A) A company is a “high turnover company” in relation to a financial year—
 - (a) where the company was not a parent company in that financial year, if in that year the company’s turnover was more than £500 million;
 - (b) where the company was a parent company at any time within that financial year, if in that year a group headed by the company had an aggregate turnover of more than £500 million net.
 - (2B) For a period that is a company’s financial year but not in fact a year the figures for turnover given by subsection (2A) must be proportionately adjusted.
 - (2C) For the purposes of subsection (2A)(b)—
 - (a) aggregate turnover is ascertained by aggregating the relevant figures determined for each member of the group;
 - (b) “net”, in relation to aggregate turnover, is to be interpreted in accordance with section 383(6).
 - (2D) Section 383(7) applies for the purposes of subsection (2A)(b) of this section as it applies for the purposes of section 383.”;
- (i) in subsection (3), for “Subsection (1) does not apply if” substitute “Subsection (A1) does not apply to a company if”;
- (j) in subsection (4)—
 - (i) for the words from the beginning to “company in that financial year,” substitute—
 - “(4) Subsection (A1) does not apply—
 - (a) to a company which was not a parent company in that financial year, if”; and
 - (ii) in paragraph (b), for the words “where the company was a parent company at any time within that financial year,” substitute “to a company which was a parent company at any time within that financial year, if”;
- (k) in subsection (7), for “Subsection (1) does not apply if” substitute “Subsection (A1) does not apply to a company if”;
- (l) in subsection (8)(c), after “non-financial” insert “and sustainability”;
- (m) in subsection (10)—

- (i) for “(1)” substitute “(A1)”; and
- (ii) after “non-financial” insert “and sustainability” in both places where it occurs.

4. In section 414CB—

- (a) in the heading after “non-financial” insert “and sustainability”;
- (b) before subsection (1), insert—

“(A1) The non-financial and sustainability information statement must contain the climate-related financial disclosures of the company.”;
- (c) in subsection (1), for “The non-financial information statement must” substitute “If the company is of a kind described in section 414CA(1)(a), (b), (c) or (d), the non-financial and sustainability information statement must”;
- (d) in subsection (2), after “The information” insert “required by subsection (1)”;
- (e) after subsection (2), insert—

“(2A) In this section, “climate-related financial disclosures” mean—

 - (a) a description of the company’s governance arrangements in relation to assessing and managing climate-related risks and opportunities;
 - (b) a description of how the company identifies, assesses, and manages climate-related risks and opportunities;
 - (c) a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company’s overall risk management process;
 - (d) a description of—
 - (i) the principal climate-related risks and opportunities arising in connection with the company’s operations, and
 - (ii) the time periods by reference to which those risks and opportunities are assessed;
 - (e) a description of the actual and potential impacts of the principal climate-related risks and opportunities on the company’s business model and strategy;
 - (f) an analysis of the resilience of the company’s business model and strategy, taking into consideration different climate-related scenarios;
 - (g) a description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets; and
 - (h) a description of the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those key performance indicators are based.”;
- (f) after subsection (4), insert—

“(4A) Where the directors of a company reasonably believe that, having regard to the nature of the company’s business, and the manner in which it is carried on, the whole or a part of a climate-related financial disclosure required by subsection (2A)(e), (f), (g) or (h) is not necessary for an understanding of the company’s business, the directors may omit the whole or (as the case requires) the relevant part of that climate-related financial disclosure.

(4B) Where the directors omit the whole or part of a climate-related financial disclosure in reliance on subsection (4A) the non-financial and sustainability information statement must provide a clear and reasoned explanation of the directors’ reasonable belief mentioned in that subsection.”;
- (g) in subsection (7), after “non-financial” insert “and sustainability”;
- (h) in subsection (8), after “non-financial” insert “and sustainability”;
- (i) after subsection (9), insert—

“(10) The Secretary of State may issue guidance on the climate-related financial disclosures, which are described in subsection (2A), and otherwise in connection with the requirements of this section and section 414CA.”.

PART 3

Review

- 5.—(1) The Secretary of State must from time to time—
- (a) carry out a review of the regulatory provision contained in these Regulations, and
 - (b) publish a report setting out the conclusions of the review.
- (2) The first report must be published before 6th April 2027.
- (3) Subsequent reports must be published at intervals not exceeding 5 years.
- (4) Section 30(4) of the Small Business, Enterprise and Employment Act 2015^(a) (“the 2015 Act”) requires that a report published under this regulation must, in particular—
- (a) set out the objectives intended to be achieved by the regulatory provision referred to in paragraph (1)(a);
 - (b) assess the extent to which those objectives are achieved;
 - (c) assess whether those objectives remain appropriate; and
 - (d) if those objectives remain appropriate, assess the extent to which they could be achieved in another way which involves less onerous regulatory provision.
- (5) In this regulation, “regulatory provision” has the same meaning as in sections 28 to 32 of the 2015 Act (see section 32 of that Act).

Name
Parliamentary Under Secretary of State

Date Department for Business, Energy and Industrial Strategy

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations require certain companies to provide climate-related financial disclosures in their strategic report. The requirement applies to a traded company, a banking company, an authorised insurance company and a company carrying on insurance business which in each case satisfy various conditions, including that of having more than 500 employees. The companies are listed in section 414CA(1) of the Companies Act 2006 and the requirement for more than 500 employees is set out in section 414CA(4) as applied by section 414CA(1B). In addition, these Regulations require two further types of company, with more than 500 employees, to make climate-related financial disclosures. These are a company which has securities admitted to trading on the Alternative Investment Market and a high turnover company which is a company which does not fall within another category but which has a turnover of more than £500 million (see regulation 3).

Regulation 4 inserts section 414CB(2A) into the Companies Act 2006 which defines climate-related financial disclosures.

Regulation 5 provides for a review of the Regulations before 6th April 2027 with subsequent reviews at intervals not exceeding five years.

A full impact assessment of the effect that this instrument will have on the costs of business and the voluntary sector is available from the Department for Business, Energy and Industrial Strategy

(a) 2015 c. 26. Section 30 has been amended but not in a way which is relevant to these Regulations.

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