UK Government Department for Business, Energy & Industrial Strategy (BEIS): Consultation on mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs

About Barclays

Barclays is a British universal bank. We are diversified by business, by different types of customer and client, and geography. Our businesses include consumer banking and payments operations around the world, as well as a top-tier, full service, global corporate and investment bank, all of which are supported by our service company which provides technology, operations and functional services across the Group. For further information about Barclays, please visit our website home.barclays.

Introduction

As a founding member of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD), Barclays welcomes the opportunity to respond to Government's Consultation on "Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs." Since the publication of the TCFD's final recommendations in 2017, Barclays has aligned its disclosures to follow the TCFD guidance, where applicable. In our capacity as an issuer, we have significantly increased our disclosures across each of the four overall TCFD categories as well as the eleven underlying recommendations, including specific guidance for banks.

In the context of this consultation, as well as the recent consultation by the FCA for premium listed issuers, we acknowledge that legislative and regulatory intervention may help to accelerate higher standards of climate disclosure and accelerate good practice among corporates. Although the BEIS proposals will not place additional requirements on Barclays as an institution (as we are already aligning to the FCA requirements for premium listed issuers), we broadly support the proposals to mandate climate-related financial disclosures by publicly quoted companies, large private companies and LLPs. Not only will this improve the climate-related data and information that is used by investors and other institutions like ours, but we also consider this to be a vital step in the transition to attain a net zero carbon economy by 2050.

UK and EU supervisors and regulators are respectively increasing their oversight and policy requirements for climate risk management, scenario analysis and stress testing (e.g. the Bank of England 2021 Biennial Exploratory Scenario on the Financial Risks of Climate Change and the 2020 ECB Guide on Climate-related and Environmental Risks). Enhanced climate disclosure requirements for companies are important tools in plugging the ESG data gaps, which can otherwise impede comprehensive climate risk analysis of our clients and our balance sheet.

As part of the consultation process, we have fed into and are largely supportive the UK Finance industry response. In particular, we would highlight and encourage the BEIS proposals to include an explicit ask of corporates to include scenario analysis (even if only summary results), as this forms a core part of the TCFD recommendations and provides investors with key information relating to the resilience of a company's climate strategy. We would also like to see companies operating in high emitting sectors (whether large or small) being encouraged to respond fully to the eleven underlying TCFD recommendations as soon as possible.

Consultation Questions

No	Consultation Question	Barclays' Response
1	**Do you agree with our proposed scope for companies and LLPs?**	Yes.
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)?**	At this stage we agree that the current scope is proportionate, with a wider remit of companies being considered in 2023.
3	**Do you agree with the proposal to require climate related financial disclosures for companies and LLPs at the group level?**	We agree that disclosures should be in a consolidated report at Group level to ensure consistency of disclosure and messaging. This would also reduce the administrative burden of producing multiple disclosures. However, we believe that the detail and data within the consolidated report should not just be aggregated; rather, it should include granular analysis and metrics relevant for material subsidiaries. This is of particular relevance for diversified corporates where aggregated reporting would not be sufficient for the needs of investors and relevant stakeholders.
4.	**Do you agree that the Strategic Report is the best place for the disclosure of climate-related financial information by companies?**	Under changes to the FCA Listing Rules (which will apply from the 2021 Annual Report), Barclays PLC will be required to include TCFD disclosures either (1) in the Annual Report or (2) in another separate document provided there is signposting within the Barclays PLC Annual Report. We believe this is the correct approach and we do not think there is a need to be prescriptive on locating TCFD disclosures specifically within the Strategic Report. However, given the purpose of the Strategic Report is to provide a strategic overview of a company, a summary of the climate change strategy ought to be included in the Strategic Report to the extent that it is considered to be material information for the relevant company. The danger of including the entire TCFD Report within the Strategic Report is that the purpose of the Strategic Report could be lost amongst TCFD related disclosures. For context, Barclays' 2020 TCFD Report was circa 38 pages in length, meaning it adds a significant amount of content to the Strategic Report and Annual Report. We would, therefore, welcome further guidance that would allow companies to note within the Strategic Report where more detailed TCFD aligned disclosures are located. This could reference additional detail in the Annual Report and in other relevant documents, including dedicated TCFD Reports or other ESG related disclosures.

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5.	**Do you have views on whether LLPs should be required to disclose climate-related financial information in the Strategic Report (where applicable), or the Energy and Carbon Report?**	Noting our comment above that we agree a summary of the disclosure should be included in the Annual Report with the option to signpost where more detailed disclosures can be found, we think that priority should be given to aligning climate-related financial reporting to emerging global standards. As such, given the Energy and Carbon Report, which is a requirement of SECR (UK legislation), is unlikely to be replicated in other jurisdictions, we believe the approach recommended in question 4 above should also apply here.
6	**Do you agree that requiring disclosure in line with the four pillars of the TCFD recommendations, rather than at the 11 recommendation level is suitable?**	We believe that large companies (i.e. those with the scale and capability to undertake more detailed reporting and by implication of their size/scale have a more material impact on climate), as well as those operating in high emitting sectors (whether large or small), should be encouraged to respond fully to the eleven underlying TCFD recommendations as soon as possible. That said, we think that reporting against the four pillars is appropriate for small and medium companies captured under this legislation.
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?**	We agree that for small and medium companies, the information provided in line with the obligations is sufficient, but large companies and those operating in high emitting sectors should respond to the full set of TCFD recommendations in order to provide sufficient levels of information.
8	**Do you agree with our proposal that scenario analysis will not be required within a company or LLP's annual report and accounts?**	Although we understand that scenario analysis may be difficult for many firms to disclose currently in a meaningful way, we believe that scenario analysis should be included in a company's or LLP's annual report. Scenario analysis forms a core part of the TCFD recommendations and provides investors with key information relating to the resilience of the company's climate strategy. We also note that the TCFD guidance states: '*For organisations just beginning to use scenario analysis, a qualitative approach that progresses and deepens over time may be appropriate*.' Therefore, considering the importance of scenario analysis in climate-related disclosures and the ability of a company to start at a level suitable to its expertise, time and resource, we believe it would be more appropriate to encourage companies to include scenario analysis at an appropriate level and then seek to refine it over time. It is important for all firms (large or small) to demonstrate that they have considered the resilience of their strategy to various climate scenarios. Firms should demonstrate an ability to discuss their senior

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		management's thinking on this matter and it is crucial for investor and lenders to be able to assess how mature the firm is in their thinking about climate change. We would also go further to suggest that it would be useful if the guidance under this legislation includes some limited requirements surrounding the appropriate scenarios that firms may select. For example, it may require that firms select only scenarios developed by certain well-regarded institutions, or it could even mandate certain reference scenarios that are regularly updated. It may also require that a certain number of scenarios are considered (which lead to different temperature outcomes and degrees of transition and physical risk). The more consistency in scenarios that are used by all firms for this type of analysis, the more useful it will be for investors and participating firms, alike. Alternatively, a standard sensitivity analysis to a few defined variables might be more useful initially, but this will require Government (or another trusted institution) to define what those variables should be, and for investors to confirm it would be useful for them. A standard approach for information around companies' adaptation plans would also be highly valuable.
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?**	It is becoming increasingly clear that accurate greenhouse gas (GHG) emission disclosures by companies are hugely important in order for the entire market to better understand climate related risks and how, for example, investment portfolios and activities align to specific climate goals. Otherwise, in many cases, the market is relying on estimates that will not be acceptable in the long-run when undertaking critical investment and risk decisions. Given the rapid evolution in the appetite for climate related disclosures by investors, creditors and other market participants, we believe there needs to be consistent and clear requirements on all companies in scope of this proposed legislation (barring the smallest that are not in high emitting sectors) to disclose their Scope 1 and 2 GHG emissions under a consistent standard. We also believe that scope 3 emissions, where it is material for the company, should be included in the mandatory requirements for companies to disclose. Or at the least, sufficient information/data should be provided for estimates to be made (using average emission factors) of a company's scope 3 emissions (e.g. the volume of a particular product sold, or details around the company's supply chain). Since the SECR has only limited requirements on large unquoted companies and LLPs, we think these requirements need to improve and be expanded. However, in our response to question 5, we have raised concerns around whether the SECR is the right legislation to focus on

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		given it is UK specific, which is unlikely to be replicated in other jurisdictions. Ultimately, in order for disclosures to have the desired impact of allowing for comparability of data and information globally, the focus needs to be on driving international consistency of GHG emissions reporting. Although the requirements under the Metrics section of the proposed legislation do not lay out specific requirements around disclosure of GHG emissions (and although the TCFD guidance itself does not currently require this), we would argue that this proposed legislation could be used as an opportunity to drive the consistency around requirements to disclose GHG emissions data. Alternatively, if that is not an option, we would still be supportive of requiring consistent and accurate reporting of all Scope 1 and 2 GHG emissions for unquoted companies and LLPs in alignment with the SECR requirements for quoted companies.
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?**	We agree that if the information is not material (and the relevant company can explain why), disclosure should not be required.
11	**Do you have comments on the proposed timing for these regulations coming in to force?**	As stated by UK Finance, we agree with the proposed timings of accounting periods on or after 1 January 2023 as reasonable, provided that guidance is issued promptly after the consultation closes so that companies and LLPs understand what is expected of them.
12	**Do you have any comments regarding the existing enforcement provisions and the BEIS proposal not to impose further provisions?**	No view on this.
13	**Do you have any comments regarding duties and enforcements for LLPs?**	No view on this.
14	**Do you have any comments on the responsibilities of auditors in relation to climate-related financial disclosures?**	The role of auditors in climate related financial disclosures continues to evolve, and we think Government/Regulators could play a role in better identifying a clear industry standard for auditors to follow. It will be difficult for auditors to provide a consistent view and specific opinion on disclosures across the industry until guidance and methodologies for measuring impact become aligned. The current proposals seem to suggest that auditors ought to review disclosures and to challenge them with the ability to call out discrepancies.

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		However, we believe it might currently prove difficult for Audit Committees to consider climate change matters given the lack of industry standardisation at this point. Identifying an inconsistency between the Strategic Report and other disclosures is a very high level sense check, so we have doubts that this would provide the reader with much, if any, real assurance and would mostly result in additional work being performed by the auditor to identify potential discrepancies.
15	**Do you have any comments regarding the proposed enforcement of our disclosure requirements?**	The consultation includes an explanation of the division of responsibilities between the FRC and FCA. Inevitably, if more than one regulator is responsible for monitoring and enforcement, a clear division of responsibilities and oversight is vital and there will be a need to: (1) ensure a consistency in approach; and (2) ensure regulators have the requisite experience and tools to fulfil their defined mandate and remit. There will also need to be an agreed protocol (which is communicated to the market) for situations where companies follow guidance/approach of one regulator (e.g. FCA) but not the other (e.g. FRC).
16	**Do you have any comments regarding the impact of our proposals on protected groups and/or how any negative effects may be mitigated?**	Whilst this legislation focuses on climate risk, which is one aspect of wider ESG considerations, we think it would be appropriate to reference an expectation of companies to disclose on other ESG issues that might be impacted by climate-related issues (a just transition for workers in the supply chain, for example).
17	**Do you have any further comments about our proposals?**	No further comments.

Conclusion

As the shift towards a low-carbon future and net zero economy intensifies, Barclays welcomes the opportunity to collaborate with the Government, Parliament and the wider policy making environment in order to help shape and progress this important goal. We recognise fully the potential for green and sustainable finance to represent a flourishing industry for the UK, and we are dedicated to supporting that objective to the best of our ability.