

# Q&A: New Climate-Related Disclosure Regulations for UK Companies and LLPs

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The U.K. Parliament has approved climate-related disclosure requirements that were announced by the U.K.'s Department for Business, Energy and Industrial Strategy's (BEIS) on 28 October 2021 (see our 18 November 2021 alert "[Q&A: New Climate-Related Disclosure Regulations Proposed for UK Companies](#)"). On 6 April 2022, The [Companies \(Strategic Report\) \(Climate-Related Financial Disclosure\) Regulations 2022](#) (the Company Regulations) and The [Limited Liability Partnerships \(Climate-Related Financial Disclosure\) Regulations 2022](#) (the LLP Regulations and, together with the Company Regulations, the Regulations) came into force.

The Company Regulations amend the Companies Act 2006 and require many large and/or listed U.K. companies, as part of their strategic reporting, to provide information in accordance with the [recommendations of the Task Force on Climate-Related Financial Disclosures](#) (TCFD). The LLP Regulations, which amend The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, introduce similar requirements for U.K. limited liability partnerships (LLPs) and require certain LLPs to incorporate TCFD-aligned climate disclosures in their annual reporting.

To provide answers to key questions U.K. companies and LLPs may have about the new disclosure requirements, set out below is an updated version of our original Q&A to reflect the approval of the Regulations by the U.K. Parliament and the [nonbinding guidance issued by BEIS in February 2022](#) (BEIS Guidance).

### 1. **When will companies and LLPs be required to comply with the Regulations?**

The Regulations came into force on 6 April 2022. Companies and LLPs that are subject to the Regulations will need to comply with the new reporting requirements for accounting periods starting on or after 6 April 2022.

### 2. **What obligations do the Regulations impose?**

Companies are required to disclose the sustainability-related information outlined in the Company Regulations (see question 6 below) in the non-financial information statement portion of their strategic reports.

LLPs need to include the disclosure required by the LLP Regulations either in their Energy and Carbon Reports as those form part of their members' reports or, where an LLP prepares a strategic report, within its strategic report.

The strategic reports and members' reports will be publicly available, filed at U.K. Companies House and accessible to investors and the general public free of charge.

### 3. **Which companies and LLPs are affected?**

The Company Regulations apply to the following U.K.-incorporated companies: (i) traded companies; (ii) banking companies; (iii) authorised insurance companies; and (iv) high-turnover companies, provided in each case that the company has more than 500 employees (or, if it is a parent company, that it together with its subsidiaries has more than 500 employees).

The LLP Regulations will apply to the following U.K.-incorporated LLPs: (i) traded LLPs; (ii) banking LLPs; and (iii) large LLPs, provided in each case that the LLP has more than 500 employees.

#### a. **What is a traded company?**

A traded company is one whose shares are admitted to trading on a U.K.-regulated market. This includes companies whose shares are (i) listed on the premium or standard segment of the Official List and are traded on the Main Market of the London Stock Exchange; or (ii) traded on AIM.

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Please see question 7 below regarding the existing obligations for companies with a premium listing or a standard listing on the London Stock Exchange.

**b. What is a banking company/LLP?**

A banking company/LLP is a company/LLP that has permission under Part 4A of the Financial Services and Markets Act 2000 (FSMA) to accept deposits, except if such permission is only for the purpose of carrying on another regulated activity in accordance with the permission granted under Part 4A of the FSMA.

**c. What is an authorised insurance company?**

An authorised insurance company includes any entity (whether incorporated or not) that has permission under Part 4 of the FSMA to effect or carry out contracts of insurance and any entity (whether incorporated or not) that carries on insurance market activity or may effect or carry out contracts of insurance under which the benefits provided by that entity are exclusively or primarily benefits for use in the event of accident to or breakdown of a vehicle.

**d. What is a high-turnover company/large LLP?**

A high-turnover company/large LLP is one that, in a particular financial year, has turnover of more than £500 million (or, in the case of a parent company/LLP, one that, together with its subsidiaries, had an aggregate turnover of more than £500 million).

**4. What is the meaning of ‘parent’ and ‘subsidiary’?**

A company is a “parent company” to another company, a “subsidiary company”, if it: (i) holds a majority of the voting rights in the subsidiary; (ii) has the right to appoint or remove a majority of the board of directors of the subsidiary; or (iii) has the right to exercise a dominant influence or control over the subsidiary. An LLP cannot be a subsidiary company but can qualify as a parent company if it satisfies any of the above conditions.

The law counts indirect subsidiaries as subsidiaries and regards two companies as parent and subsidiary if they are managed on a unified basis — *i.e.*, the whole of the operations of these companies is integrated and managed as a single unit.

The parent company must be incorporated in the U.K. to fall within the scope of the Regulations. When considering the subsidiaries of a U.K.-incorporated company for the purposes of the “high-turnover company” test, all of that company’s subsidiaries, whether incorporated in the U.K. or overseas, must be taken into consideration. However, the definition of parent and subsidiary does not include “sister companies” (*i.e.*, subsidiaries of a common parent).

**5. Are there any exceptions to the Regulations?**

A company otherwise subject to the Regulations does not need to publish an annual climate-related disclosure report if the company is a subsidiary and is included in its parent company’s group strategic report. For the subsidiary to be exempt, the parent must also be a U.K. company or LLP, its report must be prepared for a financial year that ends at the same time as, or before the end of, the subsidiary’s financial year and the report must include a group non-financial and sustainability information statement in respect of the subsidiary and all other companies included in the consolidation. Where a U.K. company has an overseas parent that reports on a consolidated basis, the exemption does not apply.

**6. What are the reporting requirements?**

The Regulations propose mandatory disclosure of material information in all four of the TCFD’s core categories: Governance, Strategy, Risk Management, and Metrics and Targets

The BEIS Guidance offers additional detail on the expected disclosures for companies and LLPs within the scope of the Regulations. Broadly, companies and LLPs must disclose the following information:

- a. a description of the governance arrangements of the company or LLP in relation to the assessment and management of climate-related risks and opportunities;
- b. a description of how the company or LLP 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 overall risk management process of the company or LLP;
- d. a description of the principal climate-related risks and opportunities arising in connection with the operations of the company or LLP, and 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 business model and strategy of the company or LLP;
- f. an analysis of the resilience of the business model and strategy of the company or LLP, taking into consideration different climate-related scenarios;
- g. a description of the targets used by the company or LLP to manage climate-related risks and to realise climate-related opportunities and of performance against those targets; and
- h. the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based.

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7. **Do the Company Regulations differ from the current climate-reporting requirements for companies with a premium or standard listing?**

Companies with a premium listing or a standard listing are currently required to state in their annual reports whether they have produced TCFD-aligned disclosures across each of the four core TCFD categories or explain why they have not done so.

U.K. companies with more than 500 employees that are within scope of the U.K. Listing Rules (LRs) will be subject to both the Company Regulations and the relevant LRs. The main difference between the two is that the LRs and accompanying guidance directly reference the TCFD recommendations whereas the Company Regulations comprise specific climate-related disclosure requirements that are aligned but do not directly reference the TCFD recommendations. Where a U.K.-incorporated listed company is subject to both requirements, disclosure in line with the LRs in its annual report is likely to be sufficient.

8. **Who will be liable for this disclosure?**

The intention of the new laws is for companies and LLPs within the scope of the Regulations to incorporate climate reporting into their strategic reports or, in the case of LLPs, their Energy and Carbon Reports. As a result, the directors of such companies and members of LLPs will be liable for the contents of the strategic report or Energy and Carbon Report, including any additional disclosure required by the Regulations.

Additionally, where a company or LLP publishes a strategic and sustainability report that contains untrue or misleading statements or omits material facts, and a person acquires, holds or disposes of shares in the company or interests in the LLP in reliance of the information and suffers a loss as a result, the company or LLP may be held liable. In such circumstances, the directors or LLP members (as applicable) would be liable to compensate the company for any loss as a result of such untrue or misleading statements if the directors or LLP members either knew or were reckless as to whether the statement was untrue or misleading or knew the omission to be a dishonest concealment of a material fact.

9. **What are the implications for overseas parent companies with UK subsidiaries?**

Non-U.K. companies that are not incorporated under or governed by the Companies Act 2006 do not fall within the scope of the Regulations, but some of their subsidiaries may be subject to them. Non-U.K. companies should therefore consider whether any of their U.K. subsidiaries are within the scope of the Regulations and, if so, whether to report on an individual or, if applicable, consolidated basis for their U.K. subsidiaries.

10. **What are the implications for overseas subsidiary companies with UK parents?**

A U.K. company or LLP within the scope of the Regulations must report on its global operations, regardless of whether activities are conducted through a U.K. or non-U.K. subsidiary.