

Marsh survey

Less than a third of FTSE 100 companies report climate change risk

Less than a third of FTSE 100 companies report climate change risk in line with TCFD recommendations.

Marsh analysis of the FTSE 100 found only 30% of companies showed evidence of reporting climate change risk in accordance to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations the UK government intends to make mandatory by 2025 (see Figure A).

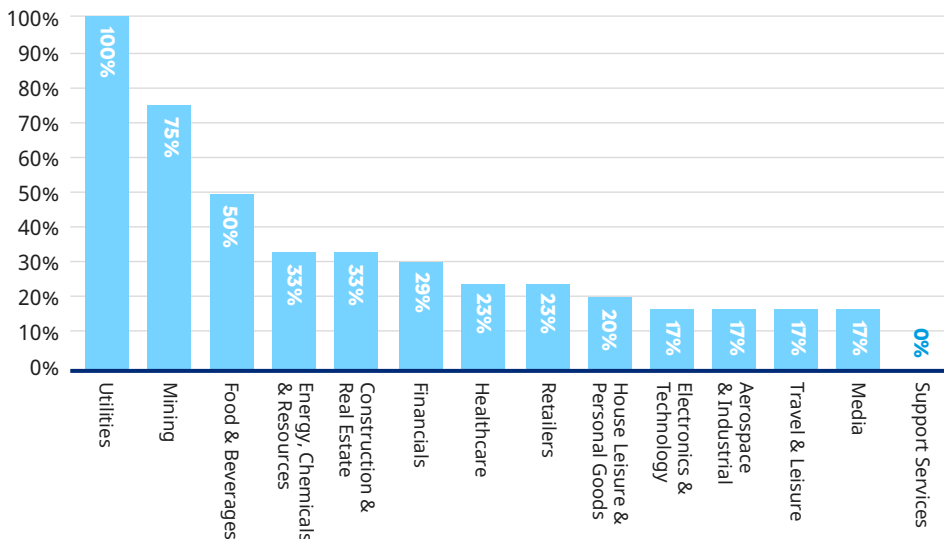
The TCFD's framework — the Financial Stability Board's preferred vehicle for developing a globally accepted scheme for the reporting of climate change risk — has gained significant traction recently, with an agreement on the recommendations a possibility at the COP26 UN climate change summit in November.

However, Marsh research showed sectors differed vastly in the public disclosure of the climate change risk they face. While all companies in the utility sector demonstrated that they had reported in accordance with the TCFD's recommendations, no companies in the support services showed evidence of having done so.

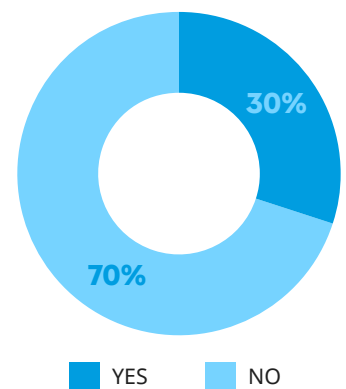
Three quarters of companies in the mining industry and half of those in the food and drinks sector appeared to have taken on board the TCFD recommendations, but only 17% of companies in the electronics and technology, aerospace and industrial, travel and leisure and media industries showed adherence to all of the task force's standards.

Only around a third of companies in the energy, chemical and resources, construction and real estate, and financial sectors had separate TCFD-aligned reports.

Percentage shown of sectors in each that have a TCFD report



Evidence of standalone TCFD report





Marsh analysed data based on the TCFD's four reporting standards — governance, strategy, risk management, and metrics and targets — throughout 2020 and 2021. The TCFD advocates making a total of [11 disclosures](#) relating to these themes.

One of the task force's key disclosures centers on the resilience of an organisation's strategy, when different climate-related scenarios are taken into account. This includes a 2° C or lower scenario, where energy use and emissions are consistent with limiting the global average temperature increase to 2°C above the pre-industrial average.

Countries and regulators globally support the idea of making the TCFD recommendations compulsory. So far, 12 countries have endorsed the TCFD framework and eight are in the process of making it mandatory, the TCFD has said.

The UK has announced its intention to make TCFD-aligned disclosures mandatory across the economy by 2025, with a significant portion of mandatory requirements in place by 2023.

The EU's Sustainable Finance Disclosure Regulation (now known as the Corporate Sustainability Reporting Directive or CSRD), which integrates the TCFD framework, came into effect in March 2021. The proposed CSRD would require mandatory TCFD-aligned disclosure for nearly 50,000 large companies with a presence in the EU.

The G7 and G20 finance ministers have endorsed the TCFD recommendations, announcing that countries should increasingly move towards mandatory TCFD-aligned disclosure of climate-related financial risks. However, not all countries they represent have made concrete commitments.

The Marsh research forms part of the *FTSE & Global Exchanges Risk Analysis* to be published later this year.

Companies are generally advised to analyse their physical and transitional risks relating to climate change early on. Ideally, a company would be reporting according to TCFD recommendations for several years before the disclosures become compulsory.

If you have questions on the TCFD recommendations, please contact your Marsh advisor.

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