

# CFD

## made simple

### What is CFD?

The climate-related financial disclosures (CFD) closely align to TCFD and should explain how climate change is handled in corporate governance, its impacts on strategy, how climate-related risks and opportunities are managed, and the performance measures and targets used to address these issues.

Companies should include the CFD in what was previously the non-financial information statement (NFIS), now the non-financial and sustainability information statement (NFSIS). The regulation states that, while not all required information needs to be in the NFSIS, if it's located elsewhere in the annual report, there must be a clear reference to where it can be found.

### What is required?

The specific wording of the regulation can be found in the Government's guide, but in the spirit of keeping this simple, we have paraphrased the requirements.

- A.** Outline how the company governs climate-related risks and opportunities.
- B.** Describe how the company identifies, assesses and manages these risks and opportunities.
- C.** Describe how climate-related risk processes are integrated into the company's overall risk management.
- D.** Identify primary climate-related risks and opportunities, along with assessment timeframes.
- E.\*** Assess the impact of these risks and opportunities on the company's business model and strategy.
- F.\*** Analyse the business model's resilience under different climate scenarios.
- G.\*** Set targets and assess performance in managing climate risks and opportunities.
- H.\*** Define key performance indicators and methodologies for tracking progress against targets.

\* Companies are not required to disclose E, F, G and H if they believe they're not essential for understanding the organisation's business based on its nature and operations. However, they must explain why they believe they can omit this information.

### When will it come into effect?

- The CFD was introduced on 17 January 2022.
- It applies to reporting for financial years started on or after 6 April 2022.
- Many companies will be required to meet this disclosure in their upcoming annual report.

### Who will it impact?

- All UK companies that are currently required to produce a non-financial information statement (i.e. UK listed companies with more than 500 employees or PIEs).
- AIM listed companies with more than 500 employees.
- UK registered companies with more than 500 employees and a turnover of more than £500 million.
- Large LLPs with more than 500 employees and a turnover of more than £500 million.
- Traded or banking LLPs which have more than 500 employees.

### How does it relate to TCFD?

The main difference is that it is mandatory to respond to all CFD requirements whereas TCFD is on a comply or explain basis.

Many companies will be in the scope for both CFD and TCFD, but due to the similarities between the disclosures you will not be required to duplicate content as any information disclosed in the annual report against TCFD can count towards CFD and vice versa.

However, where your TCFD disclosure may have used the "explain" option, this will need to be fully responded to if it aligns to CFD requirements.

### How can Design Portfolio and Ever Sustainable help?

Whether you already report against TCFD or are reporting against climate-related financial disclosures for the first time, Design Portfolio can help you with your CFD. From conducting a gap analysis on your current disclosures, to providing best practice guidance and examples, to supporting in governance workshops, we can help at any stage of your compliance with CFD.

As experts in climate reporting and regulatory compliance, our in-house sustainability consultancy, Ever Sustainable, can also support you with your CFD by:

- establishing what you must do internally to align to CFD and TCFD requirements;
- informing and supporting the testing of your business and strategy under differing climate scenarios – an essential part of both CFD and TCFD;
- developing metrics and targets to support the management of climate-related risks and opportunities; and
- drafting and designing your climate-related disclosures.

Get in touch for CFD and TCFD support, as well as any best practice and regulatory guidance.

[sustainability@design-portfolio.co.uk](mailto:sustainability@design-portfolio.co.uk)  
**+44 (0)207 536 2015**

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sustainable  
consultancy by Design Portfolio