

Is TCFD worth the work?

➤ **Once heralded as an important step for driving sustainability in pensions, questions continue to be raised about the value of such reports**



This summer, the Financial Conduct Authority (FCA) launched a consultation into the simplification of climate reporting for investment products. Claims of £20 million-a-year savings were made with Task Force on Climate-related Financial Disclosures (TCFD) reporting firmly in the crosshairs. The regulator found that while this had improved firms' awareness of climate risks, product-level reports were often seen as too complex by investors and not widely used.

It's been five years since mandatory TCFD reporting began to be rolled out across UK pension schemes, requiring trustees to detail how they govern, plan for, measure and manage climate-related risks and opportunities. As the regulator takes stock, it's worth assessing how TCFD requirements are being viewed on the ground and if they're delivering on the expectations set.

Compliance, not change

Like all regulations, the TCFD requirements were designed with the best intentions, but the past five years have brought a considerable amount of compliance pain to the schemes it applies to. Hymans Robertson senior responsible investment consultant, Mhairi Gooch, reflects that TCFD was "broadly positive at the outset" but the current reality is very different.

"As the regime has matured, it has increasingly become a compliance

exercise," says Gooch. "Even for schemes that are serious about climate action, significant time is now spent producing reports and explaining complex metrics, rather than necessarily improving investment decisions or real-world outcomes."

Much is required by schemes to comply with TCFD, with critics questioning how much such work actually leads to real-world change. HS Trustees managing director and trustee sustainability working group chair, Bobby Riddaway, has been a vocal critic of TCFD in the press and argues this only creates "paper decarbonisation". A pension's TCFD report may tick the regulation's boxes, but positive outcomes are not guaranteed.

"This reporting between consultants and fund managers will continue with or without TCFD but pension schemes reporting on it is a useless exercise now," says Riddaway. "TCFD is strangling innovation. For schemes between £1 billion and £20 billion it costs six or seven figures each year – it's crowding out any spend they would put into sustainability and so they are not doing any thought leadership here."

Life for pension funds under TCFD

Opinions may have soured around TCFD but schemes under its purview have ploughed on with compliance regardless. A recent survey by XPS, focusing on 49 UK schemes for the fourth consecutive year, found 96 per cent of Wave 1

Summary

- TCFD has become widely criticised as a compliance burden since its introduction, becoming a significant drain on resources.
- These reports raise considerable compliance conundrums, with many pension schemes struggling to gain sufficient data around scenario analysis.
- Efforts to simplify this reporting have been widely welcomed by the pension industry.
- The conversation around sustainability disclosures has shifted from simply reporting to instead inspiring real-world change. TCFD has ironically taken away time and resources from the latter.

schemes have a net-zero target, compared to 54 per cent in Wave 2. Larger schemes are not only ahead in terms of their climate ambition, but also in terms of implementation, with higher adoption of climate-aware funds and solutions. Additionally, 33 per cent of schemes were found to have a target on engagement, an increase from 24 per cent the year before.

Governance and risk management have generally been the strongest areas according to Gooch, who has seen "good progress" from most schemes. However, she points to scenario analysis and climate metrics as a challenging area to address.

"These rely on imperfect data, evolving methodologies and assumptions that can be difficult to explain or compare over time," says Gooch. "Emissions metrics in particular can give a false sense of precision and may not reflect genuine changes in climate risk or real-world progress."

"The strongest schemes are moving beyond compliance and using outputs to inform investment strategy, stewardship, manager engagement and transition planning. But this is not yet universal."

A key component to these reports will be data, the sourcing of which can be particularly challenging. Although asset

managers may be improving their own reporting around Scope 1 and 2, Scope 3 data is still as notoriously difficult to quantify and source as ever.

“Trustees are often dependent on information provided by asset managers and investee companies, and the consistency of that information can vary across asset classes,” says Sackers partner, Stuart O’Brien. “Scenario analysis also remains a complex area, particularly given the inherent uncertainty associated with long-term climate projections and their interaction with investment outcomes.”

The need for reform

Faced with such demands, it’s not surprising that many are welcoming moves to simplify TCFD. It remains to be seen what the FCA consultation delivers but a move towards a lighter approach is already being called for by some in the industry.

Zedra client director, Anne Sander, is one of this crowd, and sees TCFD reporting regarded as “quite onerous” by some of the pension schemes she works with. What’s worse, she says such reports are not helping to drive climate change mediation actions, making such time-consuming regulations even more disliked.

“The required content makes these reports so long that they are also not very useful for members,” says Sander. She and her team have already attempted to make more member friendly short summaries at the front of these reports but open rates indicate limited engagement.

“Simplification that would

enable trustees to spend their limited governance budget on thinking about what their climate change targets are, and how they might get there, would be better for everyone,” she adds.

In agreement is Gooch, who points out how the sustainability and climate-linked reporting space in investment has become increasingly crowded in recent years with “overlapping” requirements across pensions, asset managers, insurers

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and others. For instance, at the end of 2025 the Taskforce on Nature-related Financial Disclosures – TCFD’s sister initiative – announced plans to end its technical work programme, as the International Sustainability Standards Board begin work on this very area. TCFD was significant, says Gooch, but now a new approach is required.

“TCFD played an important role in bringing climate risk into mainstream trustee decision-making,” says Gooch. “But over time, too much of the process has become focused on compliance and metrics that don’t always support meaningful action. The priority now should be to simplify reporting and reorient it towards transition: How portfolios are aligned, where capital is being allocated, how schemes are supporting credible transition activity and how they are building resilience to physical climate risks. Reporting should support action, not become a substitute for it.”

Here, O’Brien points to the value that the TCFD process can

bring governance, helping to challenge advisers and improve understanding of the climate-related risks and opportunities. Looking to differentiate between this and the annual reporting obligation that comes with it, he sees scope to refine TCFD instead of doing away with it altogether.

“One possibility may be to lessen the reporting obligation on trustees to repeat lengthy descriptions of governance processes and strategy on an annual basis, and instead target reporting on developments and changes during the previous year,” adds O’Brien.

TCFD also sits alongside a mounting pile of other regulations pension schemes must adhere to. This acronym may be drawing criticism for its perceived lack of impact in the very area it was designed to improve, but Riddaway points to the wider context of pension schemes’ main priority: generating retirement benefits for their members.

“*[TCFD reports]* are based on the premise that pension schemes need to solve the climate crisis – I have had those that introduced TCFD to pensions personally apologise to me for this,” he says. “Pension schemes’ main role is to pay pensions and look after the assets. TCFD is too resource intensive to allow schemes to spend any time on investing sustainability.”

Custodians of trillions of pounds, UK pension schemes are an obvious place to target when aiming to stimulate sustainable investment. Wide-ranging measures like TCFD may sound good, but the conversation around sustainability and transition has since changed. Instead of focusing on disclosures, the conversation is now geared towards how real-world change can be impacted – for the benefit of the planet, as well as easing the burden for schemes’ already-stretched compliance teams.

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