

# Task Force on Climate-related Financial Disclosures

Overview of Recommendations and Status Report

October 2018

# BACKGROUND

G20 Finance Ministers and Central Bank Governors asked the Financial Stability Board (FSB) to review how the financial sector can take account of climate-related issues.

The FSB established the Task Force on Climate-related Financial Disclosures (TCFD) to develop recommendations for more effective climate-related disclosures that:

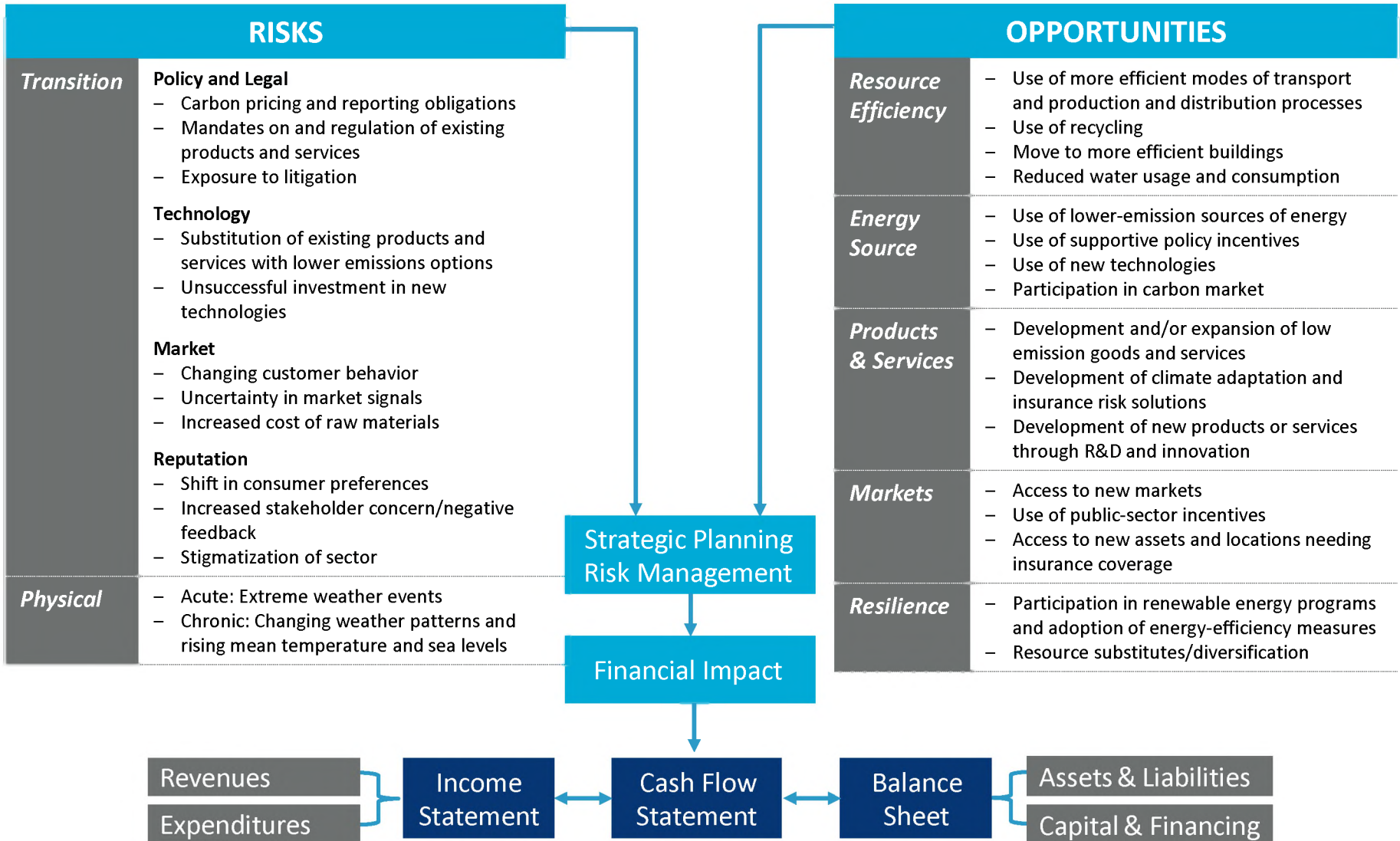
- could “**promote more informed investment, credit, and insurance underwriting decisions**” and,
- in turn, “would enable stakeholders to **understand better** the concentrations of **carbon-related assets in the financial sector** and the financial system’s **exposures to climate-related risks.**”

## Industry Led and Geographically Diverse Task Force

The Task Force’s 31 international members, led by Michael Bloomberg, include providers of capital, insurers, large non-financial companies, accounting and consulting firms, and credit rating agencies.



# FOCUS ON FINANCIAL IMPACT



# DISCLOSURE RECOMMENDATIONS

The Task Force developed **four widely-adoptable recommendations** on climate-related financial disclosures that are applicable to organizations across sectors and jurisdictions.

The recommendations are structured around four thematic areas that represent core elements of how organizations operate:



## **Governance**

The organization's governance around climate-related risks and opportunities

## **Strategy**

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

## **Risk Management**

The processes used by the organization to identify, assess, and manage climate-related risks

## **Metrics and Targets**

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

# DISCLOSURE RECOMMENDATIONS (CONTINUED)

The four recommendations are supported by **specific disclosures** organizations should include in financial filings or other reports to provide decision-useful information to investors and others.

Governance	Strategy	Risk Management	Metrics and Targets
<p>Disclose the organization’s governance around climate-related risks and opportunities.</p>	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material.</p>	<p>Disclose how the organization identifies, assesses, and manages climate-related risks.</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
<p>a) Describe the board’s oversight of climate-related risks and opportunities.</p>	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</p>	<p>a) Describe the organization’s processes for identifying and assessing climate-related risks.</p>	<p>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>
<p>b) Describe management’s role in assessing and managing climate-related risks and opportunities.</p>	<p>b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.</p>	<p>b) Describe the organization’s processes for managing climate-related risks.</p>	<p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>
	<p>c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.</p>	<p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>

# KEY ELEMENTS OF DISCLOSURE RECOMMENDATIONS

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## Location of Disclosure

- The Task Force recommends that organizations provide climate-related financial disclosures in their mainstream (i.e., public) **annual financial filings**.
- If certain elements are incompatible with national disclosure requirements, the Task Force encourages organizations to disclose those elements in **other official company reports**.
- Organizations in the four non-financial groups that have more than one billion U.S. dollar equivalent (USDE) in annual revenue **should consider disclosing** strategy and metrics and targets information in other reports when the information is not deemed material and not included in financial filings.

## Principle of Materiality

- The disclosures related to the **Strategy and Metrics and Targets recommendations** are subject to an assessment of materiality. The disclosures related to the **Governance and Risk Management recommendations** are not and should be provided because many investors want insight into the governance and risk management context in which organizations' financial and operating results are achieved.

## Scenario Analysis

- The Task Force encourages forward-looking information through scenario analysis—a useful tool for considering and enhancing resiliency and flexibility of strategic plans that allows investors to understand how **resilient organizations' strategies are to climate-related risks**.
- Recommended disclosure (c) under Strategy and the related guidance asks organizations to describe the resilience of their strategies, taking into consideration different climate-related scenarios, including **a 2°C or lower scenario**.

# BENEFITS OF IMPLEMENTING THE RECOMMENDATIONS

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Some of the potential benefits associated with implementing the Task Force's recommendations include:

- easier or better access to capital by increasing investors' and lenders' confidence that the company's climate-related risks are appropriately assessed and managed
- more effectively meeting existing disclosure requirements to report material information in financial filings
- increased awareness and understanding of climate-related risks and opportunities within the company resulting in better risk management and more informed strategic planning
- proactively addressing investors' demand for climate-related information in a framework that investors are increasingly asking for, which could ultimately reduce the number of climate-related information requests received

# GROWING SUPPORT FOR TCFD AND ITS WORK

**February  
2017**

The FSB welcomed a proposal by the Task Force to continue its work until at least September 2018, with a focus on promoting and monitoring adoption of the TCFD's recommendations, and to deliver a status report to the FSB.

**June  
2017**

When the Task Force released its disclosure recommendations in June 2017, it did so with the support of over 100 CEOs.

**December  
2017**

At French President Emmanuel Macron's One Planet Summit, Governor Mark Carney and Mike Bloomberg advanced the discussion around the TCFD and announced over 230 supporters.

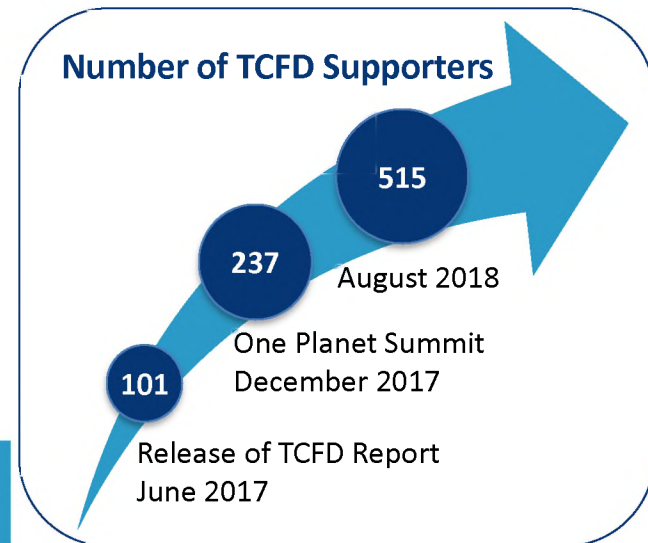
**July  
2018**

As the Task Force was drafting its 2018 status report, the FSB requested a second status report be delivered in mid 2019.

**August  
2018**

Based on continued efforts of Task Force members and others, the TCFD now has over 515 supporters.

**The 2018 status report will be released on September 26, 2018.**





# 2018 STATUS REPORT: OVERVIEW

As part of its efforts to promote adoption of the recommendations, the Task Force is finalizing a status report that provides an overview of current disclosure practices related to the TCFD recommendations as well as additional information to support preparers.

The Task Force's report focuses on the following:

- summarizing current disclosure practices relative to core elements of the recommended disclosures
- providing examples of disclosures that contain information aligned with the recommendations
- sharing user perspectives on decision-useful information
- providing perspectives of a small group of preparers from the oil and gas industry
- summarizing major initiatives that support the TCFD



# KEY TAKEAWAYS FROM STATUS REPORT

The Task Force reviewed disclosures of several companies and found disclosing information in alignment with its recommendations is possible for preparers and helpful to users. It also found climate-related disclosures are still in early stages and further work is still needed for disclosures to contain more decision-useful climate-related information.

## The majority disclose some climate-related information.

The majority of companies disclosed information aligned with at least one recommended disclosure, usually in sustainability reports.

## Financial implications are often not disclosed.

While many companies disclose climate-related financial information, few disclose the financial impact of climate change on the company.

## Information on strategy resilience under climate-related scenarios is limited.

Few companies describe the resilience of their strategies under different climate-related scenarios, including a 2°C or lower scenario, which is a key area of focus for the Task Force.

## Disclosures are often made in multiple reports.

Companies are often provided information aligned with the TCFD recommendations in multiple reports— financial filings, annual reports, and sustainability reports.

## Disclosures vary across industries and regions.

Companies' areas of focus in terms of climate-related financial disclosures vary significantly. For example a higher percentage of non-financial companies reported information on their climate related metrics and targets compared to financial companies, but a higher percentage of financial companies indicated their enterprise risk management process included climate-related risk.

# APPENDIX

# TASK FORCE MEMBERS

## Chair and Vice-Chairs

**Michael Bloomberg**  
Chairman  
Founder and President  
Bloomberg L.P.

**Yeo Lian Sim**  
Vice-Chair  
Special Adviser  
Singapore Exchange

**Denise Pavarina**  
Vice-Chair  
Managing Officer  
Banco Bradesco

**Graeme Pitkethly**  
Vice-Chair  
Chief Financial Officer  
Unilever

**Christian Thimann**  
Vice-Chair  
Group Head of Strategy,  
Sustainability and Public  
Affairs  
AXA

## Members

**Jane Ambachtsheer**  
Partner, Chair –  
Responsible Investment  
Mercer

**Matt Arnold**  
Managing Director and  
Global Head of Sustainable  
Finance  
JPMorgan Chase & Co.

**Wim Bartels**  
Partner Corporate  
Reporting  
KPMG

**Bruno Bertocci**  
Managing Director, Head of  
Sustainable Investors  
UBS Asset Management

**David Blood**  
Senior Partner  
Generation Investment  
Management

**Richard Cantor**  
Chief Risk Officer  
Moody's  
Chief Credit Officer  
Moody's Investor Service

**Koushik Chatterjee**  
Group Executive Director,  
Finance and Corporate  
Tata Group

**Eric Dugelay**  
Global Leader, Sustainability  
Services  
Deloitte

**Takehiro Fujimura**  
General Manager  
Corporate Sustainability  
Department  
Mitsubishi Corporation

**Neil Hawkins**  
Corporate Vice President  
and Chief Sustainability  
Officer  
The Dow Chemical  
Company

**Diane Larsen**  
Audit Partner, Global  
Professional Practice  
EY

**Eloy Lindeijer**  
Chief, Investment  
Management  
PGGM

**Brian Deese**  
Global Head of  
Sustainable Investing  
BlackRock

**Liliana Franco**  
Director, Accounting  
Organization and  
Methods  
Air Liquide Group

**Udo Hartmann**  
Senior Manager, Group  
Environmental Protection  
& Energy Management  
Daimler

**Thomas Kusterer**  
Chief Financial Officer  
EnBW

**Stephanie Laist**  
Managing Director, Head  
of Sustainable Investing  
Canada Pension Plan  
Investment Board

**Ruixia Liu**  
General Manager, Risk  
Department  
Industrial and Commercial  
Bank of China

**Giuseppe Ricci**  
Chief Refining & Marketing  
Officer  
ENI

**Steve Waygood**  
Chief Responsible Investment  
Officer  
Aviva Investors

**Fiona Wild**  
Vice President, Sustainability  
and Climate Change  
BHP Billiton

**Jon Williams**  
Partner, Sustainability and  
Climate Change  
PwC

## Special Adviser

**Russell Picot**  
Chair, Audit and Risk Committee, LifeSight  
Board Chair, HSBC Bank (UK) Pension Scheme Trustee  
Former Group Chief Accounting Officer  
HSBC

**Martin Skancke**  
Chair, Risk Committee  
Storebrand

**Martin Weymann**  
Head Sustainability,  
Political & Emerging Risk  
Management  
Swiss Re

**Michael Wilkins**  
Managing Director,  
Environment & Climate  
Risk Research  
S&P Global Ratings

# DEVELOPMENT OF RECOMMENDATIONS

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In developing its recommendations, the Task Force:

- Considered the **challenges for preparers** of disclosures as well as the **benefits** of such disclosures to investors, lenders, and insurance underwriters
- Engaged in **significant outreach and consultation** with users and preparers of disclosures and other stakeholders, including two public consultations, individual discussions and focus groups with industry, webinars, and outreach events in multiple countries
- Drew from existing climate-related disclosure regimes and sought to develop a decision-useful framework to **align and supplement existing disclosure-frameworks**
- Created **guidance** for all sectors and supplemental guidance for specific sectors

The Task Force expects that **reporting of climate-related information will evolve** over time as organizations, investors, and others contribute to the quality and consistency of the information disclosed.