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Jane Ambachtsheer
TCFD, Mercer



Task Force on Climate-related Financial Disclosures

Overview of Recommendations

November 2017

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.



BACKGROUND (CONTINUED)

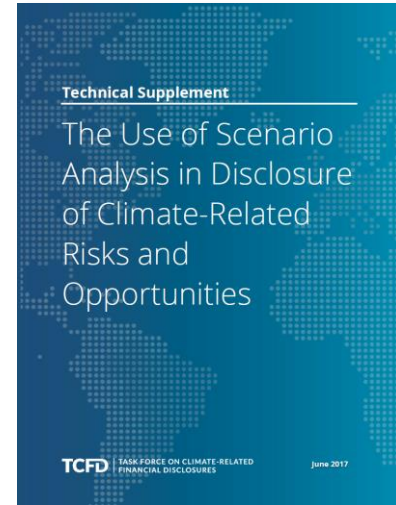
The Task Force's report and supporting materials were published in June 2017.



The report provides context, background, and the general framework for climate-related financial disclosures—it is intended for broad audiences.

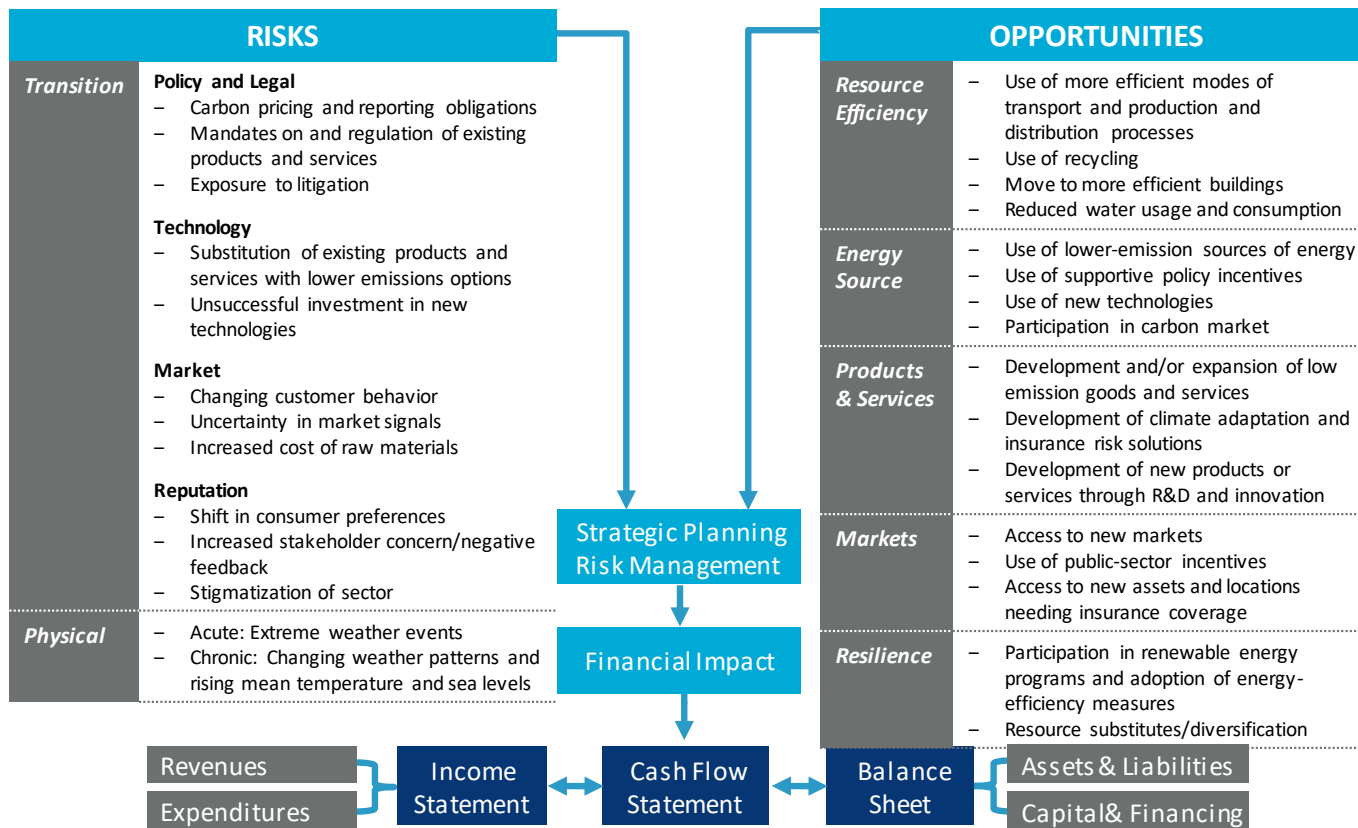


The annex provides the next level of detail to help companies implement the recommendations.



The technical supplement is a further level of detail that can be helpful for companies in considering scenario analysis.

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

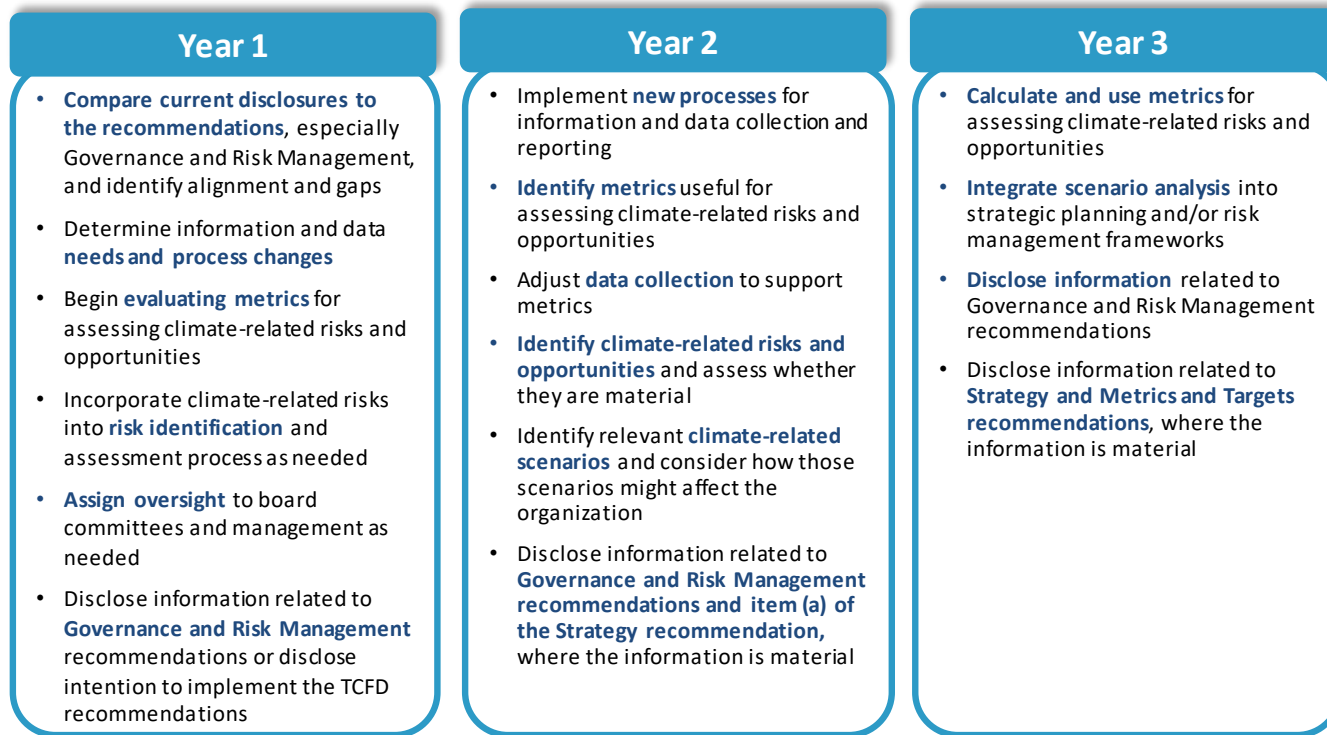
BENEFITS OF IMPLEMENTING THE RECOMMENDATIONS

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

BEGINNING THE JOURNEY – ILLUSTRATIVE ROADMAP

For organizations in early stages of assessing climate-related risks and opportunities, it may be helpful to develop a roadmap for implementing the recommendations.



CURRENT AND PLANNED ACTIVITIES

Since its report was issued, the Task Force has been focused on promoting adoption of the recommendations through the activities described below.

Current and Planned Activities

Held a **two-day conference** in collaboration with the Bank of England on scenario analysis.

Formed a “**preparer forum**” for European oil and gas companies to discuss implementation issues.

Speaking at **conferences** to build awareness and understanding of the TCFD recommendations.

Engaging with companies working on **implementation of the recommendations** to clarify expectations.

Conducting **preparer workshops** to support implementation (*in development*).

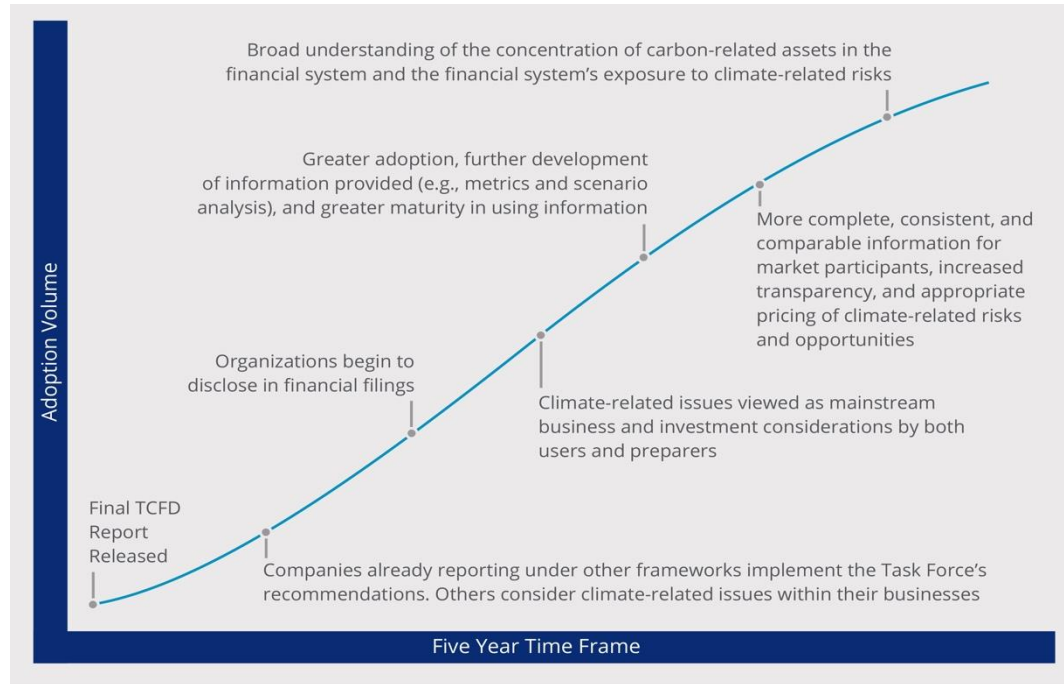
Engaging with **industry associations** and NGOs to identify areas of common interest and possible collaboration.

Engaging with financial and non-financial companies, investors, industry associations, NGOs, and others to **gain additional support for the recommendations**.

Supporting integration of the TCFD recommendations into **existing climate-related reporting frameworks**.

ILLUSTRATIVE IMPLEMENTATION PATH

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



TIMELINE FOR THE TASK FORCE'S WORK

The Task Force will work with organizations and other partners to support and monitor adoption and submit a report on implementation of the recommendations to the FSB in September 2018.

Timeline



EXTENSION OF TCFD REMIT

In February 2017, the FSB welcomed a proposal by the Task Force to continue its work until **at least September 2018** with a focus on the following:

- promoting and monitoring adoption of the TCFD's recommendations by companies
- evaluating the extent to which the recommended disclosures are meeting the needs of users





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Simon Messenger
CDSB



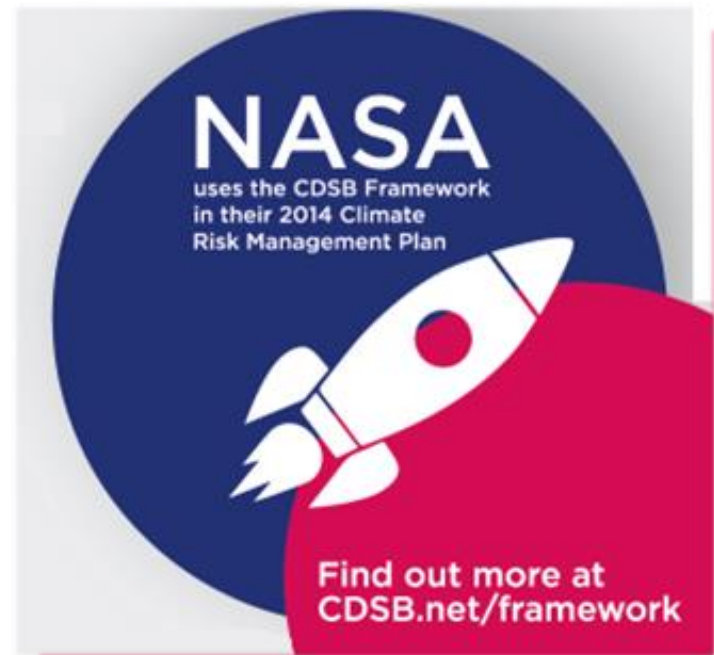
Climate Disclosure Standards Board

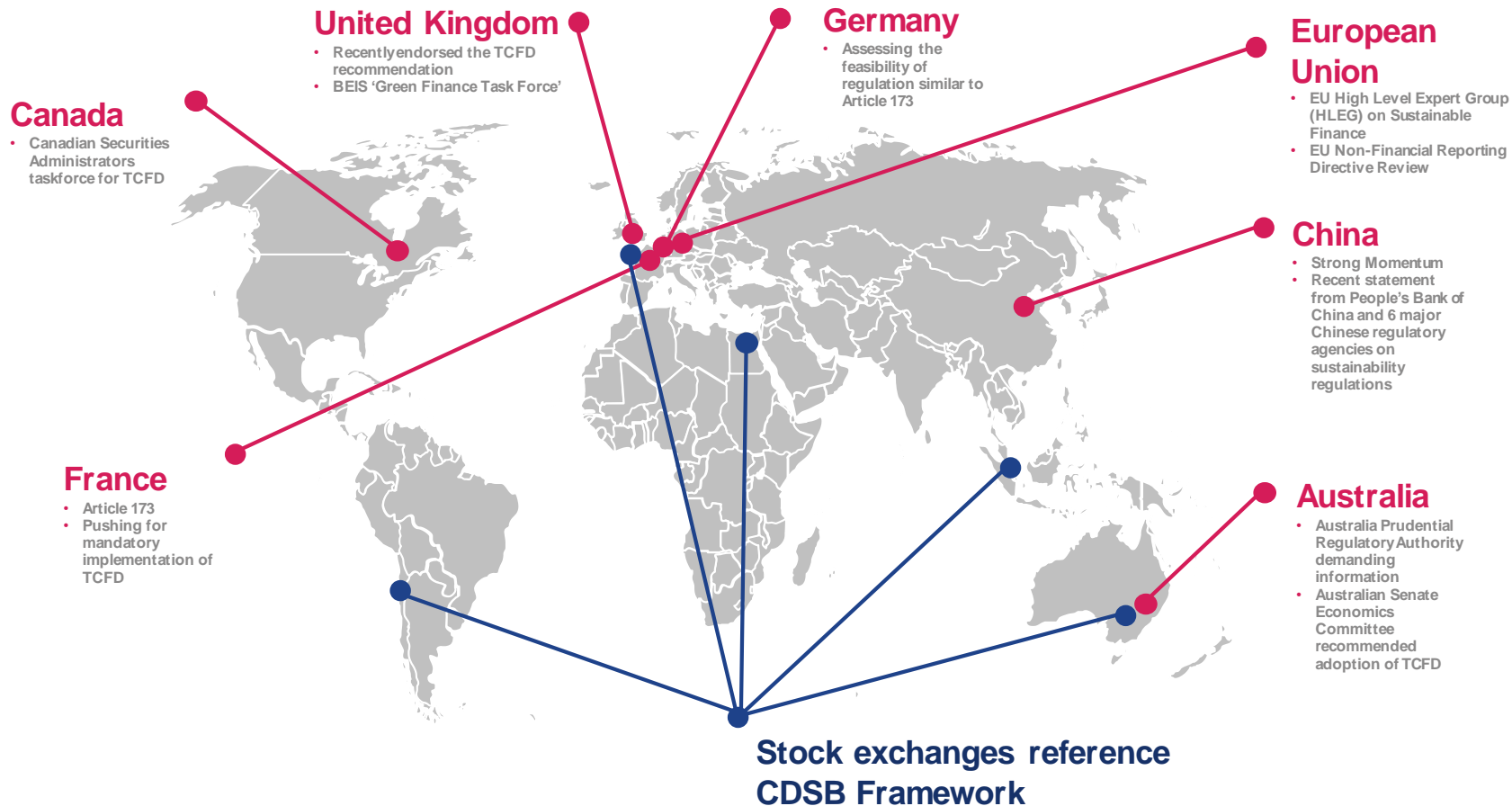
To provide decision-useful environmental information to markets via the mainstream corporate report



THE CLIMATE GROUP







Investment Community Engagement

Aegon
 Aviva
 Axa
 Barclays
 BlackRock
 Boston Common Asset Management
 Bradesco
 Brunel Pension Partnership
 Caisse Inter-Entreprises de Prévoyance Professionnelle
 Canada Pension Plan
 Candriam Investors Group
 Church Commissioners for England
 Church of England Pensions Board
 Elo Mutual Pension Insurance
 Environment Agency Pension Fund
 Folksam
 Generation
 Greater Manchester Pension Fund
 Hermes EOS
 HSBC
 HSBC UK Pension Fund
 Industrial and Commercial Bank of China

Industrial and Commercial Bank of China
 JP Morgan
 Jupiter Asset Management
 Legal & General
 LGPS Central
 Local Pensions Partnership
 London Pensions Fund Authority
 M&G
 Merchant Navy Officers Pension Fund
 National Employment Savings Trust
 Nest Sammelstiftung
 PGGM
 PKA
 Royal London
 Schroders
 Storebrand
 Swiss RE
 Tokio Marine
 TPT Retirement Solutions
 UBS
 Unilever UK Pension Fund
 Vanguard
List is non-exhaustive and illustrative only

Warned more than 1,000 companies globally that they face shareholder backlash at their annual meetings next year if they fail to publicly disclose the risks posed to their business models.

Aviva

Engaging with companies it holds to request they disclose in line with TCFD. Expects demonstrable fluency of whole board in high exposure sectors.

BlackRock

Highlighted the clear benefits of having more transparency about climate-related risks and opportunities

Swiss Re

Reinventing the wheel



INTEGRATED REPORTING <IR>



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CDSB Technical Papers

- CDSB-SASB-TCFD Alignment
- Materiality Assessment
- ‘Uncharted Waters’ – how using Accounting Standards IFRS 7 & 9 can help implement TCFD Recommendations

Practical Next Steps Checklist

- ✓ Bring together your sustainability, governance and compliance colleagues to agree on roles.
- ✓ Get climate change integrated into the governance process with board buy-in, and get the audit and risk committees on board.
- ✓ Adapt existing ERM and risk management processes to take account of climate risk: quantify, stress test and use scenarios.
- ✓ Use the same quality assurance and compliance approaches for climate-related financial information as for finance, management and governance disclosures.
- ✓ Look at existing tools you already use to help you collect and report climate-related financial information, such as the CDP questionnaire and the CDSB Climate Change Reporting Framework.
- ✓ Look specifically at the financial impact of climate risk and how it relates to revenues, expenditures, assets, liabilities and capital.
- ✓ Get feedback from engaged investors about what information they need to know about climate-related financial risks.
- ✓ Prepare the information you report as if it were going to be assured, even if you decide not to do so right now.
- ✓ Assess your business against various scenarios.

cdsb.net/checklist

Beyond Disclosure

A programme designed to help improve your company's reporting practice, in line with the TCFD recommendations and regulatory requirements

Beyond Disclosure provides companies with the support they need to meet the TCFD recommendations and feedback on compliance with relevant regulatory requirements.

It helps them deliver consistent and meaningful environmental and climate change information in their mainstream reports by reviewing their reporting approach against the CDSB Framework, while encouraging and recognising best practice in reporting.



cdsb.net/disclosure

Commitment to implement the TCFD recommendations

Commitment to:

- Implement the TCFD recommendations **as fully as practicable within three years** from the date of the commitment; and
- Use CDSB Framework or other applicable reporting frameworks to produce consistent information.

Benefits:

- Clear signal on **economic opportunities** of the low-carbon economy;
- Part of **leading group of companies**, share experiences, learn from others; and
- **Support from CDSB** and our network of experts to deliver on the commitment



Aviva
Royal DSM
Enagas
E.Sun Bank
Ferrovia
Hannon Armstrong
Iberdrola
LUX Resorts
Marks & Spencer
Philips Lighting
Sopra Steria Group
Unilever
Wipro
WPP



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**Kate Levick
CDP**





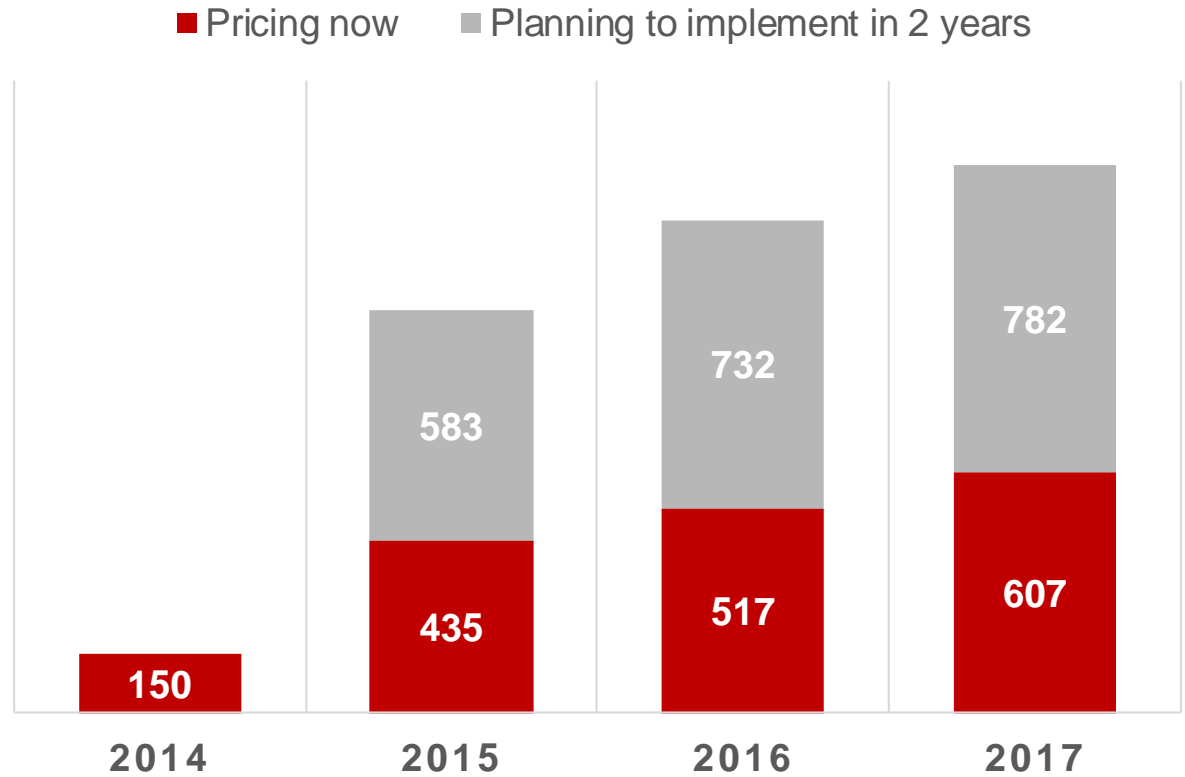
Integrating climate risk and opportunities – putting a price on carbon

Kate Levick

Director of Policy & Regulation, CDP

December 2017

Annual Growth





Corporate Response to Policy



World Bank and Eclys, *Carbon Pricing Watch 2017*, May 2017.

Note: Implemented policies re-categorized as existing, and scheduled policies and policies under consideration re-categorized as emerging.

The government of Brazil is currently considering carbon pricing policy proposals.




Policy risk

Transition risks

Stakeholder
expectations

Drivers




Why?

Assess and manage risk

Identify opportunities

Transition tool



Stress testing, built off **better disclosure and a price corridor**, could act as a time machine, shining a light not just on today's risks, but on those that may otherwise lurk in the darkness for years to come.

- Mark Carney, Governor of the Bank of England and Chair of the G20's Financial Stability Board



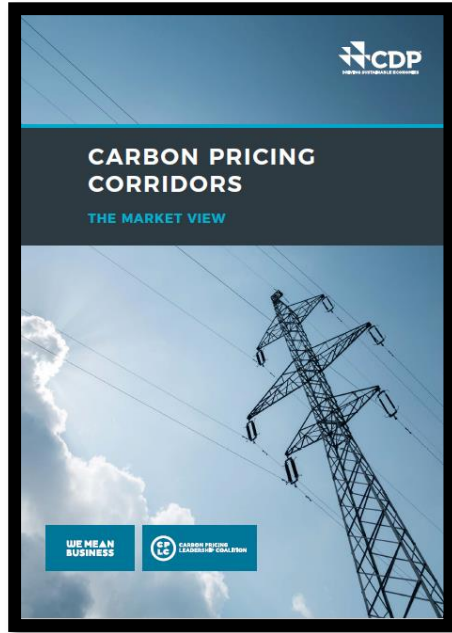
TCFD & Carbon Pricing

TCFD specifically lists internal carbon pricing as a key metric to assess climate and energy transition related risks and opportunities

Companies and financial institutions are starting to use an ICP to analyze the potential impact of climate change on their operations and investment portfolios

Reimagining disclosure process to implement recommendations.

Carbon Pricing Corridors Initiative aims to translate the uncertainty of future carbon prices into scenarios of risk, facilitating the integration of carbon pricing into investment analysis.



OBJECTIVE: to provide *investors*, companies and policymakers with an informed view of how **carbon-based price signals** develop to deliver a sub-2°C world as defined by the Paris Agreement

Carbon Pricing Corridors Initiative