HM Treasury

Principle 5: Climate-related financial disclosure

Why is climate-related financial disclosure important?

- To achieve the goals of the Paris Agreement all finance will need to incorporate the **financial risks and opportunities** presented by climate change and other environmental challenges.

- There is increasing international recognition of the need to integrate climate change and environmental considerations into **mainstream financial decision-making.**

The role of climate-related financial disclosure:

- **Better access to climate-related information can enhance how climate risks are assessed, priced, and managed.**

- **It facilitates climate-aware investment, lending, and insurance underwriting decisions that contribute to a more sustainable financial system.**

- **Achieving an internationally to consistent approach to disclosure will strengthen global financial markets and support the alignment of all financial flows with the goals of the Paris Agreement.**

Task Force on Climate-related Financial Disclosures

What is it?

The TCFD is a private sector initiative launched by the Financial Stability Board in 2015. In 2017 the TCFD issued recommendations for developing consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.

Purpose

Its aim is to help investors understand their financial exposure to climate risk and help companies disclose this information in a clear way facilitating climate-aware investment, lending, and insurance underwriting decisions that contribute to a more sustainable global financial system.

Nearly 800 public- and private-sector organizations have announced their support for the TCFD and its work, including global financial firms responsible for assets in excess of $118 trillion.
Source: TCFD Status Report 2019

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Recommendations of the Task Force on Climate-related Financial Disclosures

Figure 4

Recommendations and Supporting Recommended Disclosures

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

- The Task Force structured its recommendations around four thematic areas that represent **core elements of how companies operate**: governance, strategy, risk management, and metrics and targets.
- The recommendations are applicable to **both non-financial and financial companies** across industries and jurisdictions

The UK and TCFD

National governments and regulators can play an important role in ensuring that implemented frameworks for disclosure are both **nationally appropriate and internationally consistent.**

- In 2017 the UK became one of the first countries to formally endorse TCFD recommendations.
- UK set the **expectation** for all listed companies and large asset owners to be disclosing in line with the recommendations of the Taskforce for Climate related Financial Disclosures (TCFD) by 2022.
- UK Government have established a **joint Taskforce** with UK regulators, chaired by the Government, to ensure a co-ordinated approach on climate-related financial issues and examine the most effective way to approach disclosure including the appropriateness of mandatory reporting.
- Regulators will continue to progress their own green finance workstreams in parallel with and feeding into the Taskforce. Example: Pension regulator guidance

Coalition action on disclosure: proposed next steps

1. Receive feedback on issues note and presentation in Abidjan.
2. Prepare issues note for ministerial discussion at WB/IMF Spring meetings.
3. Take forward outcome of ministerial level discussion to inform further work.
4. Aim to have another a Coalition event on disclosure before COP26.

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Questions and feedback on issues paper

- Do you have comments on the issues note?
- Do you think it could form a useful basis of discussion with ministers?
- Do you agree that we should be putting the following questions to ministers?

Questions for ministers

a. **What are your views on climate related financial disclosure?**

b. **What would implementation of climate-related financial disclosure requirements look like in your national contexts?**

c. **What are the barriers to improving consistency of climate-related financial disclosure internationally?**

d. **Is there a role for further international cooperation in improving consistency of disclosures?**