

# Financial Impacts of Climate Change: TCFD

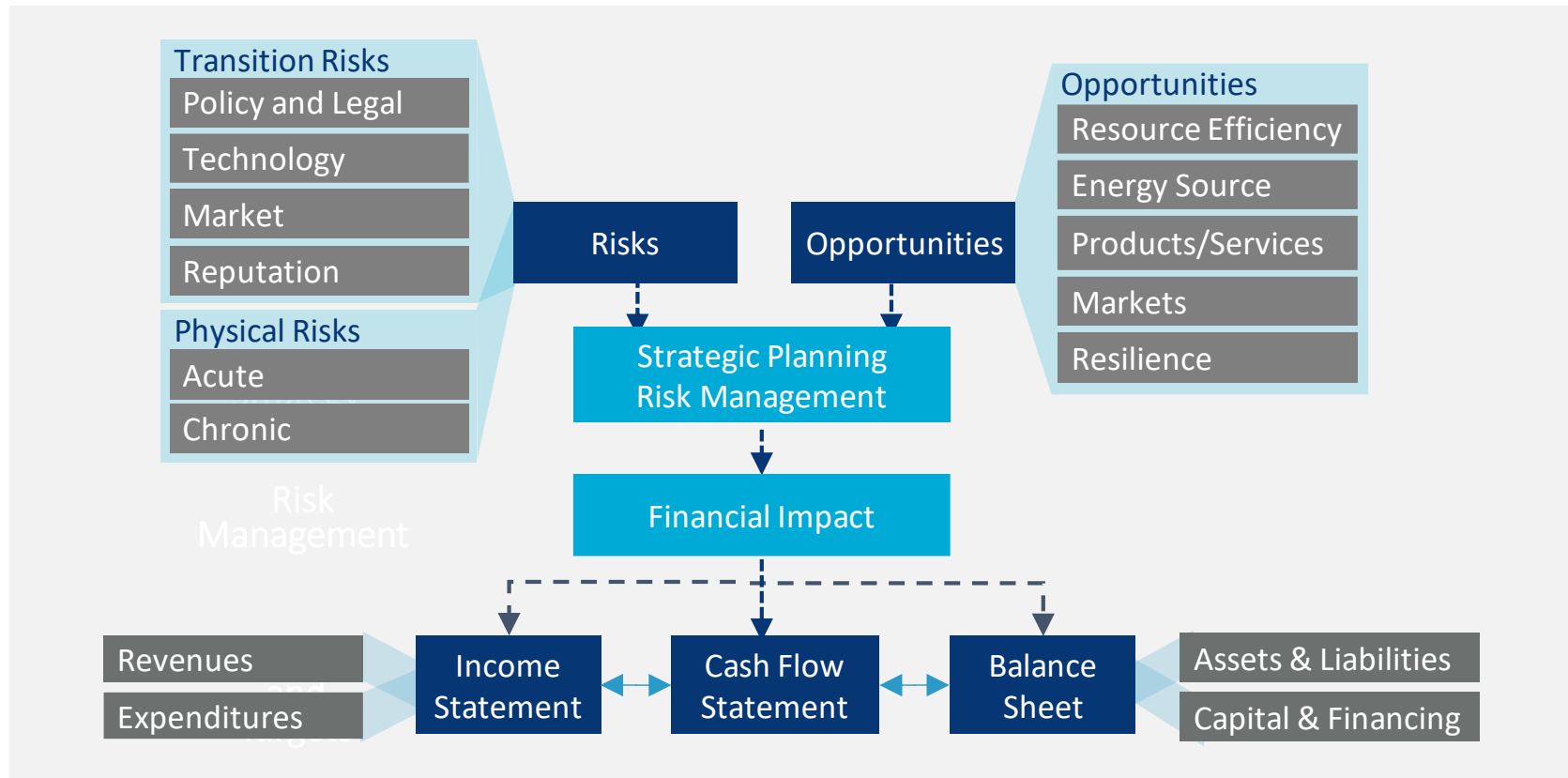
Task Force on Climate-related Financial Disclosures

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# FOCUS ON FINANCIAL IMPACT

The Task Force focused on financial impact of climate-related risks and opportunities on an organization, rather than the impact of an organization on the environment.



# SUPPLEMENTAL GUIDANCE FOR CERTAIN SECTORS

For the financial sector and certain non-financial sectors and industries, the Task Force provides **supplemental guidance** to highlight important sector-specific considerations.

## Financial Sector

Banks

Insurance Companies

Asset Owners

Asset Managers

## Non-Financials Sector and Industry Groupings

### Energy

- Oil and Gas
- Coal and Consumable Fuels
- Electric Utilities
- Renewable Electricity

### Transportation

- Air Freight and Logistics
- Airlines
- Marine
- Road and Rail
- Automobiles
- Transportation Infrastructure

### Materials and Buildings

- Chemicals
- Construction Materials
- Metals and Mining
- Capital Goods
- Real Estate Development and Management

### Agriculture, Food, and Forest Products

- Paper and Forest Products
- Beverages
- Food Products, including Agriculture Products and Packaged Foods and Meats
- Non-Food Agriculture

# 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

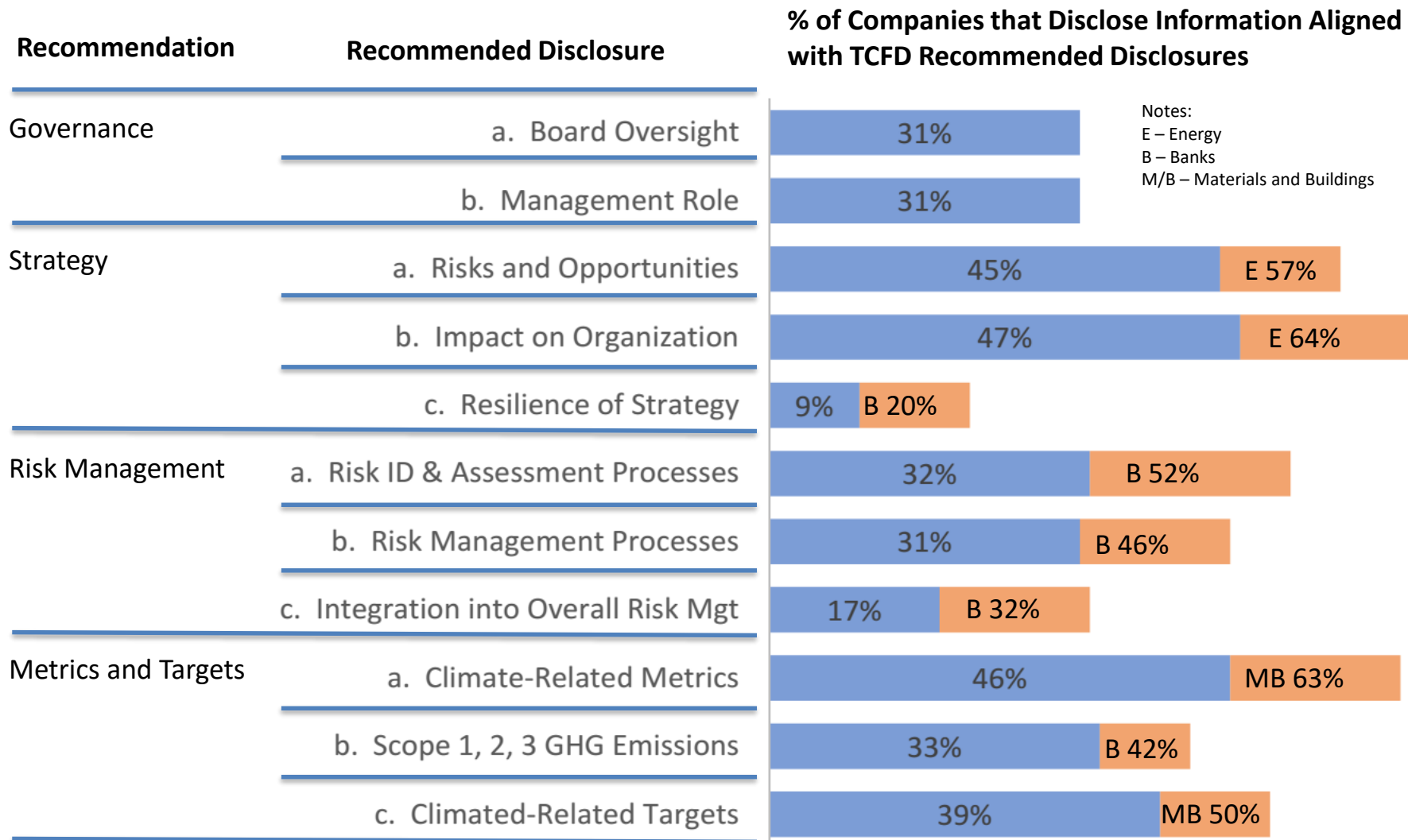
## **Metrics and Targets**

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

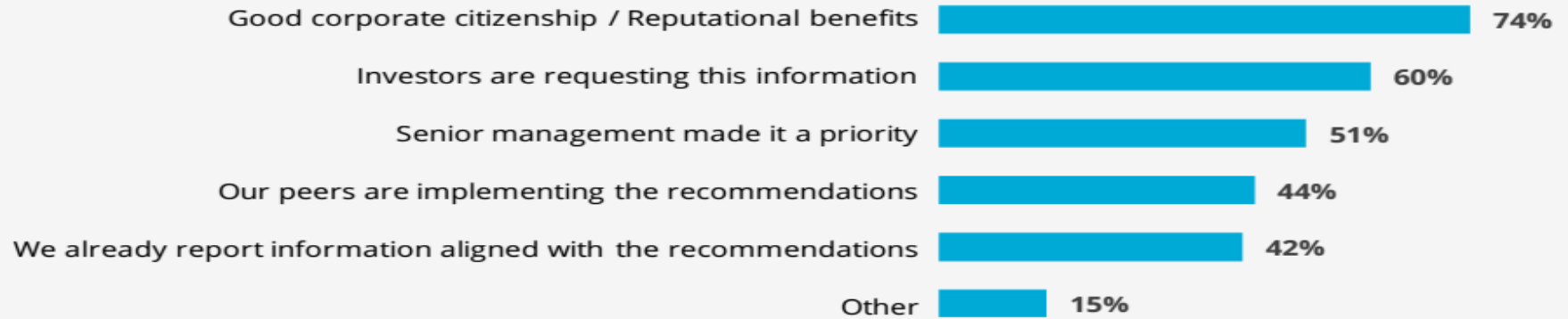
# DISCLOSURE RECOMMENDATIONS *(CONTINUED)*

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>

# TCFD-ALIGNED DISCLOSURES IN 2018



## Reasons for Implementing the Recommendations

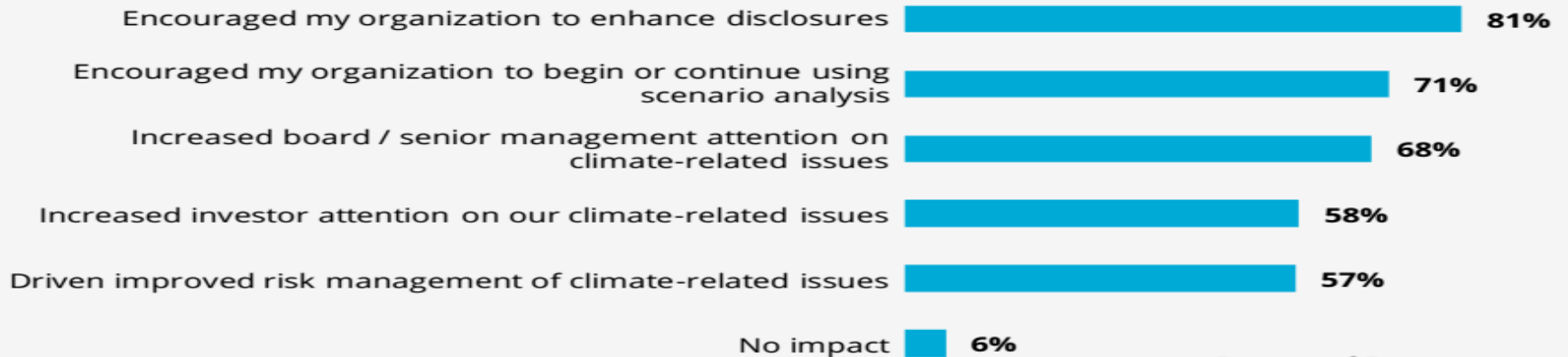


*Percent of Responses*

*Since respondents could select multiple options, the sum is greater than 100%.*

Base size (asked of a subset of Preparers): 180

## Impact of the Recommendations



*Percent of Responses*

*Since respondents could select multiple options, the sum is greater than 100%.*

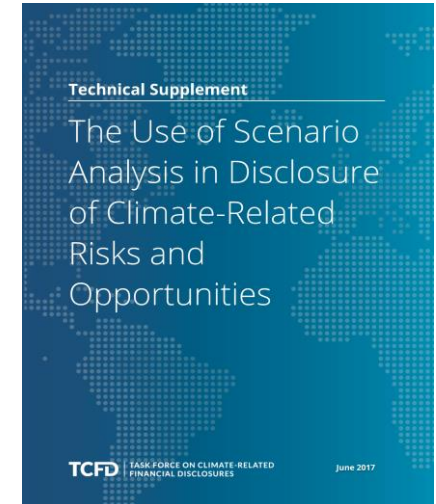
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# TCFD RECOMMENDATIONS, ANNEXE, TECHNICAL SUPPLEMENT

The Task Force published its final report in June 2017.

The report outlines recommendations to help address climate-related disclosure challenges faced by:

- **Issuers** who generally have an obligation under existing law to disclose material information, but lack a coherent framework to do so for climate-related information, and
- **Investors, lenders, and insurers** who need decision-useful, climate-related information to make informed capital allocation and financial decisions





# Publications

On June 29, 2017 the Task Force released three key documents that serve as building blocks to describe and support implementation of the Task Force's recommendations.

## **Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures**

Provides context, background, and the general framework for climate-related financial disclosures and is intended for broad audiences.

## **Annex: Implementing the Recommendations of the TCFD**

Provides the next level of detail to help companies implement the recommendations and is a "living" document that will likely be refined as companies gain more experience preparing climate-related financial disclosures. Includes information on applying the recommendations, guidance for all sectors, and supplemental guidance for select financial sectors and non-financial groups.

## **Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities**

Provides a further level of detail that can be helpful for companies in considering scenario analysis. It describes key publicly available scenarios and resources on scenario analysis.

# IN A NUTSHELL

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- Climate change: Risks and Opportunities  
Financial impacts
- Time horizon: Long-term e.g. 2050; Medium-term e.g. 2030;  
Short-term – Now.
- TCFD disclosure for informed decision-making and financial stability, in transition to a low carbon economy.
  - Governance
  - Strategy
  - Risk Management
  - Metrics
- Decision making consciously factoring climate change in the approach.
- Vulnerabilities can become strengths.
- Investors have started to integrate climate change into their operations.

# DISCUSSION