

Financial Disclosures

TCFD Introduction

To help identify the information needed by investors, lenders, and insurance underwriters to appropriately assess and price climate-related risks and opportunities, the Financial Stability Board established an industry-led task force: the Task Force on Climate-related Financial Disclosures (Task Force). The Task Force was asked to develop voluntary, consistent climate-related financial disclosures that would be useful to investors, lenders, and insurance underwriters in understanding material risks.



TCFD Introduction

Taskforce on Climate-Related Financial Disclosures (TCFD), formed in 2015 under the aegis of the G20 Financial Stability Board. This international body is composed largely of private-sector representatives from both financial and non-financial corporations. The TCFD's outputs have been particularly influential. It is best known for its final report from 2017, but it has also produced other documents and technical annexes before and since.

The TCFD has given a set of recommendations on disclosing climate-related risks that has been endorsed by hundreds of firms, both financial and non-financial. The TCFD, in particular, has been a key initiator of framing climate change as a source of risk, of promoting disclosure to investors and other stakeholders, and of pushing scenario analysis as a methodological tool.

Core Elements of Climate-Related Financial Disclosures

The Task Force structured its recommendations around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management, and metrics and targets. The four overarching recommendations are supported by recommended disclosures that build out the framework with information that will help investors and others understand how reporting organizations assess climate-related risks and opportunities. In addition, there is guidance to support all organizations in developing climate-related financial disclosures consistent with the recommendations and recommended disclosures. The guidance assists preparers by providing context and suggestions for implementing the recommended disclosures. For the financial sector and certain non-financial sectors, *supplemental* guidance was developed to highlight important sector-specific considerations and provide a fuller picture of potential climate-related financial impacts in those sectors. for climate change and sustainability.



Climate-Related Scenarios

One of the Task Force's key recommended disclosures focuses on the resilience of an organization's strategy, taking into consideration different climate-related scenarios, including a 2° Celsius or lower scenario. An organization's disclosure of how its strategies might change to address potential climate-related risks and opportunities is a key step to better understanding the potential implications of climate change on the organization. The Task Force recognizes the use of scenarios in assessing climate-related issues and their potential financial implications is relatively recent and practices will evolve over time, but believes such analysis is important for improving the disclosure of decision-useful, climate-related financial information.

Detailed analysis of TCFD guidelines shall be presented in subsequent posts.