

## Climate Disclosures Standards Board webinar: The Building Blocks for successful TCFD: 13<sup>th</sup> May 2020

The mission of the Task Force on Climate-related Financial Disclosures (TCFD) is to develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers and other stakeholders. The Task Force considers the physical, liability and transition risks associated with climate change and what constitutes effective financial disclosures across industries. The work and recommendations of the Task Force aims to help firms understand what financial markets want from disclosure in order to measure and respond to climate change risks and encourage firms to align their disclosures with investor's needs.

In March 2020, the TCFD released its overview containing guidance and recommendations for climate-related financial disclosures.

"Climate-related risks are a source of financial risk and it, therefore, falls squarely within the mandates of central banks and supervisors to ensure that the financial system is resilient to these risks" – Network for Greening the Financial Systems, Fist Comprehensive Report, April 2019.

Supported by over 500 institutions and companies, the FSB TCFD provides a common disclosure framework for making climate risks and opportunities more transparent.

Current environmental and climate issues mean that fundamental structural changes to the global economy are needed. – there are transition risks of this, such as the introduction of carbon taxes. Disclosures are, thus, so important.

CDP – global platform for disclosing global entities. Collect and provide data in an organised form that complies with TCFD guidelines.

Corporate disclosure is a key catalyst for driving change to achieve the targets of the Paris Agreement.

NFRD has made reporting mandatory. The guidelines issued by the Commission integrated the TCFD recommendations, but the guidelines are not mandatory. – promising developments throughout Europe. – But we need global TCFD alignment.

TCFD helps strengthens governance and the mitigation of environmental and climate-related risks.

### 5 key benefits of disclosures:

1. Protection & improving company reputation due to an increased concern for the environmental from civil society and investors over the recent years. 75% of companies agree that disclosure through TCFD will improve companies' reputation.
2. Regulation is coming. Companies who disclosure with CDP & TCFD are better prepared for these regulated and mandatory disclosures of the future.
3. Boosting competitive advantage with environmental transparency and success.
4. Uncover risks & opportunities. Can identify and mitigate the risks and to benefit from these climate-related opportunities (demand for new & low-carbon).
5. Can track & benchmark progress (internally & externally) can compare with industry peers and have feedback with CDP scores annually. (A Grade)

### 3 trends emerging:

1. Increased disclosure across Asia-Pacific countries.
2. Increased adoption of science-based targets in order to align with the targets of the Paris Agreement.
3. Increased focus on the financial services – as it holds the key to shifting capital to more sustainable businesses. MUST ENGAGE THE FINANCIAL SECTOR. – CDP is launching a financial sector questionnaire to fill the data gap.

Information needs to be interwoven with the rest not just stand-alone.

### Tips:

- Must be specific with data in your disclosures.
- Progress is more important than perfection.
- Consistent and realistic targets are key.
- Lay out a timeline and a roadmap would help with consistent targets and consult the resources on the TCFD website to help get started.

The road to COP 26 – must focus on a just transition to align with the Paris Agreement. The delay gives companies an extra year to be more TCFD aligned in their environmental disclosures.

Risk management is key and so the disclosures need to be integrated with the risk management processes and activities. Organisations need to identify their risk management processes for climate-related risks (assessment of climate risks).

Metrics & targets are key. Allows them to better assess their potential risk and rate of returns, general exposure to climate related issues and allows investors to better compare data across companies. Green house gas emissions & energy usage are key metrics.