
**Intergovernmental Working Group of Experts on
International
Standards of Accounting and Reporting
(ISAR)**

36th SESSION
UNCTAD-ISAR Workshop
Room XXVI, Palais des Nations, Geneva

Tuesday, 29 October 2019

**Practical implementation of climate-related financial
disclosures and their relationship to the SDGs**

Presented by

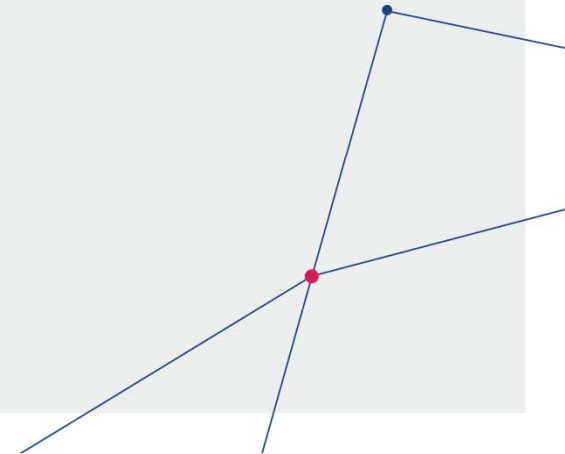
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Managing Director
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Overview of the TCFD recommendations

Mardi McBrien, Managing Director, CDSB



TCFD recommendations

Overview

1. Voluntary
2. Report climate-related **financial** disclosures in the **annual financial filings** (mainstream report)
3. Financial sector & high risk non-financial sectors
4. Transition risks & physical risks (and opportunities)
5. Scenario analysis & forward-looking information
6. Short-term, medium-term & long-term
7. Qualitative & quantitative disclosures

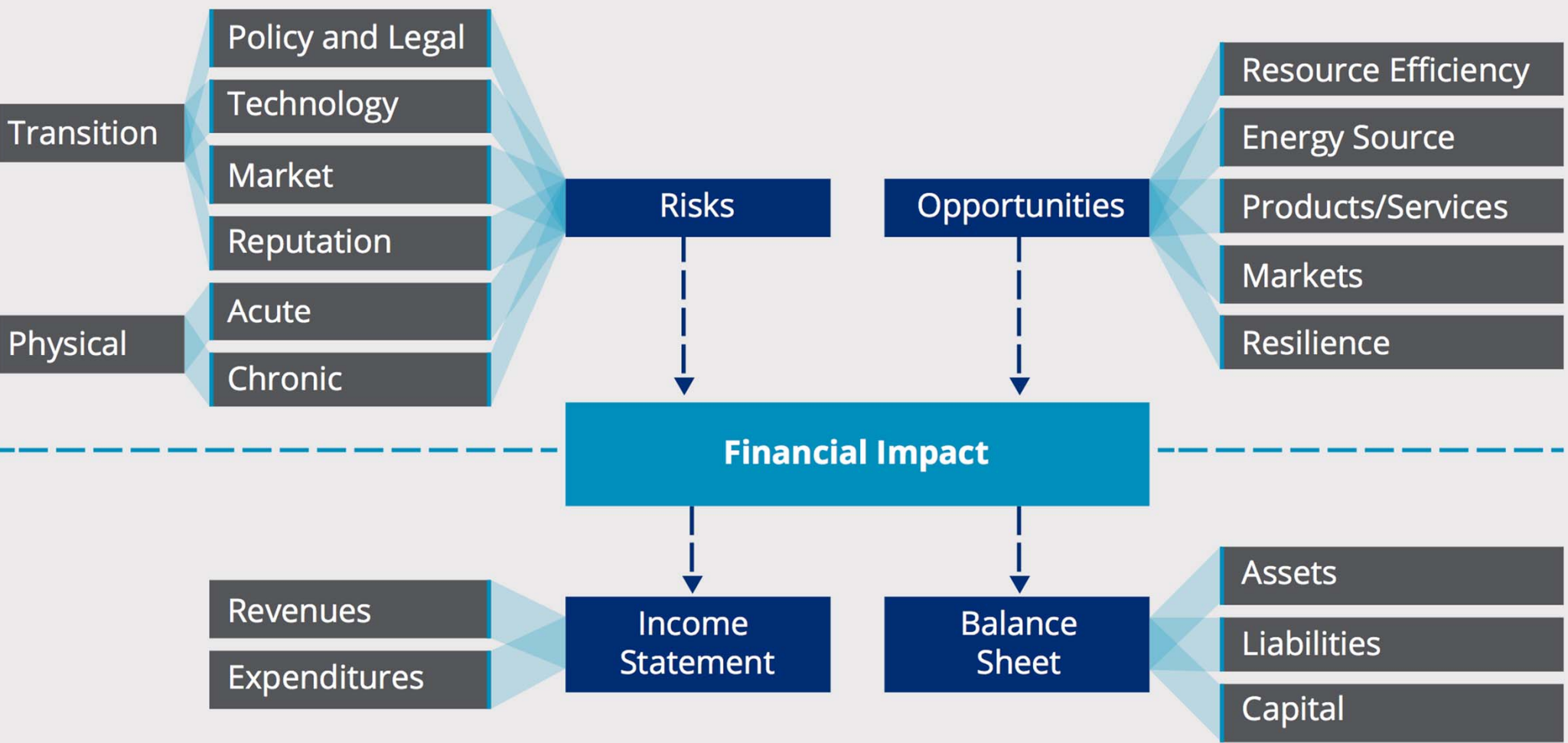


TCFD recommendations

7 Principles for effective disclosure

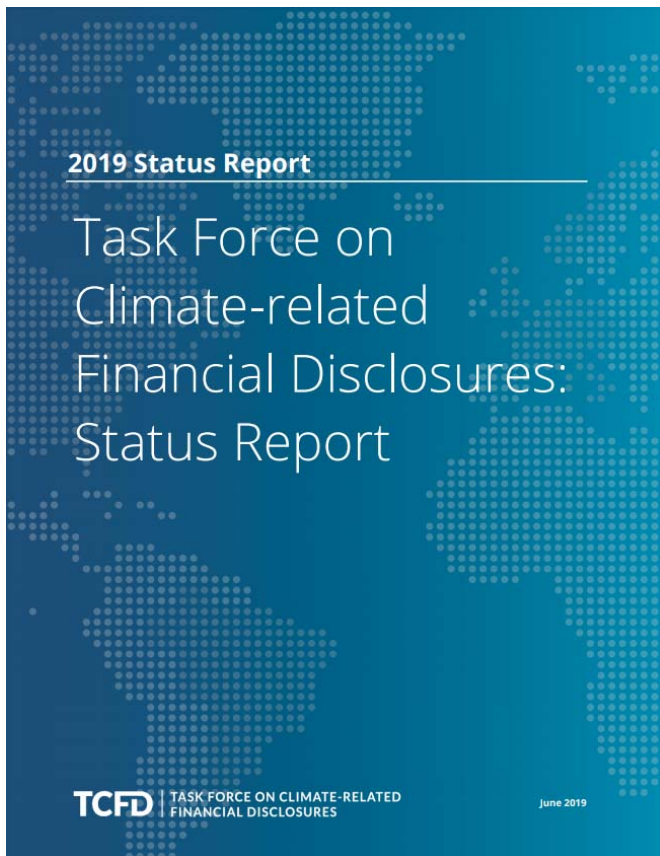
1. Disclosures should present relevant information
2. Disclosures should be specific and complete
3. Disclosures should be clear, balanced, and understandable
4. Disclosures should be consistent over time
5. Disclosures should be comparable among organisations within a sector, industry, or portfolio
6. Disclosures should be reliable, verifiable, and objective
7. Disclosures should be provided on a timely basis

Figure 1
Climate-Related Risks, Opportunities, and Financial Impact





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>
<p>a) Describe the board’s oversight of climate-related risks and opportunities.</p> <p>b) Describe management’s role in assessing and managing 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>b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.</p> <p>c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>a) Describe the organization’s processes for identifying and assessing climate-related risks.</p> <p>b) Describe the organization’s processes for managing climate-related risks.</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>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) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p> <p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>

2019 Status Report



867 supporters globally,
with market capitalisation
of more than \$9 trillion.

 Financial Sector	 Non-Financial Sector
Banks	Energy
Insurance Companies	Transportation
Asset Managers	Materials and Buildings
Asset Owners	Agriculture, Food and Forest Products

What was reviewed?



Reports for over 1,100 large companies across multiple sectors and regions

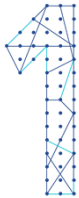


Companies' efforts to implement the TCFD recommendations

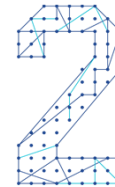


Users' views on the usefulness of climate-related financial disclosures for decision-making

Key themes from the 2019 Status Report



Disclosure of climate-related financial information has increased since 2016, but is still insufficient for investors.



More clarity is needed on the potential financial impact of climate-related issues on companies.



Of companies using scenarios, the majority do not disclose information on the resilience of their strategies.



Mainstreaming climate-related issues requires input from multiple departments across the organisation.

Progress to date

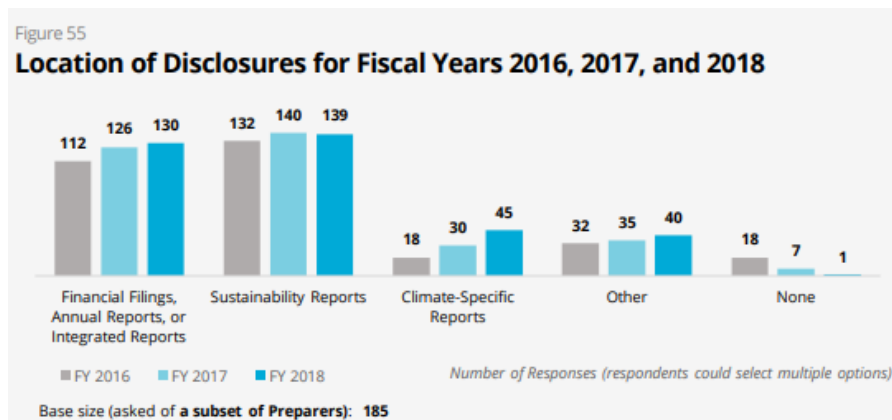


- 78% aligned with at least 1 of the recommendations disclosures
 - 1 in 4 companies aligned with more than 5 of the recommended disclosures
 - 4% of companies aligned with at least 10 of the recommended disclosures
-
- Number of disclosures increased by 0.8
 - None of the recommended disclosures are over 50% even for governance and risk
 - 78% of companies made a least one recommended disclosure
-
- 9% of companies disclosed information on strategy resilience
 - Increase of 3% from 2016

Location of the 11 recommended disclosures

The Task Force recommends that:

- Disclosures are made in the mainstream (i.e., public) **annual financial filings**;
- **Material information** should be disclosed in financial filings;
- Disclosures adhere to **national law**;
- Disclosures should be subject to appropriate **internal governance and risk management processes**; and
- Asset managers and asset owners use **existing means of financial reporting**.



What do the findings mean?

“... progress must be accelerated. Today’s disclosures remain far from the scale the markets need to channel investment to sustainable and resilient solutions, opportunities, and business models. I believe in the power of transparency to spur action on climate change through market forces.”

Michael Bloomberg, Chair, TCFD

Challenges of TCFD implementation

- ❑ Lack of standardised industry metrics;
- ❑ Concerns about revealing confidential information;
- ❑ More clarity on the financial impact of climate-related issues; and
- ❑ Challenges in adopting scenario analysis.



Commitment from the TCFD

The Task Force will continue to promote and monitor adoption of its recommendations and will prepare another status report for the Financial Stability Board in September 2020.

The Task Force is also considering additional work on:

- Clarifying elements of its supplemental implementation guidance contained in the annex to its 2017 report;
- Developing further process guidance around how to introduce and conduct climate-related scenario analysis; and
- Identifying business-relevant and accessible climate-related scenarios.

Parallels with SDGs



MEASURE



REPORT



IMPACT

Parallels with SDGs



MEASURE



REPORT



**PUBLIC &
PRIVATE
SECTOR**

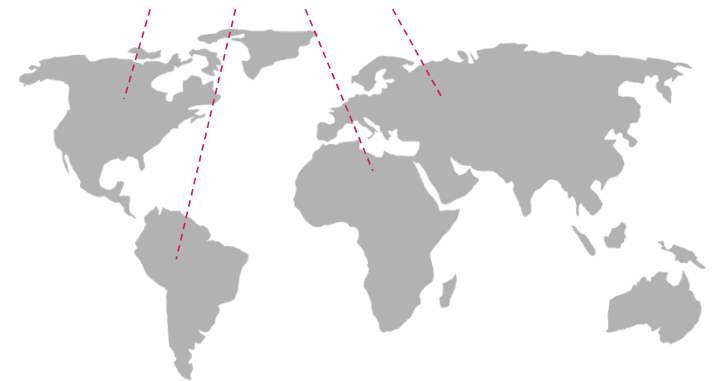


IMPACT

Opportunities for implementation



TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES



**“We always overestimate the change that will occur
in the next two years and underestimate the change
that will occur in the next ten.
Don't let yourself be lulled into inaction.”**

Bill Gates



Questions?

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