

Task Force on Climate-related Financial Disclosures

Practicing Scenario Analysis Panel

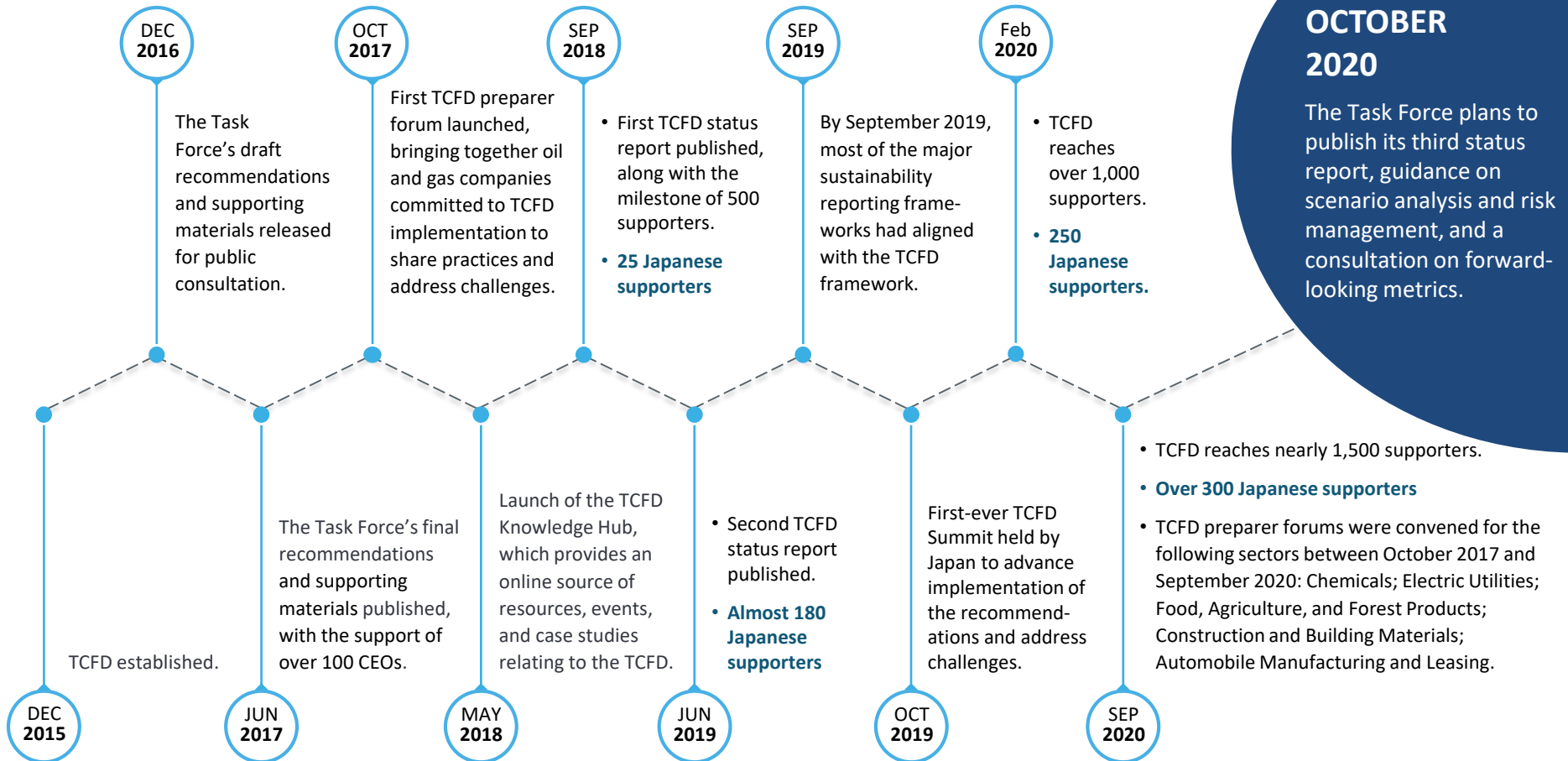
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TCFD Milestones



OCTOBER 2020

The Task Force plans to publish its third status report, guidance on scenario analysis and risk management, and a consultation on forward-looking metrics.

Significant Momentum in Support for TCFD

The influence of the TCFD continues to grow globally.

May 2020: The Canadian government established COVID-19 relief financing to large employers contingent, in part, on employers publishing TCFD-aligned disclosures.



July 2019: In its *Green Finance Strategy*, the U.K. Government states all listed companies and large asset owners are expected to disclose climate-related information in line with the TCFD recommendations by 2022.



October 2019: *The Japanese Ministry of Economy, Trade and Industry held the first TCFD Summit.*

June 2020: The Hong Kong Monetary Authority released a white paper recommending authorized institutions “take the TCFD recommendations as the core reference” for disclosing climate-related financial information.



June 2019: The European Commission incorporated the TCFD recommendations into its *Guidelines on Reporting Climate-Related Information* to support companies in disclosing climate-related information.



October 2020: *METI, the TCFD Consortium, and WBCSD holding the second TCFD Summit today.*



June 2020: The Monetary Authority of Singapore indicated banks should use international reporting frameworks like the TCFD to guide their environmental risk disclosure.



August 2019: The Australian Securities and Investment Commission updated its regulatory guidance on climate-related disclosure, encouraging TCFD-aligned reporting and welcoming TCFD as the preferred market standard.



September 2020: The New Zealand government announced it would introduce a mandatory climate-related financial disclosure regime based on the TCFD framework.



May 2020: The National Treasury of South Africa published a draft technical paper recommending regulators and the financial sector establish standards on identifying, monitoring, and reporting environmental and social risks, including climate-related risks, that incorporate the TCFD recommendations.



September 2020: Banco Central do Brasil announced plans to disclose in line with the TCFD recommendations and issue regulation for banks to disclose in line with the recommendations in 2021/2022.



February 2020: Banco de México recommended providing a clear strategy on how regulation and supervision will promote disclosure of physical and transition risk analysis of financial institutions and corporations, following the TCFD recommendations.



Climate Action 100+, comprised of over 500 investors with over \$47 trillion in assets under management, engages the world's largest corporate GHG emitters to strengthen disclosures by implementing the TCFD recommendations.

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Upcoming TCFD Publications

Over the past 15 months, the Task Force has undertaken various work, including analyzing climate-related financial disclosure practices of large companies for its 2020 status report and developing guidance on specific topics—including scenario analysis.

Later this month, the Task Force plans to publish the following materials:

- 2020 *status report*
- **Guidance** for conducting climate-related *scenario analysis*
- **Guidance** on integrating climate-related risks into existing *risk management* processes and disclosing those processes
- **Consultation** document on *forward-looking metrics* for the financial sector

Scenario Analysis for Non-Financial Companies

The guidance provides practical, process-oriented ways for companies to use climate-related scenario analysis as well as ideas for companies in disclosing the resilience of their strategies.

The guidance focuses on the following areas:

- Organizational structures and processes to conduct scenario analysis
- Scenario development process, including scenario types, structural elements, and sources of scenarios
- Application of scenario analysis to a company's strategy resilience
- Importance and challenges of disclosing strategy resilience and scenario information

TCFD-Aligned Disclosure Practices

For its 2020 status report, the Task Force reviewed climate-related financial disclosure practices of 1,700 large companies in eight specific industries for fiscal years 2017, 2018, and 2019.

Overall, the Task Force found disclosure of TCFD-aligned information increased between 2017 and 2019, but that continuing progress is needed. The percentage of companies disclosing TCFD-aligned information in 2019 is not greater than **41%** for any recommended disclosure, and the disclosure of the potential financial impact of climate change on a company remains low (**7%**).

Percentage of Disclosure by Year for the 11 Recommended Disclosures

Recommendation and Recommended Disclosure		2017	2018	2019
Governance	a. Board Oversight	16%	21%	24%
	b. Management's Role	20%	24%	28%
Strategy	a. Climate-Related Risks and Opportunities	40%	42%	41%
	b. Impact on Organization	29%	32%	35%
	c. Resilience of Strategy	4%	5%	7%
Risk Management	a. Risk Identification and Assessment Processes	14%	19%	25%
	b. Risk Management Processes	15%	21%	25%
	c. Integration into Overall Risk Management	8%	11%	17%
Metrics and Targets	a. Climate-Related Metrics	29%	32%	35%
	b. Scope 1,2,3 GHG Emissions	22%	24%	26%
	c. Climate-Related Targets	27%	30%	33%

One of the Task Force's key recommended disclosures is the resilience of a company's strategy under different climate-related scenarios. A company's disclosure of how its strategy might change to address potential climate-related issues is a key step to better understanding the potential implications of climate change on the company.

Using Scenario Analysis and Disclosing Strategy Resilience

- We recognize and applaud the various initiatives focused on helping companies use climate-related scenario analysis and the companies who are using such scenario analysis and disclosing the resilience of their strategies .
- We also recognize it takes time for companies to gain experience and comfort with using climate-related scenario analysis and disclosing strategy resilience under different scenarios.
- The Task Force's forthcoming guidance on scenario analysis is intended to help companies with using climate-related scenario analysis and disclosing strategy resilience.

The Task Force believes the use of scenarios in assessing climate-related issues and their potential financial implications is critical for improving the disclosure of decision-useful information.

Note: To understand large companies' disclosure of information aligned with its 11 recommended disclosures, the Task Force used artificial intelligence (AI) technology to review thousands of reports for fiscal years 2017, 2018, and 2019 for companies drawn from eight industries.