



TOPICS:

TCFD, CLIMATE-RELATED RISKS DISCLOSURE

SOURCE:



Financial Stability Board

FSB - 2021 Status Report: Task Force on Climate-Related Financial Disclosures

Task Force on Climate-Related Financial Disclosures

- In June 2017, the **Financial Stability Board's Task Force on Climate-related Financial Disclosures (Task Force or TCFD) released its final recommendations, providing a global framework for companies and other organizations to develop more effective climate-related financial disclosures** through their existing reporting processes. In its report, the Task Force emphasized the importance of transparency in pricing of risk — including risk related to climate change — to support informed, efficient capital allocation decisions.

State of Climate-Related Financial Disclosures

- This report from the TCFD is an annual report on TCFD-aligned disclosures by firms. **More specifically, the status report finds that:**
 - **Disclosure increased more between 2019 and 2020** than in any previous year assessed, consistent with global momentum around climate-related reporting. **However, progress is still needed, with only 50% of companies reviewed disclosing** in alignment with at least three recommended disclosures.
 - **Companies remain more likely to disclose information on their climate-related risks and opportunities (Strategy a) than on any other recommended disclosure**, with over half of the companies reviewed including such information in their 2020 reports.
 - **Disclosure of the resilience of companies' strategies under different climate-related scenarios** (Strategy c), although still the least reported recommended disclosure, **encouragingly increased** from 5% of companies in 2018 to 13% in 2020.
 - Although the Task Force recommends disclosure of governance regardless of materiality, **the Governance recommendation remains the least disclosed recommendation** with the two Governance recommended disclosures the second and third least disclosed.
 - **Materials and buildings companies now lead on disclosure**. The average level of disclosure across the 11 recommended disclosures for fiscal year 2020 was 38% for materials and buildings companies.
 - **The insurance industry significantly increased its average level of disclosure** by 11 percentage points between 2019 and 2020, and now leads all groups by at least 15 percentage points in disclosure of risk management processes (Risk Management b).
 - **Europe remains the leading region for disclosures**, with average level of reporting across the 11 recommended disclosures from fiscal year 2020 now at half of European companies assessed. European companies have increased their average disclosure by 15 percentage points since 2019, and now disclose 16 percentage points more than the next closest region.
- **The status report further notes that, as support from the private sector has grown, governments around the world have begun to codify aspects of the TCFD recommendations** into policy and regulation, using the TCFD's work as a foundation for climate-related reporting requirements.
- The TCFD has also published alongside the 2021 status report two additional documents: Guidance on Metrics, Targets, and Transition Plans to support preparers in disclosing decision-useful information and linking those disclosures with estimates of financial impacts; and Updates to the implementation guidance on its Recommendations initially published in 2017. **The FSB has asked the TCFD to continue its work to promote and monitor progress in firms' take-up of its recommendations, and publish a further status report in September 2022, reviewing disclosures by companies in their public reporting for 2021.**

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