



ASCENT PARTNERS

Together We Flourish

ESG For

Financial disclosure and ESG disclosure

TCFD BACKGROUND

G20 Finance Ministers and Central Bank Governors 2015 asked the Financial Stability Board (FSB) to review how the financial sector can take account of climate-related issues.

The FSB established the Task Force on Climate-related Financial Disclosures (TCFD) to develop recommendations for more effective climate-related disclosures that:

- could “**promote more informed investment, credit, and insurance underwriting decisions**” and,
- in turn, “would enable stakeholders to **understand better** the concentrations of **carbon-related assets in the financial sector** and the financial system’s **exposures to climate-related risks.**”

Industry Led and Geographically Diverse Task Force

The Task Force’s 31 international members, led by Michael Bloomberg, include providers of capital, insurers, large non-financial companies, accounting and consulting firms, and credit rating agencies.



TCFD – Task Force on Climate-related Financial Disclosures

Figure 3

Climate-Related Risks, Opportunities, and Financial Impact



TCFD

Recommendations and Supporting Recommended Disclosures

Governance

Disclose the organization's governance around climate-related risks and opportunities.

Recommended Disclosures

- a) Describe the board's oversight of climate-related risks and opportunities.
- b) Describe management's role in assessing and managing climate-related risks and opportunities.

Strategy

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.

Recommended Disclosures

- a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.
- b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.
- c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Recommended Disclosures

- a) Describe the organization's processes for identifying and assessing climate-related risks.
- b) Describe the organization's processes for managing climate-related risks.
- c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended Disclosures

- a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
- b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
- c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Main theme in TCFD

- Environment – only concern about GHG emissions issues
- Social – none

Content of S1 S2

	IFRS S1: General Sustainability Disclosures	IFRS S2: Climate-Related Disclosures
Objective	Information about significant sustainability-related risks and opportunities . Disclosures should be useful to the primary users of general purpose financial reporting in making decisions related to providing resources to the entity.	Information about climate-related risks and opportunities . Disclosures should assist users in understanding the use of resources and evaluating strategies, business model, and operational adaptation abilities.
Key Disclosure Topics	<ul style="list-style-type: none"> • <i>Governance</i> — Processes, controls, and procedures to monitor and manage sustainability-related risks and opportunities. • <i>Strategy</i> — Approach for addressing sustainability-related risks and opportunities that could affect business model and strategy over the short, medium, and long term. • <i>Risk management</i> — Processes to identify, assess, and manage sustainability-related risks. • <i>Metrics and targets</i> — Information used to assess, manage, and monitor performance of sustainability-related risks and opportunities. 	<ul style="list-style-type: none"> • <i>Governance</i> — Processes, controls, and procedures to monitor and manage climate-related risks and opportunities. • <i>Strategy</i> — Approach for addressing climate-related risks and opportunities that could affect business model and strategy over the short, medium, and long term. • <i>Risk management</i> — Processes to identify, assess, and manage climate-related risks. • <i>Metrics and targets</i> — Cross-industry metrics, industry-based metrics, and other metrics used to measure progress toward targets.

Tighten issues in S1 S2

- Scenario analysis – need concrete figures on the impact of the issuers
- Scope 3 – metrics and targets need to include detail Scope 3 emissions

Scenario Analysis

1. Ensure governance is in place: Integrate scenario analysis into strategic planning and/or enterprise risk management processes. Assign oversight to relevant board committees/sub-committees. Identify which internal (and external) stakeholders to involve and how.

2. Assess materiality of climate-related risks

What are the current and anticipated organizational exposures to climate-related risks and opportunities? Do these have the potential to be material in the future? Are organizational stakeholders concerned?

3. Identify and define range of scenarios

What scenarios (and narratives) are appropriate, given the exposures? Consider input parameters, assumptions, and analytical choices. What reference scenario(s) should be used?

4. Evaluate business impacts

Evaluate the potential effects on the organization's strategic and financial position under each of the defined scenarios. Identify key sensitivities.

5. Identify potential responses

Use the results to identify applicable, realistic decisions to manage the identified risks and opportunities. What adjustments to strategic/financial plans would be needed?

Scope 3

Up Stream



Down Stream