Principle 5: Climate-related financial disclosure
Why is climate-related financial disclosure important?

The role of climate-related financial disclosure:

- Better access to climate-related information can enhance how climate risks are assessed, priced, and managed.
- It facilitates climate-aware investment, lending, and insurance underwriting decisions that contribute to a more sustainable financial system.
- Achieving an internationally to consistent approach to disclosure will strengthen global financial markets and support the alignment of all financial flows with the goals of the Paris Agreement.

• To achieve the goals of the Paris Agreement all finance will need to incorporate the financial risks and opportunities presented by climate change and other environmental challenges.

• There is increasing international recognition of the need to integrate climate change and environmental considerations into mainstream financial decision-making.
What is it?
The TCFD is a private sector initiative launched by the Financial Stability Board in 2015. In 2017 the TCFD issued recommendations for developing consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.

Purpose
Its aim is to help investors understand their financial exposure to climate risk and help companies disclose this information in a clear way facilitating climate-aware investment, lending, and insurance underwriting decisions that contribute to a more sustainable global financial system.

Nearly 800 public- and private-sector organizations have announced their support for the TCFD and its work, including global financial firms responsible for assets in excess of $118 trillion.

Source: TCFD Status Report 2019
The Task Force structured its recommendations around four thematic areas that represent core elements of how companies operate: governance, strategy, risk management, and metrics and targets.

The recommendations are applicable to both non-financial and financial companies across industries and jurisdictions.
National governments and regulators can play an important role in ensuring that implemented frameworks for disclosure are both **nationally appropriate and internationally consistent.**

- In 2017 the UK became one of the first countries to formally endorse TCFD recommendations.

- UK set the **expectation** for all listed companies and large asset owners to be disclosing in line with the recommendations of the Taskforce for Climate related Financial Disclosures (TCFD) by 2022.

- UK Government have established a **joint Taskforce** with UK regulators, chaired by the Government, to ensure a co-ordinated approach on climate-related financial issues and examine the most effective way to approach disclosure including the appropriateness of mandatory reporting.

- Regulators will continue to progress their own green finance workstreams in parallel with and feeding into the Taskforce. Example: Pension regulator guidance
Coalition action on disclosure: proposed next steps

1. Receive feedback on issues note and presentation in Abidjan.
2. Prepare issues note for ministerial discussion at WB/IMF Spring meetings.
3. Take forward outcome of ministerial level discussion to inform further work.
4. Aim to have another a Coalition event on disclosure before COP26.
Questions and feedback on issues paper

- Do you have comments on the issues note?
- Do you think it could form a useful basis of discussion with ministers?
- Do you agree that we should be putting the following questions to ministers?

Questions for ministers

a. What are your views on climate related financial disclosure?

b. What would implementation of climate-related financial disclosure requirements look like in your national contexts?

c. What are the barriers to improving consistency of climate-related financial disclosure internationally?

d. Is there a role for further international cooperation in improving consistency of disclosures?