



**TCFD**

TASK FORCE ON  
CLIMATE-RELATED  
FINANCIAL  
DISCLOSURES

# **CEO Guide** to **climate-related** **financial disclosures**

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# STATEMENT OF SUPPORT

**Climate change will have significant impacts across many sectors.**

**As business leaders, we must ensure transparency and action around climate-related risks and opportunities.**

We affirm our support for the voluntary recommendations of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD).

We encourage other business leaders to join us in improving disclosure across sectors and regions. These disclosures are an important step forward in enabling market forces to drive efficient allocation of capital and supporting a smooth transition to a low-carbon economy.

**We are proud to support better disclosure of climate-related risks and opportunities and we urge other business leaders to do the same.**

You can do so by:

- Joining the TCFD's existing [list of supporters](#);
- Issuing your own statement of support on your company's website and linked back to the [TCFD website](#);
- Provide a supportive quote to be added to the [TCFD website](#).

STATEMENT OF SUPPORT

Peter Bakker  
President & CEO,  
WBCSD



Pierre Nanterme  
Chairman & CEO, Accenture



José Manuel Entrecanales  
Domecq  
Chairman & CEO, Acciona



Thierry Vanlancker  
CEO, AkzoNobel



Feijke Sijbesma  
CEO, Royal DSM



Punit Renjen  
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Edward D. Breen  
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Andrew N. Liveris  
Chairman and CEO, The Dow Chemical  
Company and Executive Chairman,  
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Jean-Bernard Lévy  
Chairman & CEO, EDF



Francesco Starace  
CEO and General Manager,  
Enel



Claudio Descalzi  
CEO, Eni



Mark Weinberger  
Chairman and CEO, EY



Ignacio S. Galán  
Chairman & CEO, Iberdrola



Bill Thomas  
Chairman, KPMG International



STATEMENT OF SUPPORT

João Paulo Brotto  
Gonçalves Ferreira  
CEO, Natura Cosméticos S.A.



Sunny Verghese  
Co-founder and CEO, Olam



Frans van Houten  
CEO, Royal Philips



Bob Moritz  
Global Chairman, PwC



Jean-Pascal Tricoire  
Chairman & CEO, Schneider  
Electric



Ben van Beurden  
CEO, Shell



Jean-Pierre Clamadieu  
CEO, Solvay



Eldar Sætre  
President and Chief Executive  
Officer, Statoil ASA



Masakazu Tokura  
President, Sumitomo  
Chemical



Patrick Pouyanné  
CEO, Total



Paul Polman  
CEO, Unilever and  
Chairman, WBCSD



Fabio Schvartsman  
CEO, Vale International S.A.



# THE TCFD'S ORIGINS AND OBJECTIVES

In April 2015, at the request of G20 Finance Ministers and Central Bank Governors, the Financial Stability Board (FSB) convened representatives of the private and public sector to review how the financial sector could take account of climate-related issues.

**The conclusion was that financial markets need better, more comparable and complete information about climate change.**

In response, the FSB established the Task Force on Climate-related Financial Disclosures (TCFD) in December 2015.

The TCFD's objectives are to develop climate-related disclosure recommendations that:

- Provide information for investors so as to promote more informed investment, credit and insurance underwriting decisions;

- Enable stakeholders to understand the financial system's exposure to climate-related risks particularly affecting organizations most likely to experience climate-related financial impacts from transition and physical risks;
- Complement, but do not add to, existing climate disclosure frameworks, so as to improve the quality and consistency of information disclosed;
- Are ambitious but practical for near term adoption.



# WHAT ARE THE TCFD RECOMMENDATIONS?

The Task Force developed four recommendations on climate-related financial disclosures that are applicable to organizations across sectors and jurisdictions.

The TCFD encourages companies with annual revenue exceeding **US\$ 1 billion** or equivalent to disclose against all recommendations and to conduct robust analyses to assess the resilience of their strategies against a range of climate-related scenarios.

## Where to report

Generally, disclosures are to be made in companies' public annual financial filings. The TCFD believes that climate-related issues **are, or could be, material** for many organizations and that its recommendations are therefore useful in complying with existing disclosure obligations.

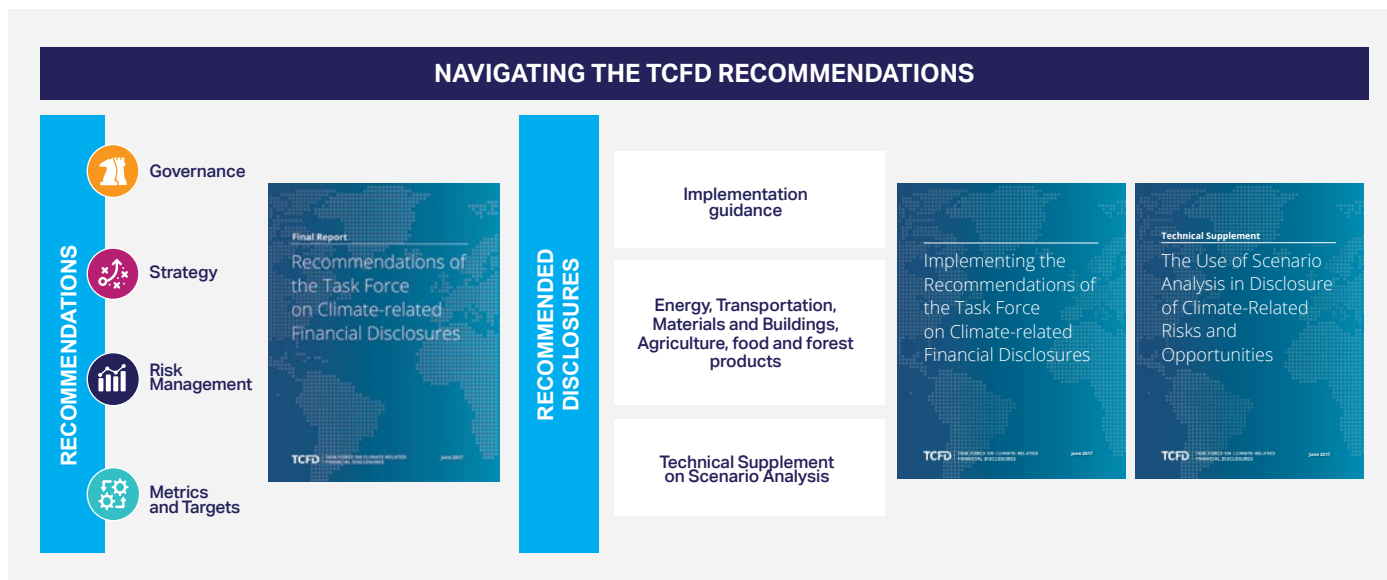
**Table 1: Recommendations and Supporting Recommended Disclosures**

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	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.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
<ul style="list-style-type: none"> <li>a) Describe the board's oversight of climate-related risks and opportunities.</li> <li>b) Describe management's role in assessing and managing climate-related risks and opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</li> <li>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</li> <li>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</li> </ul>	<ul style="list-style-type: none"> <li>a) Describe the organization's processes for identifying and assessing climate-related risks.</li> <li>b) Describe the organization's processes for managing climate-related risks.</li> <li>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</li> </ul>	<ul style="list-style-type: none"> <li>a) Describe the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</li> <li>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</li> <li>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</li> </ul>

Source: <https://www.fsb-tcf.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-a.pdf>

# NAVIGATING THE TCFD RECOMMENDATIONS

The TCFD has produced a Final Report, an Annex focussing on implementation of the recommendations and a Technical Supplement on Scenario Analysis







# GOVERNANCE

## The TCFD recommends that:

- ① Assessment and board oversight of climate risks are integrated into existing risk and governance processes and associated disclosure activity.
- ② Disclosures explain whether and how the board, or board committees:
  - consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, business plans, performance and when overseeing major capital expenditures, acquisitions and divestitures.
  - monitor and oversee progress against goals and targets for addressing climate-related issues.
- ③ The governance processes used to review disclosures should be similar to those used for existing public financial disclosures and would likely involve review by the chief financial officer and audit committee as appropriate.





# STRATEGY

## WHAT SHOULD MY COMPANY REPORT?

### Strategy-resilience and scenario analysis

- Investors need to understand how climate-related risks and opportunities are likely to impact companies' future financial position and the resilience of their strategy.
  - The TCFD recommends that companies use scenario analysis for the purposes of assessing the resilience of their strategy and the future impacts of climate change.
  - Scenario analysis is a tool for companies to consider, in a structured way, potential scenarios that are different from business as usual and to evaluate how their strategies might perform under different circumstances.
  - The TCFD does not define the timeframes that should be used – companies should decide on this based on the life of their assets,
- the profile of the climate-related risks they face and the sectors and geographies in which they operate.
- The TCFD suggests that companies should take into consideration a range of scenarios including a 2-degree or lower scenario and to two or three others most relevant to the organization's circumstances.



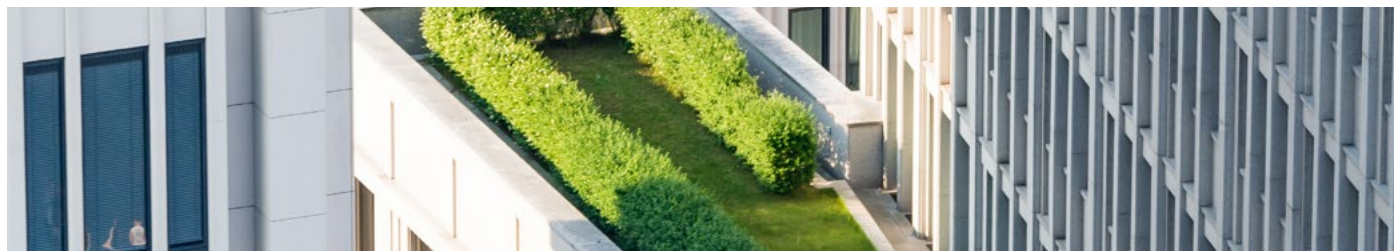
## What to disclose

### Companies should disclose:

- How they believe their strategies might be affected by climate-related risks and opportunities;
- How their strategies might change to address such potential risks and opportunities;
- The climate-related scenarios they have considered and the time horizon(s).

## Focus on climate-related financial impacts


- Better disclosure of the financial impacts of climate-related risks and opportunities is a key goal of the TCFD's work.
- The financial impacts of climate on a company are driven by the climate-related risks to which they are exposed and the climate-related opportunities they can maximize.
- Companies should therefore consider how climate-related issues and the associated response affects the current and future financial position as reflected in its income statement, cash flow statement and balance sheet.



# CLIMATE-RELATED RISKS AND OPPORTUNITIES

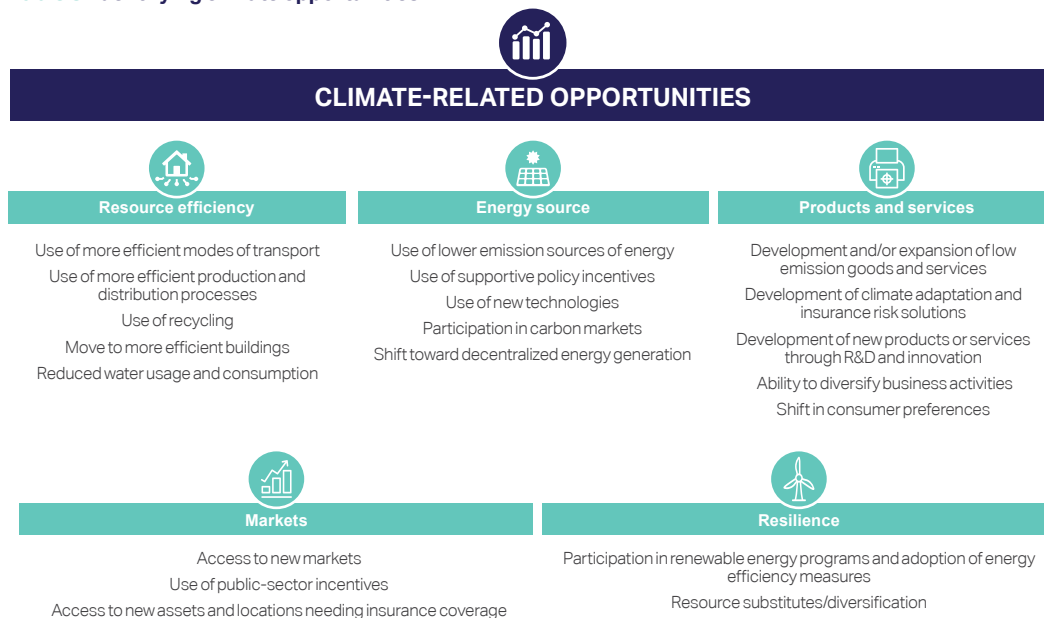
## HOW CAN MY BUSINESS IDENTIFY CLIMATE RISKS AND OPPORTUNITIES?

**Table 2: Identifying climate risks**



CLIMATE-RELATED RISKS		
TRANSITION RISK	<p><b>Policy and legal</b></p> <ul style="list-style-type: none"> <li>Increased pricing of GHG emissions</li> <li>Enhanced emissions reporting obligations</li> <li>Mandates on, and regulation of, existing products and services</li> <li>Exposure to litigation</li> </ul>	<p><b>Technology</b></p> <ul style="list-style-type: none"> <li>Substitution of existing products and services with lower emissions options</li> <li>Unsuccessful investment in new technologies</li> <li>Costs to transition to lower emissions technology</li> </ul>
	<p><b>Market</b></p> <ul style="list-style-type: none"> <li>Changing customer behavior</li> <li>Uncertainty in market signals</li> <li>Increased cost of raw materials</li> </ul>	<p><b>Reputation</b></p> <ul style="list-style-type: none"> <li>Shifts in consumer preferences</li> <li>Stigmatization of sector</li> <li>Increased stakeholder concern or negative stakeholder feedback</li> </ul>
	<p><b>Acute</b></p> <ul style="list-style-type: none"> <li>Increased severity of extreme weather events such as cyclones and floods</li> </ul>	<p><b>Chronic</b></p> <ul style="list-style-type: none"> <li>Changes in precipitation patterns and extreme variability in weather patterns</li> <li>Rising temperatures</li> <li>Rising sea levels</li> </ul>

**Table 3: Identifying climate opportunities**



# METRICS AND TARGETS

## **Metrics – Potential disclosures include:**

- Key metrics used to measure and manage climate-related risks and opportunities, for example:
  - Water
  - Energy
  - Land use
  - Water management
  - Scope 1, 2 and, if appropriate, Scope 3 GHG emissions
- Internal carbon prices;
- Revenue from climate-related opportunities including products and services designed for a lower-carbon economy.

## **Targets – potential disclosures include:**

- Key climate-related targets such as those related to:
  - GHG emissions
  - Water
  - Energy
- Key targets such as:
  - Efficiency or financial goals
  - Financial loss tolerances
  - Avoided GHG emissions through the entire product life cycle
  - Net revenue goals for products and services designed for a lower-carbon economy

- Information about the targets including:
  - Whether absolute or intensity based
  - Time frames over which the target applies
  - Base year from which progress is measured
  - Key performance indicators used to assess progress against targets

## Other information on metrics and targets:

- How anticipated regulatory or market-related constraints have been taken into account in determining targets and goals;
- Whether and how performance metrics are incorporated into remuneration policies;
- Methodologies used to calculate targets and measures;
- Information about targets and metrics for previous reporting periods to allow for trend analysis.



# WHO WE ARE

WBCSD is a global, CEO-led organization of 200 forward thinking businesses working together to accelerate the transition to a sustainable world.

## World Business Council for Sustainable Development

**Our mission** is to accelerate the transition to a sustainable world by making more sustainable business more successful.

**Our vision** is to create a world where more than nine billion people are all living well and within the boundaries of our planet, by 2050.



### GLOBAL

Our 200 members span across the globe and all economic sectors.

We also work with 60+ Global Network partners who engage with sustainable business at a national level.



### CEO-LED

WBCSD is oriented towards and led by our member-company CEOs.



### UNIQUE PLATFORM

Our members enjoy access to a sustainable business community and a safe space to exchange ideas and information with their peers.

Together, we develop business solutions that no single company could achieve alone.



### MARKET-DRIVEN

We put business at the center of sustainable development.



# HOW CAN WBCSD HELP

WBCSD's Redefining Value Program seeks to redefine risk management, disclosure, corporate governance and assurance to support sustainable outcomes as defined by the Paris Agreement and Sustainable Development Goals.

The Redefining Value Program's activities are also relevant to and can support companies with their implementation of the TCFD's recommendations, including our work on:

- Risk management
- Governance
- Reporting and purpose-driven disclosure
- Assurance

The Redefining Value team will be working with members most likely to be impacted to support their implementation of the TCFD's recommendations.

At the request of the TCFD Secretariat, WBCSD is supporting the Oil and Gas Preparer Forum to implement the TCFD Recommendations. Other sectors will be added in the coming months.

## Key WBCSD contacts



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