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Market Risk Advisory Committee Statement
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Disclosures

Introduction

Good morning. It is a pleasure to be here today to discuss such an important topic for the financial markets.

For the past several years, the World Economic Forum has identified climate-related issues as one of the top five global risks.¹ Despite the broad recognition that issues related to climate change represent major risks to companies around the world, disclosure about those risks has been lacking. Without the right information, investors and others may incorrectly price or value assets, leading to a misallocation of capital.

Recognizing the potential implications for the global financial system, in April 2015, the G20 Finance Ministers and Central Bank Governors asked the Financial Stability Board (FSB) to review how the financial sector can take account of climate-related issues.

As part of its review, the FSB identified the need for better information to support informed investment, lending, and insurance underwriting decisions and improve understanding and analysis of climate-related risks. To help identify the specific types of information needed, the FSB established the industry-led Task Force on Climate-related Financial Disclosures (Task Force or TCFD) in December 2015.

Background on the Task Force and its Recommendations

When it was established, the Task Force's remit was to develop voluntary, consistent climate-related financial disclosures that would be useful to investors, lenders, and insurance underwriters in understanding material risks.

Michael Bloomberg, the founder of Bloomberg LP, chairs the Task Force and is supported by a Secretariat and nearly 30 Task Force members who are users and preparers of climate-related disclosures from different regions and a range of financial and non-financial industries. The Task Force's composition is intended to ensure it has a balanced perspective—balancing the needs of the users of climate-related disclosures with the challenges faced by the preparers of those disclosures.

After significant public consultation, the Task Force published [its recommendations](#) on climate-related financial disclosures in June 2017. 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. In addition, the recommendations were developed to apply broadly across sectors and jurisdictions.

¹ See Figure I, <https://www.weforum.org/reports/the-global-risks-report-2019>.

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The four recommendations are supported by 11 “recommended disclosures,” and one of the most distinguishing features of the recommendations relates to scenario analysis. One of the 11 recommended disclosures asks companies to describe the resilience of their strategies, taking into consideration different climate-related scenarios. This recommended disclosure recognizes the importance of forward-looking information for investors and others in understanding how resilient companies’ strategies are to climate-related risks.

This recommended disclosure also highlights a key difference between the TCFD framework and most other climate-related disclosure frameworks. Most other climate-related disclosure frameworks focus on the impact a company has on the environment whereas the TCFD focuses on the actual or potential financial implications of climate change on a company.

Work of the Task Force since June 2017

Since the Task Force published its recommendations in mid-2017, it has undertaken various initiatives to support and monitor their adoption, including organizing and participating in workshops to help preparers of climate-related disclosures implement the TCFD recommendations and working with industry associations and similar organizations in the financial and non-financial sectors to create “preparer forums,” which bring together companies within specific industries to identify and help address implementation issues.

The Task Force has also issued two status reports—the most recent of which was published last Wednesday—that describe the alignment of existing reporting with the TCFD’s 11 recommended disclosures.

The Task Force’s overall finding from its most recent status report is that while the disclosure of climate-related information has increased over the past three years, it is still not sufficient for investors. In particular, investors need information on the potential financial impact of climate-related issues on companies, and yet this information has the lowest levels of disclosure across the 11 recommended disclosures.

While climate-related financial disclosures are not where we think they should be, there has been significant positive momentum around implementation and support for the TCFD recommendations. Notably, when the Task Force released its report in June 2017, we had just over 100 CEOs publicly committed to support the Task Force’s disclosure recommendations. Since that time, support for the TCFD has grown to nearly 800 companies and other organizations. The companies represent a broad range of sectors with a combined market capitalization of nearly \$9.3 trillion. This includes more than 370 financial firms, responsible for assets of nearly \$118 trillion.

In the coming months, the Task Force and Secretariat will continue to support and monitor adoption of the recommendations and will issue a third status report in September 2020. As part of its efforts to support companies’ implementation of the recommendations, the Task Force will focus on the use of scenario analysis by companies to assess to the resilience of their strategies under a range of plausible future climate states.

Based on a recent report issued by the Intergovernmental Panel on Climate Change, urgent and unprecedented changes are needed to meet the goals of the Paris Agreement. Governments around the

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world and private-sector entities are considering a range of options for reducing global emissions, which could result in disruptive changes across economic sectors and regions in the near term. Now more than ever it is critical for companies to consider the potential impact of climate change and associated mitigation and adaptation efforts on their strategies and operations and disclose related material information.