

# A BRIEF INTRODUCTION TO THE TCFD RECOMMENDATIONS

## What are the TCFD recommendations?

In 2015 the G20 Heads of State asked the Financial Stability Board (FSB) to establish a Task Force on Climate-related Financial Disclosures (TCFD) addressing the risks to financial stability that climate change creates within the global economy.

The mandate of the Task Force was to develop a set of recommendations for voluntary and consistent climate-related financial risk disclosures. These would then be used by companies, investors and other financial stakeholders to provide high-quality information in their mainstream filings. The Task Force delivered its recommendations to the FSB and the G20 in June 2017.

## Key features

- All large organizations with public debt or equity are recommended to evaluate climate-related risks and opportunities and disclose any material information.
- Disclosures should be included in **mainstream annual financial filings**;
- Disclosures should include **decision-useful, forward-looking information**;
- Disclosures should focus on the **financial risks and opportunities** related to the transition to a well below 2 degrees low-carbon economy.

## Why are the TCFD recommendations important?

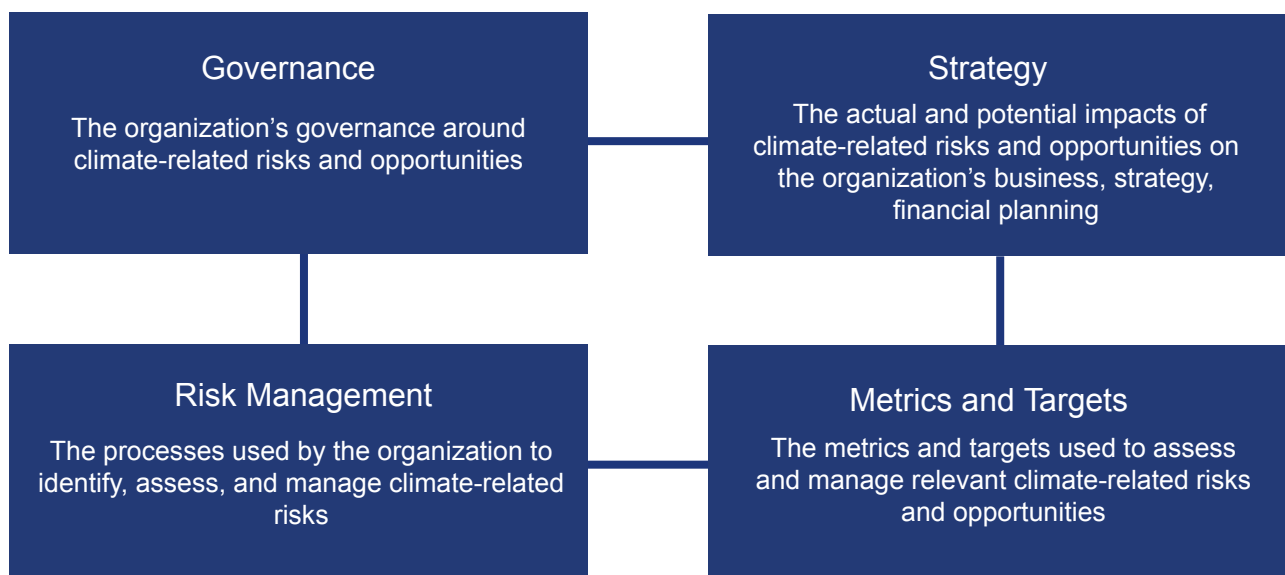
The stability of our economy is connected to the ability of companies and investors to identify and address material financial risks.

In the case of climate change, these risks – including transition, endemic and systemic risks – are more unpredictable and can take place at any moment in the future. Therefore, climate risk disclosures must be forward-looking rather than merely based on past performance.

It is currently difficult to know which companies and investors are most at risk from a changing climate; which are best prepared or are already taking action to adapt their business, investment models or strategies.

The TCFD recommendations aim to correct this problem, helping to maintain financial stability, and a smooth transition to a global low-carbon economy.

## What should organizations disclose?



## Some key benefits of the TCFD recommendations

- The support of the G20 and the Financial Stability Board (consisting of G20 central banks and finance ministries) has given the TCFD recommendations institutional weight, helping to make climate disclosure a mainstream market practice;
- Companies and investors implementing the TCFD recommendations will become more resilient to systemic risks and will be better able to identify future opportunities;
- The availability of economy-wide high-quality information on climate-related risks and opportunities to market actors will enable the reallocation of capital to align with low-carbon targets;
- A rapid uptake of the TCFD recommendations at the corporate and policy level will prevent financial instability during the global transition to a low-carbon economy.

## What are the next steps for the TCFD recommendations?

The Task Force will continue to meet until the 2018 G20 meeting and will focus on supporting adoption of its recommendations globally.

Widespread adoption by companies and investors will be key to ensuring that the risks to the global economy from climate change are reduced.

G20 governments can accelerate widespread uptake of the TCFD recommendations by **putting in place mandatory disclosure requirements**.

Depending on national circumstances, G20 governments could provide authoritative guidance, clarify or enhance existing regulatory frameworks that already include risk reporting requirements, so that the risks from climate change are more explicitly considered, or create new disclosure requirements.

## How CDP and CDSB can help

CDP (formerly the Carbon Disclosure Project) operates the only global climate disclosure platform for more than 6,000 companies on behalf of more than 800 institutional investors. From 2018, corporate climate disclosures made through the CDP platform will generate all the information required for a TCFD-compliant disclosure.

The Climate Disclosure Standards Board, a consortium of nine business and environmental organisations, has developed two Frameworks for reporting climate change and environmental information in mainstream filings, and is working with a wide range of stakeholders to help create a community of best practice for climate reporting.

Together, CDP and CDSB have the global reporting infrastructure, technical expertise and extensive experience to assist policymakers and regulators in evaluating existing national reporting requirements, and in drafting new rules.

## Get in touch

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