

TCFD Final Report FAQs

1. What are the three documents released by the Task Force and how are they related?

- The three documents are:
 - [Recommendations of the Task Force on Climate-related Financial Disclosures](#) (the report).
 - [Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures](#) (the annex).
 - [The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities](#) (the technical supplement).
- The best way to think about the relationship between the three documents is as building blocks. The report provides context, background, and the general framework for climate-related financial disclosures—it is intended for broad audiences. The annex provides the next level of detail to help companies implement the recommendations, and the technical supplement is a further level of detail that can be helpful for companies in considering scenario analysis.

2. What are the recommendations?

- The recommendations describe information that companies should disclose to help investors, lenders, and insurance underwriters better understand how companies' oversee and manage climate-related risks and opportunities as well as the material risks and opportunities to which companies are exposed.
- The recommendations focus on four key areas that are relevant in virtually all types of companies: governance, strategy, risk management, and metrics and targets.
- These areas also reflect the types of information investors and other market participants expressed that they need to make better, more informed decisions.

3. What kind of response did the Task Force receive on its draft report (released in December 2016)?

- The Task Force received over 300 responses on its public consultation from commenters in 30 countries. Overall, commenters were generally supportive of the Task Force's recommendations. Several provided specific and constructive feedback that was used to refine the recommendations in the Task Force's final report. More information on the public consultation responses is provided in the [TCFD Public Consultation Summary 2017](#).

4. What are the major changes to the report and annex since the draft report was released?

- The final report was updated based on industry and other public feedback received. Key changes to the report include:
 - clarified that the recommended disclosures related to the Strategy and Metrics and Targets recommendations depend on an assessment of materiality. While the report recommends information related to the Governance and Risk Management recommendations be discussed in financial filings, it provides flexibility to allow that reporting to take place in other reports if the company wishes.

- simplified the recommended disclosure related to scenarios (which is item (c) under the Strategy recommendation) and the related guidance to focus on *resiliency* of an organization's strategy to climate risks and opportunities.
 - established a threshold for organizations that should consider conducting more robust scenario analysis to assess the resilience of their strategies (organizations with annual revenue greater than 1B USDE in the four non-financial groups).
 - streamlined the supplemental guidance for specific non-financial groups to reduce redundancy as well as the tables of non-financial metrics by focusing on key metrics, eliminating redundant metrics, and ensuring consistent terminology and approach.
 - changed the recommended carbon footprinting metric included in the supplemental guidance for asset owners and asset managers from GHG emissions associated with investments normalized for every million dollars invested to a weighted average carbon intensity metric.
 - expanded the guidance on remuneration to all organizations that have identified climate-related risks as material (rather than to organizations in the Energy Group as proposed in the draft annex).
 - provided additional information on the link between financial impact and climate-related risks and opportunities.
- Information on these changes and clarifications is available on the Task Force's website: <https://www.fsb-tcf.org/publications/summary-key-changes-clarifications-june-2017>.

5. Who supports the Task Force's recommendations?

- Before the release of the report, over 100 CEOs publicly expressed support for the Task Force's recommendations. The full list of signatories is available on the Task Force's website: <https://www.fsb-tcf.org/publications/final-tcf-recommendations-report-statement-support-june-2017/>.

6. Does the Task Force specify a timeframe for implementing the recommendations?

- No. The TCFD encourages companies to adopt and implement the recommendations as soon as possible, recognizing that different organizations may be in different positions regarding their capabilities to do so.
- We also expect that reporting of climate-related information will evolve over time as companies, investors, and others contribute to the quality and consistency of the information disclosed.

7. What are the benefits to preparers of implementing the recommendations?

- Some of the potential benefits associated with implementing the Task Force's recommendations include:
 - easier or better access to capital by increasing investors' and lenders' confidence that the company's climate-related risks are appropriately assessed and managed
 - more effectively meeting existing disclosure requirements to report material information in financial filings

- increased awareness and understanding of climate-related risks and opportunities within the company resulting in better risk management and more informed strategic planning
- proactively addressing investors' demand for climate-related information in a framework that investors are increasingly asking for, which could ultimately reduce the number of climate-related information requests received

8. How did the Task Force consider the issue of proportionality?

- The Task Force paid special attention to striking the right balance between the need for consistent and decision-useful information by users of climate-related financial disclosures and the burden of such disclosure on preparers.
- The Task Force believes its recommendations can be scaled depending on a company's level of sophistication, and that any company can implement the recommendations.

9. What is "scenario analysis" and what does the Task Force recommend on scenario analysis?

- 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 those circumstances.
- Recommended disclosure (c) under Strategy and the related guidance asks organizations to describe the resilience of their strategies, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

10. What is the significance of a "2°C or lower" scenario?

- A 2°C scenario lays out a pathway and an emissions trajectory consistent with holding the increase in the global average temperature to 2°C above pre-industrial levels.
- In December 2015, nearly 200 governments agreed to work towards "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels," referred to as the Paris Agreement. As a result, a 2°C scenario is a common reference point that is generally aligned with the objectives of the Paris Agreement and supports investors' evaluation of the potential magnitude and timing of transition-related implications for individual companies.

11. How do the recommendations incorporate materiality?

- The disclosures related to the Strategy and Metrics and Targets recommendations are subject to an assessment of materiality.
- The Task Force recommends disclosures related to the Governance and Risk Management recommendations be provided in annual financial filings because many investors want insight into the governance and risk management context in which organizations' financial and operating results are achieved. Nonetheless, the Task Force recognizes that some companies may want to begin by incorporating these disclosures in other reports.

12. Does the Task Force define “materiality”?

- To ensure as much compatibility as possible with national disclosure requirements for financial filings, the Task Force believes companies should determine materiality for climate-related issues consistent with how they determine the materiality of other information included in their financial filings.

13. Which companies are encouraged to implement the recommendations and why?

- **Organizations with public debt or equity:** widespread disclosure by these organizations in particular is necessary to promote more informed investing, lending, and insurance underwriting decisions.
- **Asset managers and asset owners** (including public- and private-sector pension plans, endowments, and foundations): implementation by asset managers and asset owners would help support their clients and beneficiaries in better understanding the performance of their assets, considering the risks of their investments, and making more informed investment choices.

14. Where should preparers disclose?

- The Task Force recommends that organizations provide climate-related financial disclosures in their **mainstream (i.e., public) annual financial filings**.
- The Task Force does not specify *where* in financial filings information should be disclosed as it will depend on the type of information being disclosed as well as national disclosure requirements or standards on how financial filings are structured.
- Asset managers and asset owners should use their existing means of financial reporting to their clients and beneficiaries where relevant and feasible.
- In addition, the Task Force encourages certain organizations—those in the four specified non-financial groups that have more than one billion U.S. dollar equivalent (USDE) in annual revenue—to consider disclosing information related to the Strategy and Metrics and Targets recommendations in other official company reports when the information is not deemed material and not included in financial filings.

15. What if the recommendations are in conflict with national disclosure requirements for financial filings?

- The Task Force's recommendations were developed to apply broadly across sectors and jurisdictions and should not be seen as superseding national disclosure requirements. Importantly, companies should make financial disclosures in accordance with their national disclosure requirements.
- If a company believes certain elements of the recommendations are incompatible with national disclosure requirements for financial filings, the Task Force encourages the company to disclose those elements in other official company reports that are issued at least annually, widely distributed and available to investors and others, and subject to internal governance processes that are the same or substantially similar to those used for financial reporting.

16. How do the Task Force’s recommendations relate to other climate-related disclosure frameworks?

- The Task Force considered existing voluntary and mandatory climate-related reporting frameworks (including CDP, CDSB, GRI, IIRC, and SASB) in developing its recommendations and provides alignment of its recommendations and guidance to those frameworks in the annex.

17. What are next steps for the Task Force?

- The FSB welcomed a proposal by the Task Force to continue its work through at least September 2018 to support and monitor adoption.
- For the rest of 2017 and most of 2018, the TCFD will focus on outreach, engagement and implementation monitoring through a series of webinars, events and outreach with third party partners.
- The Task Force also plans to help address the areas of further work by undertaking certain efforts itself (such as developing or identifying example disclosures), as well as by working with industry associations, NGOs, and others to initiate long-term efforts.