Climate Related Risk Disclosure

Investor Perspective

Concerns around the impacts of climate change on companies and the absence of consistent approaches to climate related financial disclosures prompted the International Financial Stability Board to convene an industry led Task Force (TFCD) to propose recommendations for improving principles and practices for voluntary disclosure of climate related risks.

The TFCD's Phase 1 report, released in March 2016, highlights the range of climate related risks and opportunities. It provides a good foundation for informing corporate responses to climate change.

The report sets out seven fundamental principles that the TFCD believes are critical for a disclosure regime, and which will underpin its Phase 2 recommendations:

1. Present relevant information
2. Be specific and complete
3. Be clear, balanced, and understandable
4. Be consistent over time
5. Be comparable among companies within a sector, industry, or portfolio
6. Be reliable, verifiable, and objective
7. Be provided on a timely basis.

These principles, when translated into disclosure recommendations, will have far reaching implications for companies.

Risk Type	**Physical Risks**	**Non-physical Risks**				**Opportunities**
		Policy/Legal	***Technology***	***Market***	***Reputation***	
Description	Impact of more intense and/or more frequent catastrophic weather events.	International and national policies, legislation and regulations to address climate change.	Rate of progress and investment in low carbon technologies.	Changes in supply, demand or competition. Potential re-pricing of carbon intensive assets, and the speed at which it might occur.	Financial or non financial damage to reputation stemming from direct or indirect association with an asset or company	Commercial benefits from policy, market and/or technology driven transition to a lower carbon economy and adaptation to physical changes in the climate.
Financial Impacts	Disruption to operations, transportation, supply and distribution chains. Damage to physical assets. Degradation or limitations on resource availability (e.g. water, arable land etc). Impact on insurance liabilities.	Compliance costs/ liabilities. Restrictions or limitations on the use of carbon intensive assets. Investments in new technology. Asset impairment.	Write-offs of investments in existing technologies. Investments in new technologies. Operations and process changes.	Viability of certain business models. Asset impairment. Impact on company valuations.	Damage to brand value or reputation. Loss of revenue. Additional expenditure.	Increased natural resource productivity. Improved operating efficiency. Demand for new products; new revenue streams. Lower asset impairment through increased investment in climate-resilient infrastructure.

Source: Adapted from Phase 1 Report of the Taskforce on Climate Related Financial Disclosures, 31 March 2016 (https://www.fsb-tcfd.org/phase1report/)