TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

METRICS, TARGETS, AND TRANSITION PLANS CONSULTATION

Summary of Responses

October 2021

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INTRODUCTION

Background and Scope

Background

The Task Force on Climate-related Financial Disclosures (TCFD) **conducted a public consultation from June 7–July 18, 2021** to gather feedback on proposed guidance on climate-related metrics, targets, and transition plans.

- 203 respondents completed the consultation survey
- 42 organizations submitted comments outside of the survey
  - 34 were comment letters[1]
  - 8 were other types of comments

Scope of Consultation

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Proposed Guidance on Climate-Related Metrics, Targets, and Transition Plans

Since 2017, the Task Force has sought to clarify issues raised by organizations in their implementation of the TCFD recommendations and provide additional supporting guidance and other information where appropriate. To address recent developments and feedback from users, preparers, and others, the consultation draft proposed the following:

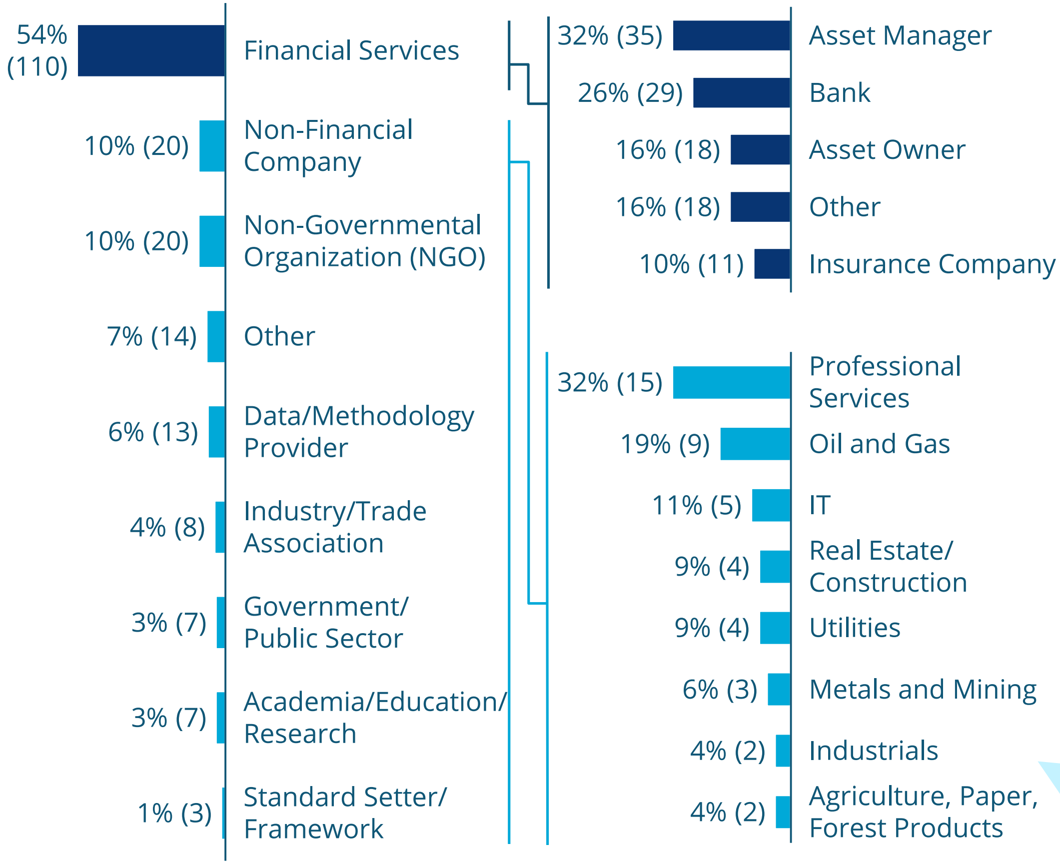
- A set of proposed cross-industry, climate-related metrics
- Additional information on the link between climate-related metrics and financial impact
- Updates to financial sector-specific metrics, including metrics with which to measure GHG emissions from investing, lending, and underwriting and portfolio alignment
- Guidance on disclosing targets and transition plans
  - Proposed updates to the 2017 annex[2]

The Task Force also hosted consultation questions on a draft technical report on portfolio alignment metrics developed by an independent group of expert analysts from financial organizations (the Portfolio Alignment Team) at the request of the TCFD.

1. Comment letter refers to comments submitted by senior management on behalf of an organization. Such comments generally involve vetting within an organization to ensure they represent the organization's positions.
2. TCFD, Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, June 2017
Excerpts from comment letters and survey open responses can be found throughout this document. Charts throughout this document are based on the organizations that completed the consultation survey and do not incorporate responses from comment letters.

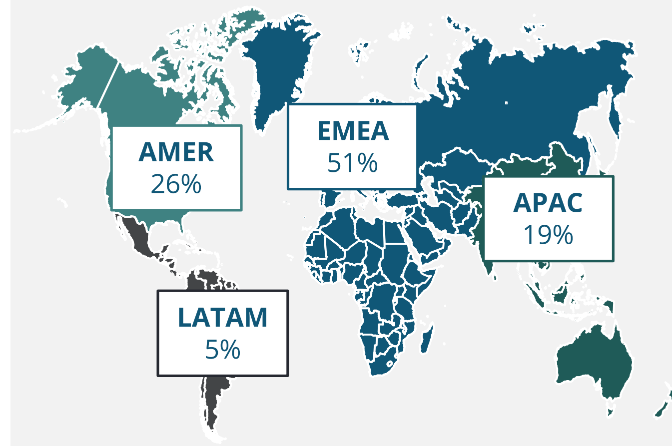
Overview of Survey Respondents

Organization Type



Location of Headquarters

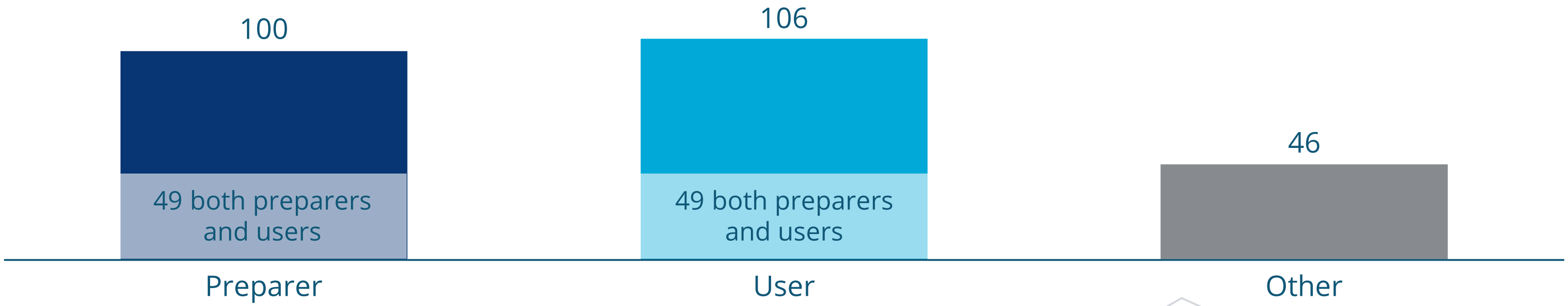
(Total does not equal 100% due to rounding)



2% of respondents from: Chemicals; Food, Beverage, and Tobacco; Telecommunications; Transportation

Q: Where is your organization headquartered? (n = 203) Base: All respondents
Q: Which one of the following best describes your organization? Base: All respondents (n = 203)
Q: Please select your primary firm type from the list below. Base: Financial sector respondents (n = 110)
Q: Please select your primary industry from the list below. Base: Non-financial services organizations (responses that were not 'other') (n = 48)

Breakdown of Types of Survey Respondents



Preparer Perspectives

Highlighting preparer views on current state of disclosure and associated challenges

User Perspectives

Highlighting user perspectives on usefulness and benefits of preparers' disclosure

Respondents could specify that they were neither users nor preparers. These respondents saw questions open to all respondents as well as those for financial service respondents, if applicable

All Respondents

Highlighting overall perspectives on improving metrics comparability, materiality assessments, and usefulness of metrics, targets, and transition plans

Q: Which of the following most closely aligns with your role? Select all that apply.
(Respondents could reply as preparers, users, both, or neither)
Base: All respondents (n = 203)

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KEY TAKEAWAYS

Respondents and commenters generally support TCFD guidance on metrics,targets, and transition plans

*We **support the recommendation that all sectors disclose** relevant, material categories of Scope 3 emissions, as well as Scope 1 and 2.*

- Metals and Mining Company

*The **specificity of the proposed metrics on risks and opportunities is helpful** in providing additional clarity around the information TCFD would like organizations to provide… this has been an area of ambiguity for TCFD preparers.*

- Energy Company

*The metrics and data provided through these disclosures form an important basis for (i) **assessing issuers' long-term climate risks and opportunities** and (ii) allowing for more informed portfolio allocation and proxy voting decisions.*

- Asset Manager

Survey respondents support cross-industry metrics, including related targets, and inclusion of guidance on transition plans

Sections	Key Takeaways
A Climate-Related Metrics	• 75% of respondents report that the proposed metrics **would improve comparability** – Responses emphasized a need to describe metrics more broadly as categories to allow flexibility in the development and disclosure of metrics most relevant to specific organizations, industries, or jurisdictions[1] • **Many preparers are currently disclosing the proposed metrics**, though disclosure of Scope 1, Scope 2, and Scope 3 GHG emissions is far ahead of disclosure aligned with other metrics – However, preparers agree **there are challenges in disclosing the proposed metrics**, particularly related to data and methodologies • Users agree that **disclosure of the proposed set of metrics would be beneficial,** with over 86% reporting potential for better financial decision making • Respondents are **divided on the issue of materiality for most metrics**, but 70% of respondents believe Scope 1 and Scope 2 GHG emissions should be disclosed irrespective of materiality
B Disclosures by Financial Sector	• Financial sector respondents largely support that **financial institutions should disclose exposure to carbon-related assets, financed emissions, and the alignment of their portfolios** to the Paris Agreement, but agree there are **data and methodology challenges** • For respondents disclosing carbon footprinting metrics, **banks tend to use the PCAF Standard, insurers tend to use WACI, and asset owners and asset managers use WACI and the PCAF Standard**
C Climate-Related Targets	• Respondents find **targets related to the cross-industry metrics useful**. However, a **limited number of preparers currently plan to set or disclose such targets**
D Climate-Related Transition Plans	• 96% of users agree that **preparers' disclosure of transition plans is useful and yields many benefits** • Around **one third of preparers have set a transition plan; another third plan to do so within the next year** • Over 80% of respondents believe that **organizations should disclose a transition plan if they have emissions reduction commitments**, with over 60% supporting disclosure for organizations in jurisdictions that have made commitments or seek to meet user expectations

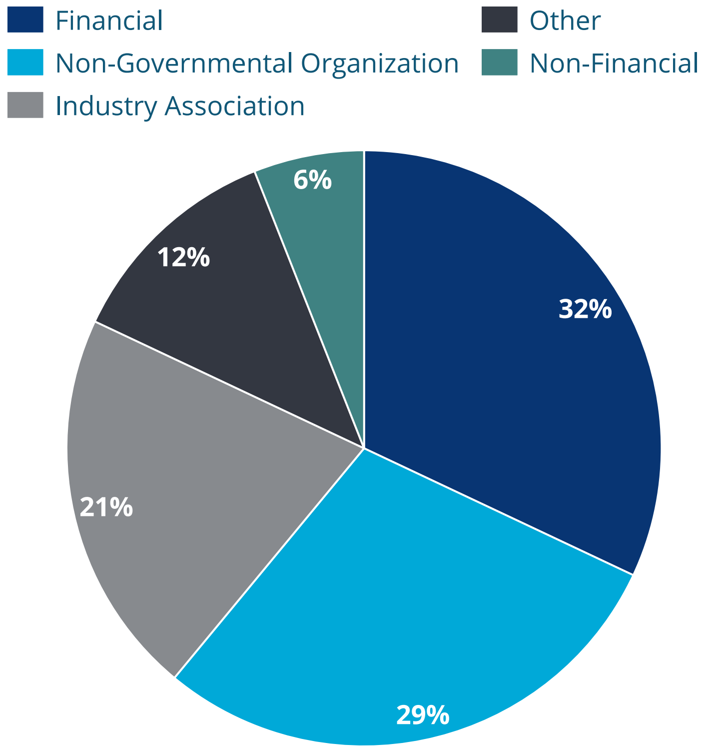
1. While the Proposed Guidance on Climate-Related Metrics, Targets, and Transition Plans proposed "metrics," the published Guidance on Metrics, Targets, and Transition Plans refers to "metrics categories" (see pages 35-36).

Thirty four organizations submitted comment letters to the TCFD as part of its consultation, providing useful feedback and context on specific challenges

Key takeaways from comment letters

- Over 85% of the organizations noted their **general support for the TCFD** recommendations and/or are TCFD supporters but indicated **concerns with aspects of the proposed guidance**.
- Nearly 65% of the organizations highlighted the **need for clearer guidance on the metrics**, with several noting that comparability depends on consistent definitions and methodologies.
- Close to 60% expressed **concern about the ability to report** several of the proposed metrics given the **lack of certain types of data, accepted methodologies, and tools**.
  - 55% of these organizations indicated the proposed metrics were difficult to report for their industries;
  - 40% requested the Task Force provide a phased approach or additional time for implementation, and
  - 25% indicated specific concerns about disclosing Scope 3 GHG emissions.
- More than 65% of the financial organizations expressed **significant concerns about disclosing financed emissions or weighted average carbon intensity**, and all but one of the organizations was an asset manager or asset owner or represented the views of asset managers and asset owners.

Composition of organizations submitting comment letters



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CLIMATE-RELATED METRICS AND FINANCIAL IMPACTS

Users find disclosure of metrics and targets useful, but preparers find several metrics difficult to disclose

Key: More respondents → Fewer Respondents

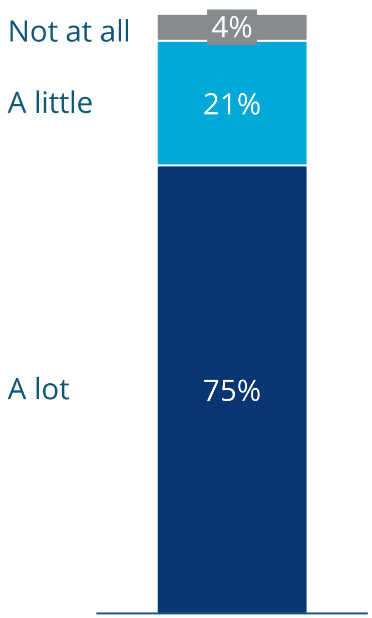
	Preparer Perspectives				User Perspectives		All
	Currently **estimate** metric	Currently **disclose** metric	**Not difficult** to disclose metric	Have set or plan to set **target**	Preparer disclosure of **metric is useful**	Preparer disclosure of **target is useful**	Metric is useful for **transition planning**
Scope 1 and 2 GHG Emissions	86%	81%	72%	68%	98%	93%	92%
Scope 3 GHG Emissions	62%	54%	20%	51%	95%	87%	89%
Carbon price	30%	12%	30%	13%	89%	74%	70%
Physical Risks	42%	20%	18%	12%	92%	82%	79%
Transition Risks	42%	25%	22%	17%	92%	83%	83%
Climate-Related Opportunities	39%	25%	28%	24%	93%	84%	80%
Remuneration	27%	21%	43%	23%	82%	72%	69%
Capital Deployment	33%	23%	35%	26%	94%	83%	81%
Financial Performance	32%	20%	17%	N/A	92%	N/A	73%
Financial Position	32%	14%	16%	N/A	94%	N/A	72%

Note, the following pages include provide more details on specific questions and results presented here

All Respondents

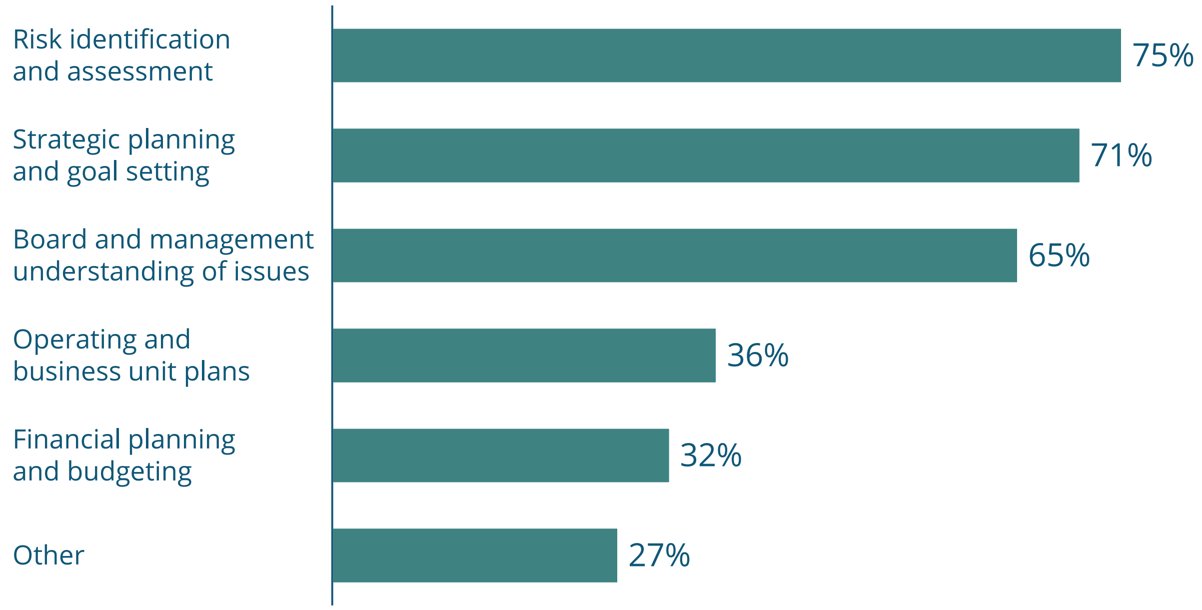
Nearly all respondents believe the disclosure of cross-industry climate-related metrics would improve comparability

Potential of metrics and financial impacts to improve comparability



Activities informed by metrics and financial impacts

Respondents could choose more than one option

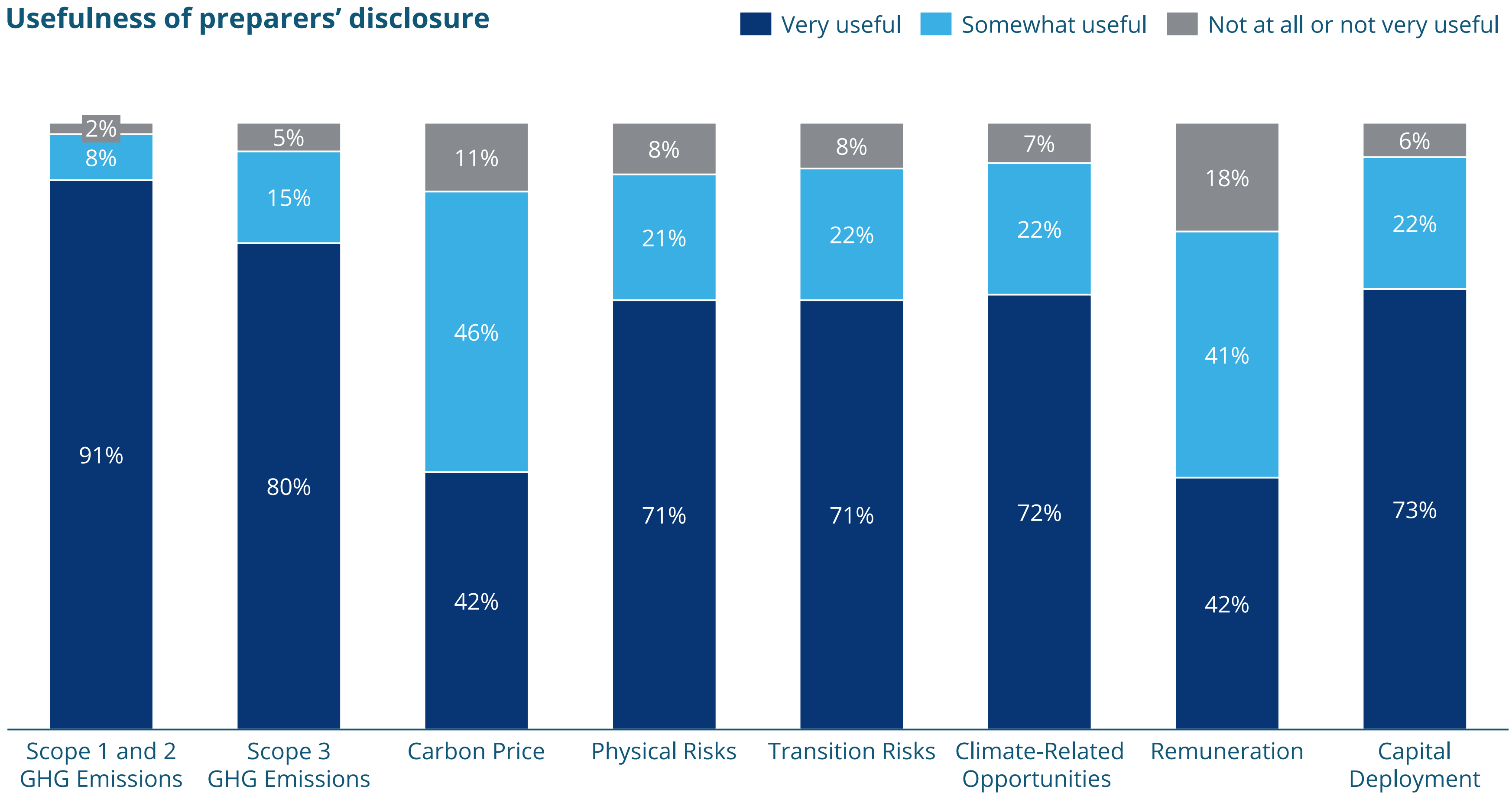


Key takeaways from comment letters:
Nearly 65% of the organizations that submitted comment letters highlighted the **need for clearer guidance on the metrics**, with several noting that comparability depends on consistent definitions and methodologies.

Q: If all organizations disclosed the proposed climate-related metrics and financial impacts, how much would that improve the comparability of climate-related disclosures? Base: All respondents (n = 203)
Q: As part of which activities is your organization using climate-related metrics and financial impacts for decision-making? Select all that apply. Base: All respondents (n = 203)

The majority of users rate disclosure of the proposed metrics as useful for decision-making

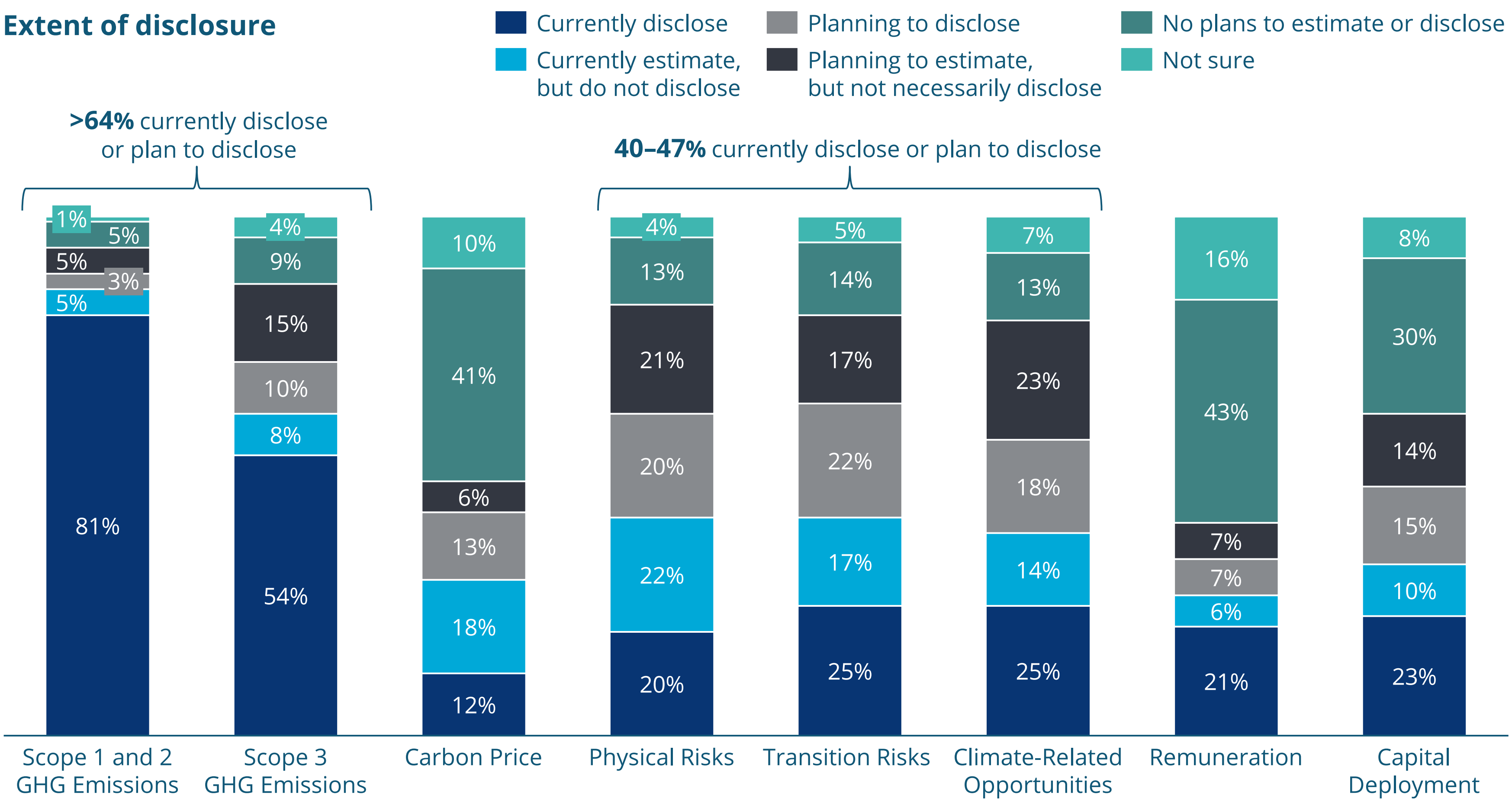
Usefulness of preparers' disclosure



Q: Which of the proposed cross-industry, climate-related metrics and financial impacts would your organization find useful for preparers to disclose? Base: Users (n = 106)
Q: There are different benefits that preparers may derive from the use of proposed cross-industry, climate-related metrics and financial impacts. How useful are disclosures of cross-industry, climate-related metrics and financial impacts in fulfilling the benefits described below? Base: Users (n = 106)

Preparer Perspectives

Current disclosure of metrics varies significantly, with some preparers indicating their intention to disclose in the future

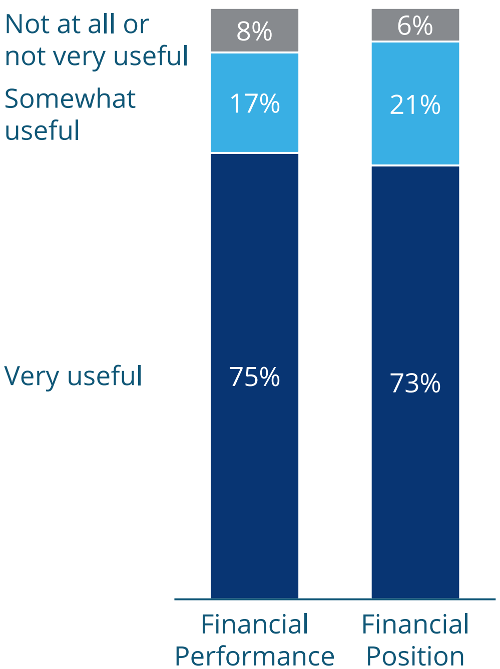


Q: Which of the following climate-related information does your organization disclose? Base: Preparers (n = 100)

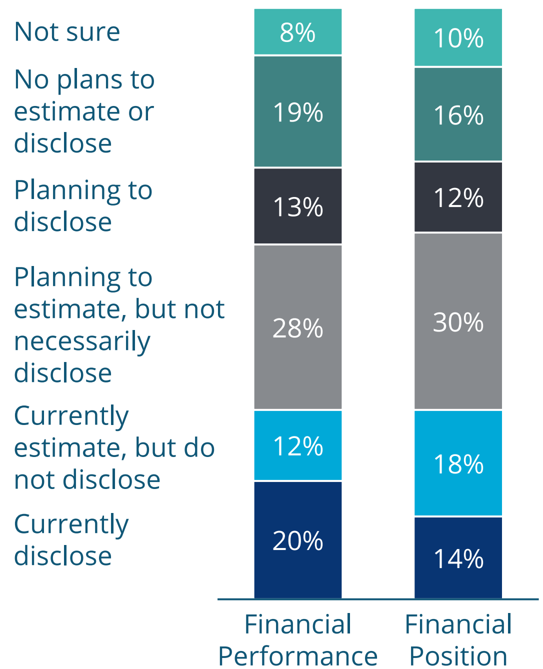
Preparer Perspectives | User Perspectives

Users rate disclosure of financial impacts as very useful, but only 20% of preparers disclose such impacts

Usefulness of preparers' disclosure



Extent of disclosure



Key takeaways from comment letters: Several organizations that submitted comment letters highlighted challenges with distinguishing financial impacts that were directly influenced by climate-related issues versus other activity

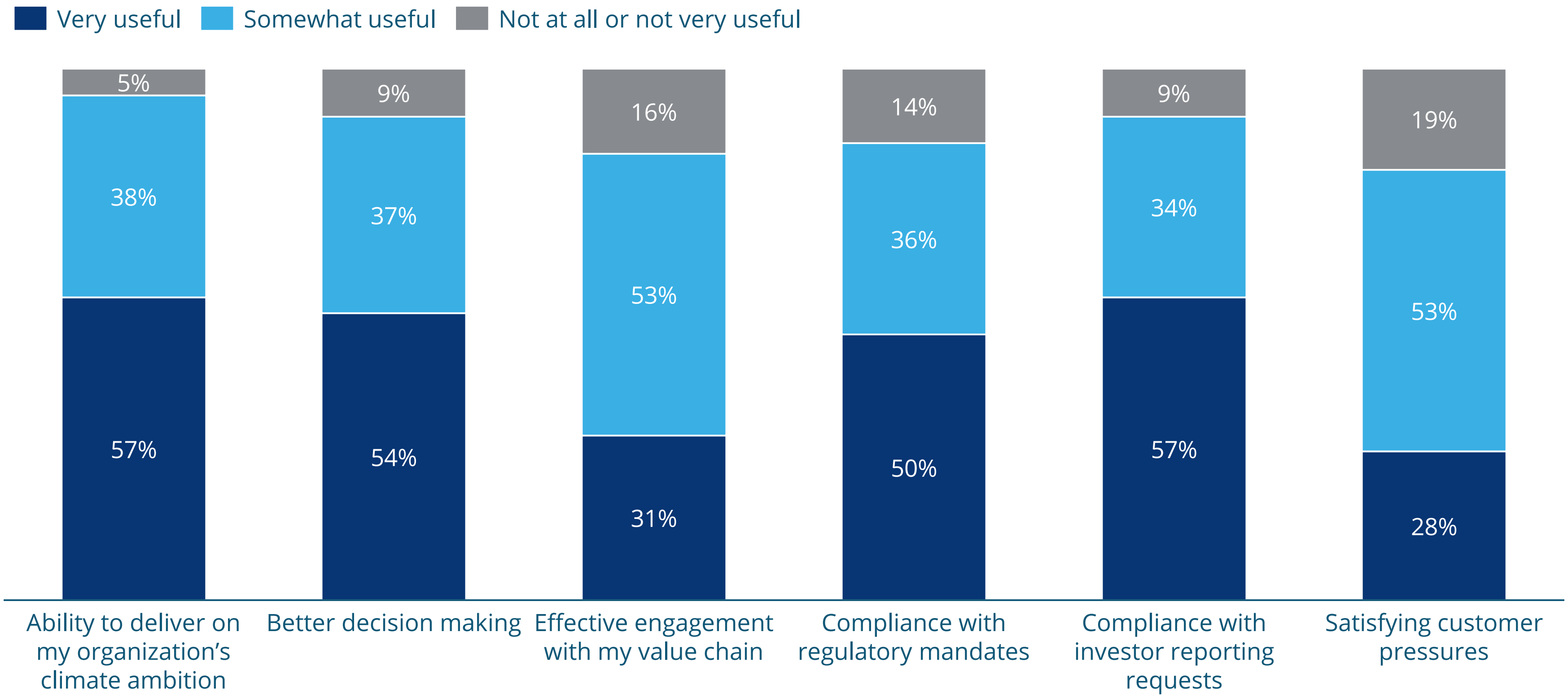
Financial performance refers to an organization's income and expenses as reflected on its income and cashflow statements (actual) or potential income and expenses under different climate-related scenarios.

Financial position refers to an organization's assets, liabilities, and equity as reflected on its balance sheet (actual) or potential assets, liabilities, and equity under different climate-related scenarios.

Q: Which of the following climate-related information does your organization disclose? Base: Preparers (n = 100)
Q: Which of the proposed cross-industry, climate-related metrics and financial impacts would your organization find useful for preparers to disclose? Base: Users (n = 106)

Preparers note several benefits of disclosing metrics, including helping to deliver their organization's climate ambition

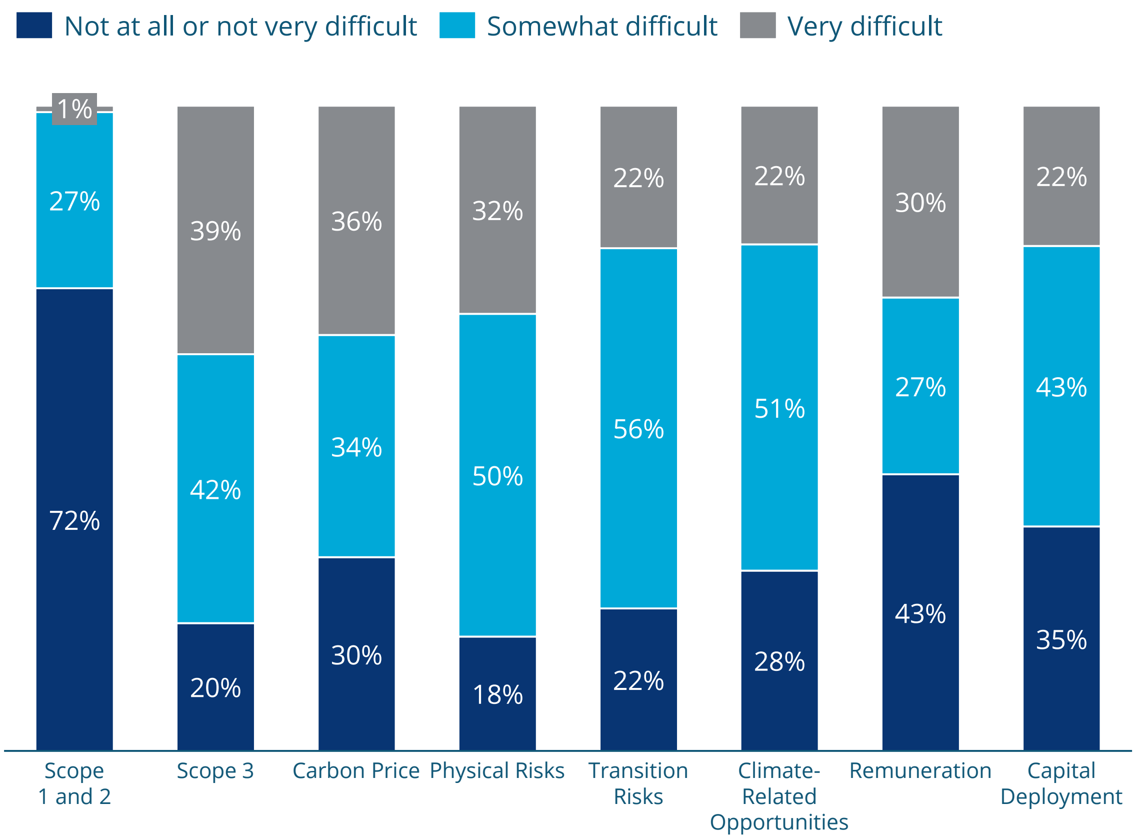
Benefits of disclosing cross-industry, climate-related metrics



Q: There are different benefits that preparers may derive from the use of proposed cross-industry, climate-related metrics and financial impacts. How useful are disclosures of cross-industry, climate-related metrics and financial impacts in fulfilling the benefits described below?
Base: Preparers (n = 100)

Preparers find disclosure of Scope 1 and Scope 2 GHG emissions least difficult, but report some difficulties with other metrics

Difficulty of disclosure



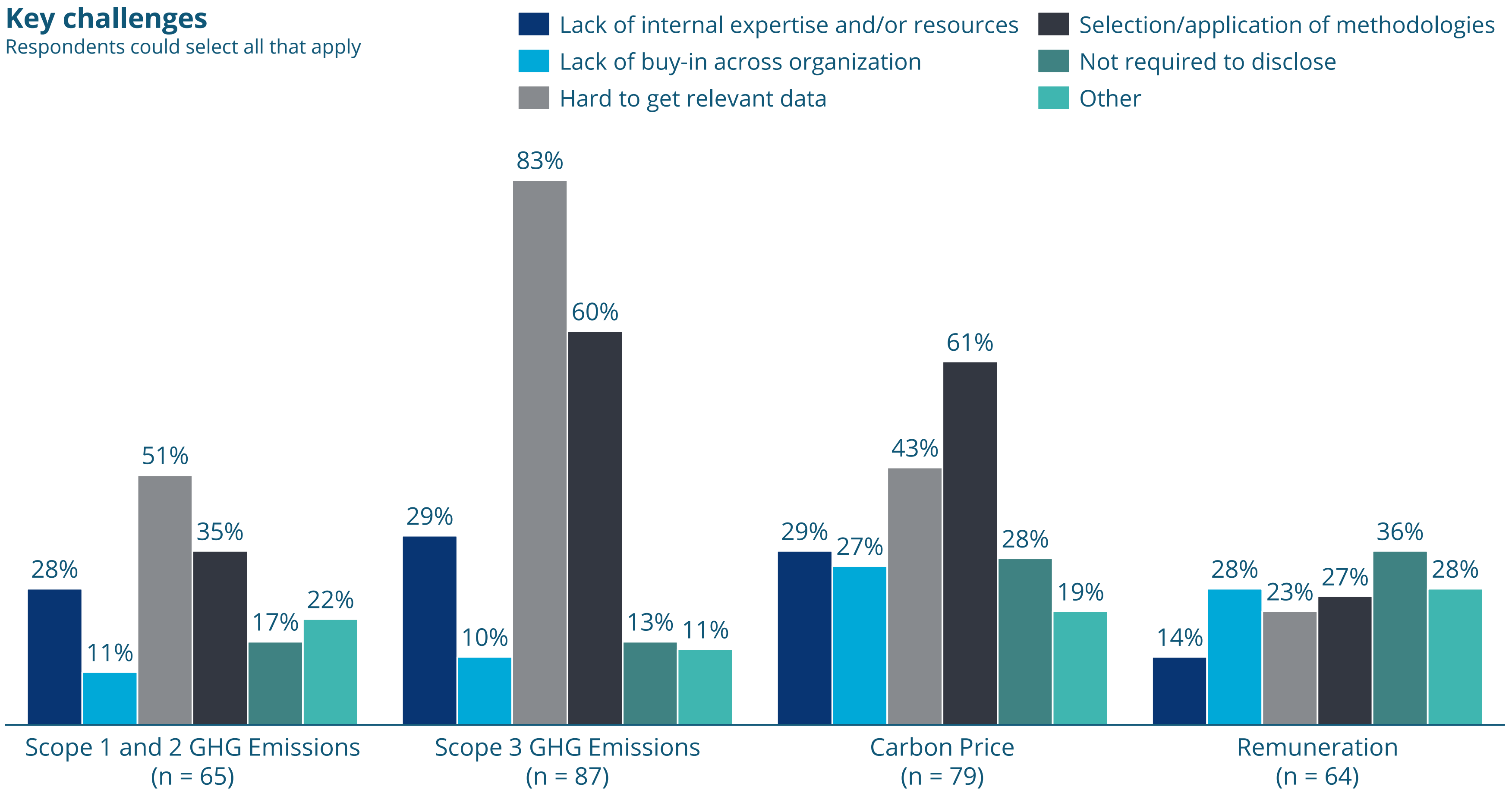
Open response excerpts

- **Materials and buildings company:** "Pressure to include scope 3 metrics across the board is increasing, but **primary data availability is still lacking**."
- **Insurance company:** "The **usefulness of shadow carbon price in disclosure as well as internal incentives varies by industry and company**, and disclosure should not be uniformly enforced."
- **Bank:** "Third party data vendors very expensive and inconsistent in approach, **no/insufficient publicly available data sources.**"

Q: How difficult is it (or would it be) for your organization to disclose the proposed cross-industry, climate-related metrics and financial impacts? Base: Preparers (n = 100)

Data access and methodology selection are the most common challenges of disclosure (1/2)

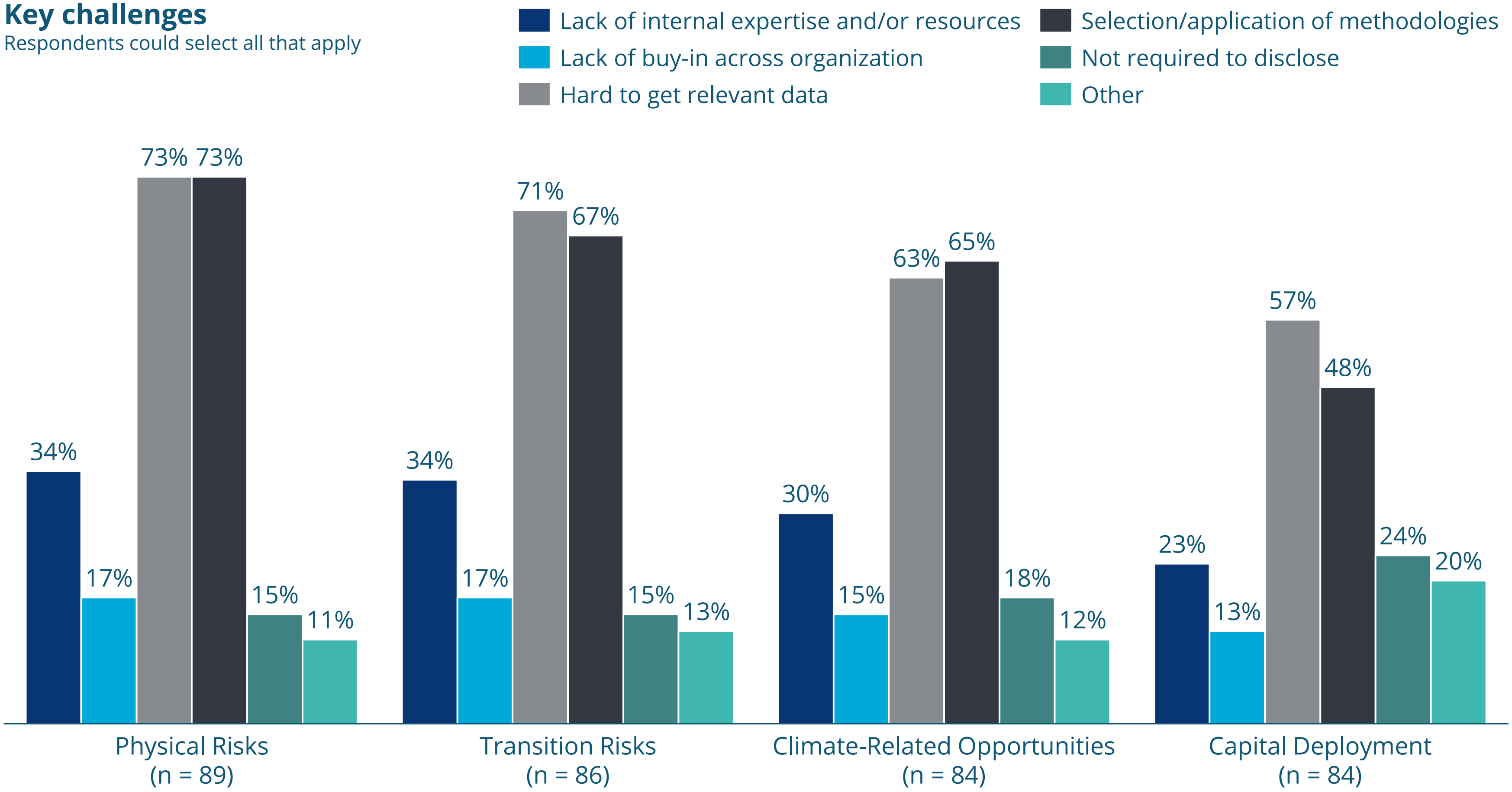
Key challenges
Respondents could select all that apply



Q: In general, what are the key challenges your organization is facing (or may face) in disclosing the proposed cross-industry, climate-related metrics and financial impacts? Select all that apply.
Note: Percentages are based on total respondents for each category. Base totals vary across metrics, as respondents were prompted to select all key challenges that apply only for metrics ranked "not very difficult"," "somewhat difficult," or "very difficult".

Data access and methodology selection are the most common challenges of disclosure (2/2)

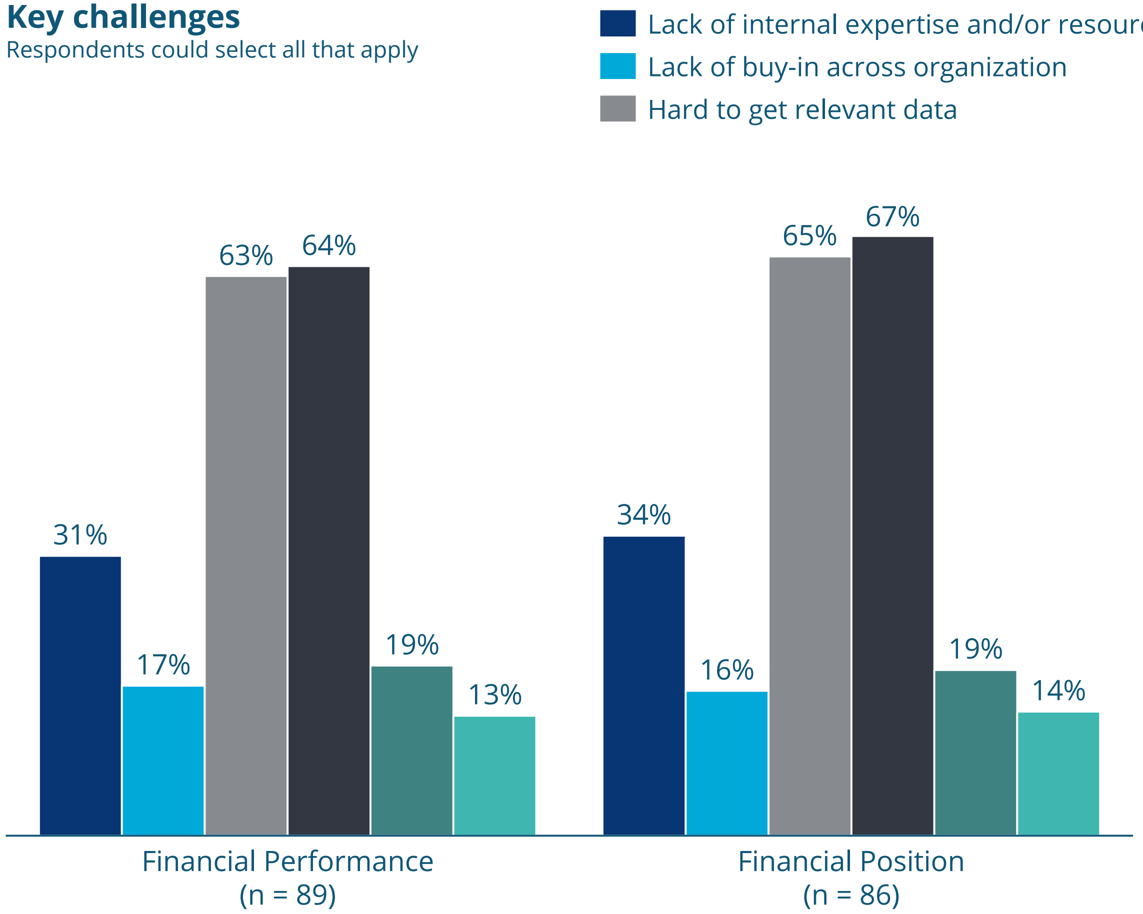
Key challenges
Respondents could select all that apply



Q: In general, what are the key challenges your organization is facing (or may face) in disclosing the proposed cross-industry, climate-related metrics and financial impacts? Select all that apply.
Note: Percentages are based on total respondents for each category. Base totals vary across metrics, as respondents were prompted to select all key challenges that apply only for metrics ranked "not very difficult"," "somewhat difficult," or "very difficult".

Preparers also identify data access and methodology as the top challenges in disclosing the financial impact of climate change

Key challenges
Respondents could select all that apply



Open Response Excerpts

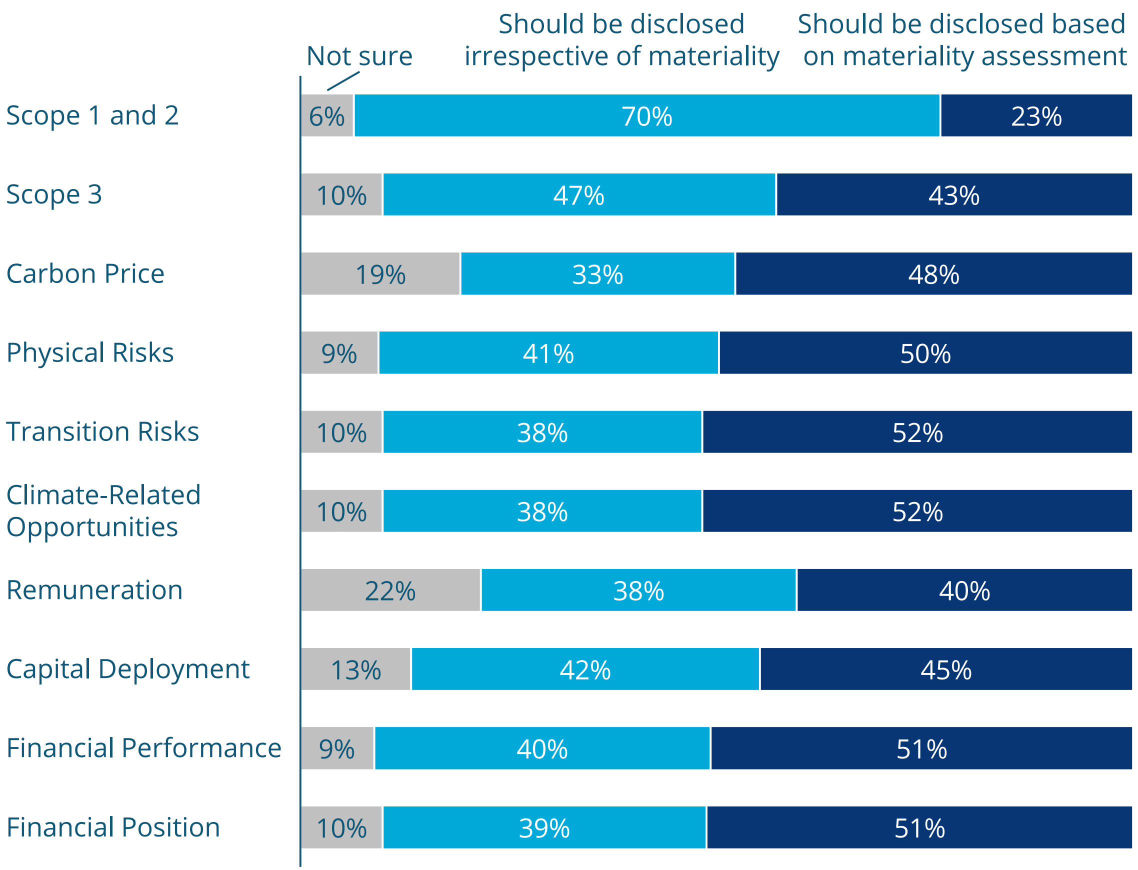
- **Asset manager**: "Data is a particular problem. For many asset classes that we invest in **data is not available.**"
- **Technology company**: "There is **no agreed methodology to assess the financial implications** of climate, nor how to attribute risks/impact directly to climate."

Q: In general, what are the key challenges your organization is facing (or may face) in disclosing the proposed cross-industry, climate-related metrics and financial impacts? Select all that apply.
Note: Percentages are based on total respondents for each category. Base totals vary across metrics, as respondents were prompted to select all key challenges that apply only for metrics ranked "not very difficult," "somewhat difficult," or "very difficult".

All Respondents

The majority of respondents say Scope 1 and Scope 2 GHG emissions should be disclosed irrespective of materiality, and most other metrics should be disclosed based on materiality

Materiality assessment



Open response excerpts

- **Energy company:** "We feel it is appropriate that all of the cross-industry, climate-related metrics **should be subject to a materiality assessment**."
- **Bank:** "**Mandating scope 3 would require sequencing** so that the universe of all public companies are disclosing robust and accurate scope 1, 2 and eventually scope 3 data."
- **Asset owner:** "As so many climate metrics models and tools rely on disclosures of emissions, we believe that **scope 1, 2 and 3 emissions should be disclosed by all organizations**."

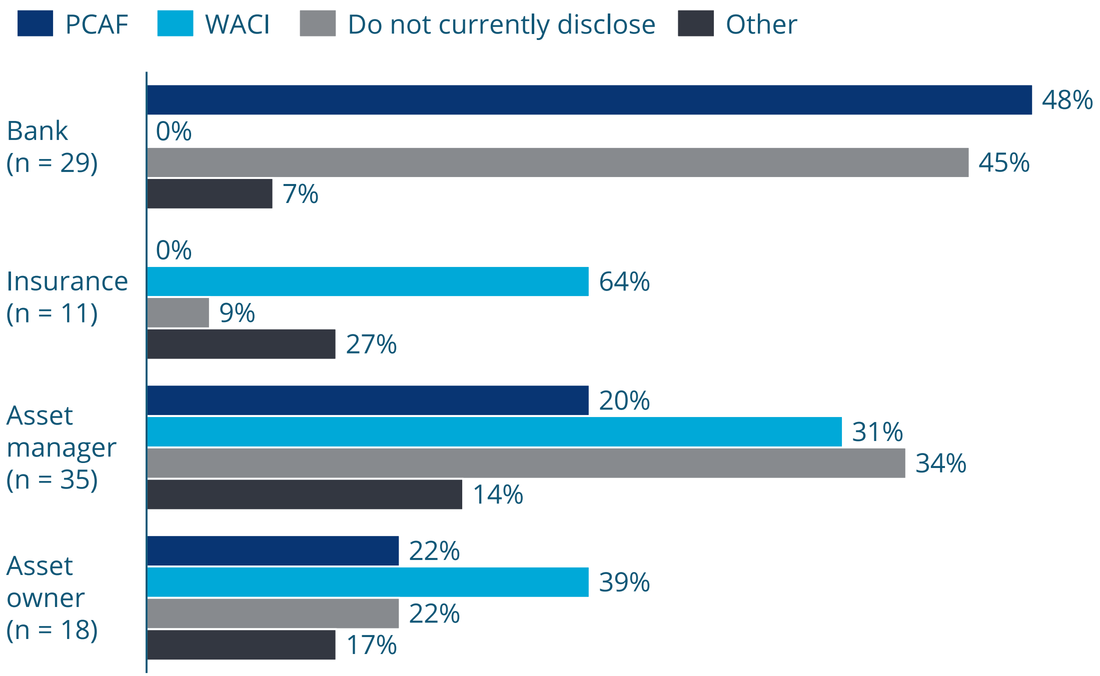
Q: Should the proposed cross-industry, climate-related metrics and financial impacts be subject to a materiality assessment? Base: All respondents (n = 203)

2B

DISCLOSURES BY FINANCIAL SECTOR

For estimating financed emissions, financial sector respondents vary on their use of PCAF and WACI

Percent of respondents using given methodology or metric



Key challenges

Respondents could choose more than one option

85% report that it is hard to get **relevant data**

67% report challenges in selection/application of **methodology**

35% report a lack of **internal expertise** and/or resources

Key takeaways from comment letters:
More that 65% comment letters that represent perspectives of financial organizations highlighted concerns about financed emissions and / or WACI disclosure

The Partnership for Carbon Accounting Financials (**PCAF**) Standard is a methodology developed to measure greenhouse gas emissions (GHG) associated with financial activities in alignment with the GHG Protocol.

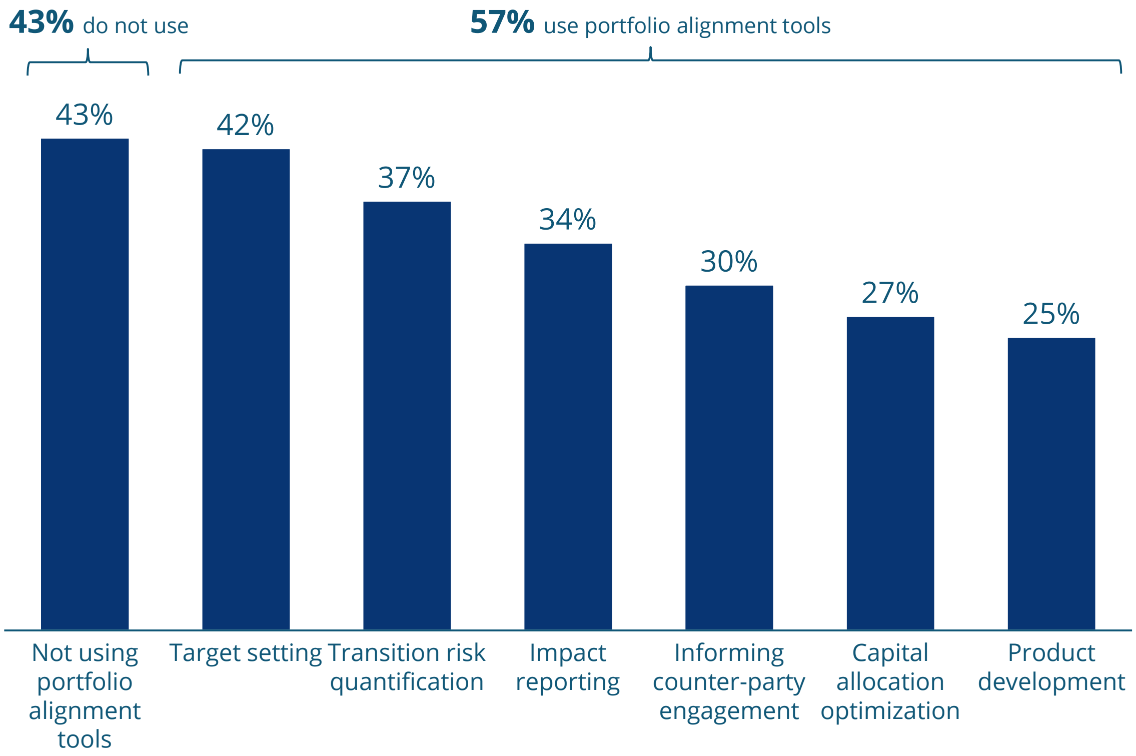
Weighted average carbon intensity (**WACI**) is a metric used to calculate the intensity of an organization's investing, lending, and underwriting activities based on GHG emission per unit of revenue.

Q: What methodology does your organization leverage for estimation of financed emissions? Base: Financial sector respondents (n = 110)
Q: What are the key challenges your organization is facing or may face in disclosing financed emissions? Select all that apply. (n = 110)

More than one half of respondents currently use portfolio alignment tools but highlight several implementation challenges

Organizations using portfolio alignment tools

Respondents could choose more than one option



Key challenges

Respondents could choose more than one option

87% report challenges in **data availability**

86% report challenges in **data standardization**

86% report challenges in internal **data quality**

77% report challenges specific to **Scope 3 GHG emissions**

72% report challenges in **climate scenario development or application**

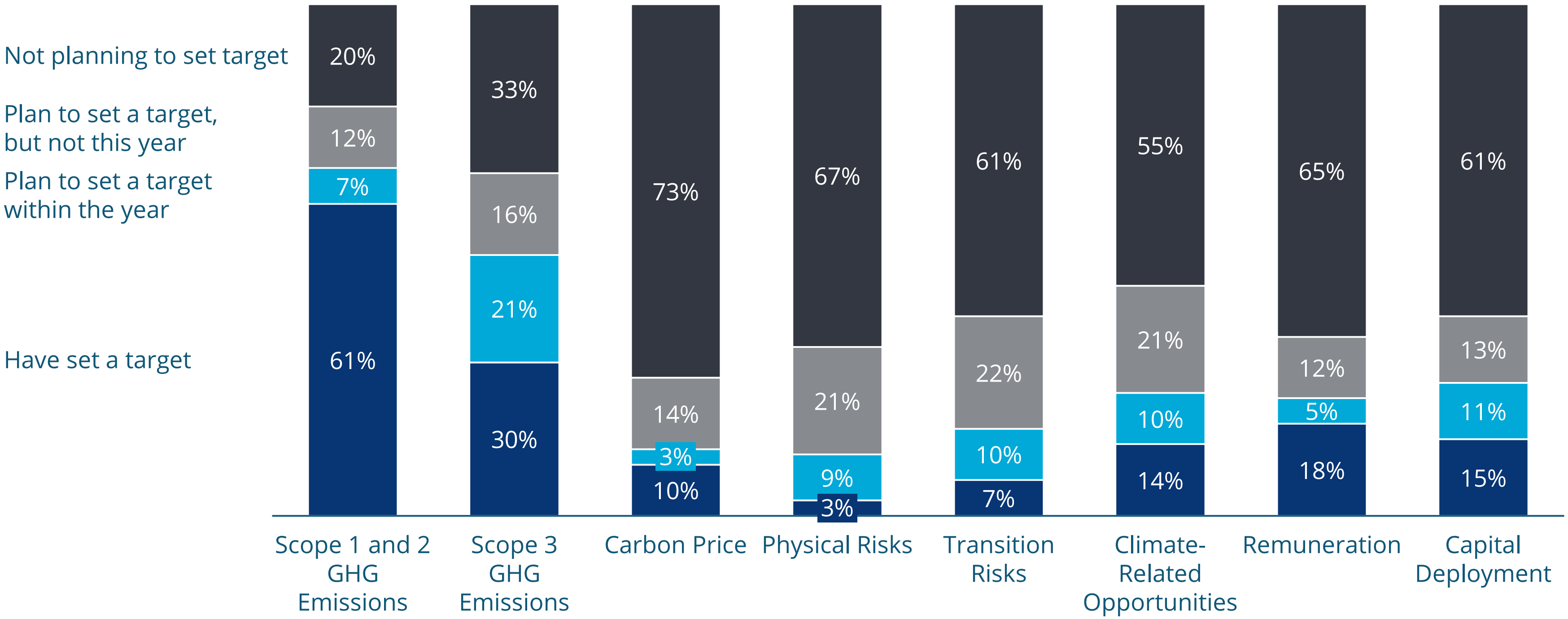
Q: Is your organization using portfolio alignment tools, and if so for what purposes? (n = 110)
Q: In your opinion, what are the key challenges that need to be addressed across climate data and analytics in order to support the usefulness and adoption of portfolio alignment tools?
Base: Financial sector respondents (n = 110)

2C

CLIMATE-RELATED TARGETS

Majority of users find disclosure of quantitative targets based on cross-industry metrics useful

Extent of target setting



	Scope 1 and 2 GHG Emissions	Scope 3 GHG Emissions	Carbon Price	Physical Risks	Transition Risks	Climate-Related Opportunities	Remuneration	Capital Deployment
What Users Deem 'Very Useful' & 'Somewhat Useful'	**90%**	**84%**	**70%**	**77%**	**79%**	**79%**	**67%**	**80%**

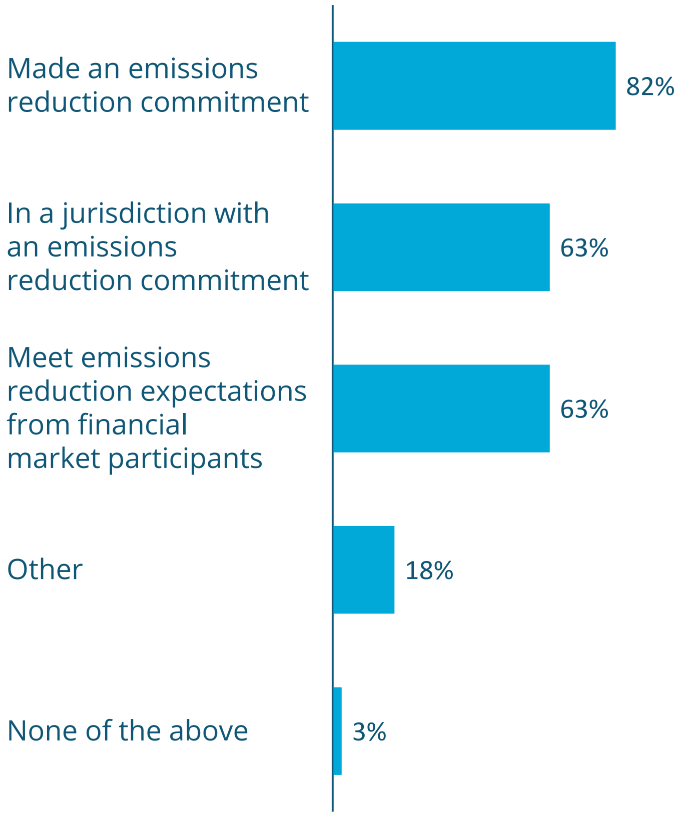
Q: When will your organization set quantitative targets across cross-industry, climate-related metrics?
Base: Preparers (n = 100)
Q: How useful is it to your organization for preparers to disclose quantitative targets across cross-industry, climate-related metrics? Base: Users (n = 106)

2D

CLIMATE-RELATED TRANSITION PLANS

Most users believe organizations with GHG emissions reduction commitments should disclose a transition plan

Organizations that should disclose a transition plan



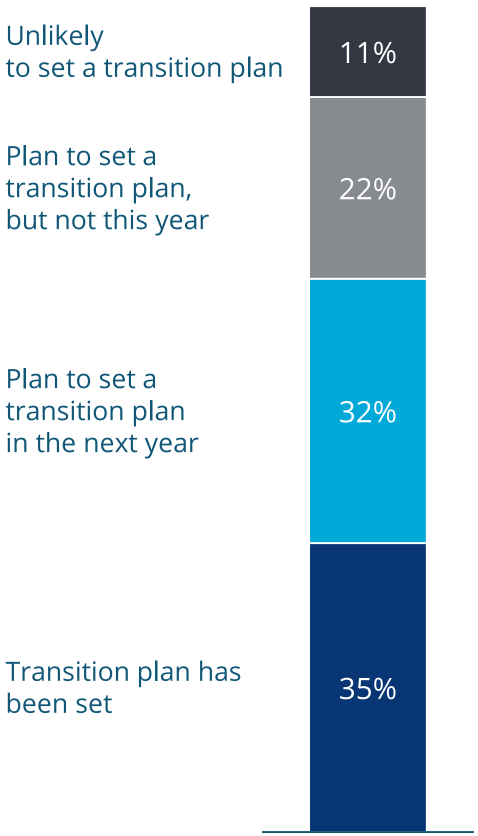
Open response excerpts

- **Data/methodology provider:** "We would ask that organizations that operate in jurisdictions with an emissions reduction commitment **either provide their transition plan, or explain why they do not have one** e.g., the commitment might not impact their sector."
- **Industry association:** "There may be **sensitive or confidential issues regarding corporate mitigation strategies**, which should not be subject to mandatory disclosure."
- **Asset owner:** "Developing and implementing clear transition plans is good practice for all companies, but **particularly for companies operating in high impact sectors, such as companies in the TCFD's key sectors**. These companies are making CAPEX and R&D investment decisions that will determine the future trajectory of their business and will have implications for the real economy decarbonizing."

Q: For what types of organizations should TCFD recommend disclosure of a transition plan?
Results represent percentage of total respondents. Base: Users (n = 106)

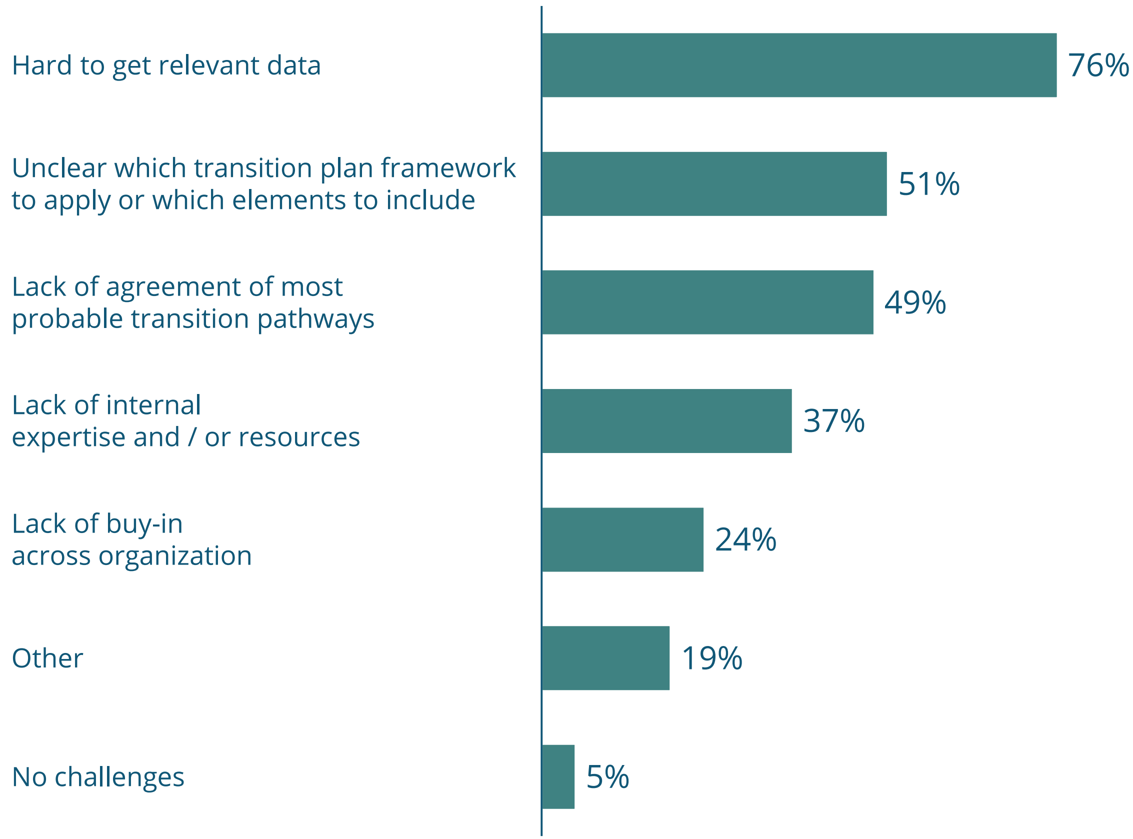
Most preparers indicate they have developed a transition plan or plan to do so, although getting relevant data can be challenging

Extent of transition planning



Key challenges

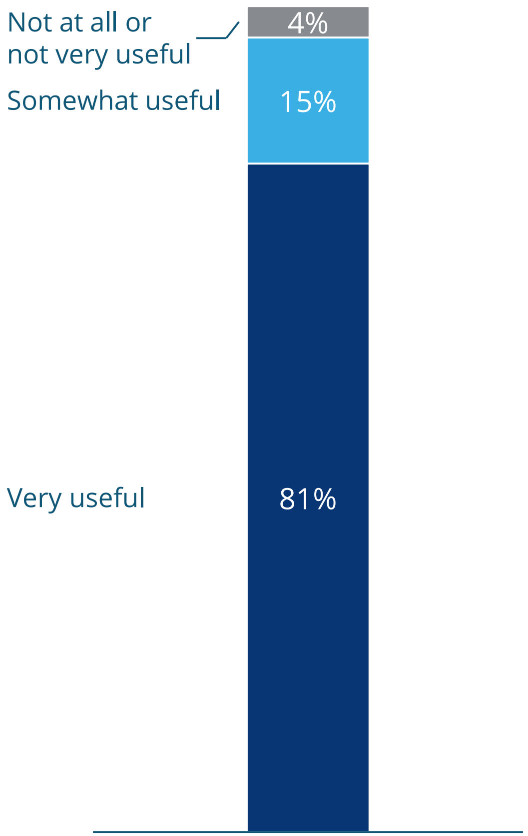
Respondents could select multiple answers



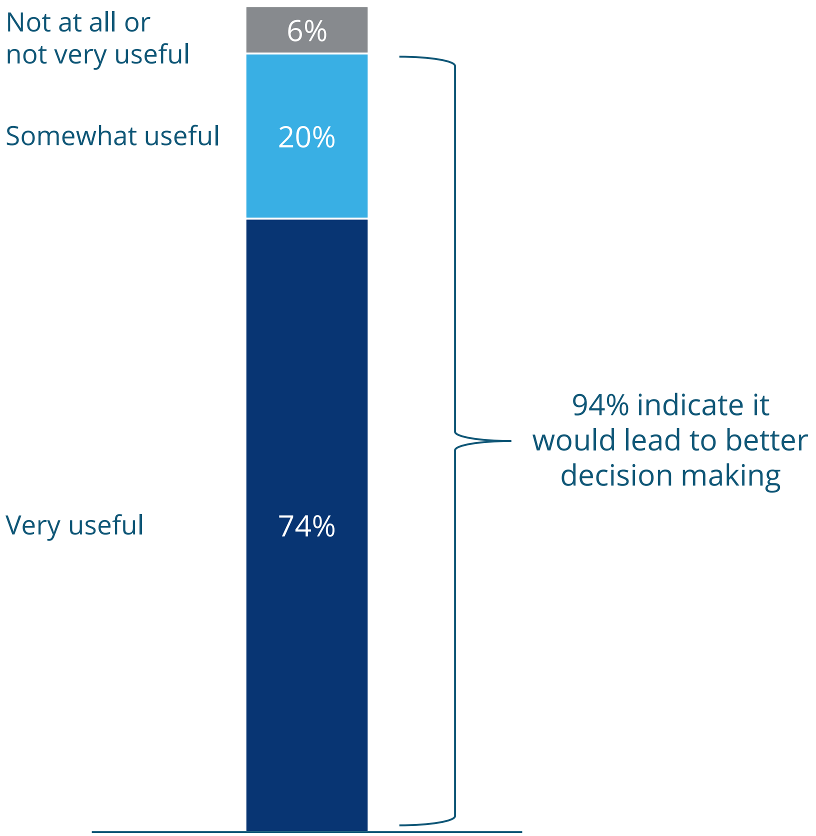
Q: When will your organization set a transition plan? Base: Preparers (n = 100)
Q: What are the key challenges your organization is facing or may face in setting a transition plan? Base: Preparers (n = 100)

Most users responded that they find disclosure of transition plans very useful

Usefulness of preparers' disclosure of transition plans



Extent to which users think transition plan disclosures would be useful for decision making

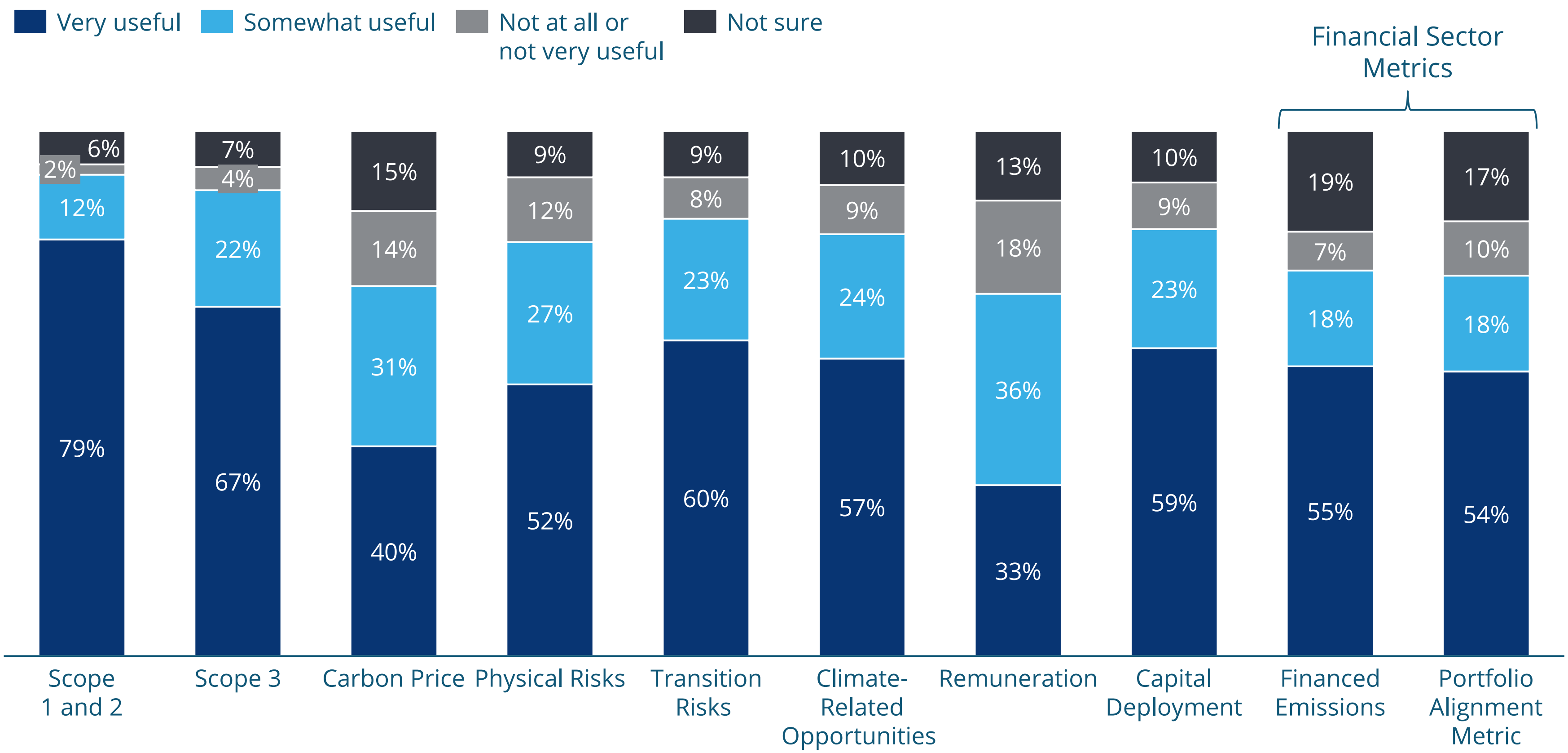


Q: How useful to your organization would it be for preparers to disclose transition plans? Base: Users (n = 106)
Q: There are different benefits derived from disclosure of transition plans by preparers. How useful are disclosures of transition plans in fulfilling the benefits described below? Base: Users (n = 106)

All Respondents

Most respondents report that climate-related metrics are useful for structuring and tracking progress of transition plans

Usefulness of cross-industry, climate-related metrics for transition plans



Q: How useful are climate-related metrics for structuring and tracking progress of a transition plan?
Base: All respondents (n = 203)

3

UPDATES TO DOCUMENTS BASED ON RESULTS OF CONSULTATION

Based on the consultation, the Task Force modified certain aspects of its *Guidance on Metrics, Targets, and Transition Plans*

Section of Guidance	Key Changes
A Overview and Background	• Include more information on the **reasons the Task Force developed this guidance** as well as its **purpose**.
B Scope and Approach	• Include a section to address the scope of the report, the approach for its development, and **key considerations for preparers using the guidance**.
C Climate-Related Metrics	• Reframe the cross-industry, climate-related metrics as **metric categories** to better reflect the need for organizations and industries to operationalize these categories further. • Clarify organizations should disclose **internal carbon prices** rather than internal and external carbon prices, as disclosing external carbon price is already covered by scenario analysis guidance • Include additional **implementation examples** for each metric category. • Recognize **not all organizations have the resources, including data and methodologies, to present quantitative information across all metric categories at this time** and encourage them to begin where resources and expertise allow. • Clarify the **work conducted by Portfolio Alignment Team** in developing *Measuring Portfolio Alignment: Technical Considerations* was at the request of TCFD rather than a TCFD-developed report
D Climate-Related Targets	• Clarify **organizations should disclose climate-related targets** related to the cross-industry, climate-related metric categories **where relevant.** • Include a case study describing **an approach for standardizing disclosure of climate-related targets.**
E Transition Plans	• **Better distinguish guidance** on developing a transition plan from guidance on disclosing key information from transition plans. • Include **example disclosures** related to transition plan information.
F Financial Impacts	• Include a separate section on financial impact to **distinguish financial impacts more clearly.** • Provide guidance on **assessing the financial impacts of climate-related risks and opportunities.**

The updated Guidance on Metrics, Targets, and Transition Plans is available at:
assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf

Comparison of the consultation language and updated guidance for climate-related metrics and financial impacts (1/2)

Consultation Language		**Updated Metric Category Language**
Summary	Detailed	
Scope 1 and 2	Absolute Scope 1 and 2 GHG emissions	**GHG Emissions:** Absolute Scope 1, Scope 2, and Scope 3; emissions intensity
Scope 3	Relevant, material categories of Absolute Scope 3 GHG emissions	
Carbon Price	External and shadow/internal carbon price(s)	Price on each ton of GHG emissions used internally by an organization
Physical Risks*[1]	Proportion of assets and/or operating, investing, or financing activities materially exposed to physical risks, based on key categories of commonly accepted risks	Amount and extent of assets or business activities vulnerable to physical risks
Transition Risks*[1]	Proportion of assets and/or operating, investing, or financing activities materially exposed to transition risks, based on key categories of commonly accepted risks	Amount and extent of assets or business activities vulnerable to transition risks
Climate-Related Opportunities	Proportion of assets and/or operating, investing, or financing activities aligned toward climate-related opportunities, based on key categories of commonly accepted opportunities	Proportion of revenue, assets, or other business activities aligned with climate-related opportunities

Note: While some organizations already disclose metrics consistent with these categories, the Task Force recognizes others—especially those in the early stages of disclosing climate-related financial information—may need time to adjust internal processes before disclosing such information. In addition, some of the metric categories may be less applicable to certain organizations. For example, data and methodologies for certain metrics for asset owners (e.g., impact of climate change on investment income) are in early stages of development. In such cases, the Task Force recognizes organizations will need time before such metrics are disclosed to their stakeholders.

Application of Materiality: The Task Force believes all organizations should disclose absolute Scope 1 and Scope 2 GHG emissions independent of a materiality assessment. The disclosure of Scope 3 GHG emissions is subject to materiality; however, the Task Force encourages organizations to disclose such emissions. The other cross-industry, climate-related metric categories remain subject to materiality. Organizations should determine materiality for climate-related metrics consistent with how they determine the materiality of other information included in their financial filings.

***Transition and Physical Risks:** Due to challenges related to portfolio aggregation and sourcing data from companies or third-party fund managers, financial organizations may find it more difficult to quantify exposure to climate-related risks. The Task Force suggests that financial organizations provide qualitative and quantitative information, when available.

1. The Task Force removed the words "materially" and "material" from these categories based on comments raised in the consultation that these qualifiers were confusing since the disclosure of metrics and targets are generally subject to materiality.

Comparison of the consultation language and updated guidance for climate-related metrics and financial impacts (2/2)

Consultation Language Summary	Consultation Language Detailed	Updated Metric Category Language
Remuneration*	Proportion of executive management remuneration linked to climate considerations	Proportion of executive management remuneration linked to climate considerations
Capital Deployment	Amount of expenditure or capital investment deployed toward climate risks and opportunities	Amount of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities

Note: While some organizations already disclose metrics consistent with these categories, the Task Force recognizes others—especially those in the early stages of disclosing climate-related financial information—may need time to adjust internal processes before disclosing such information. In addition, some of the metric categories may be less applicable to certain organizations. For example, data and methodologies for certain metrics for asset owners (e.g., impact of climate change on investment income) are in early stages of development. In such cases, the Task Force recognizes organizations will need time before such metrics are disclosed to their stakeholders.
Application of Materiality: The Task Force believes all organizations should disclose absolute Scope 1 and Scope 2 GHG emissions independent of a materiality assessment. The disclosure of Scope 3 GHG emissions is subject to materiality; however, the Task Force encourages organizations to disclose such emissions. The other cross-industry, climate-related metric categories remain subject to materiality. Organizations should determine materiality for climate-related metrics consistent with how they determine the materiality of other information included in their financial filings.
***Remuneration:** While the Task Force encourages quantitative disclosure, organizations may include descriptive language on remuneration policies and practices, such as how climate change issues are included in balanced scorecards for executive remuneration.
Organizations may need time to evaluate and determine which metrics are relevant to disclose, identify and collect data and other information needed for the calculation of metrics, implement new or update existing processes to address or include relevant metrics, etc. The Task Force recognizes the amount of time needed to disclose certain metrics (e.g., physical risks) consistent with the categories identified in this table.

Financial Impacts	Consultation Language	Updated Financial Impact Language
Financial Performance[1]	Impact of any material climate-related risks or opportunities on financial performance (e.g., cost, profitability, operating cash flow, impairment)	Impact of climate-related risks or opportunities on financial performance
Financial Position[1]	Impact of any material climate-related risks or opportunities on financial position (e.g., assets and liabilities)	Impact of climate-related risks and opportunities on financial position

1. The Task Force removed the words “materially” and “material” from these categories based on comments raised in the consultation that these qualifiers were confusing since the disclosure of metrics and targets are generally subject to materiality.

Updates to *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD annex)* (1/3)

Section of Annex	Key Changes
A Introduction	• Updated *Section A.3. Application of Recommendations* to **encourage all organizations to disclose Scope 1 and Scope 2 GHG emissions independent of an assessment of materiality**. The disclosure of Scope 3 GHG emissions is subject to materiality; however, the Task Force encourages organizations to disclose such emissions.
B Recommendations	• *No changes*
C Guidance for all Sectors	• **Removed tables on alignment of the recommendations with other frameworks** as they were originally included primarily to demonstrate the Task Force's use of existing disclosure frameworks in developing its recommendations. Since 2017, many climate-related disclosure regimes have aligned with the TCFD recommendations and generally indicate within their frameworks where such alignment exists. **Strategy** • Revised to more explicitly address disclosure of **actual financial impacts** on organizations as well as key information from organizations' plans for transitioning to a low-carbon economy (**transition plans**). • Revised to more explicitly address disclosure of **potential financial impacts** on organizations. **Metrics and Targets** • Revised to more explicitly address disclosure of metrics consistent with **cross-industry, climate-related metric categories** for current, historical, and future periods, where appropriate. • Revised disclosure of **Scope 1 and Scope 2 GHG emissions to be independent of a materiality assessment.** • Revised to **encourage disclosure of Scope 3** GHG emissions. • Added disclosure of **targets consistent with cross-industry, climate-related metric categories**, where relevant. • Added disclosure of **interim targets**, where available, for organizations disclosing medium-term or long-term targets.

The 2021 annex is available at:
assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf

Updates to *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD annex)* (2/3)

	Section of Annex	Key Changes
D	Supplemental Guidance for the Financial Sector Banks	**Strategy** • For purposes of reporting on exposure to **carbon-related assets**, expanded the suggested definition of assets to include all non-financial groups identified by the TCFD in its 2017 report.
		Metrics and Targets • Added disclosure of the **extent to which lending and other financial intermediary business activities are aligned with a well below 2°C scenario**. • Added disclosure of **GHG emissions for lending and other financial intermediary business activities**, where data and methodologies allow.
	Supplemental Guidance for the Financial Sector Insurance Companies	**Metrics and Targets** • Added disclosure of the **extent to which insurance underwriting activities are aligned with a well below 2°C scenario.** • Added disclosure of **weighted average carbon intensity or GHG emissions associated with commercial property and specialty lines of business**, where data and methodologies allow.
	Supplemental Guidance for the Financial Sector Asset Owners	**Metrics and Targets** • Added disclosure of the **extent to which assets they own and funds and investment strategies, where relevant, are aligned with a well below 2°C scenario**. • Added disclosure of **GHG emissions for assets they own,** where data and methodologies allow.
	Supplemental Guidance for the Financial Sector Asset Managers	**Metrics and Targets** • Added disclosure of the **extent to which assets under management and products and investment strategies, where relevant, are aligned with a well below 2°C scenario.** • Added disclosure of **GHG emissions for assets under management,** where data and methodologies allow.

The 2021 annex is available at:
assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf

Updates to *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD annex)* (3/3)

Section of Annex	Key Changes
E Supplemental Guidance for Non-Financial Groups	• Removed the **illustrative examples of metrics for the four non-financial groups**, as work by other frameworks and standard setters provide more detailed guidance on sector-specific metrics and are updated on a regular basis.
F Fundamental Principles for Effective Disclosure	• *No changes*
Appendices	• Added **new appendix** on cross-industry, climate-related metric categories to provide more information on the rationale for inclusion of each metric category

The 2021 annex is available at:
assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf

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