



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

FORWARD-LOOKING FINANCIAL METRICS CONSULTATION

Summary of responses

March 2021

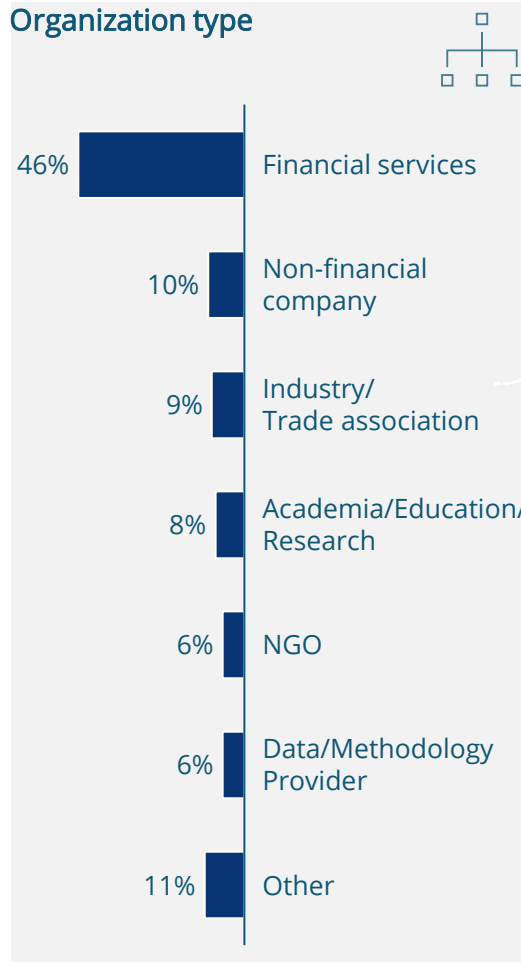
Background and scope of consultation

- The Task Force’s recommendations and supplemental guidance published in 2017 encouraged asset managers and asset owners to disclose to their clients and beneficiaries the metrics they use to assess climate-related risks and opportunities as well as other metrics they believe are useful for decision making
- Disclosure practices and the use of disclosures by financial market participants have continued to evolve since 2017 through development of new research, tools, and resources as well as in response to a growing frequency of physical climate-related impacts
- Additionally, 120 countries plus the European Union have announced that they are working towards achieving net-zero greenhouse gas (GHG) emissions by 2050—an indication of potential shifts in business models and capital flows that the financial sector seeks to understand
- In this context, the Task Force on Climate-related Financial Disclosures (Task Force or TCFD) **conducted a public consultation from October 29, 2020–January 28, 2021** to gather feedback on potential forward-looking metrics for financial firms
 - The Task Force solicited views on **decision-useful, forward-looking metrics to be disclosed by financial institutions, both requesting feedback on a specific set of metrics** that have gained interest from the financial sector in recent years **and on the usefulness of forward-looking financial metrics more broadly**
 - Invitations to respond to the survey were sent to TCFD supporters, representatives of NGOs, and business association partners as well as shared through TCFD’s social media pages.
 - A total of **209 respondents completed the consultation survey** as of January 28. These slides summarize key findings from the consultation survey. Findings focus on the relevant subset of respondents for each question
 - In addition, **several firms/organizations submitted response letters**, which will be considered when drafting additional guidance

Overview of respondents

Roughly half of respondents were financial services firms. A quarter of respondents hold roles focused on sustainability, while a fifth are involved in investment and asset management. Half of respondents were from organizations headquartered in EMEA, with most of the remaining from the AMER and APAC regions

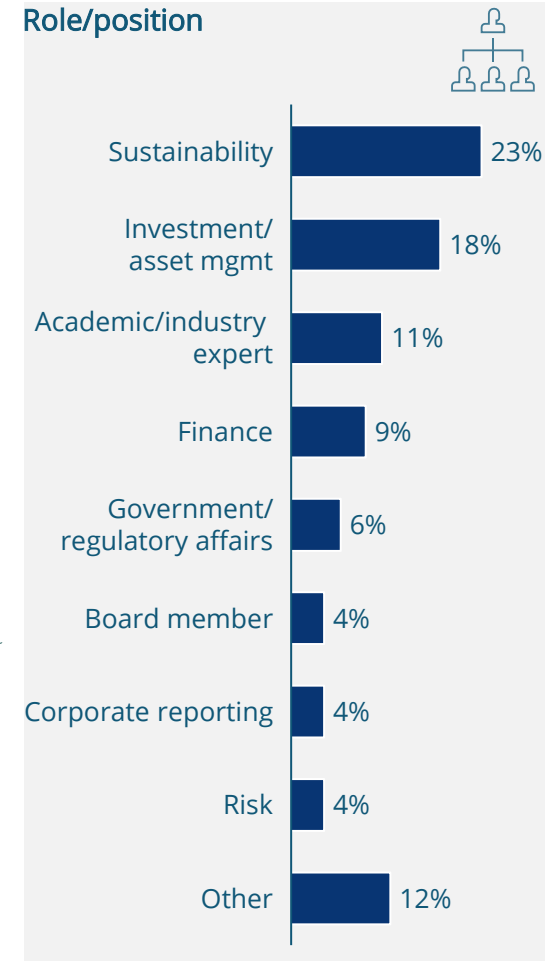
Organization type



Location of headquarters



Role/position



Q1: Where is your organization headquartered?
 Q2: What is your role/position? Please select ONE only.
 Q3: Which one of the following best describes your organization? Please select ONE only.
 Base: Respondents (n = 209)

Key takeaways from the consultation

Use and disclosure of forward-looking financial metrics

- **Three-quarters of respondents report using some form of “forward-looking metrics,”** a category that **includes not only the universe of metrics specifically considered in the consultation**—for example, implied temperature rise, climate value-at-risk, and portfolio alignment estimates— **but also a broader range of metrics** that include measures of emissions, carbon intensity, environmental resources, and screening criteria
- This **broad set of metrics support many uses** including risk management, portfolio allocation, and communication and engagement. **Roughly half to three-quarters of respondents at financial firms report using at least one of these metrics**, with asset managers reporting the highest use
- **Fewer report using the metrics described in the consultation.** When used, these metrics are **more likely to be used for monitoring** than to support financial decision-making. Only a tenth of those that use these metrics currently disclose them, though an additional third plan to do so in the future

Methodology considerations

- Respondents **agree there are challenges using and disclosing the metrics described in the consultation**, with roughly three-quarters particularly concerned with reliance on assumptions to derive future emissions, future uncertainty, and opaque or difficult methodologies
- Despite the challenges raised, respondents agree that the consultation metrics **could be useful with improvements to methodology**, with roughly three-quarters point to the need for more transparency, comparability, and standardization across methodologies as well as improved emissions data
- Almost all would like the methodology for forward-looking metrics to **cover Scope 1 and 2 emissions, with many interested in Scope 3** as well

The Task Force will consider these findings in its planned 2021 work on Metrics and Targets and will release broader, additional draft guidance for further market review

Three quarters of respondents report using some form of “forward-looking metrics” but they define such metrics broadly

Universe of forward-looking metrics discussed by respondents

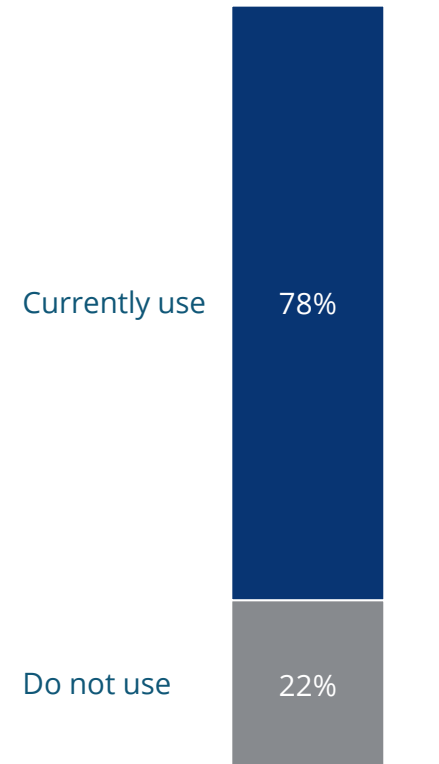
Forward-looking metrics laid out in the consultation document

- Implied temperature rise or warming potential
- Climate value-at-risk
- A forward-looking estimate of the amount or percentage of carbon-related assets in each portfolio over the course of their planning horizon
- Unpriced carbon cost
- Carbon earnings at-risk
- Amount of apportioned emissions over/under a 1.5°C alignment trajectory
- The proportion of underlying investments that are aligned with the EU Taxonomy

Additional forward-looking metrics mentioned by respondents

- Future carbon emissions
- GHG emissions intensity
- Physical carbon intensity
- Carbon exposure
- Revenue intensity
- Weighted average carbon intensity
- Water usage
- Climate sensitivity
- Green/brown share
- Investment screening from climate related risk
- Qualitative & quantitative evaluations of climate VaR
- % of companies in Science-Based Targets Initiative
- MSCI ESG index scores
- Environmental impact of project finance
- Physical, regulatory, transition risks related to climate change

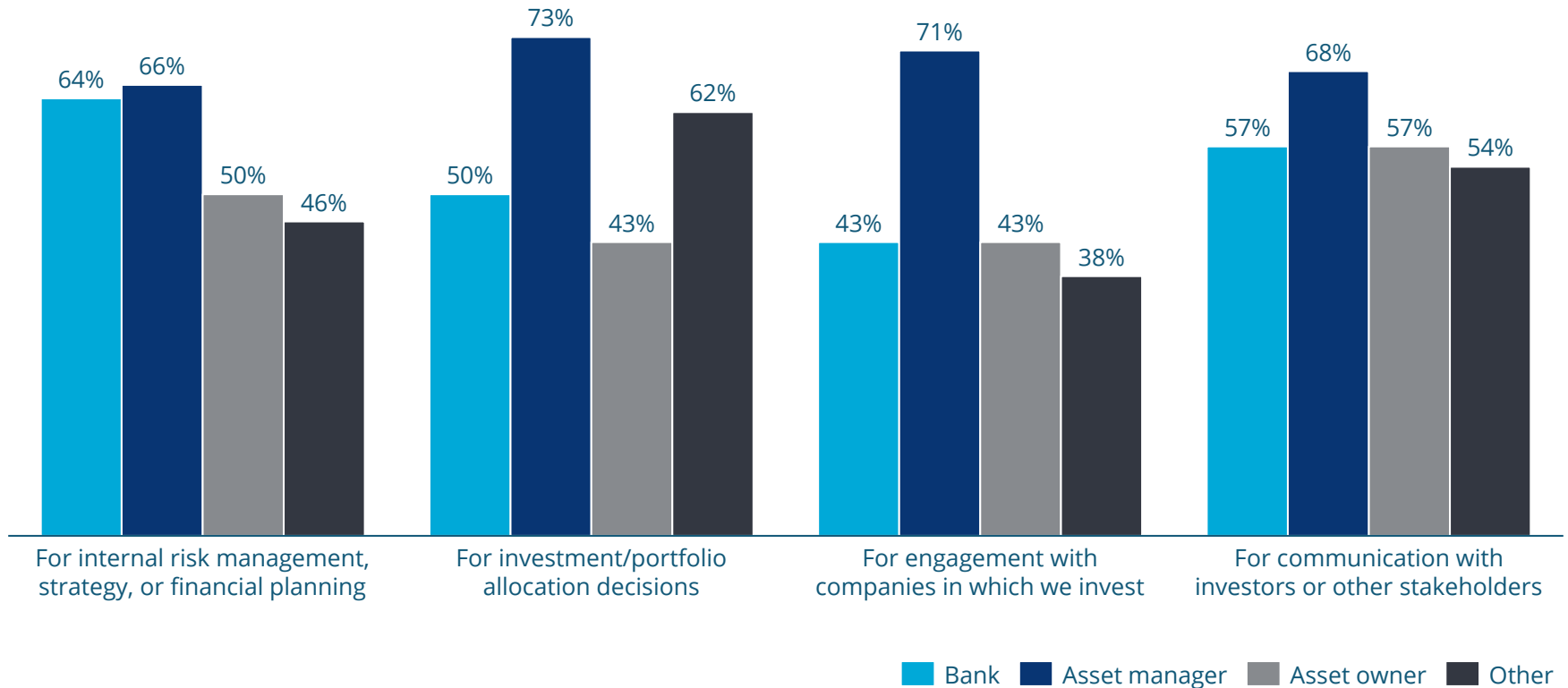
Report using forward-looking metrics, broadly defined



Q7: In what way are forward-looking climate-related metrics used within your organization? Check all that apply.
 Summary information represents percentage that checked at least one use case.
 Base: Respondents (n = 209)

Respondents leverage a broad universe of metrics across a range of use cases-with asset managers reporting the highest use

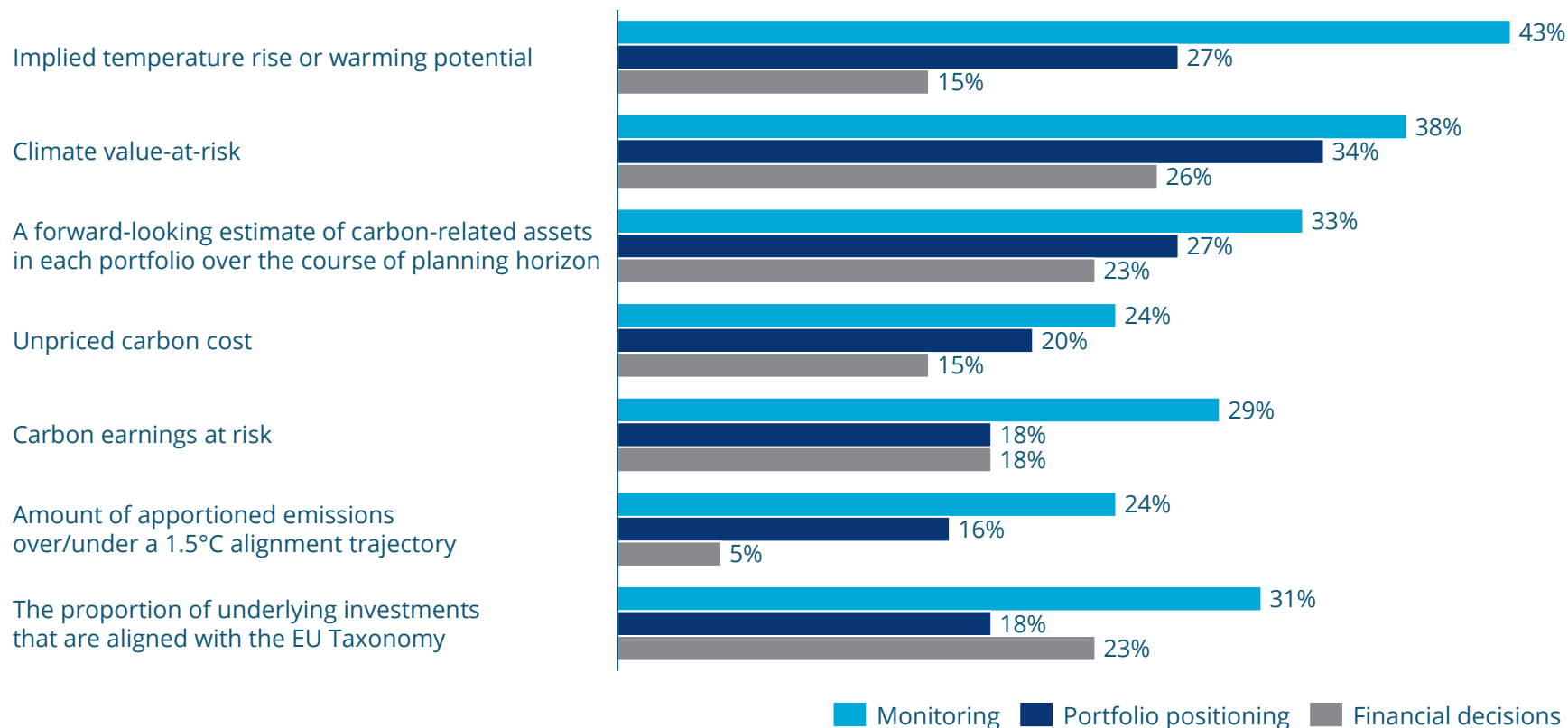
Use of forward-looking metrics Financial services only



Q7: In what way are forward-looking climate-related metrics used within your organization? Check all that apply.
 Base: Respondents in financial services (n = 96); includes respondents from banks, asset managers, asset owners, and those from other financial services firms, including stock exchanges, index providers, insurance, and ESG ratings

But fewer report using the metrics described in the consultation, and more often for monitoring than financial decisions

Forward-looking metrics used for decision making Financial services only

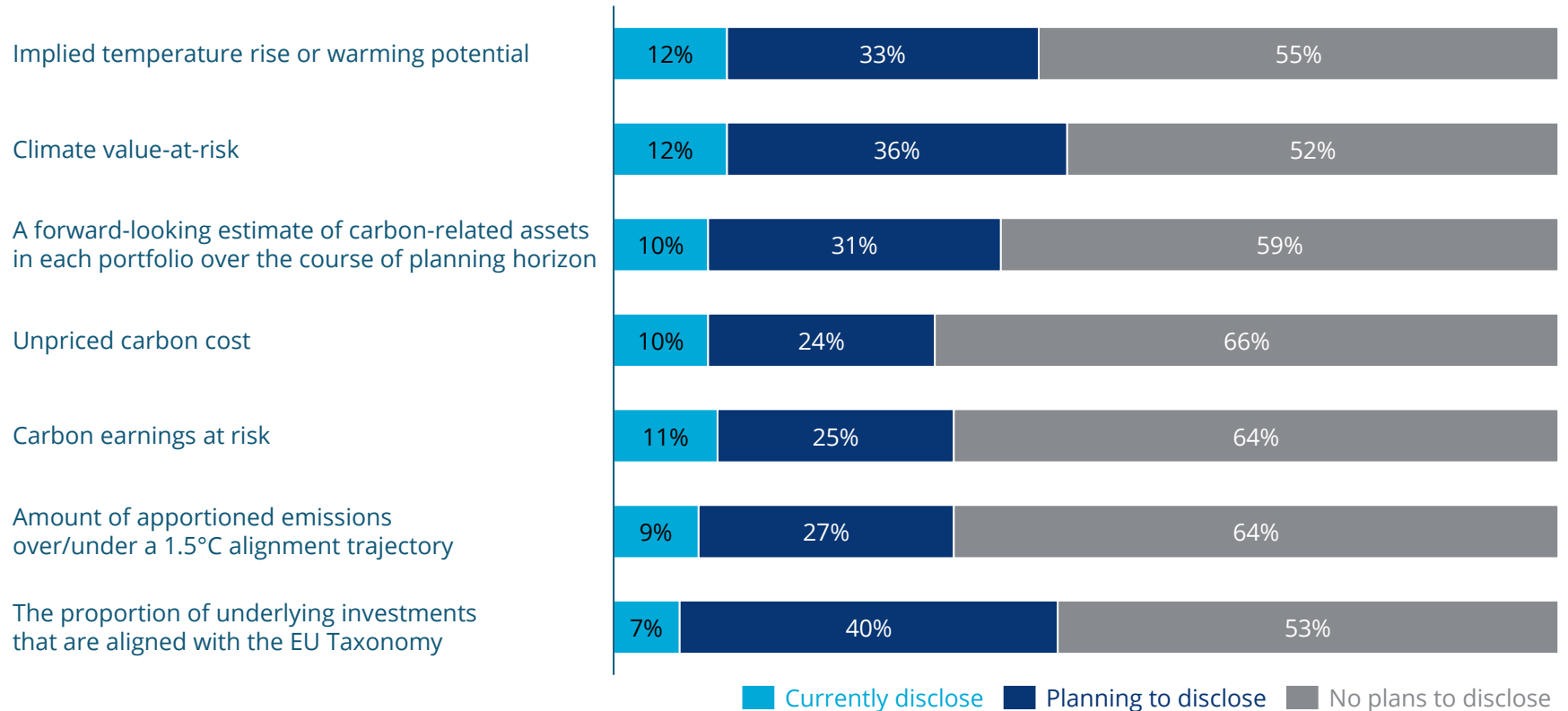


Q10: Please select any metrics your organization uses for financial decisions, monitoring, or to consider the positioning of your total portfolio with respect to the transition to a lower-carbon economy:
 Base: Respondents in financial services (n = 96); includes respondents from banks, asset managers, asset owners, and those from other financial services firms, including stock exchanges, index providers, insurance, and ESG ratings

A minority of firms currently disclose the consultation metrics, with more planning to do so in the future

Disclosure of metrics

Those using forward-looking metrics

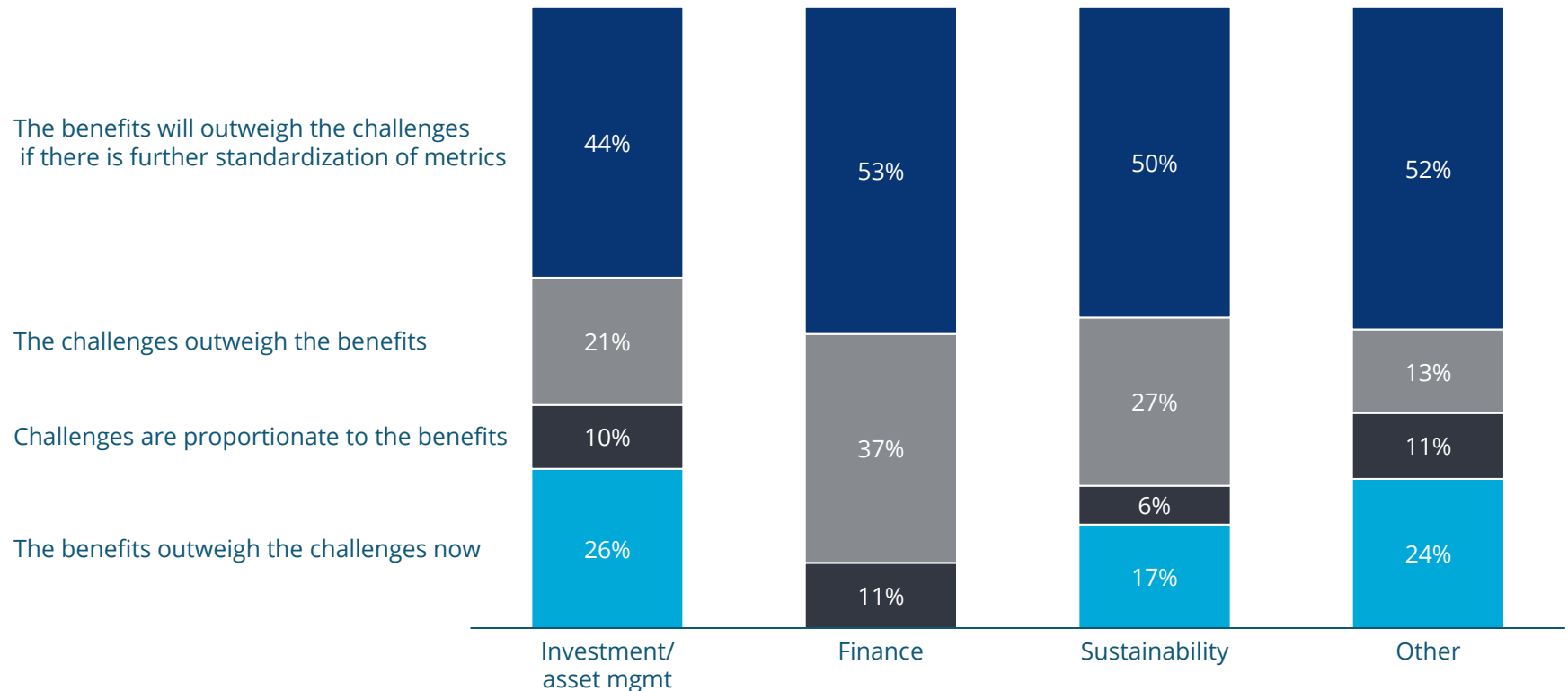


Q12: Which of the following metrics does your organization disclose?

Base: Respondents using consultation metrics (n = 162); 22% do not use such metrics and were excluded from the analysis

Half of respondents say that disclosure would be worth the effort with further standardization of metrics

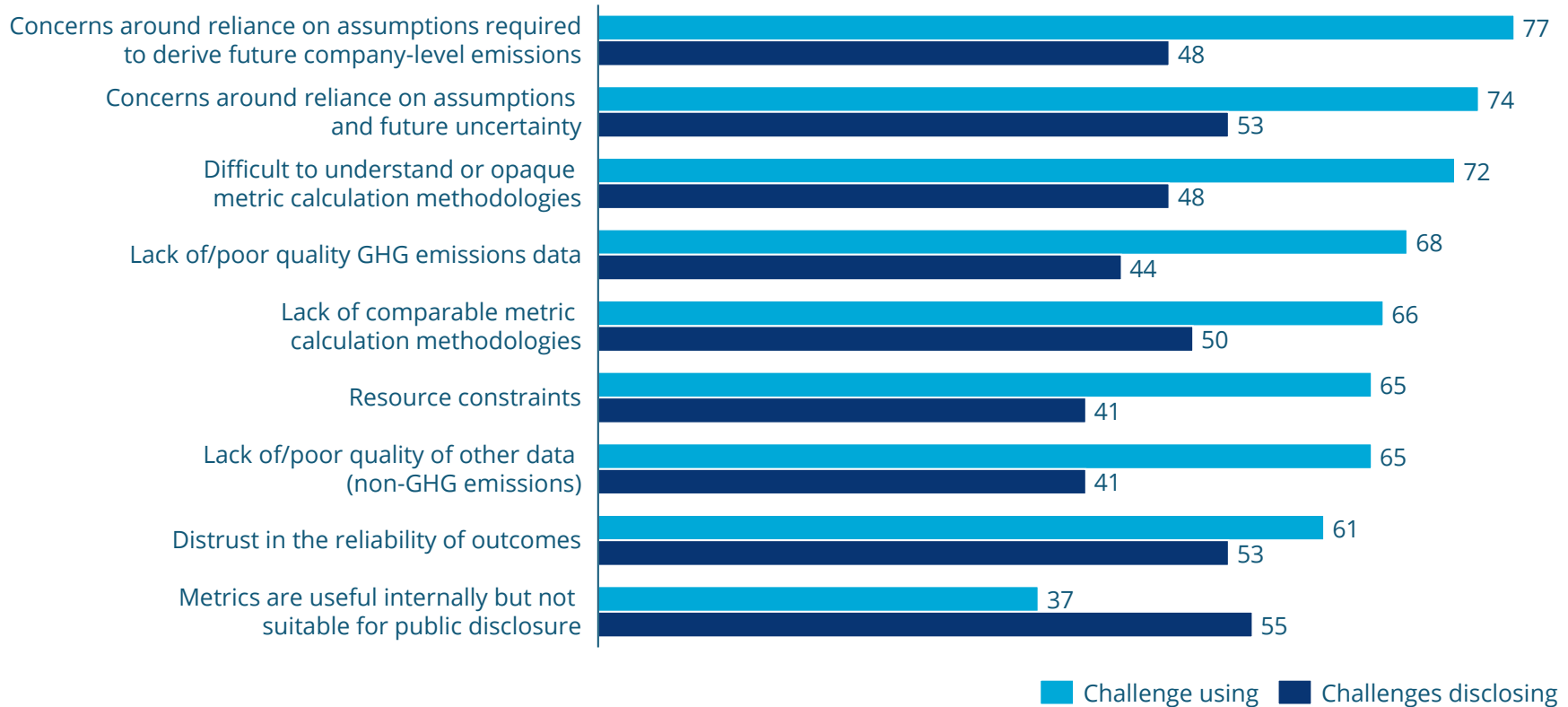
Current perceptions of disclosure for forward-looking metrics



Q18: How do you currently view disclosure for forward-looking climate-related metrics?
Base: Respondents (n = 209)

Respondents agreed with a wide variety of current challenges with using and disclosing forward-looking metrics...

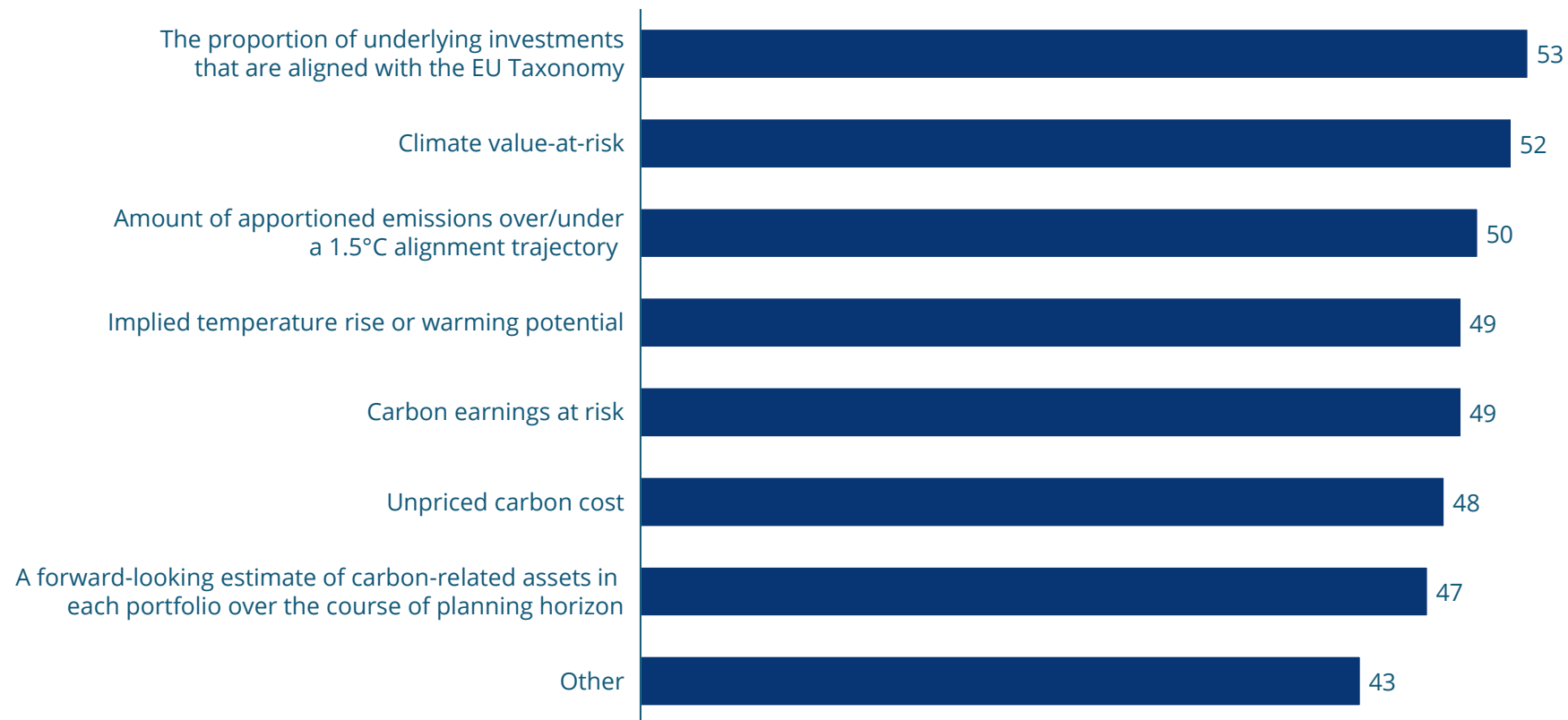
Challenges faced using or disclosing forward-looking metrics Financial services only



Q35: Which challenges has your organization faced in using or disclosing forward-looking metrics?
 Base: Respondents in financial services (n = 96); includes respondents from banks, asset managers, asset owners, and those from other financial services firms, including stock exchanges, index providers, insurance, and ESG ratings

...and noted that most could be useful with improvements to methodology

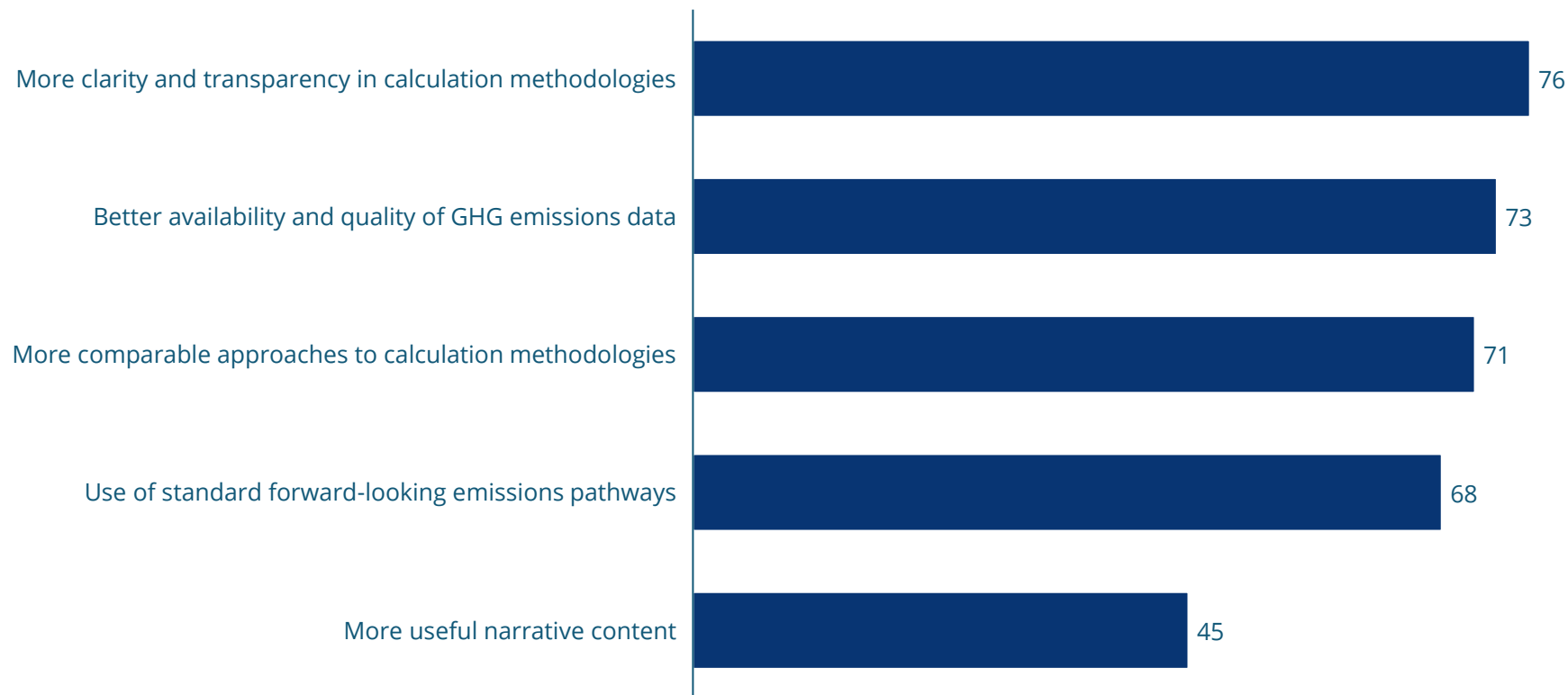
Forward-looking metrics could be useful with improvements to methodology



Q26: Which of the following metrics do you find useful for financial decision-making? Select (1) useful now, (2) could be useful with improvements to methodology, (3) not useful
Base: Respondents (n = 209)

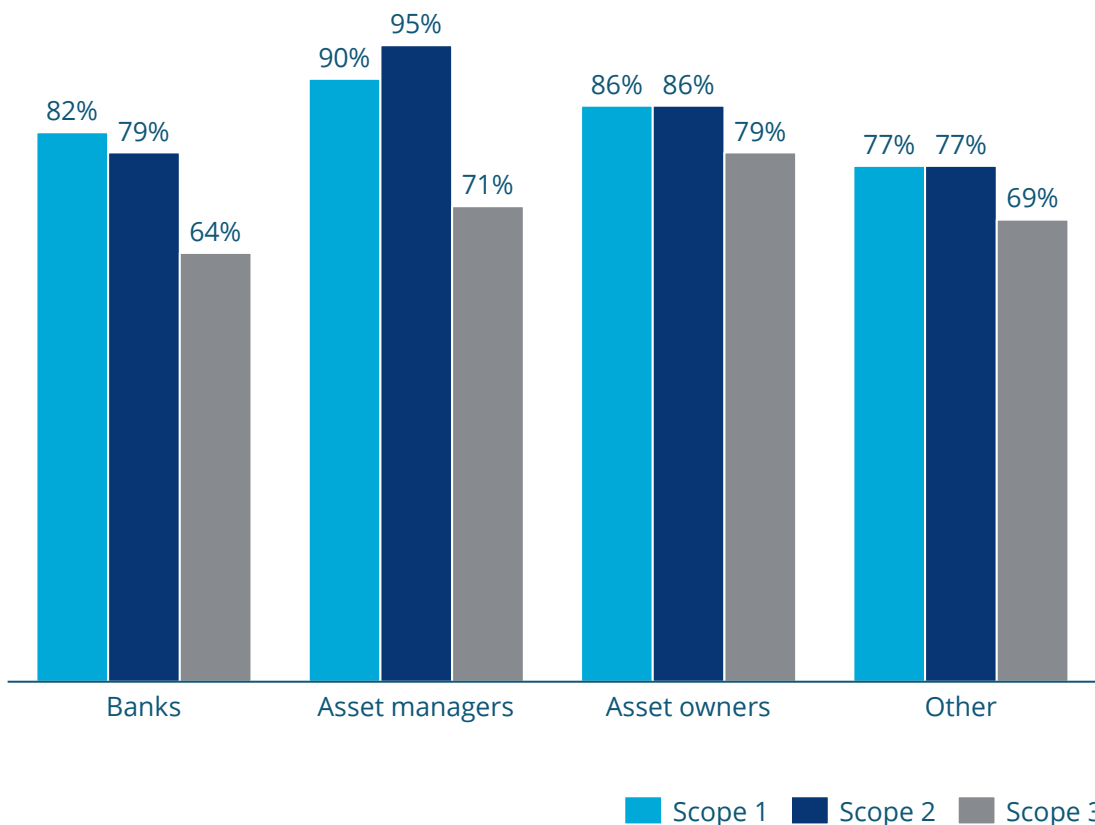
Improvements should focus on transparency, standardization, and comparability as well as improved emissions data

Factors that would improve usefulness of forward-looking metrics



Almost all would like methodology to cover Scope 1 and 2 emissions, with many interested in Scope 3 coverage

GHG emissions scopes in ideal forward-looking methodology
Financial services only



Relevant excerpts on Scope 3

Scope 3 emissions should be included for financial holdings **in sectors where Scope 3 constitutes a significant portion** of emissions, such as Oil, Gas and Autos.

GHG emissions data not considering scope 3 **would not paint a full picture** of the company's progress on Paris alignment.

Scope 3 could be covered with the caveat that current Scope 3 data is **not very granular** and largely amounts to an industry-level coefficient. However, this type of coefficient is important in showing how **certain sectors have enormous Scope 3 footprints compared to others**.

Scope 3 is **challenging given the inconsistent reporting and difficulty in accurate measurement** compared to Scope 1 & 2 - but it is **critical for certain sectors** such as autos, oil & gas.

Q22: Which GHG emissions scopes should be covered in an ideal forward-looking methodology for metrics related to emissions? Select all that apply.
Base: Respondents in financial services (n = 96); includes respondents from banks, asset managers, asset owners, and those from other financial services firms, including stock exchanges, index providers, insurance, and ESG ratings

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