

**MEMO# 32979**

December 14, 2020

# TCFD Consultation on Forward-Looking Financial Sector Metrics

[32979]

December 14, 2020 TO: ICI Members

ICI Global Members

ESG Advisory Group

ESG Task Force SUBJECTS: Disclosure

ESG

Fund Accounting & Financial Reporting

International/Global

Investment Advisers RE: TCFD Consultation on Forward-Looking Financial Sector Metrics

The Task Force on Climate-related Financial Disclosures (TCFD) has issued a public consultation on decision-useful, forward-looking metrics by financial institutions (i.e., asset owners, asset managers, banks, and insurance companies).[\[1\]](#) The consultation was issued in connection with the TCFD's 2020 Status Report.[\[2\]](#) The consultation period ends on January 27, 2021.

## Background

In its 2019 status report,[\[3\]](#) the TCFD identified specific areas it intended to explore to support implementation of its 2017 disclosure recommendations.[\[4\]](#) One of the areas was related to clarifying elements of the 2017 supplemental guidance on financial institutions' disclosure practices—especially as they relate to metrics and targets—and in consideration of market and industry developments. The TCFD determined that insights gained through a public consultation on current options would be useful in better understanding the evolution of metrics and targets reporting by asset owners, asset managers, banks, and insurance companies.

## Consultation Paper and Survey

The consultation paper provides a brief background and context on climate-related metrics for the financial sector. Through an online survey, the TCFD seeks input on the usefulness and challenges of forward-looking metrics and invites suggestions on ways to enhance their comparability, transparency, and rigor.[\[5\]](#)

The consultation paper notes that there is increasing interest in forward-looking climate-related information to inform financial decision-making and that “implied temperature rise associated with investments” (ITR) is a metric that has gained interest from the financial

sector. ITR metrics aim to provide a forward-looking view of carbon exposure that can be applied to a wide range of industries, companies, and asset classes. In its consultation, the TCFD seeks broad input on whether, and how, ITR disclosure would be useful in financial decision-making. It also seeks input on which types of organizations might disclose ITR, which types of investments an ITR disclosure could address, as well as its limitations, potential challenges, and what might be needed to improve its usefulness. The TCFD also seeks to understand alternative forward-looking metrics that could be disclosed by financial institutions in line with the TCFD recommendations. The survey asks, among other things, about the use and disclosure of such metrics as ITR, carbon value-at-risk, and climate value-at-risk.

The consultation observes that certain challenges might limit the extent to which current forward-looking metrics are useful for financial decision-making—and necessitate further innovations or refinements to make such metrics more suitable and robust.

The TCFD will take consultation responses into consideration to determine whether further TCFD financial sector guidance on forward-looking metrics is needed.

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#### **endnotes**

[1] TCFD, Forward-Looking Financial Sector Metrics Consultation, October 2020, *available at* [https://assets.bbhub.io/company/sites/60/2020/09/2020-TCFD\\_Consultation-Forward-Looking-Financial-Sector-Metrics.pdf](https://assets.bbhub.io/company/sites/60/2020/09/2020-TCFD_Consultation-Forward-Looking-Financial-Sector-Metrics.pdf).

[2] TCFD, 2020 Status Report, October 2020, *available at* <https://www.fsb.org/wp-content/uploads/P291020-1.pdf>.

[3] TCFD, 2019 Status Report, June 2019, *available at* <https://assets.bbhub.io/company/sites/60/2020/10/2019-TCFD-Status-Report-FINAL-0531191.pdf>.

[4] TCFD, Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, June 29, 2017, *available at* <https://assets.bbhub.io/company/sites/60/2020/10/FINAL-TCFD-Annex-Amended-121517.pdf>.

[5] The survey is *available at* <https://selfserve.decipherinc.com/survey/selfserve/1f3a/201015?list=1#?>.