The New York Times

EBRD Publishes Guidance for Firms Disclosing Climate Impacts

By Reuters

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LONDON — The European Bank for Reconstruction and Development has published guidance for companies reporting on the physical impact of climate change in their financial results.

Concerns in the financial community that assets are being mispriced because climate risk is not being factored into financial reporting has prompted demand for more meaningful and transparent climate-related financial information.

A global task force set up by the G20, the Task Force on Climate-Related Disclosures (TFCD), has developed a voluntary framework for companies to disclose the financial impact of climate-related risks and opportunities.

Around two thirds of G20 member states have engaged with the framework since its launch last year, a study by the UK-based Cambridge Institute for Sustainability Leadership shows.

However, the TFCD framework does not provide much concrete detail on the metrics for reporting climate risks and opportunities in financial disclosures.

The European Bank for Reconstruction and Development (EBRD) and the Netherlands-based Global Centre for Excellence on Climate Adaptation (GCECA) therefore conducted an analysis with working groups in the financial and corporate sectors to identify a standard set of metrics.

The working groups included representatives from organisations and firms such as the Organisation for Economic Co-operation and Development, Allianz, the Bank of England, Barclays, Maersk, Lloyds, Shell, BlackRock and Zurich Asset Management.

They came up with 18 recommendations for firms when disclosing climate impacts, which include projecting physical climate effects, such as droughts, heat stress and extreme rainfall, on their assets or financial instruments' lifetime, over a five to 20-year time frame.

Risks beyond 20 years should also be assessed using scenarios to account for uncertainty in climate policy and impacts of climate change, the guidance said.

Another recommendation is for firms to assess the potential changes in their value chains as a result of physical climate impacts and potential market shifts as customer needs change.

Companies should also describe their processes for identifying, assessing and managing climate risks, such as risk management processes, insurance coverage, planned facility moves or retrofits, and corporate climate resilience strategy.

Last week, a survey by a UK committee of lawmakers showed that seven out of Britain's 25 largest pension funds have committed to report on climate risks in line with the TFCD framework. Eight are considering to do so, while 10 have no plans to do so.

(Editing by Mark Potter)