

**Climate-change risk management
regulatory and governmental publications
and communications applicable to UK
financial services companies**

February 2021

Chronology of climate-change risk management regulatory and governmental publications

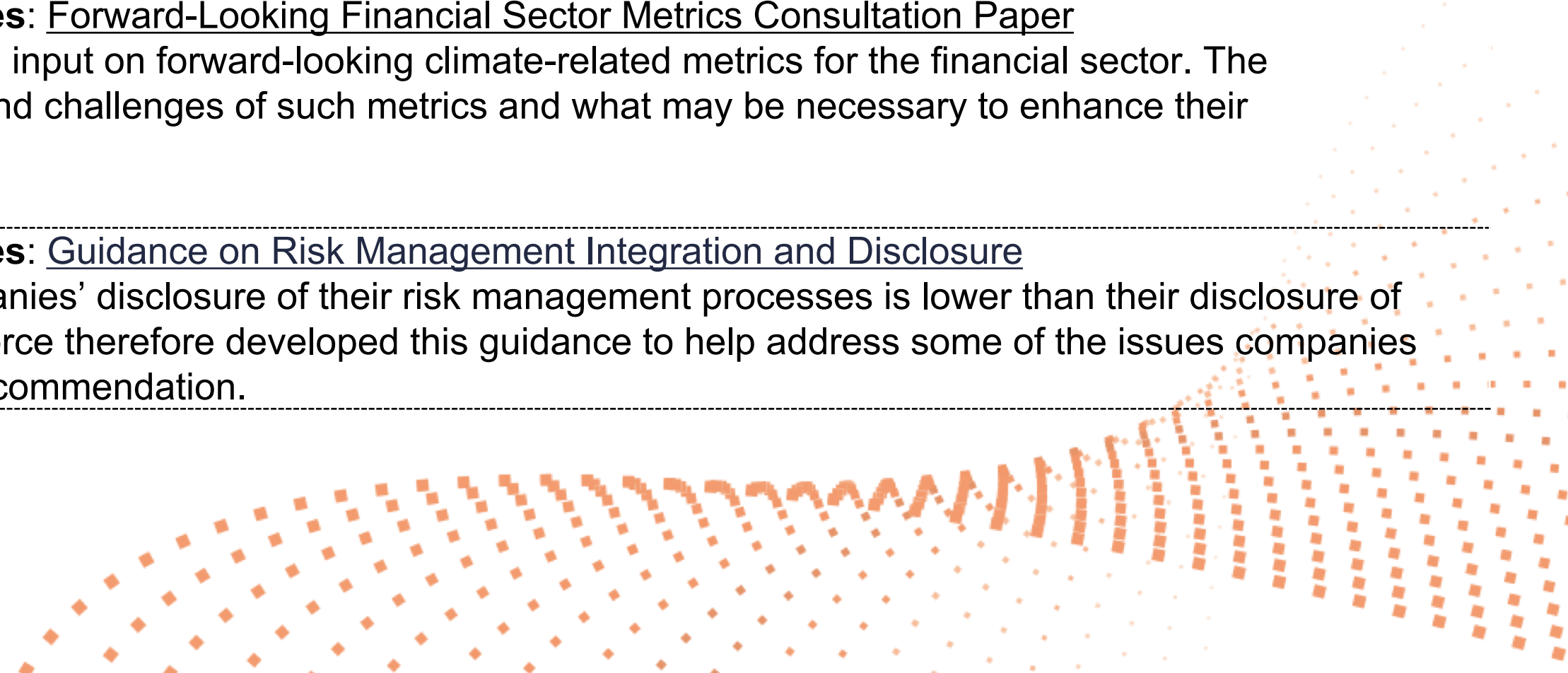
Organisation / date	Publication / communication summary and links to documents
European Supervisory Authorities (2.2.21)	Joint RTS on ESG disclosure standards for financial market participants: Final Report on draft Regulatory Technical Standards <ul style="list-style-type: none">These Joint Committee draft Regulatory Technical Standards (RTS) on ESG disclosures have been developed by the three European Supervisory Authorities (EBA, EIOPA and ESMA) under the EU Regulation on sustainability-related disclosures in the financial services sector (the Sustainable Finance Disclosure Regulation), which aims to strengthen protection for end-investors and improve the disclosures that they receive from a broad range of financial market participants and financial advisers, as well as regarding financial products.
Bank of England (28.12.20)	Response to the IFRS Foundation Consultation Paper on Sustainability Reporting <ul style="list-style-type: none">The Bank published a comment letter which reiterates its support for the International Financial Reporting Standards Foundation's proposal to establish a new sustainability reporting standard setting body, and responds to the questions posed by the IFRS Foundation's consultation paper on sustainability reporting.
Financial Conduct Authority (12.20)	<u>Policy Statement PS20/17: Proposals to enhance climate-related disclosures by listed issuers and clarification of existing disclosure obligations.</u> <ul style="list-style-type: none">The Policy Statement summarised the feedback to the FCA consultation proposals in CP20/3 and confirm the FCA final policy position. The PS also contains the final rules and guidance as well as the final Technical Note.
Bank of England (16.12.20)	<u>Update on the Bank's approach to the Climate Biennial Exploratory Scenario (CBES):</u> The update provides: <ul style="list-style-type: none">The timelines for the launch of CBES, details on required preparatory work (eg data collection, engagement with corporate counterparties).Early information on the CBES approach in selected areas which includes: (i) minimum expectations for counterparty-level analysis of corporate exposures, (ii) portfolio alignment metrics, which aim to measure the alignment of a portfolio with climate targets or a specified benchmark, (iii) the reasons for excluding traded risk from the scope of the CBES, (iv) the CBES will explore litigation risk and (iv) the balance sheet cut of date of end-2020.An indicative variable list for CBES scenarios which provides a draft set of 90 variables which may vary in each of the three climate scenarios: (i) Early Policy Action, (ii) Late Policy Action, (iii) No Additional Policy Action.

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Financial Conduct Authority (8.12.20)	<u>Climate Financial Risk Forum</u> <ul style="list-style-type: none">Minutes from the fifth meeting of the CFRF in November 2020. The working group chairs, members and secretariats have been considering how they can further their respective topics of risk management, scenario analysis, disclosure and innovation. The Forum noted the importance of progress in the development and understanding of climate data and metrics. The Forum discussed each working group's plans and the progress made to date. There was a specific discussion on the extent to which plans cater for the needs of smaller financial firms and how engagement with these firms would be undertaken over the coming period.
Bank of England (13.11.20)	<u>The Bank of England is restarting the Climate Biennial Exploratory Scenario (CBES)</u> <ul style="list-style-type: none">Information for organisations participating in the CBES, timelines for the exercise, and how the Bank intends to engage with participants ahead of launch. These decisions reflect feedback that the Bank received following publication of its December 2019 discussion paper 'The 2021 biennial exploratory scenario on the financial risks from climate change'.
UK TCFD (10.11.20)	<u>Joint statement (from the UK government and UK financial regulators) of support for the IFRS consultation on sustainability reporting</u> <ul style="list-style-type: none">The UK TCFD Taskforce, set up to examine the most effective way to approach climate-related financial disclosures, published a statement of support for the IFRS Foundation's proposal to establish a new standard setting body for sustainability reporting.
Bank of England (9.11.20)	Andrew Bailey's speech at the Corporation of London Green Horizon Summit: <u>'The time to push ahead on tackling climate change'</u> <ul style="list-style-type: none">The Governor explained what the Bank is doing to ensure the financial system and its role in tackling climate change.
HMT (11.20)	<u>Interim Report of the UK's Joint Government-Regulator TCFD Taskforce</u> <ul style="list-style-type: none">Introduces fully mandatory climate-related financial disclosure requirements across the UK economy by 2025, with a significant portion of mandatory requirements in place by 2023.
HMT (11.20)	<u>A Roadmap towards mandatory climate-related disclosure</u> <ul style="list-style-type: none">The Roadmap sets out an indicative path towards mandatory climate-related disclosures across the UK economy aligned with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).The Roadmap presents a coordinated strategy for seven categories of organisation: listed commercial companies; UK-registered companies; banks and building societies; insurance companies; asset managers; life insurers and FCA-regulated pension schemes; and occupational pension schemes.

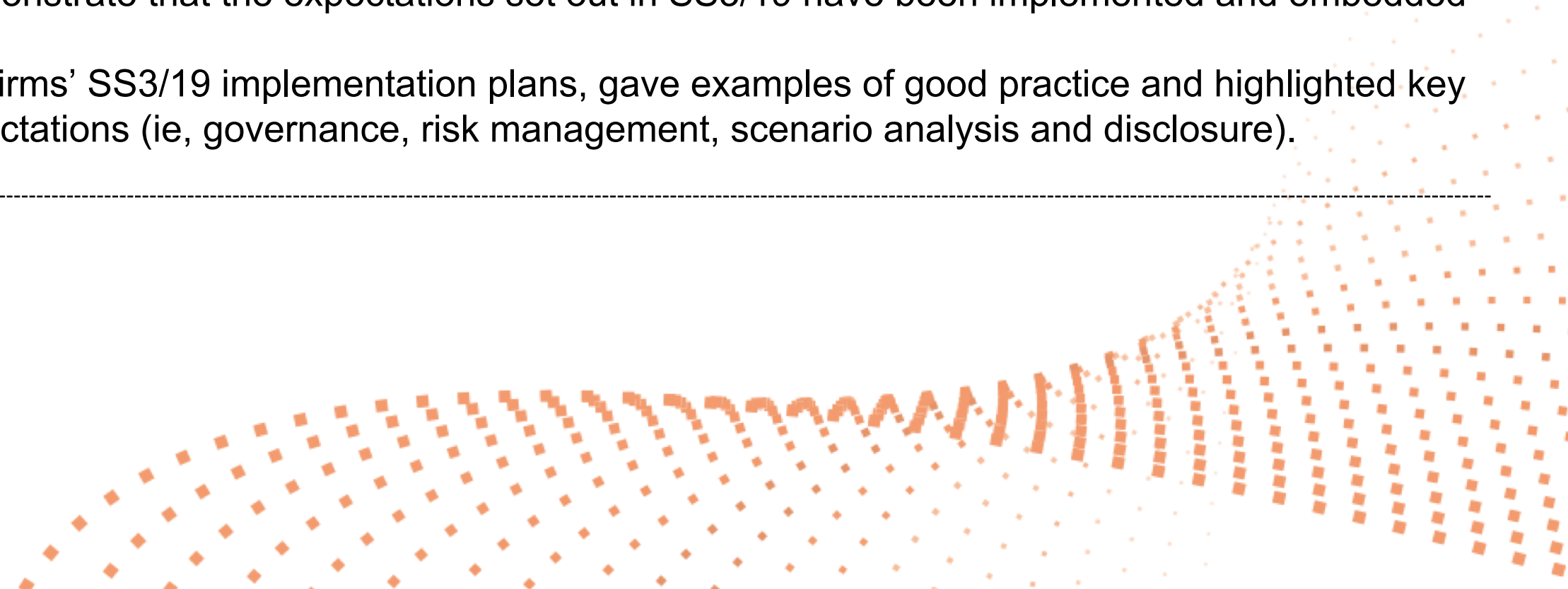
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Financial Reporting Council (11.20)	<u>Climate Thematic Review 2020</u> <ul style="list-style-type: none">Throughout 2020, the FRC undertook a thematic review of climate-related considerations by boards, companies, auditors, professional bodies and investors. This report formed part of that review and summarised its findings.The Report provided detailed findings on: (i) <u>governance</u>, (ii) <u>corporate reporting</u>, (iii) <u>audit</u>, (iv) <u>professional oversight</u> and (v) <u>investors</u>.
Task Force on Climate-related Financial Disclosures (10.20)	<u>Task Force on Climate-related Financial Disclosures (3rd Report): 2020 Status Report</u> <ul style="list-style-type: none">This report from the Task Force on Climate-related Financial Disclosures (TCFD) is the third annual report on TCFD-aligned disclosures by firms.More than 1,500 organisations have expressed their voluntary support for the TCFD recommendations, an increase of over 85% since the 2019 status report. Nearly 60% of the world's 100 largest public companies support the TCFD, report in line with the TCFD recommendations, or both.The latest status report finds that disclosure of climate-related financial information aligned with the TCFD recommendations has steadily increased since the recommendations were published in 2017. However, the report highlights the continuing need for progress in improving levels of TCFD-aligned disclosures given the urgent demand for consistency and comparability in reporting.
Task Force on Climate-related Financial Disclosures (10.20)	<u>Task Force on Climate-related Financial Disclosures: Forward-Looking Financial Sector Metrics Consultation Paper</u> <ul style="list-style-type: none">The Task Force's 90-day public consultation solicits input on forward-looking climate-related metrics for the financial sector. The consultation asks questions about the usefulness and challenges of such metrics and what may be necessary to enhance their comparability, transparency and rigor.
Task Force on Climate-related Financial Disclosures (10.20)	<u>Task Force on Climate-related Financial Disclosures: Guidance on Risk Management Integration and Disclosure</u> <ul style="list-style-type: none">The Task Force's 2020 Status Report shows companies' disclosure of their risk management processes is lower than their disclosure of most other recommended disclosures. The Task Force therefore developed this guidance to help address some of the issues companies may face in implementing the Risk Management recommendation.



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IFRS (9.20)	<u>Consultation Paper on Sustainability Reporting</u> <ul style="list-style-type: none">▪ A Task Force, set up at the initiative of the Trustees of the IFRS Foundation in October 2019, prepared a public consultation to identify the demand from stakeholders in the area of sustainability reporting and understand what the Foundation could do in response to that demand.
CDP, CDSB, GRI, IIRC and SASB (9.20)	<u>Statement of Intent to Work Together Towards Comprehensive Corporate Reporting</u> <ul style="list-style-type: none">▪ Five organisations: CDP, CDSB, GRI, IIRC and SASB—announced <u>a shared vision</u> for a comprehensive corporate reporting system and a commitment to collaborate to achieve it.▪ A shared vision for how existing sustainability standards and frameworks can complement generally accepted financial accounting principles (Financial GAAP) and serve as a basis for a coherent and comprehensive corporate reporting system.▪ A joint commitment to drive toward this goal through an ongoing program of deeper collaboration between the institutions.▪ Joint market guidance on how these frameworks and standards can be applied in a complementary and additive way.
Bank of England (1.7.20)	<u>Letter to Chief Executive Officers of all PRA-regulated</u> firms following up on the expectations set out in Supervisory Statement 3/19 (Deputy Governor, Sam Woods): Managing climate-related financial risk – thematic feedback from the PRA’s review of firms’ Supervisory Statement 3/19 (SS3/19) plans and clarification of expectations. The letter: <ul style="list-style-type: none">▪ Builds on expectations set out SS3/19 statement and provides observations on good practice, and sets out next steps for implementation.▪ Firms should have fully embedded their approaches to managing climate-related financial risks by the end of 2021. This means that by the end of 2021, your firm should be able to demonstrate that the expectations set out in SS3/19 have been implemented and embedded throughout your organisation as fully as possible.▪ Provided observations from the thematic review of firms’ SS3/19 implementation plans, gave examples of good practice and highlighted key gaps between firm’s intentions and the Bank’s expectations (ie, governance, risk management, scenario analysis and disclosure).



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Bank of England (1.7.20)	Leading the change: climate action in the financial sector - <u>speech by Sarah Breeden</u> <ul style="list-style-type: none">▪ The speech at a UK Finance web event on how the Financial Sector can draw on the recent work of the Bank, Climate Financial Risk Forum, and Network for Greening the Financial System to move beyond rhetoric and help make climate action a reality.
Climate Financial Risk Forum (29.6.20)	The CFRF published their <u>guide</u> to climate-related financial risk management. <ul style="list-style-type: none">▪ The Guide:<ul style="list-style-type: none">▪ Aims to help financial firms understand the risks and opportunities that arise from climate change, and provides support for how to integrate them into their risk, strategy and decision-making processes;▪ Contains 4 industry-produced chapters (Disclosures, Innovation, Scenario Analysis and Risk Management) and 1 summary co-produced by the FCA and PRA.▪ The CFRF has established 4 Technical Working Groups on disclosure, scenario analysis, risk management and innovation.
European Commission (22.6.20)	Publication of the <u>EU Taxonomy Regulation</u> which entered into force of 12 July 2020 and applies from 1 January 2022. <ul style="list-style-type: none">▪ The Taxonomy Regulation, which applies to financial market participants and financial products, establishes the framework for the EU taxonomy by setting out four overarching conditions that an economic activity has to meet in order to qualify as environmentally sustainable. The Taxonomy Regulation establishes six environmental objectives: (i) Climate change mitigation, (ii) Climate change adaptation, (iii) The sustainable use and protection of water and marine resource, (iv) The transition to a circular economy, (v) Pollution prevention and control and (iv) The protection and restoration of biodiversity and ecosystems.
Bank of England (6.20)	<u>Bank of England Climate-related financial disclosure 2020</u> <ul style="list-style-type: none">▪ The Bank published its own climate-related financial disclosure for the first time in June 2020 which sets out the Bank's approach to managing the risks from climate change across its entire operations.▪ The Bank has set a new target to cuts its emissions from Scope 1, Scope 2 and business travel sources by 63% by 2030, compared to its 2016 baseline.

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Financial Conduct Authority (3.20)	Consultation Paper CP20/3: Proposals to enhance climate-related disclosures by listed issuers and clarification of existing disclosure obligations <ul style="list-style-type: none">▪ FCA proposal to introduce a new rule for commercial companies with a UK premium listing, requiring them to state whether they comply with TCFD-aligned disclosures and to explain any non-compliance.▪ Draft FCA guidance (through a Technical Note) on existing obligations set out in EU legislation and in the FCA Handbook that may already require issuers to disclose information on climate-related (and other environmental, social and governance (ESG)) matters, under certain circumstances. This guidance is relevant for a wider scope of entities, including all companies with listed securities, not just those in the premium segment.
Bank of England (27.02.20)	Speech by Governor Mark Carney: 'The Road to Glasgow' at the Guildhall. The speech focused on the 'three Rs': reporting; risk management; and return - to help unlock the private financial flows that are vital to the transition. <ul style="list-style-type: none">▪ Reporting: improving the quantity and quality of climate-related disclosures by implementing a common framework built on TCFD.▪ Risk management: ensuring firms and investors can measure and manage the risks in the transition to a net zero world.▪ Return: helping firms and investors identify the opportunities in the transition to net zero.
European Commission (27.12.19)	<ul style="list-style-type: none">▪ On 9 December 2019, the Sustainability-Related Disclosure Regulation (<u>Regulation (EU) 2019/2088</u>) and amended Benchmarks Regulation (<u>Regulation (EU) 2019/2089</u>) were published in the Official Journal of the European Union.▪ The Sustainability-Related Disclosure Regulation imposes new disclosure requirements (from 10 March 2021) on all Financial Market Participants to disclose information regarding the integration of Sustainability Risks in decision-making processes and offer Sustainability-Related information on any Financial Products offered.

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Financial Conduct Authority (10.19)	<u>Feedback Statement FS19/6: Climate Change and Green Finance: summary of responses and next steps</u> Feedback to DP18/8. <ul style="list-style-type: none">The Feedback Statement presented the FCA's evolving approach following the Discussion Paper and sets out: (i) why climate change is an important issue for the FCA, the financial services sector, and for the users of financial services, (ii) a summary of feedback on the Discussion Paper and the FCA responses and (iii) FCA actions and next steps.
Financial Conduct Authority (2.7.19)	<u>FCA statement on the Joint Declaration on climate change</u> <ul style="list-style-type: none">Joint Declaration with the Prudential Regulation Authority, The Pensions Regulator and Financial Reporting Council (FRC), welcoming the publication of the Government's Green Finance Strategy and setting out a shared understanding of the financial risks and opportunities of climate change.
HM Government (7.19)	<u>Green Finance Strategy: Transforming Finance for a Greener Future</u> <p>The Strategy has two objectives:</p> <ul style="list-style-type: none">To align private sector financial flows with clean, environmentally sustainable and resilient growth, supported by Government action;To strengthen the competitiveness of the UK financial sector. <p>The three strategic pillars to achieve the are:</p> <ul style="list-style-type: none">Greening Finance: Ensuring current and future financial risks and opportunities from climate and environmental factors are integrated into mainstream financial decision making, and that markets for green financial products are robust in nature;Financing Green: Accelerating finance to support the delivery of the UK's carbon targets and clean growth, resilience and environmental ambitions, as well as international objectives;Capturing the Opportunity: Ensuring UK financial services capture the domestic and international commercial opportunities arising from the 'greening of finance', such as climate related data and analytics, and from 'financing green', such as new green financial products and services.
Prudential Regulation Authority (4.19)	<u>Supervisory Statement SS3/19: Enhancing banks' and insurers' approaches to managing the financial risks from climate change</u> <ul style="list-style-type: none">Asked firms to have an implementation plan in place by October 2019 but did not set a date for full implementation.Required the allocation of responsibility for climate-related financial risks to Senior Management Function holders.Discussed the need for a strategic approach to managing the financial risks from climate change (including governance, risk management, scenario analysis and disclosure).

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HM Government (6.19)	The <u>Climate Change Act 2008 (2050 Target Amendment) Order 2019</u> , SI 2019/1056 came into force on 27 June 2019 and amended the legally binding target to reduce greenhouse gas (GHG) emissions set in section 1 of the Climate Change Act 2008 (CCA 2008) from 80% to 100%, or net zero.
Financial Conduct Authority (8.18)	<u>Discussion Paper DP18/8: Climate Change and Green Finance</u> . The Discussion Paper set out: <ul style="list-style-type: none">How the different impacts of climate change could impact the FCA's long and short-term objectives.Some of the opportunities and risks the transition to a low carbon economy presents in the UK's financial services markets.The specific action the FCA will take in the near term to ensure that markets function well and deliver good outcomes for consumers.
European Commission (3.18)	<u>European Commission action plan on financing sustainable growth</u> <ul style="list-style-type: none">The recommendations of the <u>High-level expert group</u> on sustainable finance form the basis of the action plan on sustainable finance adopted by the Commission in March 2018. The action plan included ten key actions (in three categories): Reorienting capital flows towards a more sustainable economy<ul style="list-style-type: none">Establishing a clear and detailed <u>EU taxonomy</u>, a classification system for sustainable activities.Creating an <u>EU Green Bond Standard</u> and labels for green financial products.Fostering investment in sustainable projects.Incorporating sustainability in financial advice.Developing <u>sustainability benchmarks</u>.Mainstreaming sustainability into risk management<ul style="list-style-type: none">Better integrating sustainability in ratings and market research.Clarifying asset managers' and institutional investors' duties regarding sustainability.Introducing a 'green supporting factor' in the EU prudential rules for banks and insurance companies.Fostering transparency and long-termism<ul style="list-style-type: none">Strengthening sustainability disclosure and accounting rule-making.Fostering sustainable corporate governance and attenuating short-termism in capital markets.

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TCFD (15.7.17)	Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures <ul style="list-style-type: none">▪ The report sets out 11 recommendations for helping businesses disclose climate-related financial information. The 11 recommended disclosures under 4 pillars to promote better disclosure: (i) governance, (ii) strategy, (iii) risk management and (iv) metrics and targets.
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If you wish to discuss any aspect of this article or require further assistance from ERP with your Climate-change risk management programme and wider ESG framework please contact us at:

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