

Four Twenty Seven Says the Task Force On Climate-Related Financial Disclosures is Moving the Market

Four Twenty Seven is the leading provider of market intelligence on the impacts of climate change for financial markets. They tackle physical risk head on by identifying the locations of corporate production and retail sites around the world and their vulnerability to climate change hazards such as sea level rise, droughts, floods and tropical storms, which pose an immediate threat to investment portfolios. Four Twenty Seven's ever-growing database now includes over one million corporate sites and covers over 2,000 publicly-traded companies. They offer subscription products and advisory services to access this unique dataset. Options include data licenses, an interactive analytics platform, and company scorecards, as well as reporting services, scenario analysis, and real asset portfolio risk assessments.

Emilie Mazzacurati is an entrepreneur and an expert in the field of climate adaptation and resilience. She founded Four Twenty Seven to bring climate risk analytics to private sector decision-makers and enable the incorporation of climate science into economic and financial decisions. With Four Twenty Seven, she pioneered the development of standardized climate risk assessments for multinational corporations and financial institutions. Her work mixes rigorous economic analysis and creative data visualization to help businesses and communities understand climate risks and develop an effective climate resilience strategy. Emilie served as a member of California's Technical Advisory Group for the implementation of Governor Brown's Executive Order on climate change (EO B-30-15) and was Head of Carbon Analysis at Thomson Reuters Point Carbon. She also teaches at the University of California, Davis Executive MBA on Business & Climate Change. Emilie holds a Master of Political Science, Institut d'Etudes Politiques de Paris; Master of Public Policy, The Goldman School of Public Policy, University of California, Berkeley. She received the Visionary Award from the City of Berkeley, CA in 2016 and was a finalist for the Cartier Women's Global Initiative for women entrepreneurs in 2014.

CCBJ: This fall's release of the Task Force on Climate-related Financial Disclosures status report seems to be a bit of a watershed moment for climate reporting, from a financial risk standpoint. Do you agree? Do you think this is the most comprehensive movement we've seen thus far to aggregate both best practices around the process and transparency around the results?

Emilie Mazzacurati: The **Task Force on Climate-related Financial Disclosures (TCFD)** has generated a lot of interest in the market, and momentum is growing rapidly. Long term asset owners like pension funds are at the forefront of the effort

to gain greater transparency on the market and requesting asset managers and portfolio companies to step up their disclosures. The largest banks are also ramping up their effort to understand the risk they hold in their portfolio and mitigate their exposure. The TCFD provides a coherent framework for corporations and investors to think through the various dimensions of climate risk. The framework includes a balance of process-oriented questions on governance and strategy and outcome-oriented questions on metrics and concrete measures, which sets clear expectations and promotes transparency.

CCBJ: How did the TCFD start and what was the leadership behind it? What is driving it forward today from the government or private support standpoint? How is the initiative being funded?

Mazzacurati: The TCFD was started under the leadership of Mark Carney from the Bank of England and Michael Bloom-

Core Elements of the TCFD's Recommended Climate-Related Financial Disclosures



Governance

The organization's governance around climate-related risks and opportunities

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Risk Management

The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Source: Recommendations of the Task Force on Climate-related Financial Disclosures, 2017.

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berg. While it was formally under the umbrella of the Financial Stability Board, an arm of the Group of 20 (G20), it was very much industry led and retained autonomy as to its recommendations. The quality of the recommendations owes to the efforts from the dozens of participants from financial institutions, corporations, consulting firms and credit rating agencies that worked towards the report. The TCFD is not a permanent institution, though, it is expected that it will cease its activity in the next year or so as it has completed its mission of developing and disseminating recommendations to foster greater transparency on the market. National and international regulatory bodies will likely takeover and integrate some of the recommendations into regulations, as the European Union (EU) is currently discussing.

CCBJ: What did you find as perhaps the most alarming or surprising results out of the status report?

Mazzacurati: My takeaway from reading early TCFD reports is that they are focused on showing good faith efforts more than providing hard data on climate risk exposure. There is hesitancy to produce hard data for a number of good reasons – respondents are exploring different datasets and methodologies, and socializing stakeholders internally to the topic of climate risk. Early movers are also worried they might be penalized for disclosing risks when their competitors are not, and are waiting for wider market adoption to level the playing field.

Lastly, while the takeup from the first year is good, we're very far from the TCFD having become a widely known and accepted set of standards for the inclusion of climate risk in financial disclosures – much remains to be done on that front!

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CCBJ: What opportunities do you think this reveals for specialty consulting firms such as yours or for the larger consulting engineering firms that take on studies, planning, design engineering and construction management?

Mazzacurati: Climate risk is relevant for any company – not only in sectors that emit a lot of greenhouse gas emissions. Every company is exposed to the physical impacts of a changing climate, and every company is going to need data to understand its risks, engineering services to assess resilience, and support to build resilience.

CCBJ: France seems to be leading the charge with its article 173 program. Do you agree that this has been influential in France and what is its potential to go beyond French borders and impact European, American or global reporting?

Mazzacurati: Art. 173 has propelled France in the leadership globally for climate risk disclosures – many large European investors have used their obligation under French law as an opportunity to pilot their approach for disclosure and are ahead of the market. The European Commission has announced its intention to regulate green finance and climate risk disclosures and is expected to roll out draft legislation in 2019. France is also leading the charge for Central Banks as one of the co-founder of the Network to Green the Financial Systems, a network of Central Banks and supervisory agencies looking to share best practices and develop common solutions to maintain financial stability in the face of climate change.

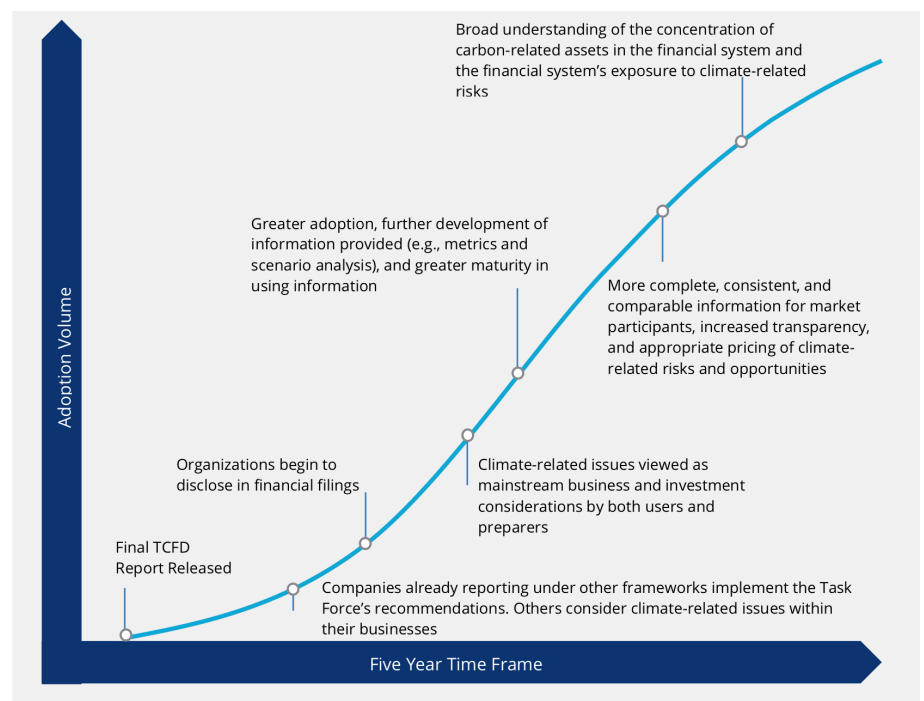
CCBJ: There are other entities pursuing programs and similar initiatives. How does this all shake out and how do corporations most actively engage across multiple platforms that may be sending messages to their shareholders, investors, employees or other stakeholders?

Mazzacurati: The market is in exploratory mode: this is an emerging issue, and the collective understanding of impacts on corporations and financial markets is fast evolving. What is clear, however, is that this is a very material issue, and that is here to stay. Corporations and investors fully acknowledge the magnitude of the changes ahead, related to the unavoidable eventual switch away from fossil fuel, and to the ever-growing impacts from climate change. ⚙️

Task Force On Climate-Related Financial Disclosures

In April 2015, the G20 Finance Ministers and Central Bank Governors asked the Financial Stability Board to convene public- and private-sector participants and review how the financial sector can take account of climate-related issues. As part of its review, the Financial Stability Board identified the need for better information to support informed investment, lending, and insurance underwriting decisions and improve understanding and analysis of climate-related risks and opportunities. To help identify the information needed by investors, lenders, and insurance underwriters to appropriately assess and price climate-related risks and opportunities, the Financial Stability Board established an industry-led task force: the **Task Force on Climate-related Financial Disclosures** (Task Force or TCFD). The Task Force was asked to develop voluntary, consistent climate-related financial disclosures that would be useful to investors, lenders, and insurance underwriters in understanding material risks. The first Status Report was released in September of 2018 and summarizes the ways in which financial reports incorporate the TCFD recommendations. It includes a review of over 1,700 companies including banks, insurance, asset managers and asset owners representing the financial sector and energy, transportation, materials and agriculture in non-financial sectors. While most of these companies made disclosures that aligned with at least one TCFD recommendation, companies rarely disclosed the financial impact of climate change and integrating scenario analysis remains a challenge. The report emphasizes the need for more “decision-useful” information and notes that TCFD integration will require continued industry-specific thought-leadership and knowledge exchange.

TCFD Implementation Path



Source: *Recommendations of the Task Force on Climate-related Financial Disclosures, 2017.*