FSB FINANCIAL STABILITY BOARD

Press release

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FSB encourages the IFRS Foundation and authorities to use TCFD's recommendations as the basis for climate-related financial risk disclosures

Globally consistent and comparable disclosures by companies of their climate-related financial risks are increasingly important to market participants and financial authorities as a means to give financial markets the information they need to manage risks, and seize opportunities, stemming from climate change.

The FSB created the Task Force on Climate-related Financial Disclosures (TCFD) in 2015 to develop a set of voluntary disclosure recommendations for use by companies in providing decision-useful information to investors, lenders and insurance underwriters about the climate-related financial risks that companies face. The TCFD published its disclosure recommendations in 2017. Since then, nearly 1,700 organisations have expressed their support for the TCFD recommendations. Nearly 60% of the world's 100 largest public companies support the TCFD, report in line with the TCFD recommendations, or both. The TCFD continues to promote and monitor adoption of its recommendations worldwide and issued supplementary guidance to support implementation.

Alongside this industry-led progress in promoting consistent voluntary climate-related disclosures, a growing number of official sector initiatives are developing requirements or guidance at the national or regional level, or considering the development of international standards. It is important that steps by the official sector and private sector are well aligned in promoting globally consistent disclosures and avoiding fragmentation.

The FSB therefore welcomes the recommended approach by the Trustees of the IFRS Foundation to initially focus on standards for climate-related financial disclosures, as set out in the September 2020 IFRS Consultation Paper on Sustainability Reporting. The initial focus on climate-related information would be appropriate given the growing interest of investors in the topic for financial risk management and the importance of global consistency in the actions that are already beginning to be taken by national and regional authorities to develop requirements and guidance in this area.

Such internationally agreed minimum standards for disclosures would, as usual, not preclude individual authorities from going further if they wish.

The FSB strongly encourages the IFRS Foundation to build on the work of the TCFD, by using the TCFD's recommendations as the basis for standards for climate-related

financial disclosures. The TCFD recommendations set out a comprehensive framework that has been developed by, and is directly responsive to the needs of, users and preparers of financial filings across a range of financial and non-financial sectors around the world. The TCFD's recommendations have attracted widespread support from users and preparers.

The FSB strongly encourages national or regional authorities that are developing requirements or guidance for climate-related disclosures to consider using the TCFD recommendations as the basis. Such consistency in approach would help to avoid the risk of market fragmentation, both across jurisdictions, and between requirements and guidance being developed today and international standards that may be introduced in the future.

To further promote global coordination, the FSB will explore with standard-setters and other international bodies ways to promote globally comparable, high-quality and auditable standards of disclosure based on the TCFD recommendations. The FSB will report to the G20 Finance Ministers and Central Bank Governors meeting on progress in this area in July 2021.

Notes to editors

The FSB response to the IFRS Consultation Paper is available here.

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Randal K. Quarles, Vice Chairman, US Federal Reserve; its Vice Chair is Klaas Knot, President of De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

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