

# TCFD made simple.

Effective climate reporting is crucial for strengthening your ESG profile and understanding your long-term climate-related risks and opportunities.

## What is TCFD?

TCFD is a market-driven initiative, set up to develop a set of recommendations for voluntary and consistent climate-related financial risk disclosures in mainstream filings. The recommendations are designed to help companies understand their financial exposure to climate risk and how to disclose decision-useful, forward-looking information in a clear and consistent way to their investors, lenders, insurers, and other stakeholders.

## Why is TCFD important?

Climate change is recognised as one of the greatest challenges facing businesses and society, and there is a growing demand for organisations to properly assess, understand and report climate-related risks. Climate change poses financial risks to a range of investments – from food and farming, to infrastructure, construction, and insurance liability.

A company's disclosure of how its business strategy might change to address potential climate-related risks and opportunities is a key step to better understanding the potential implications of climate change on the company.

**\$12 trillion**

market capitalisation of  
TCFD's global supporters

## What are the key features?

There are four core recommendations that are designed to help companies consider the potential implications of climate change to their business strategy:

- 1. Governance** Who is responsible for governing and managing climate-related risks and opportunities? What is their approach?
- 2. Strategy** What are the actual and potential impacts of climate-related risks and opportunities on your business strategy and future planning?
- 3. Risk management** How does your company identify, assess, and manage climate-related risks?
- 4. Metrics and targets** What metrics and targets does your company use to assess and manage relevant climate-related risks and opportunities?

## How does TCFD define climate risk?

TCFD divides climate-related risks into two major categories: (1) risks related to the transition to a lower-carbon economy; and (2) risks related to the physical impacts of climate change (e.g. increased variability in weather patterns).

In return, these risks also present an opportunity to re-allocate capital to sectors that support the transition to a low-carbon economy and improve long-term resource efficiency.

## Is TCFD mandatory in the UK?

### Mandatory reporting by 2022

The UK is set to become the first country in the world to make Task Force on Climate-related Financial Disclosures (TCFD) fully mandatory across the economy. For UK-listed companies full disclosure is expected by 2022.

## How can I get started?

Companies should begin by identifying what climate-related disclosures are material to their business by:

- + assessing risk exposure;
- + completing a scenario analysis;
- + understanding the financial implications;
- + setting a carbon reduction strategy; and
- + being flexible in their approach and adapting to changing circumstances.

The journey to full TCFD compliance will take time, but it is imperative that it is led by the board and senior leadership team.

## How can Design Portfolio help your company?

Our team of sustainability experts are here to help you navigate the complexities of TCFD reporting and understand the opportunities of better ESG communications. We provide:

- + tailored advice on how to begin your TCFD reporting journey;
- + detailed guidance on how to report in line with market-leading practices;
- + workshops to identify ESG reporting and communication opportunities; and
- + creative, content and channel support.

## Get in touch

To find out how to integrate decision-useful climate disclosures into your reporting framework, and prepare for the future regulations on climate reporting, get in touch at:

[sustainability@design-portfolio.co.uk](mailto:sustainability@design-portfolio.co.uk)  
+44 (0)207 536 2015

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