Session 9: Transforming The Financial System

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Improving risk information and assessment to support decision-making across different sectors

The Taskforce on Climate-Related Financial Disclosure

- Given the potential implications for the global financial system, the G20 Finance Ministers and Central Bank Governors asked the Financial Stability Board (FSB) “to review how the financial sector can take account of climate-related issues.” The FSB, in turn, created the industry-led Task Force on Climate-related Financial Disclosures in December 2015, chaired by Michael Bloomberg.

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization’s governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	**Recommended Disclosures**	**Recommended Disclosures**	**Recommended Disclosures**
a) Describe the board’s oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization’s processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management’s role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.	b) Describe the organization’s processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

B) Strengthening institutional capacities to deliver the right policies and enabling conditions for financing

- TCFD support – the G20 reference the TCFD's recommendations in their Hamburg action plan other governments could endorse these recommendations which would lead to further uptake

Christian Thimann
Task Force on Climate-related Disclosure & AXA

"One country has clearly taken the lead and did not wait for our final recommendations to be published in Q1 2017. To our knowledge, this is a pioneering piece of regulation."

- Article 173 – The French Energy Transition Law came into force on 1 January 2016. It strengthened mandatory carbon disclosure requirements for listed companies and introduced carbon reporting for institutional investors, defined as asset owners and investment managers.

- S&P Global Ratings specific – The Green Evaluation – S&P Global ratings is building it's environmental offering with innovative new analysis

C)Transforming the Financial System

Financing Sustainable Infrastructure - requirements for closing the finance gap

1. **Scale up investment in sustainable project preparation and pipeline development**

2. **Use development capital to finance sustainability premiums**

3. **Improve the capital markets for sustainable infrastructure by encouraging the use of guarantees**

4. **Encourage the use of sustainability criteria in procurement**

5. **Increase syndication of loans that finance sustainable infrastructure projects**

6. **Adapt financial instruments to channel investment to sustainable infrastructure and enhance liquidity**

The Green Evaluation

Applicable to green bonds but also to green bank loans, green ABS, equity and all other forms of sustainable finance

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Green Evaluation - Introduction

"For investors, green bond markets offer a stable, rated and liquid investment with long duration. For issuers, green bonds are a way to tap the huge $100 trillion pool of patient private capital managed by global institutional fixed-income investors."

Mark Carney, Governor of the Bank of England, September 2016

S&P Global's Role – The Green Evaluation

- ✓ Define the value of "green" for capital markets and any other financing
- ✓ Establish essential transparency in Green Finance
- ✓ Enable institutional investment in sustainability by providing the confidence of independent evaluation of environmental impact
- ✓ Go beyond existing tools and takes a local, sector-specific perspective on impact
- ✓ Provide a "green channel" to sustainable finance for institutional fixed income
- ✓ Covers all financings such as bank debt and equity not just green bonds