

Climate Disclosure Evolution

From TCFD to IFRS

Supporting Article 2.1(c) Implementation

Sharm el-Sheikh Dialogue Workshop

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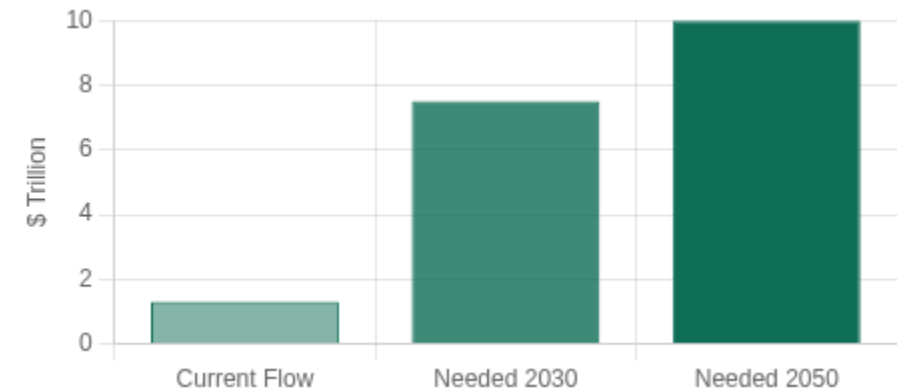
The Climate Finance Challenge

Article 2.1(c) Goal:

"Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development"

The Scale:

- \$7.5 trillion annually needed through 2030
- \$10+ trillion annually needed 2031-2050
- \$305 trillion total global financial wealth (2024)
- \$1.3 trillion current annual climate finance flows



The Gap:

5x increase in climate finance needed immediately

Reality Check:

The capital exists globally - the challenge is **systematic redirection**



TCFD Legacy: Building the Foundation

Origins & Purpose:

Created at Paris COP21 specifically to support **Article 2.1(c)** implementation

Final Achievements (2023):

- Nearly **5,000** organizations supporting TCFD
- **\$27 trillion** combined market capitalization
- **100+** jurisdictions across all sectors
- Created global standard for climate risk assessment

Critical Implementation Gaps:

TCFD Recommendation Compliance (%)



■ Full compliance (all 11) ■ Partial compliance (5+) ■ Limited compliance (<5)

- Only **4%** of companies disclosed in line with all 11 recommendations
- **58%** aligned with at least 5 recommendations
- Voluntary nature limited comprehensive adoption

● **October 12, 2023: TCFD officially disbanded, mission transferred to IFRS Foundation**



The IFRS Transition: From Voluntary to Mandatory

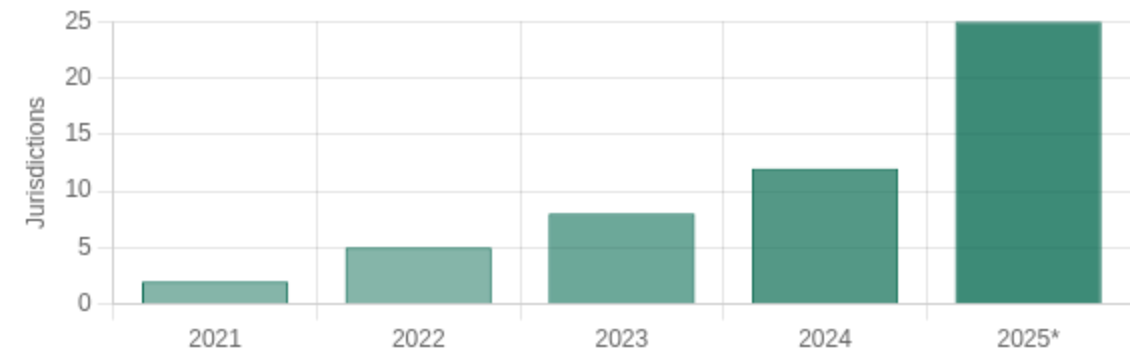
● January 1, 2024: IFRS S1 & S2 effective

Key Enhancements over TCFD:

- Mandatory in adopting jurisdictions (*vs. voluntary TCFD*)
- Scope 3 emissions reporting required
- Industry-specific metrics mandated
- Financial statement integration required

Current Adoption Status:

- **UK:** Mandatory for 1,300+ largest companies by 2025
- **EU:** CSRD incorporating IFRS elements
- **Global:** Multiple jurisdictions moving toward mandatory adoption



From TCFD (Voluntary)

- ✓ Global standard
- ✓ 5,000 organizations
- ✗ Only 4% full compliance
- ✗ Limited adoption

To IFRS (Mandatory)

- ✓ Comprehensive requirements
- ✓ Regulatory enforcement
- ✓ Enhanced comparability
- ✓ Financial integration



Real-World Implementation: Case Studies



UK Leadership

First G20 TCFD Mandate

- Mandatory since 2021
- 1,300+ largest companies by 2025
- **Coverage:** Banks, insurers, asset managers, pension schemes
- **Result:** Accelerated climate risk integration in lending



Central Banks

Network for Greening the Financial System

- 127 central bank members globally
- \$44.1T assets under management
- Climate stress tests to assess risk
- **Outcome:** Enhanced climate risk awareness in monetary policy



Private Sector

Global Asset Management

\$128 trillion

Assets under management (2024)

- 70% of revenue growth driven by market performance
- **Challenge:** Ongoing shift from active to passive management



Progress Assessment: Article 2.1(c) Implementation

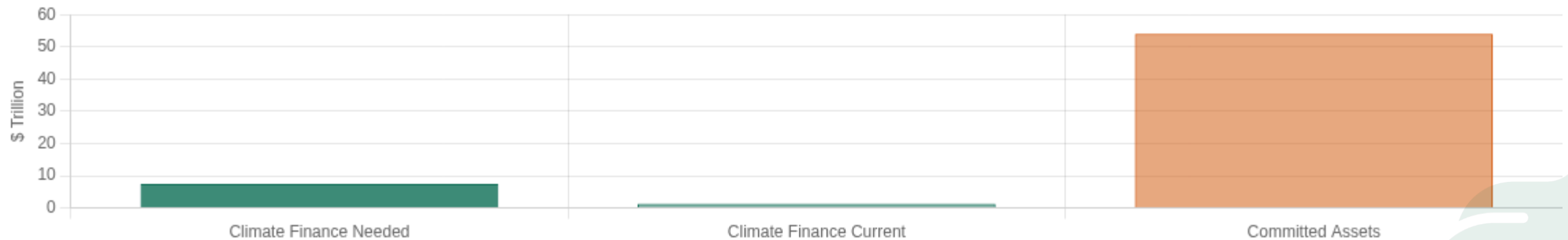
Verified Achievements:

- ✓ **Disclosure Infrastructure:** Global framework established through TCFD → IFRS transition
- ✓ **Private Sector Engagement:** 450+ financial institutions (\$54T assets, 45% banking sector)
- ✓ **Regulatory Momentum:** Multiple jurisdictions implementing mandatory requirements
- ✓ **Financial Market Integration:** Climate data increasingly factored into investment decisions

Persistent Implementation Gaps:

- ! **Scale Gap:** Current \$1.3T vs. required \$7.5T+ annually, despite \$54T committed assets
- ! **Quality Divide:** Developing countries lack technical capacity for implementation
- ! **Action Gap:** Disclosure and commitment don't automatically redirect capital flows

Evidence: Despite \$54T in committed assets, \$4 trillion in fossil fuel financing since Paris Agreement



UNFCCC Process Influence

Standard Development Impact:

- Paris Agreement Article 2.1(c) provided policy foundation for TCFD creation
- UNFCCC technical guidance informed risk assessment methodologies
- Climate negotiations shaped mandatory disclosure timelines

Knowledge Transfer Mechanisms:



Sharm el-Sheikh Dialogue: 3 years of technical discussions



Standing Committee on Finance: Annual assessment reports



Country submissions: Best practice sharing across 196 countries

Regulatory Cascade Effect:

International Agreements

Paris Agreement, UNFCCC guidance



National Regulations

Mandatory disclosure requirements



Corporate Implementation

Financial and operational decisions

Case Example:

EU Taxonomy directly references Paris Agreement goals in classification system

Source: Institute and Faculty of Actuaries - Paris Agreement and TCFD



Current Implementation Barriers

Technical Capacity

- Disparities between developed/developing countries
- Limited access to standardized methodologies
- Insufficient Scope 3 expertise

Financial Integration

- Inconsistent climate data in investments
- Risk pricing ignoring climate scenarios
- Few climate-aligned financial products

Governance

- Variable disclosure quality across jurisdictions
- Limited enforcement mechanisms
- No standardized accountability framework

Barrier Impact Assessment by Market Type



Recommendations: Enhanced UNFCCC Facilitation

Near-term (2025–2027)

- **Technical Working Group:** Establish disclosure-to-investment decision linkage guidance
- **Capacity Building:** Targeted support for developing country implementation
- **Regional Coordination:** Create technical assistance networks

Medium-term (2027–2030)

- **NDC Integration:** Link climate disclosure with national reporting systems
- **Monitoring Mechanism:** Develop systematic tracking of Article 2.1(c) progress
- **Sectoral Guidance:** Industry-specific pathways for financial flow alignment

Long-term (2030+)

- **System Integration:** Climate considerations standard in all financial decisions
- **Global Coordination:** Harmonized monitoring of financial flow alignment
- **Accountability Framework:** Clear feedback loops between disclosure and climate outcomes

Implementation Approach:

Transition from climate disclosure frameworks to **systematic financial flow redirection** through enhanced coordination, capacity building, and accountability mechanisms.



The Path Forward: Evidence-Based Conclusions

Key Finding:

Climate disclosure frameworks provide essential infrastructure for Article 2.1(c), but the **5-fold increase** in climate finance requires **systematic integration**.

Critical Success Factors:

Scale

Moving from \$1.3T to \$7.5T+ annually by 2030

Quality

Consistent disclosure standards globally

Integration

Link disclosure to capital allocation

Capacity

Technical support for global implementation

Progress Pathway

Current: \$1.3T

Transition: Disclosure → Action

Target: \$7.5T+

UNFCCC's Essential Role:

Facilitate transition from disclosure to **systematic financial flow redirection** through coordination, capacity building, and accountability.



Thank You

Questions & Discussion



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*"From disclosure to systematic redirection –
achieving the 5-fold increase in climate finance"*

