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23 December 2020

The AMF publishes a study on climate reporting according to the Task Force on Climate-related Financial Disclosures (TCFD) framework

The AMF assessed the implementation of the TCFD framework by 10 French financial institutions, based on an in-depth analysis of their reports and interviews. This study highlights the main difficulties faced and presents good practices and next steps in order to support the institutions who choose to disclose climate risks and opportunities against this voluntary framework.

TCFD's objectives

Established by the Financial Stability Board (FSB), the TCFD offers a reporting framework for companies to communicate their climate-related financial risks and opportunities, focusing on a financial materiality approach. This framework should enable the publication of clear, comparable, consistent and often forward-looking information useful for decision-making, particularly for investors.

The objective is to better understand companies' climate risks and opportunities, to assess the resilience of their long-term strategy with regard to the consequences of climate change, and, ultimately, to allow a better allocation of financial flows for an orderly low-carbon transition.

The TCFD recommendations published in 2017 were incorporated into the European Commission's climate reporting guidelines in June 2019. However, those guidelines go further by focusing not only on financial materiality (impact on company accounts), but also on socio-environmental materiality (impact of the company's activity on the environment or society).

How does a group of ten financial institutions put this into practice?

The study highlights the efforts of the actors in the sample, especially the most advanced: a clear explanatory tone, precise and evidence-based disclosures, broad internal mobilization, gradual integration into the firm's culture, exploration of different methodologies for prospective analysis, transparency on the underlying hypotheses and discussions of their shortcomings.

However, to date, the TCFD reports examined show a number of weaknesses. These are sometimes inherent to the complexity of the climate reporting exercise, the prospective dimension of the analyses and the uncertainty that accompanies them. They underline the progress that still needs to be made in order to achieve the objectives of the TCFD.

The study also demonstrates the variety of approaches chosen by TCFD signatories to comply with the recommendations. These different choices are also reflected in the location of the information made public, as well as in the indicators used.

The TCFD is an ambitious framework that requires signatory companies to take gradual ownership of the recommendations, in a process of continuous improvement and learning. This makes it all the more necessary to report rigorously and transparently on the difficulties that remain, the assumptions that have been made and the limits of the analyses carried out.

A mobilization in the Paris marketplace

On December 12, 2020, on the five-year anniversary of the Paris Climate Agreement, CAC 40 companies gave their support to the TCFD's recommendations. With this in-depth analysis of TCFD's reporting practices, the AMF wants to contribute to the work that begins with these announcements.

The study also notes the similarities between the TCFD framework and some of the new requirements imposed by the European Regulation on sustainability-related disclosures in the financial services sector (SFDR). However, as the TCFD framework focuses only on


financial materiality, it does not completely address the double materiality issues required by the European framework.

Through this study, the AMF reaffirms its willingness to contribute to a more sustainable financial system. It reiterates the importance of high-quality climate disclosures. Beyond reporting, it is the strategies and practices of financial institutions and companies which must evolve to fully integrate climate issues.

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- ✎ TCFD climate reporting in the financial sector

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