

THE ROADMAP: PAVING THE WAY TO A GREEN ECONOMY



INTRODUCTION

In July 2019, the UK Government initiated its response to climate change with the publication of the *Green Finance Strategy*¹ which united the work of the Government, regulators and the private sector under three key goals: (1) greening finance, (2) financing green, and (3) capturing the opportunity.

Following the Green Finance publication, in November 2020, the UK government published its roadmap for climate-related disclosures across the UK economy which is aimed at improving transparency in the UK economy to encourage better-informed pricing and capital allocation. These disclosure requirements are expected to drive UK investment towards sustainable projects and activities thus spurring the UK towards its goal of net-zero emissions by 2050.

¹ HM Government. (2019, July). *Green Finance Strategy*.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/820284/190716_BEIS_Green_Finance_Strategy_Accessible_Final.pdf



THE ROADMAP

The Roadmap builds on the Financial Stability Board’s Taskforce on Climate-related Financial Disclosures (TCFD) 2017 report which highlighted four areas for improvements: (1) governance, (2) strategy, (3) risk management, and (4) metrics and targets. The Roadmap establishes a plan over the next 5 years for transparency and disclosure improvements on how climate-related risks and opportunities are managed across the UK economy with a particular focus on seven categories of companies: (1) listed commercial companies, (2) UK-registered companies, (3) banks and building societies, (4) insurance companies, (5) asset managers, (6) life insurers and FCA-regulated pension schemes, and (7) occupational pension schemes. The UK government expects that this Roadmap will improve the quality and quantity of climate-related information thus improving the flow of information along the investment chain. Figure 1 highlights the proposed timeline for future regulatory changes established by the Roadmap.

Figure 1: Timeline of planned or potential regulatory actions or legislative measures²

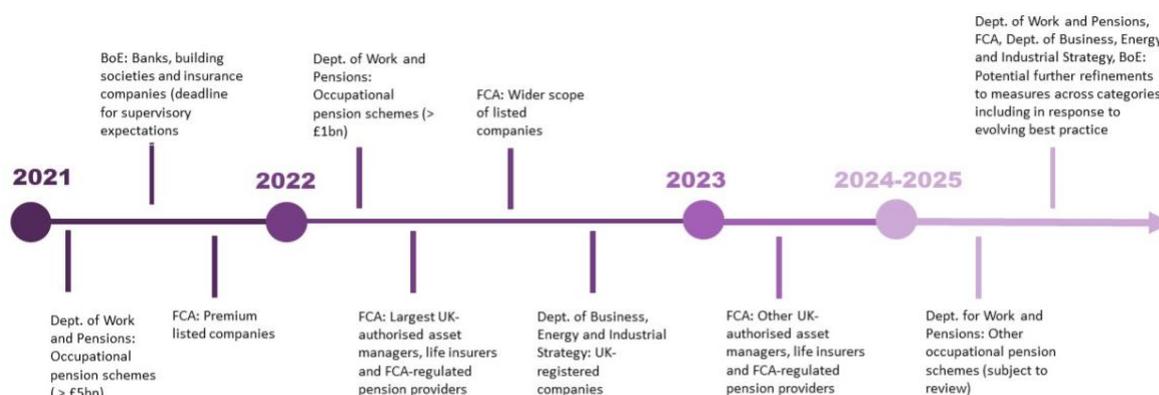
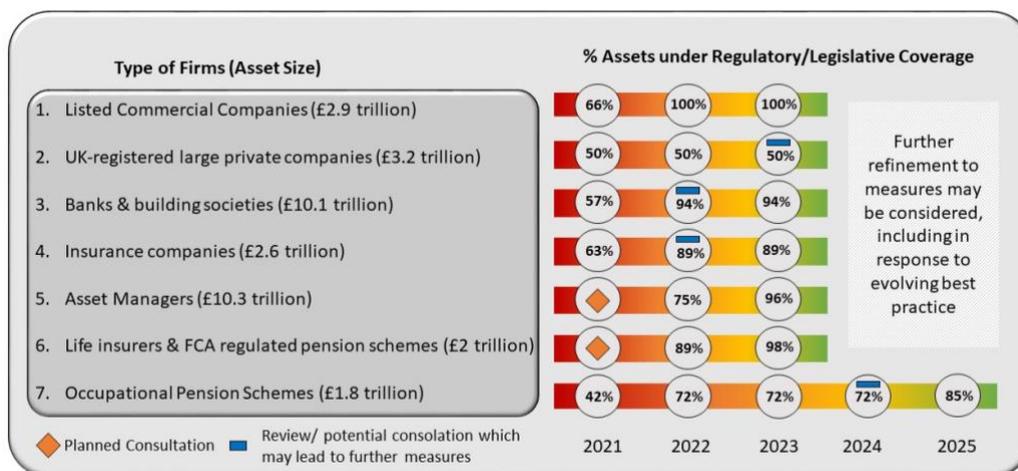


Figure 2 highlights the supervisory expectations in the next five years for each of the seven categories of organisations.

Figure 2: Mandatory TCFD- aligned disclosures for each of the seven categories of organisations³



² HM Treasury. (2020, November). *A Roadmap towards mandatory climate-related disclosures*. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933783/FINAL_TCFD_ROAMAP.pdf

³ HM Treasury. (2020, November). *A Roadmap towards mandatory climate-related disclosures*. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933783/FINAL_TCFD_ROAMAP.pdf



NEXT STEPS

Over the next few years, the UK Taskforce will monitor the progress of its strategy to ensure that a coordinated approach is maintained with the anticipation that more detailed disclosure expectations will be needed to supplement TCFD recommendations.

In 2022, the Government will provide an update on the progress of the Green Finance Strategy.

The UK Taskforce also strongly supports the IFRS Foundation's proposal to create a new global standard to achieve a higher level of comparability across different jurisdictions and will monitor the progress of this proposal for possible implementation of international standards in the future.

HOW CAN REPLY ASSIST?

Given the rapidly changing landscape of climate regulations in the UK, financial institutions need to adjust risk management and regulatory compliance practices to better manage climate-related risks and opportunities across the UK economy.

In this context, Avantage Reply supports clients with:⁴

- setting-up the framework and processes to identify financial risk from climate change and articulate in the relevant internal documents (e.g. ICAAP and ILAAP);
- developing quantitative and qualitative risk modelling solutions for climate-risk assessments;
- defining framework, policies and processes to monitor and manage material climate risks;
- identifying additional data and relative taxonomy to improve risk assessments.

CONTACTS



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⁴ van der Vaeren, H., Rossi, C., & Saravanabavan, G. (2020, May). *Beyond Green Banking, Climate Change is Changing Prudential Supervisory Expectations for Banks*. Avantage Reply



AVANTAGE REPLY

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