

UK Finance response to TCFD consultation on forward looking metrics

27 January 2021

In response to [this consultation paper](#).

N.B. The consultation responses were gathered through an online questionnaire. What follows is a series of screenshots of UK Finance's response.

Where is your organization headquartered?

UK (United Kingdom) ▾

What is your role / position? Please select ONE only.

Academic/industry expert

Administration

Board member

Compliance

Corporate reporting

Corporate strategy

Finance

General management

Government/regulatory affairs

Investment/asset management

Legal

Risk

Sustainability

Technology

Other (please specify):

Continue »

Which one of the following best describes your organization? Please select ONE only.

- Financial services, including asset owners
- Non-financial company
- Data/Methodology Provider
- Government/Public sector
- Industry/Trade association
- Standard setter or framework
- Non-Governmental Organization (NGO)
- Academia/Education/Research
- Other (please specify):

Continue »

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We would like to ask a few questions about forward-looking metrics.

In what way are forward-looking climate-related metrics used within your organization? Check all that apply.

- For internal risk management, strategy, or financial planning
- For investment/portfolio allocation decisions
- For engagement with companies in which we invest
- For communication with investors or other stakeholders
- Other (please specify):
- We do not use forward-looking climate-related metrics

Continue »

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Why does your organization *not* use forward-looking climate-related metrics?

UK Finance is a longstanding proponent of the recommendations of the TCFD and consider the framework provided by its recommendations provide the best prospect for achieving a universal approach in respect of climate reporting. This, however, is a multi-year endeavour and much developmental work continues, whether in respect of definitions, data gathering or scenario analysis.

As a financial sector trade body we do not use forward-looking climate-related metrics, though some of our members are exploring their use. ITR metrics are in their infancy and do not yet provide reliable or useful results. It is far too soon to specify which type of ITR, if any, should be used. This is a question which should be revisited in a few years, when the methodologies are more robust and there are more case uses to learn from.

In the short-term it would be more useful for the TCFD to focus on enhancing its guidance on the 11 TCFD recommended areas of reporting to help the financial sector achieve consistency there.

Continue »

Now, we have a few questions about the usefulness of various metrics and challenges associated with these metrics.

How do you currently view disclosure for forward-looking climate-related metrics?

- The challenges outweigh the benefits
- Challenges are proportionate to the benefits
- The benefits outweigh the challenges *now*
- The benefits *will* outweigh the challenges if there is further standardization of metrics

Is there anything additional you would like to tell us about your response above?
If not, please click 'continue' to proceed.

We would prefer to choose a fifth option, 'the benefits could outweigh the challenges if a number of conditions could be met'. These would include not just the standardisation of metrics but also availability of accurate, consistent and comprehensive data, and a recognition from all users of the metrics that their results are, at best, indicative. There is a significant risk of too much emphasis being placed on metrics which rely on a set of stylised assumptions about future emissions many years into the future which will by definition be unverifiable in the short-term.

Continue »

How does the lack of reliable or comparable GHG emissions data impact the usefulness of forward-looking metrics as part of financial decisions?

- It's a significant barrier
- It's somewhat of a barrier
- It's not much of a barrier
- It's not a barrier at all
- I don't know

Is there anything additional you would like to tell us about your response above?
If not, please click 'continue' to proceed.

This is more than a significant barrier; it is an existential barrier to the creation of useful forward-looking metrics.

Continue »

Which GHG emissions scopes should be covered in an ideal forward-looking methodology for metrics related to emissions? Select all that apply.

- Scope 1
- Scope 2
- Scope 3
- None

Is there anything additional you would like to tell us about your responses above?
If not, please click 'continue' to proceed.

In the event that a reliable forward-looking metric can be devised, addressing all the significant issues and concerns set out in this response, it should cover all scopes of emissions.

Continue »

How important is it to understand which scenarios and pathways were used in the calculation of forward-looking metrics to make them decision-useful?

- Very important
- Somewhat important
- Not very important
- Not at all important

Is there anything additional you would like to tell us about your response above?
If not, please click 'continue' to proceed.

Continue »

Which of the following metrics do you find useful for financial decision-making?

	Useful <i>now</i>	Could be useful with improvements to methodology	Not useful
The proportion of underlying investments that are aligned with the EU Taxonomy	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Climate value-at-risk	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
A forward-looking estimate of the amount or percentage of carbon-related assets in each portfolio over the course of their planning horizon	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Amount of apportioned emissions over/under a 1.5°C alignment trajectory	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Unpriced carbon cost	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Carbon earnings at risk	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Implied temperature rise or warming potential	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other (please specify): <input type="text" value="Weighted Average Carbon Intensit"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

Is there anything additional you would like to tell us about your responses above?
If not, please click 'continue' to proceed.

These methodologies are in their infancy, and are only being explored by a small proportion of financial institutions. Of the minority of our members who are able to express a view on these methodologies, the most favourable comments we received regarded Carbon Earnings At Risk and Weighted Average Carbon Intensity.

Continue »

Which of the following metrics would you find useful if disclosed by the following groups?

The proportion of underlying investments that are aligned with the EU Taxonomy

- Asset owners
- Asset managers
- Banks
- Insurance companies
- Index providers
- None
- I don't know

Please provide any additional information about your responses above or on what else would be useful to you.

Continue »

Which of these changes would improve the usefulness of forward-looking disclosures for you?

- Better availability and quality of GHG emissions data
- More clarity and transparency in calculation methodologies
- More useful narrative content
- More comparable approaches to calculation methodologies
- Use of standard forward-looking emissions pathways
- Other (please specify):

Is there anything additional you would like to tell us about your responses above?
If not, please click 'continue' to proceed.

Continue »

To what extent does your organization find current ITR disclosures useful in financial decision-making?

- Very useful
- Somewhat useful
- Not very useful
- Not at all useful
- Not applicable/I don't know

Continue »

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Has an ITR rating influenced a specific financial decision your organization has made?

- Yes
- No
- I don't know
- Other (please specify):

Please provide any further information on why an ITR rating has or has not influenced a decision, as applicable.

Continue »

What are the benefits of ITR as a metric? Select all that apply.

- Easy to understand
- Useful for assessing climate-related opportunities
- Useful for assessing climate-related risks
- Useful for assessments of strategy
- Comparability at different levels (e.g., fund, portfolio, company, other)
- Useful for engagement
- There are no benefits
- Other (please specify):

Is there anything additional you would like to tell us about the usefulness of ITR as a metric? *If not, please click 'continue' to proceed.*

For this benefit to be realised all of the significant challenges associated with the methodology, as set out in this response, would have to be addressed.

Continue »

How much would each of the following improve the rigor and usefulness of ITR disclosures?

	Improve a lot	Improve a little	Would not improve
Better availability and quality of GHG emissions data	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
More clarity and transparency in calculation methodologies	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
More comparable approaches to calculation methodologies	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Use of standard forward-looking emissions pathways	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please provide any additional information about how the rigor and usefulness of ITR disclosures could be improved.

Continue »

How useful would disclosure of an ITR rating be from the following types of financial organizations?

	Extremely useful	Very useful	Somewhat useful	Not very useful	Not at all useful
Asset owners	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Asset managers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Insurance companies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Index providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other organization (please specify): <input type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please provide any additional information about how disclosure of an ITR rating from a financial organization could be useful.

We are not in a position to respond to this question, given the limited extent to which our membership are familiar with the ITR methodologies. We have only responded because we were unable to leave the fields blank.

Continue »

How useful would an ITR rating be for each of the following *asset classes*?

	Extremely useful	Very useful	Somewhat useful	Not very useful	Not at all useful
Listed equity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Listed debt	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Loans to corporates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Sovereign debt	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Mortgages	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Real Estate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other asset class (please specify): <input type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Is there anything additional you would like to tell us about your responses above?
If not, please click 'continue' to proceed.

We are not in a position to respond to this question, given the limited extent to which our membership are familiar with the ITR methodologies. We have only responded because we were unable to leave the fields blank.

Continue »

For each sector listed below, how useful would you find an ITR rating in financial decisions?

	Extremely useful	Very useful	Somewhat useful	Not very useful	Not at all useful
Energy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Agriculture, food, and forest products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Materials and buildings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Transportation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other sector (please specify): <input type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Is there anything additional you would like to tell us about your responses above?
If not, please click 'continue' to proceed.

We are not in a position to respond to this question, given the limited extent to which our membership are familiar with the ITR methodologies. We have only responded because we were unable to leave the fields blank.

Continue »

How useful would disclosure of an ITR metric be at each of the following levels?

	Extremely useful	Very useful	Somewhat useful	Not very useful	Not at all useful
Company level	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Portfolio level	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Fund level	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Investment strategy level	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Asset level	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other level (please specify): <input type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Is there anything additional you would like to tell us about your responses above?
If not, please click 'continue' to proceed.

We are not in a position to respond to this question, given the limited extent to which our membership are familiar with the [ITR methodologies](#). We have only responded because we were unable to leave the fields blank.

Continue »