

**This paper will be considered in public**

## **1 Background**

- 1.1 The Committee has recognised climate change as a principle risk for TfL and have asked for an external perspective on the Task force on Climate-related Financial Disclosures (TCFD) and its relevance to TfL. This paper therefore presents the report from our external auditors, Ernst & Young (EY) on the relevant of the TCFD reporting requirements to TfL, as well as prospective next steps needed to make the relevant climate related disclosures in future reporting cycles.

## **2 Recommendation**

- 2.1 **The Committee is asked to note the paper.**

## **3 Report summary**

- 3.1 As set out in the appendices, EY are clear that reporting against the TCFD framework should be more than just about compliance with Financial Conduct Authority regulation. Climate risks pose a range of credible business risks that will have significant financial implications for TfL over the coming years. Using the TCFD as a framework and building on TfL's draft Adaptation Report currently in preparation, TfL needs to better understand these risks and develop approaches to actively quantify the potential financial impacts. This will support appropriate steps to mitigate the worst impacts of climate change and establish essential and sustainable financial planning.
- 3.2 The TCFD framework was established to promote consistent climate-related financial risk disclosures for organisations. It is structured in four thematic areas – Governance, Strategy, Risk management, and Metrics and targets with eleven voluntary recommendations of what to include in financial disclosures.
- 3.3 TfL has already taken key steps towards improved climate risk disclosures, in line with the TCFD recommendations. Our Corporate Environment Plan and sustainability reports have identified climate change as a key priority for TfL and have set out various ambitions and roadmaps on how to achieve them. Our voluntary reporting against the Adaptation Reporting Power (the power given to the Secretary of State under the Climate Change Act 2008 to direct reporting authorities to report on what they are doing to adapt to climate change) has included an assessment of our assets against climate risks with the next submission due in December 2021. Work has also been done work in

relation to integrating climate risks into overall risk management, and raising the profile of climate change internally through the work of the Safety, Health and Environment team and the City Planning team.

- 3.4 There are still, however, some important considerations and next steps that need to be undertaken for good practice TCFD reporting. As set out in EY's report, good practice TCFD disclosure will require:
  - (a) a clear governance structure demonstrating board oversight and accountabilities;
  - (b) a clear description of impact on core strategy and decision-making, including scenario analysis;
  - (c) clear integration and ownership of climate risks; and
  - (d) clear targets and transparent methodologies of measuring progress over time.
- 3.5 In response to the findings in EY's report, TfL have committed to make progress in these areas for its 2021/22 reporting cycle. As a first step it will undertake a detailed gap analysis to examine the "as-is" versus the "to-be" position and will use this to identify the key next steps necessary to allow full compliance in future years.

**List of appendices to this report:**

Appendix 1: EY Report on Task Force on Climate Related Financial Disclosures

**List of Background Papers:**

None

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