Annex 1

‘Investment Confidence’ for Governments: Integrating investment into climate-related policymaking

Can the Taskforce on Climate-Related Financial Disclosures (TCFD) framework help Governments? **Starting points for a basic review template**.
Climate-related Finance for Governments?

TCFD Framework

**Governance**
The organization's governance around climate-related risks and opportunities

**Strategy**
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

**Risk Management**
The processes used by the organization to identify, assess, and manage climate-related risks

**Metrics and Targets**
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Integrating ‘investment’ into Government: a ‘TCFG’ Review

- **Governance**: is a structured assessment of climate-related investment integrated into decision-making across government and its departments/units?

- **Strategy**: is it a cross-economy priority to establish conditions to secure climate-related investment, and reflected in policies and plans? - Is there an **Investment Assessment** process in place to test investment assumptions with capital providers?

- **Delivery Risk Management**: does the Investment Assessment process identify and manage risks to meeting specific goals, short and medium term?

- **Metrics and Targets**: are there metrics and processes in place (qualitative & quantitative) for monitoring risks and whether plans are on track to deliver the investment assumed?
TCFD – original implementation table for companies & financial institutions to integrate climate risk/opportunities

<table>
<thead>
<tr>
<th>Governance</th>
<th>Strategy</th>
<th>Risk Management</th>
<th>Metrics and Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclose the organization’s governance around climate-related risks and opportunities.</td>
<td>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.</td>
<td>Disclose how the organization identifies, assesses, and manages climate-related risks.</td>
<td>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.</td>
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**Recommended Disclosures**

- **Governance**
  - a) Describe the board’s oversight of climate-related risks and opportunities.
  - b) Describe management’s role in assessing and managing climate-related risks and opportunities.
  - c) Describe the potential impact of different scenarios, including a 2°C scenario, on the organization’s businesses, strategy, and financial planning.

- **Strategy**
  - a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.
  - b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.

- **Risk Management**
  - a) Describe the organization’s processes for identifying and assessing climate-related risks.
  - b) Describe the organization’s processes for managing climate-related risks.

- **Metrics and Targets**
  - a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
  - b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
  - c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.
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<td>Is an assessment of climate-related investment integrated into decision-making across government (national/local)?</td>
<td>- Early strategy development: have risks /opportunities for investment linked to sector-level implementation goals been identified (short, med., long-term)?</td>
<td>Does the Investment Assessment process identify and manage risks to meeting specific goals, short and medium term?</td>
<td>Are there metrics and processes in place for monitoring risks and whether plans are on track to deliver the investment assumed?</td>
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<td>- [Board / Ministerial level] Is there a Head of Government-led, cross-department governance process for delivering climate-related outcomes?</td>
<td>- Policy Design: does the design of policies and tools respond to those risks? Have investment assumptions been tested with capital providers anticipated to respond? Have specific risk areas been identified?</td>
<td>- Qualitative: Is there a structured engagement process in place with relevant investors to enable monitoring in line with strategy and delivery risk management; covering policy specific and external impacts on investment &amp; investor perception.</td>
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<td>- [Management] has existing in-house finance capacity been brought in (e.g. DFIs, procurement or regulation) or put in place to help lead policymakers?</td>
<td>- In-house: are Treasuries, DFIs, central banks on board? - Is this integrated into overall economic and development planning under different scenarios (pace and scale of actions across the economy, infrastructures, SDGs)?</td>
<td>- Quantitative: Have metrics or leading indicators been identified to assess the forward investment environment, including the development and early stages of the project cycle?</td>
<td>- Data/Response: is market data accessed how does it feeds back to strategy and delivery?</td>
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<td>- Will strategy and policy outcomes be integrated into decision-making for the whole economy (including Treasury overall budget-setting)?</td>
<td>- Integration: is there an assessment of unintended consequences from other government strategies or from changing external conditions?</td>
<td>- ‘innovation dashboard’ to monitor system-relevant innovation?</td>
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