

FINANCIAL AUTHORITIES AND RELEVANT INSTITUTIONS DECLARE SUPPORT FOR TCFD AND ITS RECOMMENDATIONS

The FSC along with thirteen other relevant institutions announced their official declaration of support for the Task Force on Climate-related Financial Disclosure and its recommendations on May 24. The declaration was followed by the green finance consultative body's kick-off meeting chaired by Vice Chairman Doh Kyu-sang.

VICE CHAIRMAN'S REMARKS

Last year, the average temperature in Europe and Asia reached a record high in 111 years according to the "Global Climate Report 2020" by the U.S. National Oceanic and Atmospheric Administration. Considering ripple effects of climate change on the stability of financial systems, the financial sector should preemptively take a responsible role in global issues such as the climate change.

Recently, the EU has introduced green taxonomy which provides standards on support for green industries. The Biden administration in the U.S. has strengthened its climate leadership by rejoining the Paris Agreement and holding a Leaders Summit on Climate. The Korean government, too, declared the 2050 carbon net zero goals and enhanced its carbon reduction objectives while suspending state-backed financial institutions' financing of overseas coal plants. With the K-New Deal initiative, the government has been expanding investments in green sectors as well.

(SUPPORT FOR TCFD AND ITS SIGNIFICANCE) The financial authorities plan to boost cooperation with the international society to more actively respond to climate change. Last week, the FSC and FSS applied for membership to the Network of Central Banks and Supervisors for Greening the Financial System. Today, the FSC and thirteen relevant institutions are here to announce official declaration support for the TCFD. The TCFD is a global consultative body created to promote climate-related financial disclosures. In 2017, the TCFD introduced its recommendations and more than 2,000 institutions from 78 countries across the globe have shown support for the TCFD and its recommendations. In Korea, a total of 44 entities have declared support, including the Ministry of Environment and 26 other institutions in the financial sector. The TCFD recommendations are structured around four thematic areas, such as governance, strategy, risk management and metrics and targets. The recommendations promote businesses and financial companies to actively take climate risks into account in their business operation and help investors and stakeholders with their decision making. The participating institutions to today's declaration will work to strengthen their response to climate-related risks based on the TCFD recommendations.

(GREEN FINANCE STRATEGY) With the declaration of support, the government will spare no efforts in carrying out tasks related to green finance. First, the authorities will work to strengthen green finance efforts of state-backed financial institutions. To this end, the FSC and state-backed financial institutions gathered together to launch a consultative body on green finance, which will work to provide sufficient funds to green industries and help create synergetic effects between them. Second, the government will introduce a K-taxonomy in June this year to be piloted in the financial sector in the second half. In the third quarter, the FSC also plans to come up with the best practice guidelines on green finance as well as a guideline on climate risk management. In addition, the authorities will work to gradually expand corporate disclosures of ESG factors and set up an integrated platform on ESG disclosures.

Prior to the 2021 P4G Seoul Summit scheduled for May 30-31, the FSC will hold a special session on green finance on May 29 and discuss the role of finance in fostering green recovery in the post-COVID-19 era.

The FSC plans to actively participate in global discussion to help transform climate change risks into new opportunities, while continuing to work for promoting green finance.

DECLARATION OF SUPPORT

Climate change presents both the present and future risks and opportunities to businesses. Natural disasters inflicted by rising temperatures threaten the survival of the natural ecosystem as well as the humanity, and can cause unpredictable losses in business operation. On the other hand, the transition to a carbon net zero society in response to climate change can lead to sustainable development through new technologies and industries.

The international society has been discussing a variety of means to promote businesses to respond to climate risk in a more voluntary and responsible manner. In particular, corporate disclosure of climate change-related data has been recognized as a crucial means to help relevant stakeholders to properly measure, evaluate and make decisions on the climate-related risks and opportunities facing businesses.

Among many, the Task force on Climate-related Financial Disclosure is an integral global organization working to develop standards on climate-related corporate disclosure. The recommendations prepared by the TCFD in 2017 endorse climate-related disclosures of financial data on four thematic areas, such as governance, strategy, risk management and metrics and targets. At present, more than 2,000 institutions in 78 countries around the world have shown support for the TCFS and its recommendations.

Following the TCFD recommendations, we hope that corporate disclosures of climate-related financial data will help transform our society into a sustainable and low carbon economy and help us build a more stable financial system.

To this end, we declare our support for the TCFD and its recommendations and pledge that each institution will work to take the following measures.

ACTION AGENDA

First, we will work to actively disclose details regarding the management and supervision of the board and the role of management on climate-related risks and opportunities.

Second, we will actively disclose short, medium, and long-term climate change-related risks and opportunities, effects of climate-related risks and opportunities on business, strategy and financial planning, as well as many different scenarios on climate change including the one that takes into account a 2-degree Celsius increase in global average temperature.

Third, we will actively disclose the identification, assessment and management procedure of climate change-related risks as well as the method of integrating them into the risk management system.

Fourth, we will actively disclose the types of indicators used to evaluate climate change-related risks and opportunities, greenhouse gas emissions data and related risks, and targets used to manage climate-related risks and opportunities as well as attainment of goals.

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