

The G20's new guidelines will help investors tackle climate change

Written by The Conversation

New guidelines being presented to the G20 this weekend will change the way individuals, companies, investors and regulators manage the financial risks of climate change. These risks include physical events, such as changing weather patterns and natural disasters, as well as new technologies and regulations.

As big investors adopt the guidelines, the companies in their portfolios will be pressured to report on climate change. This will make it easier for investors of all kinds to understand the impacts of climate change on their portfolios, and to assess new opportunities, such as new products and services that will be required and developed.

Companies like [BHP](#) have already begun reporting on how climate change will affect their businesses. But, until now, corporate disclosure on climate change has been patchy, shallow and not always financially relevant.

The new guidelines will create a common language for talking about climate change as a financial risk. This will drive more detailed reporting on how climate change is impacting investment portfolios, investment decisions, financial performance and strategies to manage the risk.



[TFCD](#) What are the guidelines?

The guidelines have been created by a [G20 taskforce](#) that includes investors, businesses, accounting firms, stock exchanges and ratings agencies from around the world. The guidelines are voluntary but are already being adopted by big investors who want a standard for reporting on climate risks. As big investors adopt the guidelines they will pressure the companies in their portfolios to do the same.

The guidelines build on [existing accounting](#) and [reporting](#) frameworks. The focus is on

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company performance data and market information that can be used in investment decisions.

The guidelines cover a range of reporting requirements about the impact of climate change. Companies will need to report increased operating costs due to new regulation, necessary investment in low-emissions technology, or reduced revenue as a result of heat stress or extreme weather events. This kind of information allows investors to compare how effectively companies are managing climate-related events.

The taskforce is also recommending that individual companies report on their corporate governance approach to climate change, actual and potential climate impacts over the short, medium and long term and strategies for tackling these impacts, as well as their overall approach to managing climate risk.

There will be additional guidance for a range of specific industries that account for the largest proportion of greenhouse gas emissions, energy and water usage.

One of the taskforce's key recommended disclosures responds to investor calls for companies to publish "2°C scenario analyses". These reports assess the potential business, strategic and financial impacts of climate change, taking into consideration different climate-related scenarios. In Australia, [BHP](#), [AGL](#) and [Westpac](#) have all published 2°C scenario analyses. Other major companies have work under way.

What is the impact?

In light of the new guidelines, a group of Australian and New Zealand institutional investors with A\$1.6 trillion in assets under management have [developed a guide](#) to review and improve climate change reporting in Australia.

We are already seeing big investors pressure the companies in their portfolios to report on climate risks.

One of the world's largest investors, Blackrock, recently [voted in favour](#) of a shareholder

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resolution calling on oil giant ExxonMobil to increase its climate change reporting. The resolution [passed with 62% of the vote](#) after a similar resolution failed last year.

There is good news for the ordinary investors as well. The more big investors and companies report on the impacts of climate change, the more information will be available for everyone. You and I will be able to better understand what role our retirement savings are playing in tackling climate change.

What gets measured gets managed, including climate change. Whether it is choosing to place your savings with a fund that best mirrors your personal concerns about the climate, or selecting a specific deep green or fossil-fuel-free fund option, the more information funds produce, the better informed all of our investment decisions will be.

Emma Herd, Chief Executive Officer of the Investor Group on Climate Change, contributed to this article.

Rosemary Sainty has facilitated a climate disclosure working group for the development of the IGCC Guide to Investor Disclosure.

Read more <http://theconversation.com/the-g20s-new-guidelines-will-help-investors-tackle-climate-change-80612>