

Climate Financial Risk Forum: Terms of Reference

Introduction

1. These terms of reference ('ToR') govern the work of the Climate Financial Risk Forum ('the Forum'). The nature and scope of the work of the Forum may evolve over time and these terms may be updated as required.
2. A specific ToR will be drawn up for each Working Group ('WG') as and when they are set up ('WG ToR').
3. The Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) have established the Forum following the publication of the FCA's Discussion Paper on Climate Change and Green Finance¹ and the PRA's Supervisory Statement on the financial risks from climate change and its report *Transition in thinking: The impact of climate change on the UK banking sector*².
4. The FCA and PRA share practical duties relating to the governance and organisation of the Forum's activities. However, the Forum is independent of the FCA and the PRA. The Forum will not carry out responsibilities on behalf of the FCA or PRA, and does not seek to duplicate the work of trade associations or other industry fora.

Purpose and scope

5. The Forum aims to advance financial sector responses to the climate-related financial risks by looking for ways in which UK market practices and the regulatory framework can:
 - 5.1. drive best practice;
 - 5.2. ensure firms can identify, measure and manage the financial risks arising from climate change (both physical and transition risks) while being able to take advantage of opportunities to benefit consumers; and
 - 5.3. support the transition to net zero emission economy by 2050.
6. In pursuing the above aims, the Forum will seek to develop industry guidance, analytical tools and practical techniques to support capacity building and the dissemination of best practice in identifying and managing climate change-related risks across the financial services sector.
7. It is envisaged that the outputs of the Forum will largely be developed within and in cooperation between technical WGs which will examine specific areas associated with climate-related financial risks.

Composition and participation

Forum Chairs

8. The Forum will be co-chaired by representatives from the FCA and PRA ('Forum co-chairs'). Forum co-chairs will be responsible for (although this list is not exhaustive):
 - 8.1. alternating hosting Forum meetings;
 - 8.2. leading discussions at Forum meetings;

¹ <https://www.fca.org.uk/publication/discussion/dp18-08.pdf>

² <https://www.bankofengland.co.uk/prudential-regulation/publication/2018/transition-in-thinking-the-impact-of-climate-change-on-the-uk-banking-sector>

- 8.3. inviting Observers to attend Forum meetings, where appropriate; and
 - 8.4. obtaining Forum agreement on proposed outputs.
9. As of 7th October 2021, the Forum co-chairs are Sheldon Mills Executive Director, Consumers and Competition of the FCA, and Sarah Breeden, Executive Director, Financial Stability Strategy and Risk, Bank of England.

Forum Secretariat

10. The Forum is supported by a joint secretariat ('Forum Secretariat') from the FCA and PRA, which is responsible for (although this list is not exhaustive):
- 10.1. organising Forum meetings;
 - 10.2. sharing agendas and any supporting documents one to two weeks in advance of each meeting;
 - 10.3. writing and distributing supporting documents, agendas, minutes, and other communications as appropriate;
 - 10.4. facilitating coordination and communication between the Forum and WGs, as necessary, to ensure final outputs are not duplicative or contradictory; and
 - 10.5. attending all WG meetings.
11. As at 1 January 2022, it is envisaged that:
- 11.1. the PRA will lead the Forum Secretariat functions as it relates to the Scenario Analysis WG;
 - 11.2. the FCA will lead the Forum Secretariat functions as it relates to the Disclosure, Data & Metrics WG; and
 - 11.3. the PRA and the FCA will co-lead the Forum Secretariat function as it relates to the Transition to Net Zero WG.

Forum Members

12. The Forum will consist of a group of member firms ('Forum Members') whose senior representatives are expected to attend all Forum meetings and may take part in setting the agenda for Forum meetings.
13. Forum Members are expected to participate in:
- 13.1. decision-making concerning the Forum's work programme;
 - 13.2. any Forum discussions regarding work undertaken by any WG set up by the Forum; and
 - 13.3. all activities of any WGs of which they are also members.
14. Forum members, and their associated firms, are expected to provide active contributions to CFRF working groups. These contributions would be scaled in line with the size of the firm.
15. As of 8 March 2019, Forum Members are the FCA, PRA, and the following organisations:
[*subject to change following membership refresh*]

Banks	Insurers	Asset managers	Other
HSBC BNP Paribas RBS JP Morgan Yorkshire Building Society	Aviva Legal & General Lloyd’s of London Zurich RSA Insurance Group	Hermes Standard Life Aberdeen Blackrock Schroders Invesco	London Stock Exchange Group Green Finance Institute

16. Membership seeks to be representative of the UK financial sector, including firms of varying size, business model, and maturity of approach to climate-related risks. It is envisaged that the Forum Members will be rotated periodically to bring in a wide range of viewpoints and experience.

Forum Observers

- 17. Observers, including but not limited to trade associations and other regulators, may also be invited to attend Forum meetings if and when it is considered helpful/necessary by the Forum co-chairs. Forum Members may make suggestions to the Forum co-chairs regarding potential Observers.
- 18. Observers will not take part in setting the agenda for the Forum meetings or in decision-making, but may make representations concerning the Forum’s activities and deliberations.
- 19. Any requests by firms or organizations to attend Forum meetings should be communicated to the Forum Secretariats in order to be considered by the Forum. Any request must be approved by the Forum co-chairs.
- 20. Firms invited to attend Forum meetings as Observers have the right to refuse an invitation to Forum meetings. This will not preclude them from being considered for subsequent invitations in future.
- 21. Examples of organisations which may be invited to participate in meetings as observers include, but is in no way limited to, representative organisations such the Association of British Insurers, UK Finance, Building Societies Association, Investment Association, Personal Investment Management and Financial Advice Association, UK Sustainable Investment and Finance Association, and the International Capital Market Association.

WG Chairs

- 22. Any WG set up by the Forum will be chaired by a Forum Member (‘WG Chair’). The WG Chair must have expertise in the WG focus area.
- 23. Working with the FCA and PRA teams, the WG Chair is responsible for inviting other firms to join and participate in the work of specific WGs (‘WG Members’).
- 24. The WG Chairs may occasionally be asked to lead discussions on their respective areas of focus in the Forum meetings.

WG Secretariats

25. Each WG Chair is supported by a secretariat comprising a third-party organisation (WG Secretariat) and Forum Secretariat. WG Secretariats will be selected by the Forum Secretariat and must have demonstrable and relevant expertise in the WG focus area.

26. WG Secretariats are expected to:

- 26.1. organise WG meetings;
- 26.2. share agendas and any supporting documents one to two weeks in advance of each WG meeting;
- 26.3. collaborate with the WG chair to ensure outputs are delivered on time and as agreed (including relevant materials/presentations for each Forum meeting); and
- 26.4. facilitate coordination and communications with other WG Secretariats as appropriate.

To note, Secretariats are not responsible for delivery of WG outputs. This is the responsibility of the WG Chair and the WG Members.

27. As of 8 March 2019, WG Secretariats consist of representatives from the FCA, PRA, and the following organisations:

[subject to change following membership refresh]

Working group	Regulator Secretariat	External Secretariat
Risk management & Scenario Analysis	PRA	GARP
Disclosure & Innovation	FCA	UN PRI & Climate-KIC
Climate data and metrics	Joint	UN PRI

WG Members

28. WG Members must have demonstrable and relevant expertise in the WG’s specific area. WG Members may include Forum Members as well as other relevant individuals or organisations able to provide technical advice and market knowledge to the WG.

29. It is envisaged that WG Members may be rotated periodically to bring in a wide range of viewpoints and experience.

30. WG Members will be responsible for contributing to the development of the WG’s outputs and reporting back to the Forum, as necessary.

Forum activities and outputs

Forum Outputs

31. The Forum shall aim to advance the financial sector responses to the financial risks from climate change by developing practical tools and approaches (‘Outputs’), such as:

- 31.1. technical guidance to, or best practice guides for, financial services firms to address shared challenges for the financial services industry;

- 31.2. steers and insights on the priority issues facing financial services firms addressing climate change risks and opportunities.
32. The Forum's Outputs will specifically consider:
 - 32.1. the role of the UK regulatory framework in enhancing the financial system's resilience to the transition to a net zero emission economy; and
 - 32.2. protecting market integrity and consumers against climate-related financial risks.
33. Forum Outputs may also include events to share and obtain views on the Forum's work more broadly, such as round tables. Outputs should not duplicate the work of other relevant fora.
34. The Forum Members and Forum co-chairs will decide key topics to examine. If agreed by a majority of Forum Members and Forum co-chairs, Forum Members and Forum co-chairs may decide to set up a WG to explore these topics in detail. It is envisaged that the Outputs of the Forum will largely be developed through its WGs, in line with the direction agreed by the Forum Members and Forum co-chairs, and that WG progress will be discussed by Forum Members at each Forum Meeting.
35. As of 7th October 2021, the Forum agreed to set up the following WGs:
 - 35.1. Scenario Analysis
 - 35.2. Disclosure, Data & Metrics
 - 35.3. Transition to Net Zero

Forum meetings

36. Forum Members will meet at least three times a year with each meeting lasting up to two hours, unless there is a specific reason for a different duration. The FCA and PRA will alternate hosting Forum meetings.
37. Agenda and additional materials, such as draft outputs from WGs, will be shared by Forum Secretariats one week in advance of each Forum meeting.
38. Each Forum Meeting will discuss, amongst other agenda items, updates and progress from any WGs. In-depth but anonymised summaries of Forum meetings, including topics of discussion and decisions taken, will be published within four weeks after each Forum Meeting.

Working group meetings

39. WG activities and outputs will be set out in their specific ToR and work programme.
40. WGs will report back to the Forum at each meeting and may meet as frequently outside of Forum Meetings as is deemed necessary by the WG Chair and WG Secretariat to produce its Outputs.

Governance & decision making

41. The Forum co-chairs, together with the Forum Members, shall determine the Forum's purpose and scope, outputs, and decide on the establishment and membership of WGs.
42. Decisions will be made by the Forum Members and Forum co-chairs at Forum meetings by general agreement, meaning approval of any proposal which is supported by at least a majority. Decisions may include (but are not necessarily limited to):
 - 42.1. forum activities,

- 42.2. forum composition,
 - 42.3. forum publications,
 - 42.4. attendance of Forum meetings by observers,
 - 42.5. establishment of WGs, and
 - 42.6. the Forum's outputs.
43. Forum Members are free to make requests or suggestions about the agenda of any meeting. Any such request should be communicated to the FCA and PRA no less than two weeks before the meeting to which the agenda relates. The final content of any Forum meeting agenda will be decided jointly by the Forum co-chairs.
44. Forum Secretariats will share with Forum Members drafts of in-depth but anonymised summaries of Forum deliberations and decisions to be published within two weeks after each Forum Meeting. Forum Members may communicate any comments or edits on the content to the Forum Secretariat within one week of receiving the summary. The final content of any Forum meeting summary will be decided jointly by the Forum co-chairs.
45. No one Forum Member or Forum co-chair has veto power over any Forum or WG decisions.

Reporting and accountability

46. The Forum is committed to being transparent with the wider industry about its work. High-level summaries of Forum deliberations and decisions will be published after each meeting, including (but not limited to) on the FCA's and PRA's websites. All communications will be done through the Forum. The WGs will not publish individual communications.
47. The Forum may choose to publish other ad-hoc communications in addition to high-level summaries of Forum deliberations and decisions, if agreed by the core membership and the FCA and PRA.
48. WGs may suggest ad-hoc communications at Forum meetings for the Forum Members, FCA and PRA to consider, as agreed by the WG per the process set out in its specific WG ToR/MoU.
49. The key Outputs of the Forum, as developed by the Forum and the WGs, will be published in a manner designed to bring them to the attention, in so far as practicable, of financial services market participants and other relevant stakeholders. This may include (but not limited to) on the FCA's and PRA's websites.
50. Any non-public information disclosed or opinions expressed during meetings of the core forum as well as meetings of the working groups will be treated as confidential unless and until the Forum Members collectively have authorised their public release according to the majority opinion. Where there is no clear majority, the Forum co-chairs will make the final decision with a combined vote. The Forum Members will consult with the relevant WG's membership before authorising any such public release. Once approved, key decisions and actions taken by the Forum will be made publicly available.
51. Forum participants may discuss their participation in the Forum externally, provided they do not make attributable quotes or reference to any non-public information as described in paragraph 50.

Responsibilities of forum participants

52. Forum Members, Forum Secretariats, Observers, WG Chairs, WG Secretariats, and WG Members – collectively referred to as 'Forum participants' – are responsible, individually and

collectively, for making a good faith contribution to the effective achievement of the Forum's aims. This includes, where relevant, the Forum and its WGs.

53. Each Forum participant is responsible for complying with their legal obligations and respecting the legitimate interests of Forum participants' organisations.
54. It is the responsibility of all Forum participants to ensure they understand and comply with their obligations under all applicable competition laws. These include not disclosing any commercially sensitive information to competitors such as pricing or price planning, customer or market information or company strategy. The disclosure of commercially sensitive information may amount to a breach of competition law and could lead to prosecution not only of the firm disclosing the information but of other firms in the room, even if they remain silent. To the extent that any Forum Member or WG Member is unclear of these, they should seek legal advice and if appropriate arrange to undertake competition law compliance training/seek further guidance at their respective organisations.
55. It is the responsibility of each Forum participant to take its own legal advice on competition law, and of any Forum participant's organisation appointing a Forum participant to ensure the participant receives appropriate training and guidance, in particular with a view to identifying commercially sensitive information and understanding what is and is not lawful.
56. Forum participants may request further protections for any data and information shared with the Forum or its WGs. Forum participants may make requests either by communicating the request (i) directly to the PRA and FCA or (ii) to the Forum Members and Forum co-chairs for discussion at the next Forum meeting as envisaged in paragraph 44 of these terms.
57. It is the responsibility of any Forum participant to ensure that they are confident in the level of protection for any information shared. If they are not satisfied then it is the Forum participants' responsibility to not share any such information.

Intellectual Property

58. Forum Participants must be willing to be flexible and pragmatic around their intellectual property with regard to possible Forum outputs.
59. The Forum Participants agree in the first instance that the output of the Forum will be open-source. If open-source is found not to be viable by the Forum Participants, further options may be explored.
60. Forum Participants accept that by participating in the Forum they will not gain any ownership rights to any intellectual property in the output of the Forum.
61. Nothing in these terms is intended to affect any pre-existing intellectual property rights in material brought into the Forum by Forum Participants. It is the responsibility of the relevant Forum Participant to draw attention to intellectual property rights subsisting in information shared within the Forum.

Disclaimer

62. Neither the FCA or the PRA, or any of their staff, officials, or representatives, including but not limited to the Forum co-Chairs, are responsible for any views or statements expressed by other Forum Participants.
63. Views expressed by the Forum in its Outputs may not reflect the views of the FCA or PRA.
64. The activities, discussions, and Outputs of the Forum should not be taken as an indication of future policy by the FCA or the PRA. FCA and PRA policy positions will continue to be

developed and communicated in accordance with the usual governance and public consultation procedures of the two organisations.