CDSB Climate Disclosure Standards Board

TCFD Workshop:
Practical steps for implementation

October 2019

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Event #TCFD

https://www.sli.do/

Q. How would you describe your understanding of the TCFD recommendations?

- ❑ I am an expert
- ❑ I am confident, but need to understand some elements
- ❑ I have some knowledge, but need support
- ❑ I have little knowledge
- ❑ What is the TCFD?

Climate Disclosure Standards Board

To create the enabling conditions for material climate change and natural capital information to be integrated into mainstream reporting.

Board

Technical Working Group

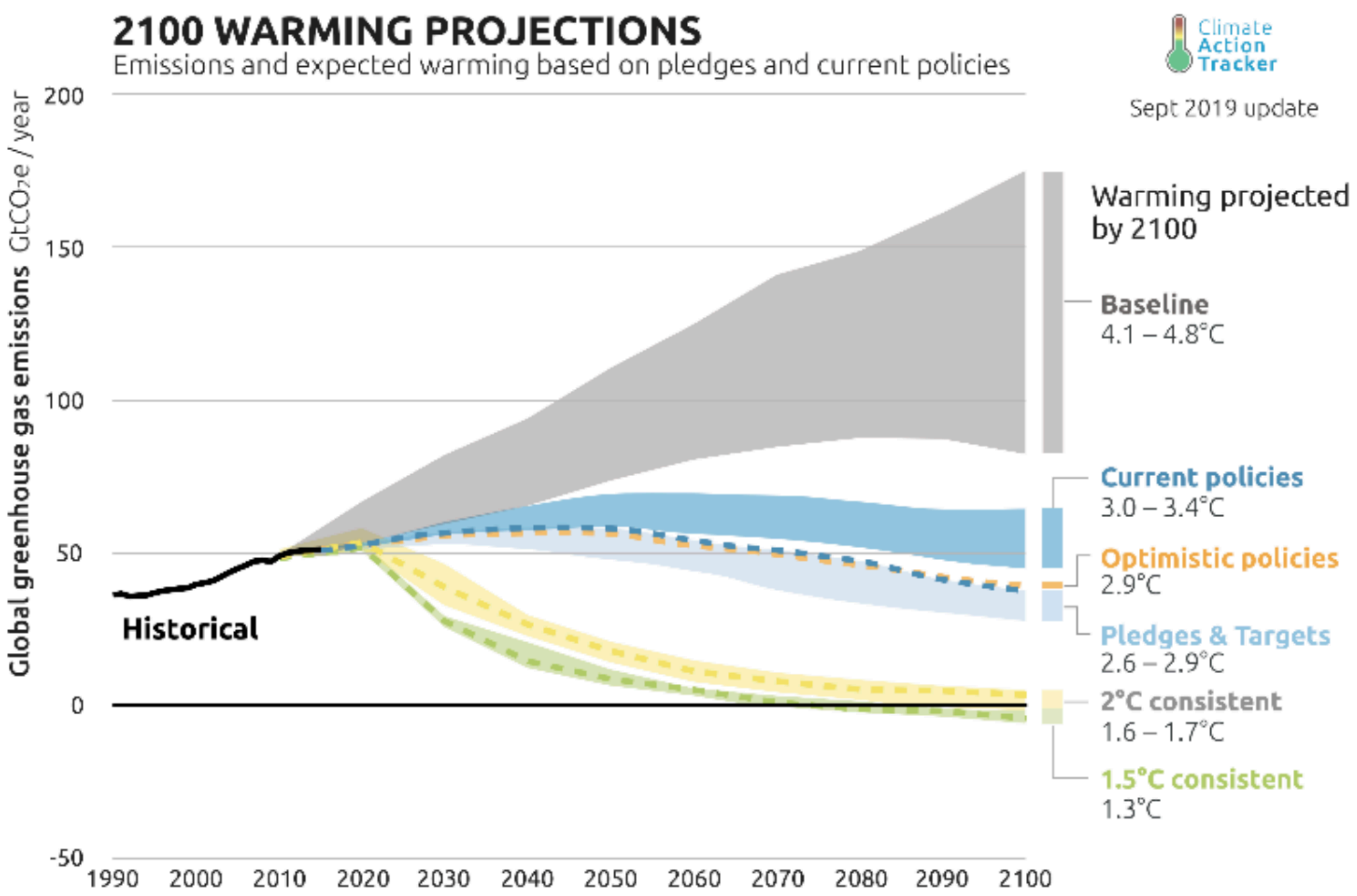
Overview of TCFD

TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Why?

Chart 1: Global warming projections to 2100 under different policy pathways



Why?

- Lack of disclosures on the financial implications on the climate-related aspects;
- Inconsistencies in disclosure practices;
- Lack of context for information
- Use of boilerplate, and non-comparable reporting; and
- Lack of consistent information hinders investors and others from considering climate-related issues in their asset valuation and allocation processes.

Why?

"In general, inadequate information about risks can lead to a mispricing of assets and misallocation of capital and can potentially give rise to concerns about financial stability since markets can be vulnerable to abrupt corrections."

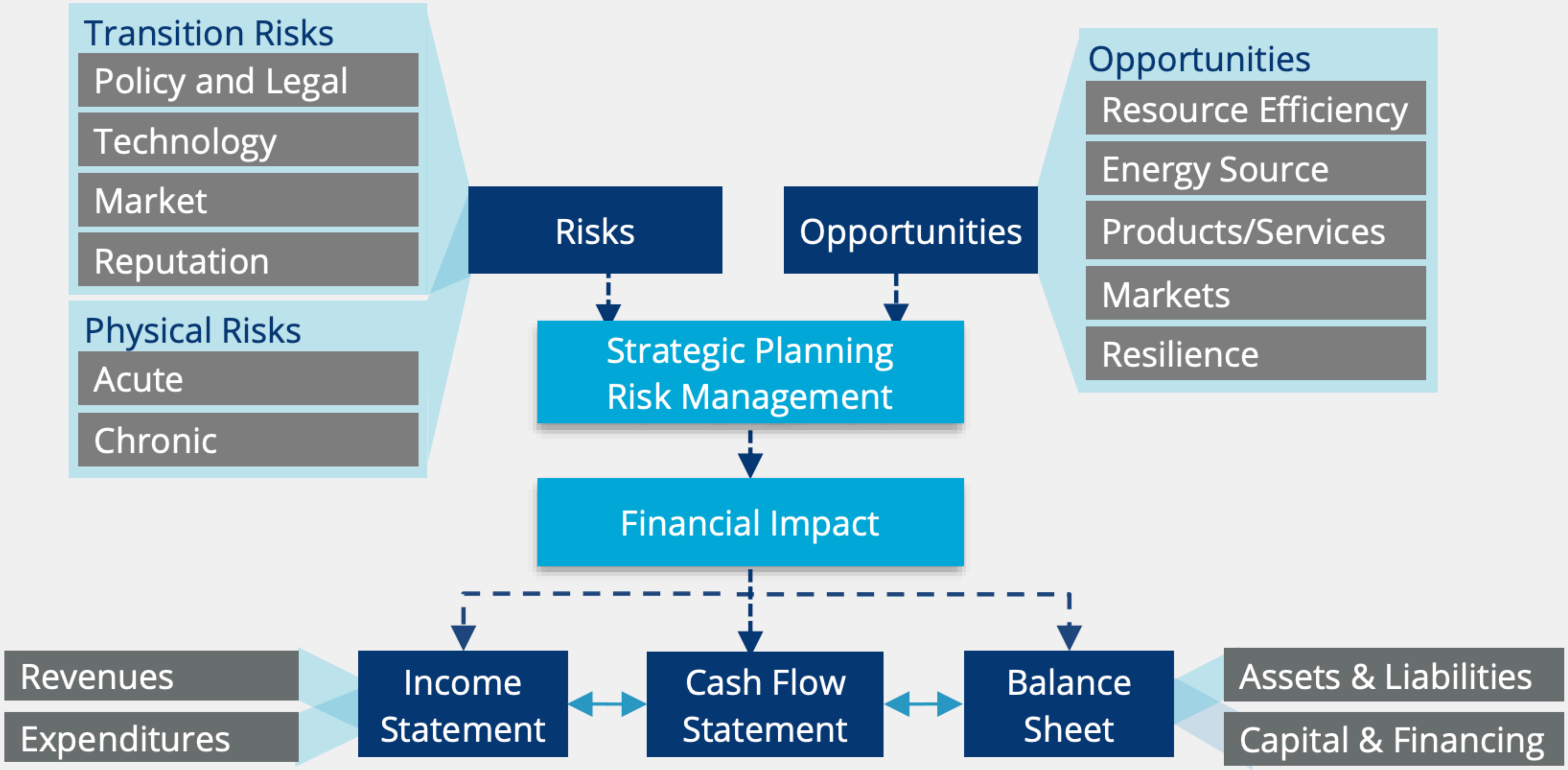
– TCFD Recommendations Report

TCFD recommendations
Overview

1. Voluntary
2. Report climate-related **financial** disclosures in the **annual financial filings** (mainstream report)
3. Financial sector & high risk non-financial sectors
4. Transition risks & physical risks (and opportunities)
5. Scenario analysis & forward-looking information
6. Short-term, medium-term & long-term
7. Qualitative & quantitative disclosures

Figure 1

Climate-Related Risks, Opportunities, and Financial Impact



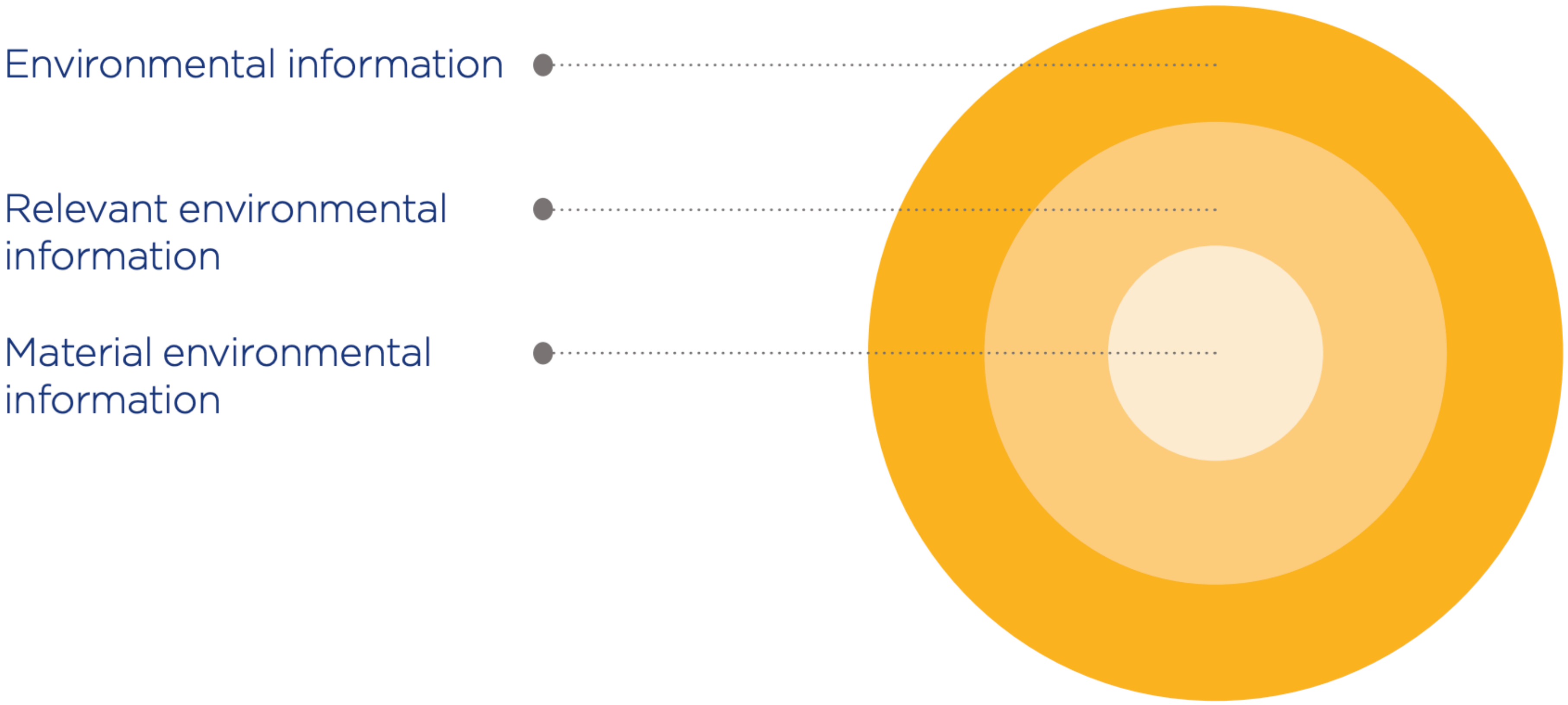
Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	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) Describe management's role in assessing and managing risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Structure of TCFD recommendations

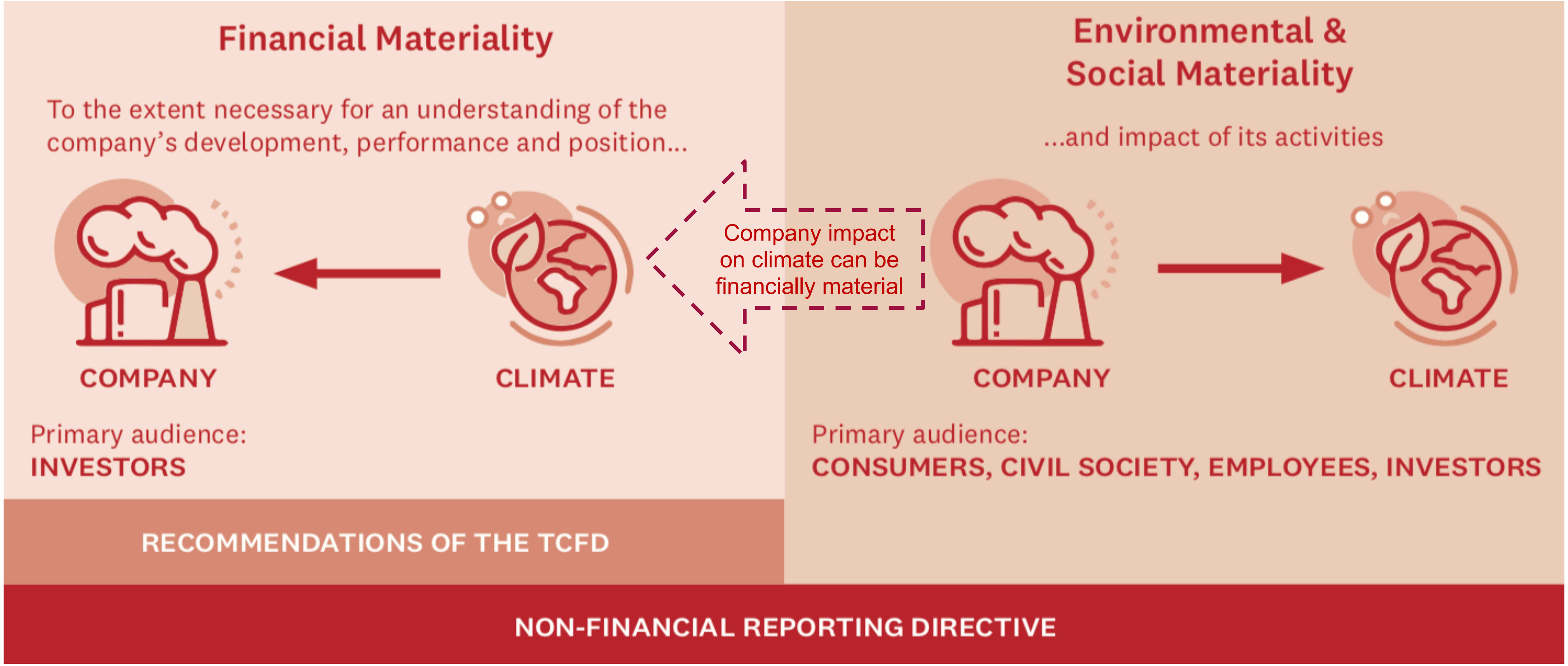
What is materiality?

- Entity-specific
- Audience-specific

What is materiality?



Different views around materiality



Financial materiality

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

– International Accounting Standards Board, 2018

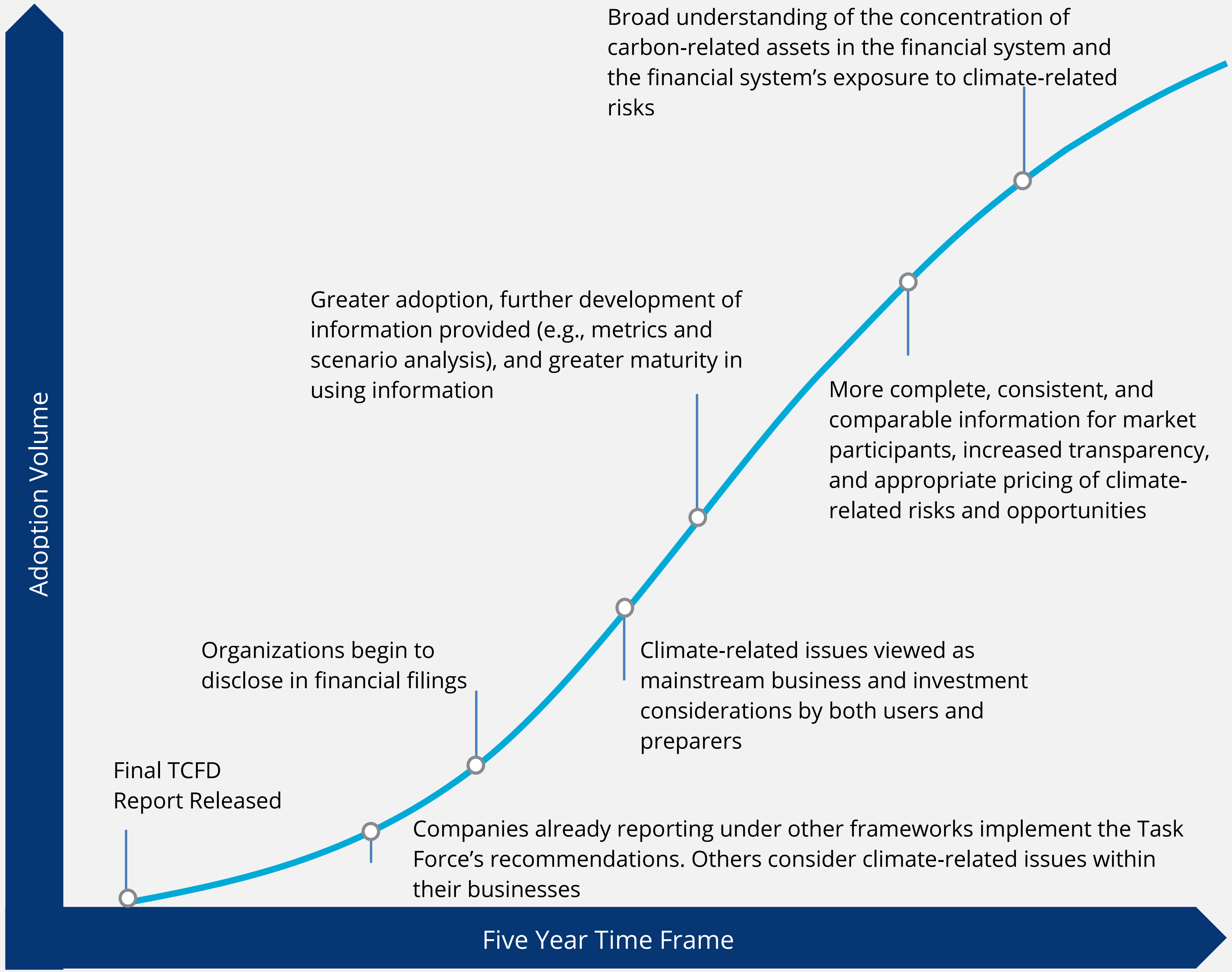
TCFD Principles of disclosure

1. Present **relevant** information,
2. Be **specific** and **complete**,
3. Be clear, **balanced**, and **understandable**,
4. Be **consistent** over time,
5. Be **comparable** among organizations within a sector, industry, or portfolio,
6. Be reliable, **verifiable**, and objective
7. Be provided on a timely basis.

Q&A

First steps:
What are companies doing?

Implementation Path *(Illustrative)*



TCFD Status Report 2019

Key Themes and Findings

1. Disclosure of climate-related financial information has increased since 2016, but is still insufficient for investors.

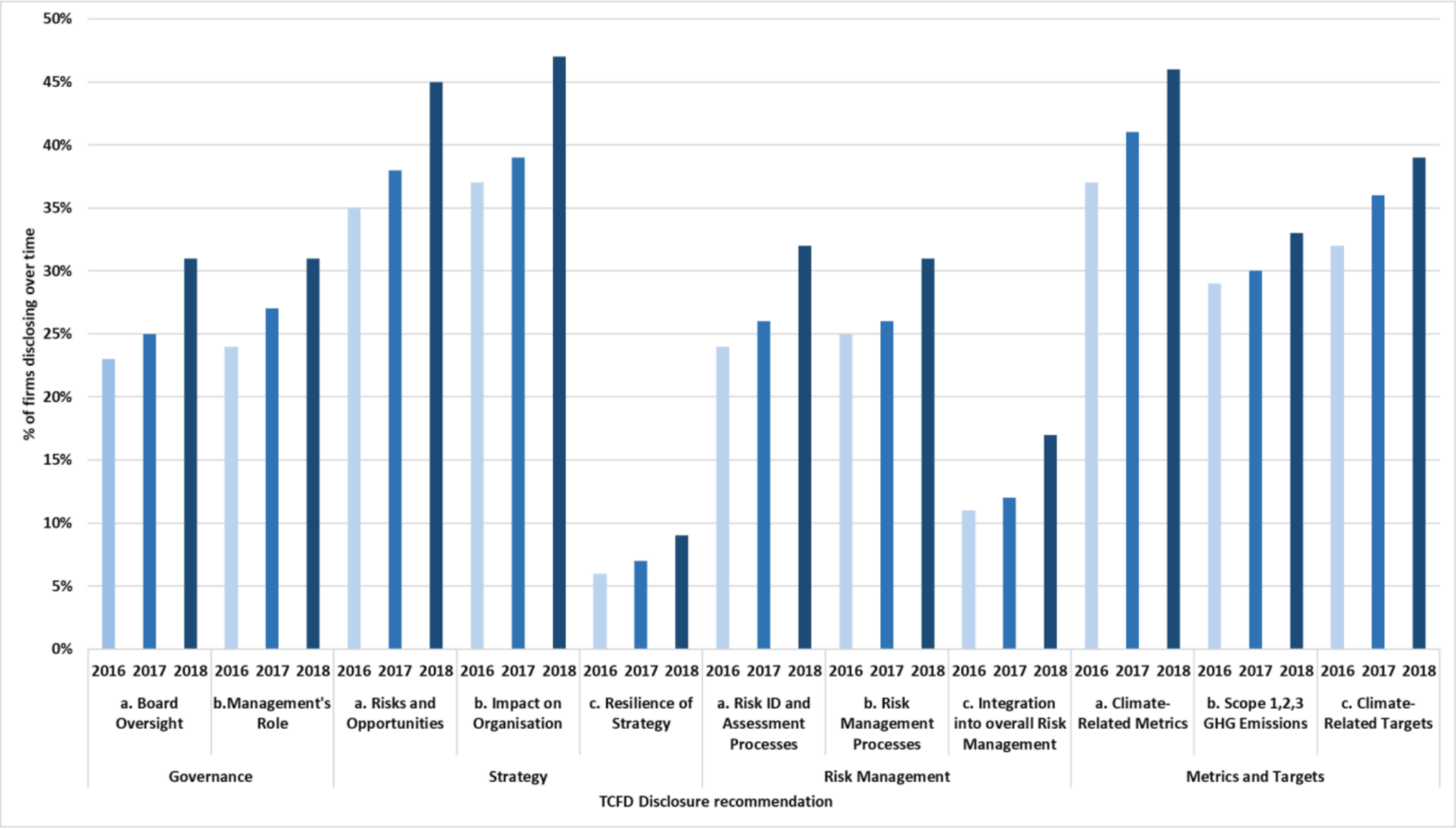
2. More clarity is needed on the potential financial impact of climate-related issues on companies.

3. Of companies using scenarios, the majority do not disclose information on the resilience of their strategies.

4. Mainstreaming climate-related issues requires the involvement of multiple functions.

TCFD Status Report 2019

Chart 2: Changes in TCFD disclosures by recommendation 2016 – 2018



TCFD Status Report 2019

Chart 3: Rates of disclosure against each of the TCFD recommendations by industry

Recommendation	Recommended disclosure	Banking	Insurance	Energy	Materials & Buildings	Transport	Agri, Food & Forest	Tech & Media	Consumer Goods
Governance	a. Board Oversight	48%	29%	38%	37%	25%	22%	19%	29%
	b. Management's Role	54%	35%	32%	35%	18%	26%	17%	40%
Strategy	a. Risks and Opportunities	51%	39%	57%	50%	39%	40%	38%	50%
	b. Impact on Organisation	55%	26%	64%	65%	34%	45%	25%	52%
	c. Resilience of Strategy	20%	12%	13%	12%	5%	4%	2%	6%
Risk Management	a. Risk ID and Assessment Processes	52%	30%	38%	41%	23%	24%	24%	22%
	b. Risk Management Processes	46%	33%	42%	39%	17%	26%	19%	23%
	c. Integration into overall Risk Management	32%	16%	21%	18%	11%	9%	17%	21%
Metrics and Targets	a. Climate-Related Metrics	51%	27%	49%	63%	36%	45%	37%	55%
	b. Scope 1,2,3 GHG Emissions	42%	22%	39%	41%	28%	26%	29%	38%
	c. Climate-Related Targets	50%	24%	45%	53%	32%	30%	24%	51%

Alignment with 11 recommended disclosures

More progress needed

- 78% aligned with at least 1 of the recommendations disclosures
- 1 in 4 companies aligned with > 5 of the recommended disclosures
- 4% of companies aligned with at least 10 of the recommended disclosures

Disclosure is low

- Number of disclosures increased by 0.8
- None of the recommended disclosures are over 50% even for governance and risk
- 78% of companies made a least one recommended disclosure

Resilience & scenario analysis

- 9% of companies disclosed information on strategy resilience
- Increase of 3% from 2016

Location of the 11 recommended disclosures

The Task Force recommends that:

- Disclosures should be made in the mainstream (i.e., public) annual financial fillings;
- In most G20 jurisdictions, material information should be disclosed in financial fillings;
- Disclosures should be made in accordance with national disclosure requirements;
- Climate-related financial disclosures should be subject to appropriate internal governance processes; and
- Asset managers and asset owners should use their existing means of financial reporting.

What do the findings mean?

"… progress must be accelerated. Today's disclosures remain far from the scale the markets need to channel investment to sustainable and resilient solutions, opportunities, and business models. I believe in the power of transparency to spur action on climate change through market forces."

Michael Bloomberg, Chair, TCFD

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Challenges to implementation

The report highlights:

- Lack of standardised industry metrics to support implementation;
- Concerns about revealing confidential business information;
- More clarity on the financial impact of climate-related issues; and
- Challenges in adopting scenario analysis include:
  - need for further tools;
  - business-relevant data;
  - industry- and sector-specific methodologies;
  - business-relevant climate-related scenarios, and
  - methods to quantify financial impacts.

Commitment from the TCFD

The Task Force will continue to promote and monitor adoption of its recommendations and will prepare another status report for the Financial Stability Board in September 2020.

The Task Force is also considering additional work in the following areas:

- Clarifying elements of the Task Force's supplemental guidance contained in the annex to its 2017 report (Implementing the Recommendations of the TCFD);
- Developing process guidance around how to introduce and conduct climate-related scenario analysis; and
- Identifying business-relevant and accessible climate-related scenarios.

First steps in Europe

Review of 80 annual reports

- Review of reporting practice against the EU Non-financial Reporting Directive (NFRD) and TCFD recommendations.
- **30 companies** referred to the TCFD in their management report.
- Range of detail and depth of disclosure with different approaches taken.

Key findings

Principal risks

- 79% identify at least one risk related to climate change
- Only 4 companies specifically disclose definitions for short-, medium- and long-term

Non-financial KPIs

- 81% disclose GHG emissions, but only 41% include an emissions target
- Targets are often missing details of the timeframe, baseline and progress

Governance

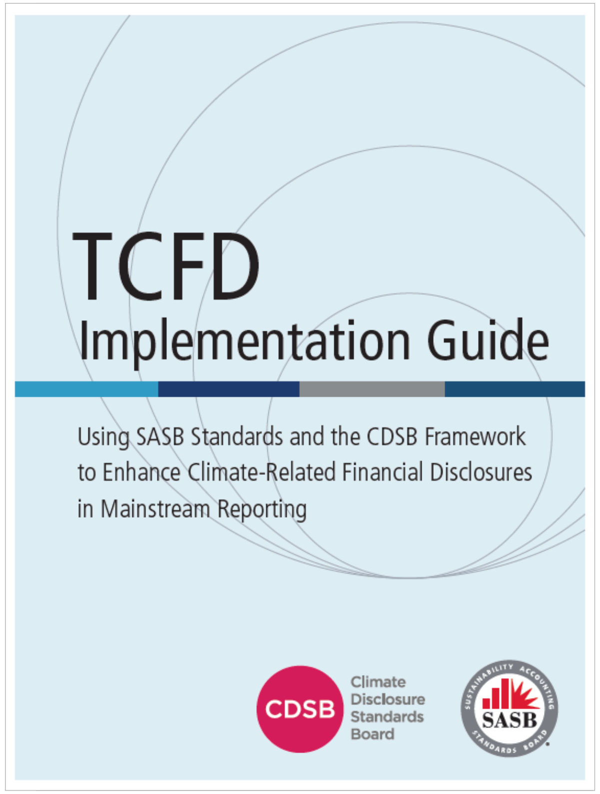
- 75% disclose board oversight of environmental or climate-related matters

Scenario analysis

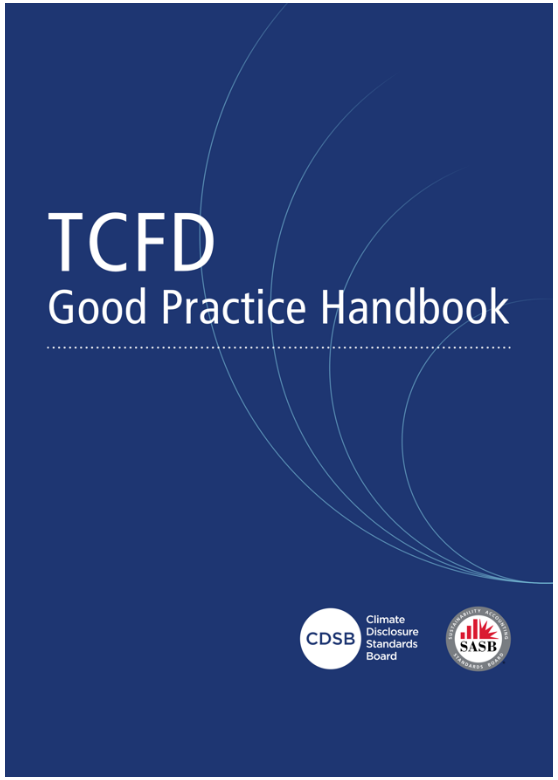
- Only one company conducted scenario analysis and disclosed details within their management report

Practical steps for implementation

Twin tools to implement TCFD



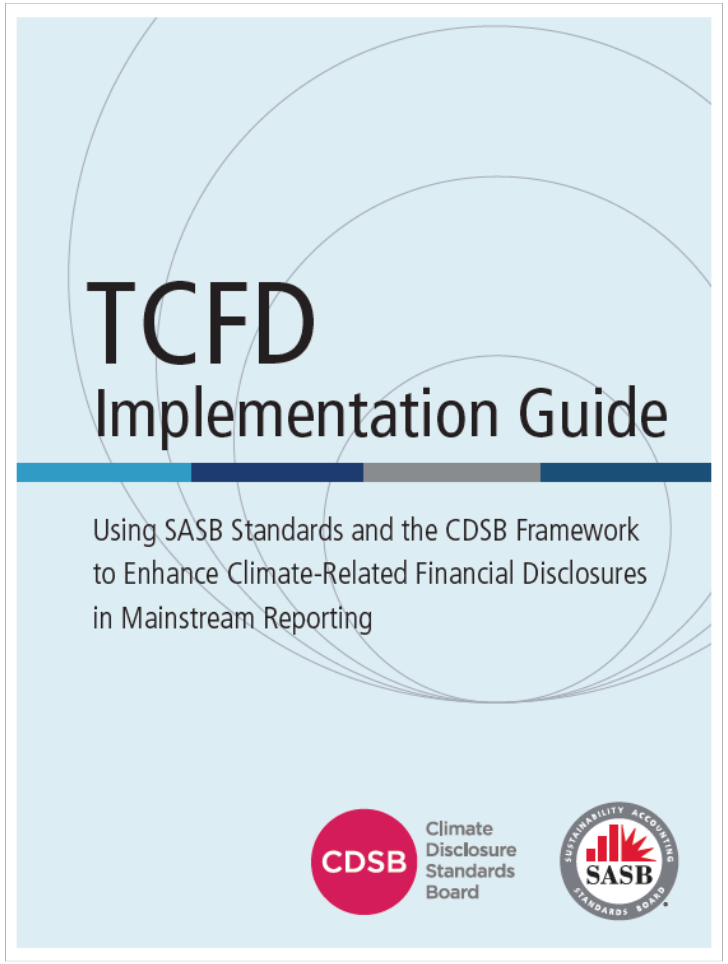
Practical "how to" guidance for companies on implementing the TCFD recommendations using mock disclosures



Real world examples of corporate disclosure to further illustrate the concepts in the Guide

TCFD Implementation Guide

- Getting Started
- Good-Practice Disclosures
- Key Takeaways



Good practice disclosures: how-to guidance

	Governance	Strategy	Risk Management	Metrics & Targets
OilCo	✔	✔	✔	✔
AgriCo		✔		✔
AutoCo			✔	

- **OilCo** is an integrated oil and gas company with global operations
- **AutoCo** is a global automobile manufacturer of passenger vehicles, light trucks, and motorcycles
- **AgriCo** is a global agricultural products company engaged in processing, trading, and distributing vegetables and fruits, and producing and milling agricultural commodities

Good Practice Mock Disclosures

G a) What are the processes and frequency by which the board are informed about climate-related issues?

Climate Disclosure Standards Board

Disclosure Excerpt:

The Board of Directors has delegated to the Integrated Sustainability Advisory Committee (ISAC), a committee of independent directors appointed by the Board, on matters relating to sustainable management of the Company's activities. The committee directly reports to and advises the Board on such matters. 1 The Committee reviews internal compliance with both internally established and externally applicable sustainability codes and principles across all business units, reviews compliance with environmental, health, and safety matters, reviews the results of internal scenario planning and analysis related to the impacts of environmental and social trends and uncertainties, and advises the Disclosure Committee regarding the determination of materiality of sustainability issues for the purposes of disclosure herein. 2

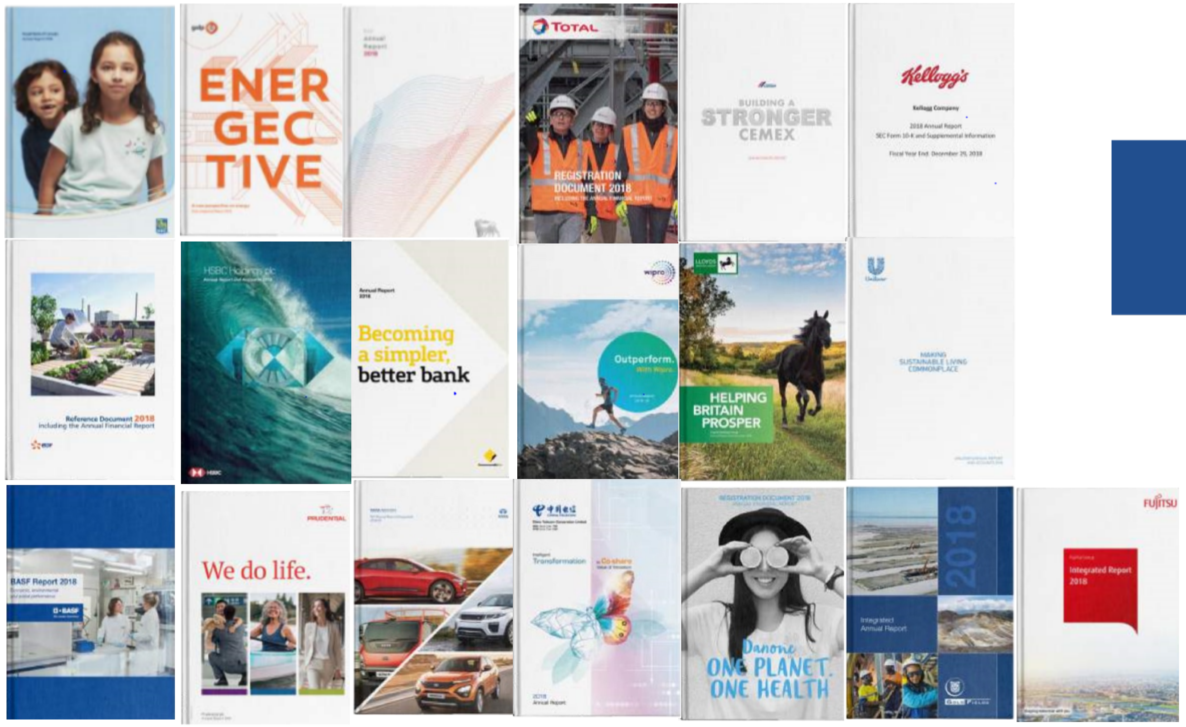
REQ-01
Governance G RM

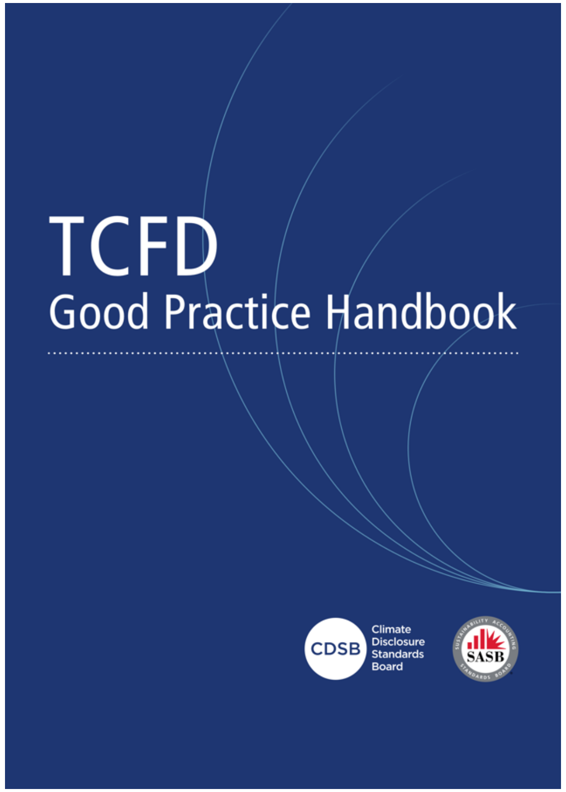
Disclosures shall describe the governance of environmental policies, strategy and information.

p.18

TCFD Good Practice Handbook

Annual reports from across the G20





Governance

Governance

The TCFD recommends the following disclosures for all organizations:

G a) *Disclose the role of the board of the organization in overseeing climate-related issues.*

G b) *Disclose the role of management in assessing and managing climate-related issues.*

Governance

Why do investors want to know?

- Insight into the governance and risk management context in which financial and operating results are achieved.
- Do climate-related issues receive appropriate board and management attention?

Survey respondents identified the value of:

- Specificity and detail around **board level oversight of climate risk**;
- Frequency and types of **interactions with management** around climate-related performance; and
- The **use of targets** to establish accountability around performance.

Governance

G a) Disclose the role of the board of the organization in overseeing climate-related issues.

Consider including a discussion of:

- Processes and frequency by which the board and/or board committees (e.g., audit, risk, or other committees) are informed about climate-related issues,
- Whether the board considers climate-related issues when reviewing strategy, risk management policies, expenditure, etc; and
- How the board monitors and oversees progress against targets for addressing climate-related issues.

Governance

G b) Disclose the role of management in assessing and managing climate-related issues.

Consider including a discussion of:

- Whether your organization has assigned climate-related **responsibilities** to management-level positions or committees;
- Description of the associated **organizational structure(s)**;
- Processes by which **management is informed** about climate-related issues; and
- How management **monitors** climate-related issues.

G S R M

BHP Billiton

Annual Report 2018

Board skills and experience: Climate change

The strategic issues facing the Board change over time. It is important the Board is able to identify these issues and access the best possible advice.

Climate change is a multi-faceted issue that affects investment decisions, our portfolio, oversight of the sustainability of our operations and engagement with government, investors, suppliers and customers. The Board includes an appropriate mix of skills and experience to understand the implications of climate change on our operations, market and society.

Climate change is treated as a Board-level governance issue and is discussed regularly, including during Board strategy discussions, portfolio review and investment decisions, and in the context of scenario triggers and signposts. The Sustainability Committee spends a significant amount of time considering systemic climate change matters relating to the resilience of, and opportunities for, BHP's portfolio.

As a Board-level governance issue requiring experience of managing in the context of uncertainty and an understanding of the risk environment of the Group, all of the Non-executive Directors bring relevant experience to our climate change discussions.

Board members bring significant sectoral experience, which equips them to consider potential implications of climate change on the Group and its operational capacity. Board members also possess extensive experience in energy, governance and sustainability. There is also wide-ranging experience in finance, economics and public policy, which helps BHP understand the nature of the debate and the international policy response as it develops. In addition, there is a deep understanding of systemic risk and the potential impacts on our portfolio.

Collectively, this means the Board has the experience and skills to assist the Group in the optimal allocation of financial, capital and human resources for the creation of long-term shareholder value. It also means the Board understands the importance of meeting the expectations of stakeholders, including in respect of the natural environment.

To enhance that experience, the Board has taken a number of measures to ensure that its decisions are appropriately informed by climate change science and expert advisers.

The Board seeks the input of management (including Dr Fiona Wild, our Vice President Sustainability and Climate Change), our Forum on Corporate Responsibility (which advises the Board on sustainability issues and includes Don Henry, former CEO of the Australian Conservation Foundation and Changhua Wu, former Greater China Director, the Climate Group) and other independent advisers.

Governance

Barrick, *New Value Champion: Annual Report 2018* (pg. 28)

In this succinct extract, the Canadian mining company Barrick states which board-level committee is responsible for overseeing policies, programmes and performance related to climate change. It states that this committee met quarterly, although it could be made explicit whether climate change featured on the agenda of each of these meetings.

This governance disclosure on board oversight also helpfully explains the roles of both the audit and risk committees and their interface with the company's Board, which is not always clear in other governance disclosures.

The disclosure also states that climate change is built into the company's formal risk management process. This shows the interconnectivity of the governance and risk management core TCFD elements and associated disclosures, with the two TCFD governance disclosures covering who in the business is involved and the risk management disclosures covering what processes are used to manage and monitor the associated climate-related risks.

> Throughout 2018, the Board's Corporate Responsibility Committee, which met quarterly, was responsible for overseeing Barrick's policies, programs, and performance relating to the environment, including climate change. The Risk Committee assisted the Board in overseeing the Company's management of enterprise risks as well as the implementation of policies and standards for monitoring and mitigating such risks. Climate change is built into our formal risk management process, outputs of which were reviewed by the Risk Committee throughout 2018 (as of January 1, 2019, this Committee has been combined with the Audit Committee). In addition, the Audit Committee reviewed the Company's approach to climate change in the context of Barrick's public disclosure.

https://barrick.q4cdn.com/788666289/files/annual-report/Barrick-Annual-Report-2018.pdf

Governance

Royal Bank of Canada, *Annual Report 2018* (pg. 5 and 89)

The board believes strongly that achieving sustainable growth goes beyond generating profits, and that RBC has an important role to play as a corporate citizen that is fully involved in each of the communities where we do business. Specifically, we recognize that climate change is the most pressing issue of our age, and we oversee the bank's enterprise-wide approach to accelerating clean economic growth and supporting the transition to a low-carbon economy.

This extract from the Royal Bank of Canada, a Canadian multinational banking and financial services company, shows that climate issues feature prominently at the top. Here, the Chair of the Board, in introducing the annual report, refers to "climate change as the most pressing issue of our age" and explains the Board's oversight function in this respect.

This second extract from the Royal Bank of Canada explains which functions are involved in identifying, assessing, monitoring and reporting on climate-related issues, and ties this back to performance goals at a management level.

The Board and its Committees oversee senior management who is responsible for the execution of the management of E&S risks and opportunities. The Board provides oversight of our environmental strategy and our E&S risks, including our approach to managing these risks. GRM has a dedicated E&S risk team that develops approaches to identify, assess, monitor and report on climate-related risks, as appropriate. Performance goals on climate-related risks have been established at the management level.

https://annualreports.rbc.com/ar2018/

Investor use of governance information

Aspects to check as an investor

- Identify the organizational structures and functions of corporate boards; and
- Verify that board oversight of climate-related governance is being effectively implemented, through reports to the boards from the relevant committees.

Examples of verification

- Are the CEO/Board Members up to date in policies outlined in the Annual Report?
- Have deliberations and decisions been circulated, acted on?

Strategy

Strategy

The TCFD recommends the following disclosures for all organizations, **subject to a materiality assessment:**

S a) *Disclose the climate-related risks and opportunities the organization has identified over the short, medium, and long term.*

S b) *Disclose the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.*

S c) *Disclose the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario.*

Strategy

The TCFD recommends the following disclosures for all organizations, **subject to a materiality assessment:**

S a) *Disclose the climate-related risks and opportunities the organization has identified over the short, medium, and long term.*

- What do you mean by short-, medium- and long-term?
- What **material** opportunities and risks have you identified for each?
- What process(es) have you used to determine whether they will have a financial impact on your organisation?

Strategy

The TCFD recommends the following disclosures for all organizations, **subject to a materiality assessment:**

S b) *Disclose the impact of climate-related risks and opportunities on the organization’s businesses, strategy and financial planning.*

Impacts on:

- Products and services
- Supply chain and/or value chain
- Adaptation and mitigation activities
- Investment in research and development
- Operations (including types of operations and location of facilities)

Strategy

The TCFD recommends the following disclosures for all organizations, **subject to a materiality assessment:**

S c)

Disclose the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario.

Strategy – scenario analysis

Why do investors want to know?

- **Context of the relevant scenarios selected** and developed;
- **Assumptions** behind the scenarios;
- **Alignment of a company’s underlying future vision with its business model;**
- **Risks and opportunities recognized** through scenario analysis and **processes to incorporate them into the company’s strategy and financial plans**.

Strategy – scenario analysis

Why do investors want to know?

- **Assess alignment between the decision-making processes that led to a company's strategies and the scenarios** used; as well as
- **Appropriateness of scenarios used within the industry.**

- Accuracy of the data of the scenario or analytical results provided by the company is **less important.**

Example

Strategy: Scenario Analysis

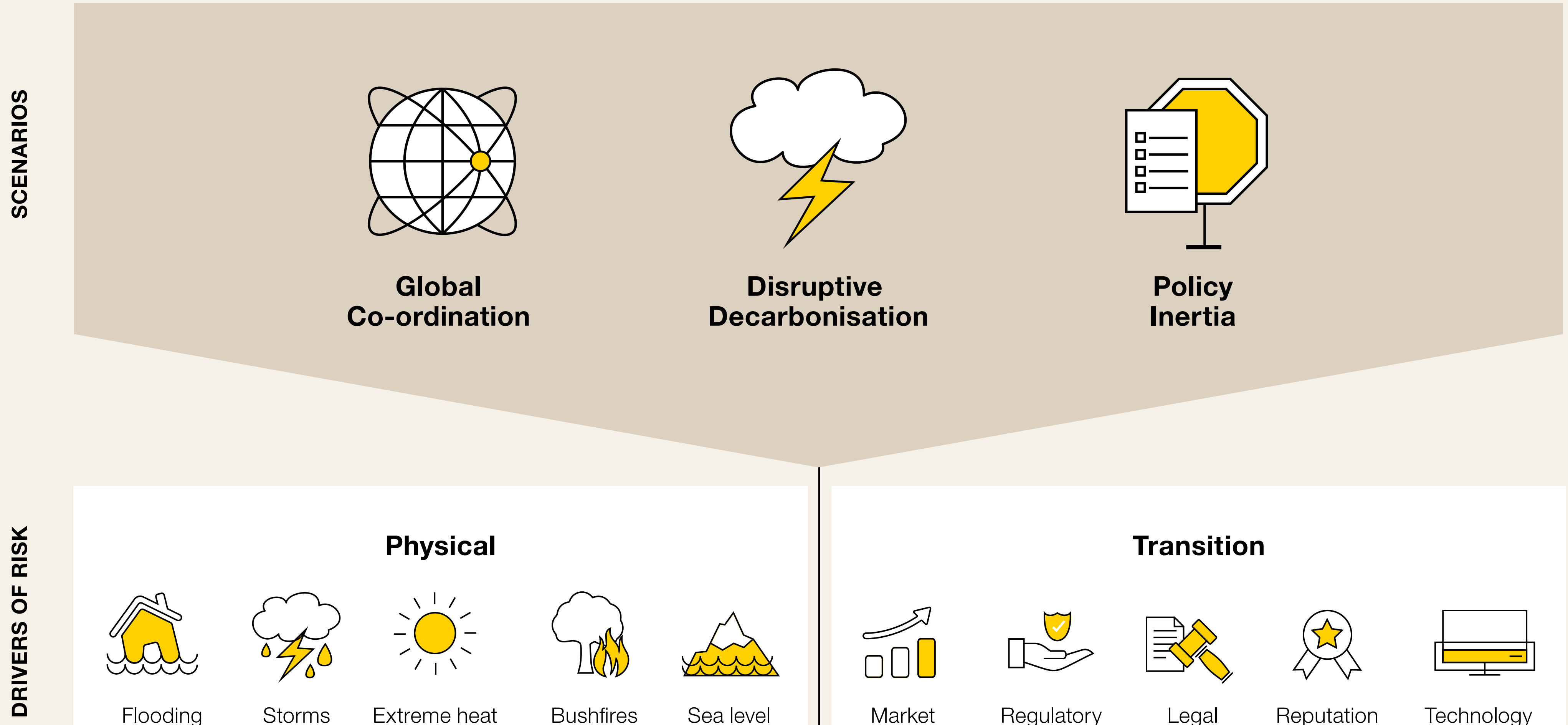
Commonwealth of Australia

"Becoming a simpler, better bank"

Annual Report 2018

Retrieved from page 50-53:
https://www.commbank.com.au/content/dam/commbank/about-us/shareholders/pdfs/results/ fy18/cba-annual-report-2018.pdf

2018 financial year climate change scenario analysis program



DRIVERS OF RISK

Physical

- Flooding
- Storms
- Extreme heat and drought
- Bushfires
- Sea level rise

Transition

- Market
- Regulatory
- Legal
- Reputation
- Technology

	Insurance	Retail lending	Wealth	Business lending
MODELLING ANALYSIS	Expected insurance premium cost impacts over time	Expected impacts on damage and loss over time	Transition risk impacts on domestic economy at a sectoral level	Transition risk impacts on domestic economy at a sectoral level
CBA-SPECIFIC APPLIED ANALYSIS	Building insurance policies	Home loan portfolio	FirstChoice Australian Share Fund	Business lending portfolio debt exposure

CBA-SPECIFIC APPLIED ANALYSIS	Building insurance policies	Home loan portfolio	FirstChoice Australian Share Fund	Business lending portfolio debt exposure
PROJECT OUTPUTS	Potential impacts on insurance claims and affordability of insurance	Potential damage to properties (at an aggregated level) due to perils Home loan portfolio exposure concentrations	Change to sector value add contribution Exposure of fund to growth and contraction sectors	Economic growth and contraction by sector Sector heat maps Exposure of portfolio to growth and contraction sectors
STRATEGIC RESPONSE	Consider business and customer implications and emerging insurance product needs Explore approaches to risk mitigation Consider customer awareness and engagement options	Develop management approach of current and future portfolio in high risk areas Consider customer awareness and engagement options	Consider asset allocations Consider further scenario analysis for global portfolios	Update ESG risk assessment tool Explore and develop low carbon products and services Client engagement and capacity building

Scenario analysis is not a prediction of future performance

Scenarios should be understood as narratives based on multiple assumptions.

What is important is not credibility of the results of analysis, but the **responses to the expected futures**.

Risk management

Risk management

The TCFD recommends the following disclosures for all organizations:

R a) *Describe the organization’s processes for identifying climate-related risks.*

R b) *Describe the organization’s processes for managing climate-related risks.*

R c) *Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.*

Risk management

The TCFD recommends the following disclosures for all organizations:

R a) *Describe the organization's processes for identifying climate-related risks.*

- How do you determine the relative significance of climate-related risks vs other risks?
- Do you consider existing and emerging regulatory requirements related to climate change?
- Existing risk classification frameworks used?

Risk management

The TCFD recommends the following disclosures for all organizations:

R b)

Describe the organization's processes for managing climate-related risks.

- How do you make decisions to mitigate, transfer, accept, or control those risks?
- How do you prioritise climate-related risks?
- How are materiality determinations made within your organization?

Risk management

The TCFD recommends the following disclosures for all organizations:

R c) *Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.*

- Climate risk is a business risk.
- If it is material, should it be reported separately?

Types of risk

Transition risk

- Policy and Legal

  e.g.: Exposure to litigation, carbon pricing
- Technology

  e.g.: Substitution of existing products and services with lower emissions options
- Market

  e.g.: Increased cost of raw materials
- Reputation

  e.g.: Shifts in consumer preferences

Physical risk

- Acute

  e.g.: Increased severity of extreme weather events such as cyclones and floods

- Chronic

  e.g.: Changes in precipitation patterns and extreme variability in weather patterns

G S R M

SSE
Annual Report 2018

The Board has overall responsibility for determining the nature and extent of the risk it is willing to take and for ensuring that risks are managed effectively across the Group.

DEVELOPMENT AND CHANGE

What is the risk?
The risk of failing to recognise and react appropriately to competition, technological advancements and changes in customer expectations.

Material influencing factors:
- Fast developing customer needs in relation to efficient, innovative and flexible products and services.
- Climate change and the necessity to generate the energy required in modern society in a responsible and sustainable way which includes ensuring value is shared with those impacted by SSE's operations.
- The size, scale and number of change programmes underway, including those relating to regulatory or legislative requirements.
- Longer term capital investment plans and budgets.
- Geopolitical events.
- Governance and decision making frameworks within the Group.

ENERGY INFRASTRUCTURE FAILURE

What is the risk?
The risk of national energy infrastructure failure, whether in respect of assets owned by SSE or those owned by others which SSE relies on, that prevents the Group from meeting its obligations.

Material influencing factors:
- Severe adverse weather that causes damage or interrupts energy supply or generation.
- Appropriate asset management and necessary upgrading works of both generation and network assets.
- Energy network balancing mechanisms.
- Government policy regarding the operation of the energy network which relate to security of supply, including the implications of Labour Party proposals for a much greater role for the state in energy provision.
- Failures in any aspect of the GB national critical infrastructure.
- Malicious attack on the GB energy infrastructure.

Metrics and targets

Metrics and targets

The TCFD recommends the following disclosures for all organizations, **subject to a materiality assessment:**

M a) *Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.*

M b) *Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.*

M c) *Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.*

Prudential, *We do life: Annual Report 2018* (pg. 76-7)

Prudential, a British multinational life insurance and financial services company, provides an in-depth discussion of its climate-related performance. When discussing its Scope 1, 2, and 3 emissions, Prudential specifically notes the scope and methodology utilised to calculate its Scope 3 emissions related to the air travel of its employees. Prudential also provides in-depth discussion on its Scope 2 emissions, which make up the majority of its overall emissions.

Prudential has also established a target with a base year of 2018 to achieve 100% renewable electricity by 2025 across its occupied and management investment estates.

Prudential Group Scope 1 and 2 GHG Emissions

We achieved a ranking of B in the 2018 CDP Climate Change disclosure benchmark, and in ClimateWise, the insurance sector climate initiative managed by the Cambridge Institute for Sustainability Leadership, we improved our score, achieving 78 per cent (2017: 72 per cent). Our performance in ClimateWise against six core principles is independently audited by PwC.

As a Group, we signed up to RE100 in 2018 to achieve 100 per cent renewable electricity by 2025 across our occupied and managed investment estates. 30 per cent of our global electricity consumption is procured from 100 per cent certified renewable sources (solar PV and on-shore wind). Our Group Scope 2 (market based) emissions are independently assured by Deloitte. Looking ahead, we will develop roadmaps in 2019 for the demerged businesses to set out strategies to achieve this target, on a country-by-country basis.

As our business becomes increasingly global, we recognise the importance of understanding the impact of air travel on our overall corporate carbon footprint. We have collated air travel data internally across all three regions for the first time. We have elected to disclose Scope 3 GHG emissions data from air travel for the UK and Europe business unit. This amounted to 21,622 tCO_2e, representing a 50 per cent increase over preliminary estimates (2017: 14,413 tCO_2e). The scope of this data now includes air travel from our sites in the UK, Japan, Kenya, Poland and Zambia, which are controlled by the UK and Europe business unit.

Our combined reported and unreported carbon footprint from air travel is a significant contribution to our overall emissions. Therefore, as part of a holistic approach to the management of our climate impacts, we will focus management effort on reducing the need for travel through the deployment of digitally enabled office working practices and offsetting emissions from unavoidable flights as final mitigation. Plans will be developed in 2019 to establish a CO_2 offsetting programme for air travel emissions.

It notes that it has had its Scope 2 group emissions independently assured, enhancing investor confidence in the reliability of the reported data.

In its data table, Prudential reports its Scope 1, 2 and 3 emissions and breaks down such emissions by both its occupied estate as well as its investment estates. Prudential's previously discussed focus on its Scope 2 emissions are supported by the relatively high degree to which such emissions contribute to its overall emissions. Prudential also reports several normalised metrics, using factors to establish efficiency ratios that can enhance comparability across companies to the extent such ratios are generally accepted.

Emissions source (tCO_2e)		2018	2017	% Change
Scope 1	Occupied estate[1]	9,191	10,494	-12%
	Investment properties	7,711	7,703	0%
Scope 2 – Location-based	Occupied estate[1]	56,554	61,154	-8%
	Investment properties	15,281	18,751	-19%
Scope 2 – Market-based (supplier and residual mix)	Occupied estate[1]	52,127	55,484	-6%
	Investment properties[1]	5,459	7,237	-25%
Scope 3	Group[1]	22,545	15,306	+47%
Scope 1 and Scope 2*	Occupied estate	61,318	65,979	-7%
	Investment estate	13,170	14,940	-12%
Total Scope 1 and 2*	Group	74,488	80,919	-8%
Total Scope 1, 2 and 3*	Group	97,032	96,225	+1%

Carbon intensity*		2018	2017	% Change
kg CO_2e per m^2 – Scope 1 and 2 only	Group[1]	24	29	-17%
kg CO_2e per employee – Scope 1 and 2 only	Group[1]	3.1	3.2	-3%
kg CO_2e per m^2 – Scope 1, 2 and 3	Group[1]	32	34	-8%

* Note that when reporting Group totals, the market-based emission is used.

http://2018ar.prudentialreports.com/src/assets/pdf/Prudential-AR2018.pdf

Metrics & Targets

Key takeaways

G S R M

Total

Registration Document 2018

Including a reference table is a great idea, especially when additional information is included in separate disclosures.

"The Task Force believes disclosures related to its Governance and Risk Management recommendations directly address [the] need for context and ***should be included in annual financial filings****. For disclosures related to the Strategy and Metrics and Targets recommendations, the Task Force believes organizations* ***should provide such information in annual financial filings when the information is deemed material****."* (TCFD, p17)

Thematic area	Recommended TCFD disclosures	Source of information in TOTAL's reporting
Governance		
Disclose the organization's governance around climate-related risks and opportunities.	a) Describe the board's oversight of climate-related risks and opportunities.	RD 2018 – 5.6.1 CR p. 10 CDP C1.1
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	RD 2018 – 5.6.1 CR p. 5-9 CDP C1.2
Strategy		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	RD 2018 – 5.6.2 CDP C2
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	RD 2018 – 5.6.2 CDP C2.5, C2.6
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	RD 2018 – 5.6.2 CR p. 30
Risk Management		
Disclose how the organization identifies, assesses, and manages climate-related risks.	a) Describe the organization's processes for identifying and assessing climate-related risks.	RD 2018 – 5.6.3 CDP CC2.2
	b) Describe the organization's processes for managing climate-related risks.	RD 2018 – 5.6.3 CDP C2.2d
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	RD 2018 – 5.6.3 CDP C3.1
Metrics & targets		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	RD 2018 – 5.6.4 CR p. 52 CDP C6.5, C10
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	RD 2018 – 5.6.4 CR p. 52 CDP C6.5, C10
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	RD 2018 – 5.6.4 CR p. 24-25, 42 CDP C4.1a,b

Key:
CR = TOTAL's 2018 Climate Report CDP = TOTAL's 2018 response to the CDP Climate Change questionnaire (available on total.com)

G S R M

Commonwealth Bank of Australia

Annual Report 2018

We are taking a phased approach to identifying and managing climate risk. That means we are focusing on having the right policies in place, understanding risk, developing and implementing strategic responses, building internal and customer capability, and contributing to economy-wide initiatives.

	Phase 1 Policy, due diligence, governance	**Phase 2** Analysis of portfolio risks and opportunities	**Phase 3** Extending scenario analysis, strategic responses, capability building
	Pre-FY18	**FY18**	**FY19-20**
Governance	• Climate Policy Position Statement[1] • Environment Policy[2] • Equator Principles III signatory[3] • ESG Lending Commitments[4] • Responsible Investing Framework[5]	• The Board governs climate risks and opportunities through the Risk Management Framework[7]	• Review our Climate Policy Position Statement • Update Responsible Investing Framework • Update investment-related ESG risk management policies
Strategy	• Commitment to support the objectives of the Paris Agreement	• Climate scenario analysis: 1. Business lending – transition risks 2. FirstChoice Australian Share Fund – transition risks 3. Retail (home lending) and insurance – physical risks • Portfolio-level strategic responses	• Climate scenario analysis: 1. Business lending – physical risks 2. Retail (home lending) and insurance – transition risks 3. Investment portfolios – transition and physical risks • Further develop portfolio-level strategic responses • Client engagement

Low carbon transition opportunities

There are significant opportunities presented by the transition to a low carbon economy.

Sustainable finance

This financial year our lending exposure to the renewable energy sector grew to $3.7 billion, reflecting our expertise in this market. For the year ended June 2018, Commonwealth Bank ranked number one for Mandated Lead Arranger financing roles of renewables projects in Australia and ranked 18th globally.[1]

CO_2 **$15bn**

2025 low carbon target

2025	**$15bn**
2018	**$7.3bn**

TCFD recommendations: checklist

- Secure the support of your board of directors and executive leadership team
- Integrate climate change into key governance processes, enhancing board-level oversight through audit and risk committees
- Bring together sustainability, governance, finance, and compliance colleagues to agree on roles
- Look specifically at the financial impact of climate risk and how it relates to revenues, expenditures, assets, liabilities, and capital
- Assess your business against at least two scenarios
- Adapt existing enterprise-level and other risk management processes to take account of climate risk
- Solicit feedback from engaged investors to understand what information they need regarding climate-related financial risks and opportunities
- Look at existing tools you may already use to help you collect and report climate-related financial information (e.g., CDP, CDSB, SASB)
- Plan to use the same quality assurance and compliance approaches for climate-related financial information as for finance, management, and governance disclosures
- Prepare the information you report as if it were going to be assured
- Look at the existing structure of your annual report and think about how you can incorporate the recommendations

7 top tips

Learning from good practice in climate-related financial disclosures

1. Adopt the correct lens for looking at climate-related risks
2. Make holistic disclosures
3. Distinguish between climate leadership and management
4. Explain how you assess the material risk of climate change to your business
5. Disclose using existing standards and metrics
6. Make as many of the 11 recommended disclosures are you can
7. Put it in your mainstream report

Don’t let the perfect be the enemy of the good

Resources available

www.tcfdhub.org

TCFD Knowledge Hub

Find the resources you need to understand and implement the TCFD recommendations.

Start searching for resources below, or click here to learn about the TCFD recommendations. You can also click on the four themes below for more detail on the recommendations.

Governance

Disclose the organization's governance around climate-related risks and opportunities.

Find out more here

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

Find out more here

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Find out more here

Metrics & Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Find out more here

Search the database

Recommendation

Resource Type

Article name & author | 253 articles ordered by Title (A-Z)

10 things companies can do now to prepare for the TCFD recommendations

Author: Climate Disclosure Standards Board

G S R M

International

Read more

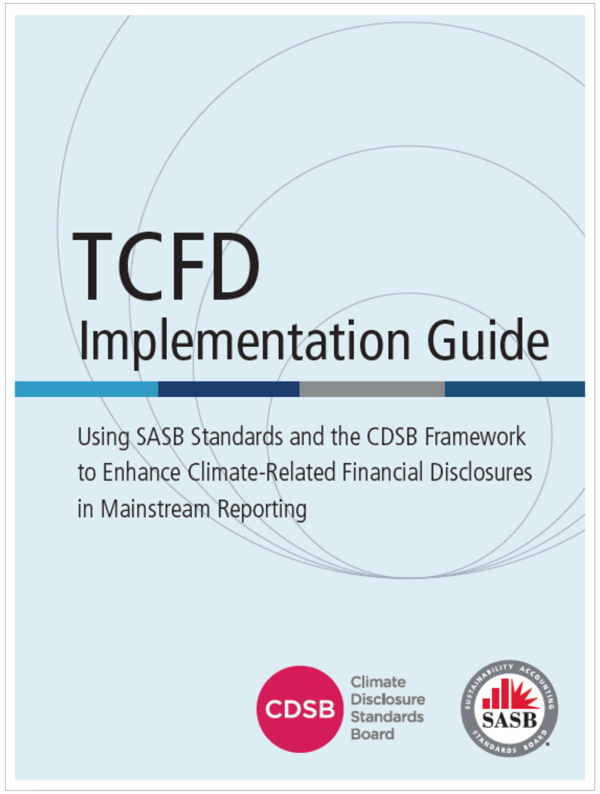
Go to resource

2 degrees of separation: Transition risk for oil & gas in a low carbon world

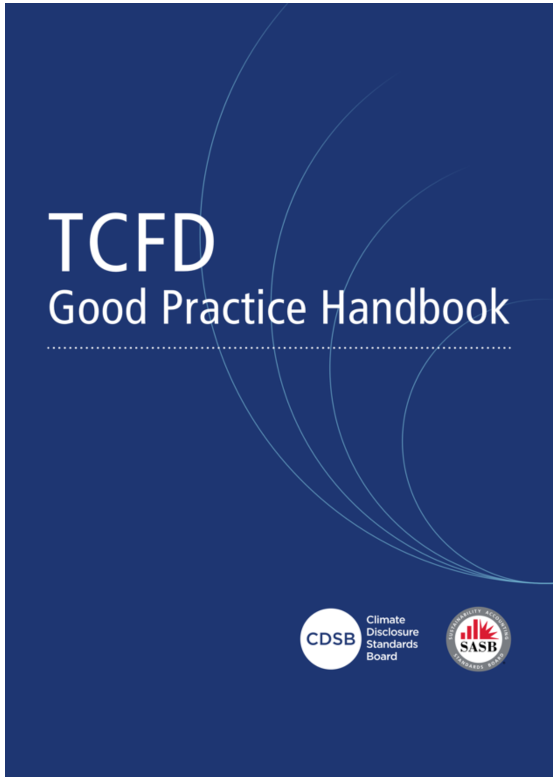
Resources

Useful resources to understand and implement the TCFD recommendations

Twin tools to implement TCFD



Practical "how to" guidance for companies on implementing the TCFD recommendations using mock disclosures



Real world examples of corporate disclosure to further illustrate the concepts in the Guide

Thank you

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