

The TCFD recommendations & CDP

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Senior Manager, Reporter Services



Agenda

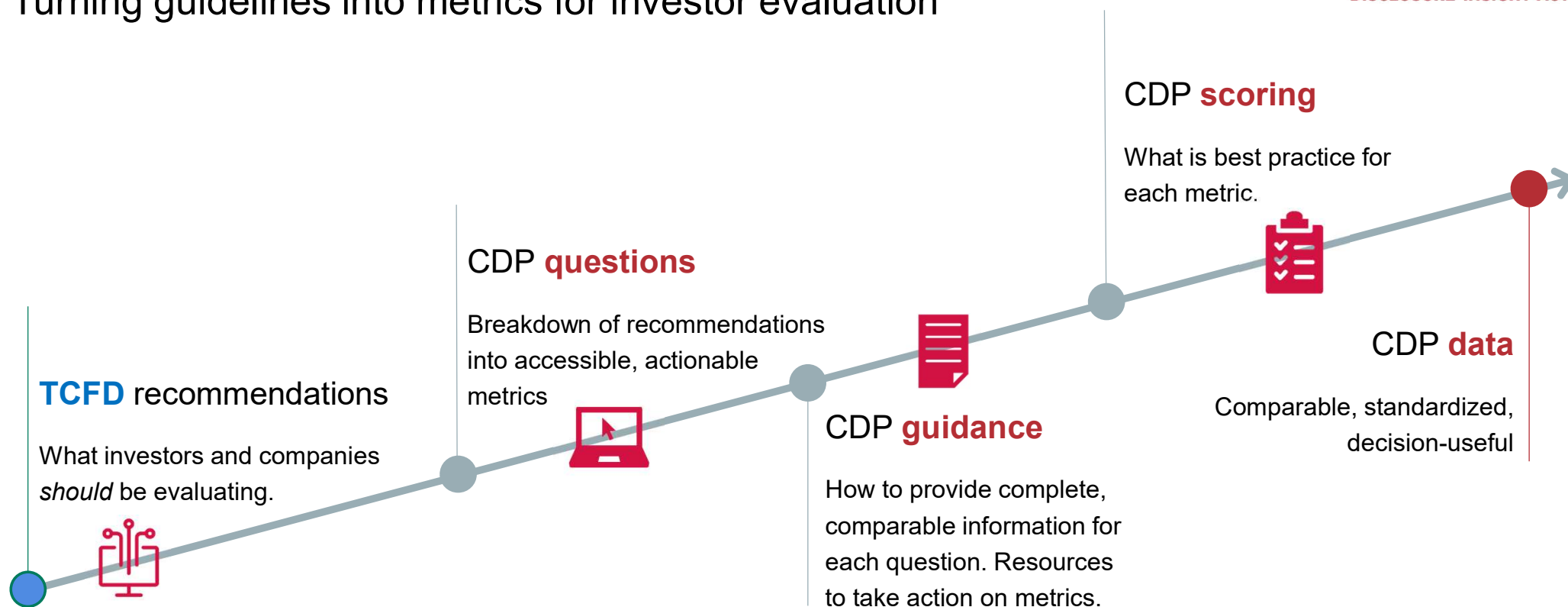


- ▼ Incorporating TCFD recommendations
- ▼ TCFD recommendations as CDP metrics
- ▼ Trends and significance of TCFD

Incorporating TCFD recommendations

TCFD recommendations as CDP metrics

Turning guidelines into metrics for investor evaluation



CDP alignment with TCFD recommendations



CDP 2018 Climate Change questionnaire



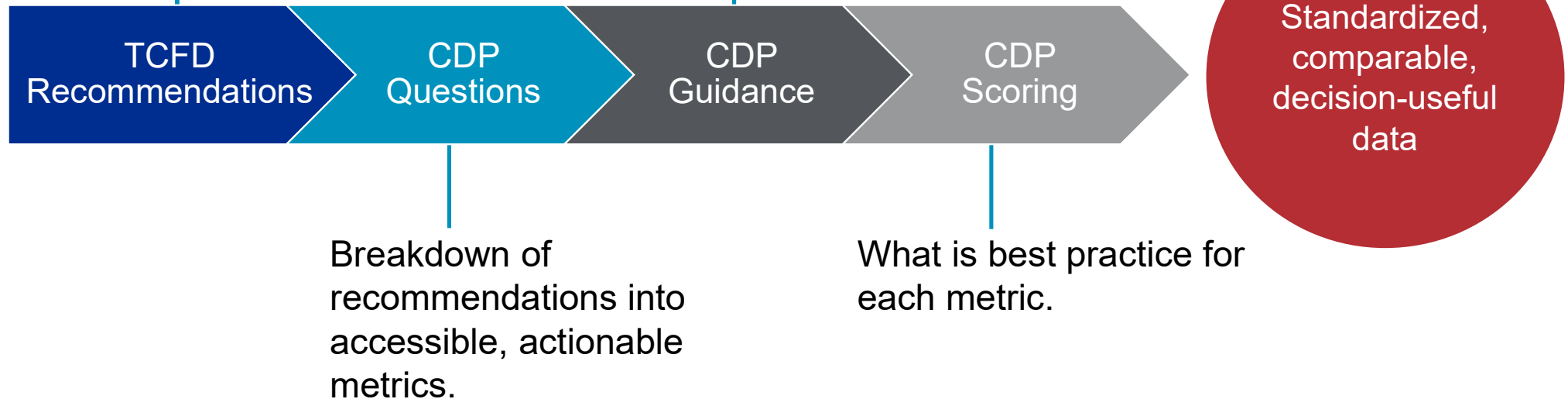
- Board-level oversight
- Scenario analysis, low carbon transition planning
- Focus on financial impact
- Science-based targets, sector-specific metrics

TCFD recommendations as CDP metrics

Turning recommendations into metrics

What investors and companies *should* be evaluating.

How to provide complete, comparable information for each question. Resources to take action on metrics.



Governance

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

Recommended Disclosures

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.

(C1.1) Is there board-level oversight of climate-related issues within your organization?

(C1.1a) Identify the position(s) of the individual(s) on the board with responsibility for climate-related issues.

(C1.1b) Provide further details on the board's oversight of climate-related issues.

Response details

- ▼ C-Suite or Board-level position responsible
- ▼ Climate-related issues are a scheduled item
- ▼ Clear example of a climate-related *decision* they have taken in the last 2 years

Governance

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Recommended Disclosures

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.

(C1.2) Provide the highest-level management position(s) or committee(s) with responsibility for climate-related issues.

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals)

Response details

- ▶ C-Suite level employee reporting at least quarterly to the board
- ▶ Responsible for both managing and assessing climate-related issues

Governance

(C1.1a) Identify the position(s) of the individual(s) on the board with responsibility for climate-related issues.

What's incentivized

Having a Board member, C-Suite Officer or President overseeing climate issues at the Board level

Providing a clear rationale that explains what about the position's responsibilities makes them best suited to oversee climate issues at the Board level

(C1.1) Is there board-level oversight of climate-related issues within your organization?

(C1.1a) Identify the position(s) of the individual(s) on the board with responsibility for climate-related issues.

(C1.1b) Provide further details on the board's oversight of climate-related issues.

Response details

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Governance

Sample response:

All major sustainability strategies and initiatives are reviewed annually (or as needed and/or appropriate) with three C-suite leaders: Executive Vice President (EVP) and Chief Marketing Officer; EVP, Customer and Employee Experience; and EVP, General Counsel and Secretary of the Board of Directors. The rationale for why these three positions have Board level oversight as well as the highest level of sustainability and climate oversight, is they are the global leads for brand and reputation; employee and customer experience; and legal, policy advocacy and oversight – all top-level elements for outcomes of the company's climate strategy. These three [COMPANY] leaders are the perfect blend of highest-level oversight of climate-related risks and opportunities for [COMPANY], both in how they are the ultimate decision makers in overall sustainability strategy but also the highest visibility to the Board, the CEO, employees, customers, investors, and the public in general.

Risk management

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

Recommended Disclosures

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

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

(C2.2) Provide further details on your organization's process(es) for identifying and assessing climate-related risks.

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

Response guidance

- ▶ Process covers all time horizons
- ▶ Integrated into a multi-disciplinary company-wide risk management process
- ▶ Assesses more frequently than annually
- ▶ 'Includes' all risk types

RISK MANAGEMENT

Trajectory to leadership



Disclosures include case studies and examples of risk management

Quantified the cost of management and financial implications of climate-related risks and opportunities



Management methods for climate-related risks and opportunities

Process in place and disclosure on climate-related risks and opportunities



Limited or undocumented process for identifying, assessing, or managing climate-related risks and opportunities



Strategy recommendations

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

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

C2.4a) Provide details of the opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Response guidance

- ▶ Substantive risks or opportunities only
- ▶ 1 row required for C2.3a and C2.4a each
- ▶ Clear description that focuses in on your unique impacts as a business and provides sectoral or regional context to the issue
- ▶ Full quantification of risks and opportunities
- ▶ Clear description of response with developed case study that provides a clear timeline of implementation and the result of your activity.

Strategy recommendations

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

(C3.1) Does your organization's strategy include a transition plan that aligns with a 1.5°C world?

(C3.2) Does your organization use climate-related scenario analysis to inform your business strategy?

(C3.2a) Provide details of your organization's use of climate-related scenario analysis

(C3.2b) Provide details of the focal questions your organization seeks to address by using climate-related scenario analysis, and summarize the results with respect to the focal questions.

Response guidance

- ▼ Have a 1.5°C aligned plan
- ▼ Use scenario analysis to inform your strategy and transition plan
- ▼ At least one scenario that is 2 degrees or lower aligned for transition and one scenario above 2 degrees for physical
- ▼ Analysis should be company-wide
- ▼ Clear description of the results of your analysis – be specific!

What is climate-related scenario analysis?

- ▼ Strategic planning tool to understand how a company would perform in future climate scenarios.
- ▼ Use range of climate scenarios to evaluate transitional and physical risks through qualitative and/or quantitative analysis.



Strategy recommendations

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

(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.

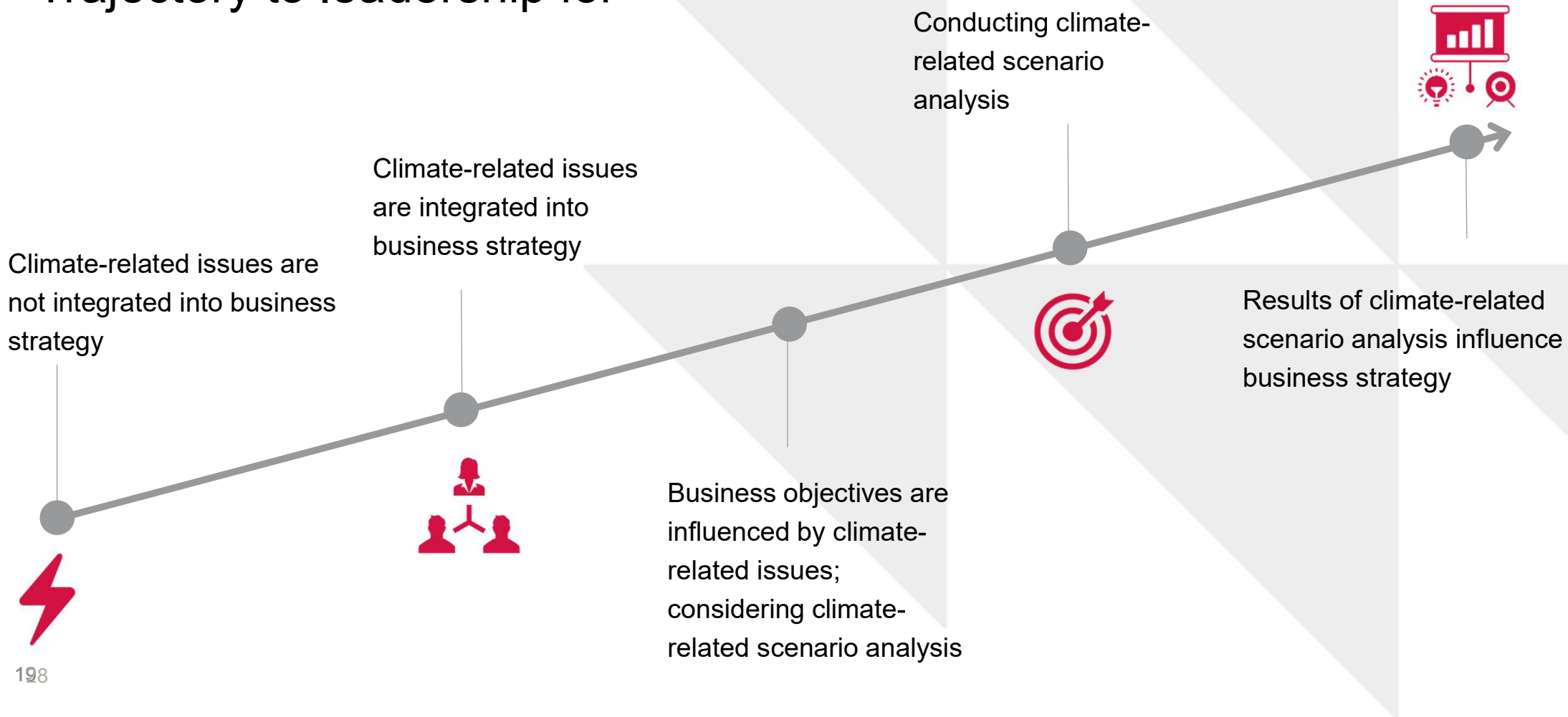
(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.

Response guidance

- ▶ Be clear on how exactly the business has been influenced by climate-related issues – use examples
- ▶ When offering examples ensure you detail the impact of the risks and opportunities that have influenced your strategy/financial planning
- ▶ Financial planning should have been influenced by climate-related issues in at least 1 of the elements listed

STRATEGY

Trajectory to leadership for



Metrics and targets

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

Recommended Disclosures

- a) Disclose the metrics used by the organization to assess climate-related risk 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 risk.
- c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

(C4.1) Did you have an emissions target that was active in the reporting year?

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).

Response guidance

- ▼ Establish near-term company-wide, science-based targets with no significant exclusions
- ▼ Seek validation from SBTi
- ▼ 70% of base year emissions covered
- ▼ Strive for reduction of 4.2% absolute emissions reduction from base year
- ▼ Scope 3 targets where relevant should cover at least 66% of base year emissions

Metrics and targets

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- b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risk.
- c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

(C4.2) Did you have any other climate-related targets that were active in the reporting year?

(C4.2a) Provide details of your target(s) to increase low-carbon energy consumption or production.

(C4.2b) Provide details of any other key climate-related targets, including methane reduction targets.

Response guidance

- ▼ Targets should strive for 100% renewable
- ▼ % of target achieved should be in line with the amount of time that has passed since the target was set
- ▼ Sector dependent – C4.2b should contain specific targets, e.g. Food, Beverage, & Tobacco should set targets for 'Land use change'

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- b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risk.
- c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

- (C6.1)** What were your gross global Scope 1 emissions in metric tons CO₂e?
- (C6.3)** What were your gross global Scope 2 emissions in metric tons CO₂e?
- (C6.5)** Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.
(C6.5a) *Disclose or restate your Scope 3 emissions data for previous years.*

Response guidance

- ▼ Clear and full reporting of your emissions across each scope
- ▼ Both Scope 2 (location-based) and Scope 2 (market-based) where possible
- ▼ No significant exclusions
- ▼ All Scope 3 categories should be 'Relevant, calculated', 'Not relevant, calculated' or 'Not relevant, explanation provided'

Metrics and targets

(C6.5) Account for your organization's Scope 3 emissions, disclosing and explaining any exclusions.

What's incentivized

Calculating all relevant scope 3 emissions

Providing clear methodology

(C6.5) Account for your organization's Scope 3 emissions, disclosing and explaining any exclusions.

Response details

- ▼ Scope 3 categories
- ▼ Evaluation status
- ▼ Emissions figures
- ▼ Emissions data collected from suppliers

Value Chain Engagement

- ▼ Climate-related customer & supplier engagement strategies
- ▼ Link supplier engagement with scope 3 disclosure

Metrics and targets

Sample response:

Purchased goods and services

Evaluation status: Relevant, calculated

Metric tonnes CO2e: [number hidden]

Emissions calculation methodology: Following the GHG Protocol, this Supply Chain analysis is “cradle-to-gate” for emissions associated with the value chain from material extraction through manufacturing. The use and disposal phases of the product are omitted in this case. Using annual spend provided by [Company] as the Company’s activity data combined with emissions factors from the Climate Earth’s Environmental Database, the core of which is the USEPA Environmental Extended Input Output database (USEEIO v1.1) which provides industry average cradle-to-gate emissions factors for economic sectors. Due to the complexities of large supply chains, the WRI Corporate Value Chain Accounting and Reporting Standard (WRI Scope 3 Standard) specifically permits the use of industry average emissions factors combined with direct company activity data. [Company] has provided complete direct spend activity data for the Company for the reporting year. The methodology employed for these calculations conforms to the WRI Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The model provides tier analysis and industry analysis to provide strategic planning to reduce life cycle GHG emissions for auto parts. The majority of GHG is in tiers 2-6 and in electric and steel industries.

Percentage of emissions calculated using data obtained from suppliers or value chain partners: 50

Explanation: Spend data is a key component of the economic input output analysis and is derived from supplier spend at a manufacturing country level for increased granularity. This is extremely important for water life cycle analysis since location is important for water security. [Company] uses WRI protocol using life cycle detailed analysis for auto parts for company owned operations. As a calibration method, CDP Supply Chain tier 1 data is compared to improve accuracy. This data has been verified by a 3rd party in 2017.

Metrics and targets

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

Recommended Disclosures

- a) Disclose the metrics used by the organization to assess climate-related risk 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 risk.
- c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

(C9.1) Provide any additional climate-related metrics relevant to your business.

Response guidance

- ▼ Space for any additional metrics used by the business that either directly/indirectly impact emissions or energy use
- ▼ Ensure any additional metrics included are fully disclosed against
- ▼ More indicators for sector-specific questions e.g. CAPEX for power generation within Electric Utilities questions

Metrics and targets

- ▼ Targets including science-based targets
- ▼ Gross scope 1 & 2 emissions & breakdown by country and business
- ▼ Year-on-year emissions performance
- ▼ Verification of scope 1, 2, and 3 emissions
- ▼ Energy and fuel consumption

Likely delete



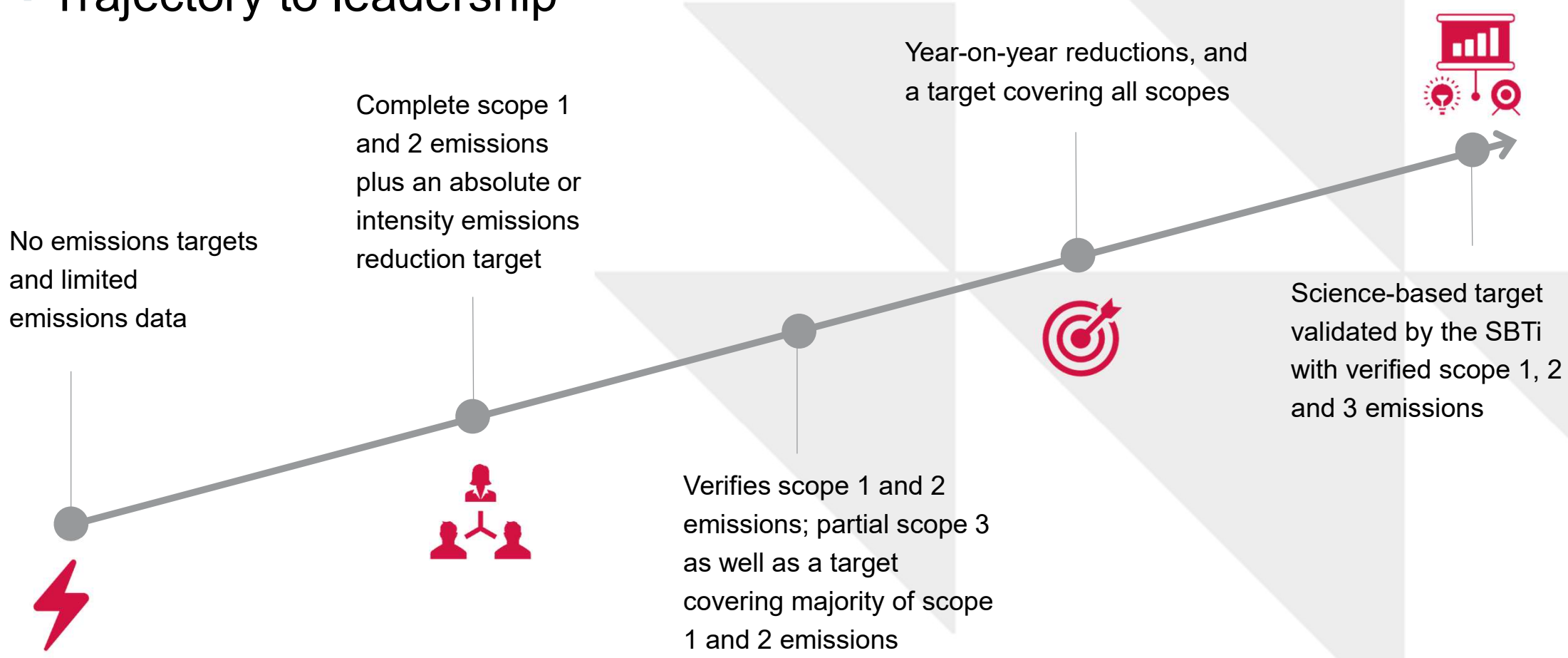
SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

RE **100**

METRICS & Targets

Trajectory to leadership



CDP – TCFD alignment

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

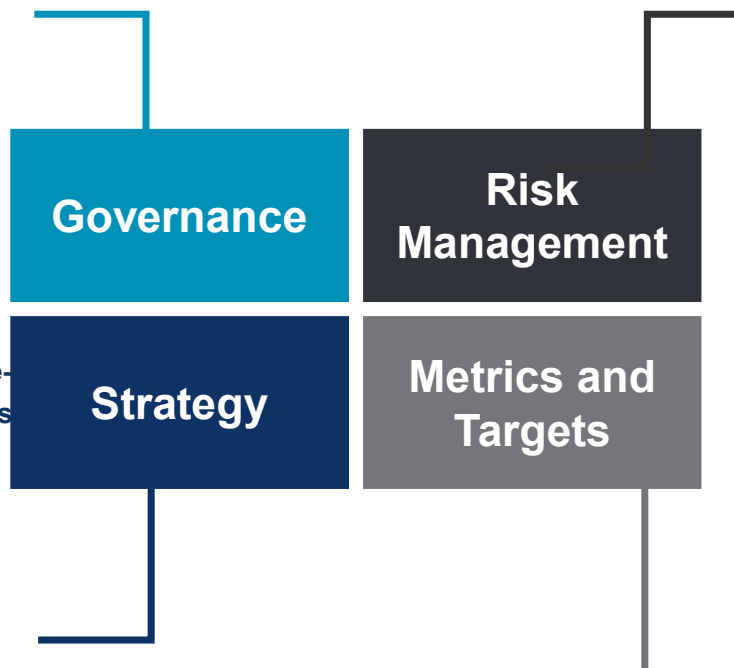
- The board’s oversight of climate related risks and opportunities
- Management’s role in assessing and managing climate related risks and opportunities

C1.1, C1.1a, C1.1b, C1.2, C1.2a

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.

- Climate related risks and opportunities the organization has identified over the short, medium, and long term.
- The impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.
- The resilience of the organization’s strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.

C2.1a, C2.3, C2.3a, C2.4, C2.4a, C3.1, C3.2, C3.2a, C3.2b, C3.3, C3.4



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

- Processes for identifying and assessing climate-related risks.
- Processes for managing climate related risks.
- How processes for identifying, assessing, and managing climate related risks are integrated into the organization’s overall risk management.

C2.1, C2.2, C2.2a

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

- The metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks
- Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets.

C4.1, C4.1a, C4.1b, C4.2, C4.2a, C4.2b, C6.1, C6.3, C6.5, C6.5a, C9.1

Getting started: TCFD scenario analysis process



- ▼ Assess risks and range of scenarios
- ▼ Evaluate impacts and identify responses
- ▼ Document and disclose

TCFD Knowledge Hub

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

www.tcfdhub.org

Trends and significance of TCFD

Shift from recommendations to requirements

Requirements for climate-related disclosure are using the TCFD framework



Canadian firms must file TCFD reports to get Covid-19 bailout

SEC proposes comprehensive package of climate-related disclosure rules

UK and China back TCFD and amid "golden era" of green cooperation



EU experts propose ways to align non-financial reporting directive with TCFD

DFS expects New York insurers to start developing their approach to climate-related financial disclosure and consider engaging with the [Task Force for Climate-related Financial Disclosures \(TCFD\)](#)

What's the Difference?

Framework versus Standard



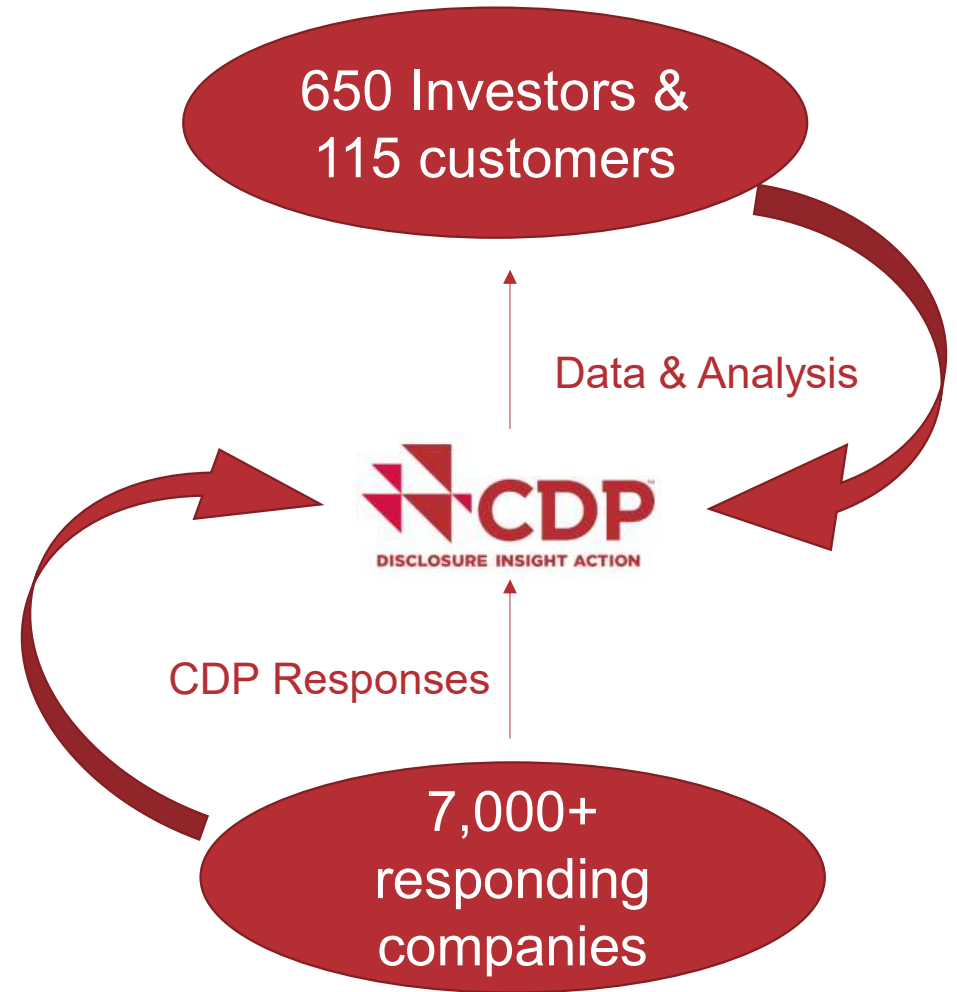
▼ **FRAMEWORK:** provide an outline or structure that serves as a guide to a specific objective or goal; *"frameworks create a structure of what to do but rely on the doer to determine the best way to get the 'what' done"*

▼ **STANDARDS:** concepts or principles established by agreement, authority, or custom, and used generally as an example or model to compare or measure the quality or performance of a practice or procedure.



About CDP

- ▼ Global environmental reporting nonprofit
- ▼ World's largest database of voluntarily disclosed environmental data (emissions, water, forests-commodity)
- ▼ Gold-standard questionnaires
- ▼ Insights and analysis enable data-driven decision making

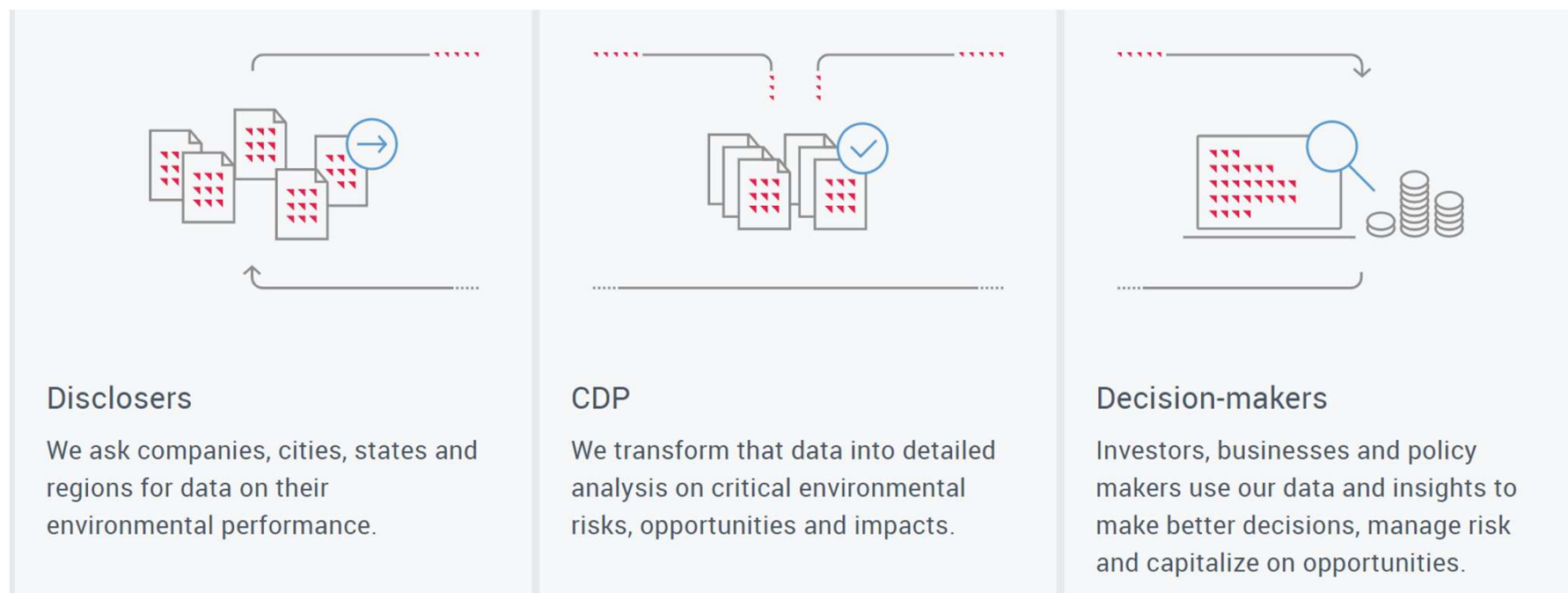


Where does CDP fit?

The Global Environmental Disclosure System



- ▼ **REPORTING MECHANISM:** CDP Online Reporting System for companies, cities, states and regions
- ▼ **OUTPUT:** Comprehensive collection of self-reported, uniform, comparable environmental data in the world for stakeholders to measure, evaluate, assess and manage environmental impact



CDP data is central



Robust CDP disclosure includes TCFD

Requirements for climate-related disclosure are using the TCFD framework



A large number of companies are already disclosing climate-related information through CDP in a way that is aligned with the TCFD recommendations.

35%

of companies provide information on all TCFD recommended disclosures through CDP. A further

34%

respond to the majority (9-10 out of 11) of the TCFD recommended disclosures.

69%

(over 1700 companies) are thus disclosing information on at least 80% of the recommended disclosures.

“In that the CDP disclosure request is aligned with the TCFD Framework, your CDP response will assist in your consistency with TCFD recommendations.” – Signed off by Mary Shapiro, TCFD Secretariat

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Thank you.