



Taskforce on Climate-related Financial Disclosures

Enhancing climate-related disclosures

Monday 22nd November 2021



*To ask a question during the webinar:
Click the Q&A button at the bottom of your screen to bring up the Q&A board*



Moderator Welcome

Jonathan Hale

**ESG and Sustainability Director, BNP Paribas Real Estate
& member of the AREF ESG & Impact Investing Committee**



Agenda for today

- 15.30 Webinar start
- 15.30 Welcome and housekeeping - Jonathan Hale, BNP Paribas Real Estate
- 15.35 Background on TCFD - Lucy Hamnett, Carbon Intelligence
- 15.45 Regulatory context/ AREF's position - Melville Rodrigues, Apex
- 15.50 How to use TCFD as a value tool - Lucy Hamnett, Carbon Intelligence
- 16.00 Panel discussion, incorporating audience questions:
- Lucy Hamnett, Carbon Intelligence
 - Helen Drury, Tritax
 - Jason Baggaley, Abrdn
 - Paul Gehres, British Land
 - Melville Rodrigues, Apex
- 16.55 Closing remarks from Jonathan Hale
- 17.00 Close



Lucy Hamnett
Associate Director, Head of Governance Services
Carbon Intelligence



Carbon Intelligence

WHAT IS TCFD AND HOW CAN
IT DRIVE VALUE FOR YOUR
ORGANISATION?

AREF webinar – 22/11



Climate change poses significant threats to business operations

Physical impacts



Wildfires



Landslides



Droughts



Flooding



Climate change poses significant threats to business models

Transitional impacts



Carbon Taxes



Consumer/ Tenant Behaviour



Stranded Assets



Legal & Reputational

However, the transition also presents opportunities to business growth and value

Transitional Opportunities



Market Opportunities

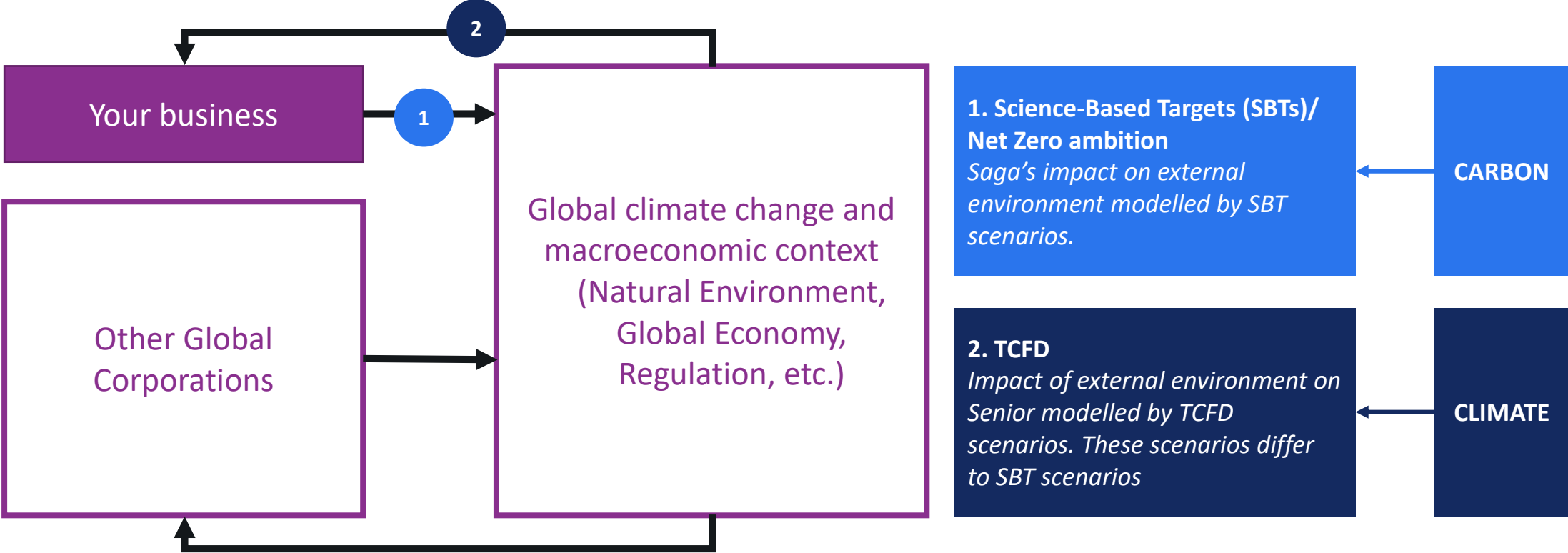


Resource Efficiency



Energy Source

When we are thinking about climate risk, we are considering the external global effects on your business, rather than your contribution to climate change

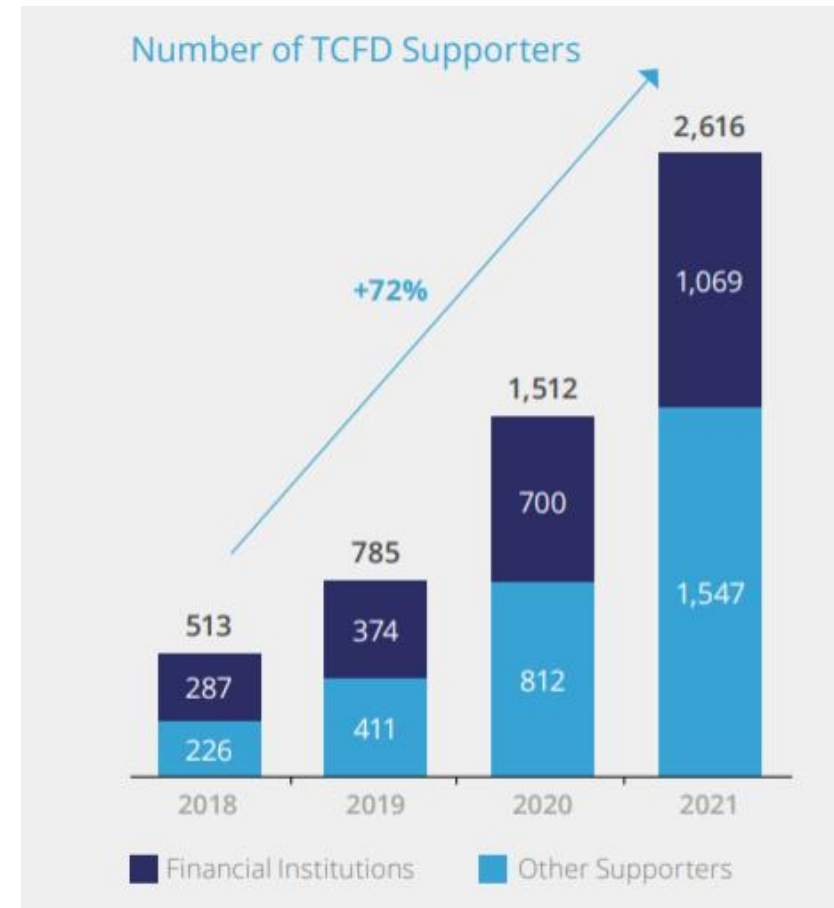


The G20 Financial Stability Board has recognised that climate change presents a significant emerging risk to global financial markets

- The FSB established the **Task Force on Climate-Related Financial Disclosures (TCFD)** which is chaired by Michael Bloomberg and consists of 32 members.
- In June 2017, the Task Force published recommendations for voluntary and consistent climate-related financial risk disclosures for use by companies, investors and other financial stakeholders to provide high-quality information in their mainstream filings.
- The purpose of the TCFD recommendations are to improve financial disclosure so that investors can make better-informed decisions on where to deploy their capital.



“Increasing transparency makes markets more efficient, and economies more stable and resilient.”



Polling question

Do you currently use TCFD as a framework to understand climate risks and opportunities within your business?

1. Yes, we have been using it for over a year now
2. Yes, we have just started to use TCFD
3. No, but we plan to start using TCFD this/ next reporting year
4. No and we don't plan to use TCFD



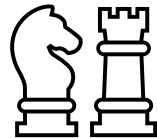
The Taskforce on Climate-related Financial Disclosures (TCFD) is a framework which aims to support companies to embed climate risk understanding into governance and strategy to ensure long-term survival of companies

Governance	Strategy	Risk Management	Metrics & Targets
Disclose your organisation's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on your organisation's businesses, strategy and financial planning.	Disclose how your organisation identifies, assesses and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.



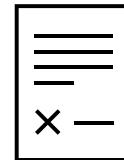
Good governance in a changing world:

Senior leadership should be fully upskilled and have oversight of how climate risk and opportunity is guiding business strategy and planning



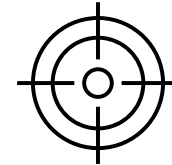
Informing long term strategy:

A global shift is inevitable to combat the worst effects of climate change and/or adapt to a warmer world, companies should build this into long term strategy



Climate impacts on the financial statements:

Climate change can lead to credit risk, asset value impairments, provisions and contingent liabilities and changes in accounting judgements and estimates.



Setting targets to support the transition:

Climate targets in companies is now the norm and is imperative to support the transition to a low-carbon economy

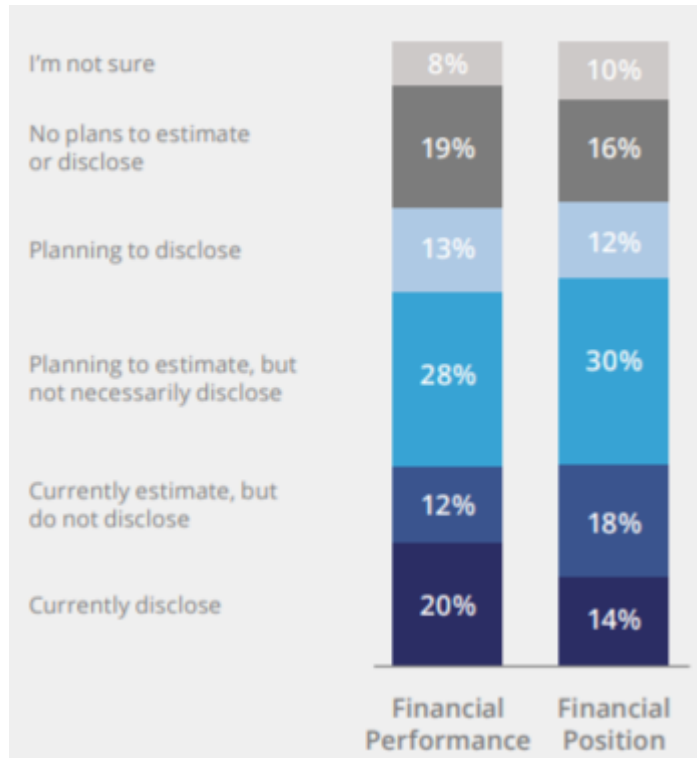
TCFD is a framework to assess both climate-related risks and opportunities

	Climate-related risks	Climate-related opportunities
Transition Risks	Policy and Legal	Resource efficiency
	Technology	Energy source
	Markets	Products & services
	Reputation	Markets
Physical risks	Acute	Resilience
	Chronic	



Alignment to TCFD is growing but there are lessons to learn to gain the most value from the process

Ref: TCFD Status Report - Q8. Which of the following climate-related information does your organization disclose? (n = 100)



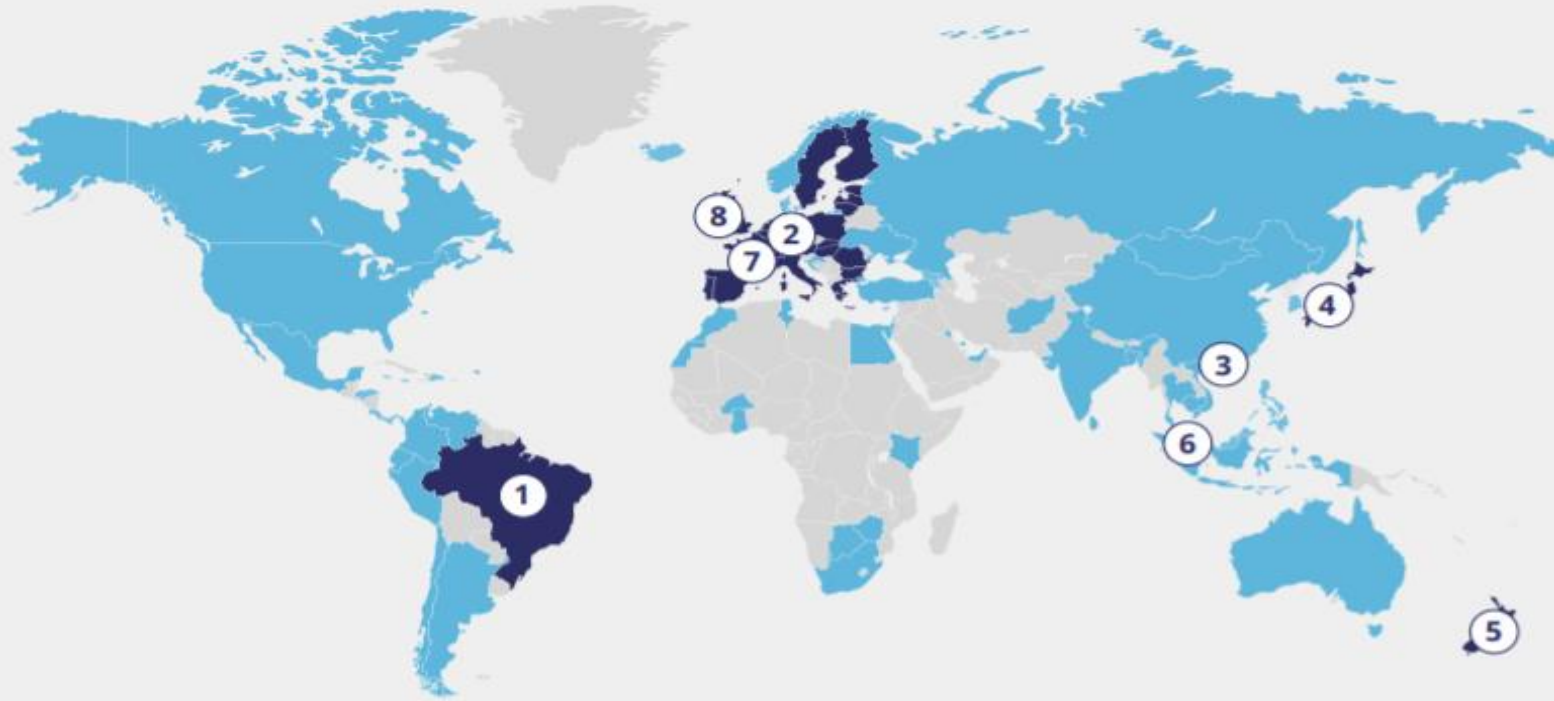
Lessons learned from interviews with preparers offer a path forward for organizations earlier on in their journey:

- Enhanced data-gathering strategies are critical to enable effective assessment of financial impact.
- Allocating sufficient resources to assessing financial impact helps timely development of decision-useful information.
- Overcoming institutional siloes enables more effective collaboration and alignment on assumptions and methodologies used for estimating financial impact.
- Once financial impact has been estimated, approval from relevant internal stakeholders, including legal teams, is generally required when making public disclosures.

Ref: TCFD Status Report



There's an uptake in jurisdictions across the world legislating TCFD in their financial and company markets



2,600+

TCFD Supporters Globally

8

TCFD-Aligned Official Reporting Requirements

- ① Brazil
- ② European Union
- ③ Hong Kong
- ④ Japan
- ⑤ New Zealand
- ⑥ Singapore
- ⑦ Switzerland
- ⑧ United Kingdom

■ Countries/jurisdictions with TCFD supporters

■ Jurisdictions with announcements of TCFD-aligned reporting requirements

120+

Regulators and Governmental Entities

89

Countries and Jurisdictions Represented

\$194 tn

Assets

\$25 tn

Combined Company Market Capitalization

There is mounting levels of regulation incorporating climate risk disclosure and TCFD in the UK



Listing requirements from FCA to align to TCFD on a 'comply or explain' basis



Upcoming UK Legislation on climate-related disclosures as part of the government's introduction of climate transition plans



The ISSB was formed in 2021 following two consultations on the demand for global sustainability standards



Melville Rodrigues

**Head - Real Estate Advisory, Apex Group
& Member of AREF's Public Policy Committee**



TCFD: dovetails with regulatory compliance

Get ahead of regulation

- Disclosure, disclosure, disclosure
<https://realassets.ipe.com/analysis/disclosure-disclosure-disclosure-get-ahead-of-regulation/10054168.article>
- HMT "Greening Finance: A Roadmap to Sustainable Investing"
<https://www.gov.uk/government/publications/greening-finance-a-roadmap-to-sustainable-investing>
- Dialogue with TCFD Secretariat: Knowledge Hub <https://www.tcfdhub.org/>

AREF key goals

- Constructive engagement with regulators
- Consistency. e.g. between listed and unlisted sectors
- Collaboration with other industry stakeholders

Market dynamics

- Investors including LGPSs & UK occupational pension schemes
- ESG focus: new fund products e.g. LTAFs
- Effect on valuations: RICS <https://consultations.rics.org/esgval/>
- Shared vision: long term sustainable growth





Lucy Hamnett
Associate Director, Head of Governance Services
Carbon Intelligence



Good governance is the foundation of TCFD and critical to ensuring long term success



Clear governance driving and monitoring the integration of TCFD and climate risk into organisational strategy is imperative.



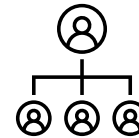
Senior Leadership buy-in:

Engage Senior Leadership to ensure Board and Exec-level understanding of the potential future impacts of climate change. Climate change and good governance is a crucial part of Director Duties.



Use TCFD as a long term engagement tool:

Continue to engage with shareholders to monitor changing trends and expectations for climate adaptation and disclosures. Upskill and build internal expertise.



Risk ownership across the organisation:

Given the diversity of climate risk and requirement for mitigation and adaptation controls across the business, clear ownership of risk and strategy is critical to ensure long term value protection and creation.



Clear reporting:

Regular and informative internal reporting to Senior leadership and the Board



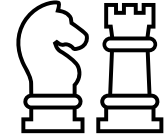
Polling question

Who is currently driving progress on climate risk understanding and TCFD reporting in your organisation?

1. CFO and the Finance team
2. CEO
3. Chief Risk Officer and Risk Team
4. Sustainability team
5. Collaboration of all teams
6. Other



Climate risk and opportunity must be considered in long term strategy for long term success



Value protection

- Adapting to the long term impacts on the assets held
- Reducing the risk of asset stranding
- Ensuring assets meet changing tenant preferences

Value creation

- Improving the attractiveness of assets
- Improving rent yields
- Capturing green finance opportunities and improved cost of capital
- Improving insurance coverage and costs



Why does TCFD recommend conducting scenario analysis?

Ref: TCFD Knowledge Hub

Scenario analysis is a well-established method for developing strategic plans that are more flexible or robust to a range of plausible future states.



Given the importance of forward-looking assessment of climate-related risk...



...the TCFD believes that scenario analysis is an important and useful tool for an organisation to use...

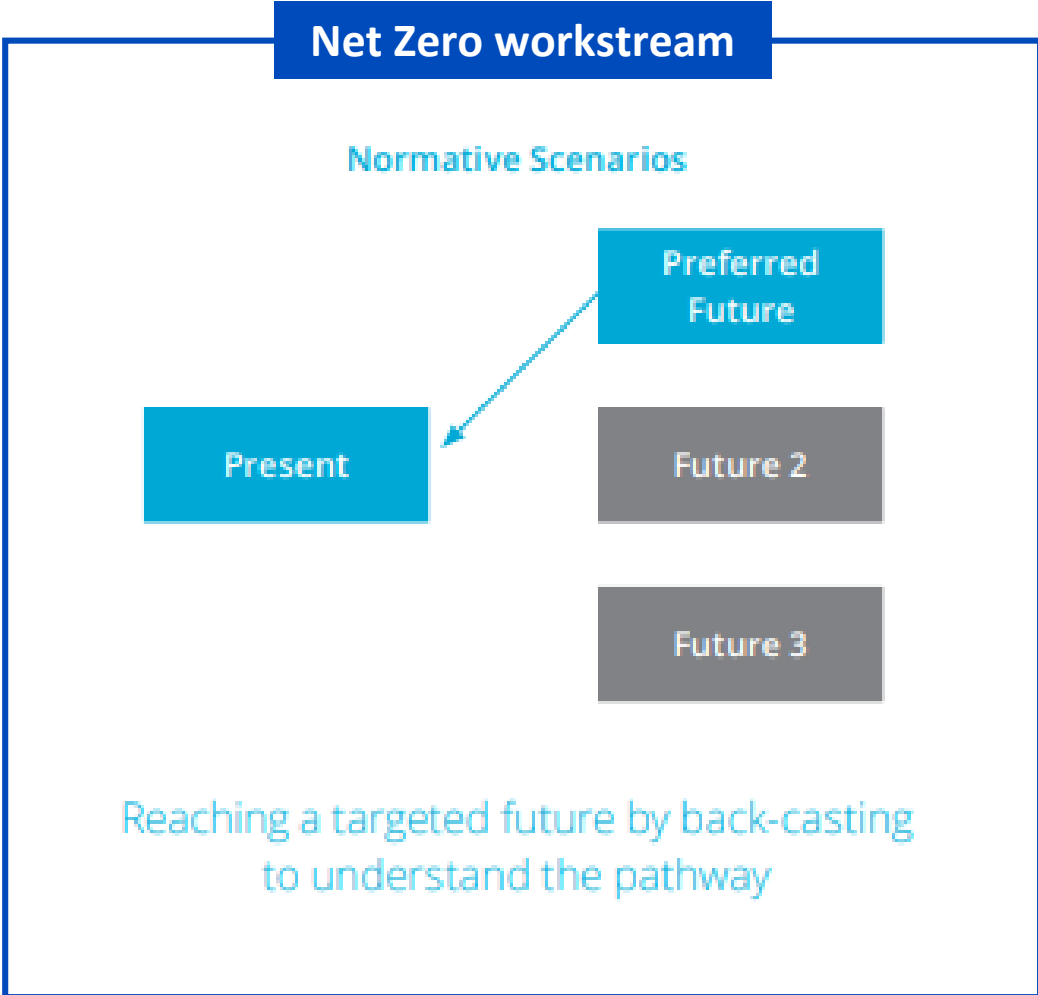
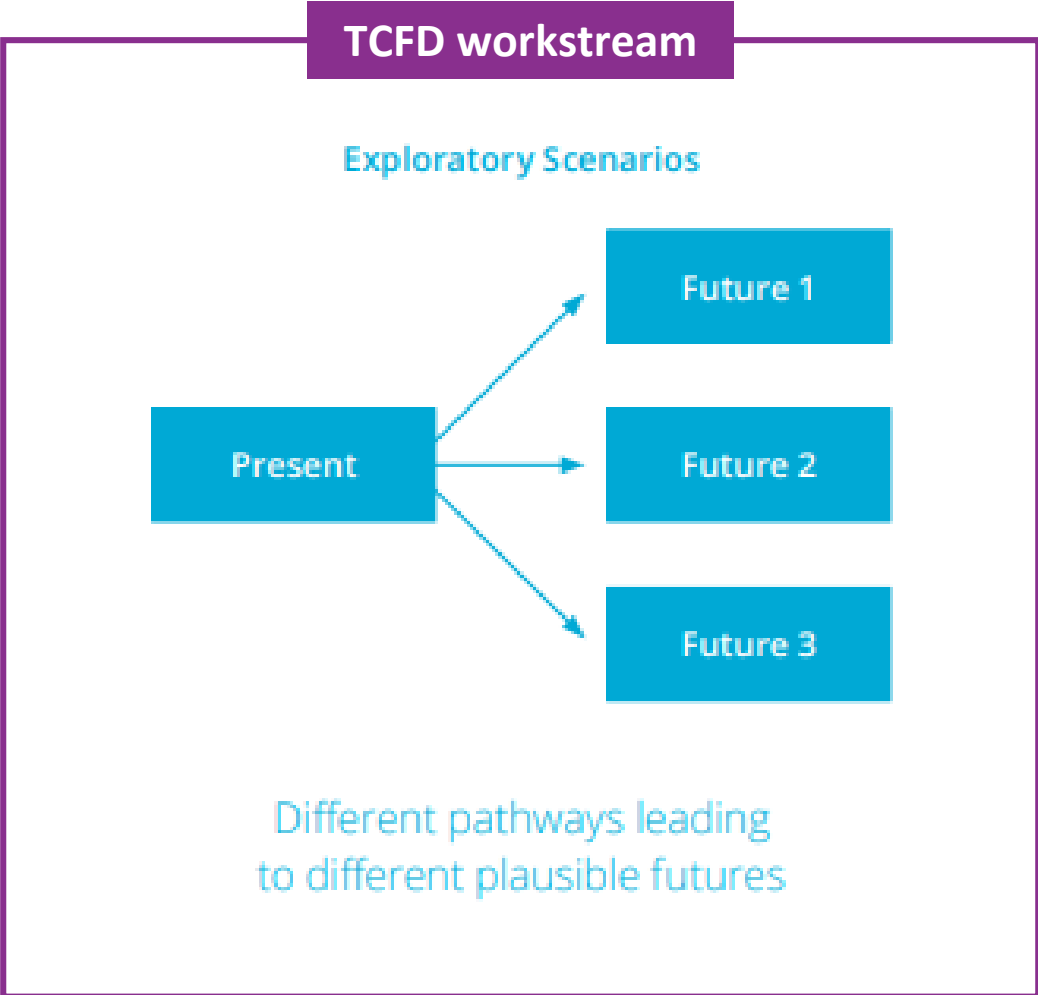


...both for assessing potential business implications of climate-related risks and opportunities...

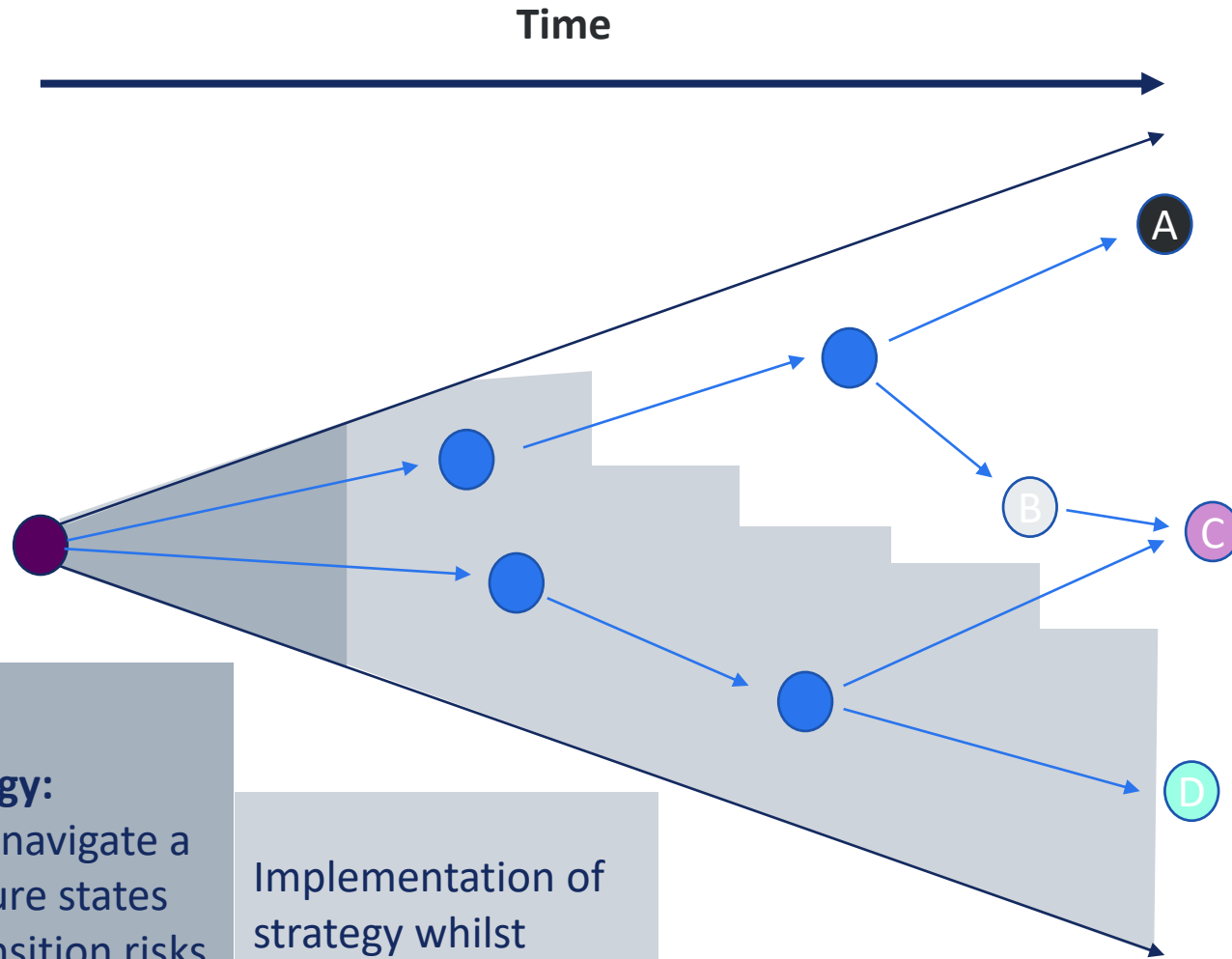


...and for informing stakeholders about how the organisation is positioning itself in light of these risks and opportunities...

How does TCFD work together with Net Zero?



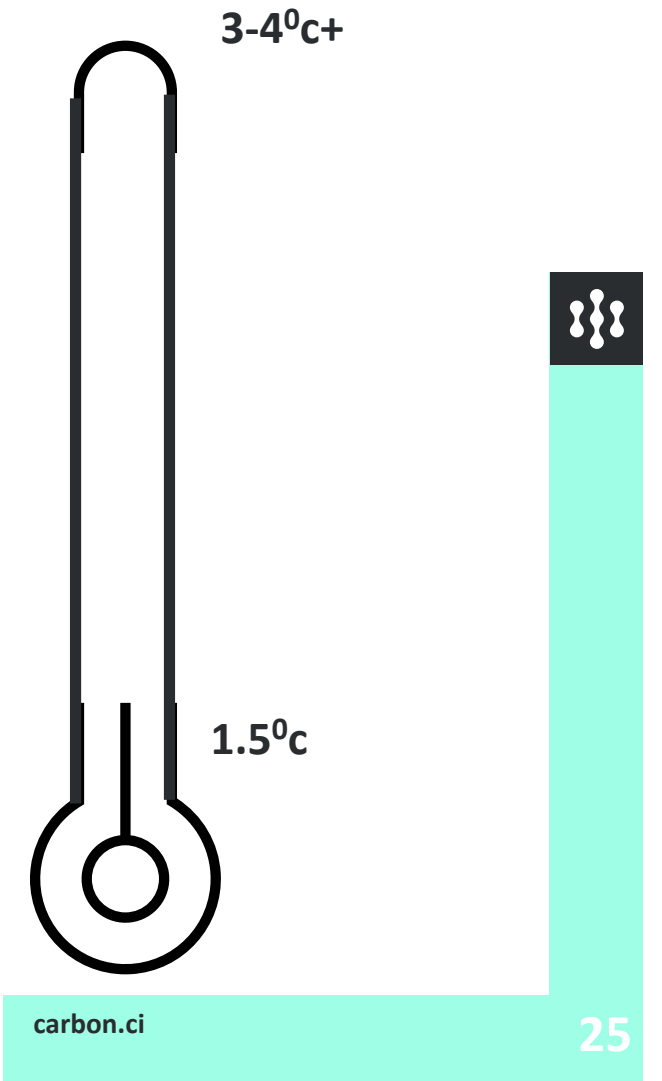
How does TCFD work together with Net Zero?



Net Zero Strategy:

- Structure to navigate a range of future states
- Mitigate transition risks
- Optimise asset performance

Implementation of strategy whilst responding to a changing market signals

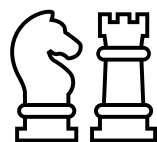


Key takeaways to drive next steps in your organisation

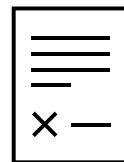
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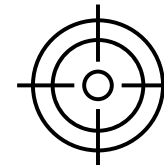
Engage and upskill your Executive and Board on climate risk and how TCFD could be used to protect and create value



Stress test your portfolio and long term strategy against changing risks under different climate transitions and futures



Identify your top climate-related risks and opportunities, both physical and transition, and embed into your overall risk management



Map your metrics for monitoring climate risk alongside your net zero targets



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FRESH THINKING ON SUSTAINABILITY_

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Panel Discussion

To ask a question to the panel:

Click the Q&A button at the bottom of your screen to bring up the Q&A board

Panel Discussion



Jason Baggaley
Deputy Head of
Value Add Funds
Abrdn



Helen Drury
Sustainability
Lead
Tritax



Paul Gehres
Sustainability
Programme Manager
British Land

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Thank you

The recording and slides will be available to all AREF members tomorrow on our website