



# TCFD 102

Not a checkbox reporting tool



See Beyond.

# Discussion Leaders



**Laura Zizzo**  
Co-Founder & CEO

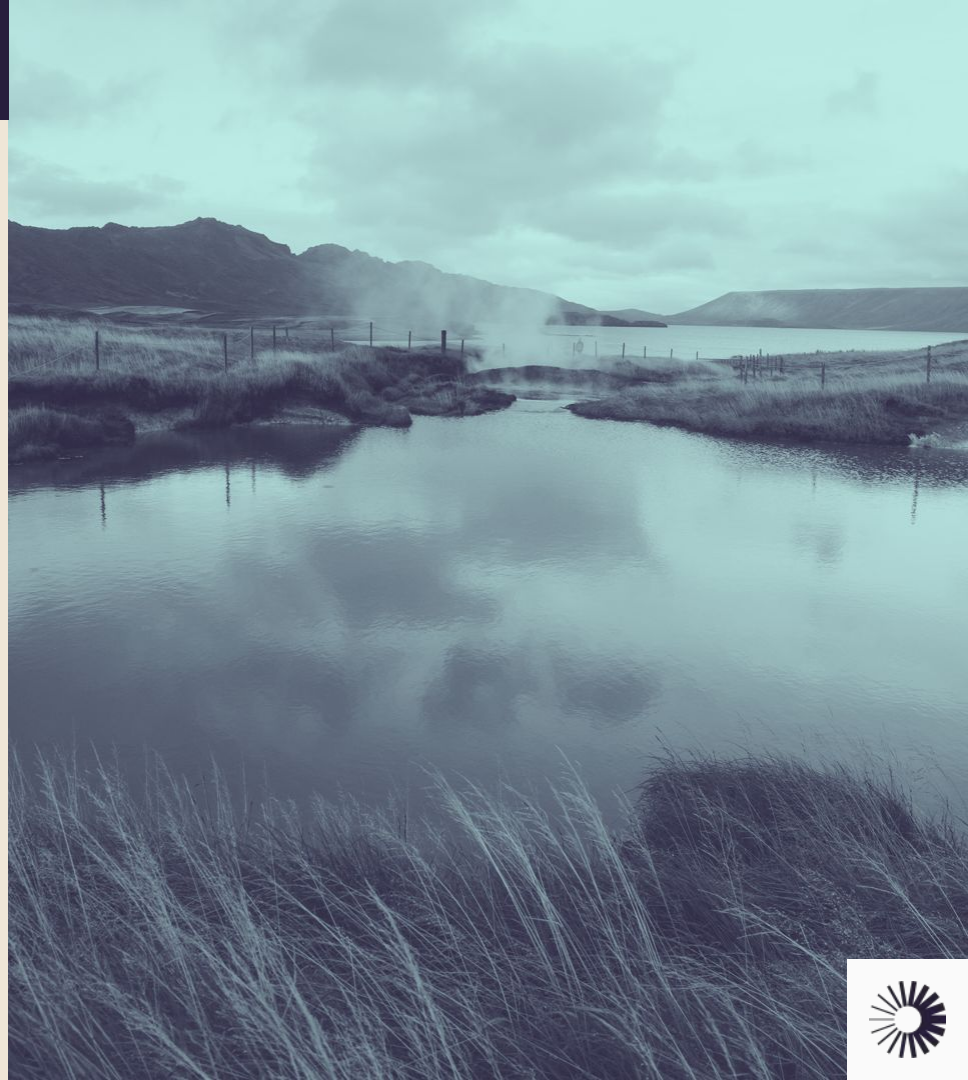


**Adam Rochweg**  
Climate Strategist



**Emile Lavergne**  
Climate Strategist

01. TCFD refresher and beyond
02. TCFD maturity: decision-useful information on what organizations are saying and doing
03. Deep dive into Governance, Strategy, Risk Management
04. Key takeaways





## 1. TCFD refresher and beyond







**URGENT NEED FOR ACTION**



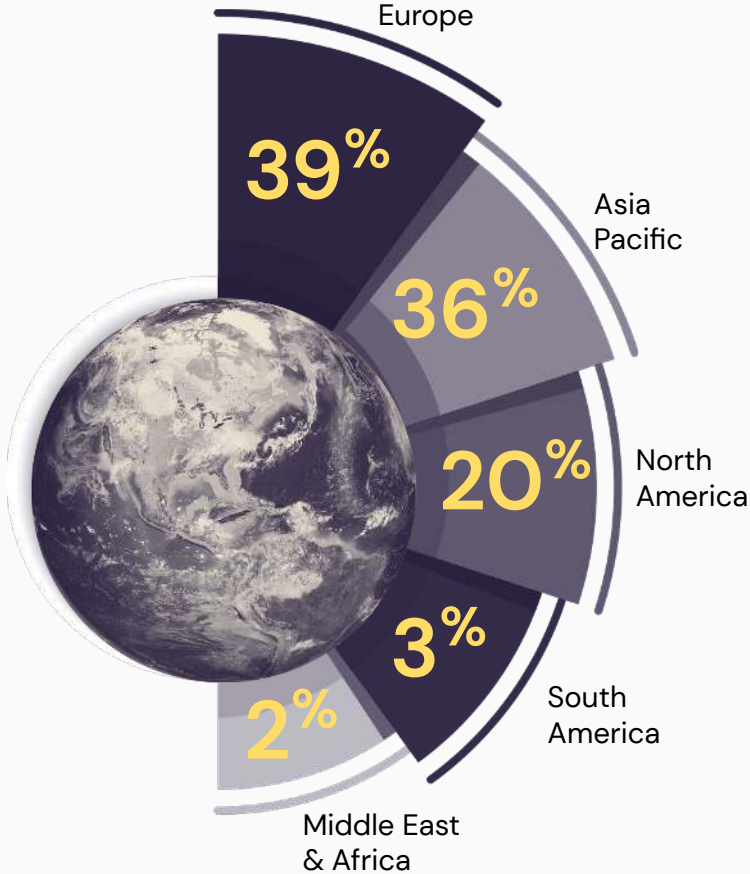
**INSUFFICIENT PLANS**



**ROLE OF THE PRIVATE SECTOR**



# TCFD supporters from around the world



**Total Supporting Countries: 88**

## Top Five Countries by Number of Supporters

Japan	310
United Kingdom	219
United States	219
Australia	76
Canada	67

**Total Supporting Organizations: 2,200**

## Alignment to TCFD

### Reporting Frameworks



### Investors



## G7 Finance Minister Support

“We support moving towards mandatory climate-related financial disclosures that provide consistent and decision-useful information for market participants and that are based on the Task Force on Climate-related Financial Disclosures (TCFD) framework”

TCFD endorsed by G7 Finance Ministers in June 2021

## Regulatory Push for TCFD



UK makes TCFD mandatory for premium listed companies on LSE



New Zealand makes TCFD mandatory for financial institutions



Switzerland to make TCFD mandatory for 2024



SEC currently consulting on TCFD, expects draft regulations in fall



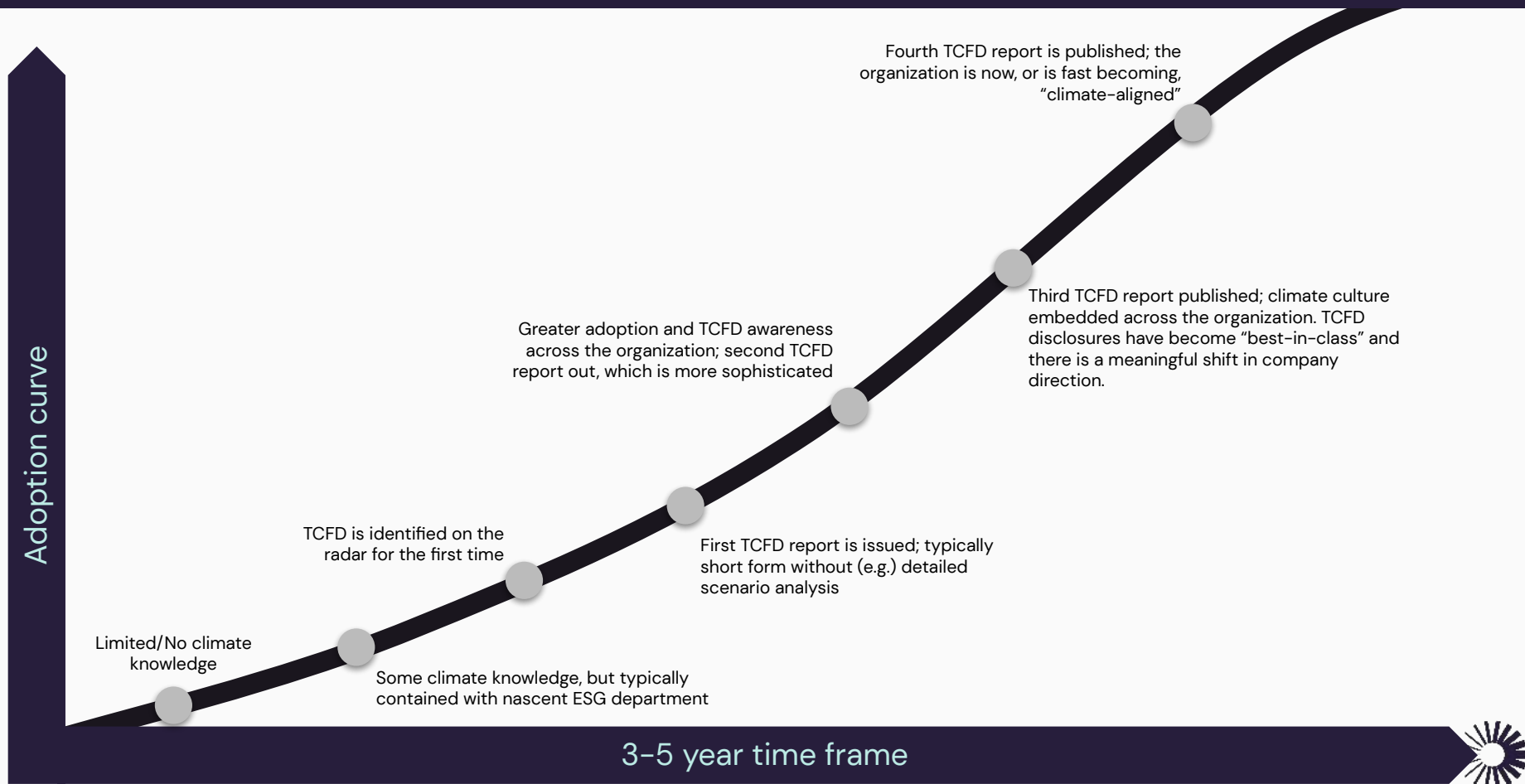
Government mandates TCFD reporting for Crown Agencies; Ontario Securities Commission currently reviewing recommendation for TCFD requirements



Singapore Exchange proposes mandatory TCFD-aligned disclosures by 2023 (public consultation until Sept. 2021)



# TCFD Adoption Curve – It's a Journey!





## Discussion







## 2. TCFD maturity: decision-useful information on what organizations are saying and doing





# Assessing your climate maturity

The disclosure process can help you understand:

- What your organization is saying about climate change
- What your organization is doing about climate change
- Whether you are providing decision-useful information to key stakeholders
- How deeply climate is integrated into your business functions

In other words... your **climate maturity**!





# The TCFD: more than reporting

*The TCFD recommendations are not only about checking a disclosure box.*

*Organizations disclose information about critical climate-related processes and actions that are the foundation of climate maturity.*

## Key questions:

- How mature are your climate-related processes?
- Are you thinking about climate across business functions?
- Is climate deeply integrated into your strategy and risk management processes?
- Do you consider both climate risks **and** opportunities?
- Are you clearly indicating to investors that you are taking climate seriously? How so?





### 3. Deep dive into Governance, Strategy, Risk Management





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

## What we look for:

- Is the board **informed** about climate? How, and how often?
- Who is **responsible** for climate at the board level?
- Does the board consider climate when **guiding decision making**?
- What goals/targets are **monitored** by the board?

## Example: Board Governance

International Flavors and Fragrances  
Sustainability Report, 2020

### Board Oversight:

“Direct Board oversight of IFF’s climate-related risks and opportunities is provided by the Board of Directors’ Innovation and Sustainability Committee, who is responsible for reviewing IFF’s sustainability and corporate responsibility policies, programs and practices, and assessing new opportunities to support the Company’s sustainability and corporate responsibility targets and goals.

Additionally, our Chairman of the Board and CEO chairs the Sustainability Business Council (SBC), which consists of cross-functional committees, including the integration of the company’s sustainability strategy, which includes climate-related issues.

IFF’s Board of Directors also oversees and reviews the company’s enterprise wide risks, including climate change, and the policies and practices established to manage such risks.”

### Strengths:

- Clear in describing the **board’s oversight** role  
Outlines the **reporting structure** for overseeing climate-related risks and opportunities
- Details which climate-related issues are addressed by **specific board committees**
- Situates **board oversight** of climate-related risks and opportunities **within the wider governance structure** of the organization

### How to improve:

- **Timeline** for how often the board is updated on climate-related issues
- Discussing where **climate-related expertise** comes from at the board level – internal? External?
- Reference **specific goals/targets** that the **board monitors**

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, 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.

What we look for:

- Are short, medium, and long-term time horizons defined?
- Are TCFD-defined climate-related risks and opportunities described and linked to time horizons?
- Is there a process to define which risks and opportunities will have a material financial impact on the organization?

# Example: Strategy

## Short-term (1-2 years)

We own assets and have business interests in a number of regions subject to greenhouse gas (GHG) emissions regulations, including GHG emissions management and carbon pricing policies. In 2019, we incurred \$69 million (2018 – \$62 million) of expenses under existing carbon pricing programs. Across North America there are a variety of new and evolving initiatives in development at the federal, regional, state and provincial level aimed at reducing GHG emissions. We actively monitor and submit comments to regulators as these new and evolving initiatives are undertaken. We support transparent climate change policies that promote sustainable and economically responsible natural resource development. Beyond the short-term, we expect that, over time, most of our assets will be subject to some form of regulation to manage GHG emissions. Changes in regulations may result in higher operating costs or other expenses, or higher capital expenditures to comply with possible new regulations.

## Medium-term (3-10 years)

We recognize the future energy system will evolve. As part of this, management includes an assessment of energy fundamentals, the competitive environment and the stakeholder landscape to identify opportunities and threats to our business strategy. This session informs our annual strategic priorities and performance measures, and provides the opportunity to review our risk preferences, as described in our 2019 Annual Report (p.13):

- Live within our means.
- Project risks known and acceptable.
- Business underpinned by strong fundamentals.
- Manage credit metrics to ensure "top-end" sector ratings.
- Prudent management of counterparty exposure.

## Long-term (11-20 years)

At TC Energy, we look at long-term energy scenarios pertaining to how the energy transition may unfold from multiple organizations. We monitor trends specific to energy supply and demand fundamentals, broader energy trends, in addition to analyzing how our portfolio will perform under one or more outlooks. Looking forward we will continue to use scenario analysis in our strategic planning cycle to enhance the rigour of our assessment of our long-term resilience.

Our three major lines of business provide diversification as the energy future unfolds, allowing us to allocate capital to various opportunities across the energy infrastructure sector, within our risk preferences, as signposts indicate. Long-life infrastructure assets covering strategic North American corridors and supported by long-term commercial arrangements are the cornerstones of our low-risk business model.

Our pipeline assets include large-scale natural gas and liquids pipelines and associated storage facilities that connect low cost supply basins with stable and growing North American and export markets, generating predictable and sustainable cash flows and earnings.

Our power and non-regulated storage assets are primarily under long-term contracts that provide stable cash flows and earnings.

TC Energy  
ESG Data Sheet, 2020

## Strengths:

- Clearly delineates three separate time periods (in years) that the company has used to assess climate-related risks and opportunities
- Climate-related risks and opportunities are separated into each of the listed time periods
- Detail on how each of those specific climate-related issues could have a material impact on the organization

## How to improve:

- Detail on the process used to determine which risks and opportunities could have a material financial impact on the organization
- Categorize specific risks and opportunities in relation to the TCFD, using detailed categories (e.g., legal, market, or reputational risks, and market opportunities, new products and services, or energy source opportunities)
- Process by which specific risks are identified as being material and non-material to the organization

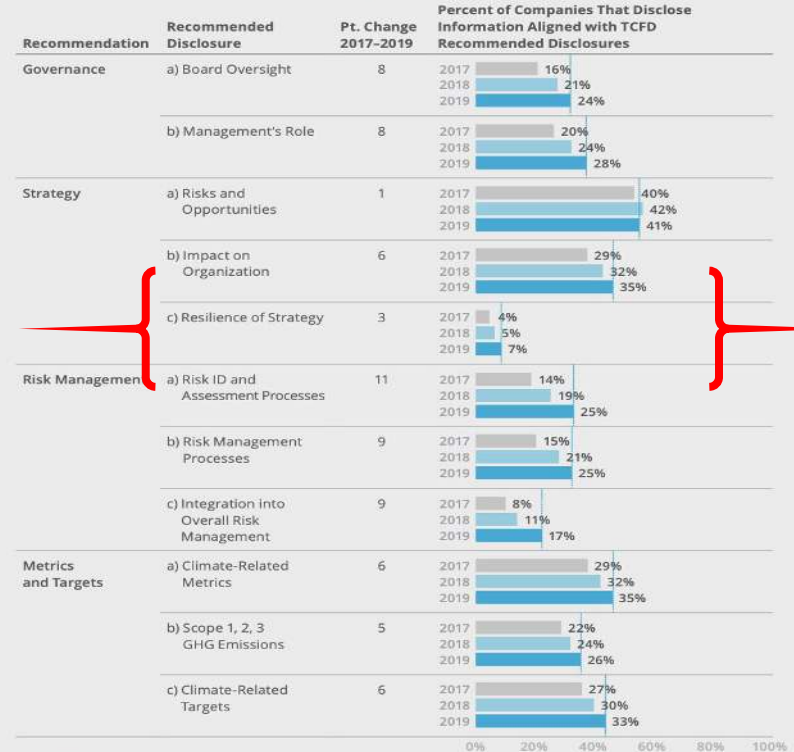


# Strategy: Status of Scenario Analysis

The most recent TCFD status report (2020) indicated that only 7% of companies are disclosing the resilience of their strategies to climate impacts, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

This makes scenario analysis the least disclosed category of the TCFD recommendations.

Figure A2  
TCFD-Aligned Disclosures by Year



Legend: | Percentage of companies that disclosed information aligned with TCFD recommended disclosures in 2019





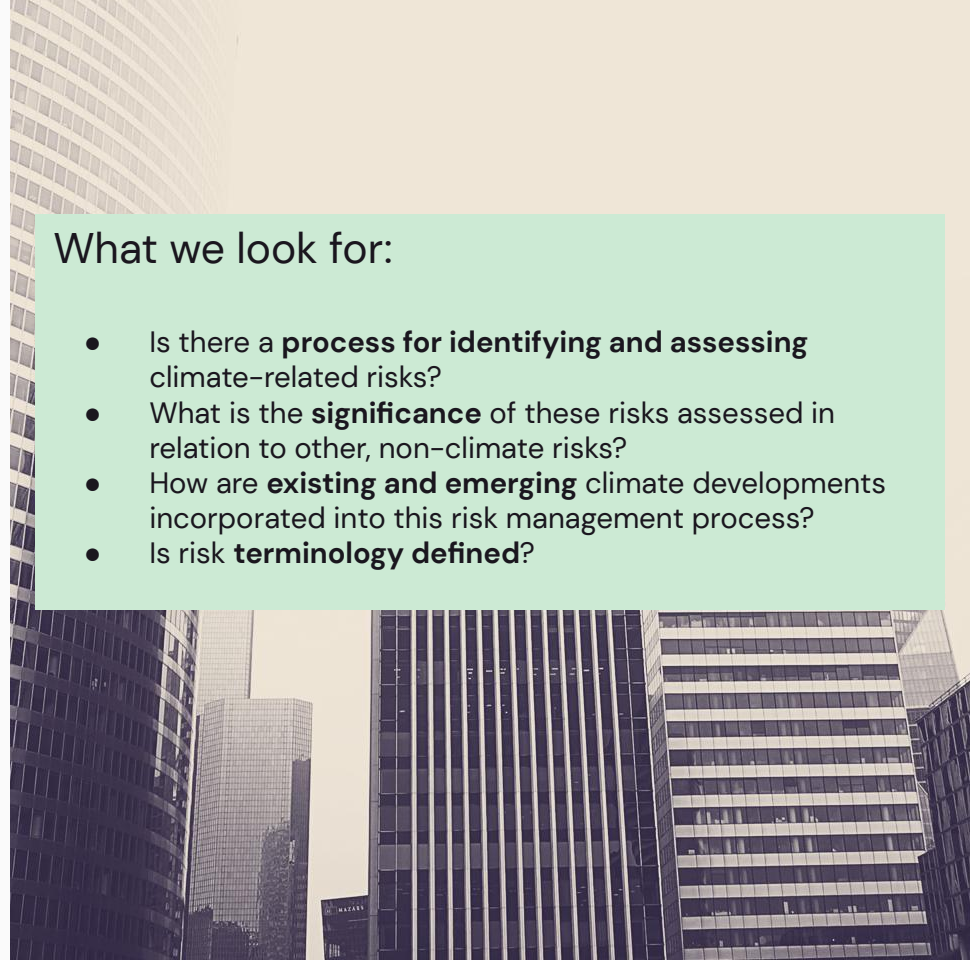
Disclose how the organization identifies, assesses, and manages climate-related risks.

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.

## What we look for:

- Is there a **process for identifying and assessing** climate-related risks?
- What is the **significance** of these risks assessed in relation to other, non-climate risks?
- How are **existing and emerging** climate developments incorporated into this risk management process?
- Is risk **terminology defined**?



## Example: Risk Management

L'Oréal  
Integrated Annual Report, 2020

"Physical and transition risks associated with climate change The Group is exposed to risks of natural origin in many countries. Risks of natural origin are those related to the occurrence of extreme weather events such as cyclones or floods, or those resulting from long-term climate change such as the rise in average temperatures, noticeable change in precipitation levels and the reduction of available water. The increase in these risks could impact the availability of finished products by disturbing the Group's operations and/or supply chain. To be sold, the products manufactured by the Group must be available on the market on the dates scheduled so as to respect consumer demands and launch plans, in a cosmetics market where the need for responsiveness is growing constantly. A major stoppage of activity at a plant or distribution centre could therefore have an adverse effect on the achievement of commercial objectives. These risks may impact the Group directly on its sites, or indirectly via the sites of suppliers and subcontractors, thereby reducing the availability of raw materials or packaging components necessary to manufacture products. For instance, an exceptionally steep rise in the price of basic raw materials because of their scarcity, or in the energy costs necessary for their production due to carbon taxation, or even their total unavailability or the resulting failure of suppliers, could affect the Group's performance."

### Strengths:

- **Clear process** by which the organization identifies and assesses climate-related risks, including which internal groups and departments coordinate those efforts, as well as any related accountabilities and reporting requirements
- Outlines how climate-related risks are **treated in relation to other risks**, and the time period on which the organization conducts a review of risk mapping

### How to improve:

- Process for identifying and assessing climate-related risks tied to a **generally accepted industry framework** (e.g., the TCFD, SASB)
- Above process is **integrated** into company-wide risk management processes
- Climate-risks are **prioritized** against other, non-climate risks
- Company has a process to consider **new or emerging** climate-related risks

## Discussion







## 4. Key takeaways



## Key Takeaways



The TCFD is about integrating the realities of climate disruption across your entire organization, and communicating this to key stakeholders (e.g., investors)



Solely focusing on disclosures is not enough to fully align to the TCFD recommendations



Best practice for TCFD-aligned disclosures will continue to evolve in the coming years, especially as mandated disclosure becomes more commonplace, guidance is improved, and climate maturity increases across sectors



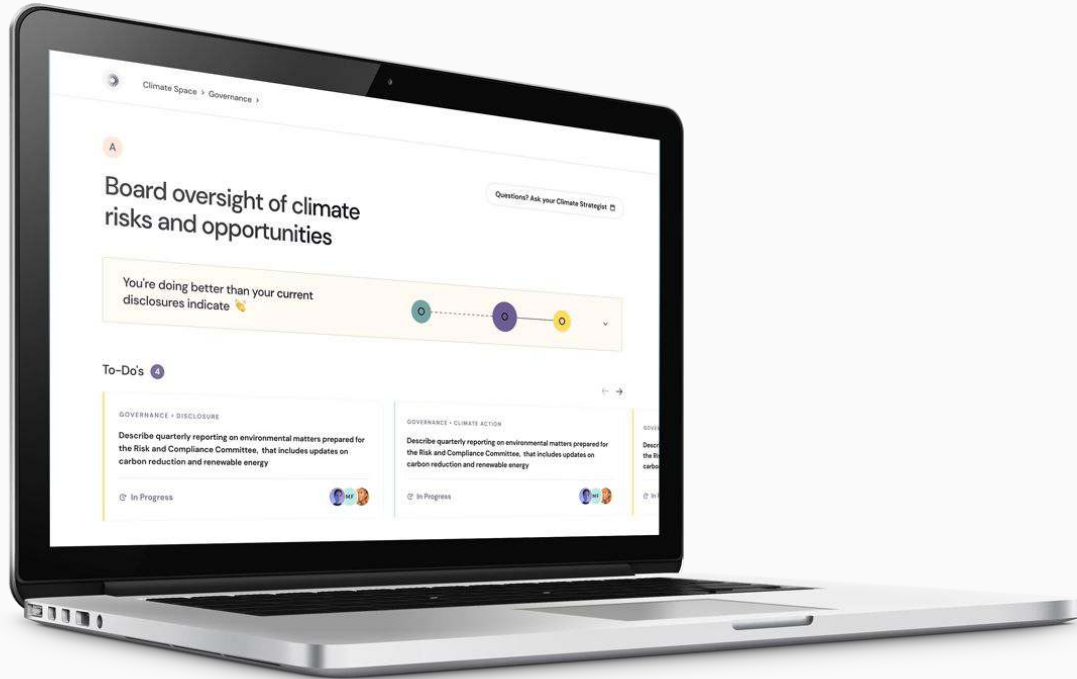
Organizations that are mature in their climate journey have integrated climate into their governance, strategy, and risk management processes, and have not siloed climate considerations



Climate maturity is a marathon and not a sprint...the key is to just get started







## In a review of disclosure leaders in the Manifest Climate database:

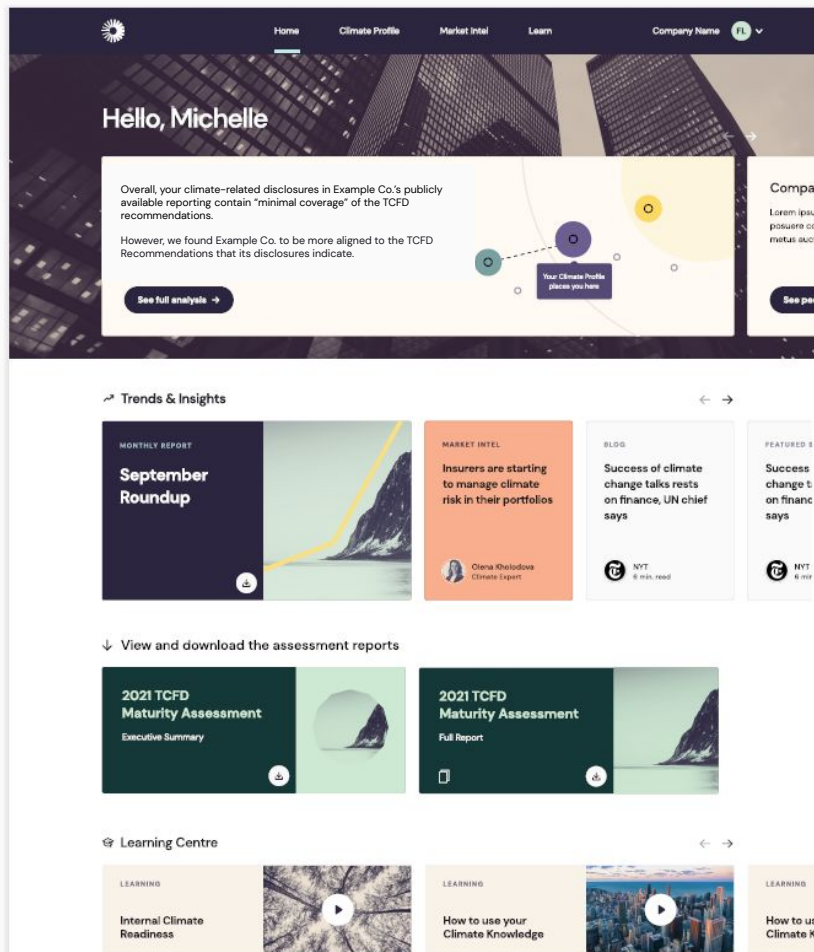
- Companies reported on 34% less than what they were actually doing
- The largest gap between action and disclosure was in governance
- Companies in their first year of disclosure had the biggest gap

## Why does this happen?

- Treating climate as a siloed issue
- Not recognizing actions because not specifically named 'climate'
- Not starting with governance--jumping to metrics/targets



# Our SaaS Platform



I. TCFD Maturity

II. Market Intelligence

III. Learning Centre





## 2021 Climate Profile

### ↓ View and download the assessment reports

#### 2021 TCFD Maturity Assessment

Executive Summary



#### 2021 TCFD Maturity Assessment

Full Report



### ✓ Your climate profile is complete!

#### Governance

How does your organization identify, assess and manage climate risk and opportunity?

View

#### Risk Management

Which types of risks has your organization assessed for strategic, operational, and financial impact?

View

#### Strategy

To what extent does your board oversee climate-related impacts in your strategic and financial planning?

View

#### Metrics and Targets

How comprehensive and operationally integrated are your organization's climate risk and opportunity KPIs, metrics, and targets?

View

### 📁 Useful Resources



BEST IN CLASS EXAMPLE

TCFD Best practices  
example



BEST IN CLASS EXAMPLE

2021 Questionnaire  
Guide

## TCFD Index

The TCFD Index maps your organization's climate-related disclosure across all reports into one reference table. Your organization can use this index to support your efforts to migrate your TCFD-aligned disclosure to your regulatory reports.

### TCFD Recommended Disclosures

### Related disclosures found in Example Co.'s regulatory and voluntary reports

#### Governance A

- **CSR Report** (page 6)
- **2020 CDP Response** (sections C1.1a, C1.1b, C1.2a)

#### Governance B

- **CSR Report** (page 6)
- **2020 CDP Response** (sections C1.2, C1.2a, C2.2)

#### Strategy A

- **Annual Information Form** (page 21)
- **2020 CDP Response** (sections C2.1a, C2.1b, C3.1d)

#### Strategy B

- **2020 CDP Response** (sections C2.3a, C2.4a, C3.1a, C3.1b, C3.1d, C3.1e)

#### Strategy C

- No disclosure found

#### Risk Management A

- **CSR Report** (page 8)

#### Risk Management B

- **Annual Report** (page 11)
- **Management Information Circular** (page 39)
- **CSR Report** (pages 8)

#### Risk Management C

- **2020 CDP Response** (section C2.2)

#### Metrics and Targets A

- **Annual Information Form** (page 10)
- **Management Information Circular** (page 39)
- **Reducing our Carbon Footprint 30% by 2030, Third Edition** (page 3)

#### Metrics and Targets B

- **CSR Report** (page 8)
- **SASB** (page 2)
- **2020 CDP Response** (sections C6.1, C6.3, C6.5, C6.10)

#### Metrics and Targets C

- **Annual Report** (pages 5, 10, 11)
- **Management Information Circular** (page 39)

# Market Intelligence

## Governance

Coming out of a banner proxy season for climate resolutions, it's clear that big investors can exercise significant influence when they are willing to vote against companies failing to address climate risk — but some shareholders remain nervous of such public confrontations.

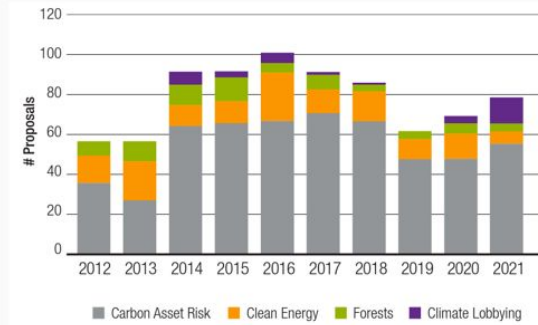
Investors will benefit if they get portfolio companies to move swiftly to build climate resilience and transition to net zero, as they will be less likely to suffer financial losses from climate risk and more likely to see improved returns from their embrace of climate opportunities.

Read in full: 'Despite successes, some investors are reluctant to use shareholder votes to push climate action'

## Regulation & Markets

Countries are racing to implement new rules and guidance for their financial institutions, with the aim of ensuring that

Types of climate change proposals, US



Source: [Proxy Preview](#)

### ASSOCIATED TOPICS

*Climate Action, Climate Policy & Targets, Investors*

See other actions related to Governance on [page xx](#).

Do the financial authorities within your jurisdiction view international coordination as important to better understand jurisdictions' practices and to enable a more common approach among financial authorities that supports consistent, high quality implementation of TCFD

Important  
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# Questions





# Thank You.

1255 Bay St., Suite 801  
Toronto, ON, M5R 2A9  
+1 (877) 762 6433

hello@manifestclimate.com  
manifestclimate.com

