



Climate-related corporate reporting

Questions for companies

October 2019



Governance and management

In order to help investors understand how boards consider and assess climate-related issues, companies should ask themselves...

- What arrangements does the board have in place for assessing and considering climate-related issues? What is the board's view of the climate change challenge, and what assumptions is it making? +
- Who has responsibility for climate-related issues? How are the board and/or committees involved and how often are climate-related issues considered?+
- What insight does the information give the company and how is it being integrated into strategic planning? +
- What information helps the board understand the company's risk profile?
- What information and metrics do the board monitor in relation to climate-related issues? How does the board, establish, monitor and oversee, including modifying, climate-related goals and targets? +
- Is the board preparing for different outcomes where there is uncertainty?
- How does the board get comfort over the metrics being used to monitor and manage the relevant issues?
- What arrangements does the Executive Committee, or other divisional levels, have in place for assessing and considering climate-related issues, and who has responsibility for them? +
- Does the board consider the climate-related reporting to be fair, balanced and understandable?
- What competence and expertise does the board feel it needs, or needs access to, in order to consider and address the challenges climate-related issues pose?
- Has the board reviewed its public policy approach to climate-related issues for consistency?
- Is the organisation planning to report against the TCFD? If so, what can be shared about the progress made and what are the plans for disclosure?

TCFD expects companies to:

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

- Describe the board's oversight of climate-related risks and opportunities
- Describe management's role in assessing and managing climate-related risks and opportunities

Page numbers refer to examples in the full report which is available at www.frc.org.uk/lab

Examples

An approach is to disclose what information the board sees, the governance arrangements in place, who has responsibility, and a consideration of the necessary competence.

[Royal Dutch Shell plc](#), [Unilever PLC](#), [National Grid plc](#)

p38,39,40

+ notes where the questions align with expectations for reporting in the TCFD's 'Guidance for all sectors'



Climate-related corporate reporting

Where to next?

October 2019

Financial Reporting Council

Business model and strategy

In order to help investors understand how the business model may be affected by climate-related issues, whether it remains sustainable, and how the company may respond to the challenge posed by climate change, including what changes the company might need to make to strategy, companies should ask themselves...

- What does the company look like in the future and how will it continue to generate value? What strategy does the company have for responding to the challenges?
- **How was the decision about the materiality of climate-related issues made? +**
- What opportunities and risks concerning climate-related issues are most relevant to the company's business model and strategy? Which, if any, of these are financially material? What process has been followed in order to assess the impact of climate-related issues?+
- **Where do the biggest risks and opportunities sit? +**
- Has the company considered the impact of low-carbon transition as well as physical risk?
- **What are the relevant short, medium and long-term horizons? How do these different horizons affect key divisions, markets, products and/or revenue/profit drivers? +**
- How resilient is the business model to climate change? How does the company respond to a 1.5 degree, 2 degree or more world? +
- **What strategy has been put in place to reach that aim, and what operational or capital expenditures are needed to address any necessary business model changes? How are long-term projects structured to ensure flexibility, including options for de-emphasising and emphasising if circumstances should dictate? +**
- What are the possible effects on the company's revenues, expenditures, assets, liabilities, products, customers, suppliers etc of different climate scenarios?
- **How does the information gathered factor into strategic planning? What triggers would require a change of direction?**
- Are there opportunities better to explain exposure to particular product lines or 'green' revenues?
- **How are the risks and opportunities reflected in the financial statements, for example the effect of assumptions used in impairment testing, depreciation rates, decommissioning, restoration and other similar liabilities and financial risk disclosures?**

Examples

One approach is to disclose the resilience of the business model and opportunities, including a quantification of these risks and opportunities or where specific aspects of the business model may be affected and the capacity to respond	SSE plc and Stora Enso Oyj	p42-45, 46
One approach is to disclose the opportunities a changing climate poses to the business	Halma plc	p47
An approach is to outline strategic plans for reaching net zero by 2050, including reference to the IPCC recommended 1.5 degree pathway, and an indication of strategic decisions being made in light of this	General Mills Inc and Ørsted A/S	p48, 49
One approach is to explain the challenges a company faces at each asset location	Fresnillo plc	p50
One approach is to disclose an internal carbon price used for strategic planning purposes	Oil Search Ltd	p51
An approach is to discuss the horizons over which different issues have been considered, and what those timeframes are	Aviva plc , Land Securities Group PLC , Bloomberg L.P.	p52, 75-77 and 58-59

TCFD expects companies to:

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

- Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term
- Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning
- Describe the resilience of the organisation's strategy, taking into consideration difference climate-related scenarios, including a 2 degree or lower scenario

+ notes where the questions align with expectations for reporting in the TCFD's 'Guidance for all sectors'

Risk management

In order to help investors understand the risks and opportunities presented by climate change including the prioritisation, likelihood and impact, what scenarios might affect the company's sustainability and viability, and how the company is responding, companies should ask themselves...

- What oversight does the board have of climate-related opportunities and risks? +
- What systems and processes are in place for identifying, assessing and managing climate-related risks? To what extent can current processes be developed to assist? +
- How will transitional and physical risks affect the company? +
- How is a consideration of climate-related issues integrated into the risk management process and connected to other related risks?
- Over what horizons have the risks been considered and risk assessments carried out?
- How are the risks from climate change being monitored, including decisions around mitigation, transfer, acceptance and control? +
- How is the assessment of the company's viability over the longer-term taking into account climate-related issues?
- Is the company's business and business model viable? What signals or leading indicators might encourage a reconsideration of this assessment and the related strategy, or an understanding of whether the risk mitigation activities are being achieved?
- If the company is undertaking scenario analysis, how did the company decide on which scenarios to use and what assumptions have been made? How do these relate to the outcomes advocated in the Paris Agreement?
- Are the scenarios sufficiently diverse and challenging?
- How did the company translate scenarios to operational/financial models?
- How is the scenario analysis used in strategic planning?

Examples

An approach is to outline the risk management process in place, or provide information on the oversight of the Audit Committee	Swiss Reinsurance Company Limited and National Grid plc	p54 and 55
An approach is to outline the risks in relation to key specific assets or benchmarked results and changes made	Diageo plc and Johnson Matthey plc	p56 and 57
An approach is to refer to signposts being monitored, with indicators and reference to future strategic decisions	Bloomberg L.P.	p58
An approach is to outline asset-based outcomes referring to specific scenarios, including NPV-related results under which the scenarios may make certain investments less attractive, and modelling to a 1.5 degree scenario, or a description of the scenarios and impacts on key areas (in this circumstance related to commodity impacts)	Oil Search Ltd and Rio Tinto plc	p60-61 and 62-63
One approach is to refer to climate-related impacts in the viability statement disclosure	Royal Dutch Shell plc	p64
One approach is to refer to what type of expertise has been gathered when specific external expertise has been sought	Royal Dutch Shell plc	p38
One approach is to refer to assumptions made and the impact of different scenarios	Unilever PLC	p39

TCFD expects companies to:

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

- Describe the organisation's processes for identifying and assessing climate-related risks
- Describe the organisation's processes for managing climate-related risks
- Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

+ notes where the questions align with expectations for reporting in the TCFD's 'Guidance for all sectors'

Metrics and targets

In order to help investors understand how climate-related issues, and their impact, are measured, including metrics, data and financially-relevant information, companies should ask themselves...

- What information is most relevant to monitoring and managing the impacts of climate-related issues? How were these identified and how do they link to the strategy and business model? +
- Has a strategy been defined, with related metrics to measure progress, setting the company on a course to net-zero carbon by 2050, and for interim stages in between now and then? What metrics are monitored in relation to mitigation and adaptation? If metrics are not related, what metrics are being used, and what timelines has it set?
- What signals or specific climate scenarios are monitored?
- Has the company considered whether issues regarding water, energy, land use and waste management may be material, and if so, how these should be measured? +
- What do the metrics being monitored and managed indicate about the future direction of the company? How is this information used? How are they being integrated into day-to-day business management and reporting?
- What is the scope and boundary of the information presented? Is this the same across all information presented?
- To what level of oversight or assurance have the metrics been subjected?
- What external data, or external expertise, has the company relied upon?
- Are the metrics disclosed calculated consistently? Is trend data provided?
- Which methodology has been used for constructing the metrics? Is this comparable to other companies in the sector?
- Have estimates been used in compiling measures or targets? Can you describe the calculation of these? +
- What are the company's Scope 1, Scope 2 and, where relevant, Scope 3 greenhouse gas emissions? Is the GHG Protocol and/or another industry-specific methodology used for this calculation? +
- Is an internal carbon price used? If so, what is it and for which purposes is it used? +
- What is the company trying to achieve in relation to climate resilience and what targets has it set? Have the targets been achieved, and what comes next? +
- How are metrics being integrated into the remuneration policies? Is this the most effective linkage possible? +

+ notes where the questions align with expectations for reporting in the TCFD's 'Guidance for all sectors'

Examples

An approach is to refer to competitive advantage with reference to the business model, or produce metrics seen as key to this with reference to climate change, such as 'Climate-Value-at-risk' or carbon footprints and how these are assessed and used	Diageo plc , AXA Group and Aviva plc	p66-68
One approach is to state that remuneration will be linked to climate-related metrics	Royal Dutch Shell plc and SSE plc	p38 and 45
One approach is to refer to where a committee has been involved in the consideration of climate-related issues or the related disclosure	National Grid plc	p55
One approach is to refer to scope 1, 2 and 3 emissions and related intensity	Fresnillo plc	P69
An approach is to present performance in a user-friendly manner. Such attributes include clarity of information, presentation of performance across time, descriptions of the metrics being measured and target-setting	UBS Group AG , DS Smith plc and National Grid plc	p70-72
An approach is to present different scopes of greenhouse gas emissions, including Scope 3, across time, with methodologies noted, or to explain changes in calculations, changes from the previous year and scope and boundary	Go-Ahead Group plc , Associated British Foods plc	p73, 74

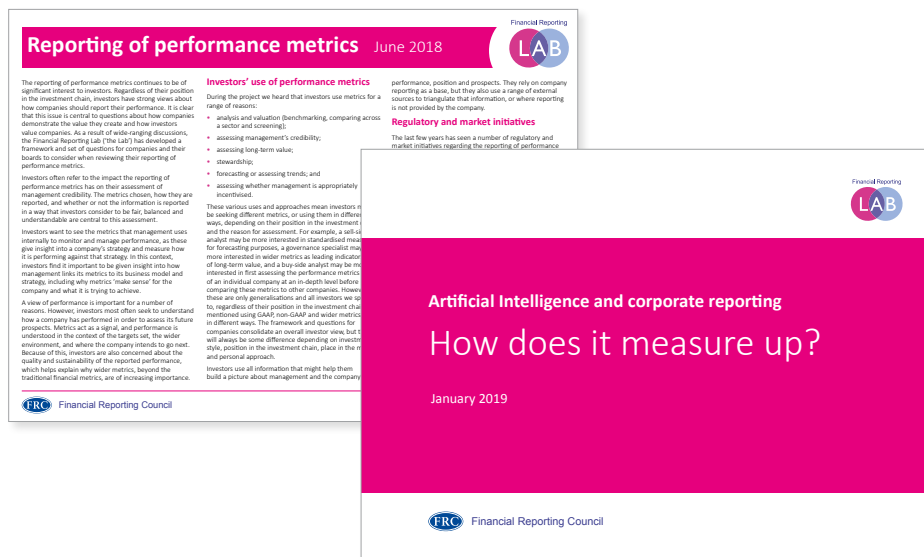
TCFD expects companies to:

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

- Disclose the metrics used by the organisation 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 organisation to manage climate-related risks and opportunities and performance against targets

The Lab has published reports covering a wide range of reporting topics.

Reports include:



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