



CDSB Response to the TCFD Consultation on Proposed Guidance on Climate-related Metrics, Targets, and Transition Plans

16 July 2021
TCFD Secretariat

Via online survey response

Re: Consultation on Proposed Guidance on Climate-related Metrics, Targets, and Transition Plans

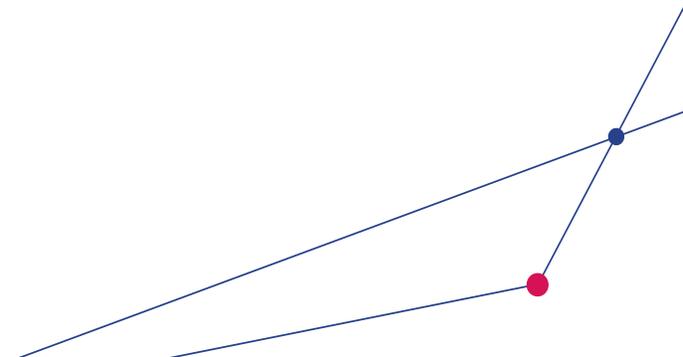
CDSB welcomes the opportunity to offer our written response to the TCFD Consultation on Proposed Guidance on Climate-related Metrics, Targets, and Transition Plans.

CDSB is an international consortium of nine business and environmental NGOs. We are committed to advancing and aligning the global mainstream corporate reporting model to equate natural capital with financial capital. We do this by offering companies a framework for reporting environmental and climate information ([the CDSB Framework](#)) with the same rigour as financial information. In turn, this helps companies to provide investors with decision-useful environmental and climate information via the mainstream corporate report, enhancing the efficient allocation of capital. Regulators also benefit from compliance-ready materials. Recognising that information about natural capital and financial capital is equally essential for an understanding of corporate performance, our work builds the trust and transparency needed to foster resilient capital markets. As the TCFD Secretariat will be aware, the CDSB Framework is fully aligned to the TCFD recommendations.

CDSB strongly supports the proposed guidance from the TCFD on climate-related metrics, targets and transition plans. The disclosure elements proposed within the guidance are well-aligned to the climate-related financial information that companies are reporting under existing reporting frameworks and standards, and will serve to further facilitate the disclosure of financially-connected information.

However, one aspect we would highlight is ensuring that the approach taken on materiality for these disclosures is aligned to an investor-focused financial materiality perspective throughout, as adopted by the CDSB Framework. This will ensure that disclosures are concise, of relevance to investors, and consistent and integrated with other information in the mainstream report. CDSB therefore recommends that all content elements included within this guidance, aside from greenhouse gas emissions, should be disclosed on the basis of a financial materiality assessment.

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Our comments are intended to be constructive and to support the TCFD Secretariat. It is important to note, also, that similar thoughts and positions are being promoted by CDSB in its contributions to the IFRS Foundation's Technical Readiness Working Group on sustainability reporting. Please find our responses to the survey in full below and do not hesitate to contact me at ravi.abeywardana@cdsb.net if we can be of further assistance.

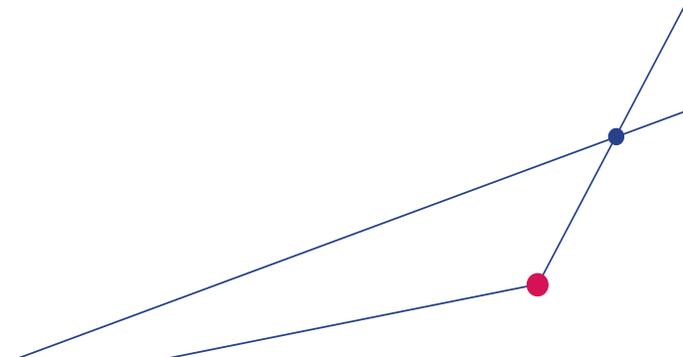
Best Regards,

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Consultation on Proposed Climate-related Metrics, Targets, and Transition Plan Guidance – CDSB Response submitted via online survey

INTRODUCTION AND RESPONDENT INFORMATION

Question 1: Where is your organization headquartered? Please specify country: United Kingdom

Question 2: Which one of the following *best* describes your organization? Please select ONE only.

- a. Financial services (e.g., bank, insurer, asset owner, asset manager, credit rating agency, index provider, stock exchange)
- b. Non-financial company (e.g., energy, transportation, materials, and buildings, agriculture, food, and forest products group)
- c. Data/Methodology provider
- d. Government/Public sector
- e. Industry/Trade association
- f. Standard setter or framework
- g. **Non-Governmental Organization (NGO)**
- h. Academia/Education/Research
- i. Other (please specify): _____

Question 5: Please select your primary industry from the list below Please select ONE only.

- a. Agriculture
- b. Automobiles and components
- c. Chemicals
- d. Coal and consumable fuels
- e. Conglomerate
- f. Construction materials
- g. Consumer discretionary
- h. Containers and packaging
- i. Food, beverage and tobacco
- j. Healthcare
- k. Industrials
- l. Metals and mining
- m. Oil and gas

- n. Paper and forest products
- o. Professional services
- p. Real estate / Construction
- q. Information technology
- r. Telecommunication services
- s. Transportation
- t. Utilities
- u. **Other (please specify): Reporting framework provider**

Question 6: What is your role / position? Please select ONE only.

- a. Academic/industry expert
- b. Administration
- c. Board member
- d. Compliance
- e. **Corporate reporting**
- f. Corporate strategy
- g. Executive member
- h. Finance
- i. General management
- j. Government/regulatory affairs
- k. Investment/asset management
- l. Legal
- m. Risk
- n. Sustainability
- o. Technology
- p. Underwriting/insurance
- q. Other (please specify): _____

Question 7: Which of the following most closely aligns with your role? Select all that apply.

- a. I am a preparer of climate-related financial disclosures either at a non-financial company or financial institution
- b. I am a user of climate-related financial disclosures (e.g., an investor, lender, or underwriter)
- c. **Neither of the above**

TCFD PROPOSED GUIDANCE ON CLIMATE-RELATED METRICS AND FINANCIAL IMPACTS

Question 24: As part of which activities is your organization using climate-related metrics and financial impacts for decision-making? Select all that apply.

- a. **Strategic planning and goal setting**
- b. **Risk identification and assessment**
- c. **Financial planning and budgeting (e.g., capex, opex)**
- d. **Operating and business unit plans**
- e. **Board and Senior Management understanding of issues**
- f. Other (please specify): _____

Question 25: Is there anything additional you would like to tell us about your response above?

As a reporting framework provider, CDSB does not directly use climate-related information for decision-making, however we work closely with corporate report preparers to provide guidance and capacity building to enhance their disclosures in line with the TCFD recommendations. In our experience, organisations are using climate-related metrics and financial impacts to inform and enhance their internal processes across all of the activities highlighted in question 24.

However, CDSB has identified a need to support preparers in integrating climate-related matters into their financial statement and ensure connectivity across corporate disclosures. Building on the IASB's position on how climate-related matters should be integrated into financial reporting based on current IFRS Standards, CDSB has developed guidance for accounting for climate, which was released in December 2020, and will be releasing further, more in-depth guidance this coming year.

Question 26: If all organizations disclosed the proposed climate-related metrics and financial impacts, how much would that improve the comparability of climate-related disclosures?

- a. **A lot**
- b. A little
- c. Not at all

Question 27: Is there anything additional you would like to tell us about your responses above?

CDSB strongly supports the proposed climate-related metrics and financial impacts included within the TCFD's proposed guidance. These are well-aligned to the climate-related financial information that companies are reporting under existing reporting frameworks and standards and will additionally facilitate the disclosure of financially-connected information, as detailed in question 25.

The distinction between climate-related metrics and financial impacts is valuable as this is a common source of confusion for companies currently, with inconsistent methodologies currently adopted, for example. Therefore, providing further guidance to support the disclosure of financially material information under these content categories could be expected to contribute significantly to improving comparability and consistency across company reports, by providing clarity for companies on how and what should be reported.

Question 28: Should the proposed cross-industry, climate-related metrics and climate-related financial impacts be subject to a materiality assessment?

	Should be disclosed based on materiality assessment	Should be disclosed irrespective of materiality	I'm not sure
Cross-industry, climate-related metrics			
Absolute Scope 1 and 2 GHG emissions		X	
Relevant, material categories of Absolute Scope 3 GHG emissions	X		
Shadow/internal carbon price(s)	X		
Proportion of assets and/or operating, investing, or financing activities materially exposed to physical risks , based on key categories of commonly accepted risks	X		
Proportion of assets and/or operating, investing, or financing activities materially exposed to transition risks , based on key categories of commonly accepted risks	X		
Proportion of assets and/or operating, investing, or financing activities aligned toward climate-related opportunities , based on key categories of commonly accepted opportunities	X		
Amount of senior management remuneration impacted by climate considerations	X		
Amount of expenditure or capital investment deployed toward climate risks and opportunities	X		
Climate-related financial impacts (e.g., those impacted by cross-industry, industry-specific, and company-specific metrics)			
Impact of any material climate-related risks or opportunities on financial performance (e.g., cost,	X		

profitability, operating cash flow, impairment)			
Impact of any material climate-related risks or opportunities on financial position (e.g., assets and liabilities)	X		

Question 29: Is there anything additional you would like to tell us about your responses above?

CDSB considers the application of a financial materiality perspective to be a critical aspect of decision-useful disclosure for investors, as per Principle 1 of the CDSB Framework. It supports the provision of concise disclosures which enable investors to readily understand the aspects that have the potential to materially impact upon the company's financial condition, operational results and ability to execute its strategy.

Aligned to this, we therefore believe that the climate-related metrics and climate-related financial impacts put forward by the TCFD should be disclosed on the basis of a materiality assessment. This is with the exception of absolute Scope 1 and 2 GHG emissions, which should be treated as material in all cases as a core contributor to climate change.

We would also highlight that this approach is being promoted by CDSB in its work as part of the IFRS Foundation's Technical Readiness Working Group for the proposed International Sustainability Standards Board.

Question 30: Which types of organizations should implement and disclose a shadow carbon price? Select all that apply.

- a. Banks
- b. Insurers
- c. Asset owners
- d. Asset managers
- e. Other financial-sector participants (e.g., rating agencies, financial data aggregators)
- f. Companies in the Energy Group (i.e., oil and gas, coal, electric utilities)
- g. Companies in the Transportation Group (i.e., air freight, passenger air, maritime transportation, rail transportation, trucking services, automobiles)
- h. Companies in the Materials and Buildings Group (i.e., metals and mining, chemicals, construction materials, capital goods, real estate and management)
- i. Companies in the Agriculture, Food, and Forest Products Group (i.e., beverages, agriculture, packaged foods and meats, paper and forest products)
- j. Companies in other non-financial sectors (e.g., retail and consumer goods, professional services,

information technology, telecommunications services)
 k. NONE of the above

l. ALL of the above

Question 31: Is there anything additional you would like to tell us about your response above?

Whilst CDSB does not take a prescriptive view on the adoption of a shadow carbon price by individual financial or non-financial groups, where carbon prices are used to support internal decision making these should be disclosed to investors. We therefore advocate that the guidance should ensure that shadow carbon prices are disclosed where they are used, as this can provide a valuable indication of the organisation’s management of strategic climate-related risks and opportunities.

Question 32: Are there any modifications or additional metrics you would recommend as cross-industry, climate-related metrics to improve comparability?

- a. **No suggested modifications or additional metrics**
- b. Yes

Question 52: How useful is it to your organization for preparers to disclose quantitative targets across cross-industry, climate-related metrics?

	Not at all useful	Not very useful	Somewhat useful	Very useful
Absolute Scope 1 and 2 GHG emissions				X
Relevant, material categories of Absolute Scope 3 GHG emissions				X
Shadow/internal carbon price(s)				
Proportion of assets and/or operating, investing, or financing activities materially exposed to physical risks , based on key categories of commonly accepted risks				X
Proportion of assets and/or operating, investing, or financing activities materially exposed to transition risks , based on key categories of commonly accepted risks				X
Proportion of assets and/or operating, investing, or financing activities aligned toward climate-related opportunities , based on key categories of commonly accepted opportunities				X
Amount of senior management remuneration impacted by climate considerations				X
Amount of expenditure or capital investment deployed toward climate risks and opportunities				X

Question 53: Please provide any additional comments you have on the TCFD proposed guidance on climate-related targets.

CDSB supports TCFD's proposed guidance on climate-related targets. In keeping with our comments for climate-related metrics and climate-related financial impacts, we consider the proposed categories to be well-aligned to the information that companies are reporting under existing reporting frameworks and standards, and will additionally facilitate the disclosure of financially-connected information.

It is also beneficial that the targets refer to the provision of information on material risk exposure; we encourage the TCFD to ensure that a consistent approach to materiality is adopted across the proposed guidance. In keeping with our comments earlier in the response, CDSB will be promoting an investor-focused materiality perspective in its work as part of the IFRS Foundation's Technical Readiness Working Group for the proposed International Sustainability Standards Board.

TCFD PROPOSED GUIDANCE ON CLIMATE-RELATED TRANSITION PLAN

Question 62: How useful are climate-related metrics for structuring and tracking progress of a transition plan?

	Not at all useful	Not very useful	Somewhat useful	Very useful	I'm not sure
Cross-Industry					
Absolute Scope 1 and 2 GHG emissions				X	
Relevant, material categories of Absolute Scope 3 GHG emissions				X	
Shadow/internal carbon price(s)				X	
Proportion of assets and/or operating, investing, or financing activities materially exposed to physical risks , based on key categories of commonly accepted risks				X	
Proportion of assets and/or operating, investing, or financing activities materially exposed to transition risks , based on key categories of commonly accepted risks				X	
Proportion of assets and/or operating, investing, or financing activities aligned toward climate-related opportunities , based on key categories of commonly accepted opportunities				X	
Amount of senior management remuneration impacted by climate considerations				X	
Amount of expenditure or capital investment deployed toward climate risks and opportunities				X	
Financial Sector					
Financed emissions and / or WACI				X	
Portfolio alignment metric				X	

Question 63: Is there anything additional you would like to tell us about your responses above?

In keeping with our previous comments, we consider the proposed metrics to be well-aligned to the provision of key information that investors wish to understand about organisations' climate-related transition plans.

Question 64: For what types of organizations should TCFD recommend disclosure of a transition plan (as defined in Strategy Recommended Disclosure c)? Select all that apply.

- a. If an organization operates in a **jurisdiction with an emissions reduction commitment**
- b. If an organization has **made an emissions reduction commitment**
- c. If an organization seeks to **meet emissions reduction expectations from financial market participants**
- d. None of the above
- e. **Other (please specify): those who have identified actual or potential material climate risks**

Question 65: Is there anything additional you would like to tell us about your response above?

It is important that a consistent approach to materiality is adopted throughout the proposed new guidance and the existing TCFD recommended disclosures. CDSB considers the application of a financial materiality perspective to be a critical aspect of decision-useful disclosure for investors. As noted, we believe that the proposed disclosure put forward in the guidance should be disclosed on the basis of an investor-focused materiality assessment. The proposed criteria put forward for transition plans appear to deviate from this perspective, and the approach proposed earlier in the guidance for climate-related metrics and climate-related financial impacts, by introducing new criteria for the determination of materiality.

CDSB recommends that the TCFD recommend disclosure of transition plans for those organisations who have identified actual or potential exposure to material climate-related risk, using a financial materiality perspective.

Question 66: How helpful would it be for organizations to have more guidance related to disclosure of climate adaptation aspects of their strategy?

- a. **Very helpful**
- b. Moderately helpful
- c. Not helpful
- d. I'm not sure

Question 67: Please provide any additional comments you have on the TCFD proposed guidance on climate-related transition plans.

CDSB supports the introduction of further guidance for the disclosure of transition plans by organisations who have identified actual or potential exposure to material climate-related financial risks. However, whilst transition plans will support the communication of strategies for the management of transitional climate risks, physical risks are also a crucial aspect for companies to consider. Therefore, we would strongly encourage the TCFD to consider introducing disclosure guidance on climate-related adaptation plans.

Adaptation is currently the 'poor relation' of mitigation when it comes to both action and disclosure by companies on climate change. However, under all climate scenarios, physical impacts from climate change are now inevitable. It is therefore vital that, as well as articulating their contribution to ambitions to limit global warming to 1.5°C, organisations are also implementing robust adaptation strategies. We would therefore urge the TCFD to bring forward its timelines for the consideration of adaptation-focused disclosure, to ensure a clear message is provided to companies that this is of equal importance to climate mitigation, in order to ensure long-term strategic resilience.