Ceres response to TCFD Public Consultation: Recommendations report

February 12, 2017

Please provide your information in the boxes below

- Jim Coburn
- Ceres
- Senior Manager, Capital Market Systems

Please select which country you live in

- United States of America

Which of the following best describes your area of responsibility in your organization? Please select ONE only.

- Academic/industry expert
- Administration
- Board member
- Compliance
- Corporate reporting
- Corporate strategy
- Finance
- General management
- Government/regulatory affairs
- Investment/asset management
- Legal
- Risk
- Sustainability
- Technology
- Other (please specify)

Which of the following best describes your organization type? Please select ONE only.

- Financial services sector, including asset owners
- Non-financial sector
- Non-Governmental Organization (NGO)
- Academia
- Industry/Trade association (Financial)
- Industry/Trade association (Non-financial)
1. Which of the following best describes your perspective on the TCFD recommendations?

*Please select ONE only.*

- User of climate-related financial disclosures
- Preparer of climate-related financial disclosures
- **Both a user and preparer**
- Other (please specify)

2. All Sector Recommendations and Guidance

The Task Force structured its recommendations around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management, and metrics and targets (see page 16 of the TCFD report). The Task Force believes it is important to understand the financial and strategic implications associated with climate-related risks and opportunities on organizations as well as the governance and risk management context in which organizations operate.

How useful are the Task Force’s recommendations and guidance for all sectors in preparing disclosures about the potential financial impacts of climate-related risks and opportunities?

*Please select ONE only.*

- Very useful
- **Quite useful**
- Neither/nor
- Not very useful
- Not useful at all
- Don’t know

Please provide more detail on your response in the box below.

Thank you for the opportunity to provide input into the TCFD recommendations. In addition to our response to the consultation, we support the recommendations provided to you by the Institutional Investors Group on Climate Change (IIGCC) and the Investor Group on Climate Change (IGCC).

The TCFD recommendations as a whole clearly reflect investors’ needs, as expressed in a variety of forums, for consistent, comprehensive climate-related disclosure in financial filings. The recommendations will be useful both to companies with extensive experience providing climate risk disclosures, and those with limited or no experience doing so.
For companies with extensive experience, the recommendations provide a framework, consistent with financial reporting rules in various jurisdictions, that any company can use when integrating climate information into financial filings. For companies with limited experience with climate disclosure, the TCFD’s reports provide clear explanations about how climate change can pose financial risks and opportunities in various sectors, and guidance on preparing useful disclosures. For all companies, it would be extremely helpful for the TCFD to consider providing examples of what complete disclosures in financial filings in particular jurisdiction might look like in different industries.1

The Task Force’s decision not to endorse specific reporting metrics may limit the recommendations’ usefulness to investors and stakeholders. This could lead to a continued or increased lack of consistency in the climate reporting metrics companies use in financial filings, hindering comparability. It could also discourage companies from providing robust disclosure, since some may wait until specific reporting metrics are required or recommended by financial regulators before they discuss climate issues extensively in financial filings.

Regarding climate-related risks, we support the TCFD’s efforts to note that “climate-related risks associated with water”, where relevant and applicable, in the form of both metrics and targets, should be considered by companies in all sectors.2 We also appreciate that water is included in some of the tables of illustrative examples of reporting metrics companies.

For example, Table 6 in the Implementing the Recommendations report discusses example metrics for “percent of fresh water withdrawn in regions with high or extremely high baseline water stress” in the following sectors: metals and mining, chemicals, construction materials, capital goods, and real estate development and management. As water-related climate risks are relevant in a number of other sectors (e.g., food and beverages, agriculture, apparel), we suggest you provide clear guidance to all companies that meaningful disclosure of a company’s vulnerability to climate-related water risks such as drought and flooding requires reporting on global metrics and targets for water withdrawals and consumption as well as data, like the metrics discussed above, that contextualize water use against water risk or stress.

We believe companies with exposure to climate-related water risk should be reporting data such as: “Percentage of total annual water consumption that takes place at facilities in areas of high or extremely high baseline water stress,” and targets such as “X% absolute water consumption reduction goal by 2020 for facilities in areas of high water stress.” Overall, company data points on overall water use that are neither broken down to the asset level/geography nor contextualized against exposure to risk or stress, provides investors with very limited insight into the company’s actual vulnerability to water shortages.
Regarding Table 1, on pages 11-12 of the Recommendations report, we offer two suggestions. Under Transition Risks: Markets, we recommend adding “Changing competitor behavior” and “Changing consumer behavior.” For example, OPEC and several major oil and gas companies have changed their market strategies in light of concerns about stranded assets.

In the same table, under Transition Risks: Policy and Legal, we recommend adding “Potential for the removal of fossil fuel subsidies,” given the G20 commitment to phase them out by 2020.

3. Supplemental Guidance

How useful is the Task Force’s supplemental guidance for certain sectors in preparing disclosures about the potential financial impacts of climate-related risks and opportunities? Please see the TCFD Annex for supplemental guidance.

Please select ONE only.

- Very useful
- Quite useful
- Neither/nor
- Not very useful
- Not useful at all
- Don’t know

Please provide more detail on your response in the box below.

We support the Task Force’s efforts to provide supplemental guidance by sector. TCFD members have carefully considered which sectors are potentially and presently most affected by climate risk because of carbon intensity of operations or products and the role of the financial sector in addressing risks.

We appreciate that Agriculture and Forestry is included as a focus area in your recommendations, and is one of the industries for which you offer supplemental reporting guidance, given its significant role in greenhouse gas emissions, mitigation and climate adaptation.

Regarding the insurance sector, Ceres has been eagerly anticipating the release of the TCFD’s Phase II Recommendations, particularly as applied to insurance companies, and we are quite pleased with and supportive of the results. The Recommendations offer important new standards and guidance for insurance companies to effectively and comprehensively assess and disclose their risks and opportunities related to climate change to stakeholders. We have also identified particular sections where additional clarity could enhance insurance company disclosure, as outlined below.
1. Clearly Identify the Unique Reporting Requirements for Insurance Companies

Within the supplemental guidance for the financial sector, insurers are treated uniquely, and appropriately, as both Insurance Companies and as Asset Owners. This unique treatment is specified on page 23 of the TCFD Recommendations report, with an additional reference on page 31 of the Annex document, as shown below.

The Task Force developed supplemental guidance for the financial sector with a specific focus on banks, insurance companies, asset managers, and asset owners (which include public- and private-sector pension plans, insurance companies, endowments, and foundations).

To make insurers’ unique dual reporting requirements as both underwriters of risks and asset owners more explicit within the guidance offered, we suggest that the TCFD add a sentence such as:

*Insurance companies, in order to meet the disclosure standards recommended in this report, should respond to the Supplemental Guidance for Insurance Companies as well as the Supplemental Guidance for Asset Owners. Also, some insurers own asset management businesses and should report in that capacity as well, if relevant.*

Essentially, we believe that a slightly clearer statement of expectations for insurance companies’ disclosure would help avoid any ambiguity among insurance sector respondents.

2. Provide Insurance Companies Additional Scenario Analysis Guidance

The recommendation that insurers disclose as both Insurance Companies and Asset Owners also applies to their use of scenario analysis. This point is highlighted in the Annex under Strategy Guidance C on pages 27 and 33 respectively, which states that insurers’ underwriting and investment management business units are each expected to disclose their use of scenario analysis and related decision-useful information. With respect to underwriting related scenario analysis, the guidance states on page 27 of the Annex:

*Insurance companies that perform climate-related scenario analysis on their underwriting activities should provide the following information:*

- **description of the climate-related scenarios used, including the critical input parameters, assumptions and considerations, and analytical choices. In addition to a 2°C scenario, insurance companies with substantial exposure to weather-related perils should consider using a greater than 2°C scenario to account for physical effects of climate change and**

- **time frames used for the climate-related scenarios, including short-, medium-, and long-term milestones.**
With respect to insurers’ investment management related scenario analysis, which falls under the *Asset Owners* classification, the guidance states on page 33 of the Annex:

*Asset owners that perform scenario analysis should provide the following:*

- a discussion of how climate-related scenarios are used, such as to inform investments in specific assets, and
- description of climate-related scenarios used and associated time frames.

Ceres suggests that the TCFD Recommendations be expanded to consider whether, and how, insurance companies can *integrate* these separate and “silod” scenario analyses to offer a unified, enterprise-wide view of potential risks and opportunities under various future climate scenarios. Such integration would aid companies in recognizing the potential combination of two or more related climate risks that could affect both sides of the balance sheet simultaneously and threaten financial stability. For example, a property and casualty (non-life) insurer that writes a significant portion of its book of business in oil and gas and also holds extensive oil and gas investments could find its underwriting and investment related income under significant pressure if oil and gas demand and prices declined precipitously, or if severe storms adversely impacted coastal oil and gas infrastructure.

Scenario analysis provides a potentially powerful tool for an insurer to assess its strategic outlook and challenge embedded assumptions about the future. Ceres believes it is appropriate for insurance companies’ underwriting and investment management business units to each engage in scenario analysis. Achieving a unified, enterprise-wide view of insurance risks and opportunities will require a further level of sophistication and management of significant complexity, due to the number of variables and associated assumptions about the future involved, as well as the potential compounding of risks.

The TCFD has an opportunity to acknowledge and provide guidance to the insurance sector regarding its unique challenge in uniting scenario analyses that integrate both sides of companies’ balance sheets, and Ceres believes that such instruction will aid the industry in strengthening its decision-useful disclosure.

4. Organizational Decision-Making

If organizations disclose the information consistent with the Task Force’s recommendations, how useful will that information be to your organization in making decisions (e.g., investment, lending, and insurance underwriting decisions)?

*Please select ONE only.*

- Very useful
- **Quite useful**
- Neither/nor
Members of Ceres’ Investor Network on Climate Risk (INCR) use climate risk information to support their corporate engagement and investment decisions. Investors have been hindered in their efforts to use climate risk information in investment decisions because of the lack of comparability, quality and consistent reporting of data.

If companies disclose information consistent with the TCFD recommendations, that will be very useful for corporate engagement efforts. The reporting may not be as useful as desired for affecting investment decisions, however, because the TCFD recommendations do not emphasize comparability of data, except in the case where the TCFD recommended a single set of reporting metrics: use of the GHG Protocol for calculating and disclosing Scope 1, 2 and, where applicable, 3 greenhouse gas emissions. Comparability of data may not improve as quickly as desired because corporations will choose among various existing reporting indicators when disclosing according to the TCFD recommendations.

We appreciate the Task Force’s emphasis on ongoing leadership and strong support from the G20 and the FSB to promote widespread adoption of the recommendations. We ask the Task Force to encourage the G20 and FSB to play a strong role in encouraging the use of comparable reporting indicators in different jurisdictions.

We also ask the TCFD to encourage the FSB to continue or re-form the Task Force, at minimum, for the purpose of monitoring implementation and producing annual reports on progress by corporations and investors in implementing the TCFD’s recommendations. We note that the issuance of annual reports on implementation has been a crucial element to the success of the FSB’s Enhanced Disclosure Task Force.

5. Additional Disclosures

What other climate-related financial disclosures would you find useful that are not currently included in the Task Force’s recommendations?

Please provide your response in the box provided.

• Disclosure of executive compensation incentives and metrics related to addressing climate risks and opportunities, as discussed in Attachment 1 and our response to the Remuneration question (“Which types of organizations should describe how performance and remuneration take climate-related issues into consideration?”)
• Clearer guidance regarding disclosure of investments in climate-related opportunities, including products, services and investments. We note that the TCFD’s disclosure recommendations for all industries, in the categories of governance, strategy and metrics and targets, discuss climate risks and opportunities, while the disclosure recommendations in the risk management category only discuss risks. We recommend that the risk management recommendations should discuss opportunities and make it clear that missed opportunities pose risks, as the TCFD report clearly illustrates in Table 1: Examples of Climate-Related Risks and Potential Financial Impacts.

6. Scenario Analysis

The Task Force recommends organizations describe how their strategies are likely to perform under various climate-related scenarios, including a 2°C scenario (see page 16 of the TCFD report). How useful is a description of potential performance across a range of scenarios to understanding climate-related impacts on an organization’s businesses, strategy, and financial planning?

Please select ONE only.

- Very useful
- Quite useful
- Neither/nor
- Not very useful
- Not useful at all
- Don’t know

Please provide more detail on your response in the box below.

The Task Force Made Significant Strides towards Advancing the Standardization and Implementation of 2 Degrees Scenario Analysis, a Key Tool for Creating Portfolio Resilience and Ensuring Efficient Capital Markets through the Energy Transition

The Task Force recommendations, if adopted, will lend the full weight and authority of the G20 and the Financial Stability Board to the importance of scenario analysis as a key tool to assess and respond to the risks and opportunities created by the energy transition that is already underway and a necessary component of climate-related financial disclosures. Ceres welcomes this clear and detailed rationale, endorsement, and plan for ensuring that all sectors integrate scenario analysis into their strategy and risk management processes and ensure that such analysis and resulting disclosures are subjected to the review and governance processes that accompany disclosures in financial statements.

While scenario analysis is a “well-established method for developing strategic plans that are more flexible or robust to a range of future states,” Ceres agrees, based upon our
interactions with reporting entities, that more standardization, guidance, and tools are necessary to support the deployment and implementation of meaningful scenario analysis, including 2 degrees scenario analysis. The TCFD requirement that all companies conduct and disclose 2 degree scenario analysis including key inputs, assumptions, and divergences from existing publicly available 2 degree scenarios satisfies the need for comparability while also meeting the objective of developing multiple, plausible 2 degrees scenarios. Ceres supports the key principles, recommendations and technical supplement that the Task Force has developed and appreciates the opportunity to provide additional context and support for the implementation of the scenario analysis recommendation.

Background

Ceres and the other member organizations of the Global Investor Coalition on Climate Change (“GIC”)—IIIGCC (Europe), IGCC (Australia & New Zealand) and AIGCC (Asia)—have been working with our investor members to advance decision-useful, timely, comparable disclosure of carbon asset risks for over a decade. In 2013, Ceres and the GIC coordinated 75 investors with over $13 trillion in assets under management to send letters to 45 of the world’s largest mining, utility, and oil and gas companies. Known as the Carbon Asset Risk Initiative, the letters requested that companies review their exposure to climate risk and plans for management of them. As one example, investors made the following request to ExxonMobil:

Therefore, we ask that ExxonMobil review both its exposure to these risks and its plans for managing them. To inform this review, in line with IEA’s recent report, Redrawing the Energy-Climate Map, we request that ExxonMobil conduct a risk assessment under at least two main scenarios: (1) a business-as-usual scenario such as that used in Exxon Mobil’s current reporting and (2) a low-carbon scenario consistent with reducing GHG emissions by 80% by 2050 to achieve the 2°C goal. We recommend that this assessment evaluate:

- Capital expenditure plans for finding and developing new reserves, including consideration of rates of return and payback periods and alternative uses of capital;

- The potential GHG emissions associated with the production of all unproduced reserves categorized by resource type, e.g. onshore conventional, tight oil, shale gas, oil sands, offshore, etc.;

- The risks to unproduced reserves, due to factors such as carbon pricing, pollution and efficiency standards, removal of subsidies and/or reduced demand;
• The risks to assets, particularly oil and gas infrastructure, posed by the physical impacts of climate change, including extreme weather, water stress, and sea level rise; and

• The impacts of the above-referenced risks associated with climate policies and the physical impacts of climate change on the Company’s current and projected workforce.

While we recognize that detailed disclosure of the results of such an assessment could be commercially sensitive, we ask for disclosure that demonstrates ExxonMobil’s commitment to managing the risks outlined in this letter. Finally, given the strategic nature of these issues, we would like to understand what role the Board has in overseeing this assessment.³

In addition, investors began filing shareholder resolutions calling upon companies to disclose risks consistent with the requests contained in the letters. Although ExxonMobil agreed to release a report discussing carbon asset risks in 2014, the company did not provide an analysis of the potential impacts of a 2 degrees scenario because it considered it “highly unlikely” that such a scenario could materialize.⁴ None of the companies responding to the Carbon Asset Risk Initiative letters were willing to acknowledge that any of their assets could be subject to stranding. Investors continued to engage with companies through the release of investor expectations for oil and gas companies as well as dialogues and shareholder resolutions.⁵

2015 marked a major turning point in the way that companies responded to investor requests for carbon asset risk disclosures as a coalition of IIGCC members known as “Aiming for A” led dialogues with European oil majors that resulted in board endorsement of shareholder resolutions by Royal Dutch Shell, BP, and Statoil, resulting in almost unanimous votes from investors in support of the resolutions.

In the beginning of that year, ConocoPhillips, which had been in dialogue with INCR members, released limited details related to their use of four carbon-constrained scenarios, including three that were consistent with achieving the 2 degree objective set forth in the Cancun Agreement; Statoil included a 2 degree scenario in its June “Energy Perspectives” report, and BHP Billiton issued the first detailed analysis of how multiple 2 degree scenarios could impact its portfolio in September 2015.⁶

Following the Paris Agreement, a transatlantic coalition of investors supported resolutions at major U.S. energy companies focused explicitly on 2 degrees scenario analysis as a means to achieve portfolio resilience. The broad shareholder support for the resolutions resulted in some of the highest votes in history at U.S. companies during the 2016 proxy season, including 49% support at Occidental Petroleum, 42% at AES, 41% at Chevron, 38% at ExxonMobil.
By the end of 2016, eleven companies had committed to prepare 2 degrees scenario reports, and Total had joined the group of companies that have issued 2 degrees analyses. As a result of the emerging consensus around the need for 2 degrees scenario analysis and the clear need for additional guidance, the IIGCC and Ceres released a report, Investor Expectations for the Utility Sector, in April 2016 and updated its Investor Expectations for the Oil and Gas Sector report with explicit guidance on the use of 2 degrees scenario analysis. In addition, Ceres partnered with international energy expert Amy Myers Jaffe to develop “A Framework for 2 Degrees Scenario Analysis: A Guide for Oil and Gas Companies and Investors for Navigating the Energy Transition” which was released in November 2016. Ceres recommends that the Task Force consider these resources in finalizing its recommendations.

Critical Features for Decision-Useful Scenario Analysis

The Task Force not only explained the basis for and benefits of using scenario analysis, but it also established the critical features necessary to ensure that scenario analysis is sufficiently rigorous and transparent to be included in decision-useful, mainstream financial disclosures. Ceres supports and endorses the Task Force recommendations regarding scenario analysis, and urges the Task Force to include and strengthen its guidance on scenario analysis.

As the Task Force noted, an overwhelming 96% of the respondents to the Phase I consultation viewed scenario analysis “as a key component of disclosure.” Only with accurate and timely disclosure can financial markets meet their function of pricing risk to support informed, efficient capital allocation. Better information will also improve the understanding and analysis of climate-related risks and opportunities that will ultimately facilitate business planning and strategies that promote a smooth rather than abrupt transition to a lower-carbon economy.

We believe the following features identified by the Task Force are critical to ensuring that scenario analysis serves the purposes envisioned by investors, Task Force members, industry, and governments. In cases where these features were not specifically applied by the Task Force to scenario analysis, we ask you to consider clarifying that these are particularly important to conducting proper scenario analyses:

1. Climate-related financial disclosures, including scenario analysis, should be included in public, mainstream financial filings. This ensures that the disclosures will receive sufficient review and attention from key financial officers as well as the appropriate board members and committees. It also facilitates equal access and will broaden opportunities for engagement and understanding by investors, analysts, lenders, ratings agencies and others. This also assures that information remains up-to-date and that companies have an opportunity to rapidly evolve their reporting to adopt best practices because most mainstream financial filings are required on an annual basis.
2. **All financial and non-financial organizations with public debt or equity should implement the Task Force recommendations.** One of the primary purposes of the Task Force was to develop disclosures that would facilitate a better understanding of the systemic implications of climate risks and opportunities and inform capital markets. This function can be satisfied only if there is widespread adoption of the recommendations that allows for review and analysis of the sector-specific and economy wide impacts.

3. The **disclosures should be subject to appropriate internal governance processes** similar to those used for existing public financial disclosures.

4. The disclosures related to scenario analysis **should include “the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.”** The disclosure should also describe the potential impact of different scenarios, including a 2°C scenario, on the organization’s businesses, strategy, and financial planning. Ceres supports the Task Force’s decision not to dictate the use of a particular 2°C scenario, but instead, to recommend that reporting entities provide disclosure of “[a]ny adjustments or differences of the 2°C scenario used from publicly available 2°C scenarios.” Allowing companies to develop their own scenarios will broaden and deepen the current level of understanding that particular policies, technologies, and market strategies may have upon achieving the 2°C objective, and so long as companies disclose how and why their chosen scenarios diverge from publicly available scenarios, they will add to the understanding and pricing of risks and opportunities from the energy transition within the financial community. Of course, this heightens the importance of including disclosures regarding development, key parameters, and assumptions along with the results of the scenario analysis in financial statements.

5. The disclosures **should include information on how the organization identifies, assesses and manages climate-related risks.** In order for investors and users of disclosures to understand the validity of a particular company’s scenario analysis, the Task Force recommends that organizations “consider disclosing key inputs and assumptions related to their scenario analysis to allow users to understand the process and its limitations.” The Task Force explicitly laid out elements that organizations with significant climate-related exposures should strive to disclose in Figure 7. Based upon decades of experience working with investors and companies, Ceres strongly supports the importance of companies including the 5 elements described in Figure 7 in publicly available financial statements. Without an ability to review and assess the underlying input and process for developing the analysis, it can be impossible to ascertain the validity of the results.

One additional set of information that Ceres recommends adding to this list, related to element 3, is the level of probability or uncertainty that the company ascribes to particular scenarios as well as how the company uses the results of the
scenarios in testing investment decisions or strategic plans. Under element 5, Ceres recommends that the Task Force consider including information about how the scenario analysis is being informed by the board and how often the board is being updated on the processes and results of the scenario analysis to inform strategic planning.

6. The Task Force contemplates a 5-year timeline for full implementation of its recommendations by all sectors. Given recent statements by leaders in the oil and gas industry and other analysts about the potential for peak demand arriving as soon as 2020, Ceres views the implementation of the Task Force’s recommendations within 5 years as a critical step towards ensuring that companies are adequately assessing and disclosing the risks and opportunities associated with the transition to a lower carbon economy. According to S&P Global Market Intelligence, the oil and gas exploration and production industry accounted for 87% of the top 10 defaulted entities’ total assets for the fourth quarter of 2016 with total assets of defaulted companies reaching $201.3 billion in that quarter alone. Although the oil price has begun to stabilize following the announcement of the OPEC agreement, impairments and de-bookings of reserves have continued, and IEA has indicated that volatility is likely to rise in the short- and medium-term. Therefore, we recommend that all G20 nations and the FSB work to implement the Task Force’s recommendations in line with the 5-year timeline outlined in the report.

Additional Resources for Informing Scenario Analysis

Ceres appreciates the additional Technical Supplement issued by the Task Force: The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities. Ceres recommends that all reporting entities and investors become familiar with this document as a resource that explains the importance and benefits of using scenario analysis as well as some of the key elements included in scenario analysis. Ceres believes that the Task Force’s technical supplement and the Investor Expectations documents complement and reinforce best practices for scenario analysis, especially within organizations that are more significantly affected by transition risk such as fossil fuel-based industries, energy-intensive manufacturers, and transportation activities.

The detailed presentation and analysis of the existing publicly available IEA transition risk scenarios and other transition risks scenarios are particularly useful not only for the information they provide, but to serve as a model for some of the key inputs, assumptions and methodologies that companies would need to compare with their own scenarios in order to present a clear picture to investors.

Ceres also recommends that the Task Force reference the 2 Degree Framework developed for Ceres by Amy Myers Jaffe as an additional tool for companies to use to guide scenario analysis. Not only does the document include key components for any 2°C
scenario, but it also includes a detailed description of the process for developing scenarios, a case study of ConocoPhillips’ approach to 2°C scenario analysis, a review of best practices from recent 2°C reports, and an appendix that includes the relevant portions of climate-related disclosures from existing financial filings with the United States Securities and Exchange Commission by several oil majors.  

To date, none of the existing public reports by companies have met all of the criteria recommended by the Task Force or GIC members, but they are rapidly evolving and can be used to guide the development of meaningful disclosures.

7. Scenario Analysis

The Task Force recognizes that there are challenges around disclosing sufficient information to allow a better understanding of the robustness of an organization’s strategy and financial plans under different plausible climate-related scenarios. Some challenges may arise from unfamiliarity with scenario methodologies and metrics, insufficient practice standards, or cost. What do you view as effective measures to address potential challenges around conducting scenario analysis and disclosing the recommended information?

Please rank up to three most effective factors that apply. Please rank by dragging from left to right where "1" is your top factor.

- Allow a year or two to phase-in scenario analysis and related disclosures
- Reduce the cost of conducting and disclosing scenario analysis
- Other (please specify below)

- Additional methodologies and tools should be developed for use by organizations to enable more effective scenario analysis
- Establish better practice standards around conducting and disclosing scenario analyses so that there are clearer rules of the road
- Further work by industry trade groups and disclosure users on critical elements to be disclosed is needed to help overcome concerns that some information may be commercially sensitive
Other (please specify)

- We do not anticipate any difficulties
- Not applicable

Please provide more detail on your first choice in the box below.

Please see our response to the previous question; in particular, the section entitled Additional Resources for Informing Scenario Analysis.

8. Metrics and Targets

The Task Force is recommending that organizations disclose the metrics they use to assess climate-related risks and opportunities in line with their strategy and risk management process. For certain sectors, the report provides some illustrative examples of metrics to help organizations consider the types of metrics they might want to consider. How useful are the illustrative examples of metrics and targets?

For illustrative examples see the following pages in the TCFD Annex
- Energy Group: pages 54-58
- Transportation Group: pages 66-70
- Materials and Buildings Group: pages 78-82
- Agriculture, Food, and Forest Products Group: pages 91-94

Please select ONE only.

- Very useful
- Quite useful
- Neither/nor
- Not very useful
- Not useful at all
- Don’t know

Please provide more detail on your response in the box below.

We support the TCFD’s decision to provide tables with illustrative examples of metrics. The tables will be very useful both to companies that are experienced and inexperienced with climate risk reporting. The “alignment” and “rationale for inclusion” columns are particularly helpful.

The TCFD’s Implementing the Recommendations report states, in several places, “Organizations should define metrics and targets that are tailored to their particular climate-related risks and opportunities and that address the key financial disclosure areas in the Task Force’s supplemental guidance.” The Task Force should consider clarifying that comparability will be hindered if organizations define metrics and targets individually, and they should instead strive to use existing metrics and targets wherever
possible. To provide this clarity, the Task Force should consider stating that organizations should “select” (instead of “define”) metrics and targets that are tailored to their particular climate risks and opportunities. The Task Force could also provide additional examples and discussion of existing reporting indicators that are most aligned with the TCFD’s recommendations.

In a number of cases, the TCFD’s illustrative examples tables include a metric without indicating any alignment with existing reporting metrics. For example, the table on page 55 discusses two metrics, “describe current carbon price or range of prices used” and “assets committed in regions with high or extremely high baseline water stress,” but does not indicate that they are aligned with some existing reporting indicators. These tables would be more useful for corporations and investors, and more likely to result in quicker uptake of the TCFD’s recommendations, if they provided information about how these metrics and others are aligned with existing reporting indicators.

For the Agriculture and Forestry sector, we suggest adding additional indicators to your illustrative examples to encourage better reporting on land use change from deforestation. We support reporting on Scope 3 emissions from land use change (Scope 1 for producers), as is recommended in the TCFD Annex report. However, emissions tracking methodologies for agriculture are complex and still evolving. Other concrete metrics that are immediately available to companies can give investors an indication of a producer company’s level of risk and management approach as it relates to climate change. These include:

- The volume of deforestation-linked commodities sourced/produced, and the percentage that comes from areas of high-risk for deforestation. These commodities include soy, beef, palm oil, and timber products.

- For producers, the size of the company’s landbank, disaggregated by:
  - Developed vs. undeveloped
  - Assessed for High Carbon Stocks (HCS) or peatlands
  - Confirmed as HCS or peatland.

9. Remuneration

Which types of organizations should describe how performance and remuneration take climate-related issues into consideration?

Please select ALL that apply.

- The Energy Group as recommended by the Task Force
- Other non-financial sector organizations (please specify)

Please see Attachment 1.
10. Adoption and Implementation

What do you view as the potential difficulties to implementing the disclosures?

*Please select ALL that apply.*

- The information requested could be commercially sensitive
- The time and cost of collecting the information
- Climate-related disclosure is not part of our current regulatory requirements
- Lack of experience with concepts and methodology
- Multiple climate-related reporting frameworks currently exist
- Other (please specify)
- We do not anticipate any difficulties related to implementing the disclosures

11. What drivers, if any, do you think would encourage you to adopt the recommendations?

*Please select ALL that apply.*

- Requests from investors to disclose
- Requests from clients or beneficiaries
- Reputational benefits and goodwill from adoption
- Inquiries or requests from debt or equity analysts
- Adoption by industry peers
- Other (please specify)

Uptake of the TCFD recommendations by G20 governments, other governments and financial regulators, and specifically adoption of guidance or requirements for reporting in accordance with the recommendations.

- None of the above

12. What support or actions would be helpful to you in implementing the disclosures within the next two years?

*Please provide your response in the box provided.*

The following support would be helpful to companies in implementing the disclosures:

- In the near term, before companies have used the TCFD’s recommendations in their reporting, the Task Force could provide examples of what complete
disclosures by companies in several key industries might look like in financial filings in particular jurisdictions.24

- After companies have used the TCFD recommendations, the Task Force could release case studies demonstrating how companies have used the recommendations in both voluntary disclosure and financial filings, and highlighting reporting leaders and best practices.

- Endorsement and adoption of the recommendations by G20 and other governments, and incorporation into financial regulators’ guidance or rules for financial reporting.

13. The Task Force’s recommendations are focused on disclosure in financial filings; within what timeframe would your organization be willing to implement the recommendations in financial filings?

Please select ONE only.

- We already report these disclosures in financial filings
- **In the next one to two years**
- In three to five years
- We do not intend to implement the recommendations
- Don’t know (please explain)

14. Additional Feedback

What additional feedback you would like to provide the Task Force on the recommendations?

*Please provide your response in the box provided.*

**ATTACHMENT 1**

We think organizations in all sectors should describe how performance and remuneration take climate-related issues into consideration. This is because substantial evidence indicates that climate-related issues are relevant to organizations in virtually all sectors. For example, research from the Sustainability Accounting Standards Board (SASB) found that climate change affects 72 out of the 79 industries it examined (93 percent of the capital markets, or $27.5 trillion U.S. dollars), but manifests differently from one industry to the next. Ceres, IIGCC and IGCC recognized the relevance of performance and remuneration in our 2012 report, “Institutional investors’ expectations of corporate climate risk management”25 which notes:

Where climate change is not a top rank strategic issue, it often remains important for corporate responsibility and business efficiency reasons.
Here the challenge is to ensure the managers give climate change and carbon management sufficient priority. There is evidence that many companies have profitable opportunities to improve energy efficiency but do not pursue them because of lack of management focus or other internal obstacles. In these cases, the role of the board is to ensure that the organisation has a governance structure that ensures action on climate change receives sufficient priority.

The report continued: “In order to reduce their carbon emissions, many companies with emissions intensive activities have made a public commitment to reduce their absolute carbon emissions or carbon emissions intensity over time. . . . In order to achieve their targets, many companies create subsidiary goals which are allocated to individual business units. To be effective, targets should be integrated into the company’s performance management system, and affect the performance pay of relevant staff.”

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1 See, for example, the 2009 PwC report, “Typico plc: Greenhouse Gas Emissions Report”, which was developed as an illustrative example for business on climate change and greenhouse gas emissions reporting, to help companies interpret reporting guidelines such as those from the Climate Disclosure Standards Board. http://www.pwc.com/gx/en/services/audit-assurance/corporate-reporting/sustainability-reporting/carbon-reporting-the-future-for-climate-change-and-greenhouse-gas-emissions-reporting.html
2 See page 21, TCFD Recommendations report.
3 Letter from Investors to Rex Tillerson, CEO of Exxon at 3 (September 9, 2013).
10 Task Force Recommendations, Table A2.1 at 48.
11 Recommendations at iii, 14.
12 Id. at 14.
13 Id.
14 Id. at 3.
15 Id.
16 Id. at 16.
17 Id.
18 Id. Figure 7 at 31.
19 Id.
21 Supra n. 7 & 8.
22 Supra n. 9.
23 Supra n. 9, Appendix.
24 See, for example, the 2009 PwC report, “Typico plc: Greenhouse Gas Emissions Report”.