

CLG response to the public consultation on the recommendations of the Task Force on Climate-related Financial Disclosures February 2017

To note - Communications from the CLG benefit from the input of the entire group but do not necessarily require the formal agreement of all member companies.

Q - 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?

[The Prince of Wales's Corporate Leaders Group \(CLG\)](#) is a select group of European business leaders working together under the patronage of His Royal Highness The Prince of Wales to advocate solutions on climate change to policymakers and business peers within the EU and globally. The 24 CLG members are: 3M, Acciona, Anglian Water, BT, Coca-Cola European Partners, Doosan Babcock, DSM, EDF, Ferrovial, GSK, Heathrow, Iberdrola, Interface, Interserve, Jaguar Land Rover, Lloyds Banking Group, Philips Lighting, Skanska, Sky, Stora Enso, Tesco, Thames Water, Unilever, and United Technologies.

The CLG is a cross-sectoral group representing service providers, retailers and consumer goods companies, infrastructure operators, energy generators, energy producers, energy intensive industries, advanced manufacturing, and technology suppliers. [The University of Cambridge Institute for Sustainability Leadership \(CISL\)](#) provides the secretariat to the CLG.

The work of the TCFD is welcomed by the Corporate Leaders Group. The recommendations would enable the markets (companies, investors, insurers and lenders) to better evaluate and price in climate-related risks and opportunities.

CLG members are committed to playing a leading role and providing thought leadership to secure a just transition to a zero carbon economy. Members are working towards business models that are compatible with the Paris Agreement to limit global temperature rise to well below 2 degrees Celsius.

The proposals would give investors valuable information on which to evaluate future financial performance. The CLG believes that including non-financial considerations in mainstream reporting will send a meaningful signal to companies and will be valuable in helping climate change and sustainability risks reach investors, regulators and governments.

The CLG believes that improved transparency will lead to better evaluation of climate-related risks and opportunities and help to align prices and investments with low carbon outcomes. Part of the challenge for the TCFD is to ensure that there is long term commitment and support to companies so that they can develop the skills to accurately report, particularly in relation to the scenario modelling. At all times the forward process must acknowledge that climate change sits amongst a raft of other organisational risks and thus reporting requirements must be proportionate, considered and well communicated to build trust, understanding and compliance.

Q - If organisations disclose the recommended information (or 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)?

Climate change is already affecting organisations (rising temperatures and climate impacts, as well as policies that governments around the world are adopting in response). Full and transparent company reporting is important to equip investors with the information they need to ensure capital allocation and valuation decisions accurately reflect risks and opportunities.

The TCFD recommendations will help to encourage progress towards an improved interpretation of a company's exposure to risk and alignment to opportunity on climate change. Developing consistency and understanding on this issue will support the transition to a low carbon economy and encourage innovation. This improved flow of information will give decision makers further essential criteria with which to better evaluate actions on future investment.

Q - 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?

The CLG supports planning across a range of climate-related scenarios, including 2°C and 1.5°C consistent scenarios. The science of climate change reflects the range of risks that could result as a consequence of un-checked temperature increases. Disclosure should reflect this range of potential outcomes in order to provide users with information that will aid more informed decision making.

The TCFD must be conscious of the skills required to develop and analyse a range of scenarios. Many organisations will not have this capacity and will face a significant cost either in developing or purchasing the necessary expertise. Organisations could find this requirement challenging which could potentially lead to poor quality reporting. The TCFD must seek to minimise the additional skills and resources required by companies to avoid significant additional costs.

Options that will help business and industry build capacity in this area while minimising extra costs must be considered, e.g. Additional methodologies and tools could be developed for use by organizations to help with scenario analysis.

Q - 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?

The CLG welcomes moves to further consistency in reporting, cognisant of the number of existing reporting standards and frameworks. Illustrative examples of metrics and targets will help improve reporting and feed into the development of consistency across standards.

It is always helpful to see illustrative examples of what different sectors are doing and what "good" looks like. Additional guidance can assist in building in standardisation and increasing the quality and comparability of disclosure.

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

Given the breadth of reporting frameworks, the variability in and lack of participation, we urge the board/G20 to use their weight to encourage participation. There is a necessity to work with existing reporting frameworks to encourage alignment and standardisation around these principles and work towards a straightforward and relatively un-burdensome mandatory approach. The TCFD must be focused on minimising the costs to companies and seek to demonstrate clear support over the long term. We reiterate the CLG support for the work and the recommendations and look forward to the report after the consultation process and its presentation to the G20. The CLG hopes that the G20 commits to taking this work forward and that climate disclosure continues to enjoy such high profile support. We feel it is important to build out the work: the CLG sees this process as evolutionary. That the recommendations will develop over time and that the recommendations might become more demanding over time (and move to a more formal footing).

The CLG is keen to build on the narrative around risk AND opportunity as we move to a low carbon, resilient economy.