



Getting started with climate reporting

20 July

This webinar will commence shortly

Introduction



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Today's presenters



Laura Tibbetts
Associate Director
Grant Thornton



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Associate Director
RSM

Ask a question and access resources

Download resources

Link to slides in event reminder email

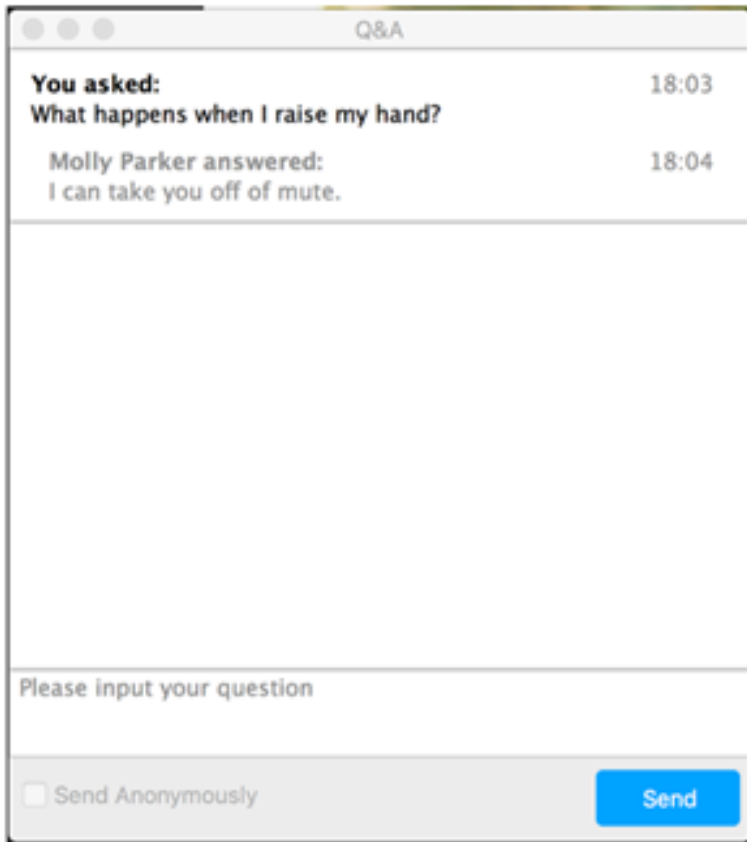
Access related resources, including the presentation slides at icaew.com/crfwebinars

To ask a question

Click on the **Q&A** button in the bottom toolbar to open the question box.

Type in your question and press **send**.

Note: If you wish to ask your question anonymously check the **send anonymously** box shown on the illustration on the left.



The screenshot shows a Q&A interface window titled "Q&A". It displays a question and answer history:

- You asked:** 18:03
What happens when I raise my hand?
- Molly Parker answered:** 18:04
I can take you off of mute.

Below the history is a large empty text area for input. At the bottom, there is a text prompt "Please input your question", a checkbox labeled "Send Anonymously", and a blue "Send" button. An arrow points from the text "Click on the Q&A button in the bottom toolbar to open the question box." to the "Send" button.

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An overview of the climate reporting landscape

Who do the regulations apply to?

Introduction to climate-related risks and opportunities

What are the regulations?

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Poll question

- How much experience do you have in climate reporting, either in your business or with your clients?
 - A. I have significant experience
 - B. I have a reasonable level of experience
 - C. I have limited experience
 - D. I have very little experience
 - E. I have no experience

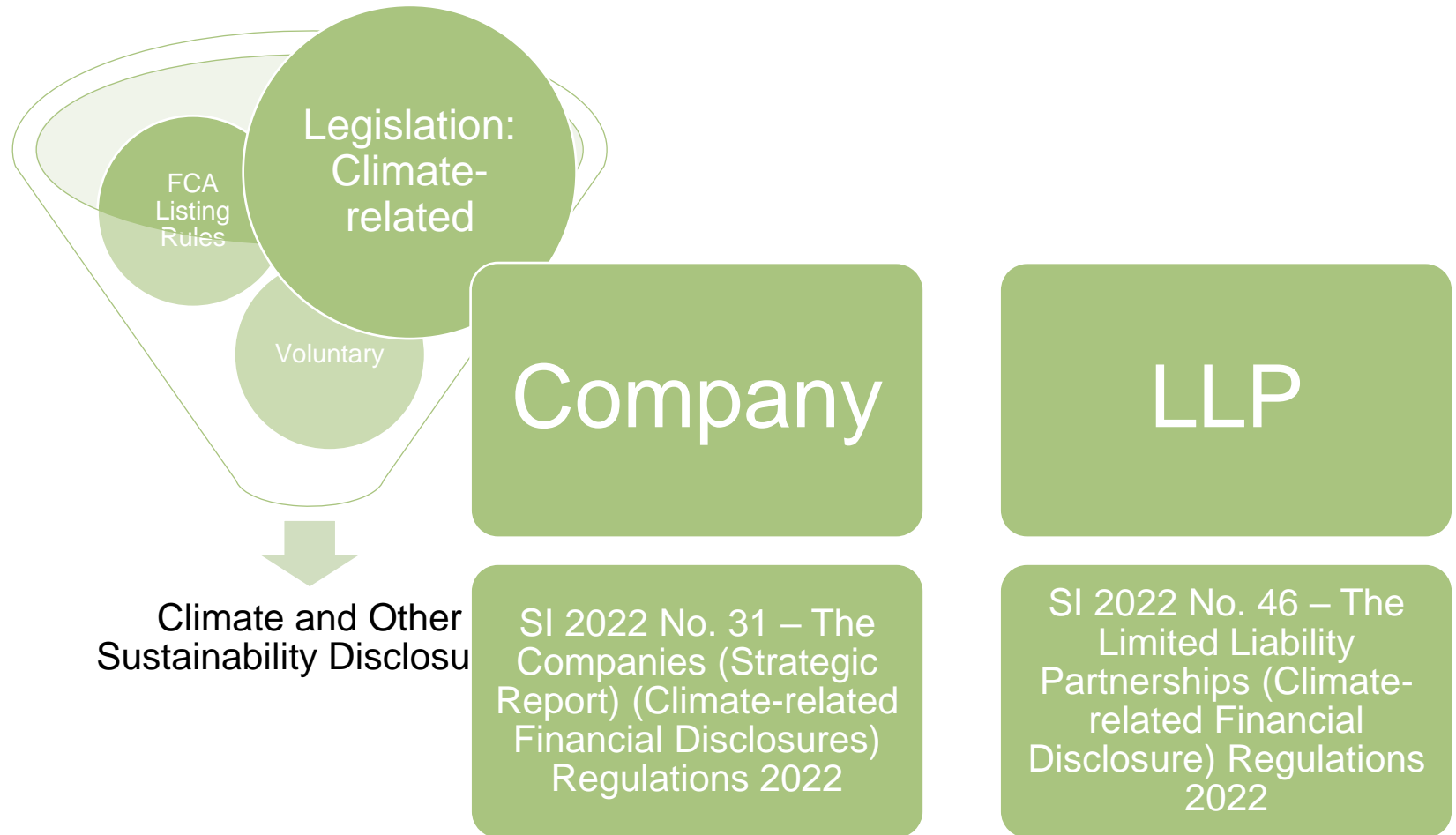


An overview of the climate reporting landscape

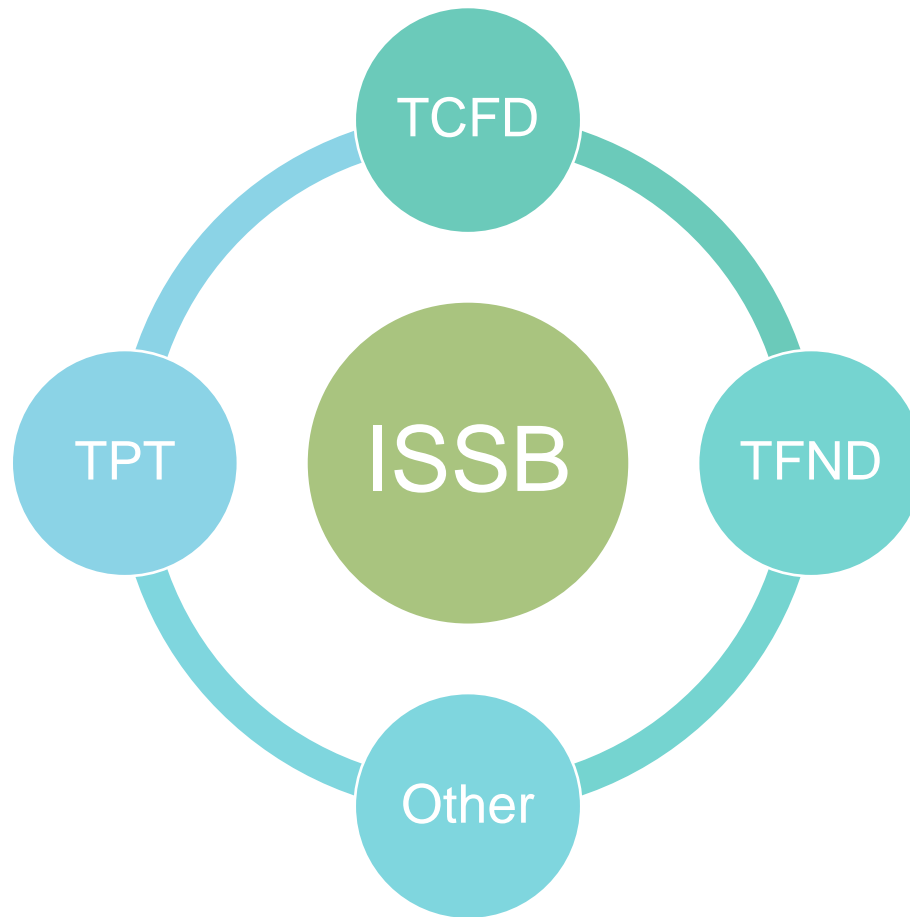
Overview – Introduction



Overview – Current Landscape



Overview – Acronym Landscape



Overview – Voluntary Application?

Regulations – 414CA / 414CB

| | Original | Revised – Additional Requirements |
|-----------------------------|--|--|
| Years starting on or after: | 1 January 2017 | 6 April 2022 |
| Applies to | Traded [excluding AIM], banking or insurance companies with more than 500 employees. | <ul style="list-style-type: none"> • Traded [excluding AIM], banking or insurance companies with more than 500 employees; • AIM listed entities with more than 500 employees; and • Companies or LLPs with turnover of more than £500m and more than 500 employees. |
| Main requirements | Disclose to the extent necessary for an understanding of the company's development, performance, position and impact of its activity, matters relating to: <ul style="list-style-type: none"> • environment (including the impact of the company's business on the environment); • employees; • social; • respect for human rights; and • anti-corruption and anti-bribery. | The non-financial and sustainability information statement must contain climate-related financial disclosures. |

Regulatory Requirements – Why?

The regulations form part of wider efforts to make climate-related financial disclosures mandatory across the UK economy.

The regulations require these disclosures to promote the management of climate-related financial risk and opportunities (CRROs) across the UK economy and financial system.

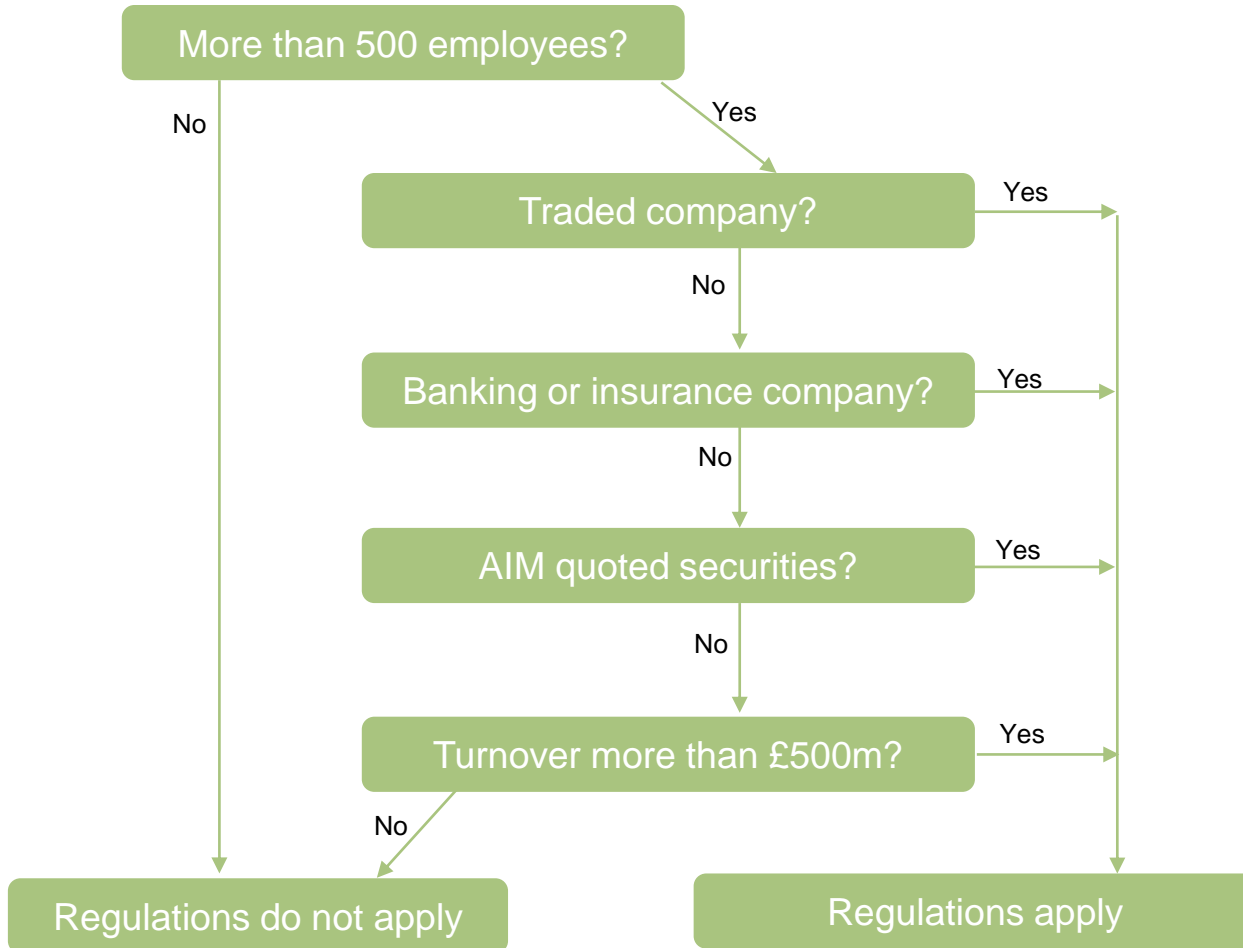
The regulations require entities with a material economic or environmental impact or exposure to assess, disclose and ultimately take actions against climate-related risks and opportunities.

The UK wants to maintain their world leading position in this space, ensuring a competitive advantage.

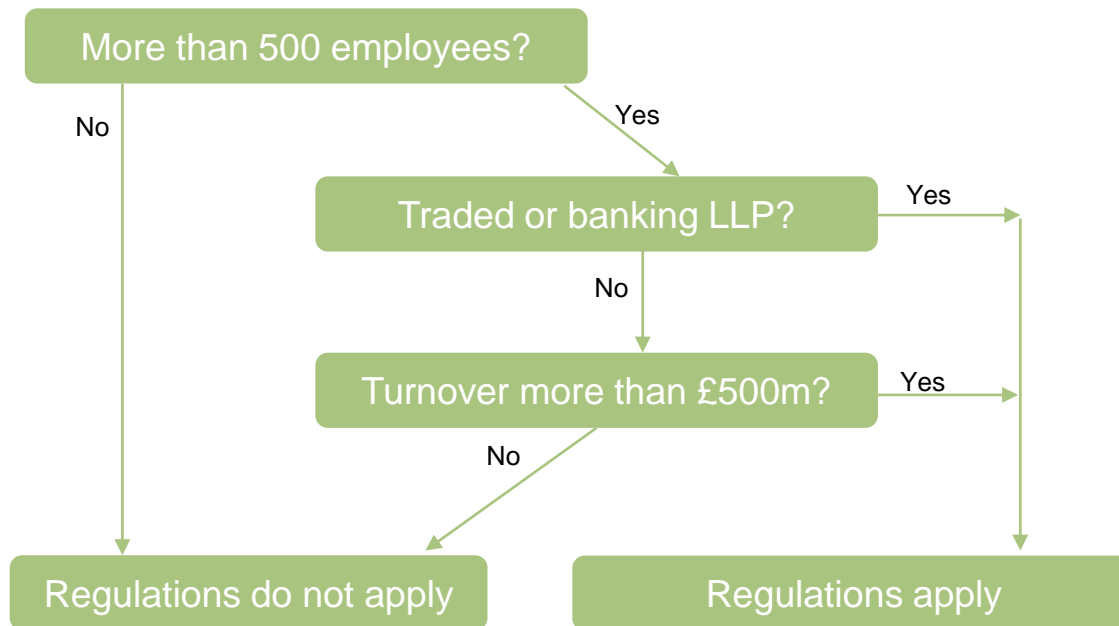


***Who do the regulations
apply to?***

UK companies – scope criteria



LLPs – scope criteria

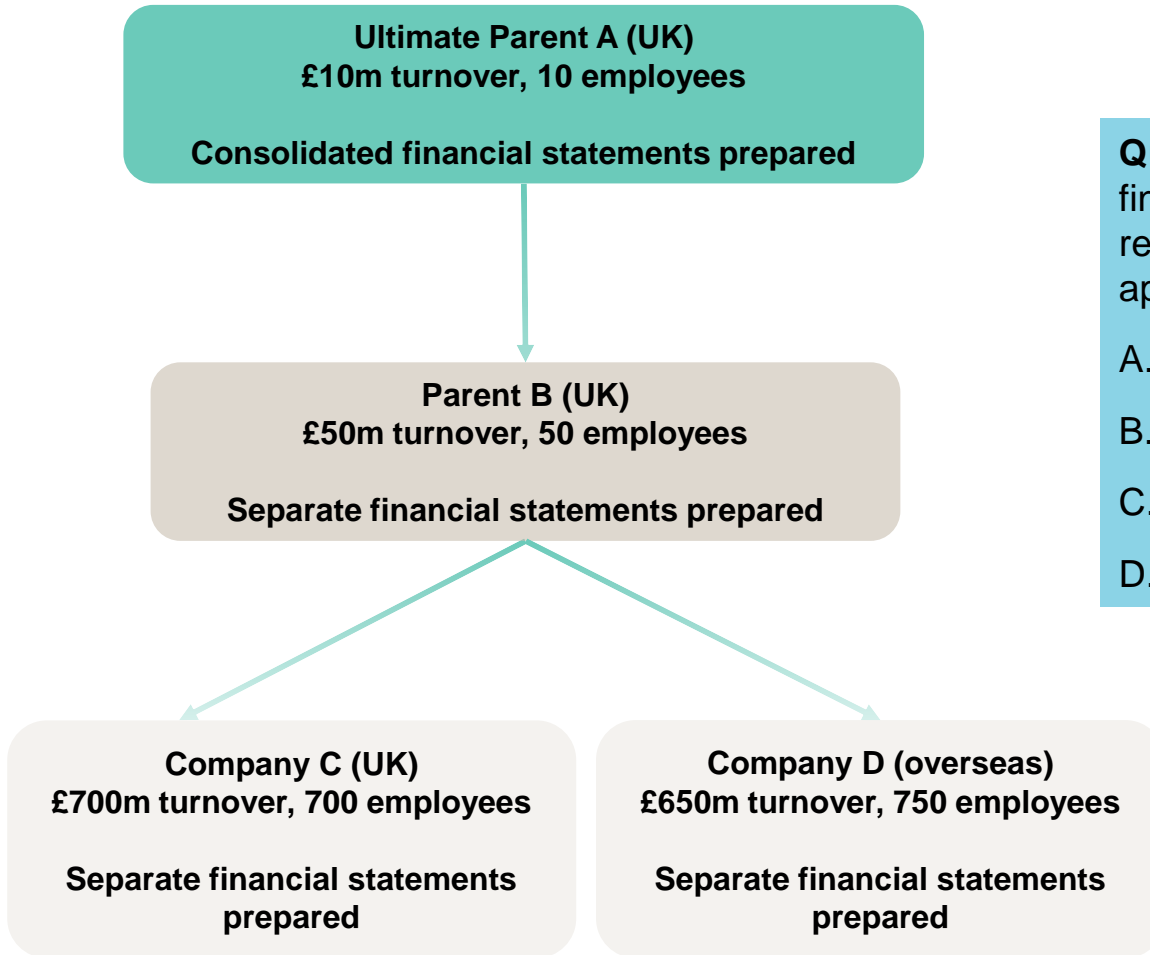


Group scoping considerations



- For parents who do not prepare UK group accounts, the scope criteria should be applied to the **aggregated turnover and employee figures** of the group headed by that parent
- **Subsidiaries** who are included within **UK group accounts** that comply with the climate-related regulations are **not** required to report separately
- Exemptions are **not** available to subsidiaries with **overseas parents**, even if the overseas parent produces group TCFD disclosures
- For UK parents that do not consolidate:
 - Disclosures should relate to the parent company only (including how climate-related risks and opportunities may affect the value of investments in subsidiaries)
 - For any in-scope subsidiaries, where exemption is not available, disclosures should be made in its individual accounts

Illustrative example



Question: How many climate-related financial disclosures would the group be required to prepare after applying applicable exemptions?

- A. 1
- B. 2
- C. 3
- D. 4

Illustrative example - debrief

Ultimate Parent A (UK)
£10m turnover, 10 employees

UK group accounts prepared

Parent B (UK)
£50m turnover, 50 employees

Separate financial statements prepared

Company C (UK)
£700m turnover, 700 employees

Separate financial statements prepared

Company D (overseas)
£650m turnover, 750 employees

Separate financial statements prepared

Question: How many climate-related financial disclosures would the group be required to prepare after applying applicable exemptions?

A. 1

B. 2

C. 3

D. 4



Introduction to climate-related risks and opportunities

Two categories of climate-related risks

Physical risk

Risks related to the physical impacts of climate change



Types of physical risk

- Acute (event driven)
- Chronic (longer term shift in climate pattern)

Transition risk

Risks related to the transition to a lower-carbon economy



Types of transition risk

- Policy and legal
- Technological
- Market
- Reputation

Potential financial impact of physical climate risks

| Physical risks | Examples | Potential financial impacts |
|---|---|--|
| Acute (arises from extreme events) | <ul style="list-style-type: none">• Hurricanes, storms• Damage to property or reduced productivity• Indirectly lead to subsequent events, including increased uncertainty and frequency of extreme weather events | <ul style="list-style-type: none">• Increased maintenance and operating costs• Indirect costs arising from supply chain disruption• Loss of revenue from business disruption |
| Chronic (arises from progressive shifts) | <ul style="list-style-type: none">• Droughts• Same as above, across the long-term• Changes in global temperature annually | <ul style="list-style-type: none">• Same as above, across the long-term• Increased operating costs for offices |

Potential financial impact of transitional climate risks

Resulting from the adjustment towards an environmentally sustainable economy

| Transitional risks | Examples | Potential financial impacts |
|---------------------------|---|--|
| Political and legal | <ul style="list-style-type: none">• Increased charges for greenhouse gas emissions, etc | <ul style="list-style-type: none">• Increased operating costs (High compliance costs, increased insurance premiums), etc |
| Technological | <ul style="list-style-type: none">• Replacing products and services with more environmentally friendly options, etc | <ul style="list-style-type: none">• Write-off and premature disposal of assets, etc |
| Market | <ul style="list-style-type: none">• Changing consumer behaviour, etc | <ul style="list-style-type: none">• Decreased demand for goods and services due to changes in consumer preferences, etc |
| Reputation | <ul style="list-style-type: none">• Stakeholders increasingly demanding climate action and reputation is tied to community perceptions of climate efforts | <ul style="list-style-type: none">• Decreased demand if not taking action• Increased demand from competitive advantage of being a market leader |

Potential financial impact of climate opportunities

| Type | Examples | Potential financial impacts |
|---------------------|---|--|
| Resource efficiency | <ul style="list-style-type: none">• The use of more efficient means of transportation, etc | <ul style="list-style-type: none">• Reduced operating costs (eg, due to increased efficiency and lower costs), etc |
| Energy sources | <ul style="list-style-type: none">• The use of greener energy sources, etc | <ul style="list-style-type: none">• Reduced operating costs (eg, reduced pollution abatement costs), etc |
| Products & services | <ul style="list-style-type: none">• Development and distribution of goods and services that reduce emissions, etc | <ul style="list-style-type: none">• Increased revenue due to demand for products and services that reduce emissions, etc |
| Markets | <ul style="list-style-type: none">• Access to emerging markets leading to diversification of activities | <ul style="list-style-type: none">• Increased revenues due to new services and product lines |



What are the regulations?

Regulatory Requirements – What?

The regulations provide for 8 disclosure requirements across **Governance**, **Strategy**, **Risk Management**, and **Metrics and Targets**.

1

Company's governance arrangements regarding assessing and managing CRROs.

2

Principal CRROs arising from operations, and the time periods by reference to which they are assessed.

3

Actual and potential impacts of the principal CRROs on the business model and strategy.

4

Analysis of the resilience of the business model and strategy, taking into consideration different climate-related scenarios.

Regulatory Requirements – What?

The regulations provide for 8 disclosure requirements across **Governance**, **Strategy**, **Risk Management**, and **Metrics and Targets**.

5

How the company identifies, assesses, and manages CRRs.

6

How processes for identifying, assessing, and managing CRRs are integrated into the overall risk management process.

7

Targets used to manage CRRs and to realise CROs and a description of performance against those targets.

8

KPIs used to assess progress against these targets the calculations on which the KPIs are based.

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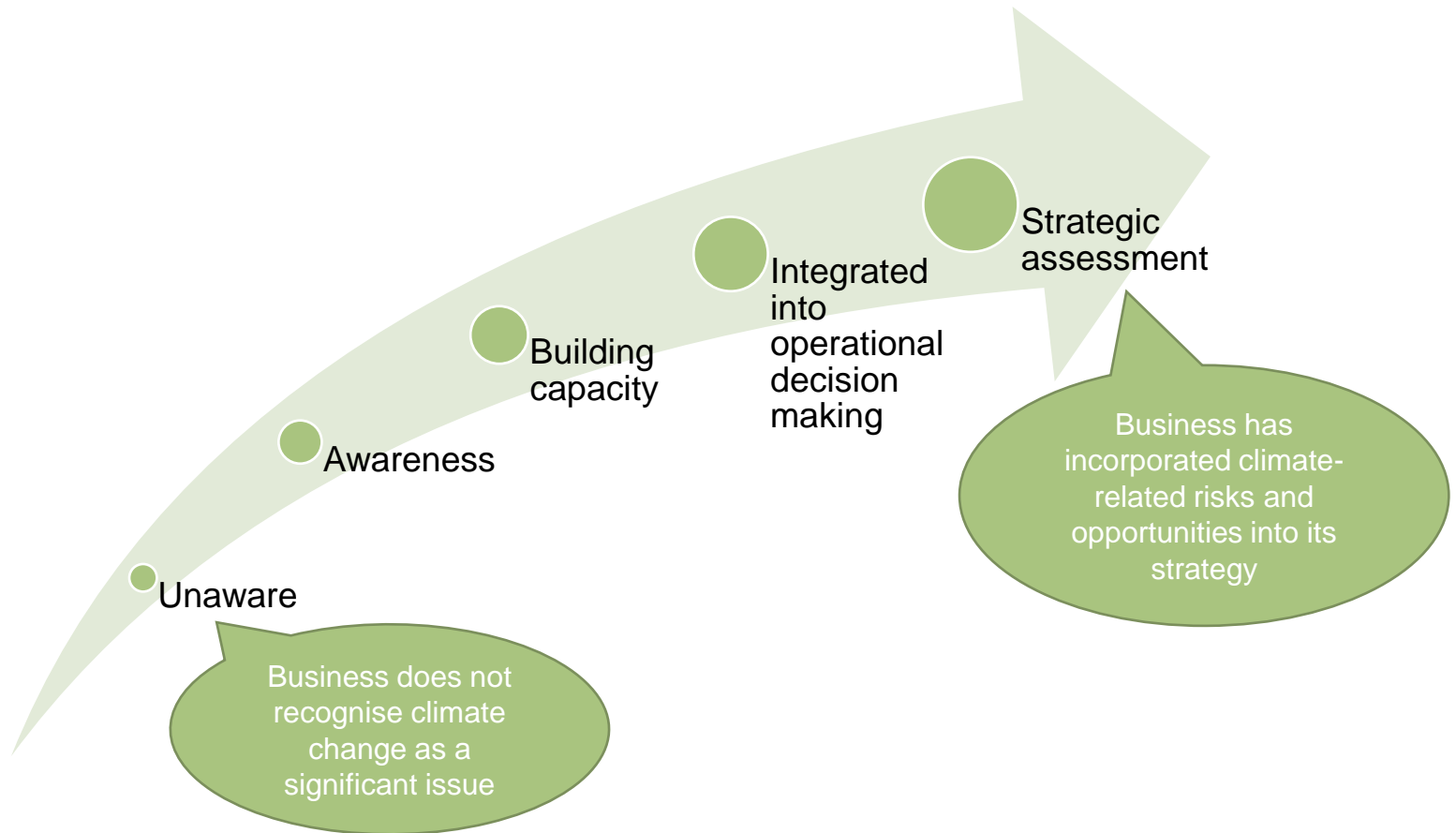
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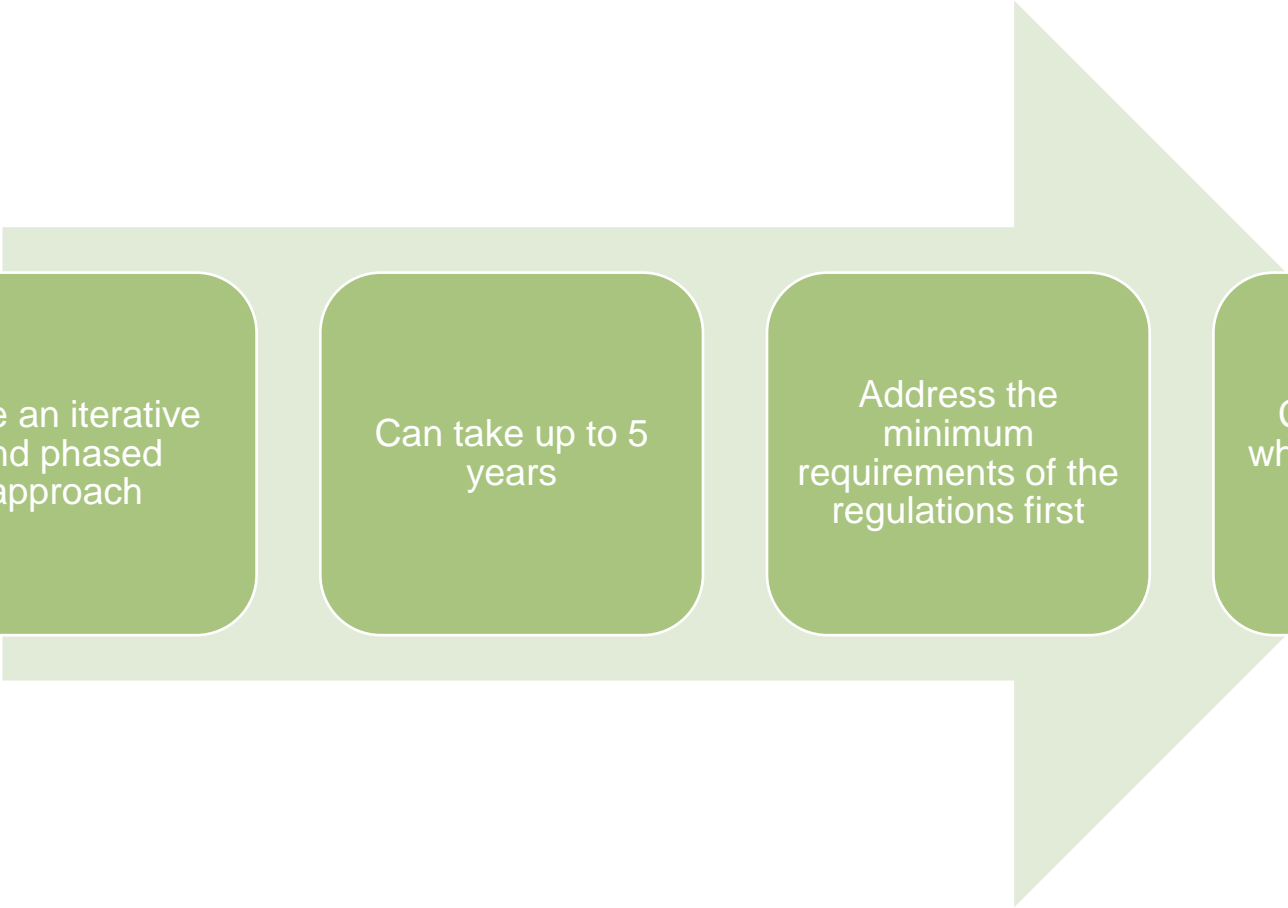


Practical tips on getting started

Climate reporting is a journey...



Iterative and phased approach



Take an iterative
and phased
approach

Can take up to 5
years

Address the
minimum
requirements of the
regulations first

Consider areas
which are easier to
implement

Leveraging existing work



What climate-related data are you already capturing?



What are you already disclosing?



STREAMLINED ENERGY & CARBON REPORTING

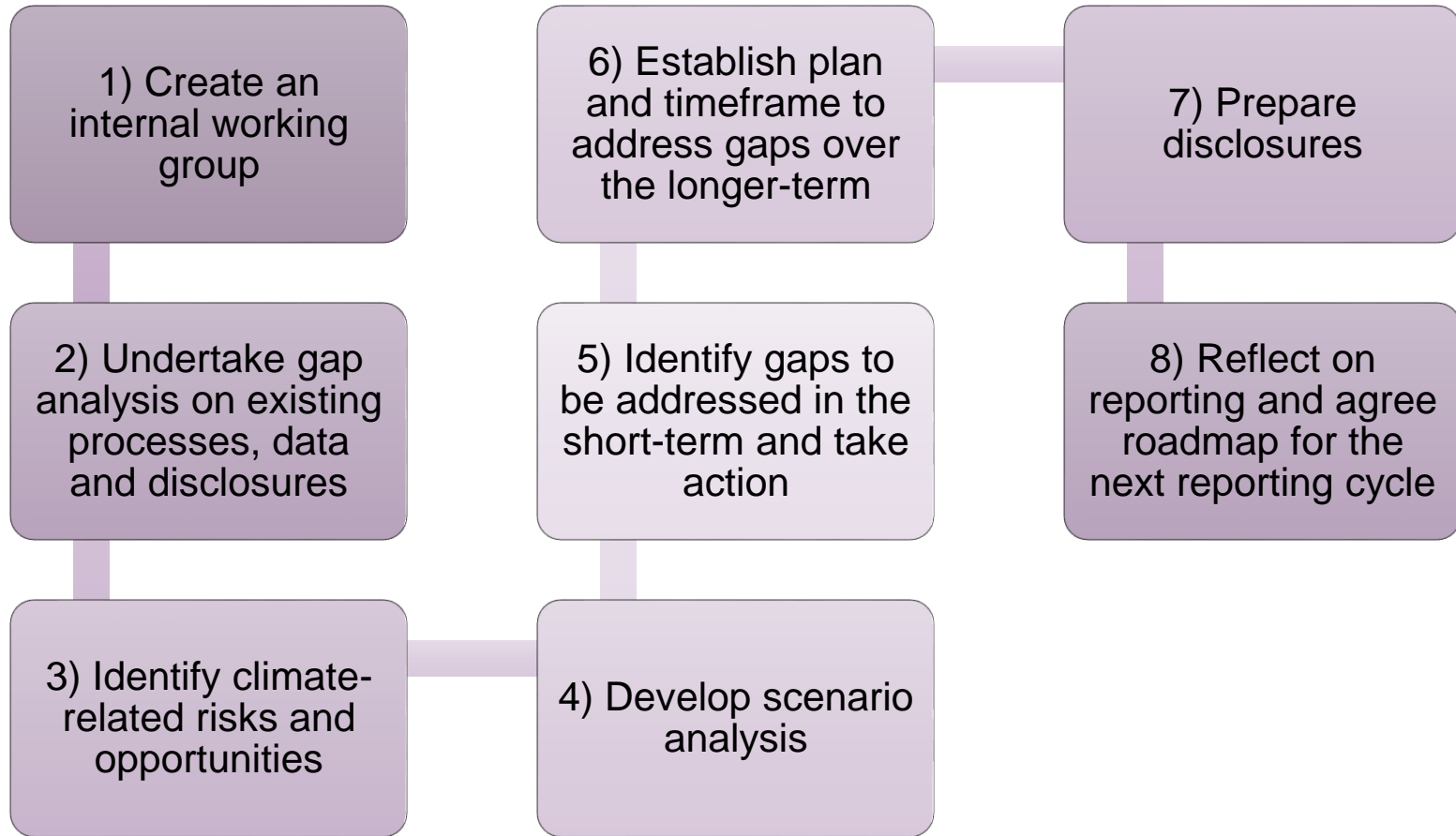


What structures / processes are already in place?



What initiatives / strategies do you already have in place which address identified risks and opportunities?

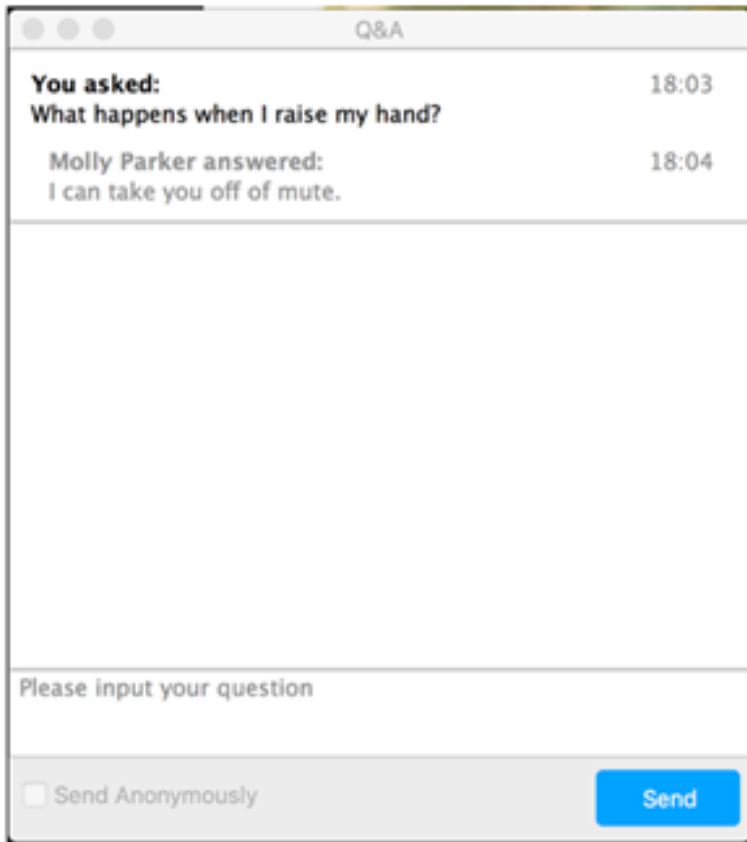
Creating an implementation roadmap





Q&A

Ask a question and access resources



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Download resources

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Faculty resources

- **Tues 26 September:**
Getting started with climate reporting part 2
 - [icaew.com/crfevents](https://www.icaew.com/crfevents)
- Non-financial reporting hub
 - [icaew.com/nfr](https://www.icaew.com/nfr)
- ICAEW factsheets
 - [icaew.com/crffactsheets](https://www.icaew.com/crffactsheets)
 - Climate-related Financial Disclosure Regulations Factsheet
- Webinar recordings
 - [icaew.com/crfwebinars](https://www.icaew.com/crfwebinars)



Climate-related Financial Disclosure Regulations
This factsheet provides an overview of the *Climate-related Financial Disclosure Regulations 2022*. This factsheet applies to UK companies and LLPs that report under both UK GAAP and IFRS.

Key regulations for this factsheet
This factsheet includes links and references to key regulations. There's a summary of the links, and guidance on how to use them, on page 2.

Section 1 Introduction

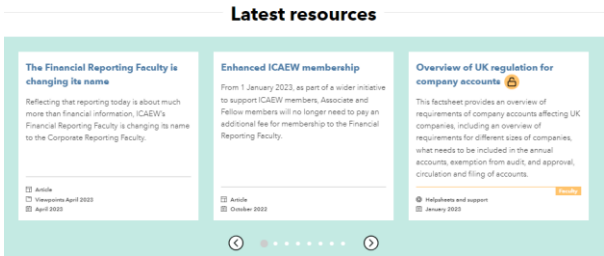
Climate change and climate-related reporting
Climate change affects all entities to a greater or lesser extent and presents both risks and opportunities to businesses.

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Find out more about how these changes affect you at [icaew.com/cpdchanges](https://www.icaew.com/cpdchanges).



Questions



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Thank you for attending



Please take the time to fill out our short survey.



- Contact the Corporate Reporting Faculty.
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- Email: crf@icaew.com
- Web: icaew.com/crfac

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