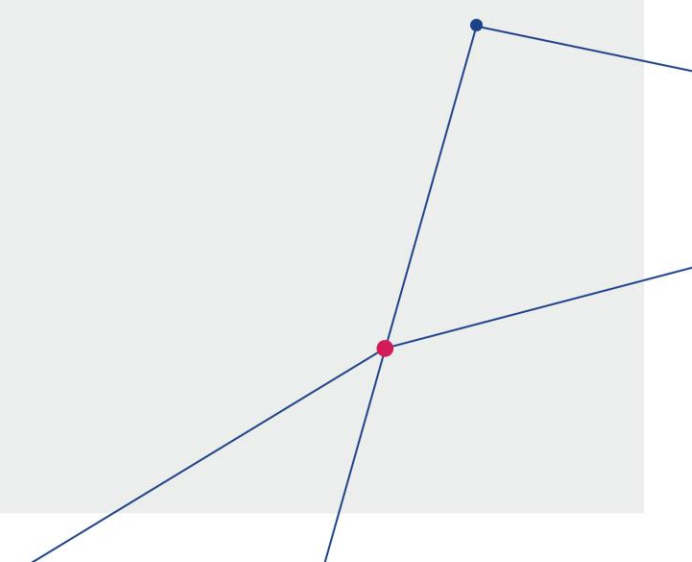




ICAEW ESG Webinar Series: Reporting

13 October 2021



Agenda

- Overview of sustainability reporting
- Deep dive into the TCFD requirements
- Disclosure challenges and special considerations

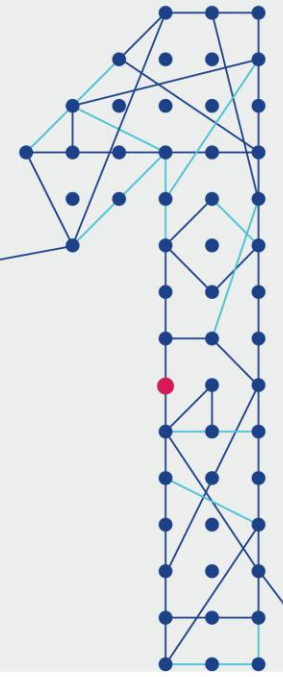


Gemma Clements
Capacity Building &
Engagement Manager

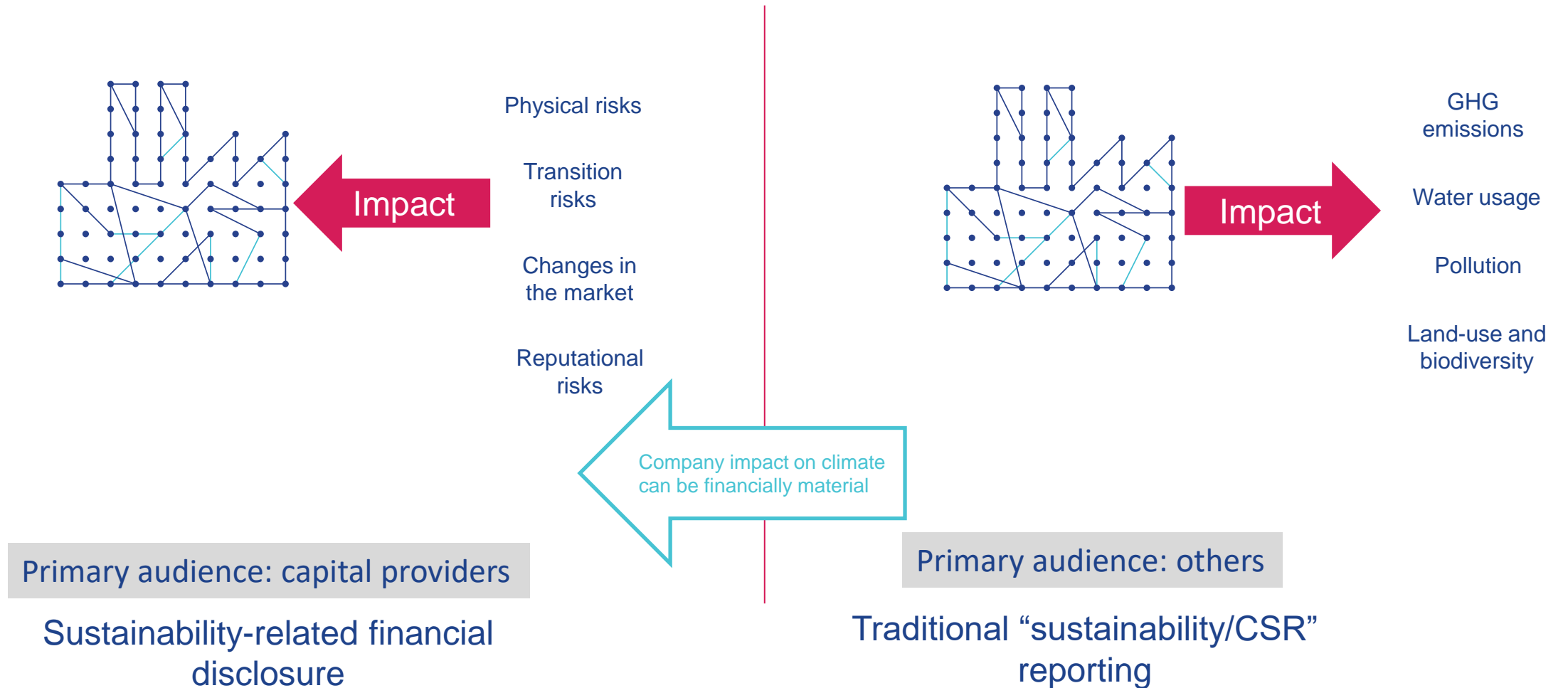


Sundip Jadeja
Technical Manager

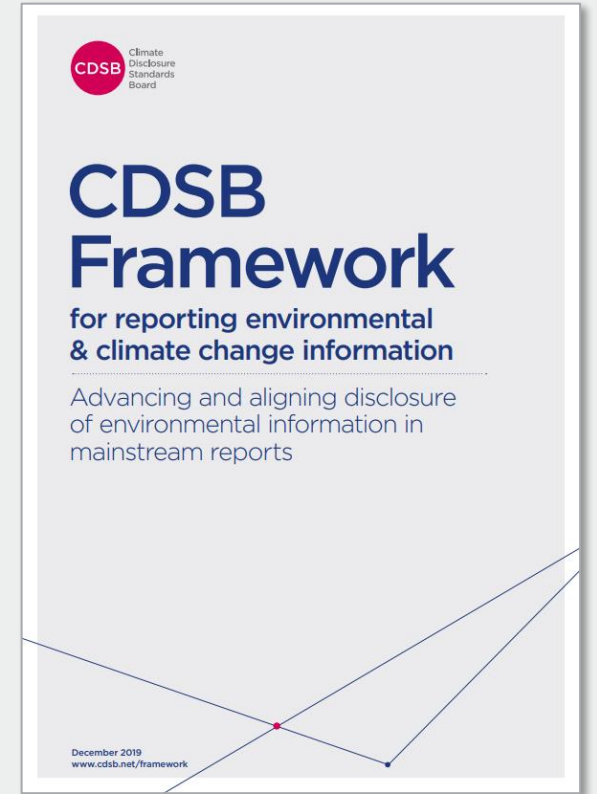
Sustainability Reporting



A different lens?



To provide **decision-useful environmental information** to markets via the mainstream corporate report



Board



THE CLIMATE GROUP



Examples of Technical Working Group members



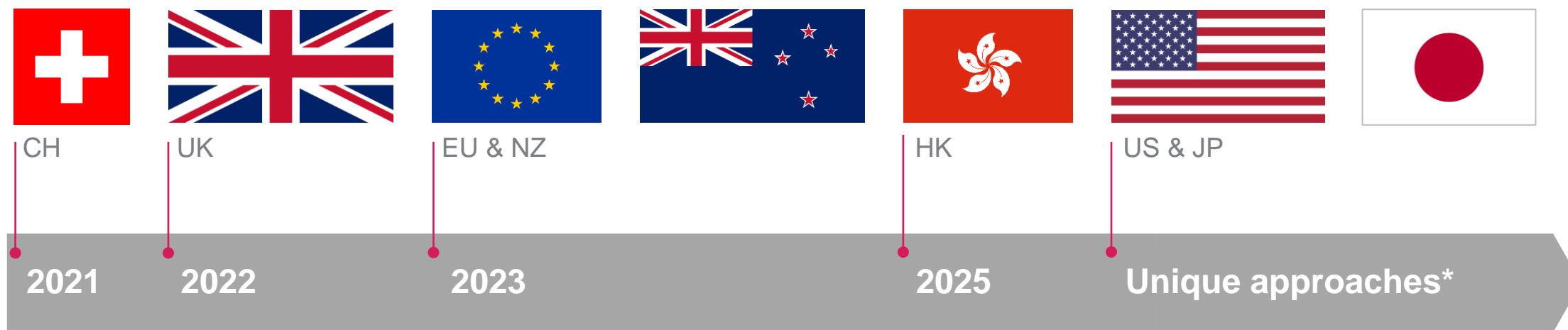
TCFD recommendations

To help identify the information needed by investors, lenders, and insurance underwriters to appropriately assess and price climate-related risks and opportunities.

- Report climate-related **financial** disclosures in the **annual financial filings** (mainstream report)
- Financial sector & high risk non-financial sectors
- Transition risks & physical risks (and opportunities)
- Scenario analysis & forward-looking information
- Short-term, medium-term & long-term
- Qualitative & quantitative disclosures



Timeline: Mandatory TCFD reporting



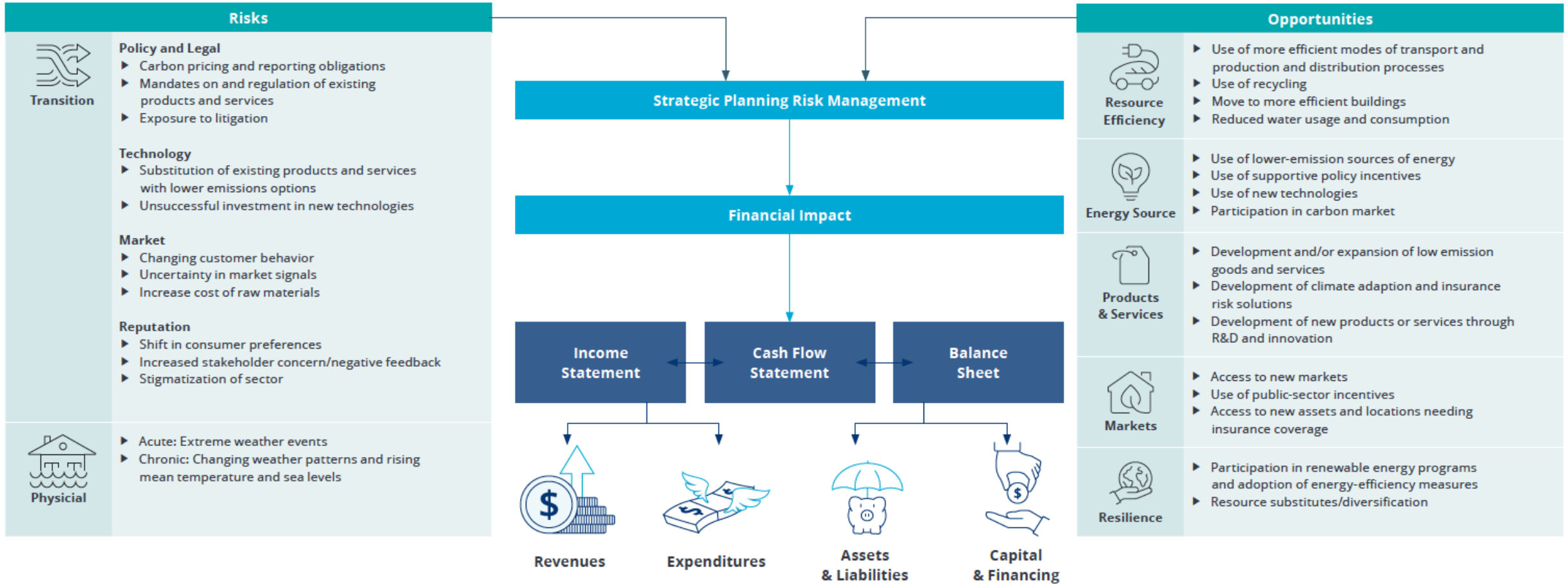
G7

“We support moving towards mandatory climate-related financial disclosures that provide consistent and decision-useful information for market participants...”

G20

“We will work to promote implementation of disclosure requirements or guidance, building on the FSB’s Task Force on Climate-related Financial Disclosures (TCFD) framework, in line with domestic regulatory frameworks...”

Climate risk is a financial risk



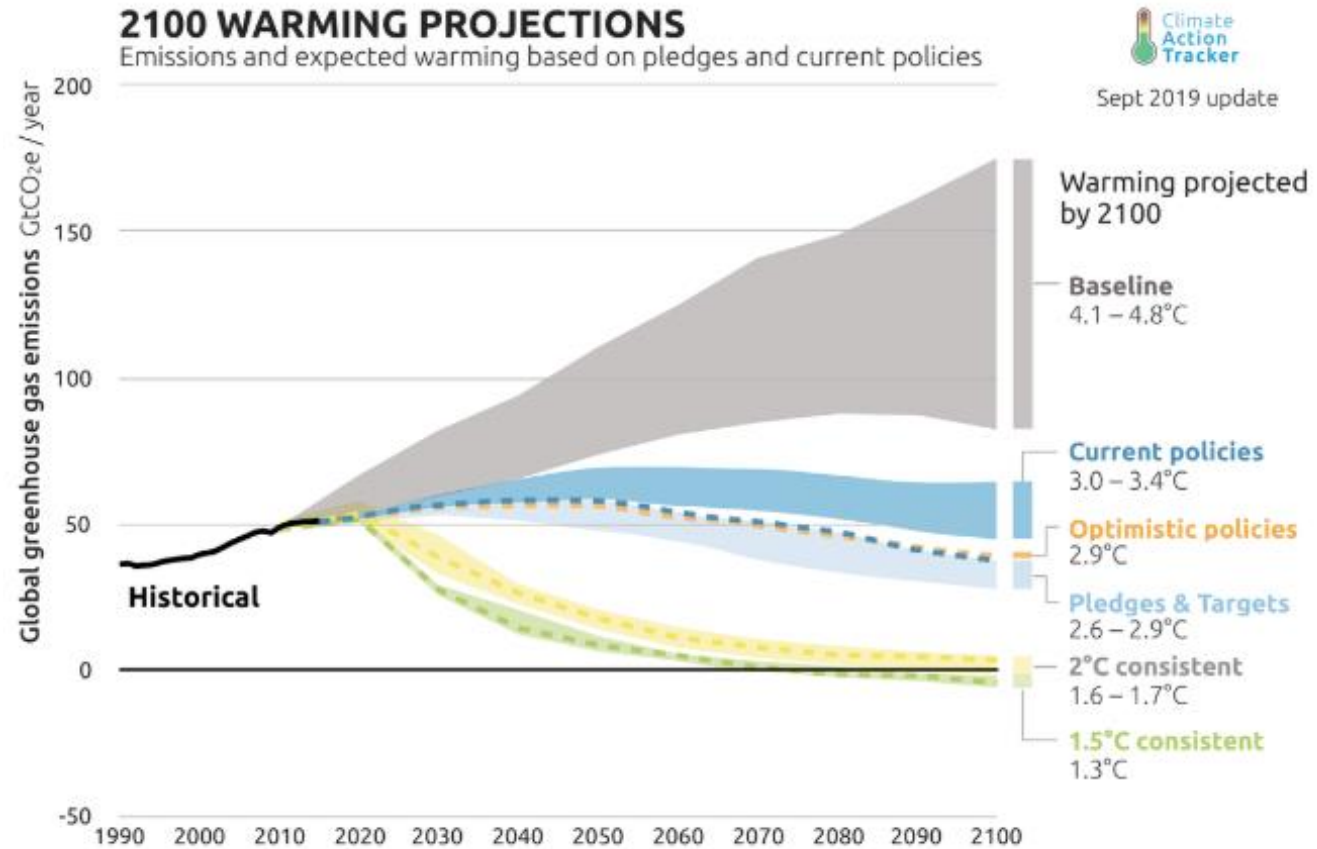
Example financial impacts

- Asset impairment.
- Changes in the useful life of assets.
- Changes in the fair valuation of assets due to climate-related and emerging risks.
- Increased costs and/or reduced demand for products and services affecting impairment calculations and/or requiring recognition of provisions for onerous contracts.
- Potential provisions and contingent liabilities arising from fines and penalties.
- Changes in expected credit losses for loans and other financial assets.

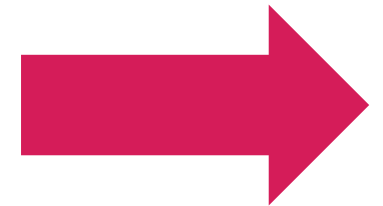
		Evidence of Financial Impact			
Groups and Industries		Revenues	Expenditures	Assets and Liabilities	Capital and Financing
Financial	Banks	■		■	
	Insurers	■	■	■	
	Asset Owners	■		■	
	Asset Managers	■		■	
Energy	Oil and Gas	■	■	■	■
	Coal		■	■	■
	Electric Utilities	■	■		■
Transportation	Air Freight		■		■
	Passenger Air Transportation		■		■
	Maritime Transportation		■		■
	Rail Transportation		■		■
	Trucking Services		■		■
	Automobiles and Components	■	■		■
Materials and Buildings	Metals and Mining		■		■
	Chemicals	■	■		■
	Construction Materials	■	■		■
	Capital Goods	■	■		■
	Real Estate Management and Development	■	■	■	■
Ag, Food, and Forest	Beverages		■		■
	Agriculture	■	■	■	■
	Packaged Foods and Meats		■	■	■
	Paper and Forest Products	■	■	■	■

Alignment vs risk

Contribution and alignment to climate targets



The risks to a company due to climate action



Source: [Carbon Action Tracker](#)

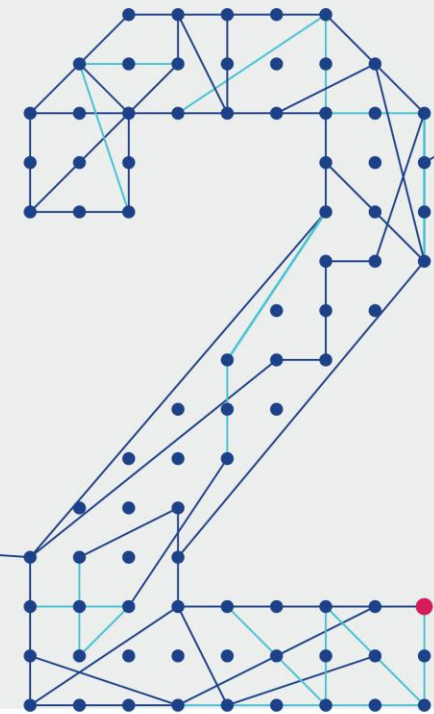
Forward-looking information

What is scenario analysis?

- Tool to explore alternatives that may significantly alter the basis for “business-as-usual” assumptions.
- A scenario describes a pathway of development leading to a particular outcome.
- Scenario analysis is a tool to enhance critical strategic thinking and should be understood as narratives based on multiple scenarios.
- What is important is not credibility of the results of analysis, but the responses to the expected futures.

Scenario analysis is not a prediction of future performance.

Deep dive into the TCFD requirements



Governance	Strategy	Risk Management	Metrics and Targets
<p>Disclose the organisation's governance around climate-related risks and opportunities.</p>	<p>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.</p>	<p>Disclose how the organisation identifies, assesses, and manages climate-related risks.</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>
<p>a) Describe the board's oversight of climate-related risks and opportunities.</p> <p>b) Describe management's role in assessing and managing risks and opportunities.</p>	<p>a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.</p> <p>b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.</p> <p>c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>a) Describe the organisation's processes for identifying and assessing climate-related risks.</p> <p>b) Describe the organisation's processes for managing climate-related risks.</p> <p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.</p>	<p>a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</p> <p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p> <p>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</p>

Getting started

Phase 1: Foundation for TCFD Disclosures

The Task Force encourages companies to disclose information related to its Governance and Risk Management recommendations to provide investors and other with the context in which financial and operating results are achieved. The Task Force views such information as the foundation for effective climate-related financial disclosure.

Governance

- a Board's oversight of climate-related issues.
- b Management's role in assessing and managing climate-related issues.

Risk Management

- a Processes for identifying and assessing climate-related risks.
- b Processes for managing climate-related risks.
- c How these processes are integrated into overall risk management.

Source: TCFD Status Report 2020

Example: ANZ

Annual Report 2020 Climate-related Financial Disclosures 2020

	OUR PROGRESS TO DATE	FOCUS AREAS - 2021/22	BEYOND 2020 VISION
GOVERNANCE	<ul style="list-style-type: none"> • Board Risk Committee oversees management of climate-related risks • Board Ethics, Environment, Social and Governance Committee approves climate-related objectives, goals and targets • Ethics and Responsible Business Committee (executive management) oversees our approach to environment, social and governance (ESG) and reviews climate-related risks and opportunities 	<ul style="list-style-type: none"> • Align with regulatory guidance on climate-related risk governance, including stress testing of selected portfolios 	<ul style="list-style-type: none"> • An enhanced risk management framework that anticipates potential climate-related impacts, and associated regulatory requirements

Governance

Our Board Ethics, Environment, Social and Governance (EESG) Committee, led by the Chairman, is responsible for reviewing and approving our climate-related objectives and performance, including goals and targets to support action on climate change. The Board Risk Committee has responsibility for the overview of ANZ's management of new and emerging risks, including climate-related risks.

At an executive level, the Ethics and Responsible Business Committee (ERBC), led by the CEO, sets policy as detailed in our Climate Change Statement. The ERBC provides leadership on our ESG risks and opportunities, monitoring progress against targets, including those related to climate change.

The ERBC is also responsible for:

- guiding which industry sectors, customers and transactions we bank, to align with our purpose, strategy and values, and our public statements on issues such as climate change
- assessing current and emerging ethical, social, environmental and governance risks and opportunities.

Example: GPT

Annual Report 2020 Climate Disclosures Statement 2020

Risk Management

GPT recognises that effective risk management is fundamental to achieving our strategic and operational objectives. By understanding and effectively managing risk, GPT can create and protect value, providing greater certainty and confidence for investors, employees, partners, and the communities in which we operate.

Applying our enterprise-wide Risk Management Framework, GPT's Risk Team monitors the operation of risk management processes and assists in the identification, assessment, treatment and monitoring of identified risks. The Risk Team supports the GPT Leadership Team, the GPT Board, the Funds Management Board and their respective committees, in ensuring that the business is managing risk appropriately.

Climate change risk is included on GPT's Key Risk Dashboard, which is reviewed every six months by the Board Sustainability and Risk Committee and quarterly by the Leadership Team. The Committee also receives quarterly updates on the status of the actions and commitments disclosed in the metrics and targets section set out in GPT's Climate Disclosure Statement, which is available on GPT's website: www.gpt.com.au.

GPT's cross-functional TCFD Reference Group meets regularly to identify and assess the existing climate-related risks and opportunities for each of the climate scenarios we have adopted, and to discuss and capture any new risks and opportunities.

Risk Management

"GPT manages climate-related risks and opportunities through its enterprise Risk Management Framework. Climate change risk has been identified on our Key Risk Dashboard and receives attention at the highest levels in our business and is considered in all major investment decisions."

Jacqui O'Dea, Chief Risk Officer

GPT recognises that effective risk management is fundamental to achieving our strategic and operational objectives.

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Integrated approach to climate change risk management

As stated in the Sustainability and Risk Committee (SRC) Charter, the SRC regularly receives and reviews reports regarding material business risks and oversees the progress of management action plans.

Climate change risk is included on GPT's Key Risk Dashboard, which is reviewed every six months by the SRC and quarterly by the Leadership Team. As detailed in the Governance section of this Statement, the SRC also receives quarterly updates on the status of the actions and commitments disclosed in the metrics and targets section of this Statement.

GPT's cross-functional TCFD Reference Group meets twice a year to identify and assess the existing climate-related risks and opportunities for each of the climate scenarios adopted by GPT, and discuss and capture any new risks and opportunities.

The Reference Group scenario analysis workshops consider the potential impacts of climate-related physical and transitional risk, and are examined against GPT's Risk Consequence and Likelihood Matrix, which enables risk consequence to be assessed across a range of dimensions including strategy and financial, operations (people, processes and systems), community and reputation, legal and compliance, health and safety, and environment. Risks with high inherent risk ratings are examined in depth to ensure appropriate management responses are in place to lower the inherent risk rating to a point where material impacts are likely to be avoided.

Those risks with the highest inherent risk rating (likelihood and consequence) are then monitored, with any action or mitigation plans reported to the Steering Committee.

We have provided GPT's current response and strategy and future approach in Appendix B in accordance with Australian Accounting Standards Board Practice Note 2.

DETAILS OF OUR CLIMATE-RELATED RISKS ARE IN APPENDIX B.

FIND OUT MORE ABOUT OUR RESPONSE TO THESE RISKS AND OPPORTUNITIES IN THE STRATEGY SECTION.

Identifying asset-level climate hazards

During 2020, we conducted desktop scenario analysis of 61 assets to identify the climate-related physical hazards relevant to their location, delivering on a commitment made in our first Climate Disclosure Statement.

Transitional risks were considered at the portfolio level under the low emissions scenario, in which regulatory, policy, and market requirements and expectations lead to greater change in the economy in the short and medium term.

Physical risks were considered at the asset level under the high emissions scenario to identify the potential emergence of physical hazards at each asset over the very long term (out to 2100).

DETAILS OF THIS REVIEW, INCLUDING THE METHODOLOGY USED, CAN BE FOUND IN APPENDIX B.

Find out more about GPT's approach to materiality and key risks in the GPT Group Annual Report and Sustainability Report.