

Canadian Perspectives on Implementing the TCFD Recommendations

Introduction

On March 23, 2018, CPA Canada hosted a workshop run by The Prince's Accounting for Sustainability (A4S) Project (established by The Prince of Wales in 2004) on the implementation of the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Taking place in Toronto, the workshop obtained Canadian perspectives on the voluntary disclosure recommendations of the TCFD and on the practical steps Canadian companies are taking to implement the recommendations.



This paper provides a summary of the key observations made during the workshop attended by investors, CFOs, and senior finance and risk management professionals from the private and public sectors.

Based on feedback received during the workshop, there are opportunities for:

- greater education across all levels of organizations and across all sectors on the risks and opportunities associated with climate change, including implications for strategy, risk management and performance
- the development of tools and guidance to assist organizations in embedding climate change considerations into decision-making and reporting practices
- organizations to establish appropriate systems, processes and internal controls over climate-related information to ensure reliable data is used to make decisions (internal and external)



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CPA Canada plans to continue this dialogue with its members and other key stakeholders in order to develop actionable thought leadership and guidance to enable organizations to respond to increasing demands for enhanced climate-related disclosure.

CPA Canada and A4S Partnership

Last year, CPA Canada and A4S launched the [Canadian Chapter of the A4S CFO Leadership Network](#). The Network, the first global group of its kind, brings together [leading CFOs](#) from large businesses seeking to embed the management of environmental and social issues into business processes and strategy.

A4S, through its various networks, has issued a [TCFD Statement of Support](#) for chief financial officers, pension fund chairs and chief executive officers of accounting bodies in support of the TCFD recommendations.

The A4S publication [TCFD Implementation: Top Tips for Finance Teams](#) is available for download on their webpage.

What Is the TCFD?

In December 2015, the Financial Stability Board (FSB) established the TCFD to develop voluntary, consistent climate-related financial risk disclosures for companies to use when providing information to investors, lenders, insurers and other stakeholders. The [final recommendations](#) of the TCFD were released in June 2017 after a collaborative process of global stakeholder consultations. The TCFD recommendations are about enhancing market transparency and enabling the efficient allocation of capital in the transition to a low-carbon economy as envisioned by the [Paris Agreement](#).

To learn more about the TCFD recommendations, visit www.cpacanada.ca/tcfd.

Key Observations

Participants in the workshop included more than 20 senior executives from the business and investment communities. Organizations represented included pension funds, publicly listed companies in the energy and telecommunications sector, insurance companies, crown corporations, and a credit rating agency.

What We Heard

Below is a summary of the various questions posed to participants during the workshop followed by a summary of key points raised by participants during the interactive discussion.

What We Asked	What We Heard
<p>Why implement the TCFD recommendations?</p>	<ul style="list-style-type: none"> • Improves understanding of climate-related risks and opportunities that will inform company decision-making in the transition to a low-carbon economy. • Enhances information for capital allocation decisions by investors. • Assists companies in more effectively meeting regulatory obligations to disclose material climate-related risks particularly as regulators and investors call for enhanced reporting in this area.
<p>What practical steps can be taken by organizations to implement the TCFD recommendations?</p>	<p>Build understanding:</p> <ul style="list-style-type: none"> • Improve understanding of regulatory landscape and applicable climate-related disclosure requirements. <p>Establish leadership:</p> <ul style="list-style-type: none"> • Increase climate literacy at all levels throughout the organization. • Attract executive sponsorship critical for successful implementation through strong “tone at the top.” • Increase board engagement in overseeing climate-change issues. <p>Develop approach:</p> <ul style="list-style-type: none"> • Research, socialize, develop and implement a formal climate strategy and embed into existing systems. • Build cross-functional teams and establish accountability structures or measures. • Understand how the organization collects and analyzes climate-related information, including processes for ensuring accuracy and reliability. • Perform an assessment to understand the material climate-related financial risks and opportunities. <p>Ongoing engagement:</p> <ul style="list-style-type: none"> • Proactively engage with peers, investors and other stakeholders to better understand expectations and evolving best practices for climate-related reporting.

What We Asked	What We Heard
<p>What are the challenges to implementing the TCFD recommendations?</p>	<ul style="list-style-type: none"> • Overcoming misconceptions about the relevance and financial implications of climate change. • Unfamiliarity with climate-related data and varied methodologies. For example, GHG emissions-related metrics can lack comparability due to different measures (e.g., absolute vs. intensity) and different calculation methodologies (e.g., ISO, GHG protocol). • Determining a suitable approach for scenario analysis and obtaining the necessary data inputs and assumptions from a variety of sources. • Process to determine materiality of climate-related issues requires a significant amount of judgment and is not focused exclusively on historical data and information. • Talent constraints and level of climate-related expertise internally.
<p>What are some possible solutions to overcoming these challenges?</p>	<ul style="list-style-type: none"> • Start with the tone at the top and educate all levels of the organization, including the board of directors. • Get started! Imperfect data is not a reason to avoid adopting TCFD recommendations; the risk will continue to exist. • Establish accountability and embed specific climate goals into compensation structure. • Get clarity on which areas of the TCFD recommendations can be disclosed without a materiality assessment (e.g., governance disclosures).
<p>What will users do with the disclosures?</p>	<ul style="list-style-type: none"> • Users recognize that climate change is systemic in nature with pervasive impacts.¹ Users are utilizing this information when making investment decisions/credit risk assessments. • Users want to understand how companies are assessing performance and measuring progress toward climate goals. • Users want to understand an organization's ability to adapt to a changing climate and associated policy and regulatory changes.

1 According to the U.S.-based Sustainability Accounting Standards Board, climate risk is a financial risk for 72 of 79 industries—<https://library.sasb.org/climate-risk-technical-bulletin>

To learn more about CPA Canada's TCFD initiatives, visit cpacanada.ca/TCFD or contact [Sarah Keyes](#), Principal, Strategy, Risk and Performance, Research, Guidance and Support.

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