
**Intergovernmental Working Group of Experts on
International
Standards of Accounting and Reporting
(ISAR)**

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UNCTAD-ISAR Workshop
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Tuesday, 29 October 2019

**Practical implementation of climate-related financial
disclosures and their relationship to the SDGs**

Presented by

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Corporate Perspective – integration of climate- related financial disclosures

ISAR Workshop
29 October 2019

TCFD Preparer Forums

Climate-related financial disclosures allow companies to disclose risks and opportunities associated with climate change supporting informed investment, lending, and underwriting decisions.

We help companies communicate their response to climate change and the energy transition.

- ▶ **WBCSD is coordinating Preparer Forums for priority non-financial sectors at the request of the TCFD – Oil & Gas, Electric Utilities, Chemicals, Construction & Building Materials, Food & Forest products and Autos & Agriculture,**
- ▶ **Forums seek to assess the current state of disclosure, identify effective practices, common challenges, understand user needs, outline guidelines and disclosure developments over time.**

Previous TCFD Preparer Forum members

Oil and Gas



Electric Utilities



Chemicals



Current TCFD Preparer Forum members

Construction & building materials



Food, Agriculture & Forest Products

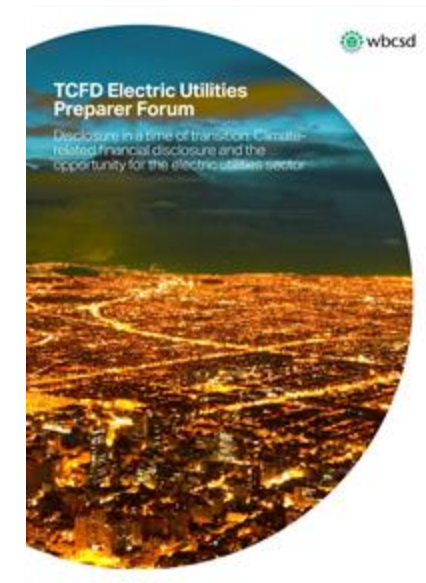
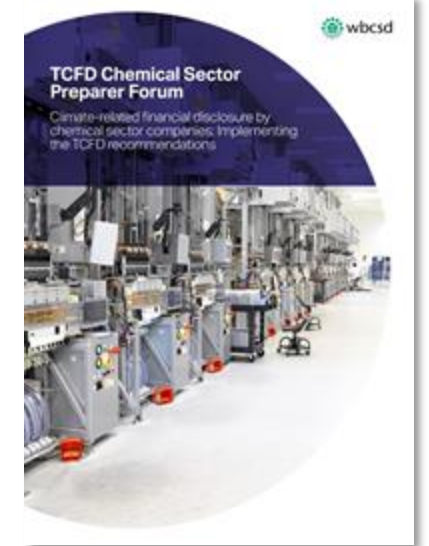
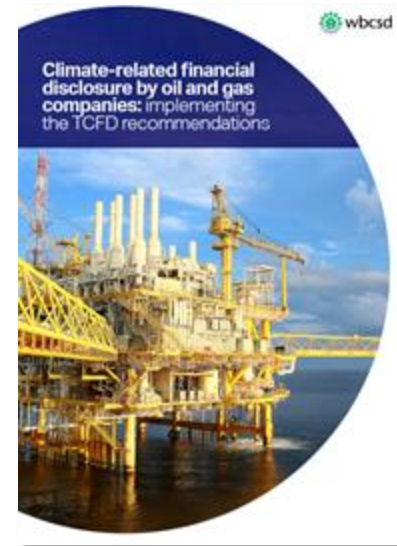


Preparer Forum reports

In-depth description of the current state of climate-related financial disclosure and effective disclosure practices among leading companies.

Highlights include examples on:

- Integration of climate-related risks and opportunities into **enterprise risk management and governance** processes
- Measures of **business resilience** such as innovation, portfolio development and optimization as well as capital expenditure and flexibility
- Illustrative **scenario analysis process** (chemicals) and key quantitative **parameters** (oil & gas and electric utilities) associated with scenario analysis
- Illustrative climate-related metrics - progressing from operational to more **financial measures and metrics**
- User perspectives including **credit and equity analysts**



TCFD Preparer Forum support

“DSM has for many years been very proactive in addressing climate change, introducing an internal carbon price over 3 years ago and setting a Science Based GHG emission reduction target. But clear communication on this topic with the capital markets is also key and DSM was therefore among the first companies to commit to implementing the TCFD recommendations. We were pleased to be given the opportunity to join the WBCSD Preparer Forum as this cannot be done well in isolation and we support the report that has resulted from this collaboration. We hope the report and the Forum’s focus on scenario analysis will serve as inspiration to our industry to identify and manage climate risks and opportunities,”

Geraldine Matchett, CFO, Royal DSM.

“The financial sector is facing the critical responsibility to make the investment decisions that will help deliver and live in a +1.5C world. As a company whose identity and strategy is driven by this low carbon transition envisioned in the Paris Agreement, it is of vital importance to EDF that financial players access consistent, comparable and reliable information. This has been the ambition of the TCFD from its inception. This collective initiative coordinated by the WBCSD is a significant step on the path to implementing its recommendations in our sector. This is certainly key for the climate but also to drive a fair and mutually beneficial economic transition,”

**Xavier Girre, Senior Executive Vice-President,
Group Finance, EDF.**

Oil & Gas output – describing resilience

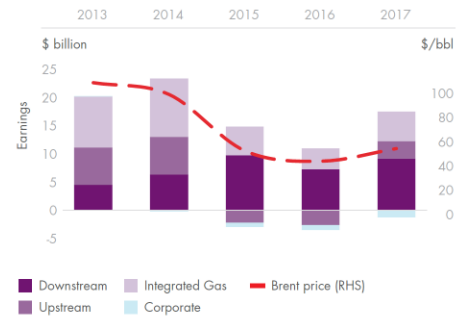
Measures of resilience

- Committed & uncommitted capital expenditure
- Capital discipline
- Production forecasts & reserve life
- Payback periods
- Portfolio optimization/diversity – options
- Breakeven, IRR and cost of supply
- Sensitivity to carbon and oil prices

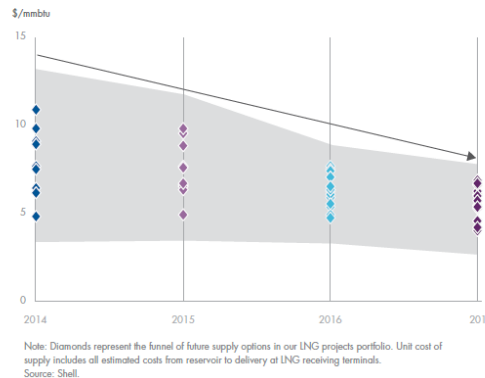
Assumptions, parameters related to scenario analysis and sensitivities

- CC(U)S, changing consumption/demand, policy environment, carbon pricing, electrification uptake, natural climate solutions etc.
- Impact on cash flow, net present value etc.

OUR PORTFOLIO DIVERSITY PROVIDES RESILIENCE THROUGH PRICE CYCLES

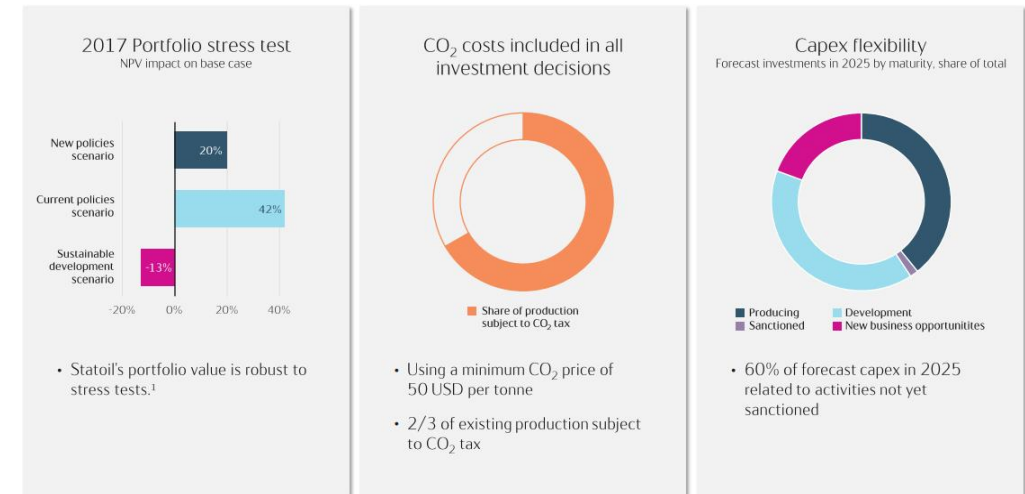


UNIT COST OF SUPPLY FOR FUTURE PROJECTS (PRE-FID)



Other Metrics

Hydrocarbon resources (3P+Contingent) @31/12/2017: % of natural gas	(%)	>50%
Break-even price of overall new upstream projects in execution		Brent <30\$/bbl
Internal Rate of Return (IRR) of new upstream projects in execution		13% @ Brent 50\$/bbl flat from 2018 18% @ Brent 70\$/bbl flat from 2018
Percentage of uncommitted investments: Strategic Plan 2018-2021	(%)	2018-2021 equal to 36% 2020-2021 equal to 49%
Carbon pricing – Eni scenario	(\$/ton)	40 \$ at 2015 inflated
Stress test: upstream portfolio resilience (100% cash generating unit) based on IEA SDS low carbon scenario		Impact on asset fair value: -4%
2018 Sensitivity: Brent (-1 \$/bbl)	(€ Min)	Adjusted operating profit: -310 Adjusted net profit: -175 Free cash flow: -205
Cash neutrality (investments and dividends): Brent price	(\$/bbl)	2017: 57 2018: 55 2021: 50

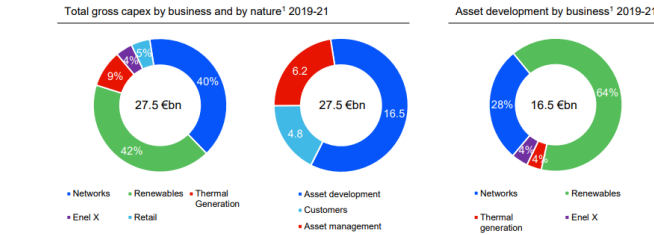


¹ Changes in the value of Statoil's project portfolio when replacing internal planning assumptions for prices of oil, gas and CO₂ with those from the IEA as per its World Economic Outlook 2017 report

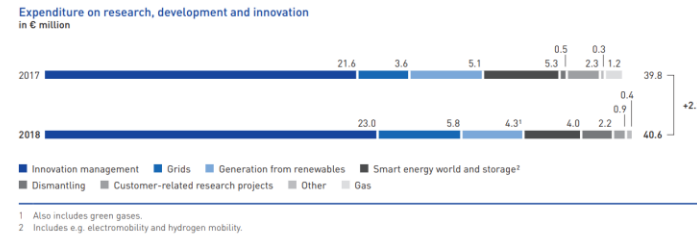
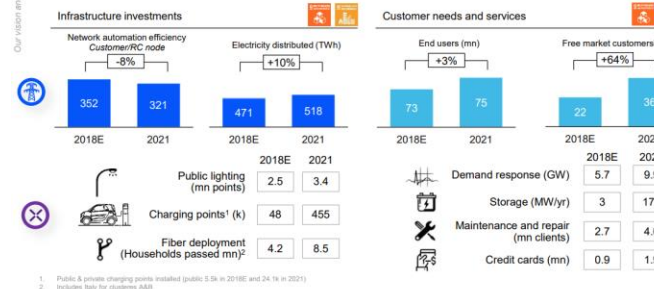
Electric Utilities output – illustrative metrics

KPIs	UNITS	COMMENTS
Renewable capacity	GW - % & total	
Renewable generation	GWh – % & total	Companies usually report on the breakdown of each energy source – wind, solar, hydro (as each has specific characteristics and combined with the geographic breakdown will also give a sense of diversification).
Renewable CAPEX	% & total (local currency)	
Renewable EBITDA	% & total (local currency)	A number of variables can influence earnings, including economic cycle, weather, pricing, market dynamics and commodity prices. Details on how companies define EBITDA can differ (e.g., inclusion of non-recurrent flows, gains on disposals).
Non-generation transition enablers CAPEX & EBITDA	% & total (local currency)	Companies will need to clarify the scope and definitions associated with this transition enablers category. It could include EV infrastructure, customer solutions (e.g., smart meters, energy services), smart networks (e.g., demand forecasting, automation and analytics), transmission and distribution infrastructure and storage. Companies may also consider disclosing these metrics in a way that aligns with their business reporting segments.
Non-generation transition enablers	Number	Companies will need to clarify the scope and definitions associated with this category. It could include number of EV charging points (public/private – owned, managed, financed), number of smart meters (% & total), number of customer solutions sales, etc.

Asset development supports our growth ambitions

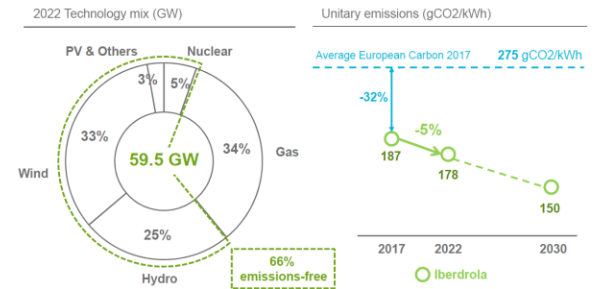


Electrification and urbanization drive infrastructure investments and new services to clients

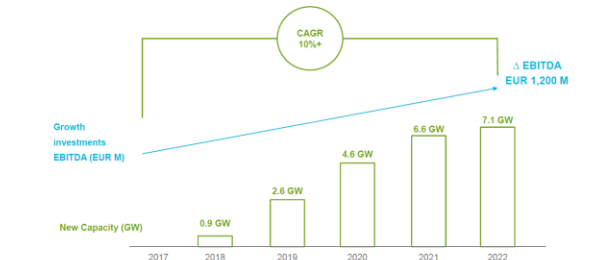
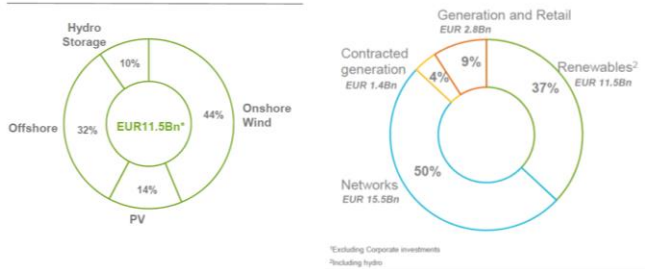


Profitable growth: Emissions

Iberdrola will maintain one of the lowest emissions levels in the industry.



2018-2022 Investments (EUR Bn) by technology



¹ Also includes green gases.
² Includes e.g. electromobility and hydrogen mobility.

¹ Excluding Corporate investments
² Excluding hydro

Chemicals output – describing sustainable solutions

COMPANY	METHODOLOGY	CLIMATE-RELEVANT CRITERIA CONSIDERED	PRODUCT EXAMPLES
DSM's Brighter Living Solutions	Evaluates products/innovations that are better for the planet (environmental benefits) and/or people (social benefits), compared to the market and across the entire life cycle	<ul style="list-style-type: none"> Reduces or avoids GHG emissions Energy efficiency Application of renewable energy 	DSM's engineering plastics, such as Stanyl® Diablo, replace metals and other materials to achieve weight savings, reducing fuel consumption and the associated GHG emissions in the automotive industry. Using Stanyl® Diablo for one component, reduces CO ₂ emissions by 1g per 10km. When used to reduce friction in the engine, Stanyl reduces CO ₂ consumption by 1g per km.
BASF's Accelerator solutions	<p>Sustainable solution steering:</p> <ul style="list-style-type: none"> Assesses the sustainability contribution of products in its specific application and region along all three dimensions of sustainability in a cradle-to-grave value chain approach Portfolio grouped into four categories, ranging from solutions with a substantial sustainability contribution in the value chain (Accelerators), to solutions with market standard performance, up to solutions with a significant sustainability concern 	<ul style="list-style-type: none"> Reduces carbon footprint in production Enables GHG savings downstream Reduces energy consumption in production Enables energy savings downstream 	Luprosil® and Lupro-Grain® are propionic acid-based preservatives that enable farmers to store feed grains for up to 12 months after harvesting without drying them, which can reduce GHG emissions by an average of 85% per metric ton of feed.

Strategy - Growth & Value Capturing opportunities in Sustainable Living



€22 billion sales with Accelerator products by 2025 through innovation

Percentage of sales 2017*



- Accelerators are characterized by
 - strong growth in their markets
 - margins ~7 percentage points above the remaining product portfolio
- More than 13,000 Accelerator products and solutions
- Accelerator sales 2017: €15 billion
- BASF's R&D pipeline contains mainly Accelerator products



TCFD Preparer Forums – common themes

- 1. Measures of resilience** – evidence of strategic resilience, adaptive capacity, cash and capital flexibility, skills & competencies, organizational capital, business model and portfolio development etc.
- 2. Assumptions** – parameters, conditions, inputs, timeframes associated with scenarios and sensitivities
- 3. Financial disclosure** – acquisitions and divestments, capital allocation, R&D, actual or expected earnings, efficiencies etc.
- 4. Medium to long-term disclosure** – business development and associated resource allocation (~5-10yrs)
- 5. Standardization** – supporting comparability, common level of disclosure

Call to action



Mark Carney as one of the keynote speakers at the first global TCFD Summit in Tokyo, encourages for increased disclosure, refining metrics for decision-useful measure, building strategic resilience and to consider portfolios for transition to net zero #TCFD #Tokyo #ClimateChange



5:47 AM · Oct 8, 2019 · [Twitter Web App](#)

Firms ignoring climate crisis will go bankrupt, says Mark Carney

Bank of England governor warns of financial collapse linked to climate emergency



"The #TCFDSummit is a crucial moment for consolidating #climate disclosure activity to date, spearheading wider uptake & ensuring that the quality of climate-related financial information expedites the flow of capital to reward the most sustainable companies." - @MPB_WBCSD #TCFD



METI, Japan

6:10 AM · Oct 8, 2019 · [Twitter for iPhone](#)

Bank of England boss says global finance is funding 4C temperature rise

Mark Carney says capital markets are financing projects likely to fuel a catastrophic rise in global heating

Bank of England

Corporations told to draw up climate rules or have them imposed

Bank of England governor gives firms two years to agree rules for reporting climate risks

Phillip Inman

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Tue 8 Oct 2019 18:36 BST



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▲ Mark Carney, the Bank of England governor. Photograph: Eric Piermont/AFP/Getty Images