



# EDC GUIDE

# CREATE YOUR CLIMATE CHANGE REPORT

# BACKGROUND

In 2017, an industry-led Task Force on Climate-related Financial Disclosures (TCFD), convened by the Financial Stability Board, submitted a set of recommendations to the G20. The TCFD recommendations are a set of voluntary disclosures focused on making climate change-related information consistent, comparable, reliable, clear, and decision-useful for lenders, insurers and investors.

As of February 2020, more than 1,000 companies, including Export Development Canada (EDC), have signed on as supporters of these recommendations. Alignment to these recommendations has emerged as industry best practice for how companies publicly disclose their efforts to address the climate-related risks and opportunities faced by their business. A number of well-known disclosure frameworks, including the Carbon Disclosure Project (CDP) and the Sustainability Accounting Standards Board, have also aligned with these recommendations.

## CLIMATE CHANGE REPORTING OBLIGATIONS

Going forward, your company will be required to produce and publish a TCFD climate change report. The details of this requirement will be laid out in your agreement.

This guide is designed to help you meet EDC's expectations for TCFD-aligned reporting and to provide easy step-by-step instructions for preparing a climate change report.



# KEY TERMS

**ACTUAL & POTENTIAL IMPACTS OF CLIMATE-RELATED RISK:** Current or potential future impacts to the organization's business resulting from climate-related risk

**ACTUAL AND POTENTIAL IMPACTS OF CLIMATE-RELATED OPPORTUNITY:** Current or potential future impacts to the organization's business resulting from climate-related opportunity

**CLIMATE CHANGE REPORT:** Your company's TCFD report disclosing the information described in the TCFD recommendations (2017) and summarized in this guide.

**CLIMATE-RELATED OPPORTUNITY:** The potential positive impacts related to mitigation and adaptation efforts of an organization related to climate change such as: resource efficiency, cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain.

**CLIMATE-RELATED RISK:** The potential negative impacts of climate change on an organization. Types of risks include: physical risks due to increased severity of extreme weather events, longer-term shifts in precipitation and temperature or increased variability in weather patterns, risks associated with the transition to a lower-carbon global economy, such as policy and legal actions, technology changes, market responses, and reputational considerations.

**METRIC:** A quantifiable measure used to track, monitor or assess climate-related risks or opportunities, related to water, energy, land and waste management, internal carbon prices, greenhouse gas emissions, as well revenue from products and services designed for a lower-carbon economy.

**TARGET:** A quantifiable tool used to evaluate actual measurable climate-related risks or opportunities metrics to assess performance achieved compared to performance intended or expected.

# WHAT ARE THE BENEFITS OF WRITING A CLIMATE CHANGE REPORT?

You're going to get climate change-related questions from your stakeholders. This is because your lenders, investors, shareholders, and the public are increasingly aware of the risks and opportunities posed by climate change. Developing a TCFD climate change report will help you consider and think through how to answer them.

As public-facing documents, climate-related disclosures can help companies proactively address investors'/lenders' requests for climate-related information.

Further, increased awareness and understanding of climate-related risks and opportunities within the company will result in better risk management and more informed strategic and financial planning.

These disclosures provide your stakeholders with confidence that your company's risks are being identified, assessed and managed and that the company is positioning itself to take advantage of potential opportunities posed by the transition to a low-carbon economy.



**INCREASING TRANSPARENCY  
MAKES MARKETS MORE  
EFFICIENT, AND ECONOMIES MORE  
STABLE AND RESILIENT.**

— Michael R. Bloomberg  
Chair, Task Force on Climate-related  
Financial Disclosures (TCFD)

# WHAT INFORMATION SHOULD MY INITIAL CLIMATE CHANGE REPORT INCLUDE?

The following aims to simplify the process of TCFD-aligned reporting for you.

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

Source: *Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017)*

# WHERE DO I START?

Getting started is the most important step. This is a journey. Companies are expected to start wherever they can and improve their disclosures over time, as they learn more about the climate-related risks and opportunities related to their business.

The TCFD recommendations provide the framework for a TCFD-aligned climate change report, which should address the four recommended disclosure categories:

1. governance 2. strategy 3. risk management and 4. metrics and targets.

In an initial disclosure, a company needs to address at least one of the recommendations under each of the disclosure categories, with as much detail as they're able to provide.

With continuous year-over-year improvement, companies can start to address additional recommendations and improve the sophistication with which they address the recommendations.

# STEPS FOR DEVELOPING YOUR REPORT

Disclosing information doesn't have to be daunting. Most companies likely have some/most of the information readily available. This information can come from regulatory Greenhouse Gas (GHG) reporting filings, sustainability reports, and existing risk governance frameworks.

The steps described on the following page provide a process to follow as you develop, prepare and publish your TCFD-aligned climate change report.



1

## DEVELOP A PLAN FOR YOUR REPORT

The TCFD recommendations provide a framework for you to begin thinking about the climate change-related work your organization has done and plans to do. Develop a plan for your TCFD-aligned climate change report using this framework, this guide, and information about your organization's decision-making processes and committees.

## ENGAGE KEY DECISION-MAKERS

Ensure your organization's key decision-makers understand the TCFD, the reason you're developing this disclosure and the plan you've developed to deliver on the disclosure within the desired timeframe.

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## DEVELOP DRAFT WITH KEY INTERNAL STAKEHOLDERS

Identify stakeholders who can provide their views or input for your report. Consider including representatives from legal, corporate, public or regulatory affairs, environmental, strategy, stakeholder engagement, financial planning and/or risk management. Form your task team, agree on tasks, responsibilities & timelines. Take an iterative approach to developing the draft based on team members' input and feedback.

## FINALIZE DRAFT AND PLAN DISCLOSURE

Once you have a well-developed draft, return to the organization's key decision-makers for their feedback. Ensure they're comfortable with the content and the plans for disclosing it.

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## DISCLOSE REPORT IN A PUBLIC FORMAT

Best practice on the format and location for such disclosures is still emerging. The key is to align as closely to the recommended TCFD framework as possible and to disclose in a way that: a. makes sense for your organization and b. is transparent for stakeholders.

## ADDITIONAL RESOURCES

- [Recommendations of the Task Force on Climate-related Financial Disclosures: Final Report](#)
- [Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures](#)
- TCFD Knowledge Hub [www.tcfdhub.org/](http://www.tcfdhub.org/)

## Need more help?

EDC has subject matter experts available to support you. Reach out to your account manager with your questions or visit: [www.edc.ca/en/tool/export-help-team.html](http://www.edc.ca/en/tool/export-help-team.html)

