



BEC Submission
**Consultation Paper - Recommendations of the Task Force on Climate-related
Financial Disclosures**
Views from Business Environment Council Limited
商界環保協會有限公司

Over the last twenty five years, Business Environment Council Limited 商界環保協會有限公司 (“BEC”) has taken a leading role in advocating the business case for environmental excellence in Hong Kong. Given Hong Kong’s role as a regional and global financial hub, our members are committed to actively engaging with a range of issues relating to the financial and non-financial implications of climate change.

BEC is an independent membership-based non-governmental organisation comprised of 198 member companies. Our members range from major holding companies to small and medium-sized enterprises. For more information on BEC, please visit www.bec.org.hk.

BEC has carefully reviewed and discussed the “Recommendations of the Task Force on Climate-related Financial Disclosures” (the “Consultation Document”) and sought the input of BEC ESG Advisory Group BEC Climate Change Business Forum, and our broader membership. Views expressed in this submission are those of BEC, and are based on consultation with our members, but may not necessarily correlate with the positions of individual members.

I. Executive Summary

The Task Force on Climate-related Financial Disclosures (“TCFD” or “the Task Force”) views climate change as a principal financial risk for business as investors are increasingly asking how well organisations are identifying and managing risks and opportunities arising from climate change. The consultation documents set out the TCFD’s recommendations for voluntary consistent climate-related financial disclosures to be included in the mainstream financial filings of organisations across sectors and regions. These disclosures would support the investment community in making informed decisions for smart and efficient capital allocation through the proper pricing of risk thereby protecting the global financial system from severe shocks during the transition to a low-carbon economy.

While there are a variety of existing voluntary standards and guidelines for the disclosure of climate-related sustainability metrics (GRI, IIRC, SASB, Stock Exchange requirements etc...), BEC commends the Task Force for bringing the financial implications of climate-related risks and opportunities to the fore. BEC expects that this information would help to further engage economic decision makers and policy makers in actions to manage and mitigate the effects of climate change.

Mainstream financial reporting demonstrates the benefits of a common global approach to disclosing data that is more closely aligned across organisations and regions. The recommended disclosures would provide investors, lenders, insurance underwriters and any other interested parties with clear and actionable data to appropriately assess exposure in the transition to a low-carbon economy. BEC

supports efforts towards convergence in climate-related sustainability reporting and applauds the Task Force for mapping recommended disclosures against existing sustainability frameworks. BEC further notes the TCFD's expectation that the recommended disclosures are subject to similar governance processes as mainstream public financial disclosures. It is anticipated that this would signal the robustness of the data further strengthening confidence in the recommended climate-related financial disclosures.

BEC and our members welcome the Consultation Document issued by the G20 Financial Stability Board's Task Force on Climate-related Financial Disclosures in December 2016 and appreciate the opportunity to comment on these recommended disclosures.

II. Key Discussion Points

Usefulness of the Task Force's recommendations and guidance for all sectors, as well as the supplemental guidance for certain sectors, in preparing disclosures about the potential financial impacts of climate-related risks and opportunities

BEC believes that clear direction as to the importance of disclosure of these risks is very helpful for both investors and companies, many of which already make disclosures on ESG matters. It will help both sets of organisations recognise the inherent risks to the system if these disclosures are not made. We believe a common approach and structure (ie. the 4 thematic areas and sub-categories) for preparing disclosures will improve the accessibility of information and aid understanding and analysis of risks and opportunities for individual businesses related to climate change. BEC expects that these disclosures would support informed decision-making based on comparable and actionable data that reflects the likely impacts of climate change on the long-term financial sustainability of an organisation.

However, BEC suggests that the Task Force provide a narrower set of choices as to reporting under each of the 4 thematic areas as a way to promote greater consistency in the use of metrics thereby enhancing comparability. For example, the Recommended Disclosures for the Materials and Building Group suggest that organisations should disclose GHG emissions however, the Task Force does not clarify the recommended metrics. For this disclosure, possible metrics in practice include total GHG emissions, GHG emissions intensity per square metre, and GHG emissions intensity per occupant. Illustrative examples for the Real Estate Development and Management sector provide an "Example Metric" of GHG emissions intensity by occupants or square area. BEC suggests changing "Example Metric" to "Recommended Metric" thereby limiting the choices of metrics and improving the comparability of data across organisations.

Furthermore, BEC also suggests that the Task Force provide specific guidance and clarity as to the ways in which multi-sector conglomerates and holding companies should make use of the recommendations.

BEC especially commends the Task Force for mapping the recommended disclosures against other frameworks. This helps simplify the process of disclosure and reduce the additional reporting burden for companies.

The usefulness information disclosure consistent with the Task Force's recommendations to organizational decision-making in terms of investments, lending, and insurance underwriting

BEC believes that access to standardised, comparable and actionable information will enable improved analysis by investors, insurers, and other economic decision makers of current and long-term risks as well as the opportunities for the business subject to consideration. The recommendation to disclose this information in mainstream financial filings reinforces the Task Force's message that climate change impacts are material and relevant to decision-making both in the short term and the long term. BEC expects that the disclosure of the recommended information would further support and strengthen the ability of organisations to benchmark performance, advisers to provide guidance on better performance, and for Government policy-makers to understand action within their business community.

Other climate-related financial disclosures not currently included in the Task Force's recommendations

The Consultation Document outlines four thematic areas that represent the core aspects of organisational operations – governance, strategy, risk management, and metrics and targets. The Task Force provides recommendations for disclosures that cover each of the thematic areas. The recommended disclosures relevant to the the Strategy area would provide data that “is used to inform expectations about the future performance of an organisation” since it explains how climate-related issues may impact business, organisational strategy, and financial planning. In the Guidance for all sectors for the Strategy area, Recommended Disclosure b states:

“Organizations should consider including the impact on their businesses and strategy in the following areas:

- Products and services
- Supply chain and/or value chain
- Adaptation and mitigation activities
- Investment in research and development
- Operations (including types of operations and location of facilities)

[...] Organizations should also consider including in their disclosures the impact on financial planning in the following areas:

- Operating costs and revenues
- Capital expenditures and capital allocation
- Acquisitions or divestments
- Access to capital.”

BEC supports the focus on residual **impacts** on companies but considers this insufficient to assess the ways in which businesses are managing climate change risks internally as well as driving change externally. BEC suggests that the Task Force include the disclosure of **actions taken and planned** to reduce emissions, and adapt or ensure resilience to the impacts of climate change such as reducing energy use, procuring clean energy, and purchasing carbon credits. Additionally, BEC

recommends the disclosure of actions beyond an organisation's operations including, but not limited to,

- ways that organisations are engaging with their value chain partners in the overall climate change strategy; and
- ways that an organisation is engaging in activities that may directly or indirectly influence public policy on climate change in their area to facilitate reduction in emissions and an increase in resilience.

The usefulness of a description of potential performance across a range of climate-related scenarios, including a 2°C scenario, to understanding climate-related impacts on an organisation's businesses, strategy, and financial planning

BEC believes that scenario planning is of major importance in helping investors, insurers and other interested parties fully understand exposure to financial and non-financial risks in the short, medium and long-term. The strategic roadmaps that arise for different scenarios provide organisations with a range of flexible actions to address the potential financial and non-financial impacts of climate change. As such, sharing how these strategies will perform under these different scenarios provides insight into an organisation's actions to mitigate risks and take advantage of opportunities, as they arise, in a robust and strategic manner. BEC suggests some guidance as to the relationship with current views on commercially sensitive information as this may otherwise be a barrier to a good response to the guidance.

III. In Closing

As a key member organisation representing the business community in Hong Kong, BEC welcomes the opportunity to submit its views in response to the *Recommendations of the Task Force on Climate-related Financial Disclosures* issued in December 2016. If there are any questions or concerns in regards to the content of this submission, please contact our Chief Executive Officer, Mr. Adam Koo, at adam@bec.org.hk.

Yours sincerely,



Mr. Richard Lancaster
Chairman, Business Environment Council

Submitted by Business Environment Council Limited
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