

Survey Insights: An analysis of the 2019 Task Force on Climate-related Financial Disclosures (TCFD) survey



About the TCFD survey

This survey, conducted by the McGuinness Institute and Simpson Grierson, was designed to provide an insight into the experiences and expectations of New Zealanders interested in the *Recommendations of the Task Force on Climate-related Financial Disclosures* (TCFD). We are particularly interested in what additional guidance or skills might be needed over the next few years to improve reporting against the TCFD recommendations.

About the TCFD

The Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD) to develop 'voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders'. The Climate Disclosure Standards Board (CDSB) and the Sustainability Accounting Standards Board (SASB) are working together to support the intent of the Recommendations of the TCFD, issuing the *TCFD Implementation Guide* (May 2019) and the *TCFD Good Practice Handbook* (September 2019). The *Handbook* provides real-world examples of TCFD 'aligned disclosures in mainstream reports across many G20 countries'.

About Simpson Grierson

Simpson Grierson is one of New Zealand's largest leading full-service commercial law firms. The firm recently appointed Mark Baker-Jones as a special counsel to lead their climate change practice.

About McGuinness Institute

The McGuinness Institute is a non-partisan think tank working towards a sustainable future for New Zealand. The Institute undertakes research and analysis with a view to contributing to a national conversation on New Zealand's long-term future. The Institute is currently preparing a comprehensive research report into whether New Zealand's reporting framework is fit for purpose. This will be published early in 2020.

Special thanks

Thank you to the survey respondents for completing this survey at such a busy time of year. Your comments and feedback were thoughtful and thought-provoking. Responses will help the Institute and hopefully other policy analysts develop their thinking and planning for 2020.



Timing and criteria expectations of the TCFD

A. TIMELINE | Expectations for Mandatory Implementation

Question: Do you think it will become mandatory (comply-or-explain) to include climate-related financial disclosures (TCFD disclosures) in annual reports in New Zealand for the following types of organisations? [All respondents]

This question aimed to understand expectations as to when the TCFD is likely to become mandatory (comply-or-explain). Four time periods were offered, one of which was never.

The survey illustrated a three-staged approach:

i) Before 2022: government departments, oil, gas and coal users and companies, councils and state-owned enterprises.

Statistics

Government departments

56% of all respondents thought that it will become mandatory for government departments to include TCFD disclosures in their annual reports before 2022.

Oil, gas, and coal

54% of all respondents thought that it will become mandatory for oil, gas, and coal 'users' (such as airline companies or power stations) to include TCFD disclosures in their annual reports before 2022.

52% of all respondents thought that it will become mandatory for oil, gas, and coal 'companies' (such as extractors, importers or distributors) to include TCFD disclosures in their annual reports before 2022.

Livestock

17% of all respondents thought that it will become mandatory for livestock organisations and large private companies to include TCFD disclosures in their annual reports before the financial year of 2022.

Private companies

17% of all respondents thought that private companies [large only] will never be required to include TCFD disclosures in their annual reports.

ii) Between 2022 and 2025: If not earlier, registered banks and licensed insurers, construction companies, lifeline utilities, overseas companies, NZX-listed companies, FMC reporting entities and livestock.

iii) After 2026: If not earlier, large private companies and charities.

Survey results suggest that respondents consider mandatory (comply-or-explain) TCFD reporting will be implemented before 2025.

Comments

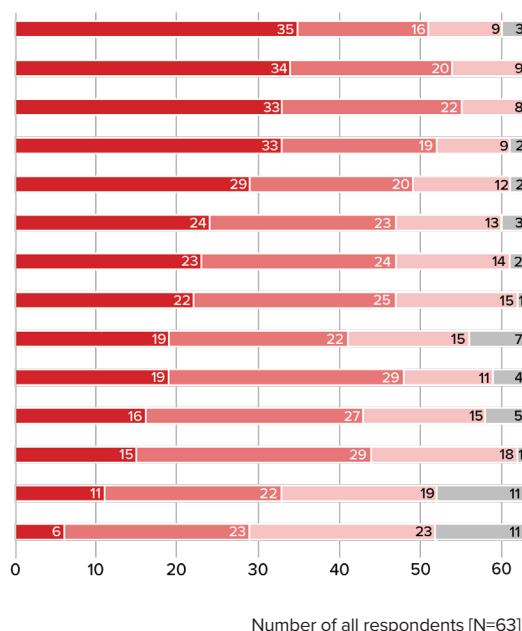
[Since the October workshop] 'I have become an advocate as we must move more quickly than is currently happening to come to grips with climate change impacts. Possibly people are frozen [by] the enormity of the task. But if a series of workshops can show the way then that might help. The government must take a lead and so all government departments and local bodies must report on a mandatory basis and also organisations with high emissions. Large corporates must also take a lead, but I fear that there are many climate sceptics (privately at least) among our leaders. That is an issue that must be explored.' – An investor

'Another layer of subjective reporting that may provide a feel good perspective to company reporting but the time required and cost of compliance are unlikely to provide any real benefit to the company or user of the reports.' – An investor

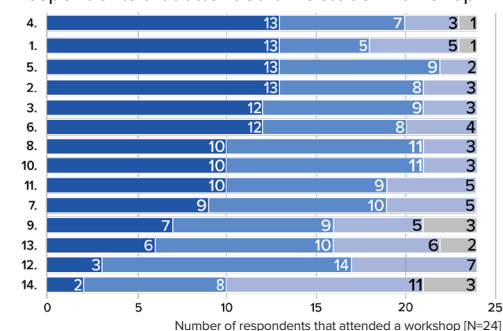
'I have brought TCFD up with two share brokers, including one of NZ's largest. On both occasions, the reaction was that business as usual will continue. Climate crisis was certainly not high on their agenda. Some firms even struggle to allow voting rights to be proxied to NZSA, thus removing much of the voice that retail investors have.' – An investor

All respondents

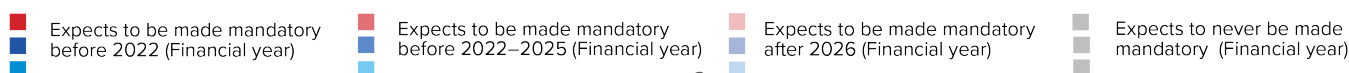
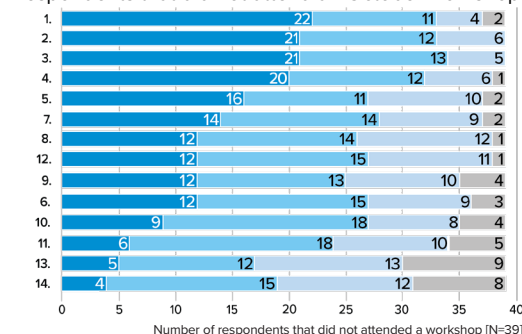
1. Government departments [All]
2. Oil, gas and coal users (such as airline companies or power stations) [Large only]
3. Oil, gas and coal companies (such as extractors, importers and distributors) [Large only]
4. Councils [All]
5. State-owned enterprises [All]
6. Registered banks and licensed insurers [All]
7. Construction companies [Large only]
8. Lifeline utilities [All]
9. Overseas companies [All]
10. NZX-listed companies [All]
11. FMC reporting entities (other than NZX-listed companies, and registered banks and licensed insurers — see below) [All]
12. Livestock (such as large farms, factories or companies) [Large only]
13. Private companies [Large only]
14. Charities [Large only]



Respondents that attended an October workshop



Respondents that did not attend an October workshop



Question: What characteristics do you consider important for determining the application of a possible mandatory (comply-or-explain) TCFD reporting requirement? [All respondents]

This question aimed to explore what criteria should be considered for determining whether an organisation should publicly report on TCFD or not.

The survey found that there was strong support for emissions forming one of the criteria. There was also strong support for revenue and total assets, followed by number of employees.

Survey results suggest respondents consider that a mix of criteria may be appropriate, such as total emissions, annual revenue, total assets and number of employees.

Statistics

91% of respondents considered 'total emissions' to be an important characteristic to determine the application of mandatory reporting requirements of the TCFD.

60% of respondents considered 'annual revenue' to be an important characteristic to determine the application of mandatory reporting requirements of the TCFD.

56% of respondents considered 'total assets' to be an important characteristic to determine the application of mandatory reporting requirements of the TCFD.

25% of respondents considered 'number of employees' to be an important characteristic to determine the application of mandatory reporting requirements of the TCFD.

'Other' characteristics respondents identified were:

- Industry/sector characteristics (3)
- Landfill waste (tons) as a % gross inputs (tons) (1)
- Importance of assets or services to the community (1)

Comments

'Total emissions would need to include scope 3 sold products.' – A preparer

'I believe central and local government and their entities must lead. The private sector must follow quickly.' – An investor

'The nature of the industry or company is also relevant. There is more pressure for farming, oil and gas and government agencies to report compared to that of company selling insurance or something that's less direct to emissions.' – A policy analyst

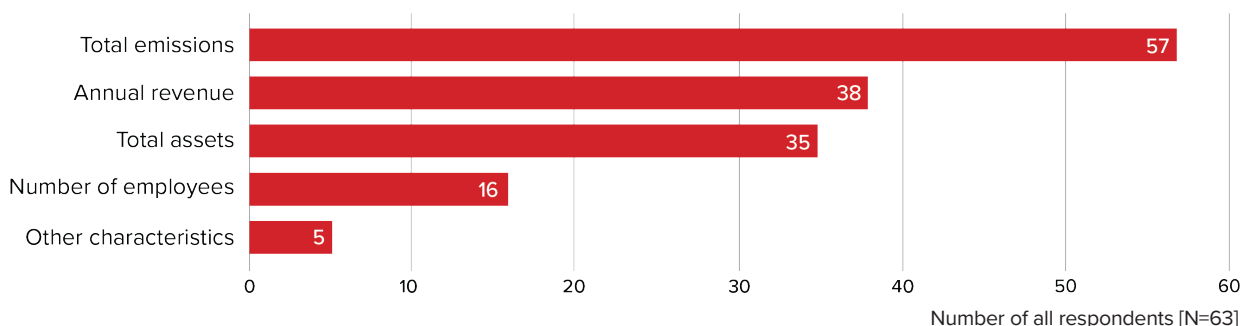
'Banking and insurance given they are systemically important businesses.' – An investor

'The magnitude of the impact climate change has on the organisation (rather than the other way around through carbon emissions). Having said so, I appreciate this is very difficult to measure and assess, hence size will more likely be defined by old-school metrics as outlined above.' – A consultant

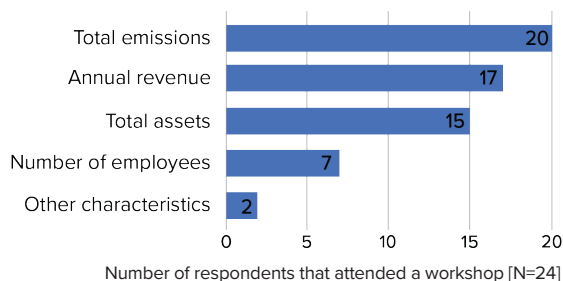
'As per the SECR legislation in the UK but revenue/turnover numbers need to be NZ-relevant.' – A CarboNZero accredited certification provider

'Reporting quantitative measures of outcomes vs. targets over [a] period, e.g. power saved, water saved, landfill waste reduction etc. Suggest taking the best of foreign companies already providing these reports – and there are plenty of them – and perhaps simplifying the requirements for smaller organisations. Big companies have the resources to comply, but small companies are already suffering from regulation overload and the cost and resource burden it carries.' – An investor

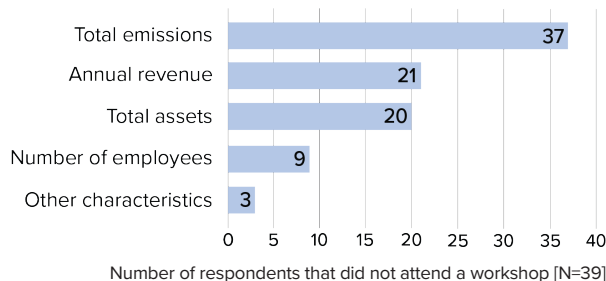
All respondents



Respondents that attended an October workshop



Respondents that did not attend an October workshop



More about the 11 TCFD Disclosures

Question: Rank the 11 TCFD disclosures in order of difficulty to prepare and report against.

Statistics

Metrics & Targets (ranks 1st hardest of the four)*

49% of respondents ranked the TCFD disclosure *Metrics & Targets c) as 'very difficult' to prepare and report against.

48% of respondents ranked the TCFD disclosure Metrics & Targets b) as 'very difficult' to prepare and report against.

40% of respondents ranked the TCFD disclosure Metrics & Targets a) as 'very difficult' to prepare and report against.

Strategy (ranks 2nd hardest of the four)*

48% of respondents ranked the TCFD disclosure Strategy c) as 'very difficult' to prepare and report against.

Governance (ranks 3rd hardest of the four)*

70% of respondents ranked the TCFD disclosure Governance b) as 'not difficult' to prepare and report against.

62% of respondents ranked the TCFD disclosure Governance a) as 'not difficult' to prepare and report against.

Risk Management (ranks 4th hardest of the four)*

* Approximate; based on 'all respondents' graph opposite.

This question aimed to learn what types of disclosures people considered difficult to make. This question set the context for a deeper discussion as to what types of guidance and workshops would be required going forward (see pages 6–8).

The survey results found that the more difficult TCFD disclosures were 'metrics and targets' and 'strategy'. This suggests respondents would like more guidance on forward looking information, particularly relating to metrics and targets, and strategy disclosures.

Comments

'It's pretty clear that directors already have a responsibility around climate change. Keep that to the forefront as this is not something new just a framework to ensure comparability and consistency.' – A preparer

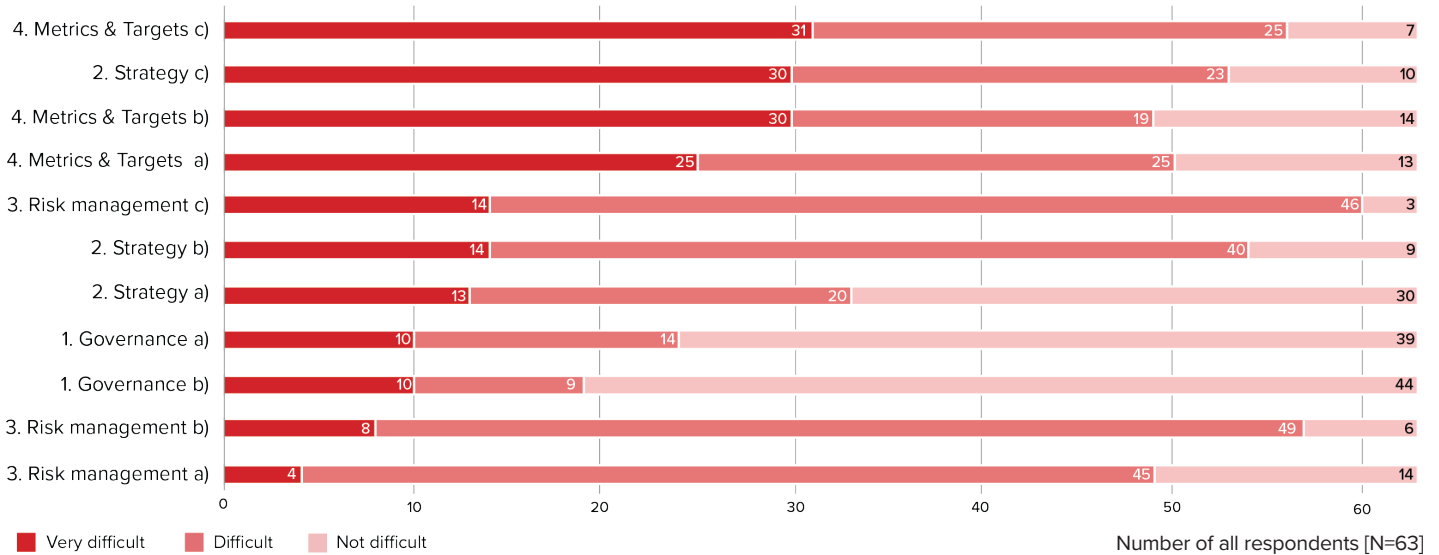
'Climate models vary in their predictions according to information loaded. Multiple factors have to be considered, the challenge is for the government to provide reasonable and practical guidance to everyone concerned. We cannot expect or make individuals decipher masses of information and mis-information on climate (which is non-linear and subject to many chaotic influences).' – An investor

'The TCFD needs to recognise the same verification standards as the CDP (global coverage) and SECR regulation (UK).' – Other

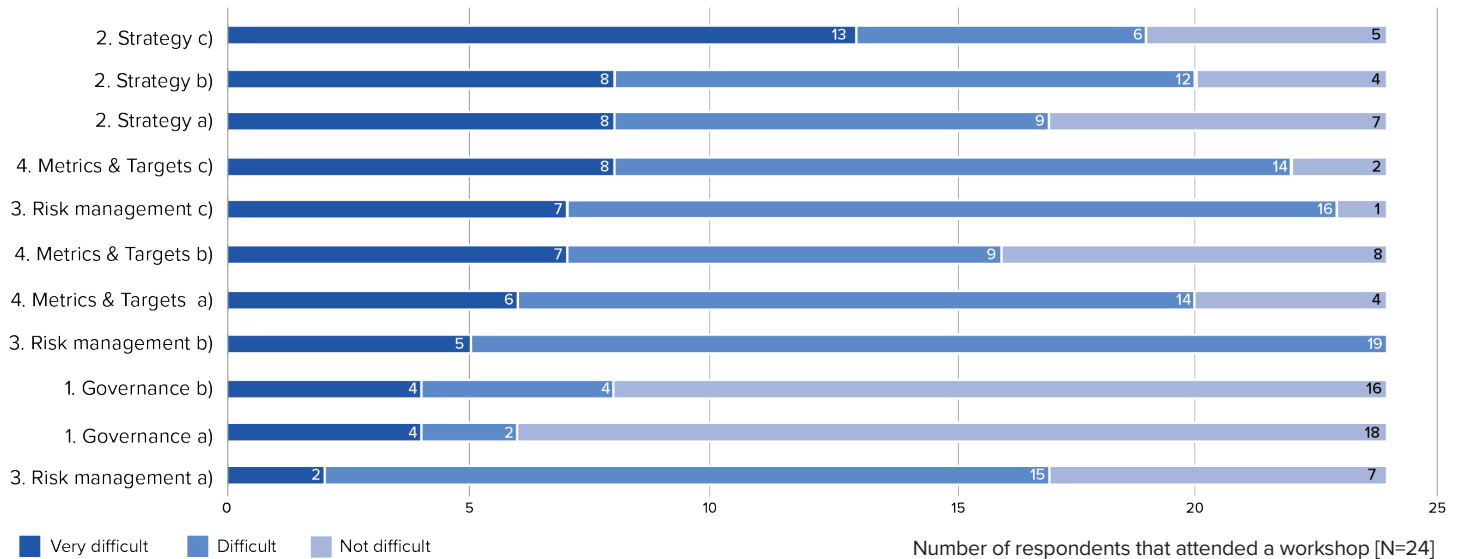
Table 1: The 11 TCFD disclosures sit within the four core elements, in the sequential order of governance, strategy, risk management, and metrics and targets

1. Governance	2. Strategy	3. Risk Management	4. Metrics & Targets
Disclose the organisation's governance around climate-related risks and opportunities.	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.	Disclose how the organisation identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	a) Describe the organisation's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	b) Describe the organisation's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

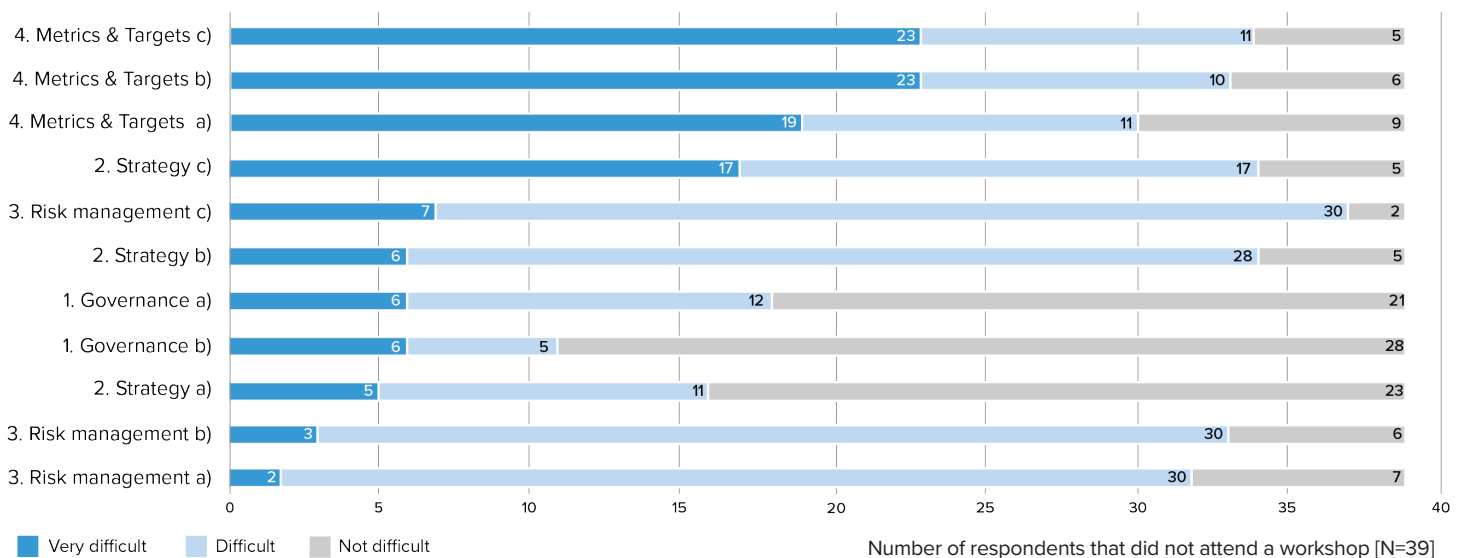
All respondents



Respondents that attended an October workshop



Respondents that did not attend an October workshop



Next Steps

Question: Did the workshop change your perspective on climate-related reporting generally, or on TCFD reporting in particular? If so, how? [Attendees only]

Investor

'Yes. I have some catching up to do on this subject area. As part of this, I found the workshop very helpful. For me it was an introduction to TCFD and the focus that needs to be applied to questions of business sustainability in a rapidly changing world.'

'Information download regarding TCFD in particular occurred. I am reasonably up to date on IPCC reports. TCFD has faults, but will at least get some reporting and thinking occurring regarding the climate crisis and impacts.'

'Yes. I am much more aware of how better risk management and reporting will lead to better decisions and climate-related outcomes.'

Assurance provider

'Yes, it's going to become a must.'

'Yes. I hadn't previously considered climate related reporting matters, but can now see why this is important and have some practical guidance and initial thoughts on how this could work in practice.'

Preparer of annual reports (e.g. CEO, CFO, or other staff)

'The workshop built on the basic knowledge I had on TCFD and solidified my opinion that it is the leading international climate-related reporting framework.'

'[I] was unaware of TCFD prior to workshop so yes, it changed my view markedly.'

Board member

'Yes [I] became aware of the value of reporting.'

Other

'Yes. The graphs were particularly helpful! I was surprised to learn how irregular the different reporting processes were. Seemed quite haphazard across the board. The Institute's research really shed a light on this.'

'[The workshop] was useful to understand principles and see the alignment with other reporting frameworks such as GRI and IR.'

'No. [The workshop] has deepened my understanding etc., but not changed my perspective on climate-related reporting.'

'It was very informative, and I feel much better informed about the opportunities and challenges ahead.'

'Yes, we need to act soon on a framework for reporting on climate change reporting, with financial disclosures to satisfy the user-needs of investors. Specifying this subset will be difficult but crucial.'

'I would not say that it changes my perspective, because I was already very behind it. What [the workshop did] was provide more insight.'

'I had an awareness of the TCFD. However, the workshop gave me greater insights, [many] of which resonated with me. So my support for TCFD has substantially increased.'

'It helped me get clarity on the inverse link between physical and transition risk.'

Question: Would you be interested in attending a workshop in 2020 on scenario development, with a particular focus on how to apply TCFD disclosure 'Strategy c): Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario'? [All]

1. Regarding 2020 workshops (participants)

Comments on 'combined' public/private sector workshops

'The workshop should probably include people from both the public and private sectors and as many different industries as possible so they can learn from each other's experience and views. Should also include some 'younger' people/students as well who could bring a different perspective to the workshop.' – Other

'Workshop should have both private and public sector groups if possible to enhance intergroup communications. From my perspective, the content should present the latest science – preferably that of IPCC plus more recent research to ensure we are all using the same information base. Three-day length, preferably in Wellington in winter to maximise attendance.' – Other

'The group should be incorporating all aspects of both private and public with leaders and thinkers in both sectors. The group should reflect diverse ways of thinking that will be able to have mature and informed discussions that at times may be uncomfortable.' – Other

'I think it would be of interest to both public and private sector groups and that it would be a shame to limit participation. Given the topic/theme above, it could possibly require a two day workshop. I have no particular insight into the most appropriate time of year other than to avoid scheduling around key work times like financial year end and reporting times and holidays. It would seem likely that there would be enough interest to run workshops in Auckland; Wellington and Christchurch but obviously this would require testing before commitment.' – An investor

'General coverage OK, unless huge take up that makes it sensible to split into sectors. 1 day. Wellington please. Flexible re time of year.' – Other

'I would not separate public and private sector. I think we can learn off each other. Length = one day. Location = Auckland. Time = any time.' – Other

'If the group was non-specific it would help organisations and businesses to accept that this applies to all and move forward together. If the group was based on industry there could be a willingness to share how this could be achieved'

in their sector. Sharing ideas can potentially achieve change faster, provided there is general commitment. What is going to happen to our grandchildren and future generations if we don't address this? Prove with 8–10 easy to understand but significant statistics and supported by environmental picture changes ...' – Other

Comments on 'separate' public/private sector workshops

'Workshops for particular sectors. But with examples from other sectors.' – A board member

'Dividing it into sectors would be more useful. One day realistic, [in] mid-year.' – A preparer

'It might be useful to split into private and public sector streams at some point. This year's workshop was a good format and length and timing.' – An assurance provider

'I thought the workshop delivered in Wellington was excellent in terms of content, length, scope etc. As a next step, it may be beneficial to deliver sector relevant sessions to build depth of knowledge across a sector. If the Government decides to adopt the TCFD reporting then sessions related to preparation of this reporting would be useful. Maybe as modules for the four components (governance, strategy, risk, metrics).' – Other

'The workshop should be for both. It should focus on large emitters which should include group large emitters (e.g. livestock farming, transport, building industry to discuss mitigation possibilities and new laws to encourage greenhouse gas emissions.' – An investor

'Will probably work best where there is a commonality of sector/shared interests – whether public or private. Otherwise, any feedback/conclusions will be a bland mumble. Timing should be outside peak travel times, ideally with adequate parking.' – An investor

'It would be best to limit to specific groups so that they are not too large and information can be targeted to their situations.' – An investor

Comments specific to the private sector

'From our consultancy point of view, it would be most useful to be specific to the private sector as the work we do is mostly with private sector clients who are struggling to produce Sustainability reports without outside agency support.' – Other

'Private sector, could be useful to think about using TCFD sectors where there is a sector guide. But maybe NZ too small. Half day max. Maybe May or Oct to hopefully miss reporting windows. Main centres with webinars available.' – A preparer

'Needs to be one day (potentially a series of days over time) with an experienced trained facilitator (so many of these types of initiatives fail because the facilitation is flawed). Need to begin by clarifying terms such as resilience (e.g. is it about organisational sustainability, capability to act, capability to deliver, ability to collaborate etc.?), as these will impact both the obvious (metrics) and the engagement of organisations to put efforts into accurate disclosures vs. finding ways to fudge figures. Should start with private companies as these have true incentives to change through social licence to operate. 'Location is irrelevant but incentive to participate is vital. Suggest you start with big corporates who have the pockets to invest in this.' – Other

Comments specific to the public sector

'For government [and] councils clear reporting parameters are needed. The workshop should include how to find reporting information such as emissions levels and how to go about keeping a clear record of emissions data to report back on. The workshop should also include how to monitor and implement physical actions to reduce emissions or impact on climate change.'

... It's all good to set targets but government agencies need clear methods to gather the data, report on the data and implement changes for monitoring purposes. A workshop with speakers or projects that focus on a practical methods agencies can use to lower their emission would be highly beneficial and how to collect and report on data is also needed. Data that can be compared to other agencies e.g. other councils would be helpful for this to occur the data has to be collected and be similar to one another (apples to apples).' – A policy analyst

Comments specific to academics

'To academics like me who teach these and research on these. Performance indicators used how these are related to the strategic aim of the entity.' – Other

'I would like to suggest a half-day workshop specific for academics and students in Auckland, preferably in July/August.' – Other

2. Regarding 2020 workshops (content)

'How many companies have taken actions in terms of TCFD and what are the actions? Identify roadblocks, why it is hard. Possible route/solution. Benefit Length: no more than half day. Location: Auckland. Time: April or May.' – Other

Comments specific to scenarios

'Examples of scenario modelling and how to achieve this. It would be interesting to hear about a range of example and what is the extent of modelling that takes place. 1/2 day workshop. Major centres (Auckland, Wellington And Christchurch). Second half of 2020.' – Other

'It would be useful for the workshop to address the steps for scenario modelling and identify estimated resources, time and cost for small, medium and large businesses.' – A preparer

'Scenario planning requires different types of datasets for 'physical risk scenarios and transition risk scenarios. I think it would be useful to discuss what type of datasets are needed, where they can be sourced from, how much it generally costs to obtain them, and whether it's possible to develop sufficient data sets internally. At the moment the public sector will be captured under the adaptation reporting power in the ZCA so I am not sure they will be required to conduct scenario planning for TCFD reporting purposes. So I think the workshop would be better suited to the private sector. The workshop should be around 2–3 hours, in Wellington and a few months before the end of the financial year so attendees can get an idea of whether they could include budget for scenario planning in the following financial year.' – Other

'I would welcome a day session to go through say three case studies in considerable detail. I found the exercise we did extremely useful from the physical and transition perspective.' – Other

Question: Please share any other comments

'The TCFD workshops and the proposed follow up activities are very positive initiatives.' – An investor

'What about regulations and disclosure on particle size as opposed to volume/weight of C?' – An investor

'Given the government's proposed consultation I think it unlikely for any company to have to report against TCFD by 2022, but expect mandatory legislation by then with mandatory reporting requirements to be met by FY 2022–2023.' – A preparer

'I find this area of great importance and look forward to learning more about it so I can help clients to understand what is coming and how they can best approach it.' – Other

About this Survey

Data set

The primary data set [N=63] is data from all complete survey responses. The subsets are the responses from (i) TCFD workshop attendees held in October 2019 [N=24] and (ii) non-attendees [N=39]. The link to the survey was emailed to workshop attendees and other interested stakeholders, and was made available on the McGuinness Institute website.

TCFD Workshops: Practical steps for implementation (October 2019)

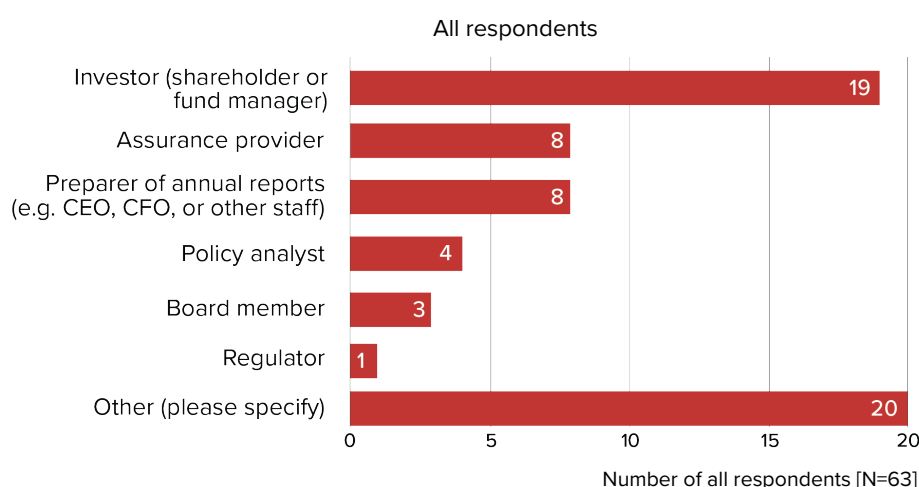
The Institute partnered with Simpson Grierson to deliver two workshops in Auckland and Wellington on 16 and 17 October 2019 respectively to explore the *Recommendations of the TCFD* (the Financial Stability Board's Task Force on Climate-related Financial Disclosures). Particular thanks must go to Michael Zimonyi, the Policy & External Affairs Director of the Climate Disclosure Standards Board (CDSB), who facilitated the workshops, and to Hon James Shaw, Minister for Climate Change, who joined us in Wellington to share a government perspective.

Notes

Note 1: When preparing the graphs on page 5, we grouped together the three most difficult as 'very difficult', the next five as 'difficult' and the last three as 'not difficult'.

Note 2: As nearly every respondent provided comments, they could not all be listed. The comments selected were those that provided good context and representative feedback regarding the subject matter. We want to especially thank all the positive comments, which we certainly appreciated, but have not repeated here.

Question: In what capacity are you primarily answering this survey?



[N=63] 'Other' participants were: Citizen [5], Consultant [4], Researcher [4], Accountant [2], Actuary [1], Associate [1], Communicator [1], Legal advisor [1], Student [1]

[N=24] 'Other' participants were: Consultant [3], Citizen [2], Actuary [1], Communicator [1], Researcher [1]

[N=39] 'Other' participants were: Citizen [3], Researcher [3], Accountant [2], Associate [1], Consultant [1], Legal advisor [1], Student [1]

