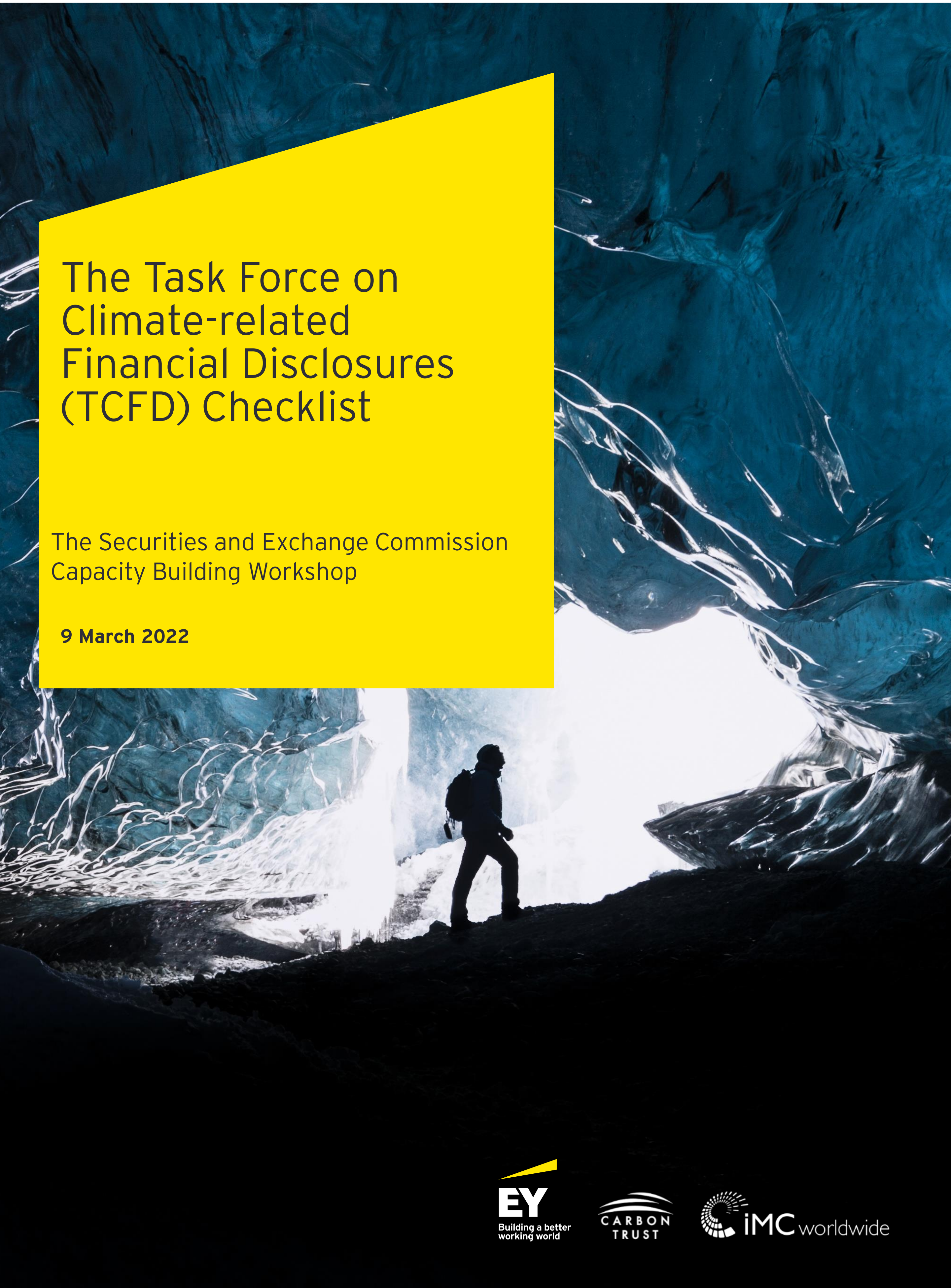

The Task Force on Climate-related Financial Disclosures (TCFD) Checklist

The Securities and Exchange Commission
Capacity Building Workshop

9 March 2022

Disclaimer

The views of third parties set out in this webcast are not necessarily the views of the EY organization or any of its member firms.

This material has been prepared for general informational and educational purposes only and is not intended, and should not be relied upon, as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

Neither the EY organization nor any of its member firm thereof shall bear any responsibility whatsoever for the content, accuracy, or security of any third-party websites that are either linked (by way of hyperlink or otherwise) or referred to in this presentation.

The Securities and Exchange Commission Capacity Building Workshop

The Task Force on Climate-related Financial Disclosures (TCFD) Checklist

For companies that are new to the TCFD, below is a checklist of practical steps to implement to start to align with the recommendations. Although designed to help companies to translate the guidance and prioritize actions for implementation, **this checklist is non-exhaustive. Please refer to the formal "Recommendations of the Task Force on Climate-related Financial Disclosures" to ensure compliance.**

1. Form an internal TCFD working group

- **1.1** Designate a climate 'champion', ideally from senior management or the Board, who can lead the team to embed climate change across existing processes and set the strategy
- **1.2** Engage representatives from various business functions and departments (e.g., sustainability, finance, investor relations). If the organization has different business units, include representatives from each

2. Conduct a gap analysis of current climate-related processes and disclosure

- **2.1** Review whether the company is already collecting climate-related data and leverage current disclosure (if any), such as Form 56-1, GRI, CDP and DJSI. If yes, assess whether the disclosure can be applied to TCFD
- **2.2** Evaluate internal risk management processes and consider whether they can be adapted to incorporate climate-related risks

3. Integrate climate change into the governance structure. Refer to the Series 1 presentation, pages 35-37 and 41-43 for real-life examples

- **3.1** Delegate climate-related responsibilities to specific executives and/or board committees and clarify oversight and reporting lines. Responsibilities should cover climate-related risk assessment, monitoring and reporting
- **3.2** Engage the Risk and Audit Committees. The Risk Committee evaluates financial impacts of risks to business, while the Audit Committee can ensure the quality assurance of climate-related disclosure with the same rigor as that of financial disclosure
- **3.3** Provide climate risk training to the board, senior management and personnel involved
- **3.4** Incorporate climate risk into the Board committee's terms of reference
- **3.5** Update relevant Board committee(s) regarding progress on implementing climate risk management and report on risk metrics on a regular basis

Sources:

1. "Checklist: how to prepare for the TCFD Recommendations", Climate Disclosure Standards Board, April 2017
2. "Downloadable Training Pack", Climate Disclosure Standards Board via TCFD Hub, December 2021
3. "How to implement risk management to drive development impact", EY, June 2020
4. "Series 1 – Climate-related disclosure and implementation", "Series 2 – Climate risk management, climate scenario analysis and implementation", EY, March 2022
5. "Webinar How to prepare for the TCFD recommendations", Climate Disclosure Standards Board, July 2017

Note that Steps 4 and 5-7 can be conducted in parallel. Nevertheless, they are broken down for reference below.

4. Embed climate change, which should be treated as a financial risk, into existing risk management frameworks, accounting for its long-term, geography-specific and systemic nature

4.1	Identify and assess climate-related risks: conduct a materiality analysis to determine business exposure to sectors and geographies that are vulnerable to physical and transition risks, respectively
4.2	Re-evaluate own risk taxonomies and identify existing risk types that are affected by climate change (e.g., financial, strategic and operational)
4.3	Decide whether to treat climate risk as a standalone or cross-cutting risk type. Once confirmed, develop the climate risk appetite statement or update existing risk appetite statement and develop the climate-related metrics to track those risks under an agreed-upon threshold
4.4	Report on climate-related risk metrics to the Board and senior management
4.5	Address climate risk by aligning the exposure with risk appetite and business strategy (e.g., through mitigation, adaptation, resilience, or transfer or hedging)
4.6	Review and update existing processes regularly to stay on top of emerging risks

5. Conduct climate scenario analysis and embed climate change into business strategy. Companies may start with qualitative scenario narratives, and as they gain experience, apply quantitative analysis

5.1	Identify possible business exposures to climate-related risks (using the outputs of Step 4 as a starting point): examine transmission channels, identify climate-related risks and conduct an exposure analysis
5.2	Develop climate-related scenarios, by selecting the appropriate socio-economic, technological and climate policy contexts, and emission and temperature pathways. Decide whether to build a bespoke, in-house climate risk model or purchase from a vendor. Choose appropriate parameters, assumptions (e.g., discount rate, carbon price and energy demand and mix), analytical choices (e.g., timing of implications and scope of analysis), and business impacts or effects (e.g., on earnings or costs)
5.3	Review at least two different scenarios to compare and prepare for varying degrees of severity

Sources:

1. "Checklist: how to prepare for the TCFD Recommendations", Climate Disclosure Standards Board, April 2017
2. "Downloadable Training Pack", Climate Disclosure Standards Board via TCFD Hub, December 2021
3. "How to implement risk management to drive development impact", EY, June 2020
4. "Series 1 – Climate-related disclosure and implementation", "Series 2 – Climate risk management, climate scenario analysis and implementation", EY, March 2022
5. "Webinar How to prepare for the TCFD recommendations", Climate Disclosure Standards Board, July 2017

6. Assess the financial impact of climate risk on company financials (i.e. on revenues, expenditures, assets, liabilities and capital)

6.1	Choose the appropriate impact assessment tools to determine the change in the selected risk metrics for each scenario. The tool can assess the extent to which the business model can withstand macro-economic stresses, or be asset- or company-specific, which may vary by sector and firm
6.2	Assess the potential impact of climate issues on the selected financial metrics

7. Assess the resilience of the business strategy, accounting for the climate scenarios conducted

7.1	Evaluate the impact of climate-related issues on the business, strategy and financial planning in the areas including products and services, supply chain, investment in research and development, and operations
7.2	Incorporate climate-related issues into the financial planning process (i.e., capital planning and allocation)

8. Engage with investors and regulators to gain feedback on which climate-related financial risks and to what extent they expect disclosure on a regular basis

8.1	Regularly communicate with the investors to ensure that the disclosure meet investors' requirements

9. Disclose progress, which includes deciding how to integrate climate disclosure into the organization's current disclosure

9.1	Confirm which report(s) the climate risk disclosures will be incorporated into, taking into account TCFD recommendations (e.g., in annual financial filings, integrated report, annual report or sustainability report)
9.2	Ensure that all four elements of the TCFD recommendations (i.e., Governance, Strategy, Risk Management, Metrics and Targets) are addressed

Sources:

1. "Checklist: how to prepare for the TCFD Recommendations", Climate Disclosure Standards Board, April 2017
2. "Downloadable Training Pack", Climate Disclosure Standards Board via TCFD Hub, December 2021
3. "How to implement risk management to drive development impact", EY, June 2020
4. "Series 1 – Climate-related disclosure and implementation", "Series 2 – Climate risk management, climate scenario analysis and implementation", EY, March 2022
5. "Webinar How to prepare for the TCFD recommendations", Climate Disclosure Standards Board, July 2017

EY | Building a better working world

EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EYG no. 002037-22Gbl

ED None

UEN 201911025K

ey.com