Embarking on the TCFD journey
A briefing guide
Introduction & contents

Embarking on the TCFD journey
Luminous has developed this briefing guide for UK-listed companies starting out on their TCFD reporting journey.

TCFD reporting refers to the set of recommendations published by the Task Force on Climate-related Financial Disclosures in 2017. In November last year, the Financial Conduct Authority (FCA) announced that reporting against the recommendations will become mandatory in the UK from 2022, with disclosures to be included in the Annual Report.

While some of the TCFD recommendations overlap with existing non-financial reporting requirements, others do not and are likely to require new disclosures. This guide is designed to help companies navigate the recommendations, identify where existing activity and data is relevant, and pinpoint where new information is required.

We deliberately refer to this as a journey because the TCFD recommendations will apply on a 'comply or explain' basis (at least initially) and they are sufficiently flexible to allow companies add to and enhance their disclosures over time.

We hope this guide will provide a helpful and timely starting point for companies embarking on this journey.

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Acknowledgements: Luminous is most grateful to Sarah Abbot and Helen Wickham of Berkeley Group plc, Jon Harrington of Britvic plc, Richard Eadie of Severn Trent plc, Hannah Armitage of the Financial Reporting Council’s (FRC) Financial Reporting Lab and Simon Weaver of KPMG for their valuable and generous input on the research for this paper.

Harriet Rumball
Senior Investor Engagement Consultant
Luminous

Berkeley Group
BRITVIC
SEVERN TREN
KPMG
What is TCFD reporting?

TCFD stands for the Task Force on Climate-related Financial Disclosures. It was established in 2015 by the Financial Stability Board under the leadership of Mark Carney, then Governor of the Bank of England. In the context of corporate reporting, the term refers to a framework published by the Task Force in 2017 for use by companies to provide information about their climate-related financial risks to investors and other stakeholders.

The framework consists of 11 recommendations on climate-related financial disclosures structured around four thematic areas:

- Governance
- Strategy
- Risk Management
- Metrics and Targets

The recommendations are designed to be adoptable by all organisations for inclusion in companies’ annual financial filings, i.e. the Annual Report for UK-listed companies.
When does TCFD reporting become mandatory?

UK premium listed companies with reporting periods beginning on or after 1 January 2021 are now required by the FCA to adopt TCFD reporting in their Annual Report. The requirement will be rolled out more widely from the following year onwards.

Immediately following the FCA’s announcement on mandatory TCFD reporting in November 2020, the Financial Reporting Council (FRC) also announced its support for companies to report against the TCFD recommendations. For reference, at the same time it announced its encouragement for companies also to report against the Sustainability Accounting Standards Board (SASB) metrics, these being metrics designed to help companies report financially material sustainability information to investors on a sector-specific basis.

“We encourage companies to report on these areas within their next reporting cycle,” the FRC commented. However, reporting against SASB metrics is not mandatory for the time being.

Is TCFD reporting relevant to all listed companies?

The groundswell of support from governments and capital markets regulators for measures to address climate change is now evident globally. Without needing to expand on this trend, the recent launch by the Bank of England of climate stress tests for commercial lenders from June 2021 is relevant here.

In his speech at the Green Horizon Summit on 9 November 2020, Andrew Bailey, Bank of England Governor, commented:

“What we cannot measure we cannot manage, so it is important that financial firms and their clients use the TCFD framework and the latest tools available to measure, model and disclose the climate risks and opportunities they are exposed to today and in different future climate scenarios…

As we have set out in our supervisory expectations, firms must assess how climate risks could impact their business and review whether additional capital needs to be held against this…

Thus, even where climate-related reporting may not feel immediately relevant to all companies, it appears likely that the provision of capital may increasingly be linked to compliance with frameworks such as TCFD.
What level of detail is initially required to comply?

The FCA has confirmed that reporting against TCFD recommendations will initially be introduced on a 'comply or explain' basis. This will be important in allowing companies to start on the journey towards TCFD reporting, with further detail provided over time.

To date, TCFD reporting has been presented in the form of an index table or a narrative, or a combination of both. While it typically features cross-referencing to various sections of the Annual Report, the inherent flexibility provided by the TCFD framework means that additional commentary, beyond an index of disclosures, can - and probably should - be provided.

The benefit of this flexibility was clearly explained by Sarah Abbot, Financial Reporting Manager of FTSE 100 Berkeley Group, which reported against TCFD for the first time in its 2020 Annual Report:

“The flexibility the TCFD framework offers is valuable in allowing each company to set out its own metrics and targets and showcase how it approaches risk management. A company can also showcase both risks and opportunities relating to climate change in an appropriate context. TCFD allows companies to set new targets as the business develops or add new targets as external situations develop. COVID-19 is a good example of when businesses may want to bring in additional targets or amend their existing targets to take account of external factors.”

Sarah Abbot
Financial Reporting Manager
Berkeley Group plc

“The flexibility the TCFD framework offers is valuable in allowing each company to set out its own metrics and targets and showcase how it approaches risk management.”
What level of detail is initially required to comply?

continued

Alongside Berkeley Group, Luminous spoke to two of its other clients which have been early adopters of TCFD reporting, each at slightly different stages in their reporting journey but sharing a clear commitment to climate-related reporting and the TCFD framework:

Severn Trent commented:
“Climate change is a key consideration in our business planning and we have a long history of reducing carbon emissions, having held the Carbon Trust accreditation for over a decade. We include in our Annual Report and Accounts which Directors possess sustainability – and, in particular, climate change – experience and expertise and last year announced our triple carbon pledge of net zero carbon emissions, 100% electric vehicles, and 100% of energy from renewable sources, by 2030.

“Importantly, we also took the decision to report against the TCFD recommendations for the first time. We published our TCFD disclosures in our Sustainability Report along with a commitment to develop science-based targets and are looking forward to building on our TCFD reporting going forward.”

Where Severn Trent has committed to publishing science-based targets, Britvic has already done so and described the process as beneficial to the business:

“We include in our Annual Report and Accounts which Directors possess sustainability - and, in particular, climate change – experience and expertise.”

Richard Eadie
Head of Corporate Strategy, Sustainability and Group Transformation
Severn Trent plc

“At Britvic, our commitment to achieving our science-based carbon reduction targets has concentrated our focus and helped us embed climate-related decision-making across our business. Specifically, our approved science-based targets mean reducing our Scope 1 and 2 emissions by 50% and our Scope 3 emissions by 35% by 2025. We have also pledged to be a carbon-neutral business by 2050.

“Clearly, we are already committed to working towards incorporating the TCFD recommendations in full and we also plan to integrate it in our internal decision making processes.”

Sarah Webster
Director of Sustainable Business
Britvic plc

“We commit to achieving our science-based carbon reduction targets has concentrated our focus and helped us embed climate-related decision-making right across our business.”
What new information, if any, is likely to be required?

Given existing non-financial reporting requirements, some of the TCFD recommendations are already being met by listed companies, for instance around greenhouse gas (GHG) emissions under Metrics and Targets. Others are likely to be underway, for instance around Governance, while others still are likely to be achievable (at least in part) within existing structures and processes, for instance around Risk Management.

That said, it is likely that new information will be required by most companies around scenario planning in response to the TCFD Strategy recommendations and, given its complex and technical nature, some investment in specialist data modelling is likely to be required.

Hannah Armitage, Project Manager at The Financial Reporting Council’s Financial Reporting Lab, acknowledged this but highlighted that, as more companies report on TCFD, the volume of data available will increase which should, in turn, open up this area of data provision:

“There is a clear need for standardisation in global frameworks but reporting against frameworks like TCFD and SASB is an important interim step. Climate scenarios are complex but as more companies consider these, and as disclosures are increasingly standardised, more data will emerge which should help make benchmarking and scenario planning more accessible.”

Hannah Armitage
Project Manager
The FRC’s Financial Reporting Lab

“There is a clear need for standardisation in global frameworks but reporting against frameworks like TCFD and SASB is an important interim step.”

What new information, if any, is likely to be required?
continued

Based on the TCFD graphic opposite we have sought to identify where companies reporting for the first time are likely to require new information in order to comply, as opposed to referencing relevant existing disclosures.

**Figure 1.** Identifying likely new information requirements versus likely relevant existing corporate disclosures

<table>
<thead>
<tr>
<th>Governance</th>
<th>Strategy</th>
<th>Risk Management</th>
<th>Metrics and Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclose the organisation’s governance around climate-related risks and opportunities.</td>
<td>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.</td>
<td>Disclose how the organisation identifies, assesses and manages climate-related risks.</td>
<td>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</td>
</tr>
</tbody>
</table>

**Recommended disclosures**

- **a)** Describe the Board’s oversight of climate-related risks and opportunities.
- **b)** Describe management’s role in assessing and managing climate-related risks and opportunities.
- **c)** Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.
- **d)** Describe the organisation’s processes for identifying and assessing climate-related risks and opportunities.
- **e)** Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.
- **f)** Describe the organisation’s processes for identifying, assessing, and managing climate-related risks.
- **g)** Describe the organisation’s processes for identifying and assessing climate-related risks.

**Luminous commentary on new and/or existing information required**

- **a)** and **b)**
  
  Mechanisms and processes at both Board and executive management  levels are likely already to be in place for ESG/CSR/sustainability issues. With timely planning, these could be extended, as required, to include climate-related issues.

- **a)** For many companies, shorter-term key risks and opportunities related to climate change will probably have been identified, if material, but additional data to assess longer-term implications may be required.  
  A holding statement on the company’s intentions/plans may therefore be required.

- **b)** As above, if material, it is probable that companies can explain how they have responded in terms of strategy and financial planning to shorter-term risks and opportunities. A description of how they intend to evolve these in the longer term may also be possible based on existing information.

- **c)** However, an explanation of how companies would respond to specific temperature/climate changes is likely to require new information, probably achieved with the help of a specialist third party.  
  As above, a holding statement on the company’s intentions/plans may therefore be required.

- **d)** It is likely that the mechanisms and processes for risk identification, management and mitigation will serve, at least initially, to address climate-related risk where it is material.

  The TCFD recommendations make a distinction in their supporting commentary between **physical risks** (such as flooding) and **transitional risks** (such as regulatory changes in response to climate change) and these should therefore be considered here.

  **Science-based targets, probably requiring specialist third-party input, have tended to be considered for year two of TCFD reporting or thereafter, as a next step in enhancing reporting.**
What information are other companies providing?

Set out in the Appendix are some (but by no means all) of the key disclosures made by a selection of companies to illustrate - at a glance - the type of content that could be considered for inclusion in year one.

The intention here is to give a flavour of the kind of information companies are providing, the level of their ambition in terms of disclosures and how they are explaining their position where more information will be provided over time.

Naturally, companies in sectors such as financial services, oil and gas, and fashion are likely to have been earlier adopters of TCFD disclosures and to be providing a greater level of detail based on scenario analysis, financial metrics and, in some instances, science-based targets.

For reference, emissions reduction targets are defined as 'science-based' if they are developed in line with the scale of reductions required to meet the goals of the Paris Agreement or COP 21 (as it was adopted at the 21st Conference of the Parties (COP 21) which took place in Paris in 2015) of limiting global warming to well-below 2°C above pre-industrial levels, and pursuing efforts to limit warming to 1.5°C.

Establishing science-based targets is likely to require specialist input.
More advanced TCFD reporting from early adopters provides a reference point for best practice. An example here is Landesbank, which includes specific financial disclosures as shown below (Figure 2).

If TCFD reporting is done well, it will reflect the strategic thinking and culture that are firmly embedded in the organisation, and it is likely that we will see the same from the early adopters of TCFD reporting over time.

For those starting out, it might be helpful to look at HSBC (Figure 3), which provides a clear and concise two-page summary.

### Figure 3. HSBC Annual Report 2019

**Task Force on Climate-related Financial Disclosures (TCFD)**

We all have a role to play in bringing climate change and supporting the transition to a low-carbon economy. We are a signatory to the disclosure recommendation by the Financial Stability Board’s Task Force. This represents our third disclosure under the framework.

**Governance**

We have an established governance framework to help ensure that risks associated with climate change are considered at the most senior level of our business.

As per Board meeting, the Directors are informed with a clear report that includes our transition risk strategy and the risks the business may face due to climate change. The Board and regional executive committees provide oversight of our strategic commitments and are advised by the independent risk management committee, which includes the Group Chief Executive and the Group Chief Financial Officer. The Board and regional executive committees provide oversight of our strategic commitments and are advised by the independent risk management committee, which includes the Group Chief Executive and the Group Chief Financial Officer. The group chief financial officer is a member of the Board, which is also a member of the Board.

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**Strategy**

As part of our approach to climate-related risk, we are building on our existing frameworks and tools to manage climate risk, including our existing risk management framework to help ensure that risks associated with climate change are considered at the most senior level of our business.

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### Figure 2. Landesbank Annual Report 2020

**Key metrics and targets**

<table>
<thead>
<tr>
<th>Climate-related financial metrics</th>
<th>Revenue</th>
<th>Costs</th>
<th>Earnings</th>
<th>Return on capital</th>
<th>Earnings per share</th>
<th>Dividend per share</th>
<th>Capital adequacy</th>
<th>Risk weighted assets</th>
<th>Total capital</th>
<th>Tier 1 capital</th>
<th>Tier 2 capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>$53.6bn</td>
<td>$43.6bn</td>
<td>$10.0bn</td>
<td>18%</td>
<td>$3.80</td>
<td>$0.40</td>
<td>8.5%</td>
<td>13.6%</td>
<td>15.9%</td>
<td>14.7%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Net income</td>
<td>$10.0bn</td>
<td>$7.0bn</td>
<td>$3.0bn</td>
<td>15%</td>
<td>$2.00</td>
<td>$0.20</td>
<td>8.5%</td>
<td>13.6%</td>
<td>15.9%</td>
<td>14.7%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

### Table 1: Wholesale loan exposure to transition risk

<table>
<thead>
<tr>
<th>Transition risk sector</th>
<th>Oil and gas</th>
<th>Power and utilities</th>
<th>Metals and mining</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of total wholesale loans to customers and banks in 2019</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>% of total wholesale loans to customers and banks in 2020</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

| Propensity of sector for which TCFD was completed | 33% | 27% | 20% | 13% | 6% |
| Propensity of sector for which TCFD was not completed | 67% | 73% | 80% | 87% | 94% |

### Table 2: Customers’ questionnaire responses and pilot carbon intensity metrics

<table>
<thead>
<tr>
<th>Oil and gas</th>
<th>Building and construction</th>
<th>Chemicals</th>
<th>Automotive</th>
<th>Power and utilities</th>
<th>Metals and mining</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of customers</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>% of customers</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
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<tr>
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<td>30%</td>
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<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
</tbody>
</table>

### Memberships

- Founding member, the Climate Finance Leadership Initiative
- Founding member, Chapter Zero: The Director: Climate Finance Member, the CFA and PwC’s Climate Finance Risk Forum (CFR)
- Chair, climate risk working group of the CFA

For further details of our sustainability-related disclosure, see www.hsbc.com/sustainability.
What does good look like? continued

A more pragmatic approach for those making disclosures for the first time could be informed by companies such as Berkeley Group, which provides a concise one-page summary and signals further disclosures to follow over time, right (Figure 4).

The index of disclosures provided by BP (Figure 5, below) is another example of clear communication which supports more detailed narrative disclosures against the four main areas of the recommendations. For reference, this sits within a larger narrative set of TCFD disclosures:

### Figure 5. BP Annual Report 2019

<table>
<thead>
<tr>
<th>TCFD recommended disclosure</th>
<th>Where reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>Page 42</td>
</tr>
<tr>
<td>a. Describe the board’s oversight of climate-related risks and opportunities.</td>
<td>Page 42.</td>
</tr>
<tr>
<td>b. Describe the management’s role in assessing and managing climate-related risks and opportunities.</td>
<td>Page 42.</td>
</tr>
<tr>
<td>Strategy</td>
<td>Page 46</td>
</tr>
<tr>
<td>a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.</td>
<td>Achieving the Paris goals, page 13 – for a discussion of the different pathways and time horizons considered.</td>
</tr>
<tr>
<td>b. Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.</td>
<td>Risk factors, pages 70-71 – description of principal risks.</td>
</tr>
<tr>
<td>c. Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</td>
<td>Achieving the Paris goals, page 13 – Our strategy, page 16.</td>
</tr>
</tbody>
</table>

### Risk Management

Describe how the organisation identifies, assesses and manages climate-related risks.

| b. Describe the organisation’s processes for managing climate-related risks. | Risk management, page 44. |

### Metrics and Targets

Describe the metrics and targets used to assess and manage climate-related risks and opportunities where such information is material.

| a. Describe the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. | Relevant group-wide metrics and targets, page 17. |
| b. Describe Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions data, and the related risks. | GHG emissions data, page 40. |
| c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. | RIC framework, page 41. (Also note: Net zero ambition and arms, page 45. |

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**Figure 4. Berkeley Group Annual Report 2020**

Berkeley welcomes the recommendations of the Financial Stability Board’s (FSB) Task Force on Climate-related Financial Disclosures (TCFD). Berkeley reports on climate-related governance, strategy, risk management, and metrics and targets in a stand-alone report as found on our website (www.berkeleygroup.co.uk/about-us/sustainability/reports-and-case-studies) and within our annual response to CDP’s Climate Change Programme. Both climate change mitigation and adaptation are key areas of focus for Berkeley, featuring prominently within our Vision and business strategy.

Berkeley continues to take actions to further implement the TCFD recommendations through the evolution of our processes and reporting mechanisms. The table below summarizes the key areas where Berkeley has already made progress and where we have reported on these.

| Governance | The Board’s ultimate responsibility for climate-related risks and opportunities. |
| Strategy | Climate change mitigation and adaptation are key areas of focus for Berkeley, featuring prominently within our Vision and business strategy. |
| Risk Management | Berkeley identifies and profiles climate change risks and opportunities facing Berkeley through the regular review of issues and trends. Active collaboration with external stakeholders, representation at conferences and events helps to ensure up-to-date knowledge. |
| Metrics and Targets | Berkeley has a broad set of climate-related metrics and targets which are reported on an annual basis. It is through Berkeley’s contribution to climate change, we have an operational carbon intensity reduction target under our Vision that is reviewed every two years to ensure continual improvement. Berkeley has also committed to procuring 100% renewable electricity for its UK operations and setting our remaining emissions to 2017-18 levels. Berkeley has broader targets for the homes and places we develop, including the provision of energy-efficient lighting and appliances, as well as enabling homes to operate at net zero energy performance. We are currently working with an external consultant to develop longer-term science-based targets for our activities. |

Berkeley will continue to work with external experts to develop science-based targets, climate-related scenario analysis and related disclosures in line with the recommendations of the TCFD. We have complied with the Standardised Energy and Carbon Reporting (SECR) framework in our emissions reporting in the Directors’ Report on pages 118 to 119.

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What does good look like? continued

When approaching cross-referencing and an index of disclosures, two practical points are worth considering:
First, many larger listed companies will already provide a response to the CDP’s annual questionnaire on climate change, forests and water security to provide an assessment of their environmental impact. This is likely to contain information that is relevant to TCFD reporting. However, rather than simply referencing their CDP responses, companies should use them as a starting point for their own TCFD disclosures.
Second, it is always helpful if the data referred to in the TCFD disclosure is located in the same publication, typically the Annual Report, or in full in one location on the corporate website to avoid a time-consuming search for information and the risk of valuable data being overlooked.
Specific aspects of others’ reporting may also be helpful to consider. These might include the following:

- **Organisational charts**
A simple but effective organisational chart is provided by Barclays (Figure 6) and an alternative is from British Land (Figure 7).

- **Opportunities as well as risks**
There is a tendency for companies to focus primarily or exclusively on risk in their TCFD reporting. Care should therefore be taken to ensure that both risks and opportunities are considered.

- **A clear roadmap to full disclosure**
The example (Figure 8) from British Land is a helpful reference point for those ready to commit to a fuller level of disclosures.

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**Figure 7. British Land Annual Report 2020**

The Board recognizes the systemic threat posed by climate change and the need to adopt mitigating actions. We have a track record of improving environmental performance, we were one of the first real estate companies to introduce stretching carbon reduction targets, and we have taken significant steps to align our approach to the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TFCD).

Our roadmap to full disclosure in 2021/22

**Figure 8. British Land Annual Report 2020**

The Board recognizes the systemic threat posed by climate change and the need to adopt mitigating actions. We have a track record of improving environmental performance, we were one of the first real estate companies to introduce stretching carbon reduction targets, and we have taken significant steps to align our approach to the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TFCD).

Our roadmap to full disclosure in 2021/22

2019/20

- **Estate governance**
  - Board-level oversight
  - Established the TCFD Steering Committee
  - Net zero strategy reviewed at the Board every three years

- **Operational accountability**
  - TCFD Steering Committee established

Two climate-workshops, including:

- Risk screens
- Physical risk scenarios

**Progress**

- Our newly-formed TCFD Steering Committee undertook two climate-risk scenarios workshops, where facilitators from Forum for the Future took the group through the latest climate science and brainstormed sessions on climate risks and opportunities.
- As part of the new sustainability strategy, we worked with experts to develop our pathway to Net Zero, including aggressive climate and energy targets. Our updated Sustainability Brief will enable annual delivery of this approach.
- The Board’s strategy away days in 2019/20 included the review and discussion of our new sustainability strategy, including the pathway to net zero.

2020/21

- **Estate exposure**
  - Physical:
    - Adapting corporate strategy
    - Adapting operational strategy
  - Transitional:
    - Adapting business strategy
    - Adapting financial planning

- **Organisational responses**
  - Portfolio-level and asset-level responses to each risk event
  - Mitigation targets
  - Risk management metrics

2021/22
Summary recommendations

For those preparing to report against TCFD recommendations for the first time, it is all about being on a journey where more detailed disclosures can be added over time, for instance with reference to scenario analysis or a company’s supply chain.

Our conversations with Simon Weaver, Co-Head of Climate Risk and Decarbonisation Strategy at KPMG, have, however, highlighted an important additional point about the way companies approach their TCFD reporting:

Those companies that are reporting on TCFD successfully are looking at it first and foremost through a strategic risk lens, as opposed to a disclosure lens.

The issue with looking at it purely through a disclosure lens, Simon explains, is that there is a risk companies will miss out on getting strategic value from the project. He also highlights that the pace at which boards are moving in this area is so fast that what is seen as good practice today may be not considered to be so in 12 months’ time:

“Climate change will impact most aspects of your operations and therefore the scenario analysis recommended by the TCFD enables you to identify where the strategic risks and opportunities are for your business.

“As more companies are performing this scenario analysis, their boards are requesting this to be quantified to enable them to compare the climate-related risks and opportunities with the wider strategic decisions they are having to make.

“The pace of change in this area means that your stakeholders’ expectations will change over the next 12 months, especially as we head to TCFD being mandated, albeit on a comply or explain basis, for all premium listed companies for financial periods starting on or after 1 January 2021.

“It’s about being on a journey, but companies should in any case be thinking about providing clear, concise, understandable and well laid out climate change and sustainability information - and have a roadmap to quantification of the material risks and opportunities identified.”

Simon Weaver
Co-Head of Climate Risk and Decarbonisation Strategy
KPMG
Summary recommendations continued

A set of key recommendations capturing these points and others is set out below:

1. The ‘comply or explain’ approach is both relevant and helpful - if it has not been possible to provide all the data, perhaps as a result of COVID-19, then it is possible to provide an explanation to reflect that.

2. Companies should aim to provide a disclosure roadmap or commentary about future disclosure plans. Some companies may initially focus on a qualitative set of disclosures with a quantitative set of disclosures to follow.

3. Climate-related opportunities as well as risks should be considered and explained wherever relevant.

4. Commentary on training around climate-related issues and/or TCFD specifically may be a useful addition to Governance disclosures.

5. Linking to purpose and values could be helpful, particularly under Governance, cross-referencing to other information in the Annual Report and helping to demonstrate that climate considerations are embedded in a company’s strategy and culture.

6. Effective use of graphics and icons, which are not widely seen in TCFD reporting, can help make the statement more accessible.
What are the next steps?

Next steps to getting started and how Luminous can help

Working closely with our clients, Luminous has developed a three-step process to prepare for a first set of TCFD disclosures in the Annual Report, as follows:

**Stage 1: Investigation, education and intelligence gathering**, consisting of the following:

- **A detailed review is undertaken** by Luminous of the client’s relevant collaterals, including corporate website content.
- **Initial TCFD briefing sessions** are held for the Sustainability and Risk teams and other relevant management, led by Luminous, to provide an overview of TCFD reporting and explain what is required, with a view to sourcing and collating all relevant information from within the organisation and identifying any significant data or process ‘gaps’.

**Stage 2: Workshop to establish a comply or explain disclosure roadmap** for year one, consisting of the following:

- **A workshop, facilitated by Luminous**, is held for the client’s TCFD working group to agree reporting objectives for year one, identify timescales for key information gathering/commissioning and allocate responsibilities in order to produce an initial disclosure roadmap.
- **A TCFD disclosure template** is provided by Luminous to be populated for the Annual Report.

**Stage 3: Support in commissioning technical data around scenario planning, as required, devising a disclosure roadmap with a two to three-year view**:

- **Some investment in third-party**, specialist advice is likely to be required in year one or thereafter around scenario modelling and, if appropriate, around establishing science-based targets.
- **Luminous has relationships** with a number of recommended third-party providers, and would be pleased to provide an introduction.

**Further information**

A Luminous podcast on TCFD reporting for the first time, featuring an interview with Simon Weaver, Co-Head of Climate Risk and Decarbonisation Strategy at KPMG, can be found on the Luminous website at [www.luminous.co.uk/insights](http://www.luminous.co.uk/insights).

Further information can also be provided direct by Harriet Rumball at harriet.rumball@luminous.co.uk or online via the TCFD Knowledge Hub at [www.tcfdhub.org](http://www.tcfdhub.org).

We hope that this briefing guide proves helpful and would be delighted to hear from you.

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Harriet Rumball
Senior Investor Engagement Consultant
Luminous
### Introduction to TCFD statements

<p>| The Group will continue to <strong>work towards</strong> the TCFD recommendations and continue to <strong>report our progress</strong> in future disclosures | Pennon |
| Berkeley continues to take actions to further implement the TCFD recommendations through the <strong>evolution of our processes and reporting mechanisms</strong> | Berkeley Group |
| The Board <strong>recognises the systemic threat</strong> posed by climate change and the <strong>need for urgent mitigating action</strong> | British Land |
| As the global climate crisis becomes more critical, we recognise the <strong>importance of addressing</strong> long-term sustainability challenges and the <strong>potential impacts</strong> of climate change on our business | Burberry |
| We are <strong>taking steps to better understand</strong> the direct and indirect impacts of climate change and water stress on our business, so that we can <strong>further develop adaptation plans</strong> to ensure our supply chains are resilient | Diageo |
| <strong>We recognise</strong> the importance of considering climate-related risks and opportunities in business decisions and strategic planning, and we <strong>acknowledge</strong> that adopting the TCFD recommendations is an <strong>important step</strong> in addressing climate change risks and supporting a transition to a low-carbon economy | IHG |
| We have made a <strong>formal commitment</strong> to implement the recommendations of the TCFD, and in <strong>2020 we will be developing a disclosure roadmap</strong> for the coming years Our <strong>values and behaviours</strong>, underpinned by our <strong>Code of Conduct</strong>, inform our decision-making at all levels | J Sainsbury |
| As signatories of the Task Force on Climate-related Financial Disclosures (TCFD), <strong>we will implement</strong> their recommendations in 2020/21. This will include using <strong>scenario modelling</strong> to further assess the impact of current and emerging climate change on our business model | Landsec |
| [We are] <strong>committed to implementing</strong> the TCFD recommendations, providing <strong>investors and other stakeholders with decision-useful information</strong> on climate-related risks and opportunities that are relevant to our business | Landsec |</p>
<table>
<thead>
<tr>
<th>Governance at Board level</th>
<th>Governance at management level</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board Sustainability Committee</strong> with membership including the CEO and CFO</td>
<td>Director of Environment and Sustainability, Group Risk Director and Group Head of Property and Facilities</td>
<td>Pennon</td>
</tr>
<tr>
<td>The Board has ultimate responsibility for climate-related risks and opportunities</td>
<td>Group Sustainability Team, plus dedicated sustainability practitioners and local management and project teams</td>
<td>Berkeley Group</td>
</tr>
<tr>
<td>The Board Risk Committee and Board Governance Committee oversee our management of climate-related risks and opportunities</td>
<td>Chief Risk Officers (CROs) are responsible for ensuring that climate-related risks and opportunities are identified, monitored and managed, overseen by the Group CRO. There is also a group-wide climate-related risks and opportunities project underway.</td>
<td>Aviva</td>
</tr>
<tr>
<td>Responsibility has been taken up by the Board, where previously it was overseen by the Board Reputation Committee</td>
<td>A senior TCFD Forum has been established, chaired by the Global Head of Sustainability and ESG</td>
<td>Barclays</td>
</tr>
<tr>
<td>Our Board Director responsible for climate-related issues is [the] CFO. The Board CSR Committee meets three times a year and oversees the delivery of the sustainability strategy</td>
<td><strong>Newly formed TCFD Steering Committee</strong></td>
<td>British Land</td>
</tr>
<tr>
<td>Sustainability Steering Group (SSG) is chaired by the CEO and is attended by the CFO</td>
<td>A Sustainability Steering Group (SSG) is in place as well as a cross-functional TCFD working group which reports to the Risk Committee chaired by the CO&amp;FO. The Remuneration Committee is considering how to include non-financial performance metrics including the achievement of ESG targets for senior leaders across the Group</td>
<td>Burberry</td>
</tr>
<tr>
<td>The CEO is the main Board member with overall accountability for sustainability. The Responsible Business Committee, a principal committee of the main Board, oversees the management of our climate related risks and opportunities</td>
<td>The <strong>Sustainability Committee</strong> oversees the performance of our climate-related activity. Each year senior managers from the various business functions report their key risks (which include sustainability/climate change-related risks) to the Executive Committee</td>
<td>Derwent London</td>
</tr>
<tr>
<td>Corporate Responsibility and Sustainability Committee is in place. The Board is accountable for the delivery of the seven pillars of our Net Zero plan and we will report progress against each of them at our interim results in November</td>
<td><strong>Net Zero Steering Group</strong>, along with specific working groups</td>
<td>J Sainsbury</td>
</tr>
<tr>
<td>The CEO has overall responsibility for climate-related risks and opportunities. The Audit Committee supports the Board in the management of risk, which includes climate-related risks. The <strong>Sustainability Committee</strong> is chaired by the CEO</td>
<td>The <strong>Sustainability Committee</strong> is attended by our Group Corporate Affairs &amp; Sustainability Director, Group HR Director and senior representation from portfolio management and development teams. Both the Executive Directors and Risk Champions are responsible for climate-related risk and ensuring integration with the overall risk management process</td>
<td>Landsec</td>
</tr>
</tbody>
</table>
In May 2019, the Responsible Business Committee received training on TCFD. To support the broadening of their remit, senior leaders will receive climate crisis training. This will outline the risks and opportunities that climate change poses to WPP and its largest clients, while enabling our leaders to take progressive measures to mitigate climate risk in their operations and maximise commercial opportunities.

Our climate crisis training will ensure that our people recognise the importance of our sector’s role in addressing the climate crisis. It will be part of a broader sustainability training programme which we will run in multiple markets with localised content in key regions. We are also developing internal tools to help our people identify environmentally harmful briefs. These tools will embed climate-related issues within existing content-review procedures across the organisation. Sustainability will also be integrated into our global How We Behave training in 2020 and will be delivered to all new employees.
### Strategy

<table>
<thead>
<tr>
<th>Company</th>
<th><strong>Physical</strong> and <strong>transitional</strong> risks separately identified</th>
<th>A detailed climate change adaptation risk identification exercise was undertaken in 2014; we will be undertaking more detailed climate-related scenario analysis to evolve our understanding of climate-related risks and opportunities. The <strong>key risks identified</strong>, e.g. flooding, overheating and water shortage, and currently taking action to <strong>reduce emissions</strong>.</th>
<th>Berkeley Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Physical</strong> and <strong>transitional</strong> risks separately identified</td>
<td>Join-up <strong>four-pillar approach in place</strong> covering business divisions - investments, insurance, our operations - plus <strong>influence</strong> including &quot;A Marshall Plan for the Planet&quot; report. This strategy is <strong>aligned to our Company Purpose</strong> 'With you today, for a better tomorrow' and will be implemented as part of the Group.</td>
<td>Aviva</td>
<td></td>
</tr>
<tr>
<td><strong>Scenario-based assessments</strong> of <strong>physical</strong> and <strong>transitional</strong> risks and opportunities are undertaken</td>
<td>A <strong>new sustainability strategy</strong> has been created, including the delivery of the <strong>Pathway to net zero</strong> and the management of climate-related risks. Informed by the internal scenarios workshops held in summer 2019, and <strong>we will carry out TCFD-aligned scenario analysis in 2020</strong>, including a scenario where global warming is limited to 2°C or lower.</td>
<td>Barclays</td>
<td></td>
</tr>
<tr>
<td><strong>Risks and opportunities tackled separately in table format</strong></td>
<td><strong>Building on the scenario analysis undertaken in FY 2018/19</strong> regarding forecasted climate-change impacts to 2040, this year the Group strategy team initiated a review of our broader sustainability commitment and identified <strong>key priorities and areas of risk</strong> that require increased focus. Areas for focus <strong>over the next 12 months</strong> include ensuring climate change risks and opportunities are considered in our long-term business strategy and <strong>quantifying short-, medium- and long-term climate change risks and opportunities</strong> to inform business strategy and financial planning.</td>
<td>British Land</td>
<td></td>
</tr>
<tr>
<td><strong>Scenario analysis tool</strong> to facilitate planning around the short term (0-5 years), <strong>medium</strong> term (5-10 years) and <strong>long</strong> term (15+ years)</td>
<td>Our analysis focuses on two distinct scenarios, a <strong>best-case scenario</strong> where global average temperature increases by <strong>less than two degrees</strong>, and a <strong>worst-case scenario</strong>, where temperatures increase by up to <strong>four degrees</strong>. We’re also implementing an internal <strong>shadow carbon price</strong>, anticipating a potential carbon price in the future, to inform our decision-making process. <strong>Our analysis gives us confidence in the resilience of our strategy</strong>, as we’re supporting the transition to a low-carbon world whilst managing the impact of climate-related risks to our portfolio.</td>
<td>Burberry</td>
<td></td>
</tr>
<tr>
<td><strong>Physical</strong> and <strong>transitional</strong> risks separately identified with assessment of the impact of climate-related risks through <strong>quantitative and qualitative scenario analysis</strong>, considering <strong>short- to medium-term</strong> until 2030, and <strong>long-term beyond 2030 until 2100</strong></td>
<td>In <strong>2020</strong>, we will conduct a <strong>qualitative scenario analysis</strong> against a <strong>pathway limiting warming to 2 degrees Celsius</strong> to inform future assessment.</td>
<td>Landsec</td>
<td></td>
</tr>
</tbody>
</table>

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**Appendix continued**
<table>
<thead>
<tr>
<th><strong>Risk Management</strong></th>
<th><strong>Company</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change is a principal risk, reviewed quarterly and fed back to the Group Risk Forum</td>
<td>Pennon</td>
</tr>
<tr>
<td>Climate change is considered a principal risk to Berkeley, included within the strategic risk register reviewed by the Audit Committee</td>
<td>Berkeley Group</td>
</tr>
<tr>
<td>Aviva considers climate change to be one of the most material long-term risks to our business model</td>
<td>Aviva</td>
</tr>
<tr>
<td>Aviva has developed models and tools to assess the potential impact on our business of the four Intergovernmental Panel on Climate Change (IPCC) scenarios over the next 15 years with the ability to look at shorter time periods (three to five years) where appropriate. Each IPCC scenario describes a potential trajectory for future levels of greenhouse gases and other air pollutants. These can be mapped to likely temperature rises: 1.5°C (aggressive mitigation), 2°C (strong mitigation), 3°C (some mitigation) and 4°C (business as usual). Physical and transitional risks identified and climate stress tests applied to them</td>
<td></td>
</tr>
<tr>
<td>Complex and detailed scenario planning is already underway with external agencies, building on work already undertaken</td>
<td>Barclays</td>
</tr>
<tr>
<td>Climate change is a principal risk (under ‘External risks: Catastrophic business event’) with climate-related risks identified and assessed using our risk management framework and monitored by the Risk Committee on a quarterly basis</td>
<td>British Land</td>
</tr>
<tr>
<td>Climate risks and opportunities are embedded in Asset Plans, our Sustainability Brief for Acquisitions and our Sustainability Brief for Developments</td>
<td></td>
</tr>
<tr>
<td>Climate change is a principal risk. During the year we performed an exercise to identify the short-, medium- and long-term risks and opportunities using the 2040 climate change scenario work performed in FY 2018/19. The cross-functional TCFD Working Group, which includes members from the Risk Management, Finance and Responsibility teams, has defined the risk management methodology and approach for identifying and assessing climate-related risks. We have also assessed the climate change risk in our supply chain. Key next steps will be to quantify the longer-term financial impact associated with identified risks against our current business model and consider whether any further mitigating controls and activities are required</td>
<td>Burberry</td>
</tr>
<tr>
<td>Climate change risks are identified and monitored as part of our wider risk management procedures</td>
<td>Derwent London</td>
</tr>
<tr>
<td>Climate change is a principal risk. In 2021 we will complete a comprehensive assessment of physical and transition climate risks in countries representing a significant share of our production</td>
<td>Diageo</td>
</tr>
<tr>
<td>We recognise the importance of identifying and monitoring climate-related risks, which feature prominently on our principal risk register. Our climate-change principal risk includes both transition and physical climate risk and is monitored on a quarterly basis using a series of key risk indicators</td>
<td>Landsec</td>
</tr>
<tr>
<td>Sustainability risks are integrated into our overall risk management processes and reviewed by the Audit Committee on a regular basis</td>
<td>Landsec</td>
</tr>
<tr>
<td>Assessment of risk is informed by feedback from investors, clients and our people</td>
<td>WPP</td>
</tr>
</tbody>
</table>
### Metrics and Targets

<table>
<thead>
<tr>
<th>Greenhouse gas (GHG) emissions reported annually</th>
<th>Intend to set a Science Based Target in 2020</th>
<th>Pennon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational carbon intensity reduction target under Our Vision; committed to procuring 100% renewable electricity; working towards enabling homes to operate at net zero carbon by 2030</td>
<td>Berkeley will continue to work with external experts to develop science-based targets, climate-related scenario analysis and related disclosures in line with the recommendations of the TCFD</td>
<td>Berkeley Group</td>
</tr>
<tr>
<td>Committed to being a net zero asset owner by 2050</td>
<td>We are working closely with peers, academics, professional bodies, regulators, governments and international agencies to further develop our tools and approaches</td>
<td>Aviva</td>
</tr>
</tbody>
</table>

Metrics include **a range of internal and external measures**.
To align with the recommendation of the TCFD, we also disclose concentrations of credit exposure to carbon-related assets

**Barclays**

Through our TCFD Steering Committee work, we will quantify our total climate-related financial exposure
A **Pathway to net zero** has been established

**British Land**

We align our reporting against climate-related metrics to recognised standards, including the GHG Protocol
**Company targets are in place** which cover energy and carbon and the company has **set 2022 targets** to source 100% of our cotton more sustainably, and source 100% of leather from certified tanneries
When defining metrics and targets we consider them in two ways: mitigation metrics and monitoring metrics

**Burberry**

has a science-based target to reduce absolute Scope 1 and 2 GHG emissions by **95% by 2022** and to reduce absolute Scope 3 GHG emissions by **30% by 2030**, both from a 2016/17 base year

Compliant with Streamlined Energy and Carbon Reporting (SECR) with the ambition to be net zero carbon by 2030

**Derwent London**

As part of our responsible business strategy refresh work, we are also working with third-party experts to develop our responsible business targets for post 2020 and have made a formal commitment to implement the recommendations of the TCFD
In 2020 we will be **developing a disclosure roadmap for the coming years**

In January 2020 we committed to **investing £1 billion over 20 years** towards becoming Net Zero across our own operations by **2040** and we are engaged with our suppliers on our Net Zero by **2040 plan**
This year we received a **CDP A rating** for our climate change disclosure for the sixth year running

In November 2019, we announced our commitment to becoming a net zero carbon business by 2030

**J Sainsbury**

in November 2019, we announced our commitment to becoming a net zero carbon business by 2030

**IHG**

In 2019 we published a **science-based target relating to carbon reduction**

**Landsec**

In 2019 we **increased the ambition level of our science-based target, aligning it with a 1.5°C scenario**
Further reading
For more thought-leadership, please request recent issues of Reporting Matters, our other white papers or an overview of this year’s webinar series by contacting Justin Boucher, Business Development Director, at justin.boucher@luminous.co.uk

Contact
If you would be interested in discussing any of the findings in greater detail or hearing how we could help with your TCFD requirements, please contact Harriet Rumball Senior Investor Engagement Consultant 020 7101 1677 harriet.rumball@luminous.co.uk

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