Paul: As more and more investors and boards elevate the importance given to environmental, social, and corporate governance metrics, greater emphasis is being placed on reporting and transparency. To help ensure investors are able to make informed decisions related to ESG matters, the Task [00:00:30] Force on Climate Related Financial Disclosures, or TCFD, was founded in 2015 as a mechanism to provide standardized reporting methods for organizations to communicate their climate impact data.

Hello, I'm your host Paul Teese. To learn more about the TCFD and business climate resilience, I was joined in this episode of If/Win by Adam Little, Jacobs' Director of Corporate Sustainability, and Craig Clifton, Jacobs' Global Technology Leader for Resilience [00:01:00] and Climate Change. In the discussion that follows, Adam and Craig help me to better understand what the TCFD is and what are some types of climate related financial risks, as well as steps that organizations might take to offset those. Adam and Craig, thank you both for joining me today to talk about this important topic about climate resilience and financial disclosures.

I've seen more and more companies are being called to [00:01:30] accountability in how they are contributing to the fight for appropriate environmental stewardship. I see this acronym TCFD, and so I wanted to get us started, it's the table stakes is of what we're going to be discussing today. So I'd like to start with Adam. Can you explain for our audience what the, and it's a long name, the Task Force on Climate [00:02:00] Related Financial Disclosures, or the TCFD, what it is and what it strives to achieve?

Adam Little: I certainly can, and yeah, it is a bit of a mouthful and there are a lot of acronyms in the climate change and sustainability world. I mean, fundamentally the TCFD, they're a group. They exist really with a purpose to bring consistency and commonality to how bue a group. They e8 g0 G[(s)3(2 re,W*nBT/F2 8()4(up]()4(8(t)6(W*nBTF2 A)1(

consistent framework to operate within. But it's still a very, a very new area for businesses. There aren't any kind of sets of legislation or regulations that are enforced. They will come in enforce for large businesses in the UK this year, but around the world it's still an area that is emerging [00:04:00] and that businesses are grappling with at the moment.

Paul: That's interesting. Now, is it fair to say, and maybe this is not too far off field, but is it fair to say that we are, or will, see company stock prices and how they perform to some degree will be influenced by the TCFD, and how well or how poorly they manage their environmental stewardship?

Adam Little: [00:04:30] Yes. It might be a bit of a stretch to say that stock prices are impacted directly by company's alignment to the TCFD framework, but it's part of a whole suite of measures that come under the ESG umbrella, then yes, that's part of it. And the TCFD is there to try and steer financial flows towards climate resilient outcomes in the real world. So if businesses start thinking about climate change, as it poses a real [00:05:00] kind of economic risk to business performance, then the way that businesses can mitigate the risks and maximize and act to realize the opportunities they can stem the flow, the financial flows towards climate resilient outcomes in the real world. And that's really one of the objectives of the group.

Paul: Okay, excellent. Now, Craig, what are some examples and types of climate related financial risks?

Craig Clifton: The TCFD talks about two kinds of risk. It breaks them into [00:05:30] two categories. One is the kind of thing that we would typically think about, and they are the physical effects of climate change as it relates to various kinds of natural hazard. And the other is, sort of Adam touched on in his preceding point, was risks associated with the transition to a low carbon economy or society. So when we think about physical impact risks, it's kind of like, the

Paul: Oh yeah, absolutely. And given how labyrinthian the supply chains are these days sound a global market, and like, it's just, I'm sure it's just kind of staggering to try to disentangle that.

Adam Little: So just on that about the climate change complexity is that when you're [00:10:30] trying to kind of translate that into business strategy, business planning cycles, which typically follow a kind of three to five year cycle, climate change projections look out much, much, much longer over 20, 30, 50, 70 year timeframes when we're talking about, so the physical impacts of climate change. And when you look at the scenarios that organizations like the IPCC use to project what will likely happen if the world [00:11:00] stays on a current trajectory or the current high emission is trajectory, or it does transition to a low carbon economy and achieve net zero, that's a very different time scale that you have to work with. And you have to then translate that into a much shorter timeframe in order to embed that within a business' Enterprise Risk Management strategy. So it does add that other, that extra level of complexity that we're dealing with as well. It's really important point about what the TCFD is trying to do.

Paul: No, that's a great [00:11:30] point because it really kind of tests, I think in some ways, the organizational strategic fortitude to care, to see it through. Right? And again, it comes to that, as you say, if your budgeting or your investment cycle is three to five years, but you really need to be in the climate change mitigation game, you know, for the long haul, right? Like this it's a 20 year, 30 year journey or whatever it may be. It does test your organizational [00:12:00] fortitude down the road. "Oh yeah. That was, that was a pet project for our past CEO. But our new CEOs focused on this, or we need to, you know, our stock price needs

Adam Little: Absolutely.

Paul: Yeah. It's going to happen... it's like, well, you can't ignore it. Now Craig, kind of building on what at Adam was saying, can you speak to the concept of business resilience? Especially in the context of climate risks?

Craig Clifton: [00:17:00] When I think about resilience, I think about, well, what are we to be resilient to? And, and when we think about that, we think about the effects of disruptive trends and events. If you think about that from a climate perspective, the kinds of trends are the physical impacts that we talked about before: sea levels are rising, the atmosphere is warming, the climate in, in some locations where I am in Australia, parts of Australia, it's drying, water security is declining, seas [00:17:30] are acidifying and that's having an effect on marine food webs, a whole range of potential physical. The trends also refer to the low carbon transition. Risks associated with changing markets, technology, regulations, social license, and the like. And it also includes resilience to extreme events: storms, wildfire, floods, and the like. So resilient businesses are able, kind of a bit what Adam was talking about before, they are able to anticipate and prepare.

They look ahead, they have thought about what may [00:18:00] lie head for them, and they are prepared for the challenges that may emerge. And that could be higher sea levels, floods, water insecurity.; it could be some of those government regulation change, the change in the electricity grid that the need to decarbonize. And so they think about, they anticipate what might change, they prepare, and they prepare in a risk based way. So they are thinking about, well, what's, what's the consequence for our business of this? How likely is it to occur? And so, when allocating their resources [00:18:30] and energy and effort, they think about, well, what are the things that pose the greatest risk? Well, conversely, what are the things that create the greatest opportunity for us? Because resilience is not just about managing the adverse outcomes, it is also positioning for the opportunities that emerge too.

So resilient businesses, they anticipate and prepare, but they are also able to resist things that are adverse conditions for a period of time. Because they have been prepared, they have created diversity in their supply chain. So if one market is [00:19:00] affected by, a high, a cyclone or a hurricane that's exacerbated by climate change, they've got another source for their products. If they are located in a particular location. It's for example, infrastructure, that's sensitive to flooding, like pump stations on a sewage system, they have lifted