



## Leading the way in climate action transparency: Why publish climate-related disclosures?

**In a round table discussion co-organized by WTW's Climate and Resilience Hub and the Philippine Government's Climate Change Commission (CCC), panelists from the Task Force on Climate-related Financial Disclosures (TCFD) and two Philippine conglomerates help raise awareness on how the TCFD's guidelines promote quality climate-related disclosure – and help companies in their journey towards climate resilience. They also discuss the benefits and challenges, particularly for Philippine corporations, in undertaking these recommendations.**

The impacts of climate change are becoming more evident, prevalent, and far-reaching – and businesses are affected in many ways. For instance, the increasing severity of extreme events, such as tropical cyclones, and rising sea levels and temperatures can hurt companies' profits because of climate-related loss and damages to their physical assets. Changing regulation due to governments' commitments to reduce greenhouse gases can force businesses to write off certain assets such as coal-fired powered plants. Stakeholders' increasing concern for the environment can also impact how a company attracts and retains not just customers but employees as well.

Stakeholders, most especially investors, have then been requiring clear, complete, and high-quality information from corporations on how both risks and opportunities due to climate change impact their business. To address this need, the TCFD has created recommendations on how entities can measure and disclose the financial impacts of climate change to their business. Over 2,700 companies around the world have publicly shown their support for these recommendations.

### Panelists

#### Vickie Tan

Group Head, Enterprise Risk Management and Sustainability Unit, Ayala Corporation

#### Timothy Daniels

Consultant, Investor Relations and Sustainability  
SM Investments Corporation

#### Masaaki Nagamura

Member, Task Force on Climate-Related Financial Disclosures (TCFD)

#### Augusto Hidalgo

Senior Director, Climate and Resilience Hub, WTW

### Moderator

#### Dr. Marqueza Reyes

Climate Finance Expert  
Climate Change Commission - UNDP Nationally Determined Contribution (NDC) Support Project to the Philippines

**Marqueza: From the point of view of an issuer/reporter of climate-related financial disclosures, what could hinder companies from complying with a requirement to issue such disclosures?**

**Vickie:** I recall my conversation with one of the Commissioners of the Philippines Securities and Exchange Commission (SEC). At that time, Ayala Corporation was asked to provide comments on the SEC's draft circular on sustainability reporting. I agree with the Commissioner when he said that the TCFD framework will help foreign investments flow into the country. And being a natural catastrophe-prone country, the Philippines will need capital to finance climate-related solutions.

Hence, the TCFD framework was included as one of the sustainability reporting frameworks in the final version of the SEC circular.

Challenges in adopting the recommended climate-related disclosures are:

- The huge amount of data that needs collection and analysis that may require skills or platforms not available in the country; and,
- The decision to disclose and how much to disclose due to the risk of revealing competitive or proprietary knowledge.

But I think information on the general direction of the impacts of climate change on the company's business, the mitigation strategies, and the climate-related opportunities are information an investor would want to know. Identifying this information has another benefit from a risk management point of view – it is one way to future-proof a business.

Climate disclosures matter to insurers as well and I'll give an example of this from the Ayala Group's experience. Advanced insurers which do their own catastrophe modeling can shy away from the Philippines given its vulnerability to disasters. However, thanks to the Ayala Group's climate disclosures which these insurers found valuable, we achieved over subscriptions in all layers of our complex insurance program in our recent group insurance renewal.

**Timothy:** There is an expectation on companies to be responsible for sustainability and increasingly for climate change as well. We see that from fundamental asset owners, such as families, institutions, and pension funds, who are pressuring the people who manage the money for them and the companies that they are investing in. The benefits of climate disclosures to a company are enormous because you get the right kind of investors and market appreciation of your stock, which also impacts the country's attractiveness as an investment destination.

The conversations I have with institutional investors around the world have been interesting. They do not say they expect SM Group to do something by a certain date and have these targets and goals ready. What they ask is: where are you on the journey to sustainability reporting and are you committed to carrying on the journey? They ask about what has happened since the last time we spoke and if we are still on that journey. They want the dialogue with us to see the intent from our group.

One of my takeaways from the 6th Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) is many countries have made climate-related commitments years ago but only a minority of them have delivered. Making a statement that you must do something is not the same as knowing how to deliver it. If that is the failure globally at the country level, how much more so is the case when we get to companies in countries which are earlier on the climate action journey and are wrestling with how to deliver on their commitments?

I believe if we want to get quality reporting on sustainability and climate, guidelines must reflect the journey that people are on. We need to give companies the options to figure out their own materiality topics and encourage that process along the way. That will win much more credible commitments and encourage companies to think of climate or sustainability reporting not just as a compliance exercise but as part of strategy planning and risk management. This way of thinking will not only produce better commitments but also better delivery on those commitments. If regulators come in with a hard stick of mandating, they might just get garbage in, garbage out.

**Marqueza: What do you think about a possible move towards mandatory climate-related financial reporting in the Philippines? Is there a need for this?**

**Masaaki:** The TCFD-aligned disclosures were meant to be a voluntary practice when the recommendations were created. But the air has changed, and we now see most leading economies looking at a mandatory practice, which has its pros and cons.

I would say that the TCFD itself does not take any position on whether disclosures should be mandatory. We believe this decision is up to the jurisdictions, which each have their own unique backgrounds. What works in certain jurisdictions may not work for others. The Philippine regulator then should carefully assess what would work best for their corporates.

What the TCFD recommends, however, is that any organization that issues equities or bonds should disclose climate-related financial information.

**Augusto:** I do not think TCFD-aligned disclosures in the Philippines or developing countries will be mandatory. However, there is a clear differentiation for companies issuing these disclosures. I think the rewards are going to come relatively quickly for those who demonstrate that a corporation should also be able to earn profits by being a good climate actor – and be able to explain that this virtuous cycle is happening.

What we at WTW are trying to do is to recruit the efforts of those that believe that the world's capital should go to the most resilient. For climate-related disclosures to work in developing countries, people should see something positive, the carrot rather than the stick. For instance, the role of multilateral development banks is critical in a country like ours; they have billions of dollars coming in from developed countries, some of which are private sector financing. And who do you think will be invited to participate in their projects? The companies showing climate leadership.

**Marqueza:** How else can businesses ensure that climate change effects become routinely considered in business and investment decisions and are not just incorporated into decision-making for reporting or compliance purposes?

**Augusto:** One thing that corporates might be thinking about in light of climate change is that, as highlighted in the IPCC 6<sup>th</sup> Assessment Report, its effects are largely anthropogenic or made by people. Therefore, we can also reverse it.

When we think of climate change as something people are responsible for, the people and the organizational behavior piece becomes a relevant conversation within organizations. And this aspect of people, including investment and risk, is where WTW tries to be helpful when interacting with corporates and governments. On the people side, for instance, we help companies assess if corporate cultures already reflect climate consciousness. On the investment side, we have launched a Climate Transition Index of global stocks, one of many existing climate indices. Maybe corporates could consider not just how they will tick the boxes in terms of TCFD but also how they can be included in an emerging markets climate stock index.

**Masaaki:** Further enhancing organizational behavior is very important. Most corporates listen to the investors' view so if banks or financial institutions can bring climate change on the table whenever they speak to corporates, that would be an effective way for climate-related decision making to be embedded in organizations.

I think it is also important to have a community where business players can get together and share their experiences and knowledge on climate. The TCFD Consortium of Japan has been very effective in making that happen; it has become a place where corporates can learn from their peers. You can also understand the views of the other side of the investment spectrum, particularly how investors are looking at you, and what investors constitute as meaningful, useful disclosure. That kind of collaborative atmosphere is very important.

**Vickie:** First, having an environmental, social, and governance (ESG) investing policy in place would help companies ensure climate change is incorporated into investment decisions. Companies can learn from the United Nations (UN) supported Principles of Responsible Investment if they want to adapt such policies. Our policy in the Ayala Group may not be that structured for now, but environmental, social, and economic impacts are always part of our investment decision-making process.

Second, issues on climate change risks and opportunities should always be part of the Board of Directors' agenda. At the parent company level, we have two committees looking at climate change because we think this is truly an existential threat not just to our businesses but to our many stakeholders.

Third, we must communicate to stakeholders about climate change. The things we do may encourage others to think more deeply about this topic and follow a similar climate journey roadmap. For instance, I hope we can be of big help to small and medium enterprises who are the backbone of our economy. After all, the whole of society needs to address climate change. Our company may not have all the data and expertise to tackle this issue but by communicating with others, we will both learn from others and collaborate with them along the way.

**Timothy:** When you are faced with a scorecard of disclosures, it is easy to think of it as homework which you, a student, must finish by a deadline. A good student will hit the deadlines, but an excellent student will try to stretch their mind and evaluate what they are doing. I think the latter two are the more important tasks.

Regardless of whether climate disclosures are mandatory or not, I think corporates should ask questions that have been posed in this panel discussion:

- Where am I having an impact?
- Where can I make a bigger impact?
- What is happening in my operations? Which are the ones most relevant to climate change?
- Which stakeholders do I need to work closely with?
- How is my company culture?
- How can I influence people within my supply chain or in my organization?
- And finally, which partners from the outside can help me assess outside-in impact?

There is no straightforward way to get to the answers but asking those questions will help you be a stronger student with a better paper and, importantly, better understanding at the end of the term.

#### Contact us

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#### About WTW

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