

The background of the slide features a low-angle shot of a modern glass skyscraper on the right, reflecting the sky and surrounding greenery. On the left, there are lush green trees with sunlight filtering through the leaves. The image is partially overlaid by decorative graphic elements: a vertical purple bar with a pink wavy pattern on the left, and a horizontal purple bar with a pink wavy pattern at the bottom.

Climate-related disclosures

How are Philippine companies faring?

WTW Philippines Climate Disclosure Pulse Survey 2021



Table of contents

Survey background.....	3
Survey highlights.....	4
About the TCFD.....	5
Other survey findings	6
Pulse Survey in Asian countries.....	8
Contacts	8

Survey background

WTW conducted in 2021 its first Climate Disclosure Pulse Survey among Philippine companies to examine how they currently align with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, which are grouped into four thematic areas representing core elements of how organizations operate – governance, strategy, risk management, and metrics and targets. The TCFD is a globally accepted climate change action and reporting framework serving as a basis for the Philippines Securities and Exchange Commission's 2019 Sustainability Reporting Guidelines for Publicly Listed Companies.



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How are Philippine companies faring?

Survey highlights

How are Philippine companies doing? Some of the most notable findings from responses to the survey include:

Status of firms' alignment with TCFD	Governance	Strategy and Risk Management	Metrics & Targets	Challenges in preparing climate disclosures
<p>62%</p> <p>have either started preparing a TCFD report or are actively discussing climate disclosures internally.</p>	<p>72%</p> <p>have had some form of Board-level discussion on the financial impact of climate change to their business.</p>	<p>52%</p> <p>consider climate change under their sustainability agenda and 21% consider it a key strategic issue for the firm.</p>	<p>55%</p> <p>have no plans of including climate-related metrics in their remuneration policy.</p>	<p>62%</p> <p>say shortage of in-house capability on climate risks is a challenge in completing a TCFD report.</p>
<p>38%</p> <p>have limited discussions on TCFD.</p>	<p>69%</p> <p>have an individual responsible for leading the firm's response to climate change risks/opportunities.</p>	<p>Only 10%</p> <p>are prepared to disclose information on how climate risks/opportunities impact their organization's business, strategy, and financial planning.</p>	<p>45%</p> <p>already disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas (GHG) emissions and the related risks.</p>	<p>55%</p> <p>say undertaking scenario analysis is another challenge and 76% expect to need external support on this activity.</p>

About the TCFD

Background

The TCFD was created by the Financial Stability Board in 2015 to develop recommendations for more effective climate-related disclosures, supporting companies in incorporating climate-related risks and opportunities into their risk management and decision-making processes.

The TCFD's recommendations in the four thematic areas of Governance, Strategy, Risk Management, and Metrics & Targets are applicable to any organization regardless of sector or jurisdiction. To date, 3,300 companies in 93 jurisdictions, including the Philippines, have publicly expressed their support for the TCFD and its recommendations, demonstrating they are taking action to build more climate resilience through effective disclosure.

The pressure on companies, including those in the Asia

Pacific, to understand the climate change risks they face and disclose information on this to stakeholders (often in the form of sustainability reports) continues to rise. For instance, the Philippines Securities and Exchange Commission released in 2019 its Sustainability Reporting Guidelines for Publicly Listed Companies, with the TCFD recommendations as one framework serving as a basis for the guidelines. The Bangko Sentral ng Pilipinas, the Philippines' central bank, has mandated banks under its supervision to apply its Sustainable Finance Framework, which allows banks to embed sustainability principles, including those covering climate risks, in their organizations' processes. There seems to be little cause to doubt that TCFD reporting will be an essential climate risk tool and benchmark used by regulators, investors, and other key stakeholders of companies.

Climate-related risks are considered under the TCFD framework as these can impact a company's operations directly or aggregate in its investment portfolios. Climate-related risks are broadly classified into two categories, namely:

- **Physical risks** are immediate risks arising from weather-related events and slow onset climatic changes. Acute physical risks refer to those that are event-driven and include increased frequency or severity of extreme weather events, such as flooding and typhoons. Chronic physical risks refer to longer-term shifts in climate patterns (e.g. higher temperatures) which may lead to rising sea levels and changes in seasonal precipitation.
- **Transition risks** are the financial risks arising from the transition to a lower-carbon economy. These risks arise from changes in policy (e.g. changes in emission reduction targets), technology (e.g. new low carbon technologies), and societal pressure and consumer preferences (e.g. demand for lower-carbon products and services).

Core elements of the TCFD recommendations

Governance

Disclose the organization's governance around climate-related risks and opportunities

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning

Risk management

Disclose how the organization identifies, assesses, and manages climate-related risks

Metrics and targets

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



Other survey findings

Units involved in climate change response

There is a wide range of functions, from Corporate Strategy to Internal Audit, which are involved in the firms' responses to climate-related risks and opportunities (Figure 1). The Sustainability unit takes on a lead role in more than half of firms (52%); Risk Management is another unit commonly taking on a lead role (38%). The Compliance function tends to take a supporting role (48%).

Figure 1. Corporate functions involved in responding to climate-related risks and opportunities

Challenges in completing a TCFD report

Lack of in-house capability on climate risk is the front runner (62% of firms) among companies' perceived challenges in completing a TCFD report (Figure 2). Conducting a scenario analysis (55%) and a lack of standardized metrics (48%) are also key challenges among many firms.

As expected then, scenario modelling (76%) and the choice of metrics and targets (66%) are among the top three skills and services firms anticipate they will need external support on. Conducting a transition risk assessment (79%) is the top service firms need external support on.

Figure 2. Challenges in preparing a TCFD report

Governance. Relative to the other core elements, good progress is seen here. Almost half of firms (45%) have either disclosed or are ready to disclose their Board's oversight of climate-related risks/opportunities (Figure 3).

Strategy. Only 21% of firms have either disclosed or are ready to disclose their firm's climate-related risks/opportunities. On an encouraging note, a majority (55%) do intend to disclose this information but need to do more preparation work (Figure 4).

Risk management. Only 24% of firms have either disclosed or are ready to disclose their processes for identifying and assessing climate risks/opportunities (Figure 5). A majority (62%) do intend to disclose this information but need to do more preparation work.

Metrics and targets. Firms have made great progress in disclosing scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas (GHG) emissions – 55% have disclosed or are ready to disclose these figures (Figure 6). However, their progress in establishing targets is slower – only 21% have disclosed or are ready to disclose targets to manage climate opportunities and their current performance against these targets.

Climate-related metrics in remuneration policy

A little over half of firms (55%) say they have no plans to include climate-related metrics in remuneration policy. Of those who responded otherwise, more than half say their firm is likely to include such metrics in remuneration policy but not within the next financial year.



WTW's TCFD Pulse Surveys in Asian countries

Open to new participants

WTW's Climate and Resilience Hub helps organizations manage their climate-related risks and seize the opportunities of an orderly transition to a low carbon, resilient economy.

Building on WTW's long-standing survey and benchmarking expertise in areas such as executive compensation, rewards, and benefits, the Hub is working with corporates, financial institutions, regulators, and other stakeholders around the world to provide practical insights into a rapidly evolving policy landscape and emerging practice on climate-related issues.

As part of this, the Philippines TCFD Pulse Survey seeks to complement existing initiatives examining the status of climate-related disclosures by understanding companies' readiness and intentions to report following the TCFD framework. Twenty-nine corporations participated in this first Philippine survey, conducted online from July to October of 2021.

Most of the respondents (79%) represent companies that are listed on the Philippine Stock Exchange. More than half of the companies surveyed have revenues of up to ₱50 billion while some are in between ₱50 billion and ₱250 billion or above ₱250 billion.



Please contact us if you would like to participate in future surveys in the Philippines or other countries or to discuss TCFD and broader climate risks and opportunities facing your company.

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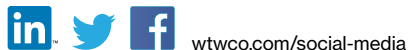
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