

# Q&A: Streamlining Analytics for TCFD Reporting

A growing number of countries are urging companies and financial institutions to report their climate-related risk on a mandatory rather than voluntary basis. While numerous climate risk reporting frameworks exist, the Taskforce on Climate-related Financial Disclosures (TCFD) has quickly become the gold standard endorsed by policy makers.



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In our recent webinar, [Streamlining Analytics for TCFD Reporting](#), specialists from S&P Global Market Intelligence and S&P Global Sustainable1 discussed an array of topics including emerging Environmental, Social, and Governance (ESG) trends including what compulsory TCFD reporting will mean for firms going forward.

**In this blog we share questions from the attendees and the responses from Steven Bullock, Managing Director and Global Head of ESG Innovation and Solutions at S&P Global Sustainable1 and Andrew Wellman, Product Manager, S&P Global Marketplace Workbench at S&P Global Market Intelligence.**

**Question:** Do you envision any form of collaboration or crossover between the recommendations of TCFD and other sustainability frameworks such as GRI?

**Steven Bullock, S&P Global Sustainable1:** One of the challenges that we hear quite often from the companies that we work with is that there is an alphabet soup of acronyms and reporting frameworks that exist today. To make sense of this, it's really about understanding who your audience is and what exactly you're trying to communicate because each of those frameworks have a slightly different audience in mind. For example, with TCFD, it's about communicating climate-related risks and opportunities in financial terms to investors. Whereas for something like GRI, it's a broader set of metrics to a broader set of stakeholders. As such, it's important to understand what each of those frameworks is doing and what's important for you as a business in terms of what you want to communicate. It's also important to listen to what your investors and other stakeholders are asking from you in terms of disclosure.

However, I think we will start to see some harmonization on data and standards relating to climate risk analysis. That's welcome because standardization around the fundamental building blocks, like carbon emissions data, will help a lot of market participants. That has an important role for us as well as data providers. More standardized inputs into the way that we look at things like carbon transition and physical risk is incredibly important.

**Question:** What are some of the key challenges you see for corporations in adopting TCFD?

**Andrew Wellman, S&P Global Market Intelligence:** I think there are three big challenges for corporations in adopting TCFD. The first one is awareness of what TCFD is and the importance of including it into your portfolio analysis. In addition, commitment from key stakeholders to doing TCFD analysis is critical to adoption. The second is having the necessary data to do the analysis. Through Xpressfeed™, we had all the necessary data including the Trucost Environmental Datasets, Market Data, and the identifiers to link the data for the analysis. Finally, you need a method to review and update your analysis. Our method was through Tableau dashboards where key members of the team can use the data visualizations for reporting and analysis. The ability for users to access and analyze the data on-demand is critical for adoption. Using the process that

we did, everything is automated. These notebooks can be run on jobs that are done overnight. And the next day, the portfolio information will be live in the Tableau dashboard. This process really allows for, not just a onetime use, but the ability to perform analysis and reporting on an ongoing basis.

**Question:** What trends are you seeing as far as companies incorporating ESG metrics into their SEC reporting, whether it be a 10-K, etc? And with that, how often do you think a TCFD report should be updated in a year? Is it a standalone? Is it integrated?

**Steven Bullock, S&P Global Sustainable 1:** As an organization, it is important to consider how often the underlying data is updated. If you think about the components of a TCFD report, we're looking at some financial information. We're looking at carbon emissions information that relates to your own operations, your supply chains, and so forth. The recommendation is that this is an annual exercise, notwithstanding that some of the more forward-looking scenarios going out to 2030 and 2050 may not be updated on that sort of frequency.

However, it's still good practice to do this annually so that it aligns with other financial reporting that you do. At S&P Global, for example, we do have an annual TCFD report that sits alongside our financial reporting. In terms of starting to integrate this into filings, the recommendation is that these financially relevant metrics should appear alongside more traditional financial metrics. And this is in the spirit of having more integrated reporting. It's easier for stakeholders that are interested in understanding the financial performance of a business if they are also able to review the material impacts to the business in the same place. I think we're starting to see more of that.

**Question:** How long does it take to publish that TCFD report from scratch? And do companies need to build internal capabilities to do so?

**Andrew Wellman, S&P Global Market Intelligence:** Within S&P Global, we currently have three options to do this type of reporting. The first is our ESG and Analytics services team could provide a complete report based on standard asset classes. We're also starting to build these features out within our CIQ Pro Desktop. Several of modules exist today and more will be coming online in the future. Certainly, I think the nature of that question probably is directed at what I showed today during the webinar. We did this in about 6 weeks. Really what's necessary to do this is having the data to begin with and then having some tools to do the processing with. We use Python and SQL, but people may want to use other tools. Some of this work could probably even be done directly in a BI tool like Tableau. Having the data and a team committed to doing it, those are the factors dependent on how long it takes. But with the right data and the right tools, it can be done relatively quickly.

**Question:** For nonpublic entities, what strategies do you see to implement comprehensive TCFD reporting? And with that, do the Trucost datasets include private companies?

**Steven Bullock, S&P Global Sustainable1:** At S&P Global, we recognize that there's a need for more transparency in private markets where perhaps disclosure on things like ESG and related issues is less available because they're not listed on exchanges.

There's a couple of things here. First, we are starting to build out our coverage of private companies. For example, we already have around 5,000 companies in our core universe which has comprehensive climate data. We're also looking at ways that we can extend that by an order of magnitude, recognizing that at S&P Global, we have access to a lot of information on private companies.

We're also seeing private companies looking for more support here as well. Embarking on a TCFD reporting journey doesn't necessarily have to be a resource-intensive process to get started. There are quick ways that you can understand your exposure to risks and opportunities and then take a deeper dive into those key areas. For private companies, or smaller companies that are wanting to get started on this journey, it shouldn't be as much of a barrier-to-entry as perceived.



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