

# A Roadmap Navigating Climate Risk Management Based on the

## “Guidance on Climate Disclosures”

On 5 November 2021, the Stock Exchange of Hong Kong Limited published the “Guidance on Climate Disclosures”, a material comprising practical tips and step-by-step guidance to assist issuers in preparing TCFD-aligned climate change reporting.

### Key Concepts

## 01

### Scenario Analysis

Given the insightfulness of scenario analysis recommended by TCFD and used in evaluating potential implications of climate-related risks on business performance from a range of plausible future climate states, at least two scenarios are suggested to be developed for comparison, which can be split into Turquoise Scenario and Brown Scenario. The principle of “High contrast”, “Balance” and “Science-based” should be adhered to in developing the company’s climate scenarios.

## 02

### CRBI (climate-related business impacts) Hotspots

CRBI Hotspots is an important toolkit used to map business activities with value chain against material risks. By classifying business into a general list of five components and evaluating the climate-related risks using the Six Capitals methodology (Financial, Manufactured, Intellectual, Human, Social and relationship, Natural), a CRBI scorecard is generated summarising the scores of each climate risk at each phase of business, in which the Hotspots represent areas where impacts of climate-related risks are the most severe.

## 03

### Climate-related Financial Impacts

Climate-related financial impacts refer to the impacts of climate-related risks and opportunities on a company’s financial performance or financial position across different time horizons. The financial items that will be impacted by the identified CRBI hotspots and indicators can include revenue, operating expenses, non-operating expenses, assets and liabilities.

Disclaimer: The ESG material cannot be relied upon to cover specific situations and the information in the brochure is not suggested to be used without obtaining specific professional advice. Greenco and its directors, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance upon the information in this material or for any decision based on it. For more information, please refer to [https://www.hkex.com.hk/news/regulatory-announcements/2021/211105news?sc\\_lang=en](https://www.hkex.com.hk/news/regulatory-announcements/2021/211105news?sc_lang=en).

### Core Framework

### TCFD Recommendations (Task Force on Climate-Related Financial Disclosures)



#### TECHNICAL SUPPORT

+852 2873 3612 (Cantonese)  
+852 8192 9790 (Mandarin)  
esg@greenco-esg.com

## TCFD-aligned Approach to Climate Risk & Opportunity Management

		Key Steps	Key elements for disclosure
I	Governance Structure	<ul style="list-style-type: none"><li>Clear roles and responsibilities of the Board and Management</li><li>Selection between Integrated Approach and Dedicated Approach. With different internal responsibilities, the Integrated Approach incorporates climate-related issues into existing standing Board committees, while the Dedicated Approach builds a standalone committee and/or working groups responsible for climate-related issues</li><li>Considerations of corporate culture, commitment and competence in designing a suitable governance structure</li></ul>	<ul style="list-style-type: none"><li>Board’s roles and responsibilities</li><li>Management’s roles and responsibilities</li><li>Board’s oversight</li><li>Readiness of the Board and management</li></ul>
II	Formulate Climate Scenarios	<ul style="list-style-type: none"><li>Set the scope and boundaries of scenario analysis</li><li>Comprehend and utilise existing scenarios that are publicly available, including Intergovernmental Panel on Climate Change (IPCC), International Energy Agency (IEA) and Network for Greening the Financial System (NGFS)</li><li>Choose at least a Turquoise Scenario and Brown Scenario</li><li>Analyse the relevance of climate-related physical and transition risks to business operations, on which various parameters are identified</li></ul>	<ul style="list-style-type: none"><li>Parameters used</li><li>Assumptions made by the company</li><li>Analytical choices</li></ul>
III	Identify and Prioritise Climate-related Risks	<ul style="list-style-type: none"><li>Compile a list of climate-related risks through industry-level risk review and stakeholder engagement</li><li>Prioritise climate-related risks against criteria including likelihood of occurrence, severity of impact, efforts on adaptation and difficulty of recovery</li><li>Both qualitative analysis and quantitative scoring could be adopted for climate-related risk prioritisation</li></ul>	<ul style="list-style-type: none"><li>Process</li><li>List of material risks</li></ul>
IV	Business Mapping with Material Risks	<ul style="list-style-type: none"><li>Map major business activities with value chain components, including inbound logistics, operations, outbound logistics, marketing sales, services</li><li>Use six capitals-guiding questions (impact &amp; dependence) to generate CRBI scorecard with CRBI hotspots surfacing that represent areas where impacts of climate-related risks are the most severe</li></ul>	<ul style="list-style-type: none"><li>Impact assessment process</li><li>Impacts on the company’s business</li></ul>
V	Choose Metrics, Indicators and Targets	<ul style="list-style-type: none"><li>An understanding of the difference between metrics and indicators</li><li>The climate-related metrics and indicators applicable to most industries cover GHG emissions, carbon price, proportion of assets and/or business activities materially exposed to physical and transition risks, amount of expenditure or capital investment deployed toward climate-related risks and opportunities, etc.</li><li>In setting targets, an optimum balance among resource availability, community expectations, international and national drivers, financial impact and staff readiness should be considered</li></ul>	<ul style="list-style-type: none"><li>Climate-related indicators</li><li>Targets</li></ul>
VI	Formulate Climate Action Plan	<ul style="list-style-type: none"><li>A climate action plan needs to be inclusive, fair, relevant, actionable and evidence-based</li><li>A list of actions should be prioritised against relevant targets against criteria including financial feasibility, technological feasibility, internal capacity, and impact</li><li>The formulation of an action plan may include the timeline, responsible body, status, estimated costs and estimated impacts</li></ul>	<ul style="list-style-type: none"><li>Overall climate action plan</li><li>Key actions in climate action plan</li></ul>
VII	Financial Impact Assessment	<ul style="list-style-type: none"><li>Link climate-related indicators with financial items including revenue, operating expenses, non-operating expenses, assets and liabilities</li><li>Translate the performance under climate-related indicators into financial impacts</li></ul>	<ul style="list-style-type: none"><li>Climate-related financial impacts</li></ul>
VIII	Integrate Climate-related Impacts into Business Strategy	<ul style="list-style-type: none"><li>“Five components” (corporate strengths, customer relationships, market segment, partnerships and resource allocation) in the integration of climate-related considerations into business strategy</li><li>A mindset to be developed is horizon 1 – products/services level, horizon 2 – innovation and partnership, horizon 3 – lower-carbon business model</li></ul>	<ul style="list-style-type: none"><li>Integration of climate-related impacts into business strategies</li></ul>