



# *Actionable now* Developments in climate change risk & current governance imperatives

Guernsey Sustainable Finance  
11 June 2021

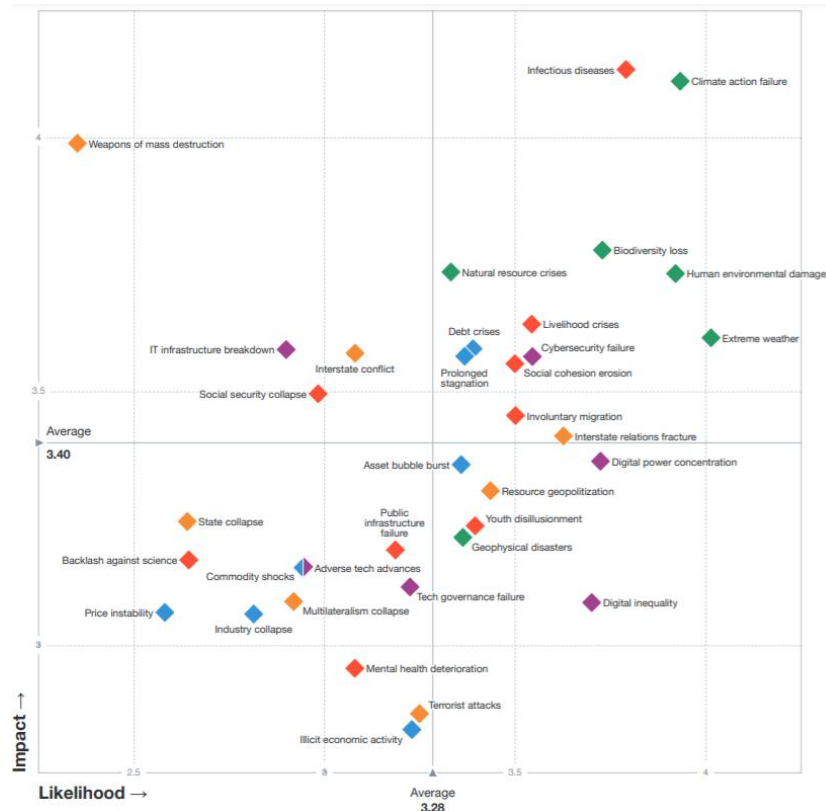
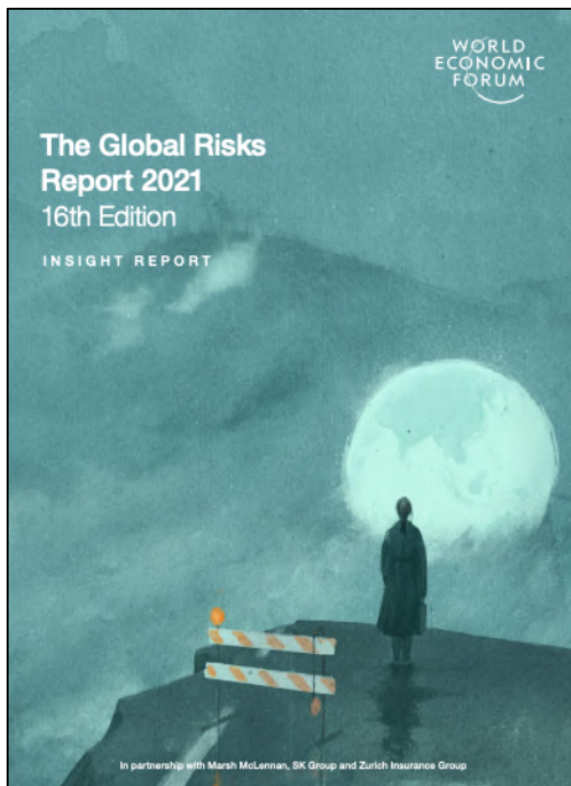
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Executive Director, CCLI

# The greatest risk to the global economy is not Covid...




# Overview


## 1. Accelerating pressures

- 
- a. What has changed?

## 2. Directors' duties in context

- 
- a. Climate risk within a corporate governance framework

## 3. Liability risks

- 
- a. Recent litigation
  - b. Liability vs responsibility



# 1. Accelerating pressures – *what has changed?*

## Three categories of financial risk associated with climate change



### Physical

**Acute and gradual onset  
to the natural and built  
environment**



### Economic transition

**The response of  
governments, capital  
markets & the real  
economy**

***Policy/regulatory,  
technological & shifts in  
stakeholder preferences***



### Liability

**Public entity,  
corporate, and  
directors/officers**

# The accelerating transition



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## Spotlight on economic transition risks



The **international  
regulatory  
environment**



**Investor expectations**  
of boards continue to  
elevate – despite Covid  
Beyond corporate  
stress-testing, to  
demand **Paris-aligned  
*strategic plans***

## Spotlight on economic transition risks



The **international  
regulatory  
environment**

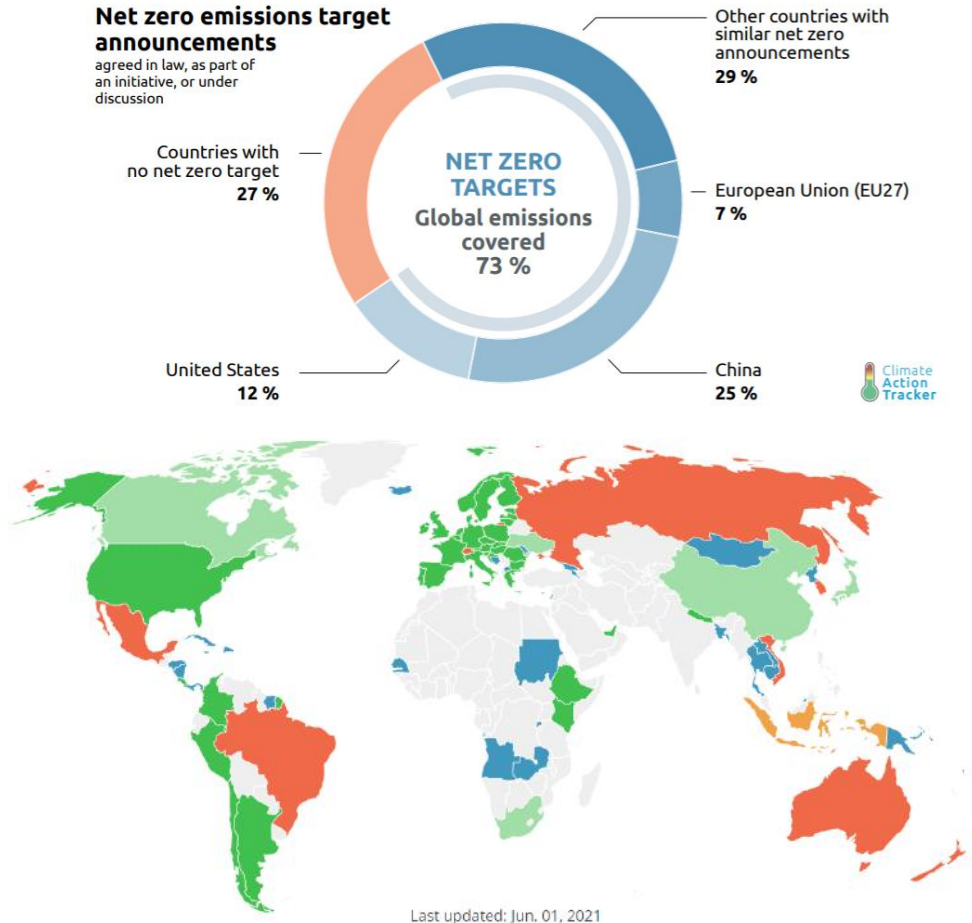


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# International regulatory environment

- **A. Net zero by 2050 policies**
  - Required to meet Paris Agreement targets to limit global warming to 'well-below' 2°C above pre-industrial averages
  - Now covers 70+ global economy
  - Now including EU, UK, US Japan, South Korea, California, NY (all 2050) and China (2060)
  - Recent focus on short-medium term (2030)



# International regulatory environment

- B. Adjacent policies – finance & prudential regulation
  - EU Green Finance Taxonomy
  - Prudential – capital regulatory requirements
  - Biden’s Executive Order
  - Accounting Standards



	Agriculture and forestry
	Manufacturing
	Electricity, gas, steam and air conditioning supply
	Water, sewerage, waste and remediation
	Transport
	Information and Communication Technologies (ICT)
	Buildings

November 2020

## Effects of climate-related matters on financial statements

This document is intended to support the consistent application of requirements in IFRS® Standards

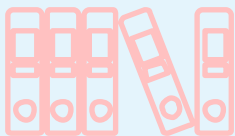
Climate change is a topic in which investors and other IFRS stakeholders are increasingly interested because of its potential effect on companies' business models, cash flows, financial position and financial performance. Most industries have been, or are likely to be, affected by climate change and efforts to manage its impact. However some companies, industries and activities will be affected more than others.

IFRS Standards do not refer explicitly to climate-related matters. However, companies must consider climate-related matters in applying IFRS Standards when the effect of those matters is material in the context of the financial statements taken as a whole. Information is material if omitting, misstating

specific paragraph references to IFRS requirements to assist those applying IFRS Standards. For purposes of illustration, the descriptions in the table do not always explain the relevant requirements completely; it is therefore important to refer to the requirements in the Standards when preparing financial statements. This document does not address management commentary.

In addition to the specific requirements outlined in the table below, IAS 1 *Presentation of Financial Statements* contains some overarching requirements that could be relevant when considering climate-related matters. For example, paragraph 112 of IAS 1 requires disclosure of information not specifically required

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# Heightened reporting demands

## Step change in expectations

### a. Equity investor expectations on transition ambition – heightened expectations

- From TCFD scenario stress-testing to *net zero and credible strategy (including interim milestones)*

### b. Regulatory & equity investor expectations on financial reporting

- Accounting guidance -*what does climate risk mean for asset useful lives, fair values, impairments, provisions for onerous contracts, bad and doubtful debts etc?*
- Investor push on 'Paris-aligned accounts' / sensitivity analysis
- AGM's – 'Say on Climate' transition plan and rem links
- Investor push on 'green capex/revenue' metrics

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# Liability risks



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