



# TCFD in action: powering your Net Zero strategy

Go beyond compliance and turn your TCFD insights into an actionable transition plan

Link to the video recording available **HERE** 

**02 November 2022** 

#### Introduction to your speakers





Dom Burbridge,
Director,
Advisory Services



Gregorio Giorgi Manager, Advisory Services



Francesca Messeri Manager, Advisory Services



Michaela Neto
Environment and
Climate Impact Manager







**OUR MISSION** 

## To accelerate the move to a decarbonised future

#### **About the Carbon Trust**









#### Today's session will:



- Re-emphasise the value of TCFD beyond compliance
- Equip you with practical recommendations on how to leverage TCFD to develop an actionable transition plan
- Show you how Dr. Martens turned TCFD insights into business model innovation
- Give you a chance to ask our TCFD experts any questions





#### TCFD in action: powering your Net Zero strategy

#### Agenda

- Beyond disclosure: future proofing your business with TCFD
- 2. Turning TCFD into action: our approach
- 3. Business model innovation with Dr. Martens
- 4. Wrap-up and Q&A



TCFD in action: powering your Net Zero strategy

## **Beyond disclosure: future proofing your business with TCFD**

#### Your speaker





Gregorio Giorgi Manager, Advisory Services

#### The impact of climate change is increasing and worsening





#### THE LANCET

The 2022 report of the *Lancet* Countdown on health and climate change: health at the mercy of fossil fuels

Bank of England

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Climate change: CO2 and methane in our atmosphere reach record levels

Climate change: possible macroeconomic implications

Quarterly Bulletin 2022 Q4

'A dire warning': National climate pledges aligned with 2.5C pathway, UN reveals



### Because climate risks are different to traditional risks, they are more difficult to manage





#### **Systemic**

Climate change affects all of society across all sectors and geographies



#### **Non-Linear**

Past trends are not necessarily strong predictors of future outcomes



#### **Foreseeable**

Outcomes are dependent on short term actions, with certainty that significant change will materialise

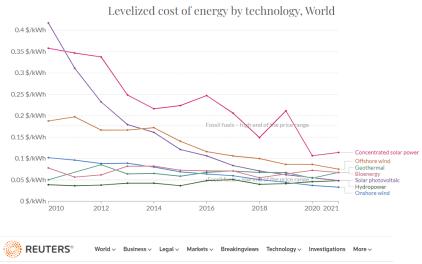


#### Irreversible

Once we move beyond certain thresholds, risks will be permanent and often self perpetuating

#### The world is responding to the challenge





### High gas prices spur green hydrogen investment -report



The SBTi launches the world's first standard method to cover land-related emissions and removals

#### Global investment in energy transition by sector \$ billion 800 ■ Sustainable materials 700 CCS 600 ■ Hydrogen 500 Nuclear 400 Electrified heat 300 Electrified transport 200 ■ Energy storage 100 Renewable energy 2006 2005 2006 2007 2008 2009 2011 2012 2013 2014 2015 2015 2016 2017 2017 2018

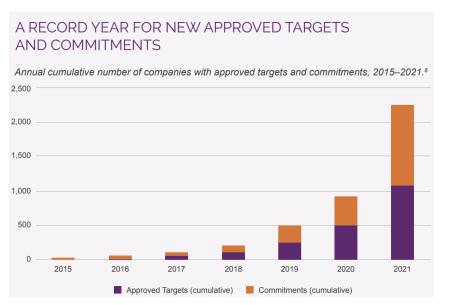
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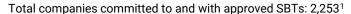
#### **NEWS**

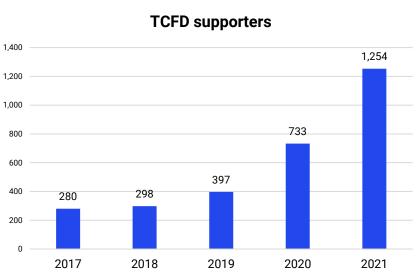
COP26: UK firms forced to show how they will hit net zero

### Setting decarbonisation targets has reached critical mass – and so has support for the TCFD





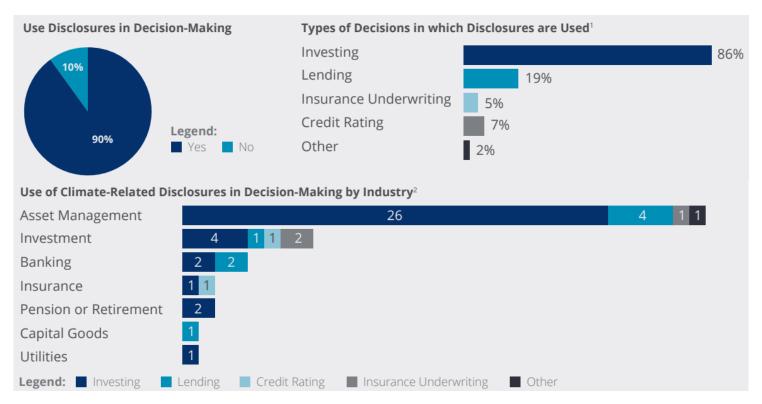




Total companies supporting the TCFD: 3,8682

### TCFD reporting is increasingly used for decision-making, and risks are starting to be priced into financial systems



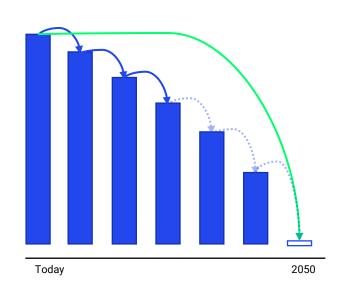


TCFD 2022 Status Report

### Insights from TCFD help to make the critical decisions along your decarbonisation journey



And your business remains relevant in a Net Zero economy









What are the most costeffective levers for decarbonisation? How do I best respond to climate risk (e.g., accept, avoid, transfer, mitigate)?

Do I need to make transformational changes to my business model? If so, when?

**Transition planning** is a way to operationalise your decarbonisation commitments and align your business activities with a pathway to Net Zero emissions



TCFD in action: Powering your Net Zero strategy

## Turning TCFD into action: the Carbon Trust approach

#### Your speaker



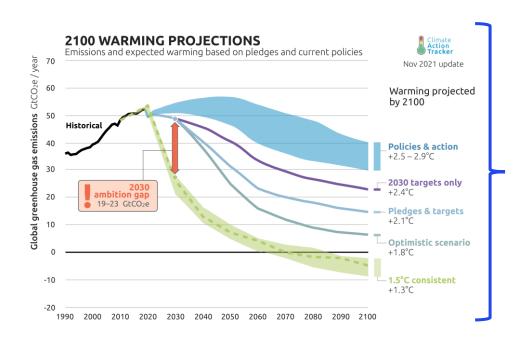


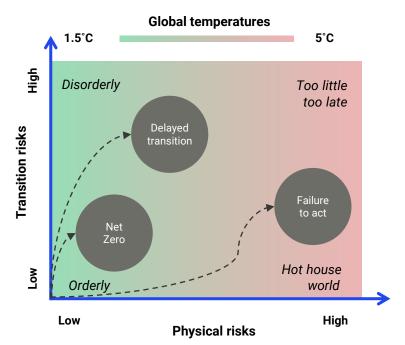
Francesca Messeri Manager, Advisory Services

### The pathway toward a 1.5°C world will present a combination of physical and transition risks, as well as opportunities



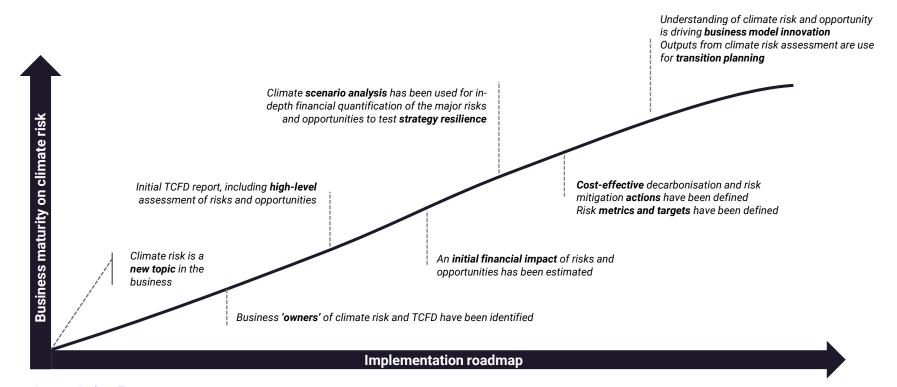
Using scenario analysis is critical to stress your business model against hypothetical futures – and ensure you remain relevant in a Net Zero world





### Leaders are using climate risk to drive business model innovation, power their Net Zero ambitions, and remain relevant in a Net Zero world



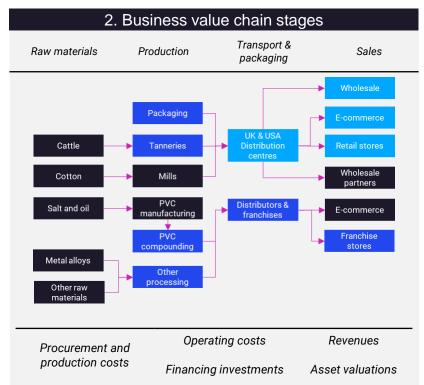


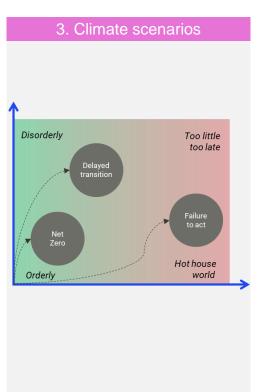
Source: Carbon Trust

### Our approach for assessing climate-related risks and opportunities considers the interplay of three dimensions









### We dive deeper to proactively explore risks beyond recognisable hotspots and identify opportunities for value creation and resilience



### Readily recognised

#### **Carbon hotspots**

Major emissions in the value chain from key processes, products, raw materials and countries

#### Geographic hotspots

Considering location of major operational assets and where inventories accumulate

### Proactively explored

Value chain resource use, renewable energy & circularity
Where is there a lot of resource (and land) use?

#### **Systemic dependencies**

Where are your reliant on others for business continuity?

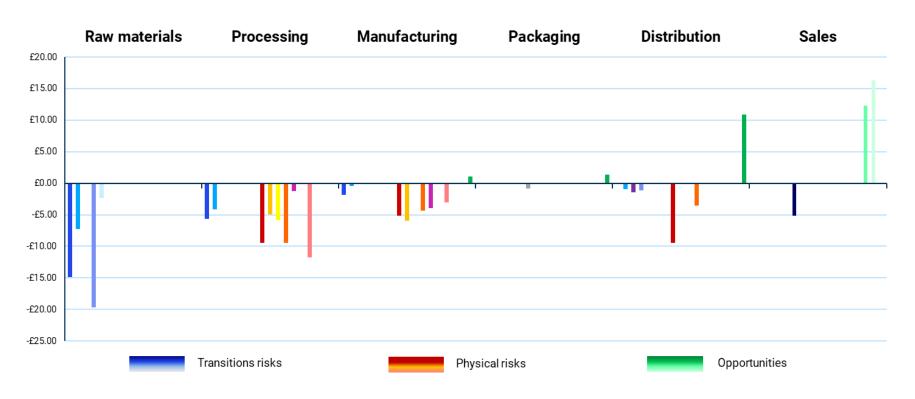
(Social) licence to operate & stakeholder expectations
What do your customers/ stakeholders care about and how
can you evolve to meet these needs?

Transition risks Physical risks

Opportunities and resilience

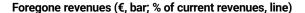
### Our process lets you uncover risk vulnerabilities and areas of opportunity across your value chain

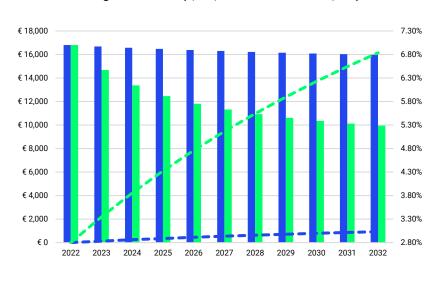




### It provides an in-depth financial assessment critical for your financial and business planning







#### Fossil fuel-linked assets value (€m) and generation capacity usage (%)



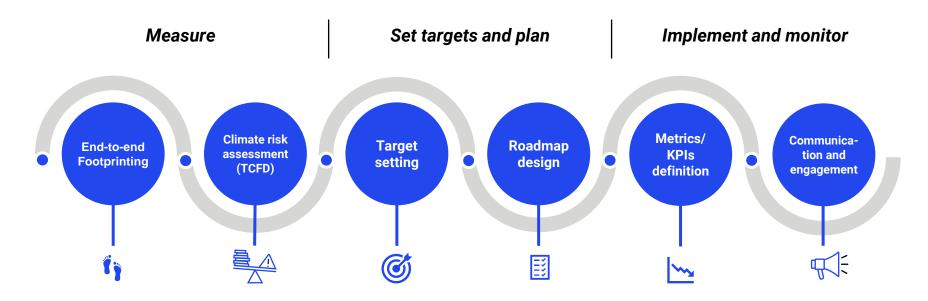
Current policies

Stress/transition (1.5°C)





Transition planning is an iterative journey. TCFD lays the foundation for achieving your Net Zero ambitions.



#### Best practice in transition planning





#### **End-to-end footprint**

Scope 1, 2 and 3

Annual footprint verified by independent  $3^{rd}$  party



#### Climate risks and opportunities assessed

Scenario analysis and in-depth financial modelling of key risks

Integration into wider risk management and input into financial, business and strategy planning

Mitigation/adaption responses are identified



#### Approved Net Zero targets

SBTi-approved targets underpinned by feasibility analysis and plans for beyond value chain mitigation



#### Actionable roadmap defined

Mapping & integration of sustainability initiatives

Net Zero roadmap clearly linked with financial and strategic decision-making

Clear governance with control mechanisms

Board oversight & incentives



### Financial and environmental KPIs and metrics developed

Quantifiable KPIs and metrics to track performance against Net Zero targets, risk exposure, as well and business and financial plans

Environmental metrics beyond carbon



#### Communicate and engage

Transition plan and progress reported in Annual Report

Engagement with suppliers, industry peers, public bodies is leveraged to accelerate transition

Transition plan is verified by independent 3<sup>rd</sup> party

#### Best practice in transition planning





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## **Business model innovation with Dr. Martens**

#### Your speaker

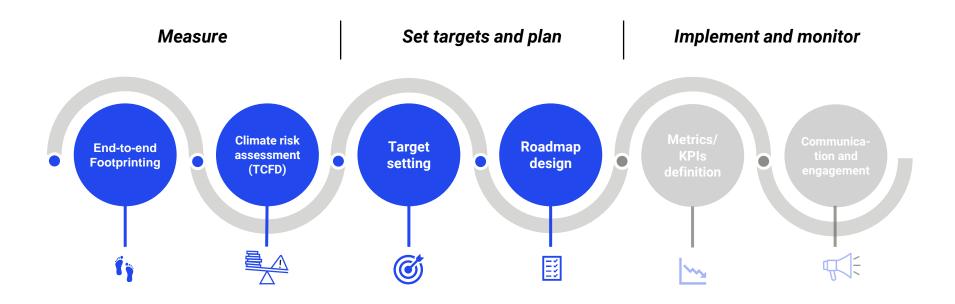




Michaela Neto
Environment and
Climate Impact Manager

#### Dr. Martens' journey to Net Zero

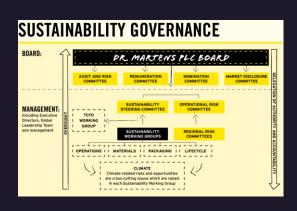










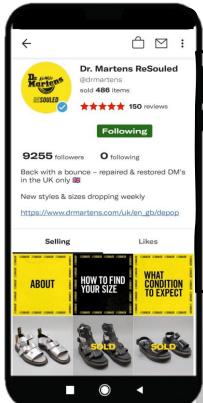




Dr. Martens annual report 2022 (https://www.drmartensplc.com/application/files/3716/5519/3907/DMs-AR22.pdf)

#### Dr. Martens Repair for Resale: Resouled







- ✓ Over 370 repaired items sold in 5 weeks
- √ 110 five-star reviews (99.9% of all reviews)
- √ 40% sell through rate
- ✓ Hit 1000th sale in September

### In April we successfully launched UK repair for resale trial "ReSouled"

- Small scale pilot with c.3k items repaired and then sold second-hand via Depop
- Conservative initial modelling suggests that repaired and resold DMs are at least 56% less carbon intensive than producing a new pair of DM's
- Repair and resale business models are one of the key opportunities being investigated through the TCFD Steering Committee.
- We'll be working with The Carbon Trust to model the potential decarbonisation from a second-hand business model, and ensuring the avoidance of unintended carbon impacts
- If done correctly, expanding this further can help us achieve our broader growth targets whilst reducing our average carbon per pair.
- We are exploring to expand into other key markets.

#### **Key takeaways**



- 1. TCFD is an invaluable tool to develop a Net Zero transition plan and drive the transformational change
- 2. There is a leading role for every team in your business the foundations are formed when your leaders in finance, risk and sustainability get aligned
- 3. The first questions to ask yourself are:
  - Am I more exposed to business disruption or market dynamics
  - For market dynamics will the disruption be caused by technology, society or governments
- 4. Your work is never done integrate this with your normal strategic planning cycles
- Don't forget ultimately TCFD is just about holding the mirror up and asking yourself key questions like:
  - Will my current business model still be relevant in a Net Zero world
  - How flexible and resilient am I to today's climate-related financial impacts
  - How much time have I got to respond to any emerging, or as yet uncovered, vulnerabilities in my value chain
  - How do the day to day business decisions that your managers make either increase or decrease the speed, likelihood or severity of these emerging impacts







## Thanks for listening

### Contact us

Get in touch with your client manager or email us at client.support@carbontrust.com

