Executive Data Brief:
The TCFD Signatories Perspective on Climate Change & Air Quality
Executive Summary

Established in 2015 by the Governor of the Bank of England, Mark Carney in response to G20’s request to better understand the financial implications of climate change, The Task Force on Climate-Related Financial Disclosure (TCFD) has been pushing companies to publicly disclose on their climate-related risks and opportunities.

In less than three years, the TCFD signatories have accounted for $44 billion in average market capitalization per company and have over 200 signatories. It has already attracted some of the biggest players from finance, utilities, extractives, consumer goods, technology and other sectors. The TCFD members include the likes of Diageo, PepsiCo, Unilever, Morgan Stanley, BHP Billiton, Akzo Nobel, Vale, Kering, Shell, Burberry, M&S, EDF, Engie, Salesforce and Qantas Airways.

Given the initiative’s scale and its potential impacts, the aim of this brief is to analyze how the Task Force signatories have been reporting on climate-related topics for the past five years.

The brief compares financial services to non-financial services companies and it explores topics related to climate change and air quality, such as greenhouse gases, climate change and air emissions, and the way these were discussed in annual financial reports.

The issue of climate change and air quality has been analyzed through Datamaran’s proprietary Artificial Intelligence. The analysis is focused on financial reports which takes in to consideration the TCFD recommendations focus on implementing climate-related disclosure in financial publications.

The research found that Non-FinServ signatories are leading over FinServ signatories in share of companies reporting with a high emphasis on climate change and air quality. The percentage of Non-FinServ who reported on this issue was double compared to FinServ signatories. The gap between both groups has been stable throughout the years with no sign of widening or closing, as both showed an incremental growth for the past five years (figure 1).
Interestingly, on a topic level, Non-FinServ signatories had an intake of high emphasis reporting on climate change [topic] a year before the TCFD recommendations have been published. It went from 31 percent in 2014 to 43 percent in 2015. It saw a peak increase of high emphasis reporting on climate change topic in 2016, accounting for 61%. FinServ signatories had an uptake in reporting on the same topic only in 2016 – the year after the Task Force's recommendations have been published (figure 2).

Whereas the overall dynamics of climate change and air quality [issue] high emphasis reporting has been growing, the topic of greenhouse gases did not show the same trend. While Non-FinServ signatories have been maintaining the reporting level on the topic between 68 to 75 percent, FinServ signatories showed the opposite. Following an increase of high emphasis reporting on greenhouse gases, FinServ signatories saw a big drop in 2018 from 43 to 33 percent (figure 4).

When comparing FinServ signatories reporting to their peer group of non-members, the analysis found that non-members maintained a stable reporting with no abrupt increases or decreases in the same year (figure 5).

Finally, air emissions is not a material topic for FinServ signatories, therefore, almost no signatory from that sector reported with a high emphasis on it.

The scope of the research

The analysis includes 152 signatories that are within the universe of companies Datamaran is tracking.

A control group of the largest financial services companies globally represents 192 companies also taken from the Datamaran universe with an individual market capitalization of above $20B.

The research is based on an emphasis given to a specific topic, not looking at performance indicators. Emphasis represents the level of attention a company is giving to a specific topic based on a terminology around each topic. The emphasis levels a company can report to are high, medium, low or no mention.

This research is only looking at the high emphasis mentions.

The percentage fields in the graphs indicate the share of companies in a particular group and year that report with a high emphasis on the highlighted topic or issue. No insights are drawn from eco-efficient transportation and emission trading due to an insignificant amount of companies that consider those topics to a high emphasis in their financial reporting.

More on the scope of the research can be found at the end of the report.
Climate Change and Air Quality Overview

Looking at the issue level of climate change and air quality, both groups showed an increase in emphasis since the introduction of the recommendations in 2015. While signatories from Non-FinServ sectors are leading over FinServ signatories, in a number of companies reporting with a high emphasis on the issue, FinServ signatories have been steadily increasing their emphasis since the recommendations were introduced. The gap between both groups has been stable throughout the years with no sign of widening or closing.

So far in 2018, the trend of increasing emphasis seems to slow down with a slight uptrend compared to the previous years.

FIGURE 1
Annual dynamics of high emphasis mentions around Climate Change & Air Quality among the TCFD signatories

<table>
<thead>
<tr>
<th>Years</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>11%</td>
<td>9%</td>
<td>10%</td>
<td>13%</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>TCDF signatories (other industries)</td>
<td>27%</td>
<td>25%</td>
<td>29%</td>
<td>30%</td>
<td>34%</td>
<td>35%</td>
</tr>
</tbody>
</table>
On a topic level, Non-FinServ signatories had an intake of high emphasis reporting on climate change a year before the TCFD recommendations have been introduced. It went from 31% in 2014 to 43 percent in 2015. It had an impressive 18% increase to the previous year, accounting for 61%. FinServ signatories had an uptake in reporting on the same topic only in 2016 – the year after the Task Force’s recommendations have been published (figure 2).

FinServ signatories have been constantly increasing their emphasis on the topic, closing the gap on other sectors. While the gap was 32% in 2016, it closed down to 15% in 2018.

Climate Change & Air Emissions

Non-FinServ signatories saw a peak of high emphasis reporting on the climate change topic, accounting for 61% in 2016.

Air emissions is not a material topic for FinServ companies, therefore, almost no signatory from that sector has reported with a high emphasis on the topic.

**Climate change**

On a topic level, Non-FinServ signatories had an intake of high emphasis reporting on climate change a year before the TCFD recommendations have been introduced. It went from 31% in 2014 to 43 percent in 2015. It had an impressive 18% increase to the previous year, accounting for 61%. FinServ signatories had an uptake in reporting on the same topic only in 2016 – the year after the Task Force’s recommendations have been published (figure 2).

FinServ signatories have been constantly increasing their emphasis on the topic, closing the gap on other sectors. While the gap was 32% in 2016, it closed down to 15% in 2018.

**FIGURE 2**

Annual dynamics of high emphasis mentions around Climate Change among the TCFD signatories

<table>
<thead>
<tr>
<th>Years</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCFD signatories (other industries)</td>
<td>21%</td>
<td>19%</td>
<td>21%</td>
<td>29%</td>
<td>39%</td>
<td>53%</td>
</tr>
<tr>
<td>TCFD signatories (Financial Services)</td>
<td>33%</td>
<td>31%</td>
<td>43%</td>
<td>61%</td>
<td>66%</td>
<td>68%</td>
</tr>
</tbody>
</table>
Air emissions is not a material topic for FinServ signatories, therefore, almost no signatory from that sector has reported with a high emphasis on it.

Other sectors, especially industrials and utilities identified air emissions as a material topic, which can be reflected in the emphasis increase since 2016. Almost double the amount of Non-FinServ companies are currently reporting with a high emphasis on air emissions compared to 2016.
Greenhouse gases

Greenhouse gases is a particularly interesting topic to look at from a reporting perspective. It can be observed from figure 4 that FinServ signatories were increasingly reporting with a high emphasis on greenhouse gases when the share of companies dropped by 10% in 2018.

As it can be seen from figure 5, this trend is not an industry trend. The biggest FinServ companies globally, which not yet support the TCFD recommendations have been more stable in their share of high emphasis mentions.

Figure 5 also shows that signatories significantly increased their emphasis around greenhouse gases reporting from 2015 to 2017. While the gap with non-signatories was narrow before the introduction of the recommendations, it widened to a peak of 27% difference in high emphasis mention in 2017.

Non-FinServ signatories saw a modest increase of high emphasis greenhouse gases reporting from 68% in 2013 to 75% in 2018, as it can be seen in figure 4.
The issue of climate change and air quality has been analyzed through Datamaran’s proprietary Artificial Intelligence. The research looks at financial reports taking into consideration the recommendations of the TCFD to focus on implementing climate-related disclosure in financial publications.

The analysis includes 152 signatories that are within the universe of companies that Datamaran tracks.

Sector break down:

- **79** Financial services
- **16** Basic materials
- **13** Consumer goods & services
- **14** Industrials
- **7** Oil & gas
- **15** Utilities
- **8** Technology equipment & services

A control group of the largest financial services companies globally that are non-signatories, represents 140 companies. They are also taken from the Datamaran universe with an individual market capitalization of above $20B.

Please note that not every company published an annual financial report in all 6 consecutive years.

The research is based on the emphasis given to a specific topic, it does not look at performance indicators. Emphasis represents the level of attention a company is giving to a specific topic based on a terminology around each topic. The emphasis levels a company can report to are high, medium, low or no mention. This research is only looking at high emphasis mentions.
## Terminology

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td><strong>Emphasis</strong></td>
<td>The level of attention a company is giving to a particular topic.</td>
</tr>
<tr>
<td><strong>ESG</strong></td>
<td>Environmental, Social and Governance.</td>
</tr>
<tr>
<td><strong>Financial services (FinServ)</strong></td>
<td>Companies that offer professional services involving the investment, lending, and management of money and assets. In the scope of this research the following industries are included: banking services, insurance, real estate services, other financials, exchanges, consumer financials, capital markets, real estate investment trusts (REITs), diversified financials.</td>
</tr>
<tr>
<td><strong>High emphasis</strong></td>
<td>The ranking system for financial reports is based on their topic density for determining high emphasis topics, expressed with annotation per token. Annotation per token is calculated as the number of annotations divided by the number of tokens, where annotations are terms referring to a topic (“hits”), and tokens are words, particles and punctuation.</td>
</tr>
<tr>
<td><strong>Industry</strong></td>
<td>A segment within a sector that deals with specific line of business/economic activity (i.e. banking services etc.)</td>
</tr>
<tr>
<td><strong>Issue</strong></td>
<td>When referring to an “issue”, it describes a cluster of ESG topics. As part of this research the issue of climate change and air quality is analyzed.</td>
</tr>
<tr>
<td><strong>Market capitalization</strong></td>
<td>The value of a company that is traded on the stock market, calculated by multiplying the total number of shares by the present share price.</td>
</tr>
<tr>
<td><strong>Non-financial services (Non-FinServ)</strong></td>
<td>Companies that are categorized in the following sectors and exclude any financial services companies. In the scope of this research the following industries are included: oil &amp; gas, industrials, technology equipment and services, utilities, basic materials, consumer goods and services and clustered in its underlying sub-sectors. No healthcare and pharmaceuticals companies that are in the universe of Datamaran coverage are supporting the TCFD recommendations.</td>
</tr>
<tr>
<td><strong>Sector</strong></td>
<td>A segment of an economy/business or economic activity (i.e. financial services etc.)</td>
</tr>
</tbody>
</table>
### Issue

The following topics create the **issue** of climate change and air quality:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td><strong>Climate change</strong>:</td>
<td>This topic tracks the disclosures regarding how climate change impacts the way the business operates. It is mostly used in a descriptive way, especially in relation to the risk climate change poses to business operations.</td>
</tr>
<tr>
<td><strong>Air emissions</strong>:</td>
<td>This topic tracks disclosures regarding how companies are dealing with air pollution, including information of emissions level, initiatives and programs to manage or reduce air pollutants. Greenhouse gases are tracked in the dedicated topic.</td>
</tr>
<tr>
<td><strong>Greenhouse gases</strong>:</td>
<td>This topic tracks disclosures specifically regarding the gases causing the global warming or greenhouse effect. It includes information on mitigation strategies.</td>
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<tr>
<td><strong>Eco-efficient transportation</strong>:</td>
<td>This topic refers to transportation systems that are efficient in terms of fuel consumption, utilise alternative fuels, minimize polluting emissions. Companies refer to these transportation systems in a variety of contexts: services/products offered, accessibility of infrastructures, description of local markets/infrastructure conditions. Employee mobility and Eco-efficient employee mobility topics specifically deal with transportation systems for employees.</td>
</tr>
<tr>
<td><strong>Emission trading</strong>:</td>
<td>This topic tracks the disclosure regarding cap and trade systems of polluting emissions.</td>
</tr>
</tbody>
</table>

### The Task Force on Climate-related Financial Disclosures (TCFD)

The Task Force on Climate-related Financial Disclosures (TCFD) develops voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.

The Task Force considers the physical, liability and transition risks associated with climate change and what constitutes effective financial disclosures across sectors.

The work and recommendations of the Task Force are aimed to help companies understand what financial markets want from disclosure in order to measure and respond to climate change risks, and encourage firms to align their disclosures with investors’ needs.

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**Signatory**
A company that has signed an agreement or recommendation (in the scope of the research it refers to the TCFD signatories)

**Topic scope**
Datamaran tracks 95 unique ESG topics. In the scope of this research topics such as: greenhouse gases, climate change, air emissions, eco-efficient transportation, and emission trading are analyzed.

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About Datamaran

Datamaran is the global leader in Software as a Service (SaaS) solutions for non-financial risk management.

Datamaran's proprietary software enables data-driven decision-making.

The company captures evidence-based insights for more than 7,000 companies and tracks all regulatory initiatives worldwide. Datamaran's AI sifts and analyzes extensively publicly available sources such as corporate reporting, regulations, news and social media.

Datamaran's global clientele of blue-chip companies have replaced the dated and expensive manual processes used for benchmarking, materiality and risk analysis as well as issues monitoring.

The insights customers gather are used across multiple business teams (governance, risk, compliance, sustainability) to identify and monitor risks and opportunities and to inform corporate strategy.

Datamaran is a well-known and trusted partner of established advisory firms that use the service to augment their consulting offerings.

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