# Canada’s brilliant move: linking Covid-19 support to TCFD reporting. What does that look like on the ground for Canadian business?

In our radically different world post coronavirus, we at XDI have been thinking about the opportunity this pivotal moment provides us. Covid has given us all a crash course in understanding risk -- particularly risk from the unexpected -- and how to move fast to adapt to it. Meanwhile, the threat of climate change remains. The challenge of surviving as a business in the pandemic while finding ways to build back better is making or breaking businesses all around us.

Front of mind for many of our clients is how to prepare better for climate change and future risk. It’s a steep learning curve for many, but a necessary one. Taking time to understand climate impact risk can help us avoid further blows to the economy and the critical infrastructure that supports business as usual. It will make all the difference for future success.

The Canadian Government’s move to link Covid-19 relief schemes with climate risk reporting for large businesses is commendable. It’s in keeping with commitments made in June 2019 - prior to any knowledge of what was coming - when Canada’s Expert Panel on Sustainable Finance recommended a gradual phasing in of TCFD reporting over the next two years. Skip to March 2020, and the perfect opportunity to fast track mandatory climate risk reporting has emerged in the widespread need for government bailouts.

Under Canada’s Large Employer Emergency Financing Facility (LEEFF), businesses with revenue over C$300 million can now apply for government subsidised bridging finance to help them through the financial impact of coronavirus. Companies that receive LEEFF are required to publish annual climate-related financial disclosure reports in line with the program endorsed by the Liberal government’s 2019 budget.

While it may be challenging, linking relief support to climate risk reporting means companies will need to embed hard-hitting data analysis into their ESG efforts. Many will be scrambling to find out how to approach TCFD, and where to get this kind of analysis.

The TCFD framework urges business to deepen the level of engagement with climate risk across the entire organisation and importantly, in the climate risk impacts to a company’s bottom line. Since the initial recommendations were released in 2017, several significant reports released by finance industry bodies have expanded on the recommendations to develop further guidelines for reporting, metrics and standards.

The fact remains however that complex climate risk analysis is a new beast, with demand growing ahead of its availability. Whole new agencies are being launched to address this need; consultancies are sprinting to build their climate change offering in real time. The danger is that an urgent need for TCFD compliance will become a box ticking exercise with only shallow attention paid where in fact a deep understanding of complex problems can make a real difference.

TCFD has gained momentum in the last few years driven largely by the UK and Europe with more than 1,000 organisations now signatories to it, representing a market capitalisation of over US$12 trillion. The tipping point has been reached. It is now mainstream.

It is time to tackle TCFD and prepare for the future of climate risk reporting in your own company. Experience with our clients since 2006 shows us that deep understanding of physical risk helps businesses avoid losses via critical failures in both operations and supply chain, whilst boosting resilience in the sections of the economy that it sits within. If anything has been learned from Covid-19, let it be that we are vulnerable to shock waves in ways we can't foresee unless we pay careful attention to planning for risk. The difference with climate change is that the science is in; we'd be fools not to act.

## About XDI

XDI Cross Dependency Initiative provides physical climate risk analysis and reporting for financial service providers, business and government. We have worked with a wide range of Canadian clients including the British Columbian government, Canada Post and financial institutions. We work with a number of management consultancies in the UK and North America to provide the physical risk component of TCFD reporting. XDI's multi-award winning data analysis technology is the best on the market using extensive asset and climate data to run statistical analysis on high speed servers. XDI creates detailed asset-by-asset failure risk, supply chain and transport risk and cost benefit analysis.

We're looking forward to helping Canadian companies deliver high quality TCFD reporting to comply with LEEFF requirements and gain a better understanding of climate risk to help them prepare for what's ahead in the post-pandemic economy.

**- Rohan Hamden, CEO**

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