



A4S

ACCOUNTING FOR SUSTAINABILITY

IMPLEMENTING THE TCFD RECOMMENDATIONS

Practical Example: Verizon



verizon^v

TCFD

TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

WHAT IS THE TCFD?

The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) was set up by the Governor of the Bank of England and former Chair of the Financial Stability Board, Mark Carney, and is chaired by Michael Bloomberg. It was established to develop recommendations to help address the challenges of climate-related disclosure faced by:

- Issuers who generally have an obligation under existing law to disclose material information, but lack a coherent framework to do this for climate-related information.
- Investors, lenders and insurers who need decision-useful, climate-related information to make informed capital allocation and financial decisions.

The recommendations are structured around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management, metrics and targets.

HOW A4S SUPPORTS THE TCFD

The Prince's Accounting for Sustainability Project (A4S) supports the adoption of the TCFD recommendations. To do this, we work with key stakeholder groups to build awareness and provide access to the skills and knowledge required for implementation. Our activities have included:

- Providing a platform for Chief Financial Officers (CFOs), Pension Fund Chairs and Accounting Body Chief Executive Officers to signal their commitment to support the recommendations and work with their peers to improve disclosure across sectors and regions – see [**A4S Statements of Support for the TCFD recommendations**](#).
- Running a series of global implementation workshops to provide finance teams with practical ways to embed the recommendations within their organizations.
- Publishing a [**TCFD Implementation: Top Tips for Finance Teams**](#) booklet, based on the experiences of early adopters.
- Providing insight into how corporates have implemented the TCFD recommendations by publishing [**practical examples**](#) (including this one) on the steps taken, challenges faced and barriers overcome by organizations.



VERIZON: OUR WORK ON THE TCFD RECOMMENDATIONS

WHAT?

Verizon, headquartered in the United States, is one of the world's leading providers of telecommunications, with more than 135,000 employees and providing connectivity to business customers in more than 150 countries around the world. We are committed to transparency regarding our climate-related risks and have adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In 2020, on the 50th anniversary of Earth Day, we published our first TCFD report.

We structured our report in line with the four pillars of the TCFD recommendations: governance, strategy, risk management, and metrics and targets. In our report, we highlighted our Board of Director's oversight of climate-related risks and how management communicates those risks to our Board. We also prepared a scenario analysis, examining the impact of major drivers on our carbon price exposure.

WHY?

We had already set specific climate goals. We have a goal for half of our total electricity to come from renewable sources by 2025. We have a goal to become carbon neutral by 2035. What we hadn't done was place these goals in a strategic context. TCFD reporting has helped us to connect our existing climate goals to our long-term business strategy and our risk mitigation strategies.

We also knew that developing climate-related disclosures was something our investors cared about. It was one of the primary areas that our major institutional and socially responsible investors requested from us. So, with our TCFD report we wanted to be responsive to our investors' requests to understand more about our climate-related risks and opportunities, and our climate resilience.

“TCFD reporting has helped us to connect our existing climate goals to our long-term business strategy and our risk mitigation strategies.”



HOW?

Once we had committed to reporting in line with the TCFD recommendations, we had to start by educating ourselves.

We proceeded to build a vision for our future report. To do this, we spent a lot of time studying the TCFD guidance and other resources, examining other companies' reports, and engaging with several of our investors. It was important that we develop a report that would work well in the context of the telecommunications industry, and that made sense for Verizon specifically. We also wanted to make sure our report would speak to our investors. We conducted a gap analysis to work out how we could move from our starting point towards our vision.

To produce our report, we collaborated extensively across the company. The TCFD disclosures are wide-ranging and cut across the whole organization, so we knew that we needed expertise from a range of departments and subject matter experts. We also realized that there were specific areas where we would benefit from external support and advice. Working with organizations like A4S helped us to identify best practices from other companies. We also brought in a consultant to support us with our scenario analysis.

We have summarized the key steps of our approach on the following pages.





ENGAGING OUR INVESTORS

Our investors were a critical part of our TCFD reporting journey. We spent a lot of time engaging with several of our key investors before settling on how to report, where to report and what to report. From these conversations, we discovered that investors wanted our climate reporting to highlight the resilience and efficiency of our network. Those became major themes of our TCFD report.

We found that talking to investors helped us to clarify our thinking in important areas. It prompted us to explore the decisions we had made for our initial scenario analysis, particularly our choice to focus on transition risk and the impact of a carbon price.

Being transparent with our investors about our reporting plans from the beginning was important to us. We were clear about our proposed approach and the themes we planned to emphasize. We also talked about our challenges, and found that some of our investors were confronting these issues too.

We quickly realized that our investors understood that there would be reporting and resource challenges. Many of them were confronting these same challenges. This open relationship with investors helped us to see our first TCFD report as the start of a shared journey.

PREPARING A GAP ANALYSIS

Early in the process we worked to identify gaps in our current reporting. We had two main goals. First, we wanted to find areas where we could immediately improve our climate disclosures. This would capture existing climate-related work that we hadn't built into our reporting. Second, we wanted to plan for disclosures we couldn't make yet but would like to develop over time.

To prepare our gap analysis, we scrutinized our existing reports. We looked at disclosures we'd made in our previous sustainability reports and proxy statements. We reviewed Board meeting agendas and presentations, corporate policy statements, and various risk and business continuity materials. We then organized them by the four TCFD areas. After doing this work, we realized that we had scope to disclose more about our Board oversight of climate-related risk and our risk management processes than we had originally anticipated.



GETTING EVERYONE INVOLVED

We have a dedicated environmental, social and governance (ESG) reporting team that led our TCFD reporting process. However, our TCFD report needed input from many sources. It was a cross-functional, collaborative effort across the company.

Our Board of Directors and senior management fully supported our work on the TCFD report, which helped us to get the widespread internal buy-in that we needed. For example, to prepare the risk management and strategy sections, we interviewed people from teams including business continuity planning, finance, network engineering, product development, public policy, real estate, internal audit, risk management and strategy. Coordinating input from so many teams was one of our biggest challenges. We worked to enhance our engagement with colleagues in the process, so that we could draw on their time and expertise and produce a robust report.

At the end of the process, all of our subject matter experts reviewed and signed off the relevant sections of our report before it was presented to our disclosure committee for approval.

ROLE OF FINANCE

Our finance team plays an important role in our TCFD reporting. Our CFO works closely with the ESG team on how we set, measure and report against our climate commitments. Our treasury team supports reporting for our green bond, which was launched in 2019. As of December 31, 2019, approximately \$500 million of net proceeds from our \$1 billion green bond had been allocated to environmental projects including renewable energy, energy efficiency and green building.

An important way that finance has supported our TCFD process was by sharing their expertise on reporting processes, procedures and controls. To enhance our climate-related disclosures, we needed to make sure that we had the right controls in place for gathering and reporting ESG data. Our finance staff have a wealth of knowledge about controls and processes. This perspective has been invaluable for us in making sure that we have reliable data and robust reporting processes.

NEXT STEPS

Now that we have published our first TCFD report, we plan to gather stakeholder feedback on this report and our ESG report. We will take this feedback into account in our future reporting. We know that we want to improve the incorporation of network resilience into our investor messaging and climate-focused reporting.

We also want to do more work to help our employees understand the high-level concepts discussed in the TCFD report and how we put this into practice with our governance and management of climate-related risk and opportunities. By raising the level of understanding across the company, we are investing in making our future TCFD reporting easier and more effective.



OUR DISCLOSURE

Here is an extract from our TCFD Report 2019:



<https://www.verizon.com/about/sites/default/files/Verizon-TCFD-Report.pdf>

Climate-related targets			
Metric	Goal	Target type (Absolute/intensity)	Time frame (and baseline)
Carbon indicators			
Scope 1 and 2 emissions⁶	Achieve carbon neutrality by 2035	Absolute	By 2035
Carbon intensity (a measure of the carbon our business emits divided by the terabytes of data carried by our networks) ⁷	Reduce our carbon intensity by 50% by 2025 (measured against 2016 baseline)	Intensity	2016-2025 (2016 baseline)
Reduction in CO₂e our customers are achieving through the use of our products and services	By 2022, Verizon's networks and connected solutions will save more than double the amount of global emissions that our operations create	Absolute	By 2022
Energy indicators			
MW of renewable energy	Source or generate renewable energy equivalent to 50% of our total annual electricity consumption by 2025	Absolute	By 2025
MW of on-site green energy	24 MW of additional on-site green energy	Absolute	By 2025 (2016 baseline)

⁵Scope 3 emissions are indirect upstream and downstream emissions.

⁶Scope 1 and 2 emissions are assured. Scope 3 emissions (business travel) are also assured.

⁷Carbon intensity is assured. An annual target related to carbon intensity is also incorporated into remuneration policies (see [Governance section](#)).

VERIZON'S TOP TIPS

1

Get senior support

Support from your Board and senior leadership from day one is essential. Having leadership behind your efforts is critical for getting the buy-in and support from across the organization that you will need. Leadership will also need to sign off on your disclosures, so it helps to have them engaged from the start.

2

Talk to your investors

We found our investors very collaborative when talking about TCFD. Your investors have valuable insights, so don't shy away from having those conversations. Share your plans and your challenges. Being transparent from the start means that you can understand your investors' needs and interests and that they have a clear picture of your thinking, too.

3

Plan your resources

Getting the resources you need for TCFD reporting may be a challenge. You'll need resources to gather information and data for the report as well as time and input from subject matter experts across your organization. Make sure you've educated colleagues about TCFD and what you need from them.

4

Draw in external expertise if needed

Consider bringing in external expertise, especially if this is your first TCFD report. We chose to use a consultant to help us with our scenario analysis. We gained invaluable advice on which scenarios made sense for us and would resonate with our stakeholders. This also helped to put less pressure on our internal resources.

5

Use TCFD to think about your climate goals

TCFD disclosures can be a useful framework for thinking about your existing climate goals. TCFD has been a helpful tool for us in thinking about how we talk about our goals, how they support our sustainability strategy and how they help us to mitigate climate risk.

THE A4S CFO ESSENTIAL GUIDE SERIES

LEAD THE WAY

Developing a strategic response to macro sustainability trends

- Managing Future Uncertainty
- Engaging the Board and Executive Management*
- Finance Culture
- Incentivizing Action*

TRANSFORM YOUR DECISIONS

Integrating material sustainability factors into decision making

- Strategic Planning, Budgeting and Forecasting
- Management Information
- Capex

MEASURE WHAT MATTERS

Developing measurement and valuation tools

- Natural and Social Capital Accounting
- Social and Human Capital Accounting
- Embedding Climate Risk into Valuations*

ACCESS FINANCE

Engaging with finance providers on the drivers of sustainable value

- Enhancing Investor Engagement
- Debt Finance
- Implementing the TCFD Recommendations
- Implementing a Sustainable Finance Framework

*coming soon

www.accountingforsustainability.org/guides



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