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Sandra Califaretti, City of Toronto**

***Climate Change & Asset Management Conference
Climate Change Financial Disclosures: Implications
on Municipalities***

March 23, 2021

Building a Better Future through TCFD: Your Speakers



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Vice President -
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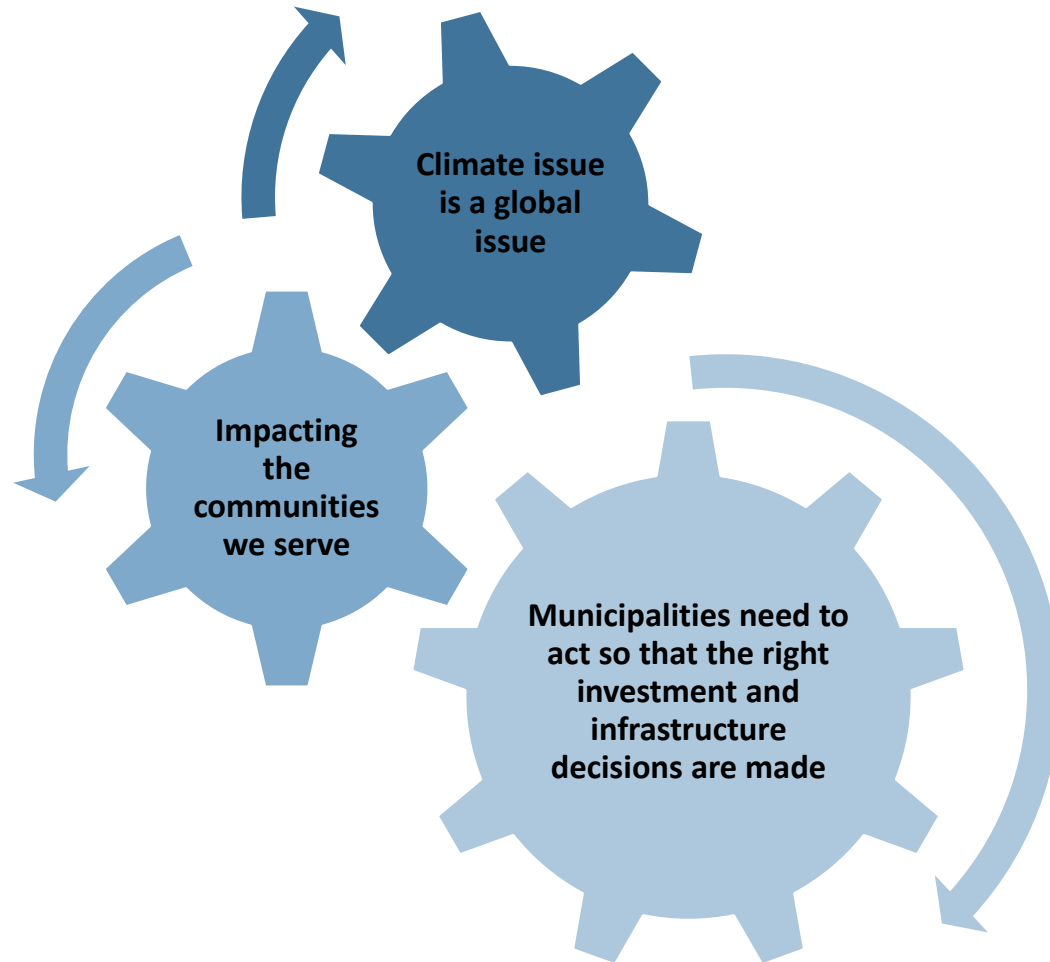
**Sandra Califaretti,
Director, Accounting Services
City of Toronto**

Cities at the Centre of Climate Risk



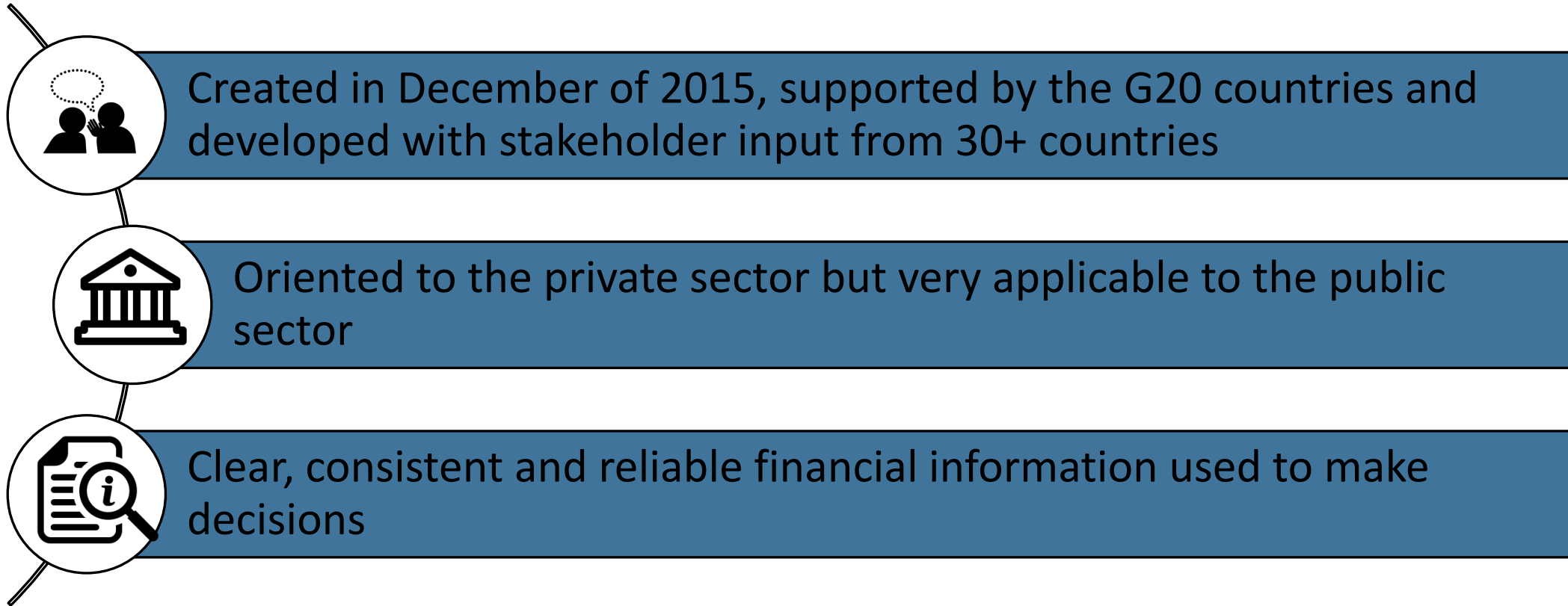
- Insured losses in Canada have been over CAD \$1 billion / year for the past ten years
- 70% of cities already being impacted by climate change
- >490 local governments in Canada have declared "climate emergencies"
- Avoiding the worst impacts of climate change at the municipal level will cost an estimated \$5.3 billion / year
- FCM estimates for every \$1 billion invested in mitigation, \$6 billion in costs can be avoided

Better Disclosure drives Behavioural Change



By advancing the climate change conversation, we can make a generational impact

The Task Force for Climate Related Financial Disclosure (TCFD) recommendations

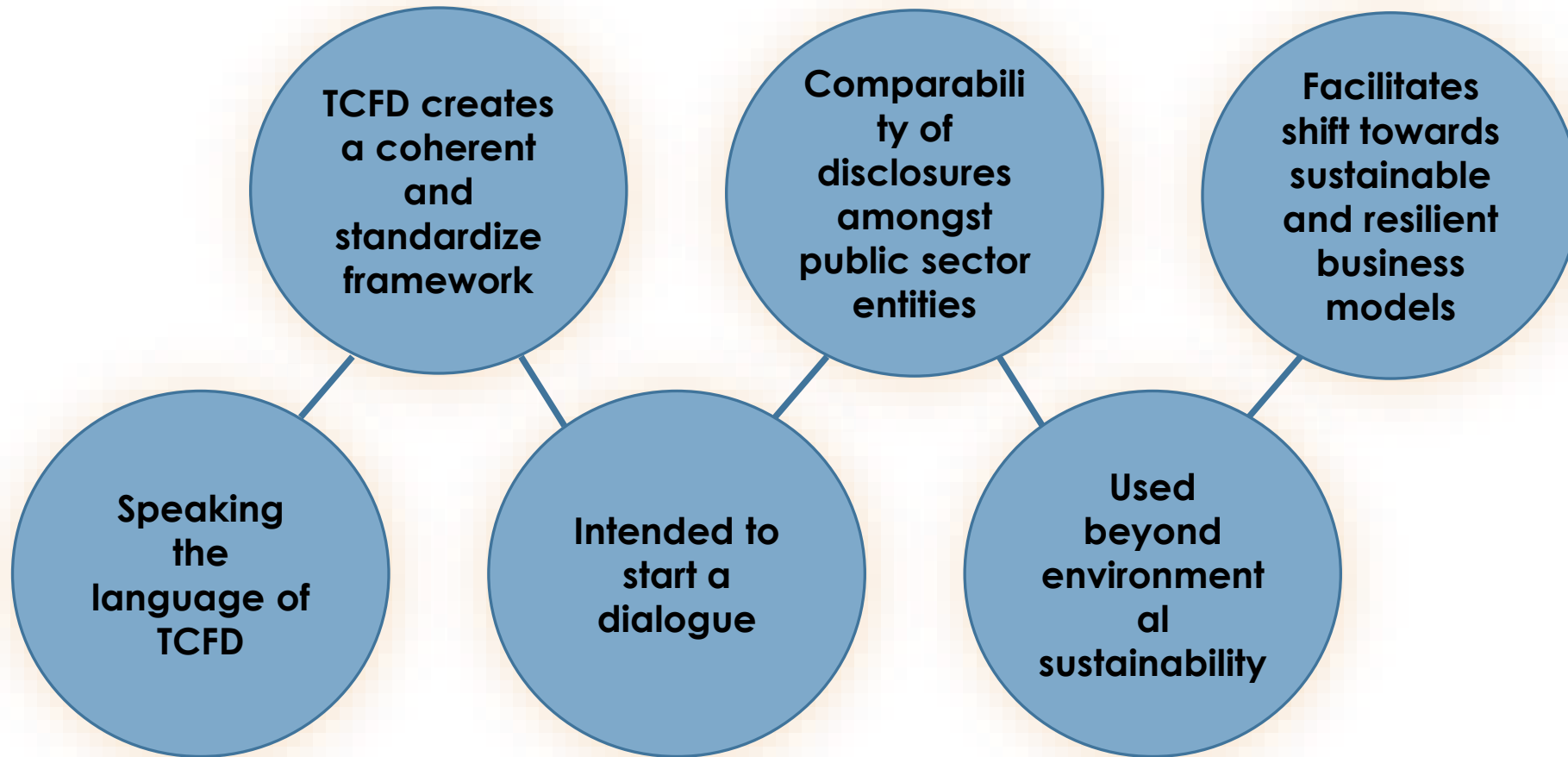


Overview of the TCFD Recommendations



- The TCFD recommends climate-related disclosures in four areas:
 - Governance
 - Strategy
 - Risk Management
 - Metrics and Targets
- Recommends the use of *scenario analysis*
- Recommends reporting material climate-related information in *financial disclosures*

TCFD helps us find Common Language and Interests



Spotlight on Cities Financing Resilience

- Toronto, Vancouver and Montreal are three Canadian cities currently implementing the TCFD recommendations
- Download our report to learn more about:
 - Some of the adaptation actions taken by each city in response to climate change
 - The state of climate reporting in each city, including reporting under the TCFD recommendations
 - Initial challenges faced by each city when implementing the TCFD recommendations
 - Advice on things to consider when initially adopting the TCFD recommendations in your own organization

Why Canada's largest cities are adopting the TCFD recommendations

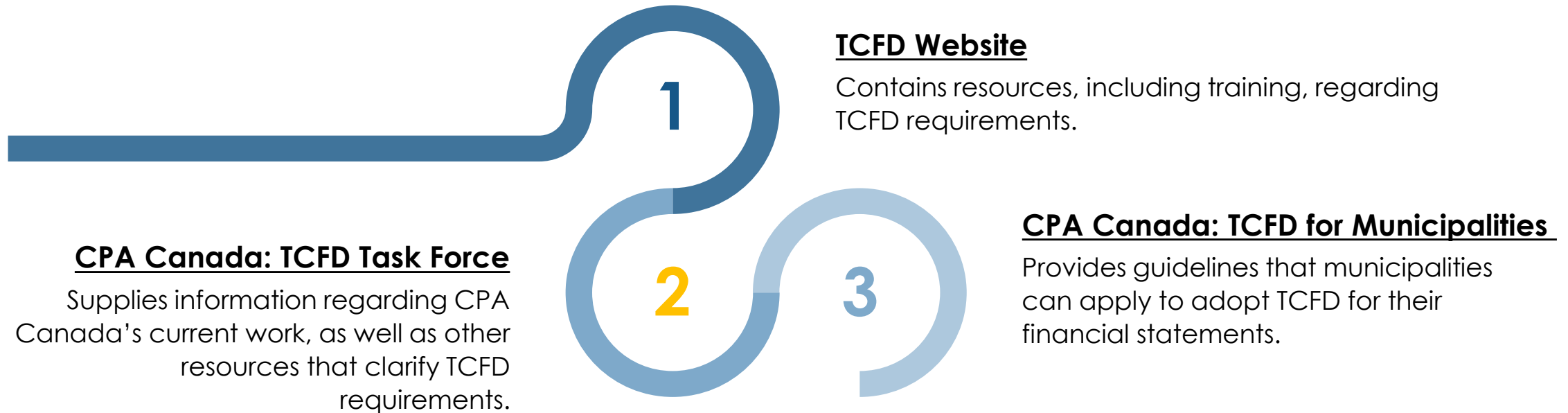
Learn how three major Canadian cities are putting a spotlight on the threats posed by climate change and raising awareness of the need to shift to a carbon-neutral society.

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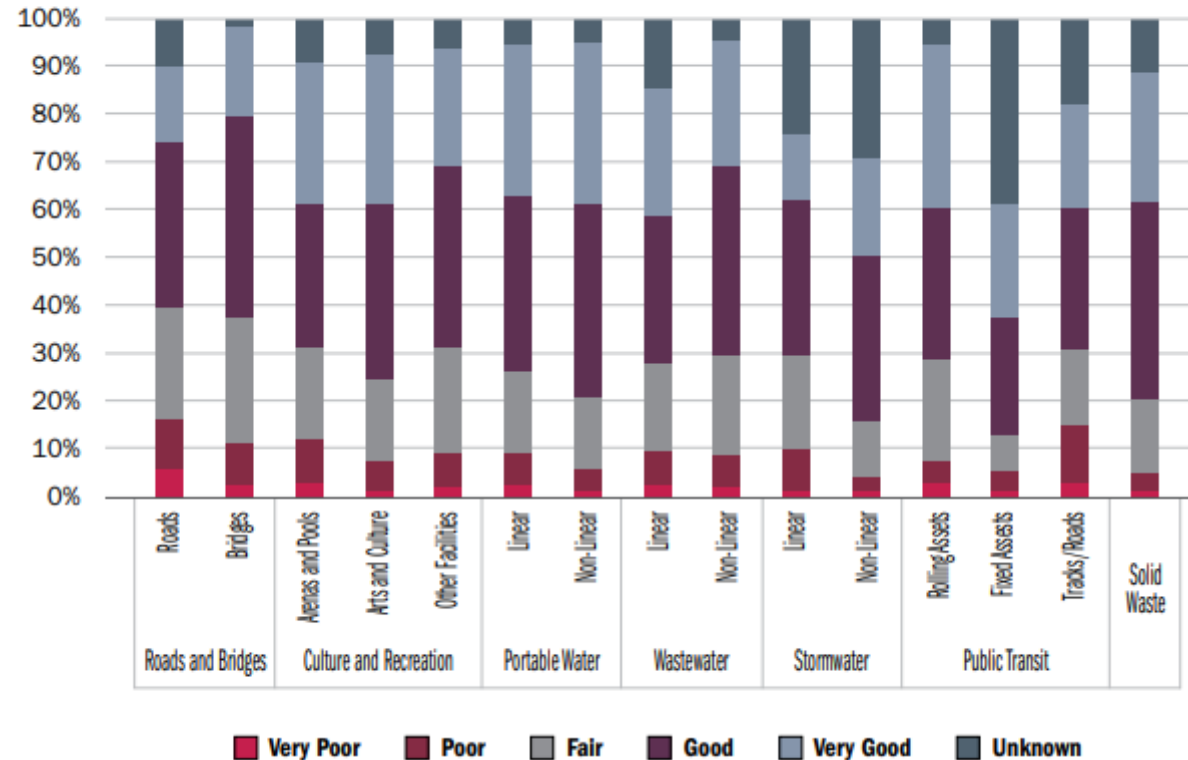
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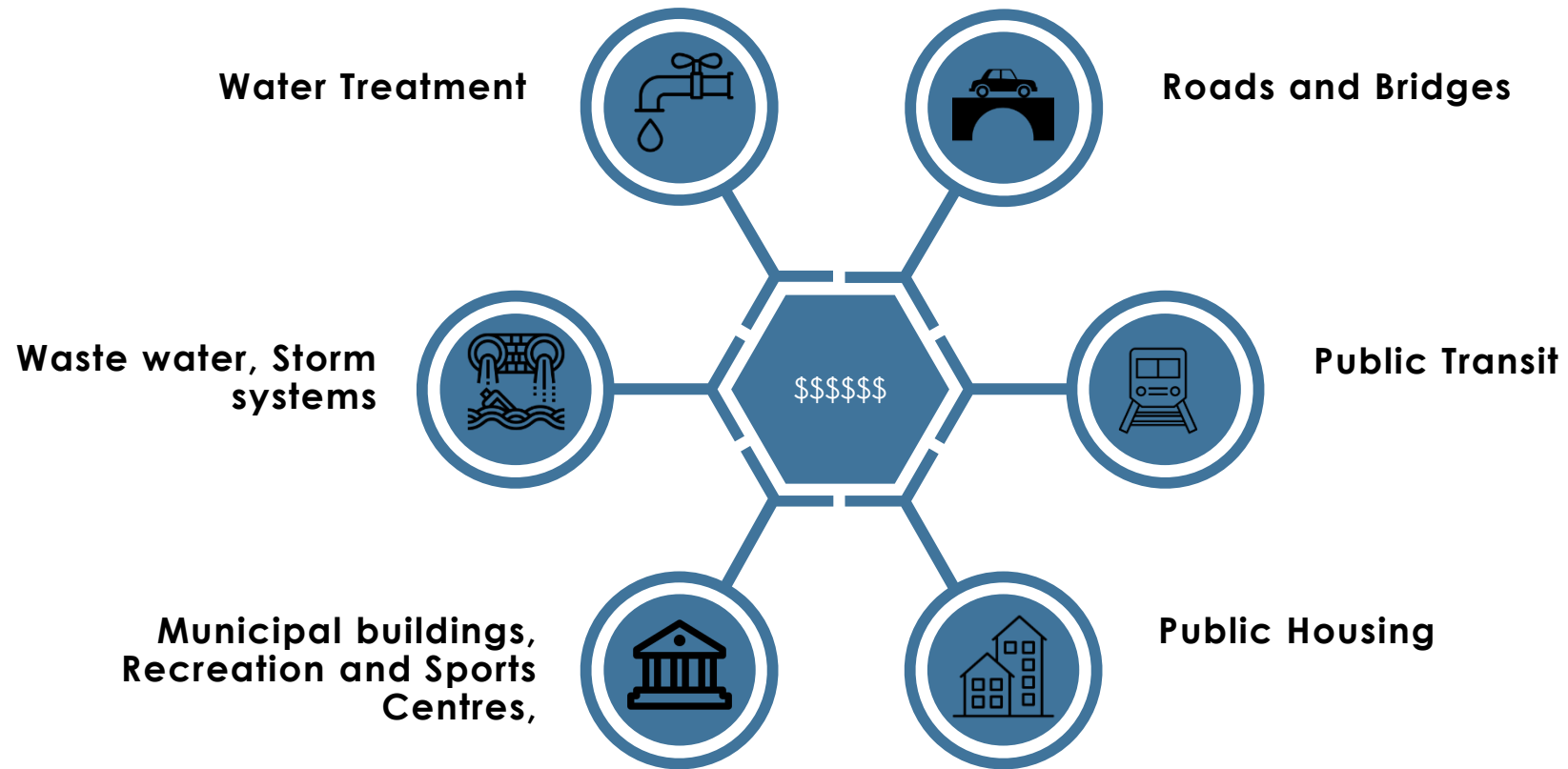


Canada is in an infrastructure deficit position, with state of good repair challenged by more frequent extreme weather

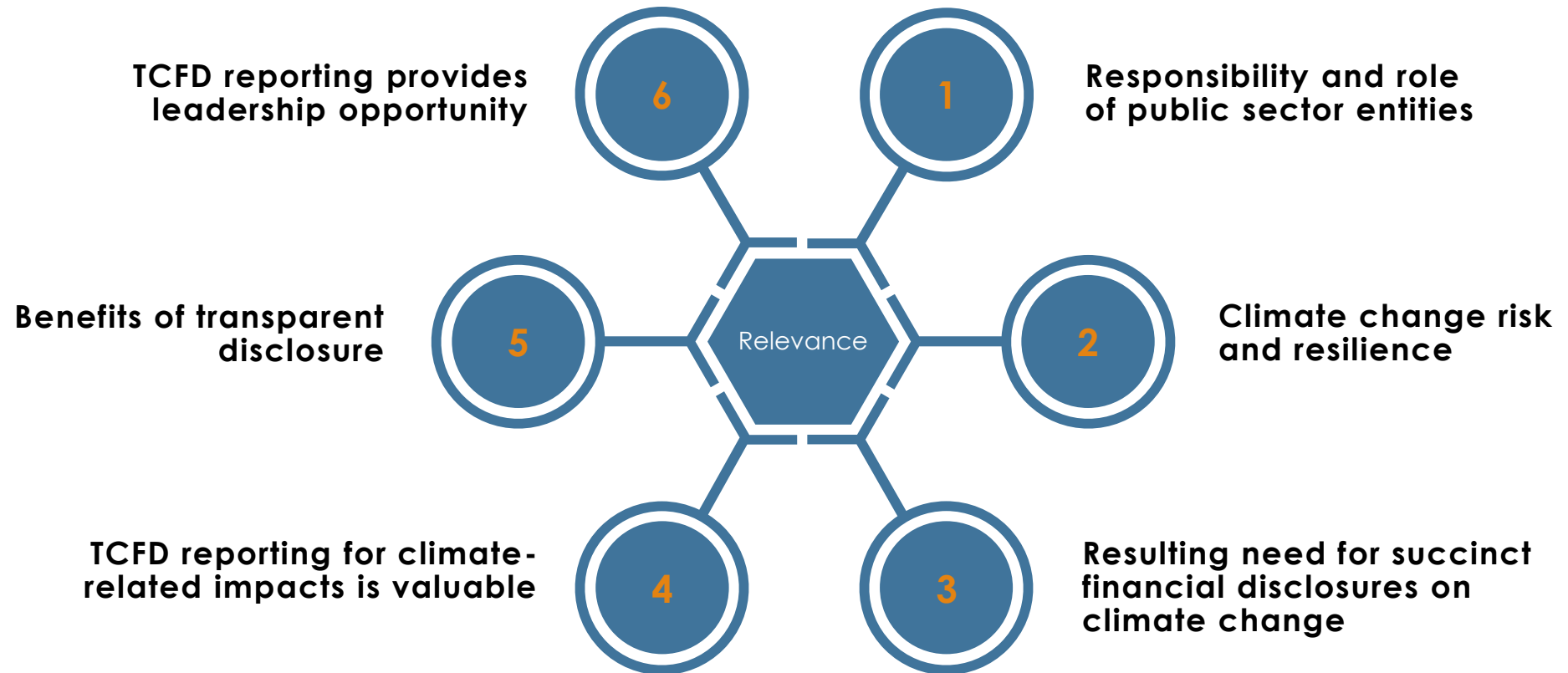
Figure 1: Core Infrastructure Asset Condition Summary



The Municipal Infrastructure Landscape



Relevance of TCFD to the Public Sector



Financial Cost associated with Climate Change

Climate events can impact the very assets that municipalities count on to provide services

RISK

- Extreme weather events
- Changing weather patterns
- Flooding
- Heat waves
- Power outages
- Change in Freeze – Thaw cycles
- Transition Risk

IMPACT

- Increased repairs and maintenance
- Faster depreciation
- Asset impairment/Write-down to value
- Reduced revenues
- Exposure to litigation
- Increased insurance costs, if attainable at all
- Increased support of vulnerable communities, in fact all residents

Opportunities if we consider TCFD recommendations

TCFD gives us the opportunity to protect our assets and have a positive impact on our finances and community

OPPORTUNITIES

- Resource Efficiencies
- Alternative energy sources
- Re-imagine how services are provided
- Access to sustainable finance
- Resource Diversification
- Adaptation and Resilience
- Set objectives and targets and measure progress

IMPACT

- Protect, even prolong, asset life for continued service capacity
- New sources of funding for projects with positive climate impact, at a lower cost
- Prioritize projects that reduce GHGs, even if new or low carbon technologies cost more
- Lower operating and insurance costs
- Secure long term revenues from residents who are willing to pay for continuing services

Implications to Canadian Municipalities

Non-action will impact our ability to provide services, our financial performance and increase future costs

- Asset Managers/Owners/Operators need high quality and timely climate-related risk information to make informed decisions
 - TCFD translates non-financial information into financial metrics
 - Reduces exposure to climate risk
- Gives us the opportunity to create partnerships and leverage work done in various levels of government
- Allows multi-disciplinary teams the opportunity to work together
 - CPAs, Sustainability Professionals, Asset Managers/Owners/Operators

Climate Disclosures are a Journey

Key: Incremental improvements over time



- **Broad disclosures**

Non-financial reports that describe GHG reduction strategies / physical climate risk.

- **Annual report**

Unaudited figures and disclosures provided in the Management Discussion & Analysis of entities' Annual Reports.

- **Financial Statements (Our Desired Future State)**

Audited figures and disclosures that are included in entities' financial statements.

TCFD is also supported by public sector entities, such as the Government of Canada, Ontario Power Generation, and University of Toronto Asset Management Corporation.

Actionable Next Steps

You can't change your action plan unless you understand what action is required

- Familiarize yourself with the CPA Canada TCFD Guidance document for municipalities
 - 11 recommendations organized under four themes
- Identify and prioritize your key climate related risks and opportunities
 - Develop data & methods to estimate future costs of climate impacts on infrastructure
 - Analyze, quantify, set targets and determine metrics
- Develop action plans to mitigate risk
- Consider short, medium and long term flexible and feasible solutions
- Include scenario analysis, if practicable
- Disclose your key, material findings and the path for the way forward

It takes time and effort, there are uncertainties but its worth protecting the assets we need for our communities

Thank you!

Questions?

March 23, 2021