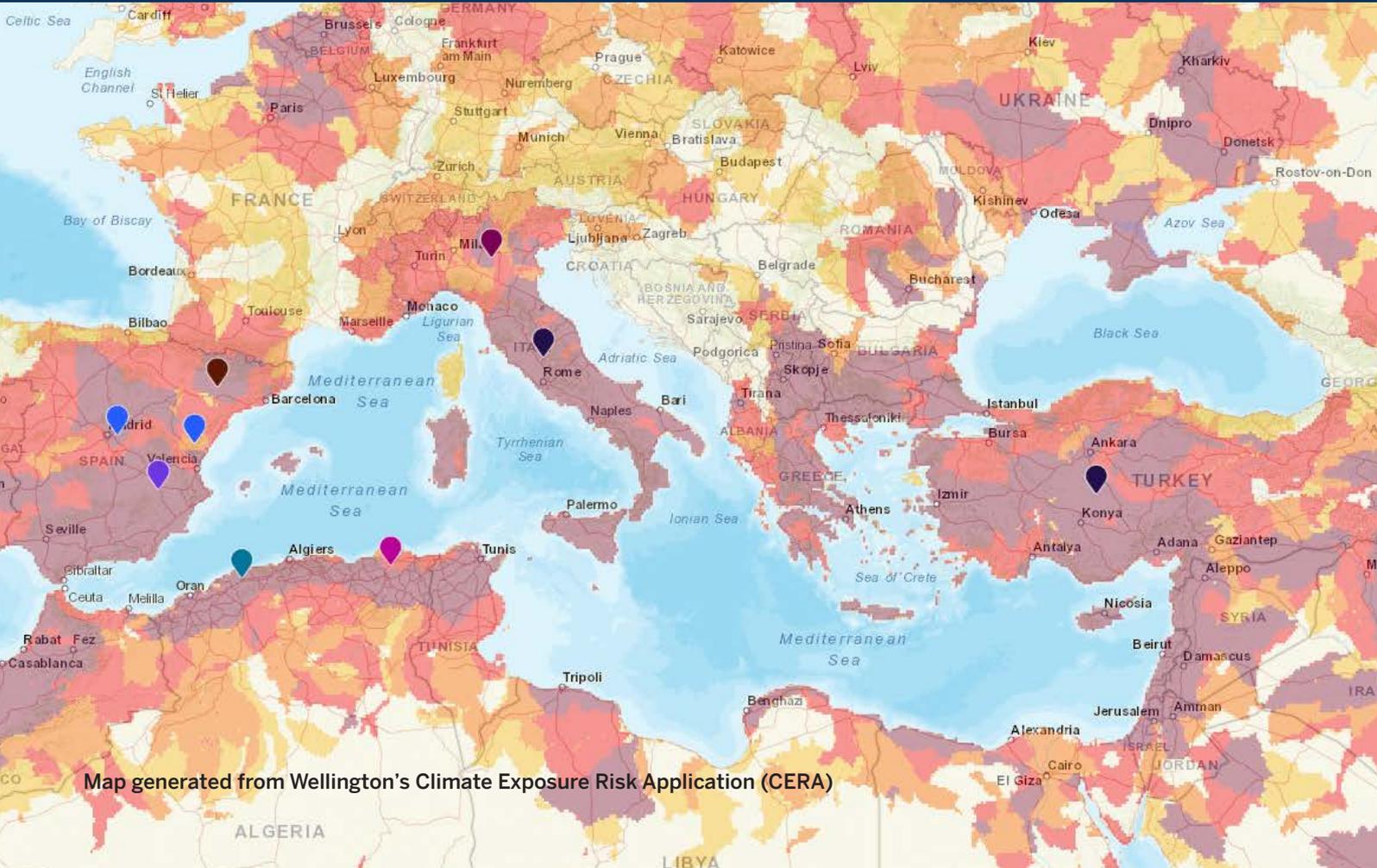


# Physical Risks of Climate Change (P-ROCC 2.0)

CALL FOR LOCATION DATA

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## BACKGROUND

We believe that the [Physical Risks of Climate Change \(P-ROCC\)](#) framework, released in September 2019 as a complement to TCFD reporting and other climate disclosure frameworks, provides a helpful how-to guide for company management teams to integrate climate science-based scenarios into their strategic planning and corporate disclosures. Today, it has become clear that a next logical step for assessing company-level climate risk is through improved access to physical location data. This document outlines how companies can share location data that will enhance transparency and help investors make more informed investment decisions.

For decades, nonprofit organizations such as CDP and Ceres have advocated for enhanced climate disclosure. In recent years, entities such as the Task Force on Climate-related Financial Disclosures, Climate Action 100+, Institutional Investors Group for Climate Change (IIGCC), and others have also sought to promote corporate support for greater transparency around climate exposure and resiliency. In 2020, CDP reported that a record-breaking 9,617 companies disclosed their climate exposures, including physical climate risks. This is a 14% year-over-year increase and a 70% jump since 2015, just prior to the Paris Agreement. While progress is clearly being made, companies comprising approximately half of the global market capitalization have yet to disclose these risks,<sup>1</sup> and even those disclosures that are released lack some very basic data relevant to climate exposure, notably the location of a company's physical assets.

## IMPORTANCE OF PHYSICAL LOCATION DATA

Providing physical asset location data is a crucial component of disclosing material climate-related risks. It is also among the simplest — arguably essential — first steps toward promoting climate-risk transparency. Unfortunately, there continues to be a dearth of readily accessible information around the location of physical assets associated with company operations. Outside of certain sectors such as energy, utilities, and real estate investment trusts (REITs), we find that comprehensive asset-location data is unavailable or insufficiently addressed in corporate disclosures. When location data is included, its granularity and quality vary greatly.

Limited and/or incomplete location data poses a challenge for asset owners and asset managers seeking to analyze companies' physical climate risks. Because climate data is inherently geospatial, lack of a standardized, comprehensive method for accessing physical location data makes it difficult to assess the absolute and relative impacts of climate change at the company level. We believe addressing this disclosure gap will enable better management of climate risk and ultimately help mitigate future losses associated with climate change.

## PRESSURE FOR CLIMATE DISCLOSURE IS GROWING

Government entities, including regulators and central banks, as well as capital market participants, are seeking more climate-risk disclosure. On November 9, 2020, the UK's chancellor of the Exchequer announced that the UK will require certain companies to improve their climate-risk reporting for reporting periods beginning in January 2021. By 2025, economy-wide climate-risk disclosures in accordance with the TCFD are expected.<sup>2</sup> In the US, a 2020 report by the Commodity Futures Trading Commission (CFTC) called for publicly traded companies, entities registered with the CFTC, and other regulators and financial institutions to disclose information about material climate-related risks in an adequate and timely manner.<sup>3</sup>

Central banks, including the Bank of England, the Bank of France, the Australian Prudential Regulation Authority, and the Bank of the Netherlands, have completed or are in the process of launching climate-risk stress tests for banks and insurers. These processes rely on the availability of physical location data, which allows company-level climate risk to be included in portfolio-level risk, and ultimately, systematic climate-risk assessment.

Asset owners, especially those with long or perpetual investment horizons, are likely to follow suit, requiring additional transparency on companies' physical locations, which enables them to better evaluate the potential impact of long-term climate risks on their investments. We believe companies themselves will also benefit from more robust climate disclosure as increased transparency could enhance scenario analysis and transition planning.

<sup>1</sup> "The A List 2020: Company scores," CDP, 2020.

<sup>2</sup> "Chancellor sets out ambition for future of UK financial services," Gov.UK, 9 November 2020.

<sup>3</sup> "Managing Climate Risk in the U.S. Financial System," U.S. Commodity Futures Trading Commission, Market Risk Advisory Committee, Climate-Related Market Risk Subcommittee, 2020.

## OUR REQUEST

We ask that companies disclose a complete list of addresses of all owned, leased, or otherwise operated physical assets in a publicly accessible format. Companies could include this data on a corporate website, sustainability reports, 10-K filings, and/or via a third party like CDP.

A sample suggested reporting format is shown below. A basic set of data would include the street address, domicile country, and high-level description of each facility. Ideally, we would like companies to include more detailed data, including whether each facility is owned or leased, its exact location in global coordinates, and a description

of its materiality within the company's operational and financial footprint.

We expect that investors and other stakeholders will appreciate this additional detail. In addition to greater transparency into a company's operations, location data will help companies address existing and pending regulatory expectations. We would like to see privately held companies provide this information as well, as investors increasingly seek to analyze private companies' strategic planning and risk-management approach, as they do with public issuers.

BASIC			DETAILED		
STREET ADDRESS	COUNTRY	TYPE OF FACILITY	OWNERSHIP	COORDINATES	MATERIALITY
123 Main Street, Los Angeles, California 94202	USA	Office building	Leased	40.7 latitude -78.1 longitude	30% of global employees
1234 Center Ave., Edmonton, Alberta	Canada	Gas plant/gas well	Owned	58.5 latitude -117.4 longitude	15% of global population
1234-3 Kamiosatsu, Naka-ku , Nagoya Nagasaki	Japan	Manufacturing plant	25% owned	35 latitude 139.2 longitude	Accounts for less than 20% of global revenues

## IN CLOSING

We believe climate change will profoundly affect society, economies, and capital markets. Information regarding how issuers are responding to climate change risks is critical to diligent investment management. Currently, our ability to assess the risks climate change poses to issuers is limited by the absence of a standard framework for climate-risk

disclosures. In our view, a common disclosure framework, including company location data, would provide market participants with the information necessary to identify and assess the climate-related risks facing issuers and the steps issuers are taking to mitigate those risks.

## SUPPORTED BY:

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 **Woodwell Climate  
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 **CDP**  
DISCLOSURE INSIGHT ACTION

 **Ceres**

 **IIGCC**  
The Institutional Investors  
Group on Climate Change

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