

UKGBC publish framework to support asset owning businesses deliver on new TCFD requirements

3 years ago



Ahead of mandatory requirements to disclose climate-related risks coming into force in April 2022, the UK Green Building Council (UKGBC) has published a new Framework providing businesses with a consistent methodology for measuring climate-related risks across their built assets, as well as empowering asset owning businesses of all sizes to better understand and plan for the physical risks of climate change.

The Intergovernmental Panel on Climate Change (IPCC) concluded that changes in weather and climate extremes have intensified over the last seven years. For the built environment, climate hazards present significant physical risks to both tangible assets and business supply chains, as well as threatening their financial viability through increased insurance premiums, accelerated depreciation and higher incidences of stranded assets. In the UK, modelling predicts that over 500,000 residential and commercial properties will be at high-risk to the physical impacts of climate change by 2050.

Aligning with recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD), in October 2021 the UK Government [announced](#) that physical risk disclosure would become mandatory for large organisations and financial institutions from April 2022, ensuring the effects of climate change are routinely considered within investment decisions.

Published today, UKGBC's '[Framework for Measuring and Reporting of Climate-related Physical Risks to Built Assets](#)' provides organisations who will be required to report under new rules with a consistent methodology for undertaking self-analysis of physical risks at the asset level. Whilst the TCFD moves towards greater standardisation of measurement and reporting techniques, it lacks the granularity

necessary to explicitly guide organisations through this process at asset level. This Framework seeks to plug that gap and provide industry consensus on physical risk disclosure methodologies at a built asset level, with the intention of increasing the quantity, quality, and consistency of assessments.

The first step in the Government's [Roadmap](#) to economy-wide disclosures will see mandatory reporting for the UK's largest organisations and financial institutions. If successful, this requirement will be rolled out further to include large asset owning entities by 2025. This Framework provides businesses with the opportunity to get ahead of the curve on their impending reporting requirements, and close the gap between the level of climate-related risks we face and accurate assessments of those risks.

An increasing number of investors and lenders are recognising the materiality of climate-related financial risks across their portfolios, and proactively demanding more information and transparency to judge these risks effectively. The content of UKGBC's Framework will therefore also be of value to any asset owning business or individual who want to better understand the physical risks of climate change.

UKGBC's guidance includes detailed information on the physical risk assessment process; a methodology for measuring climate-related physical risks at the built asset scale; and a reporting framework which can be used to support the preparation of TCFD disclosure reports.

UKGBC's Director of Business Transformation, Alastair Mant said: "With every degree of warming, the likelihood increases for destructive climate impacts and extreme weather events. It is only through transparent and accurate climate-related risk assessments and reporting can we close the gap between the level of risk we face and the level of climate adaptation underway. This Framework provides asset-owning businesses large and small with a consistent methodology for getting to grips with TCFD-aligned disclosures, as well as the tools to better understand the impact of climate change on their built assets."

Bill Hughes, Head of Real Assets, Legal & General Investment Management, said: "UKGBC's guidance comes at a critical point for organisations right across the built environment value chain, supporting TCFD alignment and providing an important step on the journey towards accurate and transparent physical climate-related risk measurement and disclosure. By measuring, interpreting, and reporting on the physical climate risks posed to assets, organisations can make better informed decisions that have benefits for their own operations and the future of the built environment."

Louise Pryor, Chair of London Climate Change Partnership, said: "Evidence shows that our climate is already changing, and the frequency of extreme weather events is rising. Proactive adaptation to the physical impacts of climate hazards must be built into our normal planning, decision-making, and risk management procedures – not only to cope with the physical impacts on our buildings, but also the financial impacts. UKGBC's Framework provides asset owning businesses with the guidance to actively assess and measure the physical risks of climate change, enabling them to make better decisions today for the future wellbeing of our buildings and communities."

All of this work has been made possible thanks to the generous support of our NBS programme partners: Arup, Buro Happold, CBRE, Federated Hermes, Hoare Lea, ISG and the John Ellerman Foundation, as well as the time and hard work of our Task Group.

Image credit: Shutterstock