

TCFD IMPLEMENTATION

Vertex Minerals Limited (VTX) acknowledges that the TCFD framework and compliance with its recommendations is currently voluntary in Australia, but we understand that the expectation from investors and the community is increasingly focused on assessing and disclosing climate-related risks.

The VTX Board aims to ensure that economic, environmental, and social considerations are integrated into our strategy, decision-making, risk and opportunity management, operating policies, processes, and systems.

What is TCFD?

TCFD is the Taskforce on Climate-Related Financial Disclosures. In 2015 at the COP21 Paris Climate Change Conference, the Financial Stability Board (FSB) announced that it was establishing this industry-led disclosure task force on climate-related risks to make recommendations for consistent company disclosures that would help financial market participants understand their climate-related risks. In 2017, the TCFD released its recommendations which are designed to help companies provide better information to support capital-informed allocation and these recommendations are structured around the four core elements of Governance, Strategy, Risk Management and Metrics & Targets.



- **Governance** around climate-related risks and opportunities
- **Strategy** around the actual and potential impacts of climate-related risks and opportunities on business and financial planning.
- **Risk Management** processes used by the organisation to identify, assess and manage climate-related risks.
- The **Metrics & Targets** used to assess and manage relevant climate-related risks and opportunities.

Taskforce on Climate-Related Financial Disclosures core elements. Source: [fsb-tcfd.org](https://www.fsb-tcfd.org)

Recommendations and Supporting Recommended Disclosures

Governance	Strategy	Risk Management	Metrics and Targets
<p>Disclose the organization's governance around climate-related risks and opportunities.</p>	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.</p>	<p>Disclose how the organization identifies, assesses, and manages climate-related risks.</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>
<p>Recommended Disclosures</p> <p>a) Describe the board's oversight of climate-related risks and opportunities.</p>	<p>Recommended Disclosures</p> <p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</p>	<p>Recommended Disclosures</p> <p>a) Describe the organization's processes for identifying and assessing climate-related risks.</p>	<p>Recommended Disclosures</p> <p>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>
<p>b) Describe management's role in assessing and managing climate-related risks and opportunities.</p>	<p>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</p>	<p>b) Describe the organization's processes for managing climate-related risks.</p>	<p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>
<p>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</p>	<p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>

Vertex acknowledges that TCFD is being absorbed into the new ISSB (International Sustainability Standards Board) standards from 2024, and we are keen to see what guidance the Australian government provides regarding future requirements around climate risk assessment and disclosure.

Read more here: <https://www.ifrs.org/news-and-events/news/2023/07/foundation-welcomes-tcf-d-responsibilities-from-2024/>

Actions Vertex is taking towards a full disclosure report on TCFD:

1. Understanding TCFD Requirements & Identifying Actions for TCFD Implementation:

- Within this TCFD Implementation document VTX is demonstrating our understanding of TCFD requirements by outlining various relevant findings of the TCFD which we are using as guides to our own disclosures, and we are providing a full copy of the 2017 Final Report - Recommendations of the Task Force on Climate-related Financial Disclosures [here](#).
- We acknowledge that the key features of the recommendations are adoptable by all organisations, can be included in financial filings, are designed to solicit decision-useful, forward-looking information on financial impacts and that they have a strong focus on risks and opportunities related to the transition to a lower-carbon economy.
- Currently, VTX is reviewing the TCFD Recommendations and Supporting Recommendation Disclosures framework chart, so that we can fully assess our climate-related risks and opportunities and how to best manage those moving forward. In addition to that, we are using the following charts from the TCFD Final Report: **Examples of Climate-Related Risks and Potential Financial Impacts** which outlines common Transition Risks and Physical Risks and **Examples of Climate-Related Opportunities and Potential Financial Impacts** which refers to Resource Efficiency, Energy Source, Products & Services, Markets and Resilience. Both charts from the report are featured pages 4 & 5.

2. Timeline for TCFD Implementation:

- 2023-2026 Conduct TCFD assessment activities, develop full disclosure reporting and implement TCFD goals

Examples of Climate-Related Risks and Potential Financial Impacts

Type	Climate-Related Risks ³²	Potential Financial Impacts
Transition Risks	Policy and Legal	
	<ul style="list-style-type: none"> – Increased pricing of GHG emissions – Enhanced emissions-reporting obligations – Mandates on and regulation of existing products and services – Exposure to litigation 	<ul style="list-style-type: none"> – Increased operating costs (e.g., higher compliance costs, increased insurance premiums) – Write-offs, asset impairment, and early retirement of existing assets due to policy changes – Increased costs and/or reduced demand for products and services resulting from fines and judgments
	Technology	
	<ul style="list-style-type: none"> – Substitution of existing products and services with lower emissions options – Unsuccessful investment in new technologies – Costs to transition to lower emissions technology 	<ul style="list-style-type: none"> – Write-offs and early retirement of existing assets – Reduced demand for products and services – Research and development (R&D) expenditures in new and alternative technologies – Capital investments in technology development – Costs to adopt/deploy new practices and processes
Physical Risks	Market	
	<ul style="list-style-type: none"> – Changing customer behavior – Uncertainty in market signals – Increased cost of raw materials 	<ul style="list-style-type: none"> – Reduced demand for goods and services due to shift in consumer preferences – Increased production costs due to changing input prices (e.g., energy, water) and output requirements (e.g., waste treatment) – Abrupt and unexpected shifts in energy costs – Change in revenue mix and sources, resulting in decreased revenues – Re-pricing of assets (e.g., fossil fuel reserves, land valuations, securities valuations)
	Reputation	
	<ul style="list-style-type: none"> – Shifts in consumer preferences – Stigmatization of sector – Increased stakeholder concern or negative stakeholder feedback 	<ul style="list-style-type: none"> – Reduced revenue from decreased demand for goods/services – Reduced revenue from decreased production capacity (e.g., delayed planning approvals, supply chain interruptions) – Reduced revenue from negative impacts on workforce management and planning (e.g., employee attraction and retention) – Reduction in capital availability
Physical Risks	Acute	
	<ul style="list-style-type: none"> – Increased severity of extreme weather events such as cyclones and floods 	<ul style="list-style-type: none"> – Reduced revenue from decreased production capacity (e.g., transport difficulties, supply chain interruptions) – Reduced revenue and higher costs from negative impacts on workforce (e.g., health, safety, absenteeism) – Write-offs and early retirement of existing assets (e.g., damage to property and assets in “high-risk” locations)
	Chronic	
	<ul style="list-style-type: none"> – Changes in precipitation patterns and extreme variability in weather patterns – Rising mean temperatures – Rising sea levels 	<ul style="list-style-type: none"> – Increased operating costs (e.g., inadequate water supply for hydroelectric plants or to cool nuclear and fossil fuel plants) – Increased capital costs (e.g., damage to facilities) – Reduced revenues from lower sales/output – Increased insurance premiums and potential for reduced availability of insurance on assets in “high-risk” locations

Examples of Climate-Related Opportunities and Potential Financial Impacts

Type	Climate-Related Opportunities ³³	Potential Financial Impacts
Resource Efficiency	<ul style="list-style-type: none"> – Use of more efficient modes of transport – Use of more efficient production and distribution processes – Use of recycling – Move to more efficient buildings – Reduced water usage and consumption 	<ul style="list-style-type: none"> – Reduced operating costs (e.g., through efficiency gains and cost reductions) – Increased production capacity, resulting in increased revenues – Increased value of fixed assets (e.g., highly rated energy-efficient buildings) – Benefits to workforce management and planning (e.g., improved health and safety, employee satisfaction) resulting in lower costs
Energy Source	<ul style="list-style-type: none"> – Use of lower-emission sources of energy – Use of supportive policy incentives – Use of new technologies – Participation in carbon market – Shift toward decentralized energy generation 	<ul style="list-style-type: none"> – Reduced operational costs (e.g., through use of lowest cost abatement) – Reduced exposure to future fossil fuel price increases – Reduced exposure to GHG emissions and therefore less sensitivity to changes in cost of carbon – Returns on investment in low-emission technology – Increased capital availability (e.g., as more investors favor lower-emissions producers) – Reputational benefits resulting in increased demand for goods/services
Products and Services	<ul style="list-style-type: none"> – Development and/or expansion of low emission goods and services – Development of climate adaptation and insurance risk solutions – Development of new products or services through R&D and innovation – Ability to diversify business activities – Shift in consumer preferences 	<ul style="list-style-type: none"> – Increased revenue through demand for lower emissions products and services – Increased revenue through new solutions to adaptation needs (e.g., insurance risk transfer products and services) – Better competitive position to reflect shifting consumer preferences, resulting in increased revenues
Markets	<ul style="list-style-type: none"> – Access to new markets – Use of public-sector incentives – Access to new assets and locations needing insurance coverage 	<ul style="list-style-type: none"> – Increased revenues through access to new and emerging markets (e.g., partnerships with governments, development banks) – Increased diversification of financial assets (e.g., green bonds and infrastructure)
Resilience	<ul style="list-style-type: none"> – Participation in renewable energy programs and adoption of energy-efficiency measures – Resource substitutes/diversification 	<ul style="list-style-type: none"> – Increased market valuation through resilience planning (e.g., infrastructure, land, buildings) – Increased reliability of supply chain and ability to operate under various conditions – Increased revenue through new products and services related to ensuring resiliency

Related VTX policies and charters:

- Corporate Governance Plan, Schedule 01, Board Charter, 2021
- Corporate Governance Plan, Schedule 02, Corporate Code of Conduct, 2021
- Corporate Governance Plan, Schedule 03, Audit & Risk Committee Charter, 2021
- Corporate Governance Plan, Schedule 04, Remuneration Committee Charter, 2021
- Corporate Governance Plan, Schedule 05, Nomination Committee Charter, 2021
- Corporate Governance Plan, Schedule 06, ESG Committee Charter, 2021
- Corporate Governance Plan, Schedule 07, Performance Evaluation Policy, 2021
- Corporate Governance Plan, Schedule 09, Risk Management Policy, 2021
- Corporate Governance Plan, Schedule 10, Trading Policy, 2021
- Corporate Governance Plan, Schedule 11, Diversity Policy, 2021
- Corporate Governance Plan, Schedule 12, Whistleblower Protection Policy, 2021
- Corporate Governance Plan, Schedule 13, Anti-Bribery and Anti-Corruption Policy, 2021
- Corporate Governance Plan, Schedule 14, Shareholder Communication Strategy, 2021
- Corporate Governance Plan, Schedule 15, Environmental, Social and Governance Policy, 2021
- Corporate Governance Statement, 2021

Sources:

Accessed 11 September 2023:

About TCFD

<https://www.fsb-tcf.org/about/>

Work of the FSB

<https://www.fsb.org/work-of-the-fsb/#:~:text=The%20FSB%20promotes%20global%20financial,through%20a%20three%2Dstage%20process>

TCFD ISSB Standards

<https://www.ifrs.org/news-and-events/news/2023/07/foundation-welcomes-tcf-responsibilities-from-2024/>

FSB Press Release 4 December 2015

<https://assets.bbhub.io/company/sites/60/2015/12/12-4-2015-Climate-change-task-force-press-release.pdf>

Final Report

Recommendations of the Task Force on Climate-related Financial Disclosures

<https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf>

Accessed 27 March 2023:

Vertex Minerals Limited Website

<https://vertexminerals.com/>

Vertex Minerals Limited

Corporate Governance Plan

<https://vertexminerals.com/wp-content/uploads/2021/10/Corporate-Governance-Plan-VTX2806539.2.pdf>

Corporate Governance Statement

<https://vertexminerals.com/wp-content/uploads/2021/10/Corporate-Governance-Statement-VTX2806535.2.pdf>

Australian Human Rights Commission

Social Inclusion in Australia, 2013

<https://humanrights.gov.au/about/news/speeches/social-inclusion-and-human-rights-australia#:~:text=Social%20inclusion%20is%20about%20participation%2C%20equal%20opportunity%2C%20and%20empowerment.>