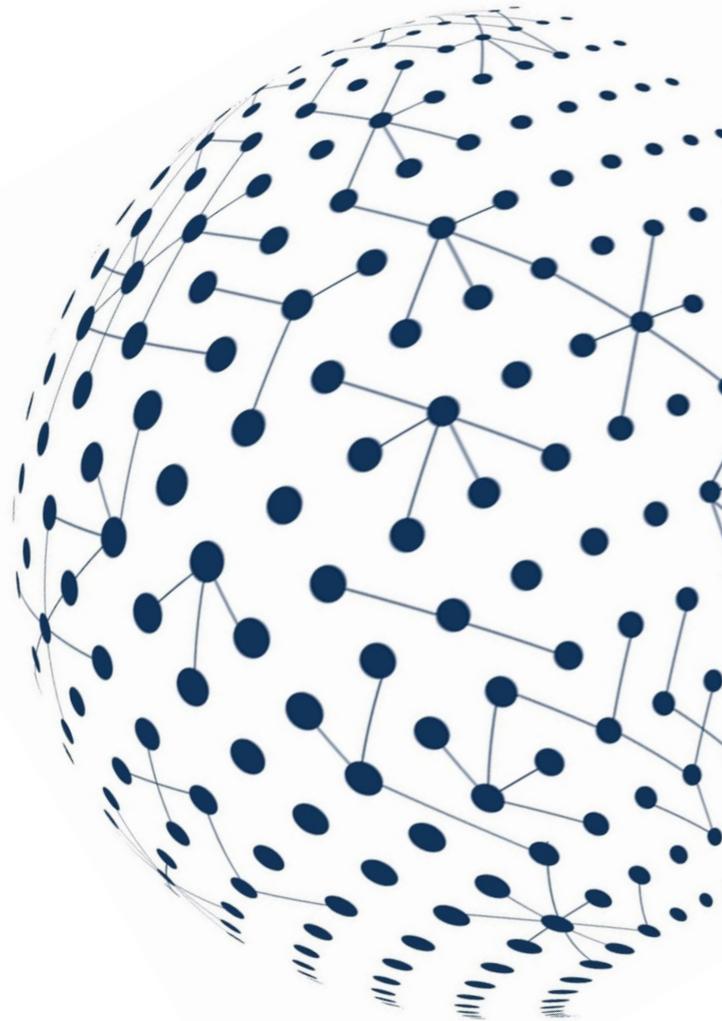


Progress Report on Climate-Related Disclosures

13 October 2022



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Executive summary

Work to strengthen the comparability, consistency and decision-usefulness of climate-related financial disclosures has moved forward rapidly over the past year.

A milestone has been the publication in March 2022 by the newly established International Sustainability Standards Board (ISSB) under the IFRS Foundation of two Exposure Draft standards, on general sustainability-related and climate-related disclosures, for public consultation with the aim to issue the final standards by early 2023, subject to feedback. The timely issuance of a final global baseline climate reporting standard, ready for adoption across jurisdictions, is critical to provide decision-useful information to investors and other stakeholders on climate-related risks and opportunities.

Interoperability between the common global baseline and national and regional jurisdiction-specific requirements is essential. The ISSB standards aim to establish a common global baseline that is interoperable with jurisdictions' frameworks through a building block approach that will drive more comparability and consistency on common climate disclosures across jurisdictions. This will help avoid harmful fragmentation and unnecessary costs for preparers of disclosures. It can also ensure that disclosures by different firms are made on a common basis, and that users can compare and aggregate exposures across jurisdictions.

Alongside a global baseline reporting standard on climate, there is a growing recognition of the importance of global assurance standards to drive reliability of disclosures. The International Auditing and Assurance Standards Board (IAASB) is working to develop a new sustainability-related assurance framework and the International Ethics Standards Board for Accountants (IESBA) is developing sustainability-related ethics and independence standards, in both cases supported by IOSCO.

The FSB's July 2021 Report on Promoting Climate-Related Disclosures had reported that, already, a large majority of FSB jurisdictions had set or planned to set requirements, guidance or expectations for both financial institutions and non-financial corporates. Since then most FSB jurisdictions have taken additional actions. In particular, several emerging market and developing economies (EMDEs) have taken active steps to incorporate climate-related information in mainstream disclosures. More broadly, the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations continue to be referenced as the common basis in most FSB jurisdictions, and many jurisdictions have set out specific metrics or guidance that provide additional detail beyond the recommendations. Steps to improve the reliability of climate-related disclosures by firms are still at an early stage in most jurisdictions.

Looking ahead to the finalisation of ISSB standards, more than half of FSB jurisdictions state that they already have or are putting in place structures and processes to bring the ISSB standards into local requirements, once finalised. Authorities note a number of challenges to be addressed in the implementation of the ISSB climate standard, such as consistency and comparability of disclosures across jurisdictions and across firms, data availability, proportionality, transition arrangements, and materiality.

This report highlights the findings of the 2022 TCFD Status Report that reports encouraging further progress in companies' disclosure practices across a wide range of types of firms

including asset managers and asset owners as well as non-financial companies. The percentage of companies disclosing information aligned with TCFD Recommendations and the amount of climate-relevant information in such disclosures has increased. Even with this continued progress, the TCFD remains concerned that not enough companies are disclosing decision-useful climate-related financial information, which may hinder investors, lenders, and insurance underwriters' efforts to appropriately assess and price climate-related risks.

During the period until the ISSB global baseline standard is agreed and the implementation of that standard across jurisdictions begins to be monitored, there is a continuing need to maintain momentum by monitoring and reporting on progress in firms' climate disclosures. The FSB therefore requests TCFD to prepare another progress report on firms' disclosures in 2023.

1. Introduction

Addressing the financial risks from climate change is a key priority for the FSB, given the global importance of the topic and the need for an urgent response. In July 2021, the Financial Stability Board (FSB) published a comprehensive Roadmap to address climate-related financial risks.¹ Strengthening firm-level disclosures, as the basis for the pricing and management of climate-related financial risks at the level of individual entities and market participants, is one of the four blocks of the FSB Climate Roadmap. Globally consistent and comparable climate disclosures are an important tool to give investors and other market participants the information they need to manage risks, and seize opportunities, stemming from climate change.

One year after the publication of the 2021 FSB Report on Promoting Climate-Related Disclosures², work to strengthen the comparability, consistency and decision-usefulness of climate-related financial disclosures has moved forward rapidly. Section 2 of this report describes the progress made by the ISSB in developing its global baseline climate reporting standard and the work of other international standard-setters on assurance over sustainability-related reporting. It also covers the progress made in the area of assurance, including the work of the IAASB, IESBA, and the work by IOSCO to support the work on both disclosure and assurance standards.

The July 2021 report examined current and planned climate-related disclosure practices across jurisdictions and included high-level guidance calling for greater momentum in the implementation of climate-related disclosures, using a framework based on the TCFD Recommendations. Section 3 of this progress report describes the progress made by jurisdictions since then on climate-related disclosure practices, including implementing the FSB recommendations from the 2021 report, as well as steps being taken already by jurisdictions to prepare for adopting, applying or otherwise making use of the ISSB climate-related disclosure standard. In parallel, it is important that individual firms continue to make progress in making and strengthening disclosures, using the TCFD Recommendations. Section 4 of this progress report describes progress made by firms, as reported in the 2022 TCFD Status Report.

2. Towards a global baseline climate reporting standard

2.1. Progress of the new International Sustainability Standard Board (ISSB) global baseline reporting standards

The timely issuance of a final global baseline climate reporting standard ready for market adoption is critical given the global market demand for consistent, comparable and decision-useful disclosures on climate-related risks and opportunities. The FSB therefore welcomes the milestone achieved by the newly established ISSB under the IFRS Foundation in publishing in March 2022 two Exposure Draft standards³, on general sustainability-related and climate-related

¹ FSB (2021a) *FSB Roadmap for Addressing Climate-Related Financial Risks*

² FSB (2021b) *Report on Promoting Climate-Related Disclosures*, July.

³ ISSB (2022), *Exposure draft: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information* and *Exposure Draft: IFRS S2 Sustainability Disclosure Standard for Climate-related Disclosures*

disclosures, for public consultation with the aim to issue the final standards as soon as possible after end-2022, subject to feedback.

2.1.1. Establishment of the ISSB

Following calls from investors and regulators in response to two public consultations, the IFRS Foundation Trustees decided to establish the ISSB to develop – in the public interest – a comprehensive global baseline of high-quality sustainability-related disclosure standards to meet investors' information needs.

The establishment of the ISSB was accompanied by the consolidation of leading investor-focused sustainability disclosure organisations, the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation (VRF), which houses the Integrated Reporting Framework and the SASB Standards, into the IFRS Foundation. This enabled the ISSB to build on widely used market practice, while also begin immediately to consolidate approaches to reporting. Membership of the ISSB is now complete, and its 14 Members bring together experience from business, investment, standard-setting, academia and other relevant areas, from a range of countries.

The ISSB is an independent, private-sector body that develops and approves IFRS Sustainability Disclosure Standards. It operates under the oversight of the IFRS Foundation. Development of IFRS Sustainability-related Disclosure Standards follows an inclusive and transparent due process, consistent with that used to develop IFRS Accounting Standards.

The ISSB will follow a similar approach to that of the International Accounting Standards Board (IASB) with complementary advisory bodies and groups providing it with the expertise needed to fulfil its role. Advisory groups include the Sustainability Standards Advisory Forum, the Investor Advisory Group, the Sustainability Consultative Committee, Jurisdictional Working Group, and the Technical Reference Group. Alongside these are the IFRS Advisory Council and the Integrated Reporting and Connectivity Council, which also fulfil advisory functions for the IASB. The work of the ISSB relies on a global approach, that incorporates a diverse set of views. The goal of establishing global standards requires a rigorous approach to transparency and open consultation, and these advisory groups are vital to that effort, creating formal platforms for regular engagement with different stakeholder groups.

2.1.2. The ISSB Exposure Drafts

The proposed IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information sets out the overall requirements for disclosing sustainability-related financial information about all of an entity's significant sustainability-related risks and opportunities, to provide the market with a complete set of sustainability-related financial disclosures. The proposed IFRS S1 also provides guidance on how to identify and develop appropriate disclosures about sustainability-related risks and opportunities not addressed by an IFRS Sustainability Disclosure Standard using the disclosure topics in SASB Standards and the CDSB Framework application guidance for water- and biodiversity-related disclosures.

The proposed IFRS S2 Climate-related Disclosures sets out the specific requirements for the identification, measurement and disclosure of climate-related financial information.

It incorporates the recommendations of the TCFD and includes metrics tailored to industry classifications derived from the industry-based SASB Standards. The Climate Exposure Draft proposed requiring a company to disclose information that would enable an investor to assess the effect of climate-related risks and opportunities on its enterprise value and uses the same approach as the General Requirements Exposure Draft, so it would require a company to centre its disclosures on the consideration of the governance, strategy and risk management of its business, and the metrics and targets it uses to measure, monitor and manage its significant climate-related risks and opportunities. The proposed Standard includes a requirement for companies to disclose information about climate-related physical and transition risks. A company applying the proposals in the General Requirements Exposure Draft would apply the Climate Exposure Draft to provide material information about its significant climate-related risks and opportunities.

2.1.3. Progress in finalising the ISSB Exposure Drafts

The ISSB, which received more than 1,400 comment letters⁴ on its two Exposure Drafts during the consultation period from all over the world and from a wide range of stakeholder groups, is currently analysing and discussing feedback. The timely issuance of a final global baseline climate reporting standard ready for market adoption is critical given the urgency of global market demand for consistent, comparable and decision-useful disclosures on climate-related risks and opportunities. The ISSB notes the importance of properly considering feedback while recognising the importance of timeliness in issuing the final standards. The ISSB aims to complete discussions and related decisions by the end of 2022, and to publish its final standards as soon as possible thereafter.

2.1.4. Building on the TCFD Recommendations

The TCFD, created in 2015 by the FSB as an industry-led initiative to develop voluntary recommendations for disclosures, has become a widely supported basis for climate-related reporting around the world. This has been not only through voluntary private-sector adoption but also more recently through jurisdictional initiatives to make such disclosures mandatory or promote voluntary implementation. However, the TCFD framework alone, as an industry-led voluntary principles-based framework, has its limits as a mechanism for achieving further consistency of disclosures. The FSB therefore has expressed its support for the development by the ISSB of a global baseline standard for climate-related disclosures, built on the TCFD Recommendations and the work of international sustainability bodies.

Such a global baseline climate disclosure reporting standard which builds on the TCFD Recommendations is essential for further strengthening the comparability and consistency of public disclosures on climate-related risks (and opportunities), including through moving beyond principles-based recommendations to provide more detailed standards and set, where appropriate, common global and industry-specific metrics.

⁴ The ISSB's announcement on the response to its consultation can be found [here](#).

The actions being taken by jurisdictions to also build their own requirements or other initiatives on the TCFD Recommendations will further facilitate interoperability between individual jurisdictions' initiatives and the global baseline standard.

2.1.5. Interoperability of the ISSB standards with jurisdictions' frameworks

Both ISSB standards aim to establish a common global baseline that is interoperable with jurisdictions' frameworks through a "building block" approach that will drive more comparability and consistency on common climate disclosures across jurisdictions. This approach will allow national and regional jurisdictions to build on a global baseline to set supplemental standards that serve their specific jurisdictional needs, whether focused on financial materiality or wider stakeholders. Achieving interoperability between regimes in different jurisdictions can help avoid harmful fragmentation and unnecessary costs for preparers of disclosures. It can also ensure that disclosures by different firms are made on a common basis, and that users can compare and aggregate exposures across jurisdictions.

During the development of its Exposure Drafts, the ISSB established a Jurisdictional Working Group to enhance compatibility between the global baseline and jurisdictional initiatives. The Working Group is composed of representatives from selected jurisdictions⁵ that are actively engaged in developing domestic or regional sustainability-related disclosure standards and has met three times since April 2022.⁶ The ISSB also has bilateral engagements with the European Union (EU) and with the United States (US) to facilitate interoperability between the global baseline and their individual jurisdictional initiatives.

The IFRS Foundation will establish the Sustainability Standards Advisory Forum (SSAF) later in 2022. This Forum will be the ISSB's main vehicle for engaging jurisdictional authorities into its standard-setting process moving forward. Matters arising in jurisdictions relevant to the ISSB developing interoperable standards will be raised and debated publicly to inform the ISSB's ongoing work. The SSAF will include up to 16 jurisdictional representatives to provide a geographically diverse, global input into the process.

2.1.6. Other key issues to be addressed

In addition to interoperability, there are a number of technical issues that the ISSB is focusing on as part of its work to finalise the standards. This includes determining the effective date of application of the standards and a potential transition period, approach to proportionality and scalability, disclosure of material judgments and assumptions, and issues related to common and industry specific metrics. The ISSB expects to publish a consultation document around the end of 2022 to seek stakeholder input to its future priorities. An IFRS Sustainability Disclosure Taxonomy, enabling structured electronic tagging of a company's sustainability-related disclosures, will be published in 2023, shortly after the final standards.

⁵ Members of the Jurisdictional Working Group are the Chinese Ministry of Finance, the European Commission, the European Financial Reporting Advisory Group (EFRAG), the Japanese Financial Services Authority (JFSA), the Sustainability Standards Board of Japan Preparation Committee, the UK Financial Conduct Authority (FCA), the UK Financial Reporting Council (FRC) and the US Securities and Exchange Commission (SEC).

⁶ The summary of the ISSB's Jurisdictional Working Group May 2022 can be found [here](#); the summary of its July 2022 meeting can be found [here](#).

FSB members are also thinking ahead to processes for adopting, applying or otherwise utilising the global baseline standard, once finalised, reflecting each jurisdiction's circumstances. Section 3.2.2 of the report identifies a number of implementation challenges anticipated by jurisdictions.

2.1.7. The role of IOSCO in endorsing the ISSB standards

The International Organization of Securities Commissions (IOSCO) is providing important support reviewing the standards, with the objective to consider endorsement of the ISSB standards for domestic and cross-border use by member market authorities across jurisdictions.

IOSCO is currently engaging bilaterally with the ISSB to resolve some of the key considerations IOSCO believes must be examined by the ISSB before the standards are finalised. These considerations include, by way of example, how best to incorporate the industry-based disclosure data points and the specific status to be granted to these industry-specific standards sitting in Appendix B of the Climate Disclosures Exposure Draft, and the development of implementation guidance that provides for scaling and phasing-in of requirements to accommodate jurisdictions and issuers with differing degrees of maturity in sustainability reporting. In addition to endorsement considerations, IOSCO is also examining, via bilateral engagement with the ISSB, technical issues such as how to conduct materiality assessments, how to clarify specific definitions and how to provide further examples to assist preparers, as part of its work towards endorsement of the standards.

If the final ISSB standards are endorsed, IOSCO will encourage and support its members to adopt, apply or otherwise make use of the standards when setting sustainability reporting requirements in their respective jurisdictions, as it did following the implementation of the international accounting standards.

2.1.8. Next steps towards implementation and monitoring

Once the standards are finalised, it will be important that jurisdictions take early action to adopt, implement or otherwise make use of the ISSB standards. A number of jurisdictions have started taking steps to establish a process for such action, as set out in section 3 of this report.

If IOSCO endorses the standards, it plans to develop guidance or toolkits in order to assist its members with regard to the implementation of the ISSB standards into their own legislative and regulatory frameworks. It also plans to put in place a capacity building programme for its members. In fact, IOSCO is organising an initial capacity-building event for EMDEs in September 2022. The aim of this event is to prepare its members for the forthcoming new standards – first with a session for Chairs and members of the Board of securities regulators and second with the specialists who will be in charge of transposing the standards and overseeing their application.

Other sectoral standard-setting bodies intend to review their own standards for supervisory and regulatory disclosure requirements for climate-related financial risks, consistent with the new ISSB disclosure standards for publicly listed companies. The Basel Committee on Banking Supervision (BCBS) has announced that, in parallel with the ISSB's work, it will explore using Pillar 3 of the Basel Framework to promote a common disclosure baseline for climate-related financial risks across internationally active banks.

2.1.9. Interaction between climate-related disclosure standard and regulatory reporting requirements

Having a global baseline standard on climate-related disclosures provides a good starting or reference point for the future development of standardised regulatory reporting requirements. The FSB report on supervisory and regulatory approaches to climate-related risks published in October 2022 includes high-level recommendations for supervisors and regulators on the collection and reporting of climate-related information from financial institutions. Rather than requiring information that is already available in public disclosures, any additional regulatory reporting requirements on climate-related risks should build on and complement public disclosures made by firms.

2.2. Assurance over sustainability-related reporting

Alongside a global baseline reporting standard on climate, there is a growing recognition of the importance of global assurance standards to drive reliability of disclosures. Implementation of the global baseline climate reporting standard will create heightened expectations for the reliability of climate-related disclosures and therefore, external audit firms and other assurance providers will face increasing demand to provide external assurance.

The International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) have started work to enhance, under robust governance and public interest oversight, existing global standards for assurance, ethics and independence on sustainability reporting. Such a principles-based global solution would help to drive consistent performance of quality sustainability assurance engagements, thereby enhancing the degree of confidence of intended users about the sustainability information.

The IAASB is developing a new overarching standard for assurance on sustainability reporting, as the first step in building a broader suite of sustainability assurance standards. The overarching standard will build on concepts from the existing widely used IAASB assurance and other standards, and relevant guidance. The IAASB expects a proposal to be available for public comment in 2023, and the current targeted milestone for final approval is December 2024-March 2025. In the meantime, it has issued guidance on application of existing assurance standards to sustainability assurance.

The IAASB is also considering future topics for sustainability-related assurance standards beyond the overarching standard to respond to emerging issues as reporting and assurance practice, and users' needs continue to mature (i.e., over time more specificity may be needed to address certain elements of the assurance engagement or an entity's sustainability-related reporting). The IAASB is working with the ISSB to ensure that their new standards will support high-quality assurance engagements, as well as engaging and coordinating with other national and international standard setters responsible for sustainability-related reporting and assurance.

The IAASB's sustainability-related assurance standards are based on the following principles: they should be (1) usable by all assurance practitioners (i.e., professional accountants, such as audit firms, and other professionals performing assurance engagements), (2) suitable for use on assurance engagements across all sustainability topics, information disclosed about those topics, and reporting frameworks; and (3) appropriate for use in all jurisdictions.

The IESBA has tasked its recently established Sustainability Working Group to develop a strategic vision to guide the IESBA's standard-setting actions in relation to sustainability reporting and assurance. The IESBA has been considering pathways to develop concurrently (i) ethics standards addressing the mindset and behaviours of professional accountants involved in preparing sustainability reports, recognising their "first line of defence" role in relation to trustworthy reporting of financial or non-financial information; and (ii) independence standards that will enhance public trust and confidence in the external assurance of sustainability information.

The IESBA has set a December 2022 target to approve a project plan addressing sustainability reporting and assurance. This work will proceed in tandem with the development of ISSB and IAASB standards. In the meantime, recognising that the issue of greenwashing has become a major public interest concern, the IESBA will shortly issue staff guidance to assist professional accountants in navigating the ethical challenges in situations that might give rise to greenwashing.

In addition, IOSCO's Sustainable Finance Taskforce has a dedicated workstream to support and promote the development of a sustainability-related assurance framework and potential assurability of the ISSB standards. IOSCO has been working closely with IAASB and IESBA and supports the work to develop international assurance, ethics and independence standards for sustainability-related corporate reporting. IOSCO will publish a report by Q1 2023 setting out key considerations it believes any assurance framework should include and the means through which this may be achieved. In advance of this report, IOSCO has recently published an information note to the public⁷, detailing key messages and priority areas for consideration by assurance and ethics standard setters. One key element of this statement focussed on the need for robust standards applicable to all sustainability assurance providers, so as to take into account that the sustainability assurance ecosystem is much broader than the typical ecosystem for accounting audit. With this in mind, IOSCO's statement encouraged the IAASB and the IESBA to collaboratively engage with each other, and providers of other frameworks (such as ISO for example) that are currently used in some assurance engagements on sustainability-related information by non-audit or accounting firms for sustainability assurance.

3. Progress made by jurisdictions in promoting climate-related disclosures

In July 2021, the FSB published a Report on Promoting Climate-Related Disclosures⁸, which examined the current and planned climate-related disclosure practices across FSB member jurisdictions and set out high-level guidance to address implementation challenges. The FSB re-surveyed its membership in July 2022 to take stock of jurisdictions' further progress on climate-related disclosure practices, including implementing the FSB recommendations from the report, as well as jurisdictions' potential approaches for adopting, applying or otherwise making use of the ISSB climate-related disclosure reporting standard. The survey responses covered 24 FSB

⁷ See IOSCO [Public Statement "IOSCO encourages standard-setters' work on assurance of sustainability related corporate reporting"](#), 15 September 2022.

⁸ FSB (2021b)

member jurisdictions.⁹ This section sets out the survey findings of the additional progress made by financial authorities.

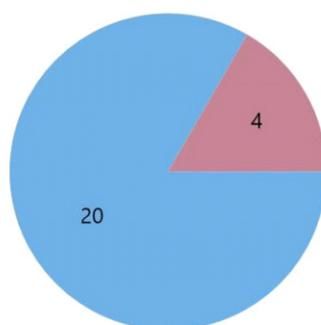
3.1. Jurisdictions' progress on climate-related disclosure practices

3.1.1. *Additional actions in relation to setting requirements, guidance or expectations on climate-related disclosures*

Since the FSB's previous March 2021 survey (which informed the July 2021 Report), financial authorities in 20 of the 24 responding jurisdictions have taken additional actions in relation to setting requirements, guidance or expectations on climate disclosures.

Jurisdictions reporting having taken additional actions in relation to setting requirements, guidance or expectations on climate-related disclosures since the March 2021 survey

Graph 1



■ Yes ■ No

Source: FSB survey 2022

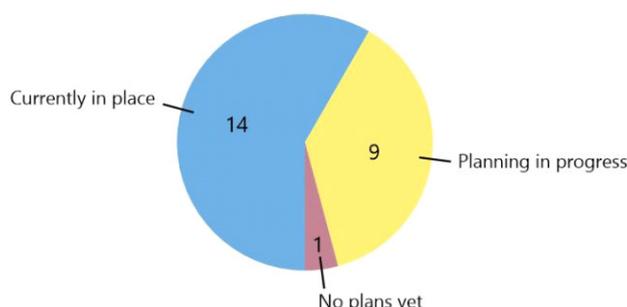
Additional actions were reported both by jurisdictions that had already set requirements, guidance or expectations on climate-related disclosures (e.g. EU), as well as by jurisdictions that were already in the planning phase (e.g. Switzerland, US). Also one jurisdiction that reported last year that they had no plans yet is now taking steps to promote climate-related disclosures.¹⁰

⁹ Russia did not participate in the 2022 survey.

¹⁰ South Africa (ZA)

Number of jurisdictions reporting that they (i) already have requirements, guidance or expectations in respect of climate-related disclosures currently in place, (ii) are planning to introduce such requirements or (iii) have no plans yet.¹¹

Graph 2



Source: FSB Questionnaires 2021 and 2022

Survey responses for this progress report show that most advanced economies and most EMDEs have now taken active steps for firms to incorporate climate disclosures in their mainstream disclosures. This is in contrast to the findings of the previous survey where most EMDEs were still at a planning stage. Since then, various EMDEs¹² have focused their efforts on a wider sustainability framework by issuing guidelines and developing workplans on encouraging reporting environmental, social and governance (ESG)-relevant information, including climate-specific disclosures, by relevant institutions. Specific actions taken include:

- Argentina’s securities regulator (CNV) would be publishing its guide on voluntary reporting and disclosure of ESG information, which includes topics related to climate disclosures. It provides securities issuers with the technical tools to encourage firms to disclose on how they manage ESG-related issues, and best practices and trends.
- Banco Central do Brasil (BCB)’s framework for disclosure of qualitative aspects of climate-related risks for financial institutions would be effective in December 2022. The framework for disclosing quantitative climate-relevant information is under development and would be published by end-2022/mid-2023. There are plans to consider alignment with ISSB standards and BCBS Pillar 3 requirements in the future.
- China has also made progress on various fronts. In June 2021, the China Securities Regulatory Commission incorporated relevant regulations on environmental protection and social responsibility into the periodic reports of listed companies, and added information disclosure requirements for all listed companies on the basis of the original text. The China Banking and Insurance Regulatory Commission issued guidelines in June 2022 that require banking and insurance institutions to disclose their green finance strategies and policies.

¹¹ Last year, Australia (AU), EU, France (FR), Germany (DE), Hong Kong (HK), Indonesia (ID), India (IN), Italy (IT), Japan (JP), Netherlands (NL), Singapore (SG), Spain (ES), Türkiye (TR) and UK reported to have requirements, guidance or expectations in place. Argentina (AG), Brazil (BR), Canada (CA), China (CN), Korea (KR), Mexico (MX), Russia (RU), Switzerland (CH) and US reported planning in progress and Saudi Arabia (SA) and ZA reported no plans yet. Since then, ZA has reported that it has plans.

¹² AR, BR, CN, IN, ZA

- The Reserve Bank of India launched a survey amongst leading banks in India during January 2022 to assess the status of climate risk and sustainable finance, including questions on progress made by financial institutions on climate-related financial disclosures. The Securities and Exchange Board of India issued its new sustainability reporting requirements that require top-1000 listed companies by market capitalisation to disclose quantifiable ESG metrics, including climate-related aspects.
- South Africa is also taking steps to promote climate-related disclosures by discussing internally how to guide regulated institutions to disclose this information. In particular, the FSCA has initiated discussions with regulated entities on their willingness and ability to disclose on climate-related products.
- Saudi Arabia is working actively to monitor the developments on climate-related disclosures. The Saudi Central Bank (SAMA) is currently reviewing the ISSB climate-related disclosure Exposure Drafts, and is assessing the readiness of financial institutions under its supervision, as well as potential linkages and interoperability with local requirements once the final ISSB text is issued.

Across advanced economies, additional actions include the following:

- The EU formally adopted the Corporate Sustainability Reporting Directive (CSRD), which lays the framework for strengthening the existing sustainability reporting requirements for financial and non-financial corporates, and promotes comparability and consistency across disclosures on sustainability performance.
- Japan's Corporate Governance Code was revised in June 2021 to now require major large-sized listed companies to disclose climate-related information based on TCFD Recommendations or equivalent international frameworks on a comply or explain basis starting in April 2022.
- In the US, the Securities and Exchange Commission (SEC) in March 2022 proposed for public comment, rules to require issuers to provide climate-related disclosures in regulated entities. These proposed climate-related disclosure rules contain elements related to, or modelled on the TCFD framework, however, the proposal has not been adopted or finalised.
- In the UK, in December 2021, the Financial Conduct Authority (FCA) finalised its climate-related disclosure requirements, consistent with the TCFD's framework, for standard listed issuers as well as for asset managers and FCA-regulated asset owners.
- Similarly, Switzerland is also working towards mandating financial climate disclosures for large companies, including information on transition paths and setting of quantitative targets for emissions.

Other additional steps include enhancing transparency on financial institutions' climate-related financial risks ("pillar 3 disclosure"), approaches focused on mitigating greenwashing concerns by providing investors with more information on their portfolio investments, and a more conscious

push towards promoting more quantitative information in climate disclosures through guidance on scenario analyses and other technical tools.¹³

3.1.2. *Implementation of TCFD Recommendations*

The FSB 2021 Report encouraged financial authorities to *use a framework based on the TCFD Recommendations across all sectors (non-financial corporates and financial institutions) for climate-related financial disclosures, in line with jurisdictions' regulatory and legal requirements. This would foster a more consistent global approach and promote convergence in anticipation of international reporting standards on climate that will build on the TCFD Recommendations.*¹⁴

Financial authorities have continued to provide more detailed guidance this year.

Among the 20 jurisdictions that have taken additional actions on advancing climate-related financial disclosures, TCFD Recommendations continue to be referenced as the common basis in most cases. Some key examples are:

- The] Australian Prudential Regulation Authority (APRA) published guidance for regulated entities to manage and disclose climate risks, which refers to TCFD as the primary framework for voluntary climate-related disclosures.
- Switzerland's FINMA adopted principle-based climate-related disclosure requirements for significant financial institutions, which content takes into consideration the 11 TCFD Recommendations. More specifically, regulated financial institutions are required to disclose key features of their governance, providing a description of the impact of climate-related financial risks over different time horizons, disclosures around the criteria used to evaluate materiality of climate risks, and quantitative information on climate metrics.
- EU's CSRD does not directly refer to TCFD Recommendations but integrates all the key elements of TCFD. The draft European Sustainability Reporting Standards (ESRS) also integrate all the elements of the TCFD Recommendations, with a different reporting structure that is based on the strategy, implementation and performance measures for climate disclosures.
- The Hong Kong Monetary Authority (HKMA) issued supervisory guidance to regulated entities in December 2021 to incorporate climate risk considerations in their risk management and disclosure practices. The HKMA will monitor bank disclosures with a view to aligning with the TCFD Recommendations no later than 2025.
- The FCA note that its climate-related disclosure requirements for listed issuers as well as for asset managers and FCA-regulated asset owners are consistent with and directly

¹³ For instance, the European Banking Authority (EBA) developed Implementing Technical Standards that put forward templates that institutions must use in order to disclose relevant qualitative information on ESG risks, and quantitative information on climate-change-related risks. Similarly, the BCB highlighted that they are conducting a public consultation on the requirements for financial institutions to disclose climate metrics and targets.

¹⁴ Recommendation 1

reference the TCFD's recommendations. In July 2022, the FCA and Financial Reporting Council, carried out an assessment of the first climate-related disclosures made by premium listed issuers under the FCA's Listing Rule.¹⁵ The FCA reiterated its expectations and guidance, and the FRC provided examples of better practice to help companies develop and improve their disclosures.

- South Africa is currently developing disclosure recommendations or expectations under all four pillars of the TCFD Recommendations.

Moreover, half of the 20 jurisdictions¹⁶ have further set out, or proposed for public consultation, in addition to the recommendations, more specific metrics or guidance that provide more detail than the TCFD Recommendations on disclosures to be made by non-financial companies and financial institutions. Some key examples of these recommendations include:

- Some jurisdictions¹⁷ provide standardised templates for some of the TCFD Recommendations, which promote standardisation as well as comparability across firms.
- The EU's actions have been more detailed with climate-relevant metrics and performance measures focusing on energy consumption and energy mix, energy intensity per revenue, scope 1, 2 and 3 GHG emissions, GHG intensity per net turnover, GHG removals, carbon credits, avoided GHG emissions from products and services, financial effects from physical and transition risks, and financial opportunities.
- The US revised National Association of Insurance Commissioners (NAIC) Climate Risk Disclosure Survey builds on the TCFD required content, by including insurance-specific questions with regard to an insurer's governance, strategy, risk management and metrics and targets.

Climate disclosures by the financial sector need to go hand-in-hand with disclosures by non-financial companies, not least because climate disclosures of financial institutions are likely to be informative only when they can draw on the disclosures of their counterparties or clients as input material. Taking note of this interrelationship, many financial authorities are also setting (or plan to set) expectations for financial institutions to require or encourage their borrowers and investees/issuers of assets in which they invest to make climate-related disclosures. In last year's survey, 7 jurisdictions reported that they had taken such actions. This year's survey noted that 6 jurisdictions have taken or plan to take additional such actions.¹⁸ They differ in their approaches. For instance, India requires ESG-labelled funds to only invest in companies that make climate-related disclosures. The Monetary Authority of Singapore (MAS) has worked closely with the industry to introduce an Environmental Risk Questionnaire (ERQ) for banks in Singapore to engage their corporate clients on environmental risk issues. The ERQ will provide a consistent baseline template for data gathering.

¹⁵ FCA (2022). [Review of TCFD-aligned disclosures by premium listed commercial companies](#). July 2022

¹⁶ BR, CA, EU, FR, IT, JP, SG, ES, CH, US

¹⁷ BR, ES

¹⁸ CH, FR, IN, IT, SG, ZA

Various other members¹⁹ noted that disclosure requirements on financial institutions do not directly require their counterparties to make climate-related disclosures but that disclosure requirements applied directly by authorities to non-financial companies, as well as broader market behavioural trends and market discipline will lead to greater disclosures by counterparties.

Interaction between TCFD framework and other frameworks

Last year's climate disclosures report noted that, alongside the referencing of, or intention to reference, TCFD Recommendations in regulations, guidance or expectations by the vast majority of jurisdictions, other frameworks are referenced as well. This year, as part of their reporting on additional actions, 6 jurisdictions²⁰ who have referred to the TCFD framework also have referred to the Sustainability Accounting Standard Board (SASB), and a subset²¹ have also referred to Global Reporting Initiative (GRI) and/or Climate Disclosure Standards Board (CDSB)²².

3.1.3. Scope of climate-related disclosures

Increased focus on materiality

Jurisdictions lend a greater emphasis on the materiality lens that they apply on climate-related disclosures. As noted in last year's report, materiality could be interpreted as single materiality (or financial materiality) or double materiality. While exact definitions vary, 'single materiality' generally refers to climate disclosures that provide investors with decision-useful information to assess the financial impact of climate-related risks. 'Double materiality' refers to the approach that encompasses both how climate and other sustainability issues affect the value and performance of the company, and the impacts of the company on society and the environment.

Some examples of how the materiality lens is applied across jurisdictions are:

- A number of authorities in their additional actions continue to apply a financial materiality lens (e.g. Canadian Securities Administrators (CSA), Japan's JFSA, Singapore, Hong Kong)
- The EU continues to apply a double materiality perspective in its CSRD and accompanying standards: continuing with the spirit of the NFRD, companies have to report not only on how sustainability issues might create financial risks and opportunities for the company, but also on the company's own impacts on people and the environment.

¹⁹ EU, IN, IT, UK

²⁰ EU, FR, IN, ID, ZA, UK.

²¹ EU, FR, IN, ID have referred to GRI and EU, FR, ID, ZA to CDSB.

²² The VRF, which houses the SAAB standard, was consolidated into the IFRS Foundation in August 2022. The ISSB and the GRI signed a memorandum of understanding in March 2022 committing the two organisations to seeking to coordinate work programmes and standard-setting activities. The CDSB was consolidated into the IFRS Foundation In January 2022.

- Financial authorities in some other jurisdictions²³ recommend or encourage firms to cover the perspective from a double materiality lens that accounts for financial materiality and the impact of firms on broader society (impact). Switzerland plans to transition from single materiality (in force since January 2022) to double materiality (January 2023).

Stronger focus on mandatory disclosures and deployment of enforcement/compliance mechanisms

Findings from last year's climate disclosures report noted that the majority of the approaches to implementation in the survey responses were classified as 'mandatory'. Along similar lines, most member jurisdictions in the 2022 survey continue to respond that their additional actions are primarily through 'mandatory' approaches: financial authorities across 14 jurisdictions²⁴ adopt a mandatory approach while authorities from 6 jurisdictions²⁵ classify their additional actions as voluntary.²⁶

When adopting a mandatory approach, various jurisdictions have taken proportionality into account. For instance, some jurisdictions²⁷ that participated in the survey have set thresholds based on firm size (market capitalization and/or assets, or number of employees). As a different example, SGX (Singapore) requires TCFD reporting for certain sectors that may be more vulnerable to climate risks but other sectors are treated on a comply-or-explain basis.

Many jurisdictions that are taking a mandatory approach are applying, or plan to apply, compliance or enforcement mechanisms as a tool to strengthen the comprehensiveness and consistency of disclosures.

3.1.4. Cross-border cooperation on implementation of climate-related disclosure frameworks

The FSB 2021 Report encouraged financial authorities *to promote sharing of experiences, provide mutual support across jurisdictions on implementation of climate-related disclosure frameworks and accelerate international efforts to help build industry-wide awareness, technical knowledge and capabilities.*²⁸

Jurisdictions have continued to share experiences on the implementation of climate-related disclosure frameworks, with most cross-border cooperation taking place primarily via multilateral fora and, to some extent, bilaterally.

Many jurisdictions highlight their participation in the work of international bodies on climate and sustainability disclosures, such as the SSBs (BCBS, IAIS, IOSCO), G7, G20, UNDP, OECD,

²³ AR, BR

²⁴ BR, CA, CH, EU, ES, FR, HK, IN, ID, IT, JP, SG, UK, ZA

²⁵ AR, AU, BR (in addition to mandatory), CN, IT, ZA

²⁶ As noted in section 3.1.1, the Securities and Exchange Commission (US), in March 2022 proposed rules relating to climate-related disclosures from issuers. The proposed rules are currently under consideration and have not been adopted or finalised.

²⁷ BR, EU, IN, IT, SG, ES

²⁸ Recommendation 2

World Bank and other organisations. For example, the International Platform on Sustainable Finance (IPSF), which brings together 18 jurisdictions worldwide, aims to promote best practices in sustainable finance, including on sustainability disclosures. Other jurisdictions note their engagement with the ISSB via their participation in the work of IOSCO or directly in the ISSB's Jurisdictional Working Group.²⁹ Some jurisdictions have taken part in regional initiatives, such as in the EU via EFRAG and the European Supervisory Authorities EBA, ESMA and EIOPA, or in Asia via IOSCO's Asia Pacific Regional Committee or the ASEAN Capital Market Forum.

Some jurisdictions note their participation in capacity building initiatives, such as via the NGFS³⁰ and some authorities (such as the MAS or the Bank of England) have established cross-border training programmes on climate-related disclosures.

Some authorities have engaged in bilateral discussions³¹ and others have set bilateral arrangements such as the US-EU Insurance Dialogue Project's workstream on climate disclosure and financial oversight.

3.1.5. Coordination arrangements between authorities within each jurisdiction

The FSB 2021 Report encouraged financial authorities within each jurisdiction *to strongly coordinate in order to provide clear and consistent expectations, guidance or requirements to firms across all sectors on climate-related disclosures.*³²

Financial authorities within each jurisdiction have continued to coordinate, either informally or more formally, on the implementation of climate-related disclosures across the financial system. The aim of cross-sector interactions varies, from sharing of knowledge and practices to publishing joint reports and guidance and coordinating policy actions.

Some authorities have put in place inter-agency structures specifically to discuss climate policy or green and sustainable finance³³ or more broadly financial policy issues including climate disclosures.³⁴ In jurisdictions with an integrated regulator and supervisor covering all sectors³⁵, coordination on the implementation of climate-related disclosures has taken place within the organisation.

In some jurisdictions, authorities have engaged bilaterally on sharing knowledge and practices³⁶, while in another jurisdiction³⁷ the prudential supervisor has a joint work programme and publishes a joint annual report on climate-related initiatives.

²⁹ CN, EU, HK, JP, UK, US

³⁰ Central Bank of Argentina, Canada's Office of the Superintendent of Financial Institutions, the Reserve Bank of India and Central Bank of the Republic of Türkiye joined the NGFS in the past year.

³¹ AR, CN, EU, HK, UK

³² Recommendation 3

³³ CA, FR, HK, IT, MX, ZA, UK

³⁴ AU, BR

³⁵ JP, SG

³⁶ CH, US

³⁷ FR

3.1.6. Mechanisms to improve the reliability of climate-related disclosures by firms

The FSB 2021 Report recommended that, *as disclosure practices continue to evolve and improve over time, in the longer term financial authorities can contribute to significantly improving the reliability of climate-related disclosures if they were to require, as appropriate, some form of third-party verification or assurance on climate-related disclosures made by firms. Where frameworks in jurisdictions require firms to provide climate-related disclosures within financial filings, financial authorities could set expectations on the level of assurance required on the disclosed information.*³⁸

The development of mechanisms to improve the reliability of climate-related disclosures by firms is still at an early stage in most jurisdictions.

In some cases, authorities expect financial institutions and sometimes non-financial corporates to have an internal audit or verification process on their climate-related disclosures.³⁹ Some jurisdictions⁴⁰ highlight their involvement in the IOSCO workstream on assurance, which works closely with the IAASB and the IESBA to develop a robust assurance framework for issuers' sustainability-related disclosures.

Most progress on third-party assurance has been in the EU. In France, there has been a national requirement mandating moderate assurance by an audit firm or an independent assurance services provider on sustainability disclosures since 2017. In the EU more widely, credit institutions' climate-related disclosures are subject to external audit or assurance under the Capital Requirement Regulation (CRR), and the recently agreed CSRD introduces mandatory third-party verification on sustainability information disclosed by firms. The European Commission is also empowered to adopt audit standards for the assurance of sustainability reporting. Some other jurisdictions are also considering introducing assurance requirements for aspects of climate and/or wider sustainability-related information⁴¹ and in two jurisdictions⁴², expectations are in place on external review of sustainability disclosures.

³⁸ Recommendation 4

³⁹ AR, BR, CA, EU

⁴⁰ HK, IT, UK

⁴¹ CA, HK, IN, JP, UK, US

⁴² AR, TR

3.2. Jurisdictions' process for adopting, implementing or otherwise making use of ISSB climate-related disclosure reporting standard

3.2.1. Steps taken with regard to the future ISSB climate-related disclosure standard

A number of jurisdictions have begun taking steps to establish a process for considering the adoption, application or other use of the ISSB climate-related standard (once finalised).

Some authorities⁴³ note that they have engaged with industry to collect feedback on the ISSB's Exposure Drafts during the consultation process or have encouraged industry to respond to the consultation.

A few jurisdictions are waiting for the ISSB's standards to be finalised⁴⁴ to take further steps (such to undertake a gap assessment against local requirements), or do not have concrete plans⁴⁵, while in a few other jurisdictions, authorities are assessing how the ISSB proposed standards can be applied domestically⁴⁶. For example, in Hong Kong, the Securities and Futures Commission (SFC) and the Hong Kong Exchanges and Clearing (HKEX) are engaging with industry practitioners, including from audit and accounting, and other relevant stakeholders to evaluate and gather feedback on how the future ISSB standards can be applied in Hong Kong. In Brazil, the Securities and Exchange Commission (CVM) is assessing the legal environment to determine whether any legal or regulatory adjustments will be needed for adoption of the ISSB standards. In South Africa, the Financial Sector Conduct Authority (FSCA) is planning to adapt reporting templates for its retirement funds sector to align with the ISSB standards.

In some jurisdictions, public announcements were made on the adoption of, or alignment with, the future standards. For example, the Singapore Exchange (SGX) has announced its intention to align its sustainability reporting requirements for listed entities with the final ISSB standards. Meanwhile, the MAS is setting out a roadmap for mandatory climate-related disclosures for financial institutions, referencing the ISSB standard, and has publicly announced plans to consult industry on introducing its requirements once the standard is finalised. In the UK, the government signalled its expectation that the ISSB standards will form a core component of sustainability disclosure requirements and the FCA expects to consult on its climate-disclosure rules to reference ISSB's reporting standards once they are finalised and available for use in the UK.

Some jurisdictions are developing disclosure standards or rules that plan to or could take account of ISSB standards.⁴⁷ While the standards will not directly be part of EU-wide or Member States' local requirements, EFRAG is mandated to draft EU standards based on the CSRD which take account "to the greatest extent possible" of the work of global standard setting initiatives for sustainability reporting, including the ISSB. In the US, the SEC is currently reviewing consultation responses to its Climate-Related Disclosures Rules Proposal to consider whether reporting

⁴³ AU, HK, ID, KR, SG

⁴⁴ JP, ID, IN

⁴⁵ SA

⁴⁶ HK, BR, SG, ZA

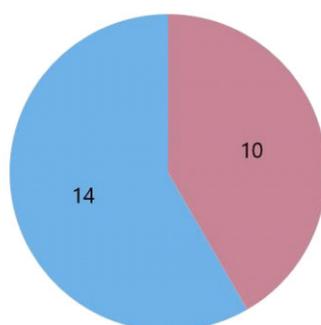
⁴⁷ EU, US

should encompass reports made pursuant to criteria developed by a global sustainability standards body, such as the ISSB, and if so, how.

14 out of 24 jurisdictions stated that they have or are putting in place structures and processes to bring the ISSB standard into local requirements.

Number of jurisdictions that established, or are putting in place, a structure or process to bring the ISSB standard into local requirements

Graph 3



■ Yes ■ No

Source: FSB survey

- In Brazil, the Foundation of the Brazilian Accounting Pronouncements Committee (CPC) has established a new standard-setting board, the Brazilian Sustainability Pronouncements Committee (CBPS), whose role will be to internalise the ISSB standards. CVM expects to endorse all sustainability disclosure standards issued by CBPS, using an endorsement process like the current one used to endorse accounting standards issued by CPC (as issued by IFRS).
- The Canadian Sustainability Standards Board (CSSB) is being established to review and endorse final ISSB climate and sustainability reporting standards in Canada. No decisions have been made so far on legislating the use of future CSSB endorsed standards.
- In Japan, the Financial Accounting Standards Foundation (has established in July 2022 the Sustainability Standards Board of Japan (SSBJ) to contribute to the development of international sustainability disclosure standards and to consider specific contents of sustainability disclosure in Japan. The Japan Financial Services Agency (JFSA) participates in the SSBJ.
- In Korea, there are plans to establish a sustainability standards board in 2022 under the Korea Accounting Institute to set up domestic sustainability disclosure standards.
- In Mexico, the Sustainability Technical Advisory Committee (CINIF), which includes Banxico and CNBV, is the forum where the implementation of ISSB standards is being discussed.
- In Singapore, SGX and the Accounting and Corporate Regulatory Authority (ACRA) have set up a Sustainability Reporting Advisory Committee to develop a roadmap for

wider implementation of sustainability reporting beyond SGX-listed companies and provide input on the suitability of ISSB standards for implementation in Singapore.

- In Türkiye, the Public Oversight, Accounting and Auditing Standards Authority has been authorised to determine and publish the Türkiye Sustainability Reporting Standards in line with international standards. Supervisory and regulatory authorities are entitled to adopt sustainability reporting regulations in their respective fields provided that they comply with these sustainability reporting standards.
- In the UK, the government will consult on a mechanism to adopt the ISSB standards in due course.

Jurisdictions recognise the importance to promote interoperability of the ISSB standard with jurisdiction-specific requirements although limited steps have been taken so far.

This year's survey responses highlight the importance of interoperability with the forthcoming global baseline, in order to promote cross-border consistency in climate-related disclosures. Some members have flagged the importance of the Sustainability Standards Advisory Forum and the Jurisdictional Working Group (JWG) established by the ISSB to enhance compatibility between the global baseline and jurisdictional initiatives.⁴⁸ Others have referred to their responses to the ISSB consultation in which they encouraged the ISSB to work closely with jurisdictions to increase interoperability of the standards with local requirements.⁴⁹

In the EU, EFRAG published reconciliation tables between the draft EU sustainability reporting standards and the ISSB's Exposure Drafts⁵⁰, which aim to promote interoperability and highlight commonalities and differences between the standards. EU members note that the agreed text of the CSRD also highlights the importance of interoperability among standards.⁵¹

3.2.2. Challenges that jurisdictions anticipate in implementing the ISSB climate-related disclosure standard

Authorities have noted the following challenges that will arise during the implementation of the ISSB climate-related disclosure standard:

- **Consistency and comparability of disclosures across jurisdictions and interoperability:** Many jurisdictions mentioned challenges related to achieving interoperability between the ISSB standards and individual jurisdictions' requirements or standards, including consistency of definitions and terminology used in different reporting

⁴⁸ Members of the JWG are the Chinese Ministry of Finance, the European Commission, EFRAG, the JFSA, the Sustainability Standards Board of Japan, the FCA and the SEC.

⁴⁹ FR, CA, EU, UK

⁵⁰ Appendix V of Draft European Sustainability Reporting Standards

⁵¹ The CSRD states in its recital 37 that to "avoid unnecessary regulatory fragmentation that may have negative consequences for undertakings operating globally, European standards should contribute to the process of convergence of sustainability reporting standards at global level, by supporting the work of the of the International Sustainability Standards Board (ISSB). European standards should reduce the risk of inconsistent reporting requirements on undertakings that operate globally by integrating the content of global baseline standards to be developed by the ISSB, to the extent that the content of the ISSB baseline standards is consistent with the EU's legal framework and the objectives of the European Green Deal."

standards, with a view to ensure disclosures to investors that are sufficiently consistent across jurisdictions to be decision-useful and also to limit unnecessary burden to issuers.

- **Consistency and comparability of disclosures across firms:** Many jurisdictions mentioned challenges concerning the way the standards should be implemented, including on the interpretation and application of materiality criteria, GHG emission allocation methodologies, Scope 3 and industry-specific metrics, and the need to avoid lack of comparability across companies. They supported the provision of ISSB supplemental implementation guidance and examples to issuers, where appropriate, to support consistent and comparable disclosures.
- **Data availability:** Many jurisdictions pointed to challenges in the availability of some of the data needed to underpin disclosures, such as some industry-based data points that may initially be challenging to gather for some issuers, scope 2 and scope 3 emission metrics. The maturity of data systems used to produce, distribute and consume sustainability-related information is significantly lower than that of systems used for financial information.
- **Proportionality, scalability of standards for EMDEs and small and medium enterprises (SMEs) and phasing-in arrangements:** Many members noted the challenges related to proportionality when applying the future standards, taking account of differences in maturity of climate-related disclosure practices in EMDEs and for SMEs. Some EMDEs highlighted the need for a proportionate approach given the low level of maturity of their financial sectors and of awareness of climate-related issues. Some jurisdictions mentioned that listed corporates in their jurisdictions were largely composed of SMEs, who often lacked data and resources, and added that consideration should be given to capacity building and sharing of good practices from larger firms to ensure a proportionate approach. Another jurisdiction noted that the readiness of companies to report in line with the ISSB standards will vary depending, for example, on a company's size, its industry sector and the jurisdiction. A number of jurisdictions were in favour of a phasing-in approach to implement the ISSB standards. A few other jurisdictions also raised the need to upskill supervisors and securities regulators responsible for supervising and enforcing the standards.
- **Quality of disclosures: assurance and verification of data:** A few jurisdictions noted that assurance around climate and sustainability-related disclosures brings new challenges compared to traditional audits. One of these jurisdictions mentioned examples of such challenges: the treatment of forward-looking information, how to achieve assurance of estimates and external data outside a company's control, how to decide on the scope, coverage and completeness of disclosures and the level of assurance provided.
- **Concept of materiality, enterprise value and impact:** Some EU jurisdictions noted challenges relating to the scope of the ISSB standards in relation to materiality, noting that the EU approach goes beyond that of the ISSB standards in that it encompasses both how climate and other sustainability issues affect the value and performance of the company, and the impacts of the company on society and the environment (so called 'double materiality').

- **Other challenges:** Some jurisdictions raised other challenges such as greenwashing and reputational risks, the trade-off between tailored industry-specific approaches and cross-sectoral comparability, as well as the development of generally accepted and sound methodologies for the application of the standards.

4. Progress on firms' climate-related financial disclosures

This section summarises key findings and analysis included in the TCFD's 2022 Status Report. The 2022 Status Report provides an overview of firms' current disclosure practices in terms of their alignment with the TCFD Recommendations and highlights progress associated with implementation of the TCFD Recommendations over the past five years relative to key milestones identified by the TCFD in 2017. Overall, the TCFD found the results of its analyses on climate-related financial disclosure practices encouraging but believes that not enough firms are disclosing decision-useful climate-related financial information.

4.1. Progress by individual firms

Consistent with its previous status reports, the TCFD used artificial intelligence (AI) technology to review the alignment of over 1,400 public companies' reporting with the TCFD's 11 recommended disclosures. It also conducted a survey of asset managers and asset owners on their climate-related financial reporting practices.⁵² The key findings from the AI review and survey of asset managers and asset owners are summarised below.

- **The percentage of companies disclosing TCFD-aligned information grew over the past three years, but more urgent progress is needed.** While the AI review found the levels of disclosure for all 11 recommended disclosures increased each year, only 4% of companies disclosed in line with all 11 recommended disclosures based on 2021 fiscal year reporting and only around 40% disclosed in line with at least five.
- **Public companies remain more likely to disclose information on their climate-related risks and opportunities than on any other recommended disclosure,** with just over 60% of companies reviewed including such information in their 2021 fiscal year reports. Disclosure of the resilience of companies' strategies under different climate-related scenarios continues to have the lowest level of disclosure across the 11 recommended disclosures at 16% for 2021 reporting. (See Graph 4.)
- **All regions have significantly increased their levels of disclosure over the past three years.** In particular, the average level of disclosure across the 11 recommended disclosures for European companies was 60% for fiscal year 2021, growing 23 percentage points since fiscal year 2019; 36% for Asia Pacific companies—an increase of 11 percentage points; and 29% for North America companies—an increase of 12 percentage points. (See Panel A of Graph 5.)

⁵² Asset managers and asset owners were excluded from the AI review because, in some cases, the types of reports needed for analysis are not publicly available.

- **Several industries covered by the AI review have average levels of disclosure of over 40%.** For fiscal year 2021 reporting, industries with average disclosure levels across the 11 recommended disclosures of more than 40% include energy companies (43%), materials and buildings companies (42%), banks (41%), and insurance companies (41%). (See Panel B of Graph 5.)
- Based on survey responses, **nearly 50% of asset managers and 75% of asset owners reported information aligned with at least five of the 11 recommended disclosures.** In addition, 60% of asset managers and nearly 80% of asset owners indicated they report information aligned with at least one recommended disclosure, whereas only 9% of asset managers and 36% of asset owners report on 10 recommended disclosures. None indicated they report on all 11.

Progress made by firms in reporting TCFD-aligned disclosures

Graph 4

Recommendation	Recommended Disclosure	2019	2020	2021	Pt. Chg. 2019-2021
Governance	a. Board Oversight	13%	25%	29%	16%
	b. Management's Role	10%	18%	22%	12%
Strategy	a. Risks and Opportunities	42%	53%	61%	19%
	b. Impact on Organization	31%	40%	47%	16%
	c. Resilience of Strategy	6%	12%	16%	10%
Risk Management	a. Risk ID and Assessment Proc.	19%	29%	33%	14%
	b. Risk Management Processes	17%	28%	34%	17%
	c. Integration into Overall Risk Mngt.	17%	27%	37%	20%
Metrics and Targets	a. Climate-Related Metrics	42%	46%	47%	5%
	b. Scope 1,2,3 GHG Emissions	34%	40%	44%	10%
	c. Climate-Related Targets	27%	38%	45%	18%

Legend:  Low to high percentage of reporting

Source: 2022 TCFD Status Report

Progress made by firms in reporting TCFD-aligned disclosures

Graph 5

Geographical and sectoral breakdown

Panel A: Average percentage disclosure by region

Region	%
Europe	60%
Asia Pacific	36%
North America	29%
Latin America	28%
Middle East and Africa	25%

Panel B: Average percentage disclosure by industry

Industry	%
Energy	43%
Materials and Buildings	42%
Banking	41%
Insurance	41%
Ag., Food, and Forest Products	37%
Consumer Goods	33%
Transportation	32%
Technology and Media	15%

Source: 2022 TCFD Status Report

4.2. Review of five years of TCFD implementation

Recognising this year marks five years since the final TCFD Recommendations were published in 2017, the TCFD reflected on progress made in climate-related financial disclosures relative to key milestones included in its 2017 report, as shown in Graph 6. The TCFD's view of progress against these milestones is summarised below.⁵³

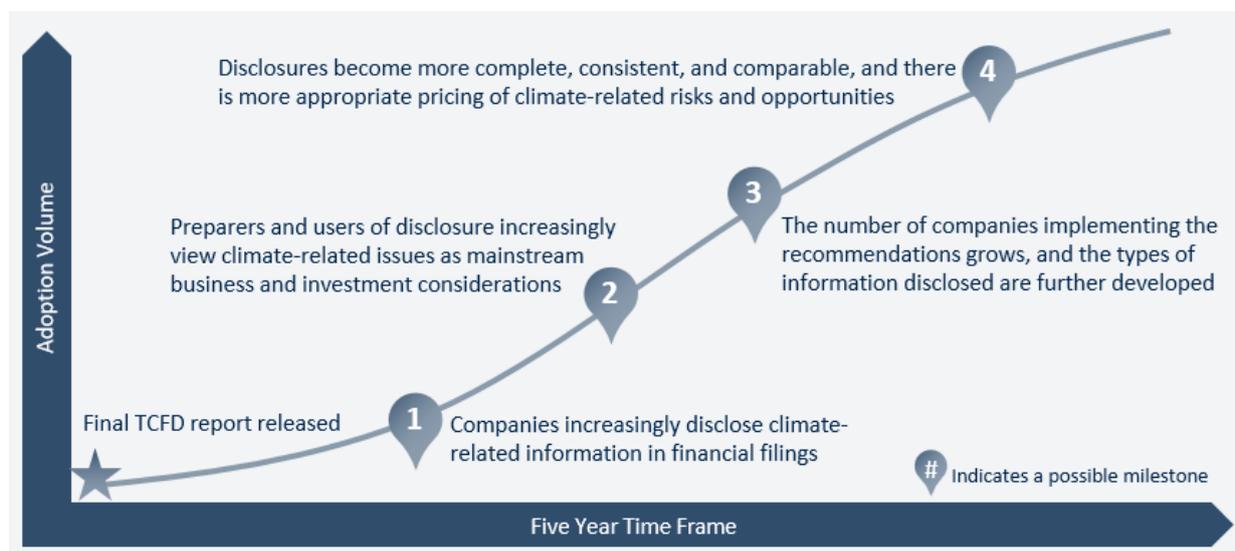
- Based on a survey of companies implementing the TCFD Recommendations, over 70% disclosed climate-related information in financial filings, annual reports, or integrated reports for fiscal year 2021 compared to 45% for fiscal year 2017.
- Continued growth in jurisdictions using the Recommendations as a basis for climate-related financial disclosure requirements and investor requests for companies to disclose in line with the Recommendations are driving preparers and users of disclosures to increasingly view climate-related issues as mainstream business and investment considerations. The Task Force's report describes various national and international efforts to require or encourage climate-related disclosure, including the ISSB's proposed global climate disclosure standards which draw from the TCFD Recommendations.
- Based on the TCFD survey, the number of companies disclosing against the TCFD Recommendations for fiscal year 2021 was nearly five times higher than those disclosing in fiscal year 2017.
- Based on the TCFD survey, companies, investors, and others indicated they see climate-related issues affecting the prices and valuations of financial assets. In addition,

⁵³ The TCFD cautioned readers on extrapolating results from its surveys to broader populations of companies disclosing climate-related financial information and users of such disclosures.

based on a literature review, there is a growing body of evidence that climate-related risks are beginning to affect prices of certain types of assets.

Milestones associated with TCFD implementation from 2017 report

Graph 6



Source: 2022 TCFD Status Report

4.3. Key progress and challenges

Responses to the TCFD survey provided insight on key progress and challenges related to companies’ implementation of the Task Force’s Recommendations.

In terms of progress, 91% of preparer respondents indicated their companies have implemented or are implementing the TCFD Recommendations, with 86% of these respondents currently disclosing in line with at least one of the 11 recommended disclosures and the remaining 14% planning to disclose in the future. 90% of respondents that identified as users have incorporated climate-related financial disclosures in their financial decision-making processes, and 66% of these respondents indicated such disclosures factor into the way they price financial assets. 95% of all respondents other than those identified as preparers saw an increase in the availability of climate-related financial disclosures since the release of the TCFD Recommendations in June 2017, with 88% of such respondents citing improvements in the quality of disclosures.

Survey respondents also highlighted several challenges related to implementing the TCFD Recommendations and areas where climate-related financial disclosures need to be improved. Three of the major challenges related to disclosure on resilience of strategy, Scope 3 GHG emissions, and the need for standardised climate-related metrics. Over 50% of preparer respondents indicated implementing Strategy c)—the resilience of their strategies under different climate-related scenarios—is very difficult, and another 36% indicated it was somewhat difficult. In addition, over 20% of preparer respondents noted challenges related to Scope 3 GHG emissions, including data collection and methodology issues. The biggest improvement identified by investors and other user respondents was for companies to include standardised, industry-specific climate-related metrics in their disclosures.

4.4. FSB request for further TCFD work in 2023

During the period until the ISSB global baseline standard is agreed and the implementation of that standard across jurisdictions begins to be monitored, there is a continuing need to maintain momentum by monitoring and reporting on progress in firms' climate disclosures. The FSB therefore requests TCFD to prepare another progress report on firms' disclosures in 2023.