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Climate-related financial disclosures in mainstream entity reporting: Good practices and key challenges

Note by the UNCTAD secretariat

Summary

There is a growing recognition of the importance of climate-related financial disclosures. The topic is increasingly included in regulation, standard-setting and guidance. At the same time, there is a significant gap in the disclosures provided by companies when compared to requirements or recommendations made by regulatory authorities. This seems partly due to insufficient integration of climate change risk and opportunities into core business processes and activities. Reporting thus is seen as a driver to accelerate progress towards a low carbon economy. There is a need for further efforts to promote high-quality climate-related financial disclosures.

In this context, after considering developments on this topic, delegates at the thirty-seventh session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting decided to continue monitoring progress on the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures established by the Financial Stability Board, as well as of the recommendations of other initiatives, with a view to facilitating the exchange of experiences and good practices on this topic in future sessions of the Intergovernmental Working Group of Experts.

This background note has been prepared to facilitate deliberations on this topic at the thirty-eighth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting. A general overview is provided of recent trends and developments on climate-related financial disclosures, with a focus on implementing the recommendations of the Task Force on Climate-related Financial Disclosures. Developments are elaborated on in relation to standard-setting and guidance with respect to climate-related financial disclosures, in a broader sustainability context. Key challenges in climate-related financial reporting are also elaborated on, based on the experiences of companies identified in recent surveys.

I. Introduction and background

1. Through the open and inclusive forum of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, the United Nations has been contributing for several decades to global efforts aimed at promoting reliable and comparable financial and sustainability reporting be enterprises. In many instances, the Intergovernmental Working Group of Experts was a pioneer in expanding the scope of corporate reporting beyond financial aspects and including environmental, social and governance considerations. Over the years, Intergovernmental Working Group of Experts published guidance materials on environmental, social and governance topics and influenced thinking at different levels of standard setting.

2. In recent years, climate-related financial disclosures gained prominence on the agenda of many regulators and standard setters. The Intergovernmental Working Group of Experts took up the topic at its thirty-seventh session. The UNCTAD secretariat prepared a background document (TD/B/C.II/ISAR/94) that provided an overview of the final 2017 report of the Task Force on Climate-related Financial Disclosures, *Recommendations of the Task Force on Climate-related Financial Disclosures*,[1] and how the Intergovernmental Working Group of Experts' *Guidance on Core Indicators for Entity Reporting on the Contribution towards Implementation of the Sustainable Development Goals* can be used as a useful tool to improve the harmonization, consistency and comparability of companies' baseline data on climate change, in cooperation with key national, regional and international institutions promoting work in the area, with a view to facilitating the alignment of different frameworks and practices.

3. A summary of the discussions conducted at the thirty-seventh session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting and the agreed conclusions reached on the topic are contained in the report of the session (TD/B/C.II/ISAR/95). It might be useful for readers to review the two reports to gain further understanding of prior work of the Intergovernmental Working Group of Experts on the topic.

4. The thirty-seventh session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting recognized the growing importance of climate-related impacts on societies, economies, companies and value creation. The Intergovernmental Working Group of Experts underlined that climate-related financial disclosures are critical to understand the possible exposure of companies' activities to the medium- and long-term effects of climate change, as well as their impacts on society, and to properly manage those impacts, risks and opportunities, including the efficient allocation of capital supporting a transition to a more sustainable, low-carbon economy. The recent trends in enterprise reporting on climate-related financial issues show a need for further efforts to overcome the challenges in achieving reliable and consistent reporting in this area. There is also a need for a concerted global response, including by entities in the private sector, to limit the negative impact that climate change could have on achieving the Sustainable Development Goals. The importance of the Task Force recommendations, as well as the recommendations of other public or private initiatives, are expected to significantly improve disclosures in this crucial area.

5. In concluding deliberations on this topic, at its thirty-seventh session, the Intergovernmental Working Group of Experts requested the UNCTAD secretariat to continue monitoring progress on the implementation of the recommendations of the Task Force, as well as of recommendations by other initiatives, with a view to facilitating the exchange of experiences and good practices on this topic at its future sessions, and proposed conducting further deliberations on this topic as a second main agenda item at its thirty-eighth session. This note has been prepared to facilitate further deliberations on this topic by the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting.

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[1] See https://www.fsb-tcfd.org/recommendations/.

6. The world seems to be at a tipping point in acknowledging the urgent need to transition to a low-carbon economy to mitigate the impact of climate change that has been experienced to date and that will only become more severe in the future if insufficient action is taken. In addition, there is a strong interconnectivity between climate change, biodiversity loss and inequality. The sixth report of the Intergovernmental Panel on Climate Change is under way and due for publication in 2022.[2] The Sendai Framework for Disaster Risk Reduction 2015–2030 has become more relevant as it includes guidance to understand and govern disaster risk and to invest in disaster risk reduction and resilience and to "build back better".[3] It is clear that joint action is required by Governments and companies to mitigate the impacts of climate change. Climate change action is also one of the objectives in the Sustainable Development Goals. In addition to actions by companies, sustainable finance is seen as an important driver to accelerate the development to a low-carbon economy.

7. The financial impact of climate change becomes more visible, for example, in situations where extreme weather conditions impact supply chains or the accelerated change towards a low-carbon economy requires different products and services, resulting in an impairment of assets. At the same time, investments in innovation are being seen as raising new business opportunities, for example, new forms of green energy, electric cars or techniques that convert stored carbon into building materials. Investors are becoming more aware of the financial impact climate change risk may have on their portfolios. Support for investor-led organizations such as the Principles for Responsible Investment or Climate Action 100+ is increasing exponentially. Investors need high quality information to be able to manage their portfolios but note that the current information reported by companies is incomplete and does not reflect the necessary rigor. Companies have started to report on climate-related financial information, but they are still struggling with various topics which are discussed in the remainder of this paper. There is a need for sharing of good practices in reporting. Various organizations are responding to this need.

8. To enhance harmonization and support high-quality climate-related financial disclosures, various developments in standard setting and development of guidance have moved rapidly. Climate-related financial information is increasingly used for economic decision-making and, therefore, the need for assurance has increased. The accountancy profession and other professionals are providing assurance services on climate-related information. Also, supervisory authorities increasingly include climate-related financial disclosures in their annual review and provide further guidance where needed.

9. The recommendations published by the Financial Stability Board's Task Force on Climate-related Financial Disclosures can be seen as a "living" document, and more detailed guidance is developed as companies gain more experience in preparing climate-related financial disclosures. The rationale is "to make more informed financial decisions, investors, lenders, and insurance underwriters need to understand how climate-related opportunities are likely to impact an organization's future financial position as reflected in its income statement, cash flow statement and balance sheet".[4] The recommendations cover four different thematic areas which represent the core elements of how organizations operate: governance, strategy, risk management, and metrics and targets (box 1). The recommendations are applicable to all types of entities across industries and jurisdictions.

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[2] Intergovernmental Panel on Climate Change, 2021, Sixth Assessment Report: Fact sheet, available at https://www.ipcc.ch/site/assets/uploads/2021/06/Fact_sheet_AR6.pdf.

[3] See United Nations resolution 69/283, annex II, Sendai Framework for Disaster Risk Reduction 2015–2030.

[4] See https://assets.bbhub.io/company/sites/60/2020/10/FINAL-2017-TCFD-Report-11052018.pdf, p. 8.

Box 1
Recommendations of the Task Force on Climate-related Financial Disclosures

Governance

Disclose the company's governance around climate-related risks and opportunities.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy, and financial planning where such information is material.

Risk management

Disclose how the company identifies, assesses, and manages climate-related risks.

Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

10. The 2020 progress report of the Task Force on Climate-related Financial Disclosures shows that, although Task Force recommendations increasingly receive support from regulators, supervisors and companies, significant improvement is still needed in the disclosures with respect to the 11 recommendations on the four different themes.

11. The rest of the paper is structured as follows: in chapter II, the major recent developments in standards and guidance on climate-related financial disclosures are discussed. In chapter III, the focus is on key challenges of practical implementation of climate-related financial disclosures, the progress made during the intersessional period and examples of studies that include good practices. Also discussed is how support from the full reporting supply chain can accelerate the uptake and quality of climate-related financial disclosures. Chapter IV presents a summary and conclusions of the report, as well as suggested questions that delegates at the thirty-eighth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting might wish to consider.

II. Major recent developments in standards and guidance on climate-related financial disclosures

12. In this chapter, the international and regional developments that took place since November 2020, when the thirty-seventh session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting took place, are discussed, and some of the key challenges identified at that time, including the lack of consistent regulation, harmonization and reliability, are addressed.

A. International developments

13. In mainstream regulated financial reporting, one of the major developments in international standard setting is the proposal by the Foundation Trustees of the International Financial Reporting Standards to form an International Sustainability Standards Board. The feedback on a consultation shows that the proposal has been widely welcomed. Although the ambition is to focus on enterprise value, they will start with prioritizing climate due to the urgent need for better information about climate-related matters. The Foundation Trustees indicated that they would build on the work of the Task Force on Climate-related Financial Disclosures as well as the work by an alliance of leading standard-setters in sustainability reporting focused on enterprise value[5] and consisting of CDP, the Carbon

[5] See https://www.ifrs.org/projects/work-plan/sustainability-reporting/.

Disclosure Standards Board, the Global Reporting Initiative, the International Integrated Reporting Council and the Sustainability Accounting Standards Board. In December 2020, the alliance published *Reporting on Enterprise Value*, a prototype for a climate-related financial disclosure standard that includes proposed disclosure requirements for a strategy, business model and outlook.[6]

14. The international sustainability accounting standards proposed by the International Financial Reporting Standards Foundation will focus on information that is material to the decisions of investors, lenders and other creditors. The intended users are similar to its financial reporting standards. The alliance of CDP, the Carbon Disclosure Standards Board, the Global Reporting Initiative, the International Integrated Reporting Council and the Sustainability Accounting Standards Board introduced a conceptual framework on dynamic materiality that evolves from the narrow materiality of financial relevance to the broad impact on society. Readers can gain an understanding of how the type of disclosures will differ due to differences in the intended users and in the intended view that is presented in respective frameworks.[7]

15. The International Organization of Securities Commissions supports the initiative for a Sustainability Standards Board by the International Financial Reporting Standards Foundation. The International Organization of Securities Commissions established a Board-level task force on sustainable finance. A final report was published. In the report, core elements are identified of standard-setting, governance features and mechanisms for stakeholder engagement to make an International Sustainability Standards Board successful.[8] The body also issued a report that includes an overview of current initiatives, both by regulators and the industry, and a detailed analysis of the most relevant environmental, social and governance-related international initiatives and third-party frameworks and standards.[9]

16. Climate change can impact the financial statements of companies. Therefore, the International Financial Reporting Standards Foundation issued educational material explaining the potential effect of climate related matters on financial statements. It includes a table with illustrative examples on when standards of the International Financial Reporting Standards may require companies to consider the effects of climate-related matters in applying various standards.[10]

17. A wider and conceptual discussion on stewardship for environmental matters and its impact on financial statements is provided in a paper by the Capitals Coalition. The paper explores the interface between financial and non-financial reporting in the context of calculating for multiple capitals, including the calculation of assets, liabilities, income, expenditure, and, critically, the equity of a reporting entity. This would lead to better information on performance and stewardship on multiple capitals to inform user decisions and shift resource allocation.[11]

[6] Available at https://29kjwb3armds2g3gi4lq2sx1-wpengine.netdna-ssl.com/wp-content/uploads/Reporting-on-enterprise-value_climate-prototype_Dec20.pdf.

[7] See the alliance’s 2020 statement of intent to work together towards comprehensive corporate reporting, available at https://29kjwb3armds2g3gi4lq2sx1-wpengine.netdna-ssl.com/wp-content/uploads/Statement-of-Intent-to-Work-Together-Towards-Comprehensive-Corporate-Reporting.pdf.

[8] International Organization of Securities Commissions, Board, 2021, Report on sustainability-related issuer disclosures, available at https://www.iosco.org/library/pubdocs/pdf/IOSCOPD678.pdf.

[9] International Organization of Securities Commissions, Board, 2020, Sustainable finance and the role of securities regulators and IOSCO, available at https://www.iosco.org/library/pubdocs/pdf/IOSCOPD652.pdf.

[10] International Financial Reporting Standards Foundation, 2020, Effects of climate-related matters on financial statements, available at https://www.ifrs.org/content/dam/ifrs/supporting-implementation/documents/effects-of-climate-related-matters-on-financial-statements.pdf

[11] Capitals Coalition, 2021, Disclosing impacts on natural, social and human capital in financial statements, available at https://capitalscoalition.org/wp-content/uploads/2021/03/Disclosing-capitals-in-financial-statements-FINAL.pdf.

18. Developments in international standard-setting have also led other international bodies to rethink their remit and to explore opportunities to converge and promote harmonization. The International Integrated Reporting Council and the Sustainability Accounting Standards Board merged into a new organization called the Value Reporting Foundation.[12] At the indicator level, the World Economic Forum consolidated various guidance resulting in a set of universal, material environmental, social and governance metrics and recommended disclosures covering 21 core and 34 expanded metrics and disclosures. There are four pillars: governance, planet, people and prosperity. The planet pillar includes the Task Force on Climate-related Financial Disclosures recommendations and discusses: greenhouse gas emissions, land use and ecological sensitivity; water consumption; and withdrawal in water-stressed areas.[13]

19. With respect to connecting metrics to Sustainable Development Goal 13, climate action, the new Global Reporting Initiative guide on linking the Sustainable Development Goals with the Initiative's standards shows what type of Global Reporting Initiative indicators and disclosures are relevant when reporting progress.[14] The disclosures on climate change are not just relevant for business, but for the public sector as well. Therefore, the Global Reporting Initiative launched further guidance on transparency by public sector entities that provides guidance on the role of public policy in enabling transparency and why public sector organizations need to lead by example.[15]

20. The Task Force on Climate-related Financial Disclosures continued with its efforts to issue guidance for more effective climate-related financial disclosures and monitoring the implementation of Task Force guidance by various sectors as "better information will allow companies to incorporate climate-related risks and opportunities into their risk management and strategic planning processes. As this occurs, companies' and investors' understanding of the financial implications associated with climate change will grow, empowering the markets to channel investments to sustainable and resilient solutions, opportunities and business models".[16] In addition, the Task Force intends to issue specific changes to its final 2017 report in the third quarter of 2021.

21. The increased use of climate related information for economic decision-making also increases the demand for assurance. To support assurance practitioners in their assurance engagements with respect to various forms of extended external reporting, including climate-related information, the International Auditing and Assurance Standards Board issued guidance that aims at supporting consistent, high-quality application of the International Standard on Assurance Engagements 3000 (revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, in external reporting assurance engagements.[17] Together with the International Standard on Assurance Engagements (revised) and the International Standard on Assurance Engagements 3410, *Assurance Engagements on Greenhouse Gas Statements*, the guidance enables practitioners to respond to new reporting regimes.

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[12] Value Reporting Foundation, 2020, [International Integrated Reporting Council and Sustainability Accounting Standards Board] announce intent to merge in major step towards simplifying the corporate reporting system, 25 November. Available at https://integratedreporting.org/news/iirc-and-sasb-announce-intent-to-merge-in-major-step-towards-simplifying-the-corporate-reporting-system/.

[13] World Economic Forum, 2020, *Measuring Stakeholder Capitalism – Towards Common Metrics and Consistent Reporting of Sustainable Value Creation*, available at https://www.weforum.org/reports/measuring-stakeholder-capitalism-towards-common-metrics-and-consistent-reporting-of-sustainable-value-creation.

[14] Global Reporting Initiative, 2020, Linking the Sustainable Development Goals and the GRI standards, available at https://www.globalreporting.org/public-policy-partnerships/sustainable-development/integrating-sdgs-into-sustainability-reporting/?utm_source=google&utm_medium=social&utm_campaign=sdgreportingpub.

[15] Global Reporting Initiative, 2021, The GRI standards: a guide for policymakers, available at https://www.globalreporting.org/media/nmmnwfsm/gri-policymakers-guide.pdf.

[16] See https://www.fsb-tcfd.org/.

[17] Available at https://www.iaasb.org/publications/non-authoritative-guidance-applying-isae-3000-revised-extended-external-reporting-assurance.

22. The International Auditing and Assurance Standards Board also responded to the increasing impact of climate-related matters on the audit of financial statements with a staff audit practice alert that is intended to help auditors understand an auditor's consideration of climate-related risks in an audit of financial statements.[18] Financial auditors have acknowledged the increased impact of climate change and potential risks of misstatements in the financial statements and started to disclose this in key audit matters in reports conducted by those financial auditors.[19]

B. Regional and national initiatives on climate-related financial disclosures

23. While the Task Force on Climate-related Financial Disclosures is a voluntary, markets-led initiative, various government organizations, including regulators, have taken steps to encourage or even mandate its adoption, often in the light of a broader sustainable finance agenda. In the *2020 Status Report* of the Task Force,[20] it is noted that regulators and government entities from around the world support the Task Force, including the Governments of Belgium, Canada, Chile, France, Japan, New Zealand, Sweden and the United Kingdom of Great Britain and Northern Ireland. The Task Force's *2021 Status Report* will be published in the third quarter of 2021.[21] In addition, through the Network for Greening the Financial System, central banks and supervisors from across the globe have encouraged companies issuing public debt or equity to disclose this in their annual reporting cycle, in line with Task Force recommendations. The Network for Greening the Financial System helps to accelerate this.

24. Below are some examples of new developments that have occurred since the thirty-seventh session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (from November 2020 till July 2021). The examples are not intended to be exhaustive.

25. In June 2021, the Group of Seven[22] finance ministers stated in their communiqué, "We support moving towards mandatory climate-related financial disclosures that provide consistent and decision-useful information for market participants…".[23]

26. The developments from November 2020 onwards show that Task Force disclosures are implemented in various ways and using different instruments. The Central Bank of Brazil mandates Task Force and broader environmental, social and governance disclosures for financial institutions using two implementation phases, first, the qualitative information on governance, strategy, and social, environmental and climate-related risk management and, second, the disclosure of quantitative information.[24] In China, the People's Bank of China aims at making disclosure of climate and carbon emission information mandatory in the future, starting with the main domestic commercial banks and subsequently domestic listed companies. The disclosure requirements will be implemented in collaboration with

[18] International Auditing and Assurance Standards Board, 2020, The consideration of climate-related risks in an audit of financial statement, Staff Audit Practice Alert, October, available at https://www.iaasb.org/publications/consideration-climate-related-risks-audit-financial-statement.

[19] As observed by EY in *Annual Report and Accounts 2020, Royal Dutch Shell*, 2021, pp.202 and 203, available at https://reports.shell.com/annual-report/2020/servicepages/downloads/files/cons-financial-statements-shell-ar20.pdf.

[20] Task Force on Climate-related Financial Disclosures, 2020, *2020 Status Report*, available at https://www.fsb-tcfd.org/publications/.

[21] Ibid.

[22] Canada, France, Germany, Italy, Japan, the United Kingdom of Great Britain and Northern Ireland and the United States of America.

[23] Group of Seven, 2021, G[roup of Seven] finance ministers and central bank governors' communiqué, 5 June, London, available at https://www.g7uk.org/g7-finance-ministers-and-central-bank-governors-communique/.

[24] Central Bank of Brazil, 2021, Regulation on the disclosure of social, environmental and climate-related risks by financial institutions, BCB Public Consultation No. 86/2021.

international financial bodies, as part of broader efforts to drive the “green transformation” of Chinese lenders.[25]

27. The European Central Bank first released a guide on climate-related and environmental risks which includes what kind of climate-related disclosures are expected and asks banks to perform a self-assessment regarding European Central Bank expectations, followed by a full review by the European Central Bank of banks’ practices one year later.[26] The Bank Negara Malaysia introduced taxonomy guidance for supervised financial institutions disclosing, in line with Task Force recommendations. The guidance includes a progressive system of transition categories (climate supporting, transitioning and watchlist) to acknowledge concrete transition efforts and commitments by businesses and, similar to the European taxonomy, the assessment of broader environmental outcomes through the principle of no significant harm, with a specific focus on how business operations affect pollution, biodiversity and resource efficiency.[27]

28. In Germany mandating the Task Force recommendations for all listed companies is seen in the broader context of risks preparedness, including being prepared for new technologies and qualification requirements, crisis scenarios and cost factors such as climate change, resource scarcity and pandemics.[28] The Monetary Authority of Singapore has chosen to mention in its final guidelines on environmental risk management for the financial sector that they reference international reporting frameworks, including Task Force recommendations, to guide their environmental risk disclosure.[29]

29. According to the 2020 progress report of the Task Force on Climate-related Financial Disclosures, Japan has the highest number of companies supporting Task Force recommendations. Japan promotes the Task Force recommendations through the TCFD Consortium which is supported by the country’s Ministry of Economy, Trade and Industry, the Ministry of the Environment and the Financial Services Agency of Japan. The country holds annual Task Force summits and has a Japanese version of the Task Force’s implementation guide.[30]

30. The European Commission is implementing climate-related financial disclosures as part of a wider set of legislation following the European Action Plan on Financing Sustainable Growth. The taxonomy regulation captures a consistent interpretation of sustainable economic activities with respective thresholds and will be embedded throughout European legislation, starting with climate.[31] The financial sector will have to report at both

[25] China Banking News, 2021, Chinese Central Bank to launch climate-related financial disclosure requirements, drive green transformation of domestic lenders, 6 June, available at https://www.chinabankingnews.com/2021/06/06/chinese-central-bank-to-launch-climate-related-financial-disclosure-requirements-drive-green-transformation-of-domestic-lenders/.

[26] European Central Bank, 2020, ECB publishes final guide on climate-related and environmental risks for banks, 27 November, available at https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr201127~5642b6e68d.en.html.

[27] Bank Negara Malaysia, 2021, Climate change and principle-based taxonomy, available at https://www.bnm.gov.my/documents/20124/938039/Climate+Change+and+Principle-based+Taxonomy.pdf.

[28] Sustainable Finance Committee, 2021, Shifting the trillions: A sustainable financial system for the great transformation, available at https://sustainable-finance-beirat.de/wp-content/uploads/2021/03/210319_SustainableFinanceCommiteeRecommendations.pdf.

[29] Monetary Authority of Singapore, 2020, Guidelines on environmental risk management (banks), available at https://www.mas.gov.sg/-/media/MAS/Regulations-and-Financial-Stability/Regulations-Guidance-and-Licensing/Commercial-Banks/Regulations-Guidance-and-Licensing/Guidelines/Guidelines-on-Environmental-Risk---Banks/Guidelines-on-Environmental-Risk-Management-for-Banks.pdf.

[30] See https://tcfd-consortium.jp/en.

[31] European Commission, E[uropean] U[nion] taxonomy for sustainable activities, available at https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en.

a product level and entity level through sustainable finance regulation.[32] For large, listed entities, under the Non-Financial Reporting Directive (Directive 2014/95/EU) additional reporting requirements are applicable. From reporting year 2021 onwards, therefore, more information on climate change and climate adaptation will be available in Europe.[33] If the proposed the Corporate Sustainability Reporting Directive to amend the Non-Financial Reporting Directive is accepted, then the scope will be broadened to all large companies and all companies listed on regulated markets (except listed microenterprises) and will require limited assurance on reported information.[34] The European Commission invited the European Financial Reporting Advisory Group to draft European sustainability reporting standards, and the European Financial Reporting Advisory Group announced that, in that regard, it would cooperate with existing international standard setting bodies.[35]

31. In various countries, developments since the thirty-seventh session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting reveal upcoming legislation. In New Zealand, the Ministry for the Environment announced a proposed bill to make climate-related financial disclosures mandatory for publicly listed companies and large insurers, banks, non-bank deposit takers and investment managers. If approved by Parliament, the legislation will require around 200 large entities to start making climate-related disclosures for financial years commencing in 2022, with disclosures to be made in 2023 at the earliest. [36] In Switzerland, the Federal Council presented concrete proposals on how to strengthen the country's role as a global leader in sustainable financial services.[37] In the United Kingdom, proposals to mandate climate-related financial disclosures are being considered.[38] An accompanying road map outlines the approach of the United Kingdom to implementing Task Force recommendations.[39] The Financial Conduct Authority released its policy statement and final rule and guidance with a statement to be included in the annual financial report on whether disclosures are consistent with Task Force recommendations or to explain why this is not the case.[40] In the United States of America, an executive order was announced, on 20 May 2021, on climate-related financial risk, with wide-ranging transparency, disclosure and

[32] See Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, available at https://eur-lex.europa.eu/eli/reg/2019/2088/oj.

[33] European Securities and Markets Authority, 2021, *Final Report. Advice on Article 8 of the Taxonomy Regulation*, available at https://www.esma.europa.eu/sites/default/files/library/esma30-379-471_final_report_-_advice_on_article_8_of_the_taxonomy_regulation.pdf.

[34] Global Reporting Initiative, 2021, GRI backs mandatory E[uropean] U[nion] reporting on sustainability impacts, available at https://www.globalreporting.org/about-gri/news-center/gri-backs-mandatory-eu-reporting-on-sustainability-impacts/.

[35] European Financial Reporting Advisory Group, 2021, Commissioner McGuinness invites EFRAG to start technical work on draft sustainability reporting standards and proceed with governance reforms as soon as possible, May, available at https://www.efrag.org/News/Public-292/Commissioner-McGuinness-invites-EFRAG-to-start-technical-work-on-draft.

[36] New Zealand, Ministry for the Environment, 2021, Mandatory climate-related disclosures, April, available at https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/mandatory-climate-related-financial-disclosures/.

[37] Switzerland, Federal Department of Finance, 2021, Switzerland promotes transparency on climate-related financial risks, 12 January, available at https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-81924.html.

[38] United Kingdom, Department for Business, Energy and Industrial Strategy, 2021, Consultation, Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs, 24 March, available at https://www.gov.uk/government/consultations/mandatory-climate-related-financial-disclosures-by-publicly-quoted-companies-large-private-companies-and-llps.

[39] United Kingdom, Her Majesty's Treasury, 2020, Interim Report of the [United Kingdom]'s Joint Government-Regulator TCFD Task Force, available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933782/FINAL_TCFD_REPORT.pdf.

[40] Financial Conduct Authority, 2020, Proposals to enhance climate-related disclosures by listed issuers and clarification of existing disclosure obligations, Policy Statement PS20/17, available at https://www.fca.org.uk/publication/policy/ps20-17.pdf.

investment implications for investors, companies and regulators.[41] The Securities and Exchange Commission started a consultation on climate change disclosures[42] and launched a new climate and environmental, social and governance task force. The Securities and Exchange Commission requested input from accountants on rules it is developing for disclosing climate risks and environmental, social and governance reporting.[43]

32. Regulators are broadening their supervision. In Australia, the Australian Securities and Investment Commission has taken a decision to increase its oversight of climate change reporting by listed companies and financial institutions, including further scrutiny on potential for "greenwashing".[44]

33. The European Central Bank will start to focus its supervisory stress test also on climate-related risks.[45] The European Securities and Market Authorities reported including sustainability disclosures in its monitoring strategy.[46]

34. In Canada, the Government intends to lead by example. The Canadian Net-Zero Emissions Accountability Act requires the Minister of Finance, in cooperation with the Minister of Environment and Climate Change, to publish an annual report on action that the federal Government has taken to manage the financial risks and opportunities related to climate change.[47]

III. Key challenges of practical implementation of climate-related financial disclosures and good practices

A. Progress made and challenges identified

35. At the thirty-seventh session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, key challenges with respect to the practical implementation of climate-related financial disclosures were noted.[48] The challenges included data inconsistency and the incompleteness of current climate-related financial disclosures, the lack of standardized metrics and targets and lack of consistency in indicators. In addition, the session noted a lack of regulation, harmonization and reliability, lack of technical expertise and capacity, a need for promotion of good practices and development of methodologies, guidance and practical tools.

[41] United States of America, White House, 2021, Executive order on climate-related financial risk, 21 May, available at https://www.whitehouse.gov/briefing-room/presidential-actions/2021/05/20/executive-order-on-climate-related-financial-risk/.

[42] United States of America, Securities and Exchange Commission, 2021, Public input welcomed on climate change disclosures, Public statement, 15 March, available at https://www.sec.gov/news/public-statement/lee-climate-change-disclosures.

[43] *Accounting Today*, 2021, [Securities and Exchange Commission] SEC reaches out to accountants on [environmental, social and governance] ESG disclosures, 25 May, available at https://www.accountingtoday.com/news/sec-reaches-out-to-accountants-on-esg-disclosures.

[44] Price J, 2018, Climate change, keynote speech presented by Commissioner, Australian Securities and Investments Commission, at the Centre for Policy Development: Financing a Sustainable Economy, Sydney, Australia, 18 June, available at https://asic.gov.au/about-asic/news-centre/speeches/climate-change/.

[45] Elderson F, 2021, Patchy data is a good start: from Kuznets and Clark to supervisors and climate, keynote speech presented at a joint conference of the European Central Bank–European Bank for Reconstruction and Development entitled "Emerging climate-related risk supervision and implications for financial institutions", Frankfurt, Germany, 16 June, available at https://www.ecb.europa.eu/press/key/date/2021/html/ecb.sp210616~44c5a95300.en.html.

[46] European Union, European Securities and Markets Authority, 2020, ESMA strategic orientation 2020–[20]22, available at https://www.esma.europa.eu/file/54192/download?token=SM2LJTqz.

[47] Canada, Department of Finance Canada, 2021, Canada launches Sustainable Finance Action Council, 12 May, available at https://www.canada.ca/en/department-finance/news/2021/05/canada-launches-sustainable-finance-action-council.html.

[48] See TD/B/C.II/ISAR/94.

36. One year later, much progress has been made, but many challenges also still exist. For example, survey findings reveal that disclosure by the largest 100 national companies in 52 countries globally (known as N100) increased by 15 per cent, while the largest global 250 companies (known as G250) increased by 8 per cent. In total, 18 per cent of N100 companies and 37 per cent of the G250 started to report in line with Task Force recommendations.[49] A look at the Task Force disclosures of more than 1,100 companies across 42 jurisdictions globally shows that companies are progressing in terms of coverage and quality of climate disclosures. The report on the survey also indicated a need for companies to take a broader view of both their physical and transition climate risks and identifying opportunities in responding to those risks. Only 41 per cent of the sample are conducting scenario analyses, and only 15 per cent feature climate change in their financial statements.[50]

37. The *2020 Status Report* of the Task Force on Climate-related Financial Disclosures describes the progress companies are making in implementing Task Force recommendations. It is noted that nearly 60 per cent of the world's largest 100 public companies support[51] the Task Force, report in line with Task Force recommendations or both. As of October 2020, over 1,500 organizations have expressed support for the Task Force recommendations, an increase of nearly 700 organizations (85 per cent) since the Task Force's *2019 Status Report*.[52] By July 2021, the number increased to 2,000 supporting organizations. The *2020 Status Report* includes the results of reviewed financial filings, annual reports, integrated reports and sustainability reports of 1,701 public companies from 69 countries in eight industries. Although the disclosure of climate-related financial information has increased since the publication of the recommendations in 2017, continuing progress is needed. The Task Force's *2020 Status Report* includes the results of reporting by 1,701 public companies from 69 countries in eight industries. Between 2017 and 2019, the disclosure of Task Force-aligned information only increased by 6 percentage points, on average. The disclosure of the potential financial impact of climate change on organization's businesses and strategies remains low.

38. Given the scale of the climate challenge and the crucial role of the financial industry in facilitating the net zero carbon transition, the Glasgow Financial Alliance for Net Zero was launched to facilitate strategic coordination among the leadership of finance institutions from across the finance sector.[53] For the banking sector, the Task Force issued a sectoral implementation report that includes a detailed assessment of individual banks' disclosures.[54] The Task Force-aligned reporting by asset managers and asset owners increased significantly between 2019 and 2020, driven by the mandatory reporting requirements of the Principles for Responsible Investment for specific climate-related indicators in 2020. One of the lowest levels of reporting for both asset managers and asset owners relates to the weighted average carbon intensity metric. The international, industry-led Partnership for Carbon Accounting Financials[55] facilitates measuring carbon through detailed methodological guidance to measure and disclose greenhouse gas emissions

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[49] KPMG [Klynveld Peat Marwick Goerdeler], 2020, *The KPMG Survey of Sustainability Reporting 2020*.

[50] EY, 2021, *Global Climate Risk Disclosure Barometer*, available at https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/assurance/ey-if-the-climate-disclosures-are-improving-why-isnt-decarbonization-accerlerating.pdf.

[51] The Task Force on Climate-related Financial Disclosures uses the word "support" to refer to implementation or support by convening their members and facilitating consistency in implementation, or by encouraging or requiring companies and other organizations to implement the recommendations.

[52] Task Force on Climate-related Financial Disclosures, 2020, *2020 Status Report*, available at https://www.fsb-tcfd.org/publications/.

[53] Glasgow Financial Alliance for Net Zero, 2021, [Conference of the Parties] COP26 and the Glasgow Financial Alliance for Net Zero, available at https://racetozero.unfccc.int/wp-content/uploads/2021/04/GFANZ.pdf.

[54] BCS Consulting, 2021, *Task Force on Climate-related Financial Disclosures Recommendations: Global Progress Report for the Banking Sector*, available at http://www.bcsconsulting.com/wp-content/uploads/2015/07/BCS-TCFD-Global-Progress-Report-in-the-Banking-Sector-2021.pdf.

[55] See https://carbonaccountingfinancials.com/.

associated with various asset classes. Their standard builds on the greenhouse gas protocol, especially the requirements set in the corporate value chain (scope 3) accounting and reporting standard, for category 15 investment activities.[56]

39. A report of the Project Task Force on Climate-related Reporting of the European Financial Reporting Advisory Group reveals that some companies are leaders in specific aspects of climate reporting, but it is challenging to find companies that show a high level of sophistication on all aspects of climate-reporting. The information is still too generic and not well connected, which makes it hard for users to obtain a complete picture of the position and performance of a company. Also, companies' disclosures are not always sufficiently underpinned by supporting information or evidence.[57] The report of the Carbon Disclosure Standards Board on the state of European environmental disclosure in 2020 by 50 of Europe's largest listed companies shows similar results.[58] Box 2 provides an overview of the challenges identified in various surveys.

Box 2
Overview of challenges

Disclosures

Too much generic information without a prior materiality assessment

Disclosure on how climate change is included in core processes, including how climate change policies are monitored and how climate change risks, are embedded into existing risk management processes

Scenario analysis is missing or too general

Lack of insight into physical risks and related financial impact, including risk to the continuity of the company

Missing details on transition risks, including the exposure and vulnerabilities of companies in a value chain

Forward-looking financial time frame of one year is too short for climate change risks

Disclosure of material climate-related risks misses (a) time frame of short-, medium- and particularly long-term risks, (b) the value chain and (c) distinguishing between exposure to financial, operational and compliance impacts on business performance

Missing information on climate-related opportunities

Measurement

Identification of new and emerging external risks; companies focus mainly on risks that have already materialized

Measuring the financial and societal impact of climate risks and presenting this impact in a transparent way

Methodologies used for risk assessments, measurement of indicators, measurement boundaries used and measuring impacts

Availability of information to quantify scope 3 emissions

Indicators

Metrics not always related to targets and are rarely related to the risks, as recommended by the Task Force; when targets are reported, they are often short-term and rarely long-term

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56 Partnership for Carbon Accounting Financials, 2020, *The Global [Greenhouse Gas] GHG Accounting and Reporting Standard for the Financial Industry*, available at https://carbonaccountingfinancials.com/standard#the-global-ghg-accounting-and-reporting-standard-for-the-financial-industry.

57 See https://www.efrag.org/Lab1.

58 Climate Disclosure Standards Board, 2020, *The State of [E]uropean [U]nion Environmental Disclosure in 2020*, available at https://dev-cdsb.pantheonsite.io/nfrd2020.

Presentation

Balanced reporting, both positive and negative aspects of climate change

Reporting on performance against policies and risk management; metrics are often not linked to climate-related targets or shown as contribution to emission reduction over time

Lack of aggregated connectivity to national and international commitments, such as the Paris Agreement

Reporting on the four thematic areas of the Task Force recommendations is not always detailed enough or well connected to explain the interaction between them

40. The Task Force recommendations include using scenario analysis to assess the resilience of a company’s strategy under a range of plausible future climate states. Surveys show that scenario analysis is the area that companies find most challenging to develop and implement.

41. Organizations without any previous experience of scenario analysis are struggling to find an initial starting point and a process to follow, while those more advanced in their scenario analysis process are still experiencing technical challenges in terms of financial quantification, as well as a lack of clarity over which scenarios to select or how to develop plausible scenarios. The Task Force on Climate-related Financial Disclosures issued guidance for non-financial companies on organizing and performing scenario analysis, as well as publicly available tools for scenario analysis.[59] The Task Force also issued guidance for organizations seeking to establish relevant metrics, targets and transition plans around their climate-related risks and opportunities.[60]

42. For the financial sector, the guidance developed by the 2° Investing Initiative with backing from universities and the Principles for Responsible Investment provide an open-source online tool, the Paris Agreement Climate Transition Assessment, that enables users to measure the alignment of financial portfolios with climate scenarios.[61] The 2° Investing Initiative also launched the Paris Agreement Climate Transition Assessment for Banks.[62] The use of forward-looking metrics in portfolio alignment tools to measure the alignment of financial portfolios with climate goals is expected to increase. The Task Force issued a report that provides some guidance to promote more consistent, robust and decision-useful portfolio alignment approaches, recognizing that they will continue to evolve as the development and use of portfolio alignment tools mature.[63]

B. Good practices

43. The 2020 progress report of the Task Force on Climate-related Financial Disclosures includes case studies and examples to help companies implement Task Force recommendations. The World Business Council for Sustainable Development is working with the Task Force and convening preparer forums for priority sectors. As a result, various publications are being prepared that provide good practices examples and reflect practical insights addressing the challenges and opportunities associated with Task Force recommendations.[64] Also, the Carbon Disclosure Standards Board survey notes what a good practice could include. The European Lab Project Task Force on Climate-related Reporting

[59] Task Force on Climate-related Financial Disclosures, 2020, *Guidance on Scenario-Analysis for Non-Financial Companies*, available at https://www.fsb.org/wp-content/uploads/P291020-3.pdf.

[60] Task Force on Climate-related Financial Disclosures, 2021, *Proposed Guidance on Climate-related Metrics, Targets and Transition Plans*, available at https://assets.bbhub.io/company/sites/60/2021/05/2021-TCFD-Metrics_Targets_Guidance.pdf.

[61] See https://2degrees-investing.org/resource/pacta/.

[62] See https://www.transitionmonitor.com/pacta-for-banks-2020/

[63] Task Force on Climate-related Financial Disclosures, 2021, *Measuring Portfolio Alignment: Technical Supplement*, available at https://assets.bbhub.io/company/sites/60/2021/05/2021-TCFD-Portfolio_Alignment_Technical_Supplement.pdf.

[64] See https://www.wbcsd.org/Programs/Redefining-Value_/External-Disclosure/TCFD.

identified not only the level of maturity in the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures, but also good reporting practices in Europe.[65] In a separate appendix, 19 good practice examples are included from 15 different companies covering the four Task Force areas. For each of the good practices, it is explained why this is a good reporting practice and how this may benefit users and preparers.[66]

44. With respect to the topic of risk management, the Task Force on Climate-related Financial Disclosures identified the difficulty of embedding climate risks into existing risk management schemes as one of the reasons that companies provide insufficient information on risk management. The Committee of Sponsoring Organizations of the Treadway Commission and World Business Council for Sustainable Development earlier issued more general guidance to help understand the full spectrum of environmental, social and governance risks, and the dependencies, and to manage and disclose them effectively.[67] More specifically for climate-change risk, the Task Force issued guidance on risk management integration and disclosure, including characteristics of climate risks, examples of transition and physical risk and guidance on how to integrate climate risks into existing risk management schemes by identifying, assessing, prioritizing risks, developing a strategy and risk appetite and implementing a risk response. Also, various metrics are provided that can be used in linking risk management to progress in actions and performance.[68] The 2021 edition of the climate risk technical bulletin of the Sustainability Accounting Standards Board includes a climate risk framework to help investors and other providers of financial capital to better understand their exposure to climate risks and opportunities.[69] More specifically, with respect to the banking sector, a report of the Finance Initiative of the United Nations Environment Programme shows the lessons learned by 39 global banks that participated in the Task Force programme, with industry good practices regarding climate risk management.[70] The United Nations Environment Programme, Finance Initiative provides a summary of the key developments across third party climate risk assessment providers, including new and updated scenarios, methodological tools and key guidelines, as well as an overview of the changing regulatory landscape and potential developments into 2021.[71]

C. Practices that promote climate-related financial disclosures

45. Developments show that promoting climate-related financial disclosures must be seen in the broader context of commitments in the full reporting supply chain.

46. In the process of developing the Accounting Development Tool, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting considered the role of a sound corporate reporting infrastructure in promoting investment, stability and development.[72] The Accounting Development Tool

[65] See https://www.efrag.org/Lab1.

[66] Carbon Disclosure Standards Board, 2019, *Good Practice Handbook*, available at https://www.cdsb.net/sites/default/files/tcfd_good_practice_handbook_web_a4.pdf.

[67] Committee of Sponsoring Organizations of the Treadway Commission and World Business Council for Sustainable Development, 2018, *Enterprise Risk Management*, available at https://www.coso.org/Documents/COSO-WBCSD-ESGERM-Guidance-Full.pdf.

[68] Task Force on Climate-related Financial Disclosures, 2020, *Guidance on Risk Management Integration and Disclosure*, available at https://www.fsb.org/wp-content/uploads/P291020-2.pdf.

[69] Sustainability Accounting Standards Board, 2021, *Climate Risk Technical Bulletin*, available at https://www.sasb.org/wp-content/uploads/2021/04/Climate-Risk-Technical-Bulletin2021-041221pm.pdf.

[70] United Nations Environment Programme, Finance Initiative, 2020, *From Disclosure to Action: Applying [Task Force on Climate-related Financial Disclosures] TCFD Principles throughout Financial Institutions.*

[71] United Nations Environment Programme, Finance Initiative, 2021, *The Climate Risk Landscape: Mapping Climate-related Financial Risk Assessment Methodologies*, available at https://www.unepfi.org/publications/banking-publications/the-climate-risk-landscape/.

[72] See TD/B/C.II/ISAR/56.

includes four pillars: the legal and regulatory pillar, an institutional pillar, a human capacity pillar and a capacity-building process pillar. These same pillars could be of importance in promoting climate-related financial disclosures.

47. Promoting climate-related financial disclosures is a matter that relates to the full reporting supply chain. The International Auditing and Assurance Standards Board [73] identified the following participants of the reporting supply chain: management, users, those charged with governance, regulators and auditors. Interactions between these groups could enhance the quality of reporting. This requires awareness of climate-related issues and the related financial impact, followed by a commitment to take action.

48. Awareness at the level of executive management is increasing. An annual global survey of chief executive officers shows that, in their perception, climate change has moved up in the list of top 20 threats; 24 per cent of chief executive officers sees climate change as an extreme concern. However, 60 per cent of chief executive officers do not include climate change in their strategic risks. The report on the survey notes that "if [Chief Executive Officers] make their company accountable – and start applying the same rigor typically reserved for financial reporting, more meaningful climate action should follow".[74]

49. The awareness of those charged with governance is also increasing. A global investor–director survey on climate risk management with 130 investors and board directors shows that the younger the directors are, the higher their expectations in terms of corporate disclosure on climate-related issues. Female directors having higher expectations for climate disclosure as compared to their male peers. On the investor side, however, the gender gap appears to be smaller or even non-existent. The interest in climate-related issues seems to be dependent on the region. Investors in Europe seem to have a higher interest in climate-related issues.[75]

50. Investors increasingly need information aligned with the Task Force on Climate-related Financial Disclosures for decision-making. For example, as part of Climate Action 100+, a large group of global investors encourage investee companies broadly to report in line with Task Force recommendations and reflect this in their investment practices or policies.[76] A yearly institutional investor survey among 298 institutional investors[77] and a global climate survey for 2021 among 300 institutional and wholesale investors[78] show the growing importance of a climate change focus in the investing portfolio.

51. Supervisory authorities have become increasingly involved to stimulate or regulate high quality climate-related financial disclosures. The Network for Greening the Financial System, a group of central banks and supervisors, encourages disclosure in line with Task Force recommendations. They publish various papers to support scenario analysis, climate risk analysis and risk management by central banks. The set of climate scenarios published in 2021 is also of interest to the broader private sector, Government and academia. In addition, they developed a downscaling methodology that can be used to assess the potential implications of scenarios for 132 countries.[79] The International Association of Insurance Supervisors, in partnership with the Sustainable Insurance Forum, issued a paper in 2020 that provides an overview of practices that insurance supervisors have considered in the development of climate-related disclosure requirements within their markets.

[73] International Auditing and Assurance Standards Board, 2014, *A Framework for Audit Quality, Key Elements That Create an Environment for Audit Quality*, International Federation of Accountants, New York.

[74] Pricewaterhouse Coopers, 2021, 24th Annual Global [C]hief [E]xecutive [O]fficer Survey, available at https://www.pwc.com/gx/en/ceo-agenda/ceosurvey.html.

[75] Bresnahan K, Frankenreiter J, L'Helias S, Hinricks B, Hodzic N, Nyarko J, Pandya S and Talley E, 2020, Global investor–director survey on climate risk management, Columbia Law and Economics Working Paper No. 650, Columbia Law School.

[76] See https://www.climateaction100.org/.

[77] For 2020, available at https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/assurance/assurance-pdfs/ey-global-institutional-investor-survey-2020.pdf.

[78] Robeco, 2021, 2021 Global Climate Survey, available at https://www.robeco.com/docm/docu-202103-robeco-global-climate-survey.pdf.

[79] See https://www.ngfs.net/en.

Considering the diversity of supervisory frameworks across jurisdictions, the paper is focused on practices that can be implemented with limited direct regulatory intervention.[80]

52. Audit firms, especially the larger audit firms increasingly see climate-related financial disclosures as a key topic to provide advice on. There are numerous publications available in which Task Force recommendations are explained, and recommendations are provided. The online knowledge gateway of the International Federation of Accountants provides to the accountancy profession a relevant platform on the latest developments.[81]

53. One of the key challenges noted in efforts aimed at accelerating climate-related financial disclosures was the need for expertise. The accountancy profession and other experts, as well as students, increasingly have the opportunity to obtain knowledge and skills with respect to climate-related disclosures. The Green Finance Education Charter is a commitment from chartered and professional bodies in the United Kingdom and internationally to integrate green finance and sustainability into their core curricula, new qualifications and the continued professional development of their members.[82] Chartered Professional Accountants Canada dedicates a separate webpage on climate-change to keep its members updated.[83] In the Netherlands, the Royal Netherlands Institute of Chartered Accountants provides an overview of all trainings available to accountants with respect to climate.[84] The accountancy body Chartered Accountants, for Australia and New Zealand, also makes an overview of the continuous professional development available to accountants.[85] The Institute of Chartered Accountants in England and Wales alerts their members on climate related training events and webinars.[86] International financial organisations coordinate with the central banks and financial supervisory community to launch the Central Banks' and Supervisors' Climate Training Alliance to enhance the availability of training resources and share experience.[87] As part of the dissemination efforts for the guidance on core indicators, the UNCTAD secretariat developed a training manual for entity reporting that includes environmental indicators.[88] Academic research helps to increase understanding of Task Force recommendations. The recently formed Accounting Research Network of UNCTAD and the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting informs the UNCTAD secretariat on the latest developments in academic research pertaining to climate-related financial disclosures.

54. The accessibility of data was noted as a key challenge to progress on climate-related financial disclosures. Building on the European financial transparency gateway project, the European Commission is developing a single European Union access point for financial and non-financial company information to be available by the third quarter of 2021. Web portals and other means will give investors quick and easy access, without an undue burden

[80] International Association of Insurance Supervisors, 2020, Issues paper on the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures, available at https://www.iaisweb.org/file/88058/draft-sif-iais-issues-paper-on-tcfd-recommendations.

[81] See https://www.ifac.org/knowledge-gateway/supporting-international-standards/discussion/new-guidance-available-integrating-climate-related-matters-financial-reporting

[82] See https://www.greenfinanceinstitute.co.uk/green-finance-education-charter/.

[83] See Chartered Professional Accountants Canada, Climate change resources available for accountants, available at https://www.cpacanada.ca/en/business-and-accounting-resources/other-general-business-topics/sustainability/publications/enabling-climate-change-adaptation.

[84] See https://www.nbaopleidingen.nl/alle-cursussen/?q=klimaat.

[85] See https://store.charteredaccountantsanz.com/search?keywords=climate.

[86] See https://www.icaew.com/learning-and-development.

[87] Bank for International Settlements, 2021, International financial organizations unite with the central bank and financial supervisory community to launch the Central Banks' and Supervisors' Climate Training Alliance ahead of [the twenty-sixth session of the Conference of the Parties] COP26, 9 July, available at https://www.bis.org/press/p210709a.htm.

[88] UNCTAD, 2020, *Core [Sustainable Development Goal] Indicators for Entity Reporting: Training Manual* (United Nations publication, Sales No. E.20.II.D.17, Geneva).

on companies. Some data will be available in machine-readable format, helping users search and compare data more easily.[89]

IV. Conclusion and issues for further deliberation

55. The developments presented in this document show that, while progress has been made with respect to climate-related financial disclosures in recent years, further action is needed. Commitment of the full reporting supply chain is needed to accelerate the process. Considering the pillars of the UNCTAD Accounting Development Tool, it is shown in this document that climate-related financial disclosures are increasingly being incorporated into the legal and regulatory pillar, as well as the institutional pillar. With respect to the human capacity pillar, further action may be needed to have in place experts trained on climate-related financial disclosures to facilitate implementation.

56. Based on the issues raised in this document, delegates at thirty-eighth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting may wish to consider the following questions for further deliberations:

- How can the quality of and access to quantitative climate-related financial disclosures be further facilitated?
- What are examples of good practices that show the connectivity between climate-related disclosures and statutory financial disclosures?
- What needs to be done to promote consistency between financial reporting and climate-related financial disclosures?
- What are some actions that Governments, policymakers and regulators could take to promote high-quality, climate-related financial disclosures?
- How can the full corporate reporting supply chain be engaged in promoting high-quality, climate-related financial disclosures?
- How can member States build technical capacity with respect to climate-related financial disclosures?

57. How can the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting support countries in their efforts to improve the availability and quality of climate-related financial disclosures?

[89] See https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12776-EU-single-access-point-for-financial-and-non-financial-information-publicly-disclosed-by-companies-.