FINANCIAL
STABILITY
BOARD

Progress Report on Climate-Related Disclosures

2023 Report

12 October 2023

The Financial Stability Board (FSB) coordinates at the international level the work of national financial authorities and international standard-setting bodies in order to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies. Its mandate is set out in the FSB Charter, which governs the policymaking and related activities of the FSB. These activities, including any decisions reached in their context, shall not be binding or give rise to any legal rights or obligations.

Contact the Financial Stability Board

Sign up for e-mail alerts: www.fsb.org/emailalert
Follow the FSB on Twitter: @FinStbBoard
E-mail the FSB at: fsb@fsb.org

Table of Contents

Executive summary

Since October 2022, significant further progress has been achieved on setting comparable, consistent, and decision-useful climate-related financial disclosure standards and requirements.

The FSB welcomes the publication of the International Sustainability Standards Board (ISSB) standards, which will serve as a global framework for sustainability disclosures and, when implemented, will enable disclosures by different companies around the world to be made on a common basis. The ISSB's publication in June of its inaugural sustainability-related disclosure standards, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-Related Disclosures* represents a milestone achievement.

The FSB will work with the ISSB, IOSCO and other relevant bodies to promote the timely and wide use of the standards. IOSCO has endorsed the ISSB Standards, and calls on jurisdictions to consider ways in which they might adopt, apply or otherwise be informed by the ISSB Standards within the context of their jurisdictional arrangements. IOSCO completed its assessment of IFRS S1 and IFRS S2 and announced on 25 July 2023 its endorsement of these standards. IOSCO, the ISSB and other relevant bodies are now working together to support jurisdictions in their efforts to adopt, apply or otherwise be informed by, the new standards. Authorities in several jurisdictions have already indicated that they aim to adopt or endorse the ISSB Standards (subject to necessary modifications to reflect local circumstances).

Interoperability of the ISSB standards with jurisdictional disclosure frameworks is necessary in order to achieve global comparability of climate-related disclosures. Several FSB member jurisdictions point to this challenge, with potential gaps between the ISSB Standards and individual jurisdictions' disclosure frameworks, including inconsistencies of definitions and terminology used in these frameworks. Progress continues to be made on improving interoperability between the ISSB Standards and jurisdictional disclosure frameworks. In particular, the ISSB and the EU have been working jointly to improve the interoperability of their respective requirements in the overlapping climate disclosure standards.

There is encouraging progress on development of a global assurance, ethics, and independence framework for sustainability disclosures. The main objectives of a global assurance framework are to enhance the quality and reliability of sustainability-related information through third-party assurance. Compliance with, and enforcement of, high-quality sustainability assurance requirements could serve to deter "greenwashing". The International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) have made substantial progress in developing a comprehensive global set of assurance, ethics, and independence standards.

All FSB jurisdictions either have requirements, guidance, or expectations in respect of climate-related disclosures currently in place, or have taken steps (for instance, made proposals) to do so. Last year's disclosure report reported that almost all FSB jurisdictions had already set or planned to take concrete actions towards requiring or encouraging climate-related disclosures. Survey responses for this progress report show that all FSB jurisdictions have now taken active steps towards the goal of companies providing climate-related disclosures as part of their mainstream disclosures.

The 2023 TCFD Status Report reveals that the percentage of public companies disclosing TCFD-aligned information continues to grow. In keeping with previous years, this year's progress report highlights the findings of the 2023 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. With the ISSB's inaugural Standards having been released, the TCFD's work is now coming to a close, and the FSB has requested the ISSB to assume responsibility for monitoring progress on the state of climate-related financial disclosures by companies as of next year, which will help to support adoption of IFRS S1 and IFRS S2.

1. Introduction

Addressing the financial risks from climate change remains a priority for the Financial Stability Board (FSB). In July 2021, the FSB published a comprehensive Roadmap to address climate-related financial risks.[1] The Roadmap was endorsed by G20 Leaders at the Rome Summit. The Roadmap addresses the need for coordinated action by outlining key actions to be taken by standard-setting bodies (SSBs) and other international organisations over a multi-year period in four key policy areas: firm-level disclosures, data, vulnerabilities analysis, and regulatory and supervisory practices and tools. The G20 has asked the FSB to deliver annual progress reports on the Roadmap. The FSB published its latest progress report in July 2023.[2]

Achieving globally consistent, comparable and decision-useful public disclosures by firms of their climate-related financial risks is important for the analysis of vulnerabilities in the financial system. Two years after the publication of the 2021 FSB Report on Promoting Climate-Related Disclosures[3], work to strengthen the relevance, reliability and comparability of climate-related financial disclosures has moved forward rapidly. **Section 2** of the progress report describes the progress made by the International Sustainability Standards Board (ISSB), including its milestone issuance of final standards in June. It also covers the progress made in the area of assurance, including the work by the International Auditing and Assurance Standards Board (IAASB), the International Ethics Standards Board for Accountants (IESBA), and the progress made by the International Organization of Securities Commissions (IOSCO) on supporting 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 recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD). The October 2022 progress report on climate-related financial disclosures described 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 standards. **Section 3** of this 2023 progress report describes further progress made by jurisdictions since last year. In the same vein, companies are making encouraging progress in making disclosures that, by being TCFD-aligned, will be using a common basis with the new global framework. Hence, **section 4** of this 2023 progress report describes the progress made by companies in their disclosures, as reported in the 2023 TCFD Status Report.

2. Towards a global framework of climate reporting standards

On 26 June 2023, the ISSB published its inaugural sustainability disclosure standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. On 25 July 2023, IOSCO endorsed the ISSB Standards. IOSCO

---

1 FSB (2021), *FSB Roadmap for Addressing Climate-Related Financial Risks, July.*

2 FSB (2023), FSB Climate Roadmap 2023 Progress Report, July.

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

is committed to working closely with the ISSB, other relevant bodies, and IOSCO members to help build capacity to promote consistent and comparable climate-related and other sustainability-related disclosures for investors. The ISSB is working with jurisdictions to strengthen interoperability. There is continued progress on development of a global assurance, ethics, and independence framework for sustainability disclosures.

2.1. Progress of the International Sustainability Standards Board (ISSB)'s global standards

The timely issuance of a final global climate reporting standard ready for market adoption, application or other use is critical given the market demand for high-quality, globally comparable information on climate-related risks and opportunities. The FSB therefore has welcomed the milestone achieved by the ISSB in publishing on 26 June 2023 its first two sustainability disclosure standards, IFRS S1 on general requirements for disclosure of sustainability-related financial information, and IFRS S2 on climate-related disclosures.[4]

2.1.1. The role of the ISSB

The ISSB is an independent, private-sector body that develops IFRS Sustainability Disclosure Standards (also referred to as "ISSB Standards"). It operates under the oversight of the IFRS Foundation Trustees. Development of IFRS Sustainability Disclosure Standards follows an inclusive and transparent due process, consistent with that used by the International Accounting Standards Board (IASB) to develop IFRS Accounting Standards. The ISSB follows a similar approach to the IASB, with advisory bodies and working groups providing it with the feedback and expertise needed to fulfil its role. Advisory groups include the Sustainability Standards Advisory Forum, the ISSB Investor Advisory Group, the Sustainability Consultative Committee, the Jurisdictional Working Group, and the ISSB 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, open consultation, and consideration of feedback received, and these advisory groups are vital to that effort, creating formal platforms for regular engagement with different stakeholder groups.

The ISSB has developed – in the public interest – standards for a high-quality, comprehensive global suite of sustainability disclosures focused on the needs of investors and financial markets. More specifically, the ISSB has four objectives, namely (i) to develop standards to serve as a global framework of sustainability disclosures, (ii) to meet the information needs of investors, (iii) to enable companies to provide comprehensive sustainability information to global capital markets, and (iv) to facilitate interoperability with disclosures that are jurisdiction-specific and/or aimed at broader stakeholder groups. The ISSB Standards are designed to ensure that companies provide sustainability-related information alongside financial statements, that is, in the same reporting package. In addition, the ISSB Standards are designed to be used in conjunction with any accounting requirements. The ISSB is working with jurisdictions wishing to

[4] ISSB (2023), IFRS S1; IFRS S2, June.

require additional disclosures serving wider stakeholders by applying different materiality lenses (see section 3.1.3. below for further details on the different concepts of "materiality").

2.1.2. Finalisation of the first two IFRS Sustainability Disclosure Standards

In March 2022, the ISSB published two proposals ("Exposure Drafts") for public consultation, Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, and Draft IFRS S2 Climate-related Disclosures. The consultation period for the ISSB's two Exposure Drafts was open until 29 July 2022. The ISSB received more than 1,400 comment letters[5] on these Exposure Drafts during the consultation period from all over the world and from a wide range of stakeholder groups. After considering the feedback received, the ISSB refined the standards and decided to include a suite of transitional reliefs. For the first year that they use the first two ISSB Standards, companies need not: (i) provide disclosures about sustainability-related risks and opportunities beyond climate-related information; (ii) provide annual sustainability-related disclosures at the same time as the related financial statements; (iii) provide comparative information; (iv) disclose information about Scope 3 greenhouse gas (GHG) emissions; and (v) use the Green House Gas Protocol to measure emissions, if they are currently using a different approach. Moreover, companies that only report on climate-related risks and opportunities in the first year need not provide comparative information about their sustainability-related risks and opportunities beyond climate in their second year of reporting.

The ISSB published the final standards, IFRS S1 and IFRS S2, on 26 June 2023, along with Bases for Conclusions, Accompanying Guidance, Effects Analysis, Project Summary, and Feedback Statement. In the Bases for Conclusions, the ISSB explains the rationale behind the decisions it reached in developing its standards. The Effects Analysis summarises the likely effects and how the ISSB made its assessments of those effects.

In addition, the ISSB proposes creating an IFRS Sustainability Disclosure Taxonomy to reflect disclosure requirements arising from IFRS S1 and IFRS S2. The ISSB published a proposed IFRS Sustainability Disclosure Taxonomy, which was open for public consultation from 27 July to 26 September 2023.[6] The new IFRS Sustainability Disclosure Standards will be effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

In accordance with IFRS S1, entities are required to consider the SASB Standards, in the absence of specific IFRS Sustainability Disclosure Standards, to identify sustainability-related risks and opportunities and to develop appropriate disclosures. The accompanying guidance on IFRS S2 is derived from the climate-related topics and metrics in the SASB Standards. Therefore, the ISSB has committed to maintain, enhance and evolve the SASB Standards and encourages companies and investors to continue to use them. Against this background, the ISSB released updated SASB Standards in June 2023 to align the climate-related topics and metrics with the industry-based guidance in IFRS S2. This targeted update

---

[5] The ISSB's summary of feedback to its consultation can be found here.

[6] ISSB (2023), ISSB consults on proposed digital taxonomy to improve global accessibility and comparability of sustainability information, July.

- Added new topics and metrics covering financed emissions in three industries – Asset Management & Custody Activities, Commercial Banks and Insurance;
- revised 12 metrics to enhance international applicability; and
- removed six metrics that were not internationally applicable.

2.1.3. The role of IOSCO in endorsing the ISSB Standards

IOSCO has engaged extensively with the ISSB over the last two years, culminating in a comprehensive and independent review of the final ISSB Standards. IOSCO established its Sustainable Finance Task Force (STF) in 2020.[7] Informing IOSCO's views on its potential endorsement of the new ISSB Standards, the STF ultimately considered whether these new standards would:

- Meet the capital markets' core information needs and serve as a framework for consistent and comparable approaches to mandatory sustainability-related disclosures across jurisdictions;
- Be compatible with existing accounting reporting standards and promote good governance of sustainability-related disclosures among preparers; and
- Form the basis for the development of an audit and assurance framework.

In keeping with its work program for the years 2023 and 2024[8], IOSCO concluded its analysis of IFRS S1 and IFRS S2 with a consideration of whether these standards are in line with IOSCO criteria for endorsement, as published in June 2021, and finally endorsed them on 25 July 2023.[9] Following endorsement of the ISSB Standards, IOSCO called on its 130 member jurisdictions, regulating more than 95% of the world's financial markets, to consider ways in which they might adopt, apply or otherwise be informed by these standards within the context of their jurisdictional arrangements, in a way that promotes consistent and comparable climate-related and other sustainability-related disclosures for investors.

2.1.4. Implementation of IFRS S1 and IFRS S2 and interoperability with jurisdictional frameworks

Implementation

Jurisdictions should take timely action to consider how they would adopt, apply or otherwise be informed by the standards. IOSCO in its endorsement decision encourages jurisdictions to consider implementing the ISSB Standards for compulsory application or to allow for companies to voluntarily use the ISSB Standards in their jurisdictions in the absence of an existing framework. IOSCO is committed to working closely with the ISSB, other relevant bodies, and

---

7 IOSCO (2020), IOSCO steps up its efforts to address issues around sustainability and climate change, April.

8 IOSCO (2023), *IOSCO Board Priorities – Work Program 2023-2024*, April.

9 See press release, IOSCO (2023), IOSCO endorses the ISSB's Sustainability-related Financial Disclosures Standards, July.

IOSCO members to help build capacity to promote consistent and comparable climate-related and other sustainability-related disclosures for investors.

In its statement of 27 July 2022 welcoming the ISSB exposure drafts, IOSCO highlighted three key practical issues of proportionality and implementation:

- Ensuring the proposed standards can truly serve as an effective global framework under either a voluntary or mandatory regime, including by considering how to provide for the scaling and phasing-in of requirements to accommodate issuers with differing degrees of maturity in sustainability reporting;
- How the ISSB can best assist implementation by clarifying definitions and providing additional guidance and examples where necessary;
- How and when to incorporate the proposed industry-based disclosure data points, recognising on the one hand that industry-specificity is highly valued by investors, while on the other that some data points may initially be challenging for some issuers.

A number of jurisdictions have already started their respective processes in anticipation of the final ISSB Standards, as set out in section 3 of this progress report.

According to IOSCO's work program for the years 2023 and 2024 (see above), IOSCO's STF, beyond the ISSB Standards review, will review how different jurisdictions are using the new standards and take additional monitoring and capacity building initiatives, as needed. Moreover, IOSCO's STF will assess implementation of IFRS S1 and IFRS S2 by emerging markets. In this context, IOSCO's Growth and Emerging Markets Committee will conduct a stocktake amongst its members to understand the level of readiness and the steps taken by these jurisdictions to consider adopting and implementing a global framework for climate disclosures locally. The results of this survey will inform the wider work done by IOSCO on sustainable finance.

At COP 27 in November 2022, the ISSB made key announcements towards the implementation of climate-related disclosure standards in 2023. The ISSB is developing further guidance and training material to facilitate first-time application of the new sustainability disclosure standards. This guidance and some transitional reliefs (as mentioned above) aim to support use of the IFRS Sustainability Disclosure Standards, and enable companies to scale up their approach to using these standards over time. To coincide with IOSCO's endorsement of IFRS S1 and IFRS S2, the IFRS Foundation has published a high-level roadmap on 25 July 2023 providing transparency around the IFRS Foundation and the ISSB's strategy to support jurisdictional adoption. This document is a precursor to an Adoption Guide for regulators, which will be finalised later in 2023.[10] In addition, the ISSB established a Transition Implementation Group (TIG) with the aim to further support implementation of IFRS S1 and IFRS S2. The TIG is composed of participants with a practical and direct knowledge of the ongoing implementation of the first two Sustainability Disclosure Standards and will discuss implementation questions submitted by stakeholders related to the requirements in IFRS S1 and IFRS S2. More specifically, the purpose of the group is to:

---

[10] IFRS Foundation (2023), *IFRS Foundation: Adoption guide overview*, July.

- Provide a public forum for the discussion of implementation questions;
- Inform the ISSB to determine what, if any, action will be needed to address those questions.

The TIG will have a limited life during the transition period to the new requirements.

At COP 27, the Carbon Disclosure Project (CDP)[11] announced, along with the ISSB, that CDP will incorporate IFRS S2 into its global environmental disclosure platform. IFRS S2 will be incorporated into CDP's existing questionnaires, which are issued to companies annually on behalf of 680 financial institutions with over $130 trillion in assets.

Finally, the ISSB has a global capacity-building programme which aims to support high-quality adoption by jurisdictions and implementation by firms, and will be working with IOSCO, development banks, and jurisdictions. At COP 27 in November 2022 (see above), the ISSB shared details of the ISSB's new Partnership Framework with more than 20 partner organisations. The framework is designed to support preparers, investors and other capital market stakeholders as they prepare to use IFRS Sustainability Disclosure Standards. It is supported by public and private organisations from around the world.

IOSCO in collaboration with the ISSB has also developed a capacity-building program aimed at supporting an efficient implementation of the ISSB Standards by IOSCO members. This program has already been run twice (in September 2022 in Egypt and in May 2023 in Malaysia), and it is expected to be run again during 2024.

The World Bank will provide capacity-building support for emerging market and developing economy (EMDE) regulatory authorities in implementing and rolling out the new IFRS Sustainability Disclosure Standards.

Interoperability

"Interoperability" aims to reduce reporting burden for companies by promoting compatibility between different sustainability reporting frameworks. The challenge that this aims to address relates to the differing approaches for relevant disclosures specified within individual jurisdictions' sustainability reporting frameworks, standards, regulations, and laws. As a result, the reported information is not fully comparable and cannot yet be precisely compared across companies or aggregated. The ISSB approach to interoperability aims to facilitate jurisdictions' consideration of ways in which they might adopt, apply or otherwise be informed by the ISSB Standards within the context of their jurisdictional arrangements, in a way that promotes consistent and comparable disclosures. This can help avoid unnecessary fragmentation and unnecessary costs for preparers of disclosures. Reducing existing conceptual and actual differences between disclosure frameworks can also help promote the comparability of disclosures across jurisdictions.

[11] The CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. CDP was established in 2000, asking companies to disclose their climate impact. Since then, the CDP has broadened the scope of environmental disclosure, to incorporate deforestation and water security, while also building its reach to support cities, states and regions.

As part of the European Green Deal, the European Union (EU) adopted the Corporate Sustainability Reporting Directive (CSRD). The CSRD, which came into force on 5 January 2023, includes a requirement for over 50,000 large and listed companies based in the EU (but also certain third-country companies based outside the EU with undertakings within the EU) to report sustainability-related information under the EU sustainability reporting framework, the European Sustainability Reporting Standards (ESRS). On 9 June 2023, the European Commission launched a public consultation on a near-final set of ESRS, developed by EFRAG[12]. The consultation closed on 7 July 2023. The EU adopted the final ESRS[13] on 31 July 2023, for use by all companies subject to the CSRD. Provided that the EU Parliament and Council will not raise any objections during the "scrutiny period" (two months; from August to October 2023), the new standards will become effective for the first companies under the CSRD (i.e., large public-interest companies, including banks and insurance companies which are already subject to the Non-Financial Reporting Directive (NFRD)) to adopt from 1 January 2024. Large companies that are not presently subject to the NFRD would need to apply the new standards as of 1 January 2025, and listed small-or medium-sized entities (SMEs) and other undertakings as of 1 January 2026.[14]

There is significant overlap in the type of information requested by the ISSB Standards and various regional and national sustainability reporting frameworks, but also some key differences. Since its creation, the ISSB has been working with jurisdictions and other reporting entities, such as the Global Reporting Initiative (GRI), towards interoperability of its standards with various existing reporting frameworks. To this end, the ISSB, during the development of its first two sustainability disclosure standards, created two advisory bodies. Firstly, in April 2022, it established the Jurisdictional Working Group (JWG) which is composed of representatives from several jurisdictions actively engaged in standard-setting in the field of sustainability disclosures, and where IOSCO sits as an observer.[15] Secondly, the IFRS Foundation announced the membership of the Sustainability Standards Advisory Forum (SSAF) in December 2022. Members of the SSAF are standard-setting bodies from various regions (Africa, Americas, Asia-Oceania, Europe). The SEC, the European Commission, and IOSCO are regular observers.[16] One of the main objectives of the SSAF is to formalise and streamline the ISSB's collective engagement with the global community of relevant jurisdictional and regional bodies in its standard-setting to ensure that a broad range of national and regional input on major technical issues related to the ISSB's standard-setting are discussed and considered.

---

[12] EFRAG (formerly known as European Financial Reporting Advisory Group) is a private association established in 2001 with the encouragement of the European Commission to serve the public interest. EFRAG's Member Organisations are European stakeholders and National Organisations and Civil Society Organisations. Its activities are organised in two pillars: (1) A Financial Reporting Pillar – influencing the development of IFRS Standards from a European perspective and how they contribute to the efficiency of capital markets, and providing endorsement advice on (amendments to) IFRS Standards to the European Commission; (2) A Sustainability Reporting Pillar – developing draft EU Sustainability Reporting Standards, and related amendments for the European Commission.

[13] The ESRS framework consists of twelve standards (two general standards which apply to all sustainability-related matters, and ten topical standards addressing specific sustainability-related matters, such as climate and biodiversity). In addition, the ESRS framework will be expanded by 40 sector-specific standards (based on the NACE classification system, together with reference to additional economic activities as described in the EU Taxonomy for sustainable activities) and SME-proportionate standards, which are expected to be published sometime in 2024.

[14] SMEs can opt out until 1 January 2028.

[15] Members of the JWG are the Chinese Ministry of Finance, the European Commission, EFRAG, the Japanese Financial Services Agency (JFSA), the Sustainability Standards Board of Japan Preparation Committee, the United Kingdom Financial Conduct Authority (UK FCA), the United Kingdom Financial Reporting Council, and the US Securities and Exchange Commission (US SEC).

[16] The GRI participates in selected meetings as an "invited observer".

One important focal point for the alignment between the ISSB standards and other regional and national sustainability frameworks is the extent of the alignment of the respective framework with the TCFD Recommendations. By October 2023, the TCFD Recommendations have been supported by approximately 4,800 companies and organisations worldwide, making it one of the most broadly used sustainability reporting frameworks. For example, the ISSB Standards, the European Sustainability Reporting Standards (ESRS) and aspects of the proposed US SEC disclosure requirements are all based on the TCFD Recommendations. Yet there are differences between these frameworks that relate to some general features of the proposals or requirements, the materiality lens, targets and transition plans, and the way greenhouse gas emissions are to be reported.

The ISSB and EU bodies are working together to support companies wishing to apply both IFRS Sustainability Disclosure Standards and ESRS together. They report that this work has successfully led to a very high degree of alignment, reduced complexity and duplication for entities applying both the ISSB Standards and ESRS. The work is now considering how to illustrate the areas of alignment and also where both sets of standards have specific differing disclosure requirements. This will contribute to reducing reporting burden (and hence costs) for those entities that wish to be (or may have to be) compliant with both sets of standards.

Coinciding with the publications by the European Commission of the ESRS which come into effect in 2024, the European Commission, EFRAG, and the ISSB provided on 31 July 2023 an update on their discussions around alignment and interoperability between ESRS and the ISSB Standards. The update acknowledged some differences between the respective climate-related disclosure requirements but concluded that the work that was undertaken on interoperability will enable companies which seek to reduce reporting burden to efficiently apply both sets of standards with minimised duplication effort. To assist companies that wish to (or may have to) apply both ESRS and the ISSB Standards, the European Commission, EFRAG and the ISSB will continue working on interoperability.

2.1.5. Interaction of sustainability-related and financial reporting information

Another challenge relates to the interaction of sustainability-related reporting information and "traditional" financial reporting information. In order to further promote "connections" between climate-related disclosures and general purpose financial statements, the IASB, in March 2023, added a maintenance project to its work plan to explore whether and how companies can provide better information about climate-related risks in their financial statements.[17] For a start, the IASB will explore, through research and outreach, the nature and causes of stakeholder concerns about the reporting of climate-related risks in the financial statements. By better understanding the causes of those concerns, the IASB hopes to be more informed about appropriate actions to take. Causes of those concerns could include:

- Unclear or insufficient requirements in IFRS Accounting Standards;

[17] IFRS Foundation (2023), Climate-related and Other Uncertainties in the Financial Statements, March 2023. The summary of the IASB meeting in September 2023 provided further details on the future direction of this project - see IFRS Foundation (2023): IASB and joint FASB-IASB Update September 2023, September.

- Lack of compliance with current requirements by companies;
- Investor information needs that go beyond the objective of financial statements.[18]

The outcome of this project could be narrow-scope amendments to IFRS Accounting Standards, limited new application guidance, new illustrative examples, or further educational materials. One of the related challenges is to determine the precise boundary between this project and the requirements of the new ISSB Standards. The feedback the IASB has received so far is quite mixed. Some stakeholders hold the view that the existing accounting requirements are principles-based and thus already address any climate-related risks sufficiently. Others disagree with this view, requesting a review of all existing accounting standards with a view to explicitly addressing climate-related risks.

2.1.6. Interaction between climate-related disclosure standards and regulatory reporting requirements

As noted in the 2022 FSB report "Supervisory and Regulatory Approaches to Climate-related Risks", consistent and comparable climate-related firm disclosures, based on a global climate reporting standard, provides a good starting or reference point for the future development of regular standardised regulatory reporting requirements. Against this background, the finalisation of the ISSB Standards on sustainability disclosures has been a significant milestone also from a regulatory perspective. However, regulatory authorities may require more granular and specific information for supervisory or regulatory purposes to support climate risk monitoring and analysis and to inform potential regulatory policy development.

The Basel Committee on Banking Supervision (BCBS) is targeting the issuance of a consultation document on a proposed Pillar 3 disclosure framework for climate-related financial risks by the end of 2023. This Pillar 3 disclosure framework seeks to build on and complement IFRS S2 with a set of bank-specific disclosure requirements. The BCBS recently reaffirmed the current scope of its work, which currently focuses on climate-related financial risks, but it will monitor work in relation to nature-related financial risks by other global forums.

The International Association of Insurance Supervisors (IAIS) has set up a Climate Risk Disclosure Workstream, with a focus on reviewing IAIS standards related to disclosures and supervisory reporting. The aim is to ensure that these standards adequately cover climate-related risks, as well as monitoring developments in disclosure frameworks for climate-related risks, both at international and national levels.

2.2. Assurance over sustainability-related reporting

Global work on assurance over sustainability-related reporting continues to be progressed by IOSCO, the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA).

[18] However, such information needs are outside the scope of this project. Rather, IFRS S2 addresses these information needs.

International Organisation of Securities Commissions (IOSCO)

IOSCO`s work on assurance and ethics (including independence) standards over sustainability-related corporate reporting has been led by a dedicated workstream under its Sustainable Finance Task Force (STF). This workstream is focused on supporting and promoting the development of a sustainability-related assurance framework. IOSCO published a report in March 2023[19] that sets out its vision for a global assurance framework for sustainability-related corporate reporting. Through the year 2022, IOSCO conducted comprehensive outreach with key stakeholder groups, such as investors, issuers, and assurance providers. These outreach activities included two global roundtables as well as two targeted fact-finding exercises across multiple jurisdictions. The report elaborates on the priority areas for the international assurance and ethics (including independence) standard setters` consideration highlighted in IOSCO`s September 2022 statement, and also sets considerations for other stakeholders. IOSCO will continue to engage with the IAASB and the IESBA in the development of their standards and, should IOSCO consider the final standards to be sufficiently robust to support assurance engagements that meet investors' needs for reliable information, IOSCO could encourage members to consider their use in their respective jurisdictions, including on a voluntary basis.

International Auditing and Assurance Standards Board (IAASB)

The IAASB has been active for years in the area of assurance of "non-financial information". In 2013, the IAASB reissued International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, which was first issued by the IAASB in 2004. The Standard applies to assurance engagements that may include assurance on sustainability reporting. In addition, ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements* was issued in 2012, which is required to be applied along with ISAE 3000 (Revised) for assurance engagements on GHG statements. In April 2021, the IAASB issued *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting (EER) Assurance Engagements* to address ten key stakeholder-identified challenges commonly encountered in applying ISAE 3000 (Revised) in sustainability and other assurance engagements.

The IAASB is currently working on a project to develop an overarching standard for sustainability reporting assurance – International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements* (ISSA 5000). The new overarching standard for assurance on sustainability reporting would be implementable by professional accountant or non-professional accountant assurance practitioners ("profession-agnostic"), and address (i) both limited assurance and reasonable assurance[20], (ii) the conduct of a sustainability assurance engagement in its entirety, (iii) and areas of such engagements where challenges have been identified, and more specificity is required. Proposed ISSA 5000 is being developed

---

[19] IOSCO (2023), *Report on International Work to Develop a Global Assurance Framework for Sustainability-related Corporate Reporting*, March.

[20] The IAASB defines a reasonable assurance engagement as "an assurance engagement in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's conclusion." By contrast, the objective of a limited assurance engagement and thus the nature, timing, and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement; cf. IAASB (2022), International Standard on Assurance Engagement (ISAE) 3000 (revised), paras. 12 (i) a. and b.

as a stand-alone standard that leverages existing standards and guidance of the IAASB, such as ISAE 3000 (Revised) and ISAE 3410.

On 2 August 2023, the IAASB published its Exposure Draft of proposed ISSA 5000[21], including proposed conforming and consequential amendments to other IAASB Standards. The Exposure Draft is open for public comment until December 1, 2023. The IAASB aims to finalise this standard during the second half of 2024.

International Ethics Standards Board for Accountants (IESBA)

In 2022, the IESBA committed to being part of the rapidly progressing developments regarding sustainability reporting and assurance and providing timely responses to ethics and independence-related concerns by developing fit-for-purpose, globally applicable ethics and independence standards. This strategic commitment sets up the IESBA's ethics and independence standards as the third pillar to sustainability reporting and assurance, complementing the sustainability reporting and assurance standards, such as (but not only) those developed or being developed by the ISSB and the IAASB. In March and April 2023, the IESBA held four global roundtables to obtain input from a wide range of stakeholders to help shape the development of new ethics and independence standards for sustainability reporting and assurance.

Similarly to the IAASB, the IESBA is developing profession-agnostic ethics (including independence) standards. Such standards will address both limited and reasonable assurance. The IESBA is also developing ethics standards for sustainability reporting, though not in a profession-agnostic way at this time. However, the IESBA will continue to explore the option of expanding the applicability of its ethics standards for sustainability reporting to other professionals as part of its longer-term strategy. The IESBA's ethics (including independence) standards for sustainability reporting and assurance are being developed to be framework-neutral so that they are applicable irrespective of the reporting and assurance frameworks used to prepare and assure the sustainability information. A related project that the IESBA also launched in parallel with its sustainability project is the development of ethics standards addressing the use of experts by preparers and assurance practitioners, including sustainability assurance practitioners.

To inform the development of profession-agnostic ethics (including independence) standards for sustainability assurance and ethics standards for sustainability reporting, the IESBA formed a Sustainability Reference Group (SRG) in Q2 2023, comprising a number of representatives of assurance practitioners outside the accountancy profession as well as others with experience or expertise in sustainability reporting. With the diverse input from its global roundtables as well as from the SRG and other outreach, the IESBA has made significant progress on the development of its standards. The IESBA aims to issue exposure drafts from both projects by the end of 2023, which will be open for public consultation in the first half of 2024, with a view to finalising the standards by late 2024.

---

[21] IAASB (2023), *Exposure Draft of proposed ISSA 5000*, August.

The IESBA will pursue extensive outreach activities across the reporting ecosystem on its proposed standards to allow preparers and assurance providers to familiarise themselves with the content of the proposed standards ahead of the end-2024 reporting period. At the same time, the IESBA will continue its close coordination with the IAASB as well as ongoing dialogue with other standard setters on these projects.

Potential challenges for preparers, assurance practitioners, regulators, and oversight bodies

One challenge for both preparers and assurance practitioners is to assess the reliability of climate-related information. The existing data sets may be immature, and estimates in sustainability reporting may require significant judgment and often have a high degree of estimation uncertainty. This may present challenges for preparers and assurance practitioners in their attempts to ensure some specific disclosures (for example, on Scope 1 – Scope 3 GHG emissions) "faithfully represent" climate-related risks[22] that the reporting entity might be exposed to. In the same vein, data and assumptions used to prepare ISSB climate-related disclosures are required to be consistent, to the extent possible, with assumptions used to prepare the related financial statements.

While regulatory oversight regimes for the accountancy profession are generally well established in most jurisdictions, this is not yet the case for assurance practitioners other than audit firms. As a consequence, jurisdictions may consider the need to develop oversight regimes for non-professional accountant sustainability assurance practitioners.

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

All FSB member jurisdictions have now taken active steps towards the goal of companies providing climate-related disclosures as part of their mainstream disclosures. Three-quarters of jurisdictions already have measures in place. Following IOSCO's endorsement, jurisdictions are now beginning to consider ways in which they might adopt, apply or otherwise be informed by the ISSB Standards within the context of their jurisdictional arrangements.

In July 2021, the FSB published a Report on Promoting Climate-Related Disclosures[23], 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 and July 2023 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 being informed by the IFRS Sustainability Disclosure Standards. The survey responses covered 24 FSB member jurisdictions.[24] This section sets out the survey findings of the additional progress made by financial authorities.

[22] In the IFRS Sustainability Disclosure Standards, "faithful representation" is defined as a depiction that is complete, neutral, and free from error; cf. IFRS Foundation (2023), IFRS S1, para. 13.

[23] FSB (2021), *Report on Promoting Climate-Related Disclosures*, July.

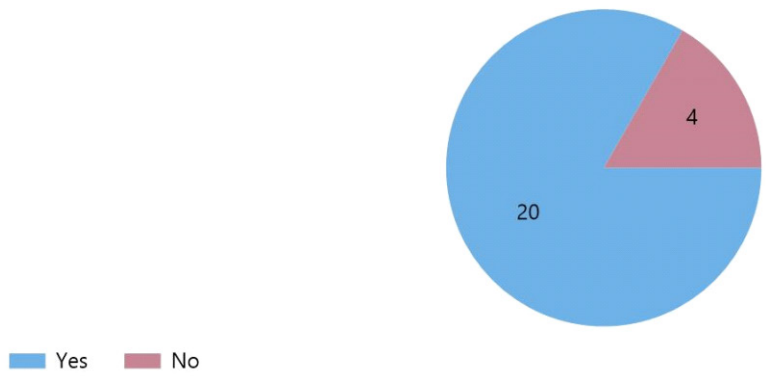
[24] As in 2022, Russia did not participate in the survey.

3.1. Jurisdictions' progress on climate-related disclosure practices

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

Since the FSB's previous July 2022 survey (which informed the October 2022 progress report), financial authorities in 20 of the 24 responding jurisdictions have taken additional actions or made changes in relation to setting requirements, guidance, or expectations on disclosures related to climate risks and opportunities.

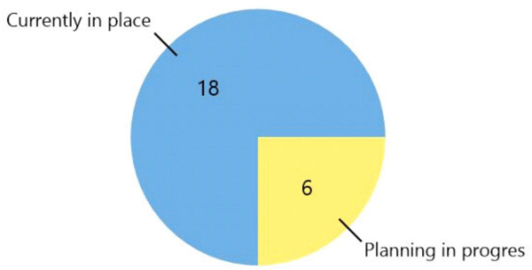
Jurisdictions reporting having taken additional actions in relation to setting requirements, guidance, or expectations on climate-related disclosures since the July 2022 survey **Graph 1**



Source: FSB survey 2023

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 in the planning phase (e.g., Brazil, Canada, and Switzerland).

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. **Graph 2**



Source: FSB survey 2023

Survey responses for this progress report show that all advanced economies and EMDEs have now taken active steps towards the goal of companies providing climate-related disclosures as part of their mainstream disclosures. Three-quarters of jurisdictions already have measures in place, including the majority of EMDEs (in contrast to the findings of the initial March 2021 survey where most EMDEs had still been at a planning stage). Since then, various EMDEs[25] have focused their efforts on a wider sustainability framework by issuing guidelines and developing workplans with the objective of encouraging reporting on environmental, social, and governance (ESG) issues, including climate-related information, by financial institutions and non-financial companies. Specific actions include:

- Argentina: In May 2023, Argentina's securities regulator (CNV) published its guide on voluntary reporting and disclosure of ESG information, which includes topics related to climate disclosures. The aim of this guide is to promote ESG-related disclosures by providing local securities issuers with the necessary technical tools. The guide does not prescribe specific ESG disclosure standards, but encourages issuers to choose disclosure standards they consider appropriate.

- Brazil: Financial institutions are already required to provide qualitative disclosures based on the TCFD Recommendations under a proportionality perspective according to the segmentation of the local financial system. Quantitative disclosures will adopt a similar approach. New disclosure requirements for public companies were established as of January 2023, and in February 2023, the Office of Public Company Supervision provided specific guidelines on this topic.

- India: In view of the number of companies with significant ESG footprints in their value chain and the importance of reliability of the disclosures provided, a subset of the Business Responsibility and Sustainability Reporting (BRSR) was developed which could be used for assurance as well as for reporting by smaller companies. The so-called "BRSR Core" was introduced in July 2023 containing a limited set of critical/core Key Performance Indicators (KPIs), for which listed entities would be required to obtain reasonable assurance.

- Saudi Arabia: Various ministries and government agencies, including SAMA, are currently coordinating their policy initiatives with a view to working towards a common sustainability disclosure requirement at the national level. As for the banking sector, SAMA is considering the ongoing work under the BCBS work plan on Pillar 3 climate risk disclosure. However, a specific timeline for implementation is yet to be determined.

- South Africa: In August 2023, following the Prudential Communication 10 on climate-related risks (2022), South Africa's Prudential Authority (PA) has issued two proposed guidance notes on climate-related disclosures (one for banks and one for insurers). These guidance notes are released for comments and inputs, before being finalised.

- Türkiye: In June 2023, the Public Oversight, Accounting and Auditing Standards Authority of Turkey (KGK) decided to adopt the ISSB Standards. The KGK is currently in the process of developing the Turkish Sustainability Reporting Standards (TSRS), which are planned to be published by the end of 2023. The TSRS will be applied for annual reporting periods beginning on or after 1 January 2024. The companies

[25] AR, BR, IN.

required to provide sustainability-related disclosures based on the TSRS will be determined by the end of 2023. KGK is also planning to establish mandatory assurance over sustainability-related disclosures.

Across advanced economies, additional actions include the following:

- Canada: On 5 July 2023, the Canadian Securities Administrators (CSA) welcomed the final ISSB Standards. The aim is to adopt disclosure standards based on the ISSB Standards, with modifications considered necessary and appropriate in the Canadian context.

- EU: The Corporate Sustainability Reporting Directive (CSRD) was published and became binding EU law on 5 January 2023, and EU Member States must implement the Directive by 6 July 2024. A key element of the CSRD is the mandate to develop European Sustainability Reporting Standards (ESRS). The European Commission adopted the ESRS on 31 July 2023. The ESRS are directly applicable in the EU, and companies in scope of the CSRD are required to publish sustainability statements in accordance with the ESRS as of the financial year 2024. In addition, the Pillar 3 disclosure requirements for financial institutions have entered into force in the EU, with the final publication of the relevant implementing technical standards on 30 November 2022.

- Hong Kong: The Securities and Futures Commission (SFC) will continue to support the work of the ISSB and sustainability disclosures more generally. For listed companies, the SFC announced in April 2023 its support for the public consultation issued by the Stock Exchange of Hong Kong on proposed climate-related reporting requirements for listed companies. The proposals reference the Draft IFRS Sustainability Disclosure Standards and are also aligned with the TCFD Recommendations. With respect to the insurance industry, the Insurance Authority launched in June 2023 an industry survey to better understand insurers' current practices in climate risk management and disclosure. The survey results will inform the creation of climate-related guidance for insurers.

- Japan: The Cabinet Office Order on Disclosure of Corporate Affairs was amended in January 2023 to introduce a new section to disclose "approach to sustainability and sustainability-related efforts" in the annual securities report. Following this amendment, all listed entities will now be required to disclose information on their "governance" and "risk management" related to sustainability, but also on "strategy" and "metrics and targets" in case sustainability matters are material to the companies. The amendment will be applied starting with the annual securities reports for the financial year ended March 2023. Moreover, the Sustainability Standards Board of Japan (SSBJ) is developing standards for sustainability-related disclosures based on IFRS S1 and IFRS S2, and plans to publish an exposure draft by 31 March 2024 and the final standards by 31 March 2025. Finally, the Financial Services Agency (FSA) is considering to designate the SSBJ's standards within the regulatory framework.

- Switzerland: In 2023, FINMA started to conduct an ex-post evaluation to identify a potential need for adjusting disclosure practice[26] in response to relevant developments, such as the ISSB work. The Federal Council has approved an ordinance that will enter into force on 1 January 2024. It will make the TCFD's climate-related financial disclosures mandatory for larger companies across all sectors of the economy. The legislation will not only cover disclosures on climate-related risks but also asks companies in scope to disclose the climate impact of their activities (i.e., the concept of "double materiality" applies). Companies will be expected to implement the legislation starting in 2025 for the financial year 2024.

- UK: The Transition Plan Taskforce (TPT) has released its final recommendations, framework and guidance in October 2023, following a consultation it launched in November 2022. In the 2023 Green Finance Strategy, the UK Government committed to consulting on requiring the largest UK registered companies to disclose their transition plan if they have one. This consultation is expected in late 2023. The Financial Conduct Authority (FCA) expects to consider strengthening its requirements for listed companies' transition plan disclosures in line with the TPT Disclosure Framework alongside its consultation on implementing UK Sustainability Disclosure Standards in the first half of 2024.

  The Pensions Regulator (TPR) conducted its first review of occupational pension schemes' TCFD-aligned disclosures between September 2022 and February 2023, publishing its findings in March 2023. The report included examples of observed practice, highlighting examples of good practice, and areas where it expects improvements. The TPR will be conducting a second review of TCFD-aligned disclosures in late 2023, followed by a second industry report. In July 2023, the Financial Reporting Council published a thematic review of climate-related metrics and targets, assessing the quality and maturity of the TCFD-based disclosures provided by 20 companies (based on their 2022 annual reports).

- US: On 21 March 2022, the United States Securities and Exchange Commission (SEC) proposed rules, that were open for public comment, to enhance and standardise climate-related disclosures for investors. The proposed rules would include disclosure requirements for GHG emissions as it is a commonly used measure of exposure to climate-related risks. The proposed requirements would be aligned with the TCFD Recommendations and only cover climate-related disclosures. The comment period for these proposed rules was reopened and ultimately extended to 1 November 2022 to ensure ample opportunity to comment on these proposals. Likewise, the comment period was extended to 1 November 2022 for the SEC proposal (25 May 2022) to enhance disclosures by certain investment advisers and investment companies about ESG investment practices.

  The US National Association of Insurance Commissioners (NAIC) approved a revised Climate Risk Disclosure Survey aligning it to the TCFD framework. In 2023, for the 2022 reporting year, 27 states and territories participated, representing approximately

[26] Climate-related disclosure requirements for significant financial institutions (banks and insurance companies in supervisory categories 1 and 2), based on the TCFD Recommendations, came into force already on 1 July 2021.

85% of direct written premium annually in the US. States participating in the Survey require insurers licensed to do business within the state and annually writing at least $100 million direct written premium to complete the Survey.

3.1.2. Implementation of TCFD Recommendations

The FSB in its 2021 Report encouraged financial authorities to use a disclosure framework based on the TCFD Recommendations across all sectors (non-financial companies 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.[27]

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

Among the 20 jurisdictions that have taken additional actions to setting requirements, guidance or expectations on climate-related disclosures, TCFD Recommendations continue to be referenced as the common basis in most cases, while at the same time the new ISSB Standards are already taken into account. Some key examples are:

- Australia: The Australian Securities and Investments Commission (ASIC) encourages voluntary climate-related disclosures under the TCFD Recommendations. The Australian Government has committed to introducing standardised, internationally aligned reporting requirements for businesses to make climate-related financial disclosures. Australian climate-related reporting standards are being developed by the Australian Accounting Standards Board (AASB) – which is expected to adapt IFRS S2 (which is also based on the TCFD Recommendations) for an Australian context. ASIC will consider amending its requirements, guidance, or expectations to align with these standards.

- Canada: On 7 March 2023, the Office of the Superintendent of Financial Institutions (OSFI) issued its final Guideline B-15 on climate risk management which includes disclosure expectations based on all 11 disclosures recommended by the TCFD, and to be updated for final ISSB expectations on scenario analysis, Scope 3 GHG emissions and metrics.

- Japan: The regulatory requirements for sustainability-related disclosures are based on the four pillars of the TCFD Recommendations as well as the ISSB Standards. As mentioned above, the SSBJ is developing sustainability disclosure standards that are based on IFRS S1 and IFRS S2, which are also consistent with the TCFD Recommendations.

- South Africa: The two proposed guidance notes on climate-related disclosures issued by South Africa's PA (see above) includes all 11 disclosures recommended by the TCFD.

27 Recommendation 1.

- Türkiye: The upcoming sustainability reporting framework (see above) will be largely compatible with the TCFD Recommendations, since the ISSB Standards are taken as a basis in the regulatory studies carried out by the KGK.

- UK: The FCA rules for listed issuers were introduced on a "comply or explain" basis. However, the FCA clarified that it ordinarily expects companies in scope to comply with the TCFD's recommended disclosures, except where they face transitional challenges in obtaining data or embedding relevant modelling or analytical capabilities (e.g., for scenario analysis, and metrics and targets).

The EU indicated that it has not explicitly incorporated the TCFD Recommendations but used the TCFD structure for its disclosure requirements.

Several jurisdictions[28] pointed out that their respective requirements or guidelines provide details beyond the high-level TCFD Recommendations. Some respondents[29] highlight the fact that international standards (ISSB) and regional standards (EU ESRS), while based on the TCFD Recommendations, require more detailed disclosures.

Interaction between TCFD framework and other frameworks

The 2021 climate disclosures report noted that, frameworks other than the TCFD Recommendations were referenced as well. Last year, as part of their reporting on additional actions, five jurisdictions[30] who had referred to the TCFD framework also had referred to the Sustainability Accounting Standards Board (SASB), and a subset[31] had also referred to the Global Reporting Initiative (GRI) and/or Climate Disclosure Standards Board (CDSB). This year, six jurisdictions who have referred to the TCFD framework also have referred to one or more other frameworks.[32] Of these six jurisdictions, four referenced the SASB framework[33], two the GRI standards[34], and five other frameworks[35].

3.1.3. Scope of climate-related disclosures

Climate-related disclosures by financial institutions' clients

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 can only be informative when they can draw, for input material, on the disclosures of their counterparties or clients or firms in which they have invested. Taking note of this interrelationship, many financial authorities or jurisdictions are also setting (or plan to set) expectations for financial institutions

---

28 CA, FR, DE, JP, CH, TR.
29 DE, FR, TR.
30 EU, IN, ID, ZA, UK.
31 EU, IN, ID have referred to GRI and EU, ID, ZA to CDSB.
32 BR, CA, DE, JP, SA, UK.
33 CA, DE, SA, UK.
34 DE, SA.
35 BR, CA, DE, JP, SA. Other references include the BCBS, the IIRC, the CDP, the GHG Protocol (for the calculation of GHG emissions), and the PCAF Standard (for the calculation of Scope 3 financed and insurance-associated GHG emissions).

to require or encourage their borrowers and investees/issuers of assets in which they invest to make climate-related disclosures. In the 2021 survey, seven jurisdictions reported that they had taken such actions. Last year, six jurisdictions indicated that they had taken or planned to take such actions. This year's survey noted that financial authorities in five jurisdictions (of those who have taken additional actions)[36] require or encourage their financial institutions to request this information. They differ in their approaches. For instance, Canada (OSFI) sets expectations for in-scope financial institutions to disclose their Scope 3 GHG emissions, which involves obtaining Scope 1 and Scope 2 GHG emission information from borrowers, investees, and insurance clients. On the other hand, the ESRS in the EU and the new Japanese sustainability-related disclosure requirements are not only mandatory for financial institutions but also for non-financial companies. What is more, in the EU, the 2020 ECB Guide on climate-related and environmental risks requires financial institutions, amongst other things, to consider climate-related and environmental risks at all relevant stages of the credit-granting process and to monitor the risks in their portfolios. Likewise, in Germany, authorities have established expectations for banks to take ESG risk into consideration as part of their entire risk management framework, related practices and processes, including loan origination. As a consequence, it is in the banks' interest to request ESG-related (including climate risk) disclosures from their corporate clients and counterparts. In India, as already stated in last year's progress report, ESG-labelled funds are only allowed to invest in those companies that provide climate-related disclosures in accordance with the BRSR (see above).

Increased focus on materiality

Jurisdictions place an emphasis on the materiality lens that they apply on climate-related disclosures. In the current general understanding, materiality could be interpreted as "financial materiality" or "double materiality". While exact definitions vary, "financial materiality" generally refers to climate disclosures that provide investors with decision-useful information on risk management and how dependencies and impacts create risks and opportunities for a company's financial position and prospects. By contrast, "double materiality" refers to the approach that encompasses both "financial materiality", and information for stakeholders interested in the impacts of the company on society and the environment (so-called "impact materiality"). (It is possible that information not covered by financial materiality disclosure requirements may be covered over time if the materiality lens is later widened to include impact materiality.)

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

- Argentina: While the "Guide for voluntary reporting and disclosure of ESG information" primarily focuses on ESG information based on the concept of "financial materiality", the CNV encourages companies to also consider "impact materiality".
- Brazil: CVM's regulation adopts a "double materiality" perspective.
- EU: In line with the legal mandate of the CSRD, the ESRS use a "double materiality" perspective.

[36] CA, DE, IN, CH, TR.

- A number of authorities in their additional actions continue to apply a "financial materiality" lens, such as the Canadian Securities Administrators (CSA), Japan's FSA, and Türkiye's KGK.

- Switzerland: The climate-related disclosure requirements for significant financial institutions that came into force already on 1 July 2021 are based on the concept of "financial materiality". The new TCFD ordinance that will enter into force on 1 January 2024 will adopt the concept of "double materiality".

Location of climate-related disclosures

Overall, most respondents require that climate-related disclosures be publicly available. However, it seems that there is a wide array of possible locations, including general purpose financial reports[37], financial statements, management reports, and integrated reports.[38]

Broader disclosures on sustainability

As part of their reporting on additional actions this year, 12 jurisdictions indicated that their financial authority established, or is planning to establish, regulatory requirements, guidance, or supervisory expectations for financial institutions and/or non-financial companies to provide broader disclosures on sustainability, such as on ESG. Some key examples are:

- Brazil: Qualitative disclosures encompass social and environmental risks. Disclosure of social, environmental, and climate-related opportunities is optional.

- Canada: Certain provincial regulators have established or are considering establishing specific regulatory requirements or guidance for issuers to provide broader disclosures on sustainability, such as on ESG.

- EU: As required by the EU CSRD, the ESRS cover the full range of ESG matters.

- Japan: The amended Order requires sustainability-related disclosures, beyond those on climate, including the disclosure of human-capital-related information.

- UK: UK law already requires companies, depending on their size, to report on sustainability matters within a Strategic Report. For example, quoted companies must disclose, amongst other things, information about environmental matters, the company's employees, and social, community and human rights issues.

[37] The IFRS Foundation defines a general purpose financial report as "a report that provides financial information about the reporting entity's economic resources, claims against the entity and changes in those economic resources and claims that is useful to primary users in making decisions relating to providing resources to the entity".

[38] The primary purpose of an integrated report is to explain to providers of financial capital how an organization creates, preserves, or erodes value over time. It therefore contains relevant financial and non-financial information.

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

Findings from last year's progress report on climate-related disclosures noted that the majority of the approaches to implementation in the survey responses were classified as 'mandatory'. Along similar lines, many member jurisdictions in the 2023 survey continue to respond that their additional actions are primarily through "mandatory approaches: financial authorities across 11 jurisdictions[39] adopt a mandatory approach while financial authorities from 8 jurisdictions classify their additional actions as voluntary.[40]

Many jurisdictions that are taking a mandatory approach deploy enforcement or compliance mechanisms to ensure that companies adhere to the respective requirements for climate-related disclosures. Some examples of enforcement and compliance mechanisms are:

- EU: For listed companies, the European Securities and Markets Authority (ESMA) will perform enforcement of ESRS sustainability statements that are part of the management report. Large financial institutions are required under the Capital Requirement Regulation (CRR) to disclose in their Pillar 3 report qualitative and quantitative information on ESG risks. The ECB, as the supervisor of significant institutions within the Banking Union, reviews compliance and alignment with these Pillar 3 requirements. Non-compliance will constitute a breach of the CRR and result in supervisory action.

- Japan: The Securities and Exchange Surveillance Commission (SESC) inspects the annual securities reports and, if a false statement is detected, the SESC advises the FSA to take punitive actions.

- Switzerland: FINMA checks compliance with the disclosure requirements in the area of climate-related financial risks for significant financial institutions, discusses the findings with the financial institutions and takes measures in case of significant shortcomings.

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.[41]

Since the 2022 survey, jurisdictions have continued their involvement in the efforts of international entities focused on climate and sustainability disclosures. These include entities

[39] BR, CA, EU, DE, FR, IT, JP, ES, CH, TR, UK.

[40] AR, AU, BR, IT and DE (in addition to mandatory), CN, ZA, SA.

[41] Recommendation 2.

like the SSBs (BCBS, IAIS, IOSCO), G7, G20, UNDP, OECD, World Bank, and other organizations.

Jurisdictions continue to engage with the ISSB through their participation in IOSCO's work or directly within the ISSB's Jurisdictional Working Group.[42] Additionally, some regions have participated in regional initiatives (e.g. the Australia-New Zealand 2+2 Climate and Finance June 2023 dialogue[43], IOSCO's Asia-Pacific Regional Committee (APRC), the Guangdong-Hong Kong-Macao Greater Bay Area Green Finance Cooperation Meeting[44]), the ASEAN Capital Markets Forum[45] and also engaged in bilateral discussions with other jurisdictions[46].

Numerous regions highlight their continuous engagement in capacity-building initiatives, including participation in NGFS[47] and the Climate Data Steering Committee (CDSC)[48]. Additionally, certain authorities, like the Bank of England, have established cross-border training programs focused on climate-related disclosures. Jurisdictions underscore the significance of these training courses in comprehending the challenges linked to the implementation of new standards[49].

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.[50]

Since the last survey, coordination efforts within jurisdictions have persisted. Financial authorities continue to coordinate formally and informally to address the challenges associated with implementing climate-related disclosures, with the primary goal being the sharing of knowledge and best practices and publishing reports to raise awareness and provide guidance.

In certain jurisdictions, the collaboration among financial authorities within jurisdictions to foster clear and consistent expectations on climate-related disclosures has further matured and consolidated. For example, in Italy, the previously planned sustainable finance coordination forum has now been established and is fully operational. In Hong Kong, the Green and Sustainable Finance Cross-Agency Steering Group (CASG)[51] announced its aim of developing a comprehensive Hong Kong roadmap on adopting the IFRS Sustainability Disclosure Standards. In France, financial authorities will contribute to the Government two-year review on the disclosure by asset managers about their ESG strategy.[52]

---

42 EU, JP, HK, UK, US.

43 AU.

44 HK.

45 SG.

46 IN, JP.

47 AR, EU, HK, ID, SA, UK.

48 CH.

49 AR.

50 Recommendation 3.

51 The CASG is co-chaired by the Hong Kong Monetary Authority (HKMA), and the SFC , and comprises relevant bureaux and agencies in Hong Kong. It aims to co-ordinate the management of climate and environmental risks to the financial sector, accelerate the growth of green and sustainable finance in Hong Kong and support the Government's climate strategies.

52 According to Article 29 of the "Energy and Climate" law n°2019-1147.

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.[53]

In terms of providing assurance over climate-related disclosures, some jurisdictions note their engagement with IOSCO's workstream dedicated to assurance[54], which is actively engaged with the work of the IAASB and the IESBA on developing a robust framework for assurance, ethics and independence standards for sustainability assurance engagements. In view of the ISSB developments, Hong Kong is planning to set up a working group to look into the elements to be covered by the roadmap on adopting the IFRS Sustainability Disclosure Standards, as appropriate, where the areas to be considered will include assurance requirements for sustainability reporting.

The EU has taken more steps regarding third-party assurance as credit institutions' climate-related disclosures are subject to external audit or assurance under the CRR, and the recently agreed CSRD introduces mandatory third-party verification on sustainability information disclosed by firms. The CSRD will be implemented using a phased approach applying to large public interest companies first (starting from financial year 2024). Furthermore, the European Commission is required to adopt assurance standards for reasonable assurance of sustainability reporting no later than 1st October 2028, following an assessment to determine if reasonable assurance is feasible for auditors and for companies.

3.2. Jurisdictions' processes for adopting, implementing or otherwise making use of the ISSB Standards

3.2.1. Steps taken with regard to the ISSB Standards

IOSCO's endorsement of IFRS S1 and IFRS S2 was accompanied by a call on members "to consider ways in which they might adopt, apply or otherwise be informed by the ISSB Standards within the context of their jurisdictional arrangements, in a way that promotes consistent and comparable climate-related and other sustainability-related disclosures for investors" (see section 2.1.3. above). Authorities in several jurisdictions described ways in which they aim to make use of the ISSB Standards:

- Brazil: CVM is analysing the legal environment to determine whether any legal or regulatory adjustments are required to mandate the adoption of the ISSB Standards in the securities market.

---

53 Recommendation 4.

54 HK, IT, UK.

- Canada: Canada is committed to the ISSB and its work. Therefore, actions are being taken to support the adoption of IFRS S1 and IFRS S2 in Canada. The Canadian Sustainability Standards Board (CSSB) will review and endorse the ISSB Standards for use in Canada. Canadian Securities Administrators (CSA) is working towards adopting local disclosure standards based on the ISSB Standards, with modifications considered necessary and appropriate in the Canadian context.

- China: The People's Bank of China is pushing forward the revision of "Guidelines for Environmental Information Disclosure of Financial Institutions", with reference to the main principles and contents of IFRS S1 and IFRS S2.

- Hong Kong: The CASG is aiming to develop a comprehensive Hong Kong roadmap on adopting the IFRS Sustainability Disclosure Standards as appropriate, taking into account Hong Kong's position on the global green finance map, local regulatory expectations and circumstances.

- India: The feasibility of incorporating the IFRS S2 will be assessed for potential inclusion, taking into account the specific local circumstances, while framing the guidelines on disclosure framework on climate-related financial risks for the RBI-regulated entities.

- Singapore: The Sustainability Reporting Advisory Committee (SRAC) has issued for public consultation recommendations for ISSB-aligned disclosures.

- South Africa: South Africa is reviewing the legal requirement to determine whether the Financial Reporting Standards Council (FRSC) can mandate the adoption of the ISSB Standards through the Companies Act. The Prudential Authority has released proposed guidance on climate-related disclosures for banks and insurers, which is aligned to the ISSB framework.

- Türkiye: The Public Oversight for Auditing and Accounting Standards Board (KGK) decided to adopt the ISSB Standards as Turkish Sustainability Reporting Standards and conducting a process of signing a waiver agreement with the ISSB to translate the Standards into Turkish and issue them on the Official Gazette as Turkish legislation.

- UK: A two-stage process has been established in the UK, comprising (i) endorsement and (ii) implementation of the ISSB Standards. Endorsement refers to making available a set of standards, suitable for use in a UK context, which can be referenced in UK legislation and regulation.

Some authorities in other jurisdictions will also apply the ISSB Standards:

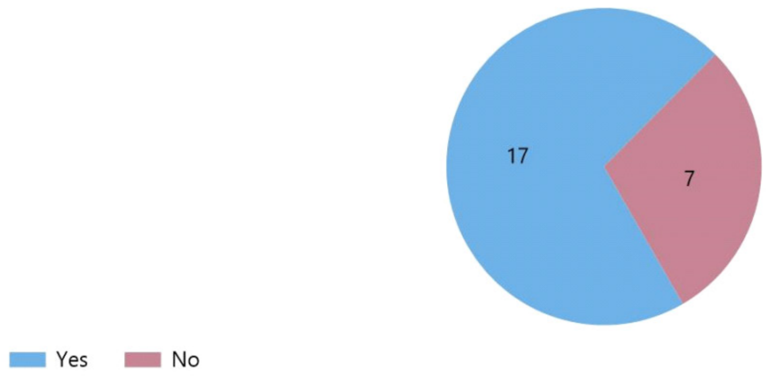
- Argentina: The CNV, as the regulatory body with the authority to require listed companies to use the ISSB Standards at jurisdiction level, aims to incorporate minimum criteria for ESG disclosures, using IFRS S1 and IFRS S2 as the basis.

- Australia: Throughout 2023, Treasury has consulted with stakeholders on the policy intent and proposed design of mandatory climate disclosure requirements for large businesses and financial institutions, aligned with IFRS S2. The feedback has been broadly supportive of the ISSB Standards in Australia, subject to minor modifications, to ensure the standards are appropriate for the Australian context.

Countries in the EU will require companies to provide sustainability-related disclosures in accordance with the ESRS, which were adopted on 31 July 2023. The EU is confident that the high degree of alignment between the ESRS and IFRS S1 and IFRS S2 will not significantly increase the reporting burden for companies that wish to report under both reporting frameworks.

Altogether, 17 out of 24 jurisdictions (last year: 14 out of 24 jurisdictions) stated that they have or are putting in place structures and processes to bring the ISSB Standards into local requirements.

Number of jurisdictions that have established, or are putting in place, a structure or process to bring the ISSB Standards into local requirements **Graph 3**



Source: FSB survey 2023

Some examples are provided below:

- Australia: The AASB is expected to deliver sustainability standards shortly. It is anticipated that the AASB will conduct a 90-day public consultation process to inform development of the Australian climate-related disclosure standards. In line with stakeholder feedback, it is expected that these standards will closely align to IFRS S2, with Australian-specific modifications where appropriate and in line with the Government's final policy decision.

- Canada: CSA staff are engaging with CSSB staff as part of its process to bring the ISSB Standards into local requirements. OSFI will collaborate with the CSSB to incorporate the ISSB Standards into Canadian Accounting and Auditing Standards and look to incorporate elements into OSFI's Guideline B-15.

- Japan: The role of the Sustainability Standards Board of Japan (SSBJ), established in July 2022, is, amongst other things, to develop the Japanese sustainability disclosure standards. According to the SSBJ's work plan, its sustainability disclosure standards will be based on the ISSB Standards.

- Türkiye: KGK has started to adapt the ISSB Standards to make them suitable for use in Türkiye. In this context, KGK translated the ISSB Standards into Turkish and shared them with the public and held meetings with the relevant parties for the purpose of informing and exchanging opinions. In addition, a “Sustainability Working Group” was formed within the KGK. BRSA also participates in this working group.

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

As in the previous year, this year’s survey responses highlight again the importance of interoperability with the ISSB Standards, in order to promote cross-border consistency in climate-related disclosures, and reduce complexity and duplication for reporting entities.

Several respondents reported taking steps to promote interoperability of the ISSB Standards with their jurisdictional framework, or expecting to do so in future. For instance, as already mentioned above in section 2.1.4., the ISSB, the European Commission and EFRAG have worked jointly to improve the interoperability of their respective climate-related disclosure requirements in the overlapping climate disclosure standards. And, in the cases mentioned above where jurisdictions are putting in place structures and processes to bring the ISSB Standards into local requirements, such actions will typically assist with interoperability.

3.2.2. Challenges that jurisdictions anticipate in implementing the ISSB Standards

Authorities have noted the following challenges that will arise during the implementation of the ISSB Standards. The main challenges are consistent with those highlighted by jurisdictions in last year’s survey:

- **Implementation by EMDEs and SMEs and proportionality.** The ISSB Standards may be more difficult to apply for emerging markets and developing economies (EMDEs) and smaller companies. Several members noted that smaller companies are likely to face higher burden in producing the disclosures required by the ISSB Standards. Hence, various measures have been suggested, such as ensuring proportionality of the requirements across companies depending on their size, and adequate transition periods for the phasing-in of certain disclosure requirements.

- **Capacity building.** Some jurisdictions pointed to the current lack of knowledge in the area of climate-related disclosures among different stakeholders. Supporting information, regulatory guidance and upskilling initiatives (to improve ESG-related technical skills) are needed to ensure companies are well-positioned to comply with the new disclosure requirements and provide high-quality information to investors. There is also a need to improve methodologies that would help quantify the impact of climate-related risks on companies’ financial statements.

- **Availability of data, data quality and reliability.** Especially at the beginning, it is widely expected that the lack of data and insufficient data quality will be among the main challenges. In this context, there is also the risk of “cherry-picking” disclosures by companies (i.e., companies highlighting only positive aspects) and “greenwashing”. Related to the reliability of data is the assurance of climate-related disclosures by independent third parties, and some of the novel challenges associated with sustainability assurance, such as dealing with an increased amount of forward-looking information and even greater estimation uncertainty.

- **Necessary adjustments to ISSB Standards to address legal and other local requirements**. Several jurisdictions highlighted legal or other jurisdictional or regional requirements which require in turn financial authorities to adjust the ISSB Standards appropriately. More specifically, the ISSB Standards typically need to be incorporated into legal frameworks and/or be consistent with the respective climate-related ambitions and targets, such as the EU Green Deal.
- **Difficulties in providing various metrics, such as Scope 3 GHG emissions and scenario analysis.** There is still a lack of detailed measurement methodologies. This includes, but is not limited to, calculating GHG emissions across consolidated entities. These difficulties in calculating GHG emissions, in particular Scope 3, may be more pronounced for smaller companies, and as a consequence, additional support and guidance may be required. Moreover, some jurisdictions explained that it is essential to ensure consistency between the requirements of IFRS S2 and the GHG Protocol Corporate Accounting and Reporting Standard.
- **Interoperability and comparability.** Several jurisdictions[55] reiterated their concerns related to comparability and achieving interoperability between the ISSB Standards and individual jurisdictions' disclosure frameworks, including consistency of definitions and terminology used in these frameworks. One particular aspect is the different materiality concepts in different frameworks ("single materiality" versus "double materiality"), but also a perceived lack of guidance on determining materiality in the new ISSB Standards. Hence, some jurisdictions emphasised that it remains important for the ISSB to engage with other bodies issuing climate-related disclosure standards and continue working to strengthen alignment across jurisdictions, with the ultimate aim of reducing reporting burden for internationally active companies.

4. Progress on companies' climate-related financial disclosures

The TCFD reports that the percentage of public companies disclosing TCFD-aligned information continues to grow, but more progress is needed. With the release of its 2023 Status Report, the work of the TCFD is complete. The FSB has asked the ISSB to assume responsibility for monitoring progress on the state of climate-related financial disclosures by companies and deliver annual reports, beginning in 2024.

This section summarises key findings and analysis included in the TCFD's 2023 Status Report. The 2023 Status Report describes companies' progress in making climate-related financial disclosures and highlights some of the challenges these companies face in making such disclosures, including challenges with incorporating climate-related risks into their financial statements. The report also provides an update on significant actions by governments, regulators, and standard setters to use the TCFD Recommendations in developing climate-related disclosure requirements and concludes with the Task Force's view of the insights gained over the past eight years and areas that warrant continued focus or further work by others.

---

55 For example, BR, JP, KR.

Similar to previous status reports, the 2023 report looks at companies' current disclosure practices in terms of their alignment with the 2017 TCFD Recommendations. Overall, the Task Force is encouraged by companies' progress in disclosing climate-related financial information aligned with the TCFD Recommendations and by the support of governments, regulators, and other authorities in using the recommendations as a basis to develop laws, rules, and standards on climate-related financial disclosures. Nevertheless, the Task Force remains concerned that too few companies are disclosing decision-useful climate-related financial information – especially as it relates to the impact of climate change on their businesses, strategies, and financial planning, which may hinder investors, lenders, and insurance underwriters' efforts to appropriately assess and price climate-related risks.

4.1. Progress by individual companies

Consistent with its previous status reports, the TCFD used artificial intelligence (AI) technology to review the alignment of more than 1,350 public companies' reporting with the TCFD's 11 recommended disclosures over a three-year period – fiscal years 2020, 2021, and 2022. In addition, given the growing number of jurisdictions around the world using the TCFD Recommendations in developing climate-related reporting requirements, the Task Force used the AI technology to review fiscal year 2022 reports for a larger and more geographically diverse set ("expanded population") of public companies (around 3,100).

The TCFD also conducted a survey of asset managers and asset owners on their climate-related financial reporting practices in late February 2023, and reviewed the largest asset managers' and asset owners' publicly available reports to better understand their reporting practices.

The key findings from the AI review, and the survey and review of asset managers and asset owners' reporting practices are summarised below.

- **The percentage of companies disclosing TCFD-aligned information continues to grow, but more progress is needed.** For fiscal year 2022 reporting, 58% of companies disclosed in line with at least five of the eleven recommended disclosures – up from 18% in 2020. On the other hand, only 4% of companies disclosed in line with all eleven recommendations for fiscal year 2022 reporting.

- **The percentage of companies reporting on climate-related risks or opportunities, board oversight, and climate-related targets increased significantly between fiscal years 2020 and 2022.** The numbers went up by 26, 25, and 24 percentage points, respectively.

- **Disclosure of climate-related financial information in financial filings is limited.** On average for fiscal year 2022, information aligned with the eleven recommended disclosures was four times more likely to be disclosed in sustainability and annual reports than in financial filings. Notably, however, there was a significant increase in companies including TCFD-aligned information in their financial filings over the three years reviewed.

- **For fiscal year 2022 reporting, the most often disclosed recommended disclosure was the metrics companies use to assess their climate-related risks or**

opportunities. 71% of the companies reviewed provided this information. Moreover, 66% of the companies reviewed disclosed information on greenhouse gas (GHG) emissions and climate-related targets. Notably, the percent of companies reporting on their climate-related targets increased by 24 percentage points between 2020 and 2022.

- **The least disclosed recommended disclosure for all three years reviewed was the resilience of companies' strategies under different climate-related scenarios.** Only 11% of the companies reviewed reported in line with this recommended disclosure for fiscal year 2022. Based on a survey conducted last year of over 200 companies, nearly 90% of them rated this recommended disclosure as somewhat difficult or very difficult to implement, which may help explain why its disclosure is low.

- **Energy companies disclosed more information than companies in the other industries reviewed.** Energy companies, on average, reported on 6.3 of the 11 recommended disclosures in 2022, followed by materials and buildings companies at 5.8. Companies in the consumer goods and technology and media industries, on average, disclosed less than companies in other industries. The insurance companies and banks reviewed had the highest levels of reporting on the Risk Management recommendation, which may be attributable to financial regulators' general emphasis on risk management processes. In general, the overall AI review results for the expanded population follow patterns similar to the overall AI review.

- **Companies in Europe had the highest level of reporting for each of the eleven recommended disclosures.** The European companies reviewed, on average, reported on 7.2 of the 11 recommended disclosures. By contrast, companies in the Middle East and Africa disclosed less than companies reviewed in other regions (only 3.8 of the 11 recommended disclosures).

- **Larger companies are more likely to disclose TCFD-aligned information than smaller ones (similar to the findings in previous TCFD status reports).** On average, companies with a market capitalisation of at least $12.3 billion reported on 6.7 of the 11 recommended disclosures in fiscal year 2022, while smaller companies on average – those with less than $3.2 billion in market capitalisation – reported on 3.9 recommended disclosures. The highest level of reporting by larger companies was on climate-related targets, at 85%, followed closely by climate-related metrics at 83%. Smaller companies reported most frequently on climate-related metrics.

- **Insurance companies had some of the highest levels of disclosures in Latin America and Europe but some of the lowest levels in Asia Pacific and the Middle East and Africa.**

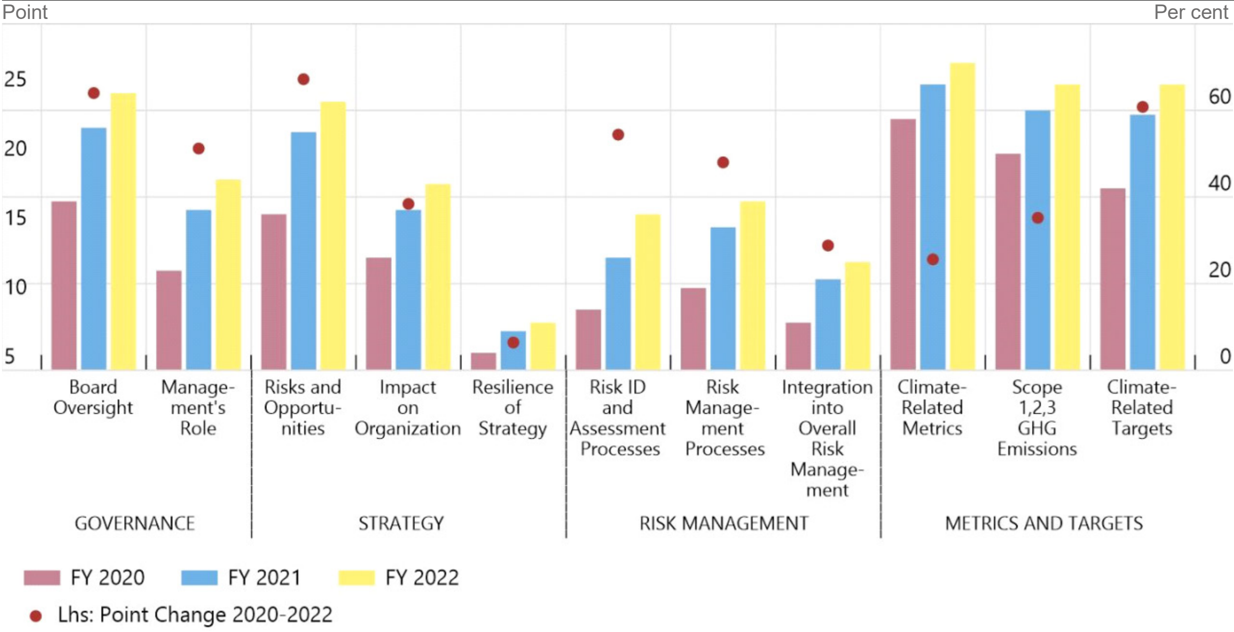
- **Based on a survey, asset managers and asset owners indicated the top challenge to climate-related reporting is insufficient information from investee companies.** Asset managers highlighted information from public companies as most challenging (62%), while asset owners identified information on private investments (84%).

- **Over 80% of the largest asset managers and 50% of the largest asset owners reported in line with at least one of the 11 recommended disclosures.** Based on a review of publicly available reports, nearly 70% of the asset managers and 36% of the asset owners disclosed in line with at least five of the recommended disclosures.

- **Over 40% of the largest asset managers and 30% of the largest asset owners described their targets on GHG emissions associated with their assets under management in public reports.**

TCFD-aligned disclosures

By fiscal year (2020-2022)[1] **Graph 4**



[1] Base size: 1,365

Source: 2023 TCFD Status Report

Disclosure by sector

For expanded population (2022 fiscal year reporting)[1] **Graph 5**

Recommendation	Recommended Disclosure	Banking (466)[1]	Insurance (237)	Energy (430)	Buildings (543)	Transport. (323)	Ag., Food, and Forest (370)	Tech. and Media (382)	Consumer Goods (359)
Governance	Board Oversight	41%	43%	58%	61%	40%	31%	19%	35%
	Management's Role	28%	28%	38%	35%	24%	19%	13%	19%
Strategy	Risks and Opportunities	52%	45%	54%	55%	33%	32%	17%	28%
	Impact on Organization	23%	27%	38%	35%	24%	25%	12%	16%
	Resilience of Strategy	5%	6%	10%	9%	4%	6%	2%	4%
Risk Management	Risk ID & Assessment Processes	26%	29%	27%	29%	18%	15%	6%	13%
	Risk Management Processes	32%	32%	32%	29%	23%	19%	9%	21%
	Integration into Overall Risk Mgmt.	25%	21%	20%	16%	13%	9%	4%	8%
Metrics and Targets	Climate-Related Metrics	43%	40%	58%	63%	43%	42%	30%	43%
	Scope 1,2,3 GHG Emissions	40%	37%	54%	57%	39%	36%	28%	38%
	Climate-Related Targets	33%	33%	57%	61%	44%	39%	25%	38%

Legend: *Low to high percentage of reporting*

[1] Per cent of Companies. The numbers in parentheses represent the size of the review population.

Source: 2023 TCFD Status Report

Disclosure by region

For expanded population (2022 fiscal year reporting)[1] **Graph 6**

Recommendation	Recommended Disclosure	Asia Pacific (724)	Europe (616)	Latin America (111)	Middle East & Africa (271)	North America (1,388)
Governance	Board Oversight	37%	55%	34%	22%	44%
	Management's Role	18%	47%	20%	10%	25%
Strategy	Risks and Opportunities	29%	56%	37%	17%	45%
	Impact on Organization	24%	44%	18%	12%	22%
	Resilience of Strategy	5%	16%	3%	2%	3%
Risk Management	Risk ID and Assessment Processes	15%	47%	12%	10%	14%
	Risk Management Processes	24%	43%	25%	15%	20%
	Integration into Overall Risk Mgmt.	13%	27%	13%	8%	12%
Metrics and Targets	Climate-Related Metrics	50%	78%	34%	31%	35%
	Scope 1,2,3 GHG Emissions	45%	73%	31%	27%	31%
	Climate-Related Targets	34%	73%	38%	22%	38%

Legend: *Low to high percentage of reporting*

[1] Per cent of Companies. The numbers in parentheses represent the size of the review population.

Source: 2023 TCFD Status Report

4.2. Financial Statements Considerations

In June 2017, when the TCFD published its final recommendations, it recommended that companies include climate-related financial information in their public annual financial filings. As noted above, the Task Force has found that companies are more likely to disclose such information in their sustainability and annual reports than in their annual financial filings. While there was a significant increase in companies including TCFD-aligned information in their financial filings over the three years reviewed, the Task Force believes more progress is needed – especially on reporting the impact of climate-related issues on companies' businesses, strategies, and financial planning, including the impact on financial statements (e.g., balance sheets, income statements). For its 2023 Status Report, the TCFD worked with professionals in accounting and auditing to describe the following:

- Some of the general factors considered when incorporating climate-related issues into financial statements;
- Common challenges faced in considering the impact of climate-related issues on financial statements; and
- Brief descriptions of guidance and other resources companies may find useful when incorporating climate-related issues into their financial statements.

The key findings are summarised below:

- **There is growing demand in the market for enhanced "connectivity" between climate-related and financial reporting information.** Since material climate-related issues may affect the recognition and measurement of financial statement amounts, investors and other users are interested in companies' disclosure of the assessments and evaluations of assets for their useful lives, potential impairment, as well as contingencies on the liabilities side, to understand the impact of climate-related issues on companies' financial position and financial performance.

- **The international financial reporting framework already requires transparency concerning a company's material risks, including climate-related risks**. More specifically, under overarching IFRS accounting requirements, a company must consider whether to provide additional disclosures when compliance with the specific requirements in IFRS standards is insufficient to enable investors to understand the impact of climate-related issues on its financial statements.

- **Determining the impact of climate-related issues on companies' financial statements typically involves the use of assumptions and estimates.** While developing estimates – including dealing with measurement uncertainty – is a core component of companies' financial reporting, it also presents certain challenges, especially as the level of uncertainty increases.

- **A sufficient knowledge base and level of experience are essential.** More specifically, it is important that those responsible for preparing, approving, and auditing a company's financial statements have sufficient experience with and knowledge of climate-related risks and the company's exposure to such risks when making judgements about their impact on the financial statements. Companies that do not have sufficient expertise on climate-related issues across the organisation may be at risk of underestimating the impact of climate-related issues on their businesses, strategies, and financial planning, including the impact on their financial statements.

4.3. TCFD-Aligned Requirements and Related Initiatives

Over the past year, the TCFD has seen continued momentum around and support for its 2017 recommendations. The number of TCFD supporters has grown this year to approximately 4,800, largely driven by support in the Asia Pacific region. Of these supporters, 4,432 are companies and 364 are other organisations (e.g., industry associations, governments). The companies supporting the TCFD Recommendations represent a broad range of sectors, with a combined market capitalisation of $31.1 trillion, including more than 1,800 financial institutions responsible for assets of $222.2 trillion. Another example of the momentum around the Task Force's recommendations is the continued efforts of governments, regulators, stock exchanges, and standard setters to incorporate the TCFD Recommendations – in full or in part – into laws, rules, and guidance on climate-related disclosure or reference the recommendations as a basis for their disclosure requirements, as described earlier in this report.

4.4. Transfer of TCFD monitoring responsibilities and further work

During the period until the implementation of the new global framework for climate-related disclosures (i.e. the first two ISSB Standards, IFRS S1 and IFRS S2) across jurisdictions begins, there is a continuing need to maintain momentum by monitoring and reporting on progress in companies' disclosures of climate-related financial information. The FSB therefore requested in October 2022 that the TCFD continue its work to promote and monitor progress in companies' take-up of the 2017 TCFD Recommendations, and publish in October 2023 a further status report on companies' climate-related disclosures that, by being aligned with the TCFD Recommendations, will be using a common basis with the new global framework, which is also aligned with the TCFD Recommendations. The finalisation of the ISSB Standards in June 2023 marks a significant new stage in the process for climate-related financial disclosures. The publication of the latest TCFD status report in October 2023 was the TCFD's final task. The Task Force will be disbanded, and the FSB asked the ISSB to deliver a report in 2024 on progress in companies' disclosures, liaising with IOSCO as appropriate, including early take-up of IFRS S2 on specific climate-related disclosures and progress in achieving interoperability. On 24 July 2023, the IFRS Foundation published a comparison of IFRS S2 with the TCFD Recommendations.[56] The requirements in IFRS S2 are consistent with the four core recommendations. As a consequence, companies that apply the ISSB Standards will largely meet the TCFD Recommendations. However, it should be noted that IFRS S2 goes beyond the TCFD Recommendations and contains additional disclosure requirements, for example, the requirements for companies to disclose industry-based metrics, information about their planned use of carbon credits to achieve their net emissions targets, and additional information about their financed emissions.

Looking back at the eight years of TCFD existence, the 2017 TCFD Recommendations have been a key driver of greater consistency in the field of climate-related financial disclosures and helped reduce fragmentation and supported consistency across reporting regimes. However, TCFD has identified various areas that it believes warrant continued focus or further work by the ISSB or other appropriate bodies:

- Ensuring **interoperability of the ISSB Standards with jurisdictional frameworks** to support consistent company reporting across jurisdictions and avoid the need for companies to report through multiple venues.

- Developing **implementation guidance** on topics such as climate-related physical risk assessment and adaptation planning, climate-related scenario analysis at a sector or industry level, and Scope 3 GHG emissions measurement at a sector or industry level.

- Continuing to focus on companies' disclosure of the **resilience of their strategies under different climate-related scenarios**, including a climate-related scenario aligned with the latest international agreement on climate change.

- Continuing to focus on **decision-useful disclosures on other sustainability topics** – such as biodiversity, water, and social issues – and consideration of the linkages

---

56 See press release: IFRS Foundation (2023), IFRS Foundation publishes comparison of IFRS S2 with the TCFD Recommendations, July.

between climate-related and other sustainability issues in the context of companies' transition plans, as an example.

- Developing a **consistent climate-related financial disclosure framework for use by countries and other sovereign entities.** Consistent and comparable reporting by sovereigns would support companies in preparing comprehensive TCFD-aligned disclosures and transition plans that appropriately reflect their operating environment.