



Task Force on Climate-related Financial Disclosures (TCFD) 2023 annual report

The 2023 Annual Report delves into the progress made by companies in disclosing climate-related financial information and provides an update on significant actions taken by governments and regulators to incorporate the TCFD recommendations into the development of climate-related disclosure requirements.

The Financial Stability Board (FSB) is an international body that monitors and makes recommendations on the global financial system. In 2015 the FSB developed the Task Force on Climate-related Financial Disclosures (TCFD or Task Force), focusing specifically on climate change. The initiative stemmed from a global need for larger companies to prioritize and implement the recommendations of the TCFD, rather than wait for a common international climate-related reporting standard.

Between the time of the previous Status Report and the 2023 Status Report, the Task Force has observed a sustained surge in the adoption of and support for its recommendations. This includes the release of climate-related and general sustainability-related disclosure standards by the International Sustainability Standards Board (ISSB), which are aligned with the TCFD recommendations.

At Mazars, we understand the pivotal role of ESG factors in decision-making processes, and we have the expertise to guide our clients through this complex landscape. Our tailored solutions ensure that our clients have a solid foundation for meeting ESG requirements and demonstrating their commitment to sustainable practices. With our support, clients can navigate the intricate world of ESG disclosures with confidence, enabling them to stand out and align with evolving market expectations for responsible business practices.

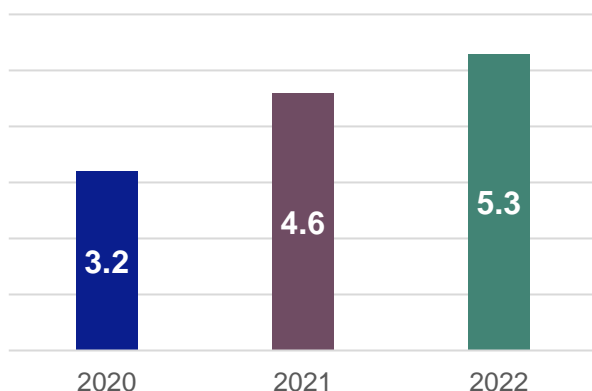


Increased focus on climate-related risks in financial filings

In recent months, the Task Force has observed an **increased emphasis** on companies incorporating climate-related financial data into their financial reports, including within their financial statements. Moreover, the European Securities and Markets Authority has designated climate-related matters as a key area of scrutiny while evaluating public companies' compliance with relevant reporting requirements in their 2022 financial filings. Overall, the Task Force is encouraged by the **advancements** made by companies in disclosing climate-related financial information in accordance with the TCFD recommendations, and it appreciates the backing of governments, regulators, and other authorities in utilizing these recommendations as a foundation for crafting laws, regulations, and standards related to climate-related financial disclosure.

Nonetheless, the Task Force maintains **concerns** that a limited number of companies are sharing climate-related financial information that is genuinely informative for decision-making, particularly concerning the influence of climate change on their operations, strategies, and financial planning. This deficiency may obstruct the efforts of investors, lenders, and insurance underwriters to accurately assess and price climate-related risks.

Average number of disclosures per company



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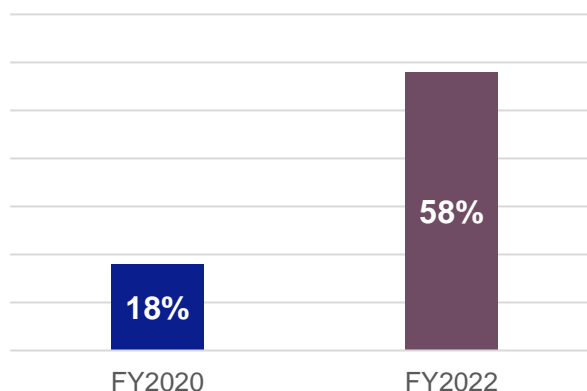
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Summary of Artificial Intelligence (AI)* review results and findings

The disclosure of climate-related information has witnessed an **increase** since 2020, although there is a clear need for further progress. Here are some key findings:

- Companies demonstrated the most significant growth in disclosing **their climate-related risks and opportunities** between 2020 and 2022 compared to other recommended disclosures;
- Reporting on **climate-related metrics** exceeded other recommended disclosures in terms of adoption;
- Companies predominantly included TCFD-aligned information in their **sustainability and annual reports**;
- The disclosure of the adaptability of companies' strategies under different climate-related scenarios remained the **least common** among all the recommended disclosures in all three years reviewed;
- Companies in the consumer goods and technology and media sectors disclosed less climate-related information than their counterparts in other industries;
- European companies exhibited the **highest level of reporting** across all 11 recommended disclosures;
- Larger companies were more inclined to disclose TCFD-aligned information compared to smaller ones;
- Among larger companies, the highest level of reporting was observed for **climate-related targets**, with an 85% adoption rate.

Percentage of companies disclosing at least 5 recommended disclosures



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*The Task Force undertook a review of hundreds of public companies' reports for climate-related financial information using artificial intelligence technology.



Demographics of companies reviewed in Europe

Financial Institutions	Number	Total Assets (USD Billion)		
		Min	Median	Max
Banking	87	USD 12	USD 88	USD 2,949
Insurance	46	USD 2	USD 68	USD 1,002

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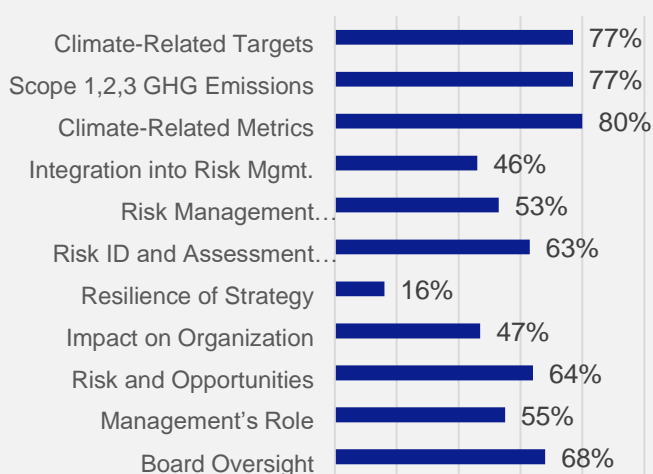
The AI assessment of companies headquartered in Europe covered 616 companies spread across 37 different jurisdictions. The top three jurisdictions by the number of companies included the **United Kingdom** with 91 companies, **Germany** with 65, and **Switzerland** with 53.

European companies, on average, exhibited **higher levels of TCFD-aligned reporting** in comparison to companies in the other regions. It is important to note that the Task Force's review of documents is limited to those available in **English**, which might result in an understatement of the number of jurisdictions that have implemented TCFD-aligned disclosure requirements.

In general, companies in seven out of the eight industries assessed disclosed, on average, in alignment with **at least five** of the 11 recommended disclosures.

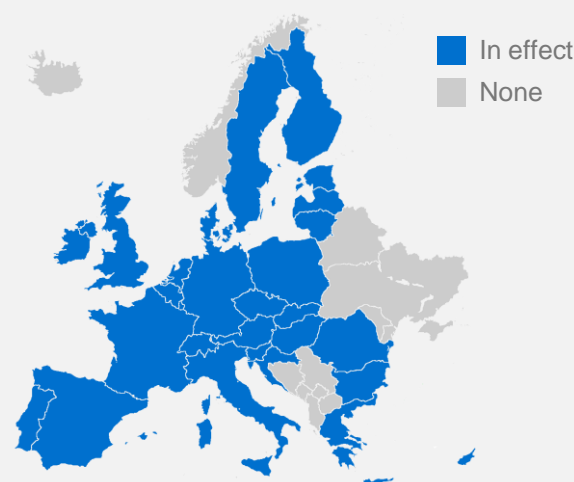
The highest reporting levels across the eight industries pertained to the three recommended disclosures linked to metrics and targets, specifically climate-related metrics, Scope 1, Scope 2, and Scope 3 GHG emissions, and climate-related targets. Over 75% of companies in six out of the eight industries under review reported their climate-related metrics (**Metrics and Targets**). The lowest level of reporting in each industry was associated with the resilience of companies' strategies under different climate-related scenarios (**Strategy**), which aligns with the results of the AI review for the other regions.

TCFD-aligned disclosures for financial institutions for fiscal year 2022



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TCFD-aligned disclosure requirements



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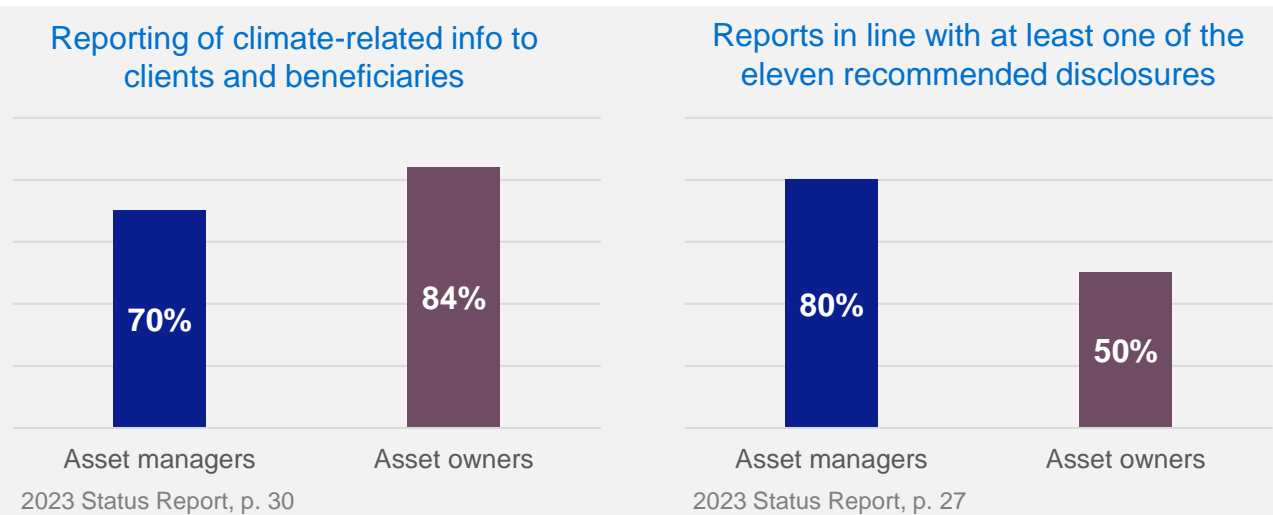


TCFD-aligned reporting by Asset Managers and Asset Owners

While the Task Force primarily concentrated on delivering climate-related financial information to clients and beneficiaries, it also acknowledged that asset managers and asset owners often have a wider array of stakeholders to which they report climate-related financial information.

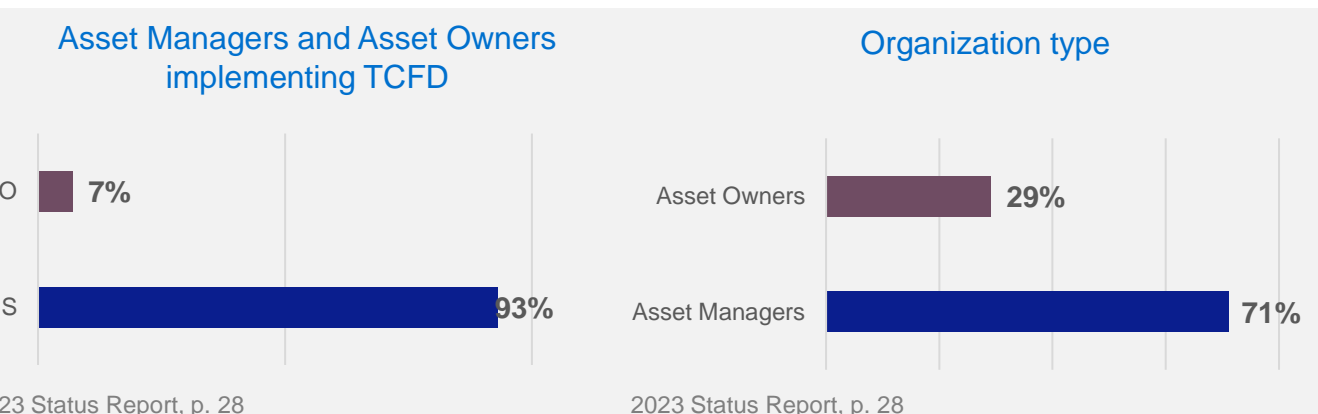
In particular, asset managers that are public companies have two distinct **target groups** for their climate-related financial disclosures. The first group comprises shareholders who require insights into overarching risks and opportunities at the enterprise level, along with how these are managed. The second group encompasses clients who find product-specific, investment strategy-related, or client-tailored disclosures more pertinent.

As for asset owners, the Task Force acknowledged their **pivotal position** in the investment chain. Their disclosure of climate-related issues, subject to existing data and methodology limitations, enables beneficiaries and other interested parties to evaluate the considerations and approaches to climate change undertaken by the asset owners.



In late February 2023, the Task Force initiated a survey aimed at gaining a deeper understanding of the TCFD-aligned reporting practices of asset managers and asset owners concerning their clients and beneficiaries. It is important to note that the survey was primarily distributed to financial institutions that had previously registered for updates on the Task Force's website. As a result, the majority of survey respondents were already familiar with the Task Force's work. In fact, a significant **93% of the survey respondents** indicated that they had either already implemented the TCFD recommendations or had intentions to do so in the future.

Due to the specific composition of the survey respondents, it is essential to acknowledge that the results of the survey should not be generalized or applied to a broader population of asset managers and asset owners.





How can Mazars help you in practice?

Mazars has developed expertise and a service to support your business and help companies – including financial institutions – implement TCFD recommendations and other climate-related disclosure standards.

Our climate-related disclosures implementation service is structured across three stages: [gap analysis and action plan, implementation, and reporting](#). We provide a unique blend of expertise in climate regulation, governance, risk management, quantitative solutions and non-financial report production.

We stay up to date with industry best practice and work with institutions of all sizes, delivering recommendations that are relevant and proportionate to each of our clients. Importantly, our approach is collaborative – we work closely with decision-makers throughout delivery.

Gap analysis and action plan

- Identify gaps in firm's current governance against TCFD and other standards recommendations;
- Develop implementation roadmap to fully embed TCFD and other standards recommendations.

Implementation

- Assign climate responsibilities at board, subcommittee and management levels;
- Run materiality assessment to identify exposure to transition and physical risk drivers;
- Run scenario analysis to identify opportunities and risks in the short, medium and long term;
- Review risk policies and processes to embed steps for climate risk identification, assessment and mitigation;
- Define and monitor metrics to assess climate risks and opportunities;
- Set targets for climate metrics where relevant;
- Implement processes to measure emissions (scopes 1, 2, 3).

Reporting

- Incorporate climate-related reporting into governance and internal control framework;
- Develop and publish climate-related disclosures;
- Continual improve climate-related disclosures in line with evolving guidance and practices.

Our other ESG services (non-exhaustive list)

- ESG Health Check;
- ESG Strategy;
- Sustainability reporting;
- Sustainability assurance;
- Human Rights;
- Gender balance and diversity;
- Sustainable finance.

If you have any question regarding climate-related reporting, or any ESG-related topic, do not hesitate to reach out to our team.

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*Where permitted under applicable country laws

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