Financial Reporting Council

Financial Reporting LAB

Climate Thematic

November 2020

Contents

In 2019, the FRC joined the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA) and The Pensions Regulator (TPR) in stating its view on the challenges associated with climate change. At the time, the FRC also stated that:

> *The boards of UK companies have a responsibility to consider their impact on the environment and the likely consequences of any business decisions in the long term. They should therefore address, and where relevant report on, the effects of climate change (both direct and indirect). Reporting should set out how the company has taken into account the resilience of the company's business model and its risks, uncertainties and viability in both the immediate and longer term in light of climate change. Companies should also reflect the current or future impacts of climate change on their financial position, for example in the valuation of their assets, assumptions used in impairment testing, depreciation rates, decommissioning, restoration and other similar liabilities and financial risk disclosures.*

Throughout 2020, the FRC has undertaken a thematic review of climate-related considerations by boards, companies, auditors, professional bodies and investors. This report forms part of that review and summarises all of our findings.

Other aspects of the FRC's findings can be found at the following links:

- The detailed findings on governance can be found here.
- The detailed findings on corporate reporting can be found here.
- The detailed findings on audit can be found here.
- The detailed findings on professional oversight can be found here.
- The detailed findings on investor reporting and better practice reporting under the Task Force on Climate-related Financial Disclosures can be found here.

Foreword

Climate change will affect companies and societies across the globe, and while for some companies these challenges may be further on the horizon, climate change must be integrated into decision making now if we hope to tackle it in an orderly way.

Users of corporate reporting expect more from companies, auditors, regulators and standard setters. While this review of corporate reporting and audit highlights some bright spots of better practice, we also found that more needs to be done. We must do better – all of us.

Boards need to do more – Boards have a responsibility to consider the impact of their company on the environment and the likely consequences of any business decisions in the long term. The implications of climate change will affect a wide range of companies, and in developing a company's strategic direction, boards should be taking into account all the possible effects of climate change.

Companies need to do more – Corporate reporting should address the company's impact on the environment, the resilience of its business model and the impact of climate change on its financial statements. For UK companies, the Government has pledged to reach 'net zero' by 2050, and in the Green Finance Strategy outlined its expectation that listed companies and large asset owners should be reporting using a framework established by the Taskforce on Climate-related Financial Disclosures by 2022. The challenge is clear.

Auditors need to do more – Auditors need to test and, where necessary, challenge the board and management's assessment of the financial statement implications of climate change. Expectations are developing rapidly, and whilst boards have the first responsibility to consider climate-related issues, auditors play an important role in challenging, testing, and improving the accounting for, and disclosure of, climate-related issues.

The professions need to do more – Accounting and actuarial bodies are beginning to address climate-related issues in their regulatory remits, but practice is mixed. To consider the many facets of an issue like climate change, those in and entering the professions need to be trained appropriately to face these challenges within their work.

Investors need to do more – Many investors are responding to the climate crisis by engaging with companies, governments and each other. This is a powerful market signal, and investors need to continue to integrate climate change into investment decision making. They must also consider their own reporting, as the Green Finance Strategy ambitions also apply to those in the investment chain.

Regulators and standard setters need to do more – It is clear that in order to meet the needs of users the reporting framework must develop. We look forward to working with domestic and international organisations as this work progresses over the longer term. In the shorter term, we believe that there is a need for the market to move more quickly to improve disclosures in this area to meet the information needs of investors and other capital providers. The FRC therefore encourages UK public interest entities to report against the Task Force on Climate-related Financial Disclosures' recommended disclosures and, with reference to their sector, using the Sustainability Accounting Standards Board metrics. Our views on non-financial reporting can be found here. Climate change will also be an area of ongoing focus for the FRC and we will look to drive developments by those within our remit to achieve the more resilient future that we all seek.

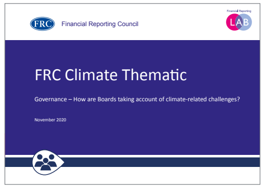
I know that this is a difficult time to ask for more, but now is the time for all of us to raise the bar. The FRC is ready to play its part; we are calling on you to step up and play yours.

Sir Jonathan Thompson
Chief Executive of the Financial Reporting Council

Headline findings

How are boards taking account of climate-related challenges?

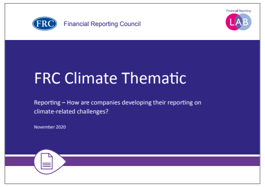
It is the board's responsibility to consider climate-related issues, but there is little evidence that business models and company strategy are influenced by integrating climate considerations into governance frameworks.



How are companies developing their reporting on climate-related challenges?

An increasing number of companies are providing narrative reporting on climate-related issues. While minimum legal requirements are often being met, users are calling for additional disclosure to inform their decision making. Some companies have set strategic goals such as 'net zero', but it is unclear from their reporting how progress towards these goals will be achieved, monitored or assured.

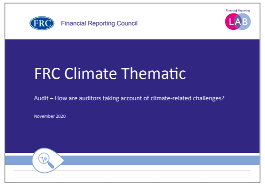
Consideration and disclosure of climate change in the financial statements lags behind narrative reporting. We identified areas of potential non-compliance with the requirements of International Financial Reporting Standards (IFRS).



How are auditors taking account of climate-related challenges?

The quality of support, training and resources provided to the audit practice varied considerably across firms. Firms also need to do more to ensure that their internal quality monitoring has appropriate regard for climate change considerations.

Audits reviewed indicated that auditors need to improve their consideration of climate-related risks when planning and executing their audits.

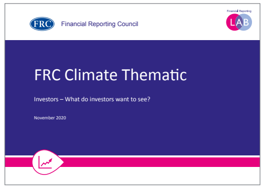


How are professional bodies and audit regulators taking account of climate change in their regulatory responsibilities?

UK professional bodies, and audit regulators in the Crown Dependencies, are responding to climate change, but approaches differ in terms of substance and granularity regarding references to climate-related reporting and the impacts of climate change.

What do investors want to see?

Investors support the Task Force on Climate-related Financial Disclosures framework, but also expect to see disclosures regarding the financial implications of climate change. Investors are themselves facing a changing regulatory environment.



Introduction

The challenge of climate change

The Paris Agreement aims to strengthen the response to climate change by:

a) Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increases to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change;

b) Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and

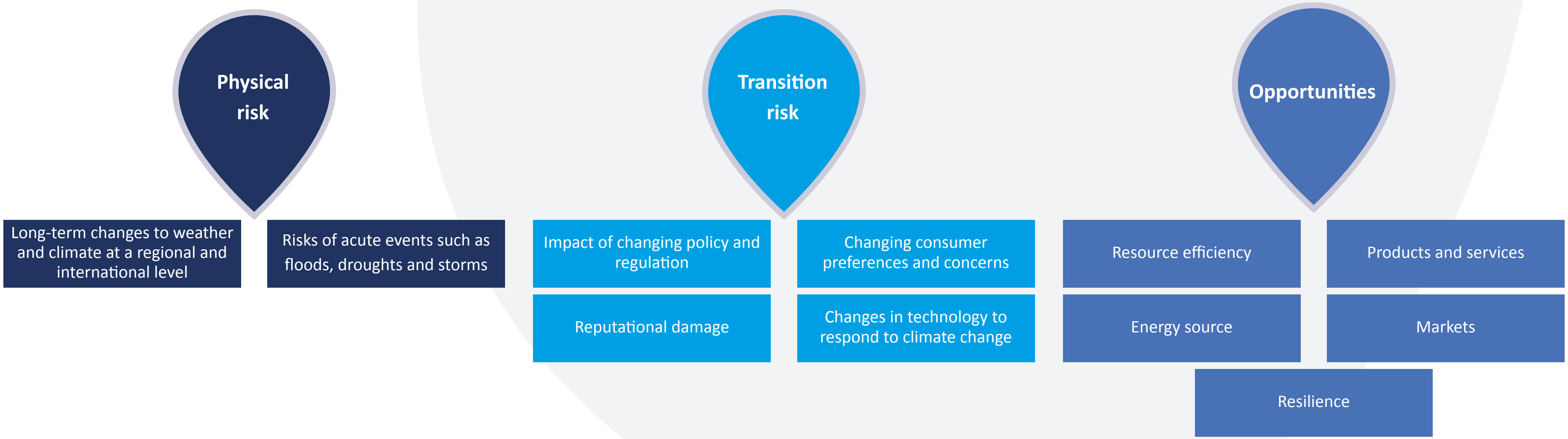
c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

A serious reallocation of resources would be required to meet these goals. For some companies, climate-related issues are material now, with the effects already disrupting supply chains and changing consumer behaviour. For others, these challenges are key to longer-term strategic planning.

Many climate-related risks and opportunities are foreseeable. While companies will be affected in different ways, as the implications of a changing climate become clearer, increasingly consumers will adapt their behaviour, businesses will make different investment decisions and governments will act, making the impacts more immediate for companies.

The UK Government is one of a number of governments to set a 'net zero' target. Details about how these targets will be achieved are in many instances still being considered, but they provide a unique signal for the future for which both companies and investors can aim.

Below is a high-level overview of some of the physical and transitional risks and opportunities companies face in relation to climate change, drawn from the Task Force on Climate-related Financial Disclosures (TCFD). Climate-related issues are obviously relevant for entities across many industries and will therefore be relevant for their reporting and the audit of their financial statements.



Our review

The FRC has completed a review of climate-related issues as they affect governance, reporting and audit, and the roles of a range of market participants. This scope acknowledged the important role boards, companies, auditors, professional associations and investors play in considering climate-related issues. These important actors assess climate-related challenges, help to drive appropriate reporting to the market, equip accountants and auditors with relevant knowledge and the confidence to challenge, and encourage the behaviour and reporting they want to see. These groups all play important roles in delivering society's climate ambitions, as each has the capacity to act as a driver of change.

The questions we asked of these groups are outlined to the right.

This review highlights our views on current market practice, outlines our expectations, and shows where we will focus our energies in ensuring that those within our remit are responding appropriately to this challenge. Our findings on governance, reporting, audit, professional associations and investors' views are summarised over the next few pages.

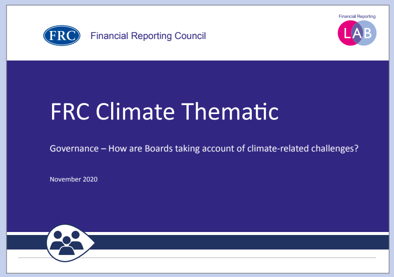
Summarised key findings

How are boards taking account of climate-related challenges?

It is the board's responsibility to consider climate-related issues, but there is little evidence that business models and company strategy are influenced by integrating climate considerations into governance frameworks.

- To govern successfully, boards cannot exclude climate change from their decision making. The impact of climate change will vary by company, but it is a board's responsibility to consider the possible implications.
- More companies are disclosing approaches to climate governance, but it is often unclear how consideration of climate-related issues informs key decisions or the business model or strategy. This consideration is even less obvious amongst smaller cap companies.
- Investors continue to want companies to outline how the board considers and assesses climate change. Governance, and an understanding of the role of the board in relation to climate-related issues, is considered a key part of understanding the company's approach.
- Those involved in governance need to have some understanding of how climate change will affect the company or have access to relevant expertise in order to be able to make appropriate decisions.
- Some companies have set up committees to help the board understand what climate change could mean for the business, the possible impact of broader trends and reporting requirements. Information about processes, expertise and training could have made disclosures about such committees more useful. For example, few companies identified key decisions that had been informed by such considerations, or how they linked directly to the company's circumstances.

Further insight into, and examples of, better practice, are included within our detailed report on governance, which can be found here.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FRC Climate Thematic

Governance – How are Boards taking account of climate-related challenges?

November 2020

How are companies developing their reporting on climate-related challenges?

An increasing number of companies are providing narrative reporting on climate-related issues. While minimum legal requirements are often being met, users are calling for additional disclosure to inform their decision making. Some companies have set strategic goals such as 'net zero', but it is unclear from their reporting how progress towards these goals will be achieved, monitored or assured.

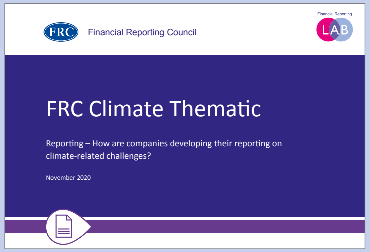
- Companies are increasingly addressing the risks associated with climate change in their narrative reporting. In many cases, reporting complies with the minimum requirements in company legislation, but is not yet meeting the needs of investors and other users, who are themselves responding to a changing regulatory environment.
- A growing number of companies report, or intend to report, against the TCFD framework; however, a greater degree of granularity regarding milestones, targets and metrics would lead to a more meaningful disclosure.
- The impacts of climate change on the business model, including risks and opportunities, were often discussed, but disclosures were of mixed quality. Many lacked substance or focused more on opportunities than risks. Investors seek to understand the risks and opportunities presented by climate change including their prioritisation, likelihood and impact, and the timeframes over which they might crystallise; they would like this to be presented in a more balanced way.
- Disclosure is helpful in circumstances where users may have a reasonable expectation that climate change would give rise to a risk. If management considers that it does not give rise to any significant risk, we encourage companies to articulate why this is the case.
- Investors want to understand the resilience of the business model and the strategy for addressing climate-related challenges. Disclosures could be improved by providing detail about the effects on specific areas of the business.
- Users are interested in reporting on scenarios, as well as understanding the impacts of the commitments which companies are making, for instance pathways to 'net zero' emissions. The reporting in this area was often difficult to understand and compare; the scope and definition attributed to such ambitions was often unclear, and detail was sparse on key inputs, assumptions made and outcomes for the scenarios mentioned. In particular, it was unclear to what extent climate 'aims' and 'ambitions' were reflected in budgets and business plans.
- Disclosures about the impacts of the business on the environment, which are required to be given in the strategic report, were generally less developed than those focusing on the impacts on the business, with disclosures often difficult to identify or lacking detail.
- Most of the companies reviewed provided information on the outcomes of environmental policies, including those relating to climate change. Two thirds had set targets with respect to climate change, but only half of those explained how they had performed against previous targets. Companies should give a fair and balanced explanation of the outcomes of their environmental policies, including not focusing only on 'good news stories'.
- Greenhouse gas emissions metrics were generally disclosed, although the detailed disclosure requirements were not always fully met. Commonly accepted methodologies allow significant scope for variation in how these metrics are calculated; judgements about the emissions included or boundaries of the organisation were not always well described. This may be particularly relevant where emissions targets form a key component of the company's strategy.
- Some companies had early-adopted the Streamlined Energy and Carbon Reporting requirements, with a few going beyond the requirements to gather external assurance over the data, although it was not always clear what that level of assurance entailed.
- Almost all companies had included a section 172(1) statement and a stakeholder engagement statement. These were often combined, which sometimes led to the omission of certain aspects of the required disclosures, where these are not directly stakeholder-focused.

Consideration and disclosure of climate change in the financial statements lags behind narrative reporting. We identified areas of potential non-compliance with the requirements of International Financial Reporting Standards (IFRS).

To assist companies in their future reporting, the FRC has developed a set of clear expectations against which our monitoring activities will be benchmarked. These cover both narrative reporting and financial statement accounting and disclosures. These expectations are set out in full in the corporate reporting report on pages 9 and 10. We believe that ensuring consistent disclosure on these important matters will significantly raise the bar in the quality of company reporting of climate change.

- Companies should consider whether the annual report and accounts, taken as a whole, presents a consistent message about the most significant risks presented by climate change, and includes all information that may be material for decision making.
- Only a quarter of companies in our sample had made any reference to climate change in their financial statements, although almost all had addressed climate change in their narrative reporting. Investors and other users have a clear interest in the accounting implications of these uncertainties, but disclosures generally did not go beyond the minimum information specified in accounting standards and in some cases may not have met these requirements. This will be confirmed through direct engagement with relevant companies.
- It was generally unclear how forward-looking assumptions and judgements applied in preparation of the financial statements were consistent with narrative discussion of climate change in the strategic report. For example, it was unclear whether commitments made by companies, such as 'net zero', had been reflected in budgets and forecasts or how climate scenarios discussed in narrative reporting related to financial statement assumptions. There is no requirement in IFRS to link these assumptions to a particular climate scenario, but users have highlighted the importance of being able to understand this linkage.
- The apparent inconsistency was most evident in the following three areas where, in the sample of companies reviewed, uncertainties associated with climate change may reasonably have been expected to have had a significant impact on the financial statements. These matters may have been considered, but this was not typically clear from the disclosures. In such circumstances, and even where these disclosures are not required by a standard, companies may wish to consider whether making additional disclosures would be helpful to users.
    - Descriptions of management's approach to determining key assumptions for impairment testing did not generally reference climate change and we also identified potentially inadequate sensitivity disclosures.
    - It was unclear whether climate change uncertainties had been taken into account when determining useful economic lives of assets which appear to be exposed to these risks.
    - Climate change was not generally addressed in disclosures of significant judgements, or about sources of estimation uncertainty which have a significant risk of resulting in a material adjustment within the next financial year. While uncertainties associated with climate change are often resolved over a timeframe greater than 12 months, this is not always the case.
- Segmental and disaggregated revenue disclosures did not typically provide insight into the relative importance, in financial terms, of how different parts of the business are affected by climate change.

Further insight into, and examples of, better practice, are included within our detailed report on corporate reporting, which can be found here.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FRC Climate Thematic

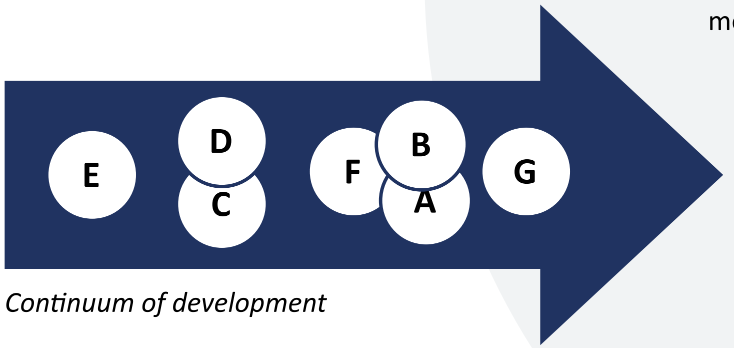
Reporting – How are companies developing their reporting on climate-related challenges?

November 2020

How are auditors taking account of climate-related challenges?

The quality of support, training and resources provided to the audit practice varied considerably across firms. Firms also need to do more to ensure that their internal quality monitoring has appropriate regard for climate change considerations.

- The maturity of responses to climate change varied widely across the large audit firms. We have mapped where the seven audit firms (from A to G) we assessed sit on a continuum of development.
- The firm that is most advanced has a suite of guidance and resources to support audit teams and has embedded climate change considerations into its audit training and methodology. It has guidance on when audit teams should involve specialists and also central review programs to identify audits with significant climate change risks. This firm has made climate-related issues a focus of their quality control processes and has undertaken targeted reviews. The least advanced firm is providing very few resources to its audit teams.
- Overall, most firms should develop ways to embed climate change considerations into their audit methodology and software to ensure that audit work is of a consistent quality. Providing working papers and templates can help. Without this direction, audit teams may not identify all areas of the financial statements that may be affected by climate change and may not follow through this assessment with sufficiently rigorous audit work.
- Responding to climate-related issues can require specialist knowledge and skills in specific sectors or areas such as sustainability or valuations. Over half the firms we reviewed had such expertise available, although only one could provide statistics on how often such specialists were used. Only one firm provided clear guidance to audit teams on when they are expected to involve a specialist.
- On difficult or contentious matters, audit teams may consult with the firms' central technical teams, who are experts in auditing and accounting. No firm has guidance on when audit teams should consult in respect of climate change. None of the firms track such consultations and only one firm was able to identify any consultations specifically raised in respect of climate change.
- Most firms are not yet incorporating climate change considerations into their internal monitoring of ongoing audits and their review of completed audits. Such monitoring can provide helpful insight into how teams are responding to these issues.
- Firms should do more centrally to identify which audits might be more exposed to climate change risks and to support and guide audit teams in performing granular risk assessments for audited entities.

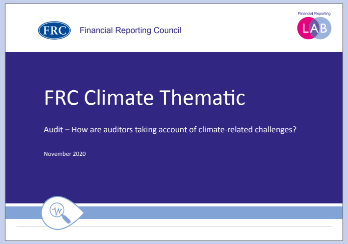


Continuum of development

Audits reviewed indicated that auditors need to improve their consideration of climate-related risks when planning and executing their audits.

- For over half of the audits we reviewed, we found auditors had not considered climate change when identifying and assessing the risks of material misstatement to the financial statements. Audit teams had neither considered the range of physical and transition risks to which the entity might be exposed, nor the risks that climate change pose for its customer base or supply chain over different time horizons. Where management had included a principal or emerging risk in relation to climate change, only a few audit teams showed how they had considered this in their own risk assessment.
- In some instances, audit teams had identified in their risk assessments that financial statement balances might be affected by climate change, but had then failed to address these risks appropriately in their audit testing of these balances, e.g. asset impairment testing.
- Where companies had made climate change commitments in their accounts, it was not clear how the audit team had assessed how these commitments were consistent with the forecasts used to prepare the financial statements.
- In most instances, it was not clear how the audit team had assessed the sufficiency of the climate-related disclosures in the annual report, including in the financial statements. In several instances, where the audited entity had reported that they were complying with the TCFD recommendations, the audit team had not evidenced an assessment of compliance.
- Most audit teams only used very generic wording to report to those charged with governance that climate change was an area of focus in the year. Given the impact of climate change is typically entity specific, audit teams should endeavour to tailor their reporting accordingly.
- Where firms had provided guidance and templates, audit teams were also not consistently making use of these to support their work.

Further insight into, and examples of, good practice, are included within our detailed report on audit, which can be found here.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FRC Climate Thematic

Audit – How are auditors taking account of climate-related challenges?

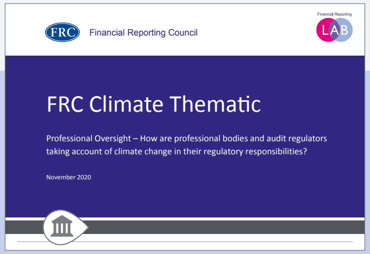
November 2020

How are professional bodies and audit regulators taking account of climate change in their regulatory responsibilities?

UK professional bodies, and audit regulators in the Crown Dependencies, are responding to climate change, but approaches differ in terms of substance and granularity regarding references to climate-related reporting and the impacts of climate change.

- The professional bodies' approaches to governance and strategy are developing to include greater reference to climate-related issues.
- Some professional bodies incorporate climate change considerations into their educational process, and are looking to develop this area further.
- Some professional bodies informed us they intend to review their audit monitoring, registration and renewals and complaints approaches.
- The professional bodies are also considering their operational impacts.

Further insight into, and examples of, good practice, are included within our detailed report on professional oversight, which can be found here.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Professional Oversight – How are professional bodies and audit regulators taking account of climate change in their regulatory responsibilities?
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What do investors want to see?

Investors support the Task Force on Climate-related Financial Disclosures framework, but also expect to see disclosures regarding the financial implications of climate change. Investors are themselves facing a changing regulatory environment.

- There is a developing regulatory framework for investors, which also drives the need for companies to respond to climate-related challenges, and report how they are doing so.
- Our review of early reporting against the expectations of the UK Stewardship Code found that the level of detail on investor activity varied widely. Overall, reporting could better explain how climate-related issues are systematically integrated into the investment process.
- Investors support companies using the TCFD's 11 recommended disclosures as a framework for considering and assessing the climate-related issues they face. They acknowledge that more reporting is being provided, but that further improvement is needed.
- Investors increasingly expect information on climate-related issues to be reflected in the financial statements and auditors to challenge and test management's assumptions.

Further insight into investors' views are outlined in each of the individual reports. Examples of better practice corporate reporting against the TCFD framework, and our insight into investors' reporting against the UK Stewardship Code can be found here.


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Investors – What do investors want to see?
November 2020

Our future work programme may include:

- Increasing the focus on climate change considerations in our ongoing Corporate Reporting Review and Audit Quality Review monitoring work where relevant.
- Encouraging UK public interest entities to report against the TCFD 11 recommended disclosures and, with reference to their sector, using the SASB metrics.
- Undertaking a review of reporting under the Streamlined Energy and Carbon Reporting regulations in 2021.
- Assessing professional associations' approaches to climate change, including in their regulatory and curriculum-setting functions.
- Incorporating monitoring of climate-related reporting in our annual UK Stewardship Code and UK Corporate Governance Code monitoring and consider whether climate-related amendments are appropriate within future revisions of these Codes, the Guidance on the Strategic Report and associated guidance.
- Investigating developing investor expectations and better practice reporting under TCFD and SASB, plus engage internationally on the developing approach to reporting frameworks and standards.
- Highlighting areas of the financial statements of UK GAAP reporters where climate change could be a consideration.
- Undertaking a project considering the requirements of audit, emerging role of assurance, and responsibilities of audit committees in this area.

Appendix – requirements and guidance

Reporting requirements

When deciding what they need to disclose in relation to climate change, companies need to consider whether the issue is a 'relevant environmental factor' and whether it is material to the company.

Narrative reporting

Narrative reporting requirements and expectations relate to both the company's impact on the environment and the impact climate change may have on the future of the business.

The Companies Act 2006 requires companies to report on environmental-related matters, for example the company's environmental policies and outcomes, risk reporting, stakeholder engagement and greenhouse gas emissions.

Financial statements

Companies may also need to report on the financial implications of climate-related challenges. The range of physical and transitional risks, and opportunities, highlights the wide consideration that needs to be given to the possible financial impacts of climate change.

There is no standalone IFRS which addresses climate change specifically. However, the requirements of IFRS standards provide a clear framework for incorporating the risks of climate change into companies' financial reporting.

These apply, for example, to measurement uncertainty associated with forward-looking assumptions and estimates, and the related disclosures.

In November 2019, a member of the International Accounting Standards Board (IASB) provided an overview of existing IFRS requirements and guidance on the application of materiality in the article 'IFRS Standards and climate-related disclosures'. The article does not have the status of a standard and does not provide a complete 'checklist' of relevant requirements but does provide helpful insight into how climate change should be considered when addressing certain requirements. The article also emphasises the existing materiality requirements and guidance. It states that:

> ***Companies applying IFRS Standards when preparing financial statements would consider:***
>
> - ***whether investors could reasonably expect that emerging risks, including climate-related risks, could affect the amounts and disclosures reported in the financial statements. Investors have indicated the importance of information about such risks to their decision-making; and***
> - ***what information about the effect of emerging risks, including climate-related risks, on the assumptions made in preparing the financial statements is material, and thus should be disclosed.***

Requirements of International Standards on Auditing (ISAs)

As highlighted by the recent Staff Audit Practice Alert, a number of ISAs already, where applicable, require a consideration of climate-related issues in the process of an audit of financial statements.

The ISAs that may be most relevant to climate-related considerations include those covering the risk assessment (ISA 315), the auditor's response to the assessed risks (ISA 330), and the auditor's responsibilities relating to Other Information (ISA 720).

UK Corporate Governance Code

The FRC's UK Corporate Governance Code (Code) promotes good practice in governance and long-term sustainable success. Principle A states that:

> ***a successful company is led by an effective and entrepreneurial board, whose role it is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.***

The Code does not include a specific provision on environmental issues, but the Code's principles cover matters relating to the environment, including the requirements to assess and manage the company's risks and the board's responsibility for narrative reporting and engagement with wider stakeholders. Climate change cannot be excluded from these principles of good governance.

The Financial Reporting Lab report

The Financial Reporting Lab's 2019 report on climate-related disclosure outlined investors' views on the integration of climate-related considerations into corporate reporting. Investors stated that climate-related insights were important for their decision making, and they were supportive of the TCFD framework. Both investor and company participants in the Lab's project noted that this was a helpful framework for shaping consideration of, and reporting on, climate-related issues. Investors welcomed the ongoing development of reporting, but encouraged more extensive reporting to meet their needs.

To help companies consider what they might report in the context of the TCFD recommendations, the Lab's report outlined a series of questions investors encouraged companies to ask themselves in relation to governance, strategy, risk management and metrics and targets.

The Lab spoke to a range of investors as part of this year's thematic, to test their views on the integration of climate-related considerations into corporate reporting and auditing. Investors noted that the questions from last year's report remain highly relevant and useful as companies consider how best to meet the disclosure expectations of the TCFD framework.

Investors also outlined throughout the course of the thematic that they were increasingly interested in the disclosure of the financial implications of climate change.

Whilst their views on better practice continue to develop, investors' expectations continue to increase.

The Task Force on Climate-related Financial Disclosures

The TCFD, established in December 2015 by the Financial Stability Board, was tasked with reviewing how the financial sector could take account of climate-related issues. In 2017, the TCFD published a report which set out four core elements of recommended climate-related financial disclosures that apply to organisations across sectors and jurisdictions:

- Governance: The organisation's governance around climate-related risks and opportunities.
- Strategy: The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.
- Risk Management: The processes used by the organisation to identify, assess, and manage climate-related risks.
- Metrics and Targets: The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

The TCFD recently released its 2020 Status Report, which provides its views on the state of climate-related disclosure.

Sustainability Accounting Standards Board (SASB)

SASB was founded in 2011 to develop sustainability accounting standards. In November 2018, SASB published these standards, providing a complete set of globally applicable industry-specific standards which identify the minimal set of financially material sustainability topics and their associated metrics for the typical company in an industry. The metrics are financially material, market informed and industry specific.

FRC view on non-financial reporting

Neither the TCFD recommendations nor SASB metrics are currently mandatory, but the FRC encourages companies to report using the TCFD's 11 recommended disclosures, and against the SASB metrics relevant to their sector. The FRC's statement on non-financial reporting can be found here.

Financial Reporting Council

Information about the Financial Reporting Council can be found at:
https://www.frc.org.uk

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Our purpose
The FRC's purpose is to serve the public interest by setting high standards of corporate governance, reporting and audit, and by holding to account those responsible for delivering them.

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