



Banks' climate-related disclosures (Phase 2)

Benchmarking how banks reported against the TCFD recommended disclosures in 2021

—
June 2022



Purpose of this report

This report focuses on phase 2 of our benchmarking analysis on banks' climate-related disclosures.

Our analysis in phase 1 (issued in April 2022) looked at the key trends observed on climate-related disclosures within the 2021 annual reports of some of the major banks around the world.

In phase 2 of our analysis, we look at how the climate-related disclosures of banks align with the recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD) which most banks disclose in their other standalone reports such as climate or sustainability reports.

This report outlines the key trends observed in phase 2. It offers insights to investors, regulators, preparers and other stakeholders that are interested in these disclosures.

As in phase 1, we performed benchmarking of 35 major banks across the UK and Europe, Australia, Asia, Canada and the US.

Executive summary	3
Scope and approach	4
TCFD recommended disclosures	7
Banks' progress on climate-related disclosures	11
Governance	16
Strategy	22
Risk management	30
Metrics and targets	37
Appendices:	
Appendix 1: Maturity scale	47
Appendix 2: Standard developments	48

Executive summary

Overall themes from phase 1 and phase 2

Currently a lack of quantitative disclosures makes it hard to understand the full picture on climate. Numbers hold this picture together, whether it's the connectivity within the annual report and other standalone reports, or between them

Where there is heightened regulation this generally results in enhanced climate-related disclosures in annual reports and TCFD-aligned disclosures provided by banks

Banks' progress in disclosing climate-related matters has slowed down between 2020 and 2021 in annual reports and other standalone reports – and scenario analysis and financed emissions are areas where significant progress is yet to be seen

More and more banks are obtaining independent assurance on climate-related information in their annual reports and other standalone reports – although currently these relate mostly to limited assurance on selected metrics such as Scope 1 and Scope 2 greenhouse gas (GHG) emissions

See pages 7-15

Specific themes from phase 2

Governance and risk management



Banks have enhanced their governance structures and risk management frameworks – although we are yet to see the full impacts of these changes on their strategies, and metrics and targets

See pages 16-21 and 30-36

Strategy



Many banks have committed to achieving net zero by 2050 – however, their transition plans on how they intend to achieve this over the short, medium and long term are not yet clear

There are limited quantitative disclosures of scenario analysis – it's challenging to use the information currently disclosed by banks to assess the resilience of their strategies

See pages 22-29

Risk management



Banks have started integrating climate-related risks into their credit risk processes – however, there is less clarity on how they are considering the impacts on other risks such as market and liquidity risks

See pages 30-36

Metrics and targets



Metrics are not yet disclosed at a granular level which makes it challenging for users to understand and assess how banks have progressed in achieving their targets

Banks are yet to calculate and disclose their financed emissions across their full lending and investment activities – a single globally accepted methodology would help banks deliver improved clarity

See pages 37-45

Scope and approach

Scope and approach

Phase 1 and phase 2

Our combined analysis in phase 1 and phase 2 provides insight into how banks are making their climate-related disclosures in the latest annual reports and other standalone reports¹.

Our report in phase 1 of our analysis on climate disclosures focused on the climate-related disclosures within the 2021 annual reports of banks.

This report focuses on findings from phase 2 of our analysis. In phase 2, we look at how the climate-related disclosures of banks align with the TCFD recommended disclosures. We expanded this second part of our analysis to also look at the other standalone reports¹ of banks, where most banks provide their TCFD-aligned disclosures.

Which banks did we include in our analysis?

We performed benchmarking of 35 major global banks in our analysis of climate-related disclosures in phase 1 and phase 2. This consists of five major banks in the UK, seven in Europe, four in Australia, five in Canada, eight in Asia (across China, Japan, India), and six in the US.

For 3 of the US banks selected in our analysis for phase 1, the 2021 other standalone reports were not available at the time of conducting our phase 2 analysis. These US banks were replaced with other US banks in phase 2, which are relatively similar in size and market presence. There are no other differences between the banks selected in phase 1 and phase 2.

Which reports have we reviewed in phase 2?

- For many of the banks, we reviewed the latest available other standalone reports¹ where most banks provide their TCFD-aligned disclosures, such as climate or sustainability reports (generally called the 'TCFD Disclosures Report' or the 'Sustainability Report').
- 9% of banks in our analysis specifically disclose that their TCFD-aligned disclosures are provided in their annual reports (rather than other standalone reports) – see page 10. For these banks, we reviewed their TCFD-aligned disclosures in their 2021 annual reports.

¹ 'Other standalone reports' refers to those released by banks (other than their annual reports) which disclose detailed climate-related information, such as climate or sustainability reports.

Scope and approach – The maturity scale

How did we perform the benchmarking analysis?

We used a 'maturity scale' to benchmark the climate-related disclosures – as noted on the right.

When applying the maturity scale, we considered the nature and extent of the climate-related disclosures made by the banks with respect to each TCFD recommended disclosure as well the guidance for all industries and supplemental industry guidance for banks – see page 9. We further compared these disclosures between the banks in our analysis.

It is important to note that we have exercised a certain level of **judgement** when assessing the climate-related disclosures of the banks in our analysis.

Maturity scale

We used a maturity scale to benchmark the climate-related disclosures with respect to the TCFD recommended disclosures across the banks in our analysis. The maturity scale consists of three levels – as shown below.

In this report, we have assigned an overall maturity level to each TCFD recommended disclosure and also shown the percentage of banks with disclosures in each level of the maturity scale.

-  More work to be done on the disclosures
-  Disclosures are moderately advanced
-  Disclosures are relatively advanced

Please refer to Appendix 1 of the report for further details on the maturity scale.

TCFD recommended disclosures

TCFD recommended disclosures

What is the TCFD?

The TCFD was established by the Financial Stability Board in 2015 to respond to the threat posed by climate change to the stability of the global financial system. The purpose of the TCFD is to improve corporate reporting on climate-related risks and to enable financial stakeholders – investors, lenders and insurers – to factor climate-related risks into their decisions.

The TCFD published 11 recommended disclosures. Each of these recommended disclosures is supported by TCFD guidance for all sectors and supplemental industry guidance (including industry guidance for banks). See page 9 for further details.

Why are we using the TCFD recommended disclosures as a reference point in phase 2?

The TCFD recommended disclosures provide a framework to help companies more effectively prepare their climate-related financial disclosures. The TCFD recommended disclosures have so far emerged as the global reference point for climate-related financial disclosures made by companies, including banks, around the world. Accordingly, the TCFD recommended disclosures allow us to compare and contrast the climate-related disclosures of banks against a framework that is used by many companies.

Additionally, the recently released proposals by the International Sustainability Standards Board (ISSB™), the US Securities and Exchange Commission (SEC) and the European Financial Reporting Advisory Group (EFRAG) follow a structure that is consistent with the TCFD framework – see page 13 and Appendix 2. A number of jurisdictions are expected to adopt these proposals.

The TCFD's framework was published in 2017 and consists of 11 recommended disclosures and supporting guidance. In 2021, the TCFD updated its guidance related to some of the TCFD recommended disclosures, which we used in our phase 2 analysis. There were no updates to its 4 pillars (governance, strategy, risk management and metrics and targets) or the 11 recommended disclosures.

TCFD recommended disclosures (continued)

What are the TCFD recommended disclosures?

There are 11 TCFD recommended disclosures across 4 pillars (or thematic areas): governance, strategy, risk management and metrics & targets – as outlined on the right.

For each of the 11 TCFD recommended disclosures, the TCFD also provides the following.

- (i) Guidance for all sectors that provides context and suggestions for implementing the recommended disclosures.
- (ii) Supplemental industry guidance which includes specific guidance for banks.

The above guidance is referred to as the 'TCFD guidance' throughout this report.

We have benchmarked the banks' climate-related disclosures against the 11 TCFD recommended disclosures as well as the TCFD guidance (see pages 16-45).

There are 11 TCFD recommended disclosures across 4 pillars:

Governance

- a. Describe the board's oversight of climate-related risks and opportunities
- b. Describe management's role in assessing and managing climate-related risks and opportunities

Strategy

- a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term
- b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning
- c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Risk management

- a. Describe the organisation's processes for identifying and assessing climate-related risks
- b. Describe the organisation's processes for managing climate-related risks
- c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

Metrics and targets

- a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process
- b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions and the related risks
- c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

TCFD guidance accompanying the 11 TCFD recommended disclosures:

- (i) Guidance for all sectors
- (ii) Supplemental industry guidance

What did we observe in our analysis?

97%

of the banks disclose that they follow the TCFD recommended disclosures for their climate-related disclosures

91%

of the banks provide their climate-related disclosures mainly in the other standalone reports

Key observations

- 97% of banks in our analysis disclose that they follow the TCFD recommended disclosures for their climate-related disclosures.
- The TCFD recommends that organisations provide their TCFD recommended disclosures in their mainstream (i.e. public) annual financial filings. However, 91% of banks in our analysis provide their climate-related disclosures mainly in the other standalone reports (which generally include their TCFD recommended disclosures).
 - Some of these banks disclose a summary of their TCFD recommended disclosures in their annual reports with more detailed information on the TCFD recommended disclosures in their other standalone reports.
 - At times, the other standalone reports make references to information in the annual report or other information on the bank's website for certain information (such as the remuneration details of senior management). In such cases, the users of the climate-related information need to go through multiple reports in order to fully comprehend this information.
- 9% of banks in our analysis state that they include all the information related to the TCFD recommended disclosures in their annual reports – i.e. without using other standalone reports which might be available at a different date to the financial statements. The benefit of adopting this approach is that the climate-related disclosures are made available at the same time as the financial statements.
- Although most banks provide at least some disclosures aligned with the 11 TCFD recommended disclosures, the TCFD guidance (which often contains more detailed disclosure considerations) has not always been considered.
- In 2021, the TCFD updated its guidance related to some of the TCFD recommended disclosures. There were no updates to its 4 pillars (governance, strategy, risk management, and metrics and targets) or the 11 recommended disclosures.
 - We used the TCFD's updated guidance in our phase 2 analysis (see pages 16-45).
 - In many cases it is not clear from the banks' 2021 climate-related disclosures which version of the TCFD guidance has been used when preparing their disclosures.

Banks' progress on climate- related disclosures

How have banks progressed in 2021?

Banks' progress in disclosing climate-related matters has slowed down in 2021

In our benchmarking analysis last year, we noted significant improvements in the climate-related disclosures provided by the banks when compared to previous years. This included disclosures provided in the front part of the annual report and the other standalone reports.

However, if we look at the banks' climate-related disclosures provided in the annual reports and the other standalone reports, their progress has slowed down between 2020 and 2021.

Where there is heightened regulation this generally results in enhanced climate-related disclosures

Phase 1 of our benchmarking analysis found that in countries where there is regulation (or regulatory guidance) on banks' climate-related disclosures, coverage in the annual reports is markedly enhanced.

We have also observed this trend in phase 2 of our analysis – the banks in countries where there is regulation (or regulatory guidance) provide climate-related information that aligns better with the TCFD recommended disclosures.



Which banks are leading the way after phase 1 and phase 2?

The UK banks are currently leading

- In phase 1 of our analysis, we noted that the UK banks are ahead of the pack when it comes to the nature and extent of climate-related disclosures in the 2021 annual reports. This is even more apparent in phase 2 when we benchmark the banks against the TCFD recommended disclosures.
 - The UK banks include more detailed and granular climate-related disclosures which allows them to better address the TCFD recommended disclosures as well as the underlying guidance provided by the TCFD.
 - In 2021 the TCFD recommended disclosures became mandatory for UK premium listed banks on a comply or explain basis (which includes a statement in the annual report on whether or how they have complied with the TCFD recommended disclosures).
 - This is reflected in the nature and extent of the 2021 climate-related disclosures of the UK banks in the annual reports and other standalone reports. The UK banks also provide markedly enhanced TCFD-aligned disclosures which are usually summarised in their annual reports and provided in more detail in the other standalone reports.
- When compared to the UK banks, those in most other jurisdictions have significant progress yet to make to align with the TCFD recommended disclosures. Some of these banks provide minimal information to address the 11 TCFD recommended disclosures, and often do not consider the underlying TCFD guidance.

Thinking about future progress

The proposed IFRS® Sustainability Disclosure Standards

The ISSB released two proposed IFRS Sustainability Disclosure Standards (the proposals) in March 2022 – covering general requirements as well as climate-related disclosures².

Under the proposals, companies would report on all relevant sustainability topics (not just on climate-related risks and opportunities) across four content areas that are consistent with the TCFD framework – i.e. governance, strategy, risk management, and metrics and targets.

Both the general requirements proposal and the climate-related proposal follow a structure that is consistent with the TCFD framework.

Although the proposals do not specify an effective date, the ISSB Board has stated that it aims to issue the final standards before the end of 2022.

Irrespective of the effective date chosen by the ISSB, it will be for local jurisdictions to determine whether and when to mandate adoption of the proposals, but a rapid route to full adoption is expected in a number of jurisdictions.



How do the banks' 2021 disclosures compare against the proposals?

More work is still needed by banks to align their climate-related disclosures with the proposals

If we compare the 2021 climate-related disclosures made by banks in the annual reports and other standalone reports against some of the key aspects of the proposals, there is still work to be done, as highlighted in Appendix 2.

In particular, we noted in our benchmarking analysis that many banks currently do not report their climate-related information in the other standalone reports at the same time as the financial statements. The proposals not only require climate-related information but also other sustainability-related information to be reported at the same time, and for the same period, as the annual financial statements.

This is likely to require substantial effort by banks and may affect multiple departments, including and beyond financial and sustainability reporting. Banks would need sufficiently rigorous processes and controls to generate high quality information in a timely manner.

Our benchmarking analysis also noted that currently there is a lack of connectivity between the financial statements and climate-related disclosures in the front part of the annual report and the other standalone reports. Under the proposals, achieving connectivity between sustainability reporting and financial reporting is important.

Other recent developments

The SEC and EFRAG also have climate-related proposals out for comment – see Appendix 2. This means we are likely to see progress on sustainability reporting (including climate-related disclosures) sooner rather than later.

² Refer to our [New on the Horizon](#) publication for more information.

Maturity of the banks' TCFD-aligned disclosures

In this report, we have assigned an overall maturity level to the 11 TCFD recommended disclosures. The overall maturity is an indication of where we have assessed the majority of the banks in our analysis to fall within the maturity scale (see Appendix 1 for details). The table below shows the overall maturity we have assigned to each TCFD recommended disclosure based on our findings from the benchmarking analysis.

Thematic area	TCFD recommended disclosures	Overall maturity
Governance 	a) Describe the board's oversight of climate-related risks and opportunities	
	b) Describe management's role in assessing and managing climate-related risks and opportunities	
Strategy 	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	
Risk management 	a) Describe the organisation's processes for identifying and assessing climate-related risks	
	b) Describe the organisation's processes for managing climate-related risks	
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	
Metrics and targets 	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks	
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	

Maturity scale:  More work to be done on the disclosures  Disclosures are moderately advanced  Disclosures are relatively advanced

Assurance on climate-related disclosures

86%

of the banks disclose that they obtained an assurance report of certain climate-related information (either disclosed in the annual reports or other standalone reports)

Key observations

- We are seeing that more and more banks are obtaining independent assurance of climate-related information. 86% of banks disclose that they obtained an assurance report of certain climate-related information (either disclosed in annual reports or other standalone reports).
 - Currently assurance obtained by banks relates mostly to limited assurance on selected metrics such as the following.
 - Scope 1 and Scope 2 GHG emissions related to their own operations.
 - Amount of green or sustainable financing granted or facilitated to date.
 - A small number of banks obtained limited assurance on other metrics such as their estimated financed emissions for certain portfolios.
- We do not yet see many banks obtaining reasonable assurance over climate-related information.
- Most banks have made their independent assurance reports available to the public – either by including these on their website or embedding these in their annual reports and other standalone reports.

Governance



Governance

TCFD recommended disclosure	Overall maturity
a) Describe the board's oversight of climate-related risks and opportunities	
b) Describe management's role in assessing and managing climate-related risks and opportunities	



What is the maturity of climate-related disclosures on governance?

There are two TCFD recommended disclosures on governance – they relate to disclosures on the board's oversight and management's role. The climate-related disclosures made by many of the banks on governance are relatively advanced for both of the TCFD recommended disclosures.

It is clear from the disclosures of most banks that they have already enhanced their governance structures for climate-related matters – both at board and management levels. They describe the oversight provided by their boards on climate-related matters including the banks' strategic direction when it comes to climate. It is also clear from the disclosures that management play a key part in these governance structures with roles and responsibilities allocated to executives and senior leadership. See further details on pages 18-21.

The focus will now turn to how effective these structures will be as banks address climate-related matters on an ongoing basis. In particular, due to limited quantitative disclosures currently provided by banks in areas such as scenario analysis and financed emissions, we are yet to see the full impacts of these enhancements through their disclosures on strategy as well as metrics and targets (see pages 22-29 and 37-45 for further details).

Governance – Board oversight

Benchmarking against the TCFD recommended disclosures

TCFD recommended disclosure

% of banks within the maturity scale

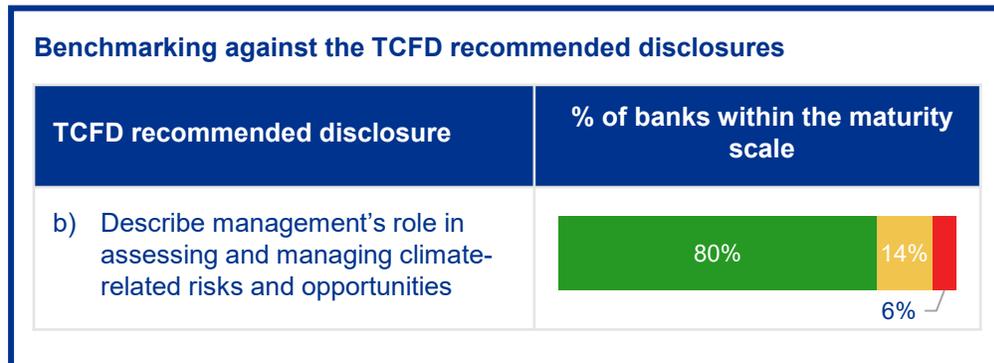
a) Describe the board's oversight of climate-related risks and opportunities



Key observations

- Most banks in our analysis provide relatively advanced disclosures on the board's oversight on climate-related risks and opportunities. These banks disclose that they have already enhanced their governance structures to provide their boards with direct oversight of climate-related risks and opportunities.
- The boards are generally noted as having the responsibility for setting the strategic direction and risk appetite of the banks on climate-related matters. Banks further note that their boards receive regular reporting on climate-related matters from management for consideration when making strategic decisions.
- The boards are generally supported by board committees.
 - Most commonly noted is the risk committee which supports the board in managing, assessing and monitoring climate-related risks, such as embedding climate-related risks into the wider risk management framework and risk appetite.
 - Some banks disclose that their audit committees are responsible for assessing and approving the climate-related disclosures in the annual report and other standalone reports.
- Some banks acknowledge that the focus of the boards so far has been on establishing their climate-related strategies including their net-zero goals. They note that this focus will soon switch to monitoring the banks' progress against these goals and overseeing transition plans to support these goals.

Governance – Management level



Key observations

- Most banks provide information on management's role in assessing and managing climate-related risks and opportunities, and their disclosures in this area are relatively advanced.
- Most banks have assigned climate-related responsibilities to their executives and other senior management. They commonly note the chief executive officer (CEO) as the primary member of the executive team who is responsible for overseeing the execution of the bank's climate strategy.
- Some banks disclose that they enhanced their governance structures in 2020 and 2021 by introducing management committees or forums to support their executives and senior management on delivering the banks' climate commitments and activities – such as a climate steering committee.
 - Some banks further note that their sustainability teams have grown in the last two years, and they have also introduced new senior management roles such as the chief sustainability officer.
- Some banks disclose that they have enhanced their capabilities in climate research and analytics to ensure that their senior management are informed on climate-related matters in a timely manner.
- Most banks have started linking the remuneration of their executives (including the CEO) to climate-related measures. Currently, remuneration is mainly linked to the banks' targets on green or sustainable financing and operational emissions. Remuneration has not yet been linked to financed emission targets as these emissions have not yet been fully quantified.
- Since most banks have set up their governance structures, some banks specifically note that their focus will shift going forward to further embedding business processes which support management – such as coordinating actions across various functions to develop and execute transition plans.

Governance – Getting into the detail

The table below provides an overview of how most banks have aligned their climate-related disclosures on governance to the TCFD guidance. The table highlights areas where most banks in our analysis have provided disclosures and where there are opportunities for further enhancements in disclosures.

TCFD recommended disclosure	TCFD guidance for this disclosure ³	% of banks within the maturity scale when considering the guidance	Most banks currently provide disclosures	Most banks have opportunities for further enhancements in disclosures
a) Describe the board's oversight of climate-related risks and opportunities	Consider the processes and frequency by which the board and/or board committees are informed about climate-related issues.	<p>63% 34% 3%</p>	<ul style="list-style-type: none"> Processes and frequency by which the board and/or board committees are informed about climate-related issues. How the board and/or board committees consider climate-related issues when reviewing and guiding strategy and risk management policies. Acknowledging that the board monitors and oversees progress against climate-related goals and targets. 	<ul style="list-style-type: none"> Whether climate-related issues are considered by board and/or board committees in areas other than strategy and risk management policies, such as business plans. The process by which the board monitors and oversees progress against goals and targets for addressing climate-related issues. Competency of the board to understand and address climate-related matters, including whether they have received appropriate training in the area.
	Consider whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets and business plans as well as setting the organisation's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions and divestitures.	<p>97% 3%</p>		
	Consider how the board monitors and oversees progress against goals and targets for addressing climate-related issues.	<p>40% 26% 34%</p>		

³ The key parts of the TCFD guidance which are applicable for all sectors and for banks have been included in the table (and similar tables in the following pages across the various sections). Please refer to [Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures](#) for the full TCFD guidance.

Governance – Getting into the detail (continued)

TCFD recommended disclosure	TCFD guidance for this disclosure	% of banks within the maturity scale when considering the guidance	Most banks currently provide disclosures	Most banks have opportunities for further enhancements in disclosures
b) Describe management's role in assessing and managing climate-related risks and opportunities	Consider whether the organisation has assigned climate-related responsibilities to management-level positions or committees; and, if so, whether they report to the board or a committee of the board and whether responsibilities include assessing and/or managing climate-related issues.	<p>74% 20% 6%</p>	<ul style="list-style-type: none"> Whether the bank has assigned climate-related responsibilities to management. A description of the associated organisational structure – the banks with more effective disclosures include an organisation chart with clear reporting lines between management and board. How management monitors climate-related issues – e.g. through various committees and regular reporting on climate-related matters. 	<ul style="list-style-type: none"> Processes by which management is informed about climate-related issues. <ul style="list-style-type: none"> Most banks state that their management are informed about climate-related issues. However, they often do not describe the processes by which this takes place – e.g. reporting tools used to better inform management on a timely basis, or capabilities in climate research and analytics.
	Consider a description of the associated organisational structure(s).	<p>71% 23% 6%</p>		
	Consider processes by which management is informed about climate-related issues.	<p>43% 26% 31%</p>		
	Consider how management (through specific positions and/or management committees) monitors climate-related issues.	<p>60% 26% 14%</p>		

Strategy



Strategy

TCFD recommended disclosure	Overall maturity
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	



What is the maturity of climate-related disclosures on strategy?

There are three TCFD recommended disclosures on strategy – as noted on the left. Overall, there is still more work to be done on the disclosures made by banks in the area of strategy – particularly in the following areas.

- Most banks have not yet completed their climate scenario analysis. We are yet to see full quantitative findings from scenario analysis or the actions taken as a result of those findings, which makes it challenging for users to assess how resilient the banks' strategies are to climate-related risks and opportunities.
- Many banks have committed to achieving net zero by 2050. However, their transition plans on how they intend to achieve this over the short, medium and long term are not yet clear in the disclosures.

See further details on pages 24-29.

Strategy – Risks and opportunities

Benchmarking against the TCFD recommended disclosures

TCFD recommended disclosure	% of banks within the maturity scale
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	 <p>6% 31% 63%</p>

Key observations

- There is still more work to be done on the disclosures about climate-related risks and opportunities over the short, medium and long term.
- Most banks identify and describe their climate-related risks in their lending activities, and they link these to short, medium and long term time horizons. In particular, banks identify their physical and transition risks, and they further identify their concentrations of credit exposures in carbon-intensive sectors.
 - Although banks provide detailed disclosures on the climate-related risks in their lending activities, the impacts on other financial intermediary business activities (such as their investment activities or asset management businesses) are often less clear in the disclosures.
- When it comes to opportunities, most banks do not clearly identify and describe where they see the opportunities in their transition to a low-carbon economy, and link these to short, medium and long term time horizons.
- Where opportunities have been identified, these focus on areas in which they have already taken action or they are currently taking action – such as the large amounts of committed green or sustainable financing and the opportunities these create through new products and services (e.g. green loans).
 - However, it is difficult at this stage to assess what banks see as the more structural and forward-looking opportunities as well as areas of competitive advantages in the longer term. This includes opportunities they see themselves seizing in the future and how they are advancing on these right now – e.g. investments in long-term climate-related solutions.

Strategy – Impact on the bank

Benchmarking against the TCFD recommended disclosures

TCFD recommended disclosure	% of banks within the maturity scale
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	 <p>89%</p> <p>11%</p>

Key observations

- There is still more work to be done by banks when it comes to describing the impacts of climate-related risks and opportunities on their businesses, strategy and financial planning.
- Although most banks provide some details of the climate-related impacts on their businesses and strategies, the banks in our analysis do not disclose the impacts on their financial planning process. Also, the disclosures of the impacts on their businesses and strategy are often limited to qualitative details.
 - The current lack of quantitative disclosures in areas such as scenario analysis (see page 26) could mean that it is challenging at this stage for banks to determine the full impacts on their financial planning process (including annual budgets and business plans) as well as their businesses and strategy.
- In connection with the impacts on banks' businesses, strategy and financial planning, their transition plans on how they intend to become net zero between now and 2050 are not yet clear. In particular, the disclosures currently do not provide details of the activities or actions that banks plan to take now and in the long-term which means users are unable to assess whether their net-zero goals are achievable.
 - Currently, many banks disclose their goals to become net zero by 2050. Their strategy disclosures focus on their achievements to date or areas of focus in the immediate term (such as climate-related products and services they are offering) rather than their plans in the longer term.
- Until banks provide more quantitative disclosures as well as information on their transition plans, it is challenging for users to comprehend the full climate-related impacts on the banks' businesses, strategy and financial planning – particularly when it comes to understanding the impacts in the longer term.

Strategy – Scenario analysis

Benchmarking against the TCFD recommended disclosures

TCFD recommended disclosure	% of banks within the maturity scale
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	100%

Key observations

- Scenario analysis is an important and useful tool for understanding strategic implications of climate-related risks and opportunities. However, there is still more work to be done by banks in their disclosures of climate scenario analysis.
- The disclosures on scenario analysis are currently not comprehensive. They are mostly qualitative, and we do not yet see full quantitative impacts of scenario analysis.
 - Most banks are still finalising their scenario analysis and they do not provide quantitative results that would help users to understand the resilience of their strategies.
 - Even where banks are not yet able to reflect the quantitative results of scenario analysis performed, disclosures could be improved by greater explanation of the implications of the analysis that has been performed on resilience and on strategy.
 - A minority of banks discloses details of scenario analysis performed to date, including the scenarios used and some quantitative disclosures of preliminary results – however, even in these cases, the quantitative disclosures relate to a portion of their lending portfolio, and the implications on their resilience and on strategy are not clear in the disclosures.
 - Some banks specifically acknowledge that there are current challenges in developing climate scenario analysis that is meaningful – for instance, there are data availability and granularity challenges involved.
- Overall, it's challenging to navigate through the information currently disclosed on scenario analysis to assess the resilience of their strategies to climate-related matters.

Strategy – Getting into the detail

The table below provides an overview of how most banks have aligned their climate-related disclosures on strategy to the TCFD guidance. The table highlights areas where most banks in our analysis have provided disclosures and where there are opportunities for further enhancements in disclosures.

TCFD recommended disclosure	TCFD guidance for this disclosure	% of banks within the maturity scale when considering the guidance	Most banks currently provide disclosures	Most banks have opportunities for further enhancements in disclosures
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	A description of what they consider to be the relevant short, medium and long term time horizon.	<p>31% 3% 66%</p>	<ul style="list-style-type: none"> Details of how climate-related risks are linked to short, medium and long term time horizons. Significant concentrations of credit exposure to carbon-related assets – usually identified by key sectors. Details of climate-related risks (transition and physical) in lending activities. 	<ul style="list-style-type: none"> Details of how climate-related opportunities are linked to short, medium and long term time horizons. A description of the specific climate-related issues potentially arising in each time horizon that could have a material financial impact on the bank – although the climate-related issues are noted, it is often not clear whether these are the issues that could have a material financial impact. Description of the process used to determine which risks and opportunities could have a material financial impact. Details of climate-related risks (transition and physical) in other financial intermediary business activities (i.e. other than lending).
	A description of the specific climate-related issues potentially arising in each time horizon (short, medium and long term) that could have a material financial impact on the organisation.	<p>25% 9% 66%</p>		
	A description of the process(es) used to determine which risks and opportunities could have a material financial impact on the organisation.	<p>9% 49% 42%</p>		
	Banks should describe significant concentrations of credit exposure to carbon-related assets.	<p>69% 3% 28%</p>		
	Banks should consider disclosing their climate-related risks (transition and physical) in their lending and other financial intermediary business activities.	<p>37% 40% 23%</p>		

Strategy – Getting into the detail (continued)

TCFD recommended disclosure	TCFD guidance for this disclosure	% of banks within the maturity scale when considering the guidance	Most banks currently provide disclosures	Most banks have opportunities for further enhancements in disclosures
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Organisations should consider including the impact on their businesses, strategy and financial planning in areas such as products and services and supply chain.		<ul style="list-style-type: none"> Qualitative information of the climate-related impacts on banks' businesses and strategy – e.g. through impacts on products and services, and credit risk. 	<ul style="list-style-type: none"> Quantitative information of the climate-related impacts on the bank's businesses and strategy (in particular comprehensive disclosures of scenario analysis with quantitative results). Details of the financial planning process including the following. <ul style="list-style-type: none"> - Impact of climate-related matters on financial planning. - How climate-related issues serve as an input to the financial planning process, the time period(s) used, and how these risks and opportunities are prioritised. <p>Note: it may be that due to the current lack of quantitative disclosures, the impacts on financial planning are not yet clear.</p> <ul style="list-style-type: none"> The impact of climate-related issues on financial performance and financial position.
	Organisations should describe how climate-related issues serve as an input to their financial planning process, the time period(s) used, and how these risks and opportunities are prioritised.			
	Organisations should describe the impact of climate-related issues on their financial performance and financial position.			

Strategy – Getting into the detail (continued)

TCFD recommended disclosure	TCFD guidance for this disclosure	% of banks within the maturity scale when considering the guidance	Most banks currently provide disclosures	Most banks have opportunities for further enhancements in disclosures
<p>c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</p>	<p>Organisations should describe how resilient their strategies are to climate-related risks and opportunities, taking into consideration a transition to a low-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organisation, scenarios consistent with increased physical climate-related risks.</p>		<ul style="list-style-type: none"> • Details of status or progress to date on climate-related scenario analysis. • Scenarios that banks are using (or intend to use). • Qualitative information of how the strategy may be affected by climate-related risks and opportunities – e.g. through impacts on products and services, and credit risk. 	<ul style="list-style-type: none"> • Details of the approach used to develop scenario analysis. • Quantitative information of how the strategy may be affected by climate-related risks and opportunities. • Resilience of the strategy to climate-related risks and opportunities taking into consideration different climate-related scenarios. This includes quantitative details of results from scenario analysis conducted. • How the strategy might change to address potential risks and opportunities. • The potential impact of climate-related issues on financial performance and financial position. • The climate-related scenarios and associated time horizon(s) considered.
	<p>Organisations should consider discussing:</p> <ul style="list-style-type: none"> • where they believe their strategies may be affected by climate-related risks and opportunities; • how their strategies might change to address such potential risks and opportunities; • the potential impact of climate-related issues on financial performance and financial position; and • the climate-related scenarios and associated time horizon(s) considered. 			

Risk management



Risk management

TCFD recommended disclosure	Overall maturity
a) Describe the organisation's processes for identifying and assessing climate-related risks	
b) Describe the organisation's processes for managing climate-related risks	
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	



What is the maturity of climate-related disclosures on risk management?

The climate-related disclosures made by most banks are relatively more advanced for the three TCFD recommended disclosures on risk management. This is not surprising given the banks' traditional focus in this area.

Banks are integrating climate-related risks into their overall risk management frameworks. In particular, banks are focusing on the credit risk impacts and they have already started integrating climate-related risks into their credit risk processes. However, there is less clarity at this stage on how they are considering the impacts of climate on other risks such as market and liquidity risks. See pages 32-36 for details.

It is clear from the 2021 disclosures that banks are focussed on enhancing their risk management frameworks and processes. Similar to governance, the question now is how effective are these enhancements at addressing climate-related risks? Due to the limited quantitative disclosures on areas such as scenario analysis and financed emissions, it is challenging at this stage to assess their impact.

Risk management – Identifying and assessing

Benchmarking against the TCFD recommended disclosures

TCFD recommended disclosure	% of banks within the maturity scale
a) Describe the organisation's processes for identifying and assessing climate-related risks	 <p>80% 6% 14%</p>

Key observations

- The disclosures provided by most banks on their processes for identifying and assessing climate-related risks are relatively advanced.
- Banks acknowledge that climate-related risks could have material or adverse impacts on their businesses where these are not identified, assessed and managed appropriately. This includes considering the climate-related impacts on customers as well as the potential impacts on their strategy, business activities and operations.
- Banks identify their climate-related risks by splitting them into the two TCFD risk categories: (i) physical risks and (ii) transition risks.
 - In particular, banks acknowledge that physical risks can result in financial loss to the banks if these impact a borrower's ability to repay loans while potentially decreasing the value of collateral.
 - They also acknowledge that transition risks results in regulatory, reputation and legal risks for the banks.
- Many banks acknowledge that climate-related risks have an impact on their other risks including credit, reputational, operational, market and liquidity risks.
 - Credit risk gets the most attention in the disclosures, with banks disclosing that they are integrating climate-related risks into their credit risk processes, such as borrower credit assessments.
 - A minority of banks disclose information about how they consider climate-related risks when assessing market and liquidity risks.

Risk management – Managing

Benchmarking against the TCFD recommended disclosures

TCFD recommended disclosure	% of banks within the maturity scale
b) Describe the organisation's processes for managing climate-related risks	 <p>74% 17% 9%</p>

Key observations

- The disclosures provided by most banks on their risk management processes for climate-related risks are relatively advanced.
- The processes that banks have put in place to manage climate-related risks include the following.
 - Integrating climate-related risks in their existing risk management frameworks – see page 34.
 - Establishing new climate-related risk limits and triggers within their risk appetite statements – e.g. metrics related to carbon-intensive sectors.
 - Ongoing monitoring of regulatory developments (such as government policy changes) and societal expectations to effectively respond to these.
 - Reporting of climate-related risks to the board, risk committee and senior management on a regular basis, as well as enhancing capabilities to deliver external reporting requirements.
- Additionally, some banks disclose that they have established a dedicated climate risk team to ensure climate-related risks are appropriately managed.

Risk management – Integration

Benchmarking against the TCFD recommended disclosures

TCFD recommended disclosure	% of banks within the maturity scale
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	<p>74% 17% 9%</p>

Key observations

- The wider risk management framework for a bank generally sets the approach for managing its range of risks as a whole. Most banks have enhanced their processes to integrate climate-related risks into their wider risk management frameworks, and the disclosures in this area are relatively advanced.
- Many banks note that they have elevated climate-related risks as a principal or key risk to recognise that these are relevant and material enough to warrant the same level of attention and follow similar risk management processes as their other principal or key risks.
- In order to integrate climate-related risks into their overall risk management framework, banks have identified the climate-related impacts on their other risks and considered how these are addressed across their various business functions and activities.
 - Currently, credit risk receives the most attention in the disclosures – many of the banks disclose they have started integrating climate-related risks into their existing credit risk processes – e.g. amending credit policies and borrower credit assessments to consider climate-related factors.
 - However, in terms of the areas that receive less attention, currently there is less clarity on the climate-related impacts on market and liquidity risks, and how these are addressed within the overall risk management framework.

Risk management – Getting into the detail

The table below provides an overview of how most banks have aligned their climate-related disclosures on risk management to the TCFD guidance. The table highlights areas where most banks in our analysis have provided disclosures and where there are opportunities for further enhancements in disclosures.

TCFD recommended disclosure	TCFD guidance for this disclosure	% of banks within the maturity scale when considering the guidance	Most banks currently provide disclosures	Most banks have opportunities for further enhancements in disclosures
a) Describe the organisation's processes for identifying and assessing climate-related risks	Organisations should describe their risk management processes for identifying and assessing climate-related risks. An important aspect of this description is how organisations determine the relative significance of climate-related risks in relation to other risks.	<p>38% 51% 11%</p>	<ul style="list-style-type: none"> Processes for identifying and assessing climate-related risks. Whether the banks consider existing and emerging regulatory requirements related to climate change and other relevant factors. Definitions of risk terminology used or references to existing risk classification frameworks used. Characterising climate-related risks in the context of traditional banking industry risk categories – although credit risk receives the most attention in disclosures. 	<ul style="list-style-type: none"> How the banks determine the relative significance of climate-related risks in relation to other risks. The processes for assessing the potential size and scope of identified climate-related risks. More detail of the impact on market and liquidity risks and how these are addressed.
	Organisations should describe whether they consider existing and emerging regulatory requirements related to climate change as well as other relevant factors considered.	<p>52% 31% 17%</p>		
	Organisations should also consider disclosing the processes for assessing the potential size and scope of identified climate-related risks and definitions of risk terminology used, or references to existing risk classification frameworks used.	<p>26% 57% 17%</p>		
	Banks should consider characterising their climate-related risks in the context of traditional banking industry risk categories such as credit risk, market risk, liquidity risk, and operational risk.	<p>40% 43% 17%</p>		

Risk management – Getting into the detail (continued)

TCFD recommended disclosure	TCFD guidance for this disclosure	% of banks within the maturity scale when considering the guidance	Most banks currently provide disclosures	Most banks have opportunities for further enhancements in disclosures
b) Describe the organisation's processes for managing climate-related risks	Organisations should describe their processes for managing climate-related risks, including how they make decisions to mitigate, transfer, accept, or control those risks.	<p>71% 20% 9%</p>	<ul style="list-style-type: none"> Processes for managing climate-related risks. 	<ul style="list-style-type: none"> Details of the processes for prioritising climate-related risks, including how materiality determinations are made within the bank.
	Organisations should describe their processes for prioritising climate-related risks, including how materiality determinations are made within their organisations.	<p>58% 11% 31%</p>		
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Organisations should describe how their processes for identifying, assessing and managing climate-related risks are integrated into their overall risk management.	<p>74% 17% 9%</p>	<ul style="list-style-type: none"> Whether and how the processes for identifying, assessing, and managing climate-related risks are integrated into their overall risk management — although credit risk receives the most attention in disclosures. 	<ul style="list-style-type: none"> More detail on how climate-related risks are integrated into other risks such as market and liquidity risks.

Metrics and targets



Metrics and targets

TCFD recommended disclosure	Overall maturity
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	
b) Disclose Scope 1, Scope 2, and if appropriate Scope 3 GHG emissions, and the related risks ⁴	
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	



What is the maturity of climate-related disclosures on metrics and targets?

There are three TCFD recommended disclosures on metrics and targets – as noted on the left. Overall, there is still more work to be done on the disclosures made by banks for metrics and targets in the following areas.

- Metrics are not yet disclosed at a granular level which makes it challenging for users to understand and assess how banks have progressed in achieving their targets.
- Banks are yet to calculate and disclose their financed emissions across their full lending and investment activities, and reported Scope 3 numbers currently exclude financed emissions. Most banks are still in the process of determining how to calculate these. A single globally accepted methodology would help banks provide more clarity in this area.

⁴ The GHG Protocol defines three scopes of emissions. Scope 1 refers to all direct GHG emissions from operations that are owned or controlled by the reporting company. Scope 2 refers to indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company. Scope 3 refers to all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (such as financed emissions).

Metrics and targets - Metrics

Benchmarking against the TCFD recommended disclosures

TCFD recommended disclosure	% of banks within the maturity scale
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	 <p>14% 86%</p>

Key observations

- Financed emissions refer to the GHG emissions associated with a bank's lending and investment activities. This is one of the most important metrics for measuring the climate-related impacts of banks. However, financed emissions are not widely quantified and disclosed at this stage (see page 40), and this is an area where there is more work to be done on the disclosures by most banks.
- In terms of the metrics currently quantified and disclosed, these mainly relate to the following areas.
 - Carbon-intensive sectors: the common metric disclosed is the amount of loans to carbon-intensive sectors.
 - Green or sustainable financing: the common metric disclosed is the amount of green or sustainable financing provided in 2021.
 - Operational emissions: the common metrics include total GHG emissions, energy consumption and water consumption.
- Overall, the metrics are not yet disclosed at a granular level – for example metrics are not always disclosed for historical periods or broken down by sectors and geography – see page 43 for details. This makes it challenging for users to fully understand and assess these metrics, in particular how banks have progressed in achieving their targets.
- Additionally, for metrics on green or sustainable financing, the definition of green or sustainable financing is not always clear in the disclosures.
 - There is also no universally-accepted definition of green or sustainable financing. There are ongoing initiatives in certain jurisdictions to provide guidance in this area – such as the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy on sustainable activities. However, the current diversity in practice on what is green or sustainable makes it harder to compare these metrics (and related targets) in the industry.

Metrics and targets - Financed emissions

Benchmarking against the TCFD recommended disclosures

TCFD recommended disclosure	% of banks within the maturity scale
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks	 <p>14% 86%</p>

Key observations

- Financed emissions are an important component of GHG emissions for banks as these tend to be much larger in aggregate than the emissions from a bank's direct operations. Financed emissions are generally included in Scope 3 – however, the reported Scope 3 numbers by most banks currently exclude any financed emissions.
- Most banks are still in the process of quantifying their financed emissions across their lending and investment activities – and for some banks, it appears from the disclosures that they are yet to start.
- Some banks in our analysis quantify and disclose financed emissions for certain lending portfolios (or a subset of lending exposures), and provide details of the methodology used.
 - However, these are often based on data from previous periods (such as 2019 or 2020).
 - Additionally, although we see some disclosures on financed emissions for certain lending portfolios, these banks do not yet disclose details (quantitative or qualitative) on financed emissions for their investment portfolios.
 - Overall, the aggregate numbers for financed emissions across their full lending and investment activities are not yet disclosed.
- For the major banks, measuring financed emissions is a complex task that involves measuring the climate-related impacts across all their lending and investment activities.
 - Some banks disclose that one of the main challenges of measuring financed emissions is a lack of data since they often rely on emissions data from their customers for their lending and investments.
 - Additionally, there is currently no established methodology that is universally accepted to help banks in quantifying financed emissions. Even if financed emissions are measured and reported by banks, the absence of such a methodology makes it challenging for users to compare results across the banks.
 - The methodology of the Partnership for Carbon Accounting Financials (PCAF) is currently the most commonly referenced methodology.

Metrics and targets - Performance against targets

Benchmarking against the TCFD recommended disclosures

TCFD recommended disclosure	% of banks within the maturity scale
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	

Key observations

- The disclosures related to targets are moderately advanced for most banks as their targets on financed emissions are often not refined in the disclosures.
- Most banks clearly identify targets for the following two areas.
 - Green or sustainable financing: targets focus on providing a committed amount of green or sustainable financing by 2030 (or an earlier date).
 - Operational emissions: targets focus on reducing GHG emissions for operations to net zero by 2030 (or earlier).
- Financed emission targets: Although most banks disclose that they have an overall target to become net zero in financed emissions by 2050, we do not often see more refined targets around financed emissions and related financing activities, such as sector-specific targets and interim targets.
 - Additionally, as financed emissions have not yet been fully quantified, it is challenging for users to assess the banks' progress in achieving their financed emissions targets.
 - Some banks disclose targets to reduce or fully phase-out specific segments of their fossil fuel lending portfolios, with thermal coal mining and oil and gas (particularly Arctic oil and gas) being the commonly targeted segments. However, beyond this, we do not yet see many other sector-specific targets related to reducing financed emissions.
- Overall, until banks quantify all their metrics, refine all their targets, and track and disclose their progress against these targets, it is difficult for users to fully understand and assess the extent of progress against their net-zero targets – particularly for financed emissions.

Metrics and targets – Getting into the detail

The table below provides an overview of how most banks have aligned their climate-related disclosures on metrics and targets to the TCFD recommended disclosures. The table highlights areas where most banks in our analysis have provided disclosures and where there are opportunities for further enhancements in disclosures.

TCFD recommended disclosure	TCFD guidance for this disclosure	% of banks within the maturity scale when considering the guidance	Most banks currently provide disclosures	Most banks have opportunities for further enhancements in disclosures
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Organisations should provide the key metrics used to measure and manage climate-related risks and opportunities.	86% 14%	<ul style="list-style-type: none"> Metrics quantified and reported for green or sustainable financing and operational emissions. Qualitative information on financed emissions such as the status in calculating these. Relevant metrics on operational emissions, such as those associated with energy and water. Whether performance metrics are incorporated into remuneration policies. 	<ul style="list-style-type: none"> Quantitative details of financed emissions across their lending and investment activities, and details of the methodology used for quantifying these. <ul style="list-style-type: none"> Although some banks provide quantitative details for certain lending portfolios, their aggregate financed emissions for lending and investment activities are not yet disclosed. Details on how performance metrics are incorporated into remuneration policies, including which components of compensation are impacted. Internal carbon prices. More granular quantitative information on climate-related opportunity metrics such as revenue from products and services designed for a lower-carbon economy. Historical information for metrics disclosed (including financed emissions), and forward-looking metrics.
	Organisations should consider including metrics on climate-related risks associated with water, energy, land use and waste management where relevant and applicable.	91% 9%		
	Where climate-related issues are material, organisations should consider describing whether and how related performance metrics are incorporated into remuneration policies.	37% 29% 34%		
	Where relevant, organisations should provide their internal carbon prices as well as climate-related opportunity metrics such as revenue from products and services designed for a lower-carbon economy.	89% 11%		
	Metrics should be provided for historical periods to allow for trend analysis. Where appropriate, organisations should consider providing forward-looking metrics for the cross-industry, climate-related metric categories, consistent with their business or strategic planning time horizons.	89% 11%		

Metrics and targets – Getting into the detail (continued)

TCFD recommended disclosure	TCFD guidance for this disclosure	% of banks within the maturity scale when considering the guidance	Most banks currently provide disclosures	Most banks have opportunities for further enhancements in disclosures
<p>a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process (continued)</p>	<p>Banks should provide the metrics used to assess the impact of (transition and physical) climate-related risks on their lending and other financial intermediary business activities in the short, medium, and long term. Metrics provided may relate to credit exposure, equity and debt holdings, or trading positions, broken down by: industry, geography, credit quality, average tenor.</p>	 <p>94% 6%</p>	<ul style="list-style-type: none"> Amount of carbon-related assets. The amount of lending and other financing connected with climate-related opportunities. 	<ul style="list-style-type: none"> The metrics used to assess the impact of climate-related risks on their lending and other financial intermediary business activities in the short, medium, and long term broken down at a granular level (e.g. by industry and geography). <ul style="list-style-type: none"> Metrics for lending (e.g. credit exposures) are provided by most banks, however these are often not provided at a more granular level. Metrics are also often not provided for other financial intermediary business activities. Percentage of carbon-related assets relative to total assets. Details on the extent to which lending and other financial intermediary business activities are aligned with a well below 2°C scenario.
	<p>Banks should also provide the amount and percentage of carbon-related assets relative to total assets as well as the amount of lending and other financing connected with climate-related opportunities.</p>	 <p>17% 49% 34%</p>		
	<p>Banks should describe the extent to which their lending and other financial intermediary business activities, where relevant, are aligned with a well below 2°C scenario, using whichever approach or metrics best suit their organisational context or capabilities.</p>	 <p>86% 14%</p>		

Metrics and targets – Getting into the detail (continued)

TCFD recommended disclosure	TCFD guidance for this disclosure	% of banks within the maturity scale when considering the guidance	Most banks currently provide disclosures	Most banks have opportunities for further enhancements in disclosures
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks	Organisations should provide their Scope 1 and Scope 2 GHG emissions independent of a materiality assessment, and, if appropriate, Scope 3 GHG emissions and the related risks.	<p>83% 17%</p>	<ul style="list-style-type: none"> • Scope 1 and Scope 2 and some Scope 3 GHG emissions (Scope 3 emissions reported mainly include those related to travel). • A statement that the GHG Protocol methodology is used for calculating GHG emissions. 	<ul style="list-style-type: none"> • Quantitative details of financed emissions across lending and investment activities which are reported as part of the total Scope 3 emissions. <ul style="list-style-type: none"> - Currently, many banks do not include financed emissions in their reported total Scope 3 emissions. This may indicate that data and methodologies do not yet allow such disclosure and in turn this may indicate these are subject to further enhancements. • Historical information for GHG emissions (including financed emissions). <ul style="list-style-type: none"> - Some banks disclose estimated financed emissions for certain lending portfolios (although historical information for these estimates are rarely disclosed).
	Banks should disclose GHG emissions for their lending and other financial intermediary business activities where data and methodologies allow.	<p>83% 17%</p>		

Metrics and targets – Getting into the detail (continued)

TCFD recommended disclosure	TCFD guidance for this disclosure	% of banks within the maturity scale when considering the guidance	Most banks currently provide disclosures	Most banks have opportunities for further enhancements in disclosures
<p>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets</p>	<p>Organisations should describe their key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc (where relevant, and in line with anticipated regulatory requirements or market constraints or other goals).</p> <p>In describing their targets, organisations should consider including the following:</p> <ul style="list-style-type: none"> - whether the target is absolute or intensity based; - time frames over which the target applies; - base year from which progress is measured; and - key performance indicators used to assess progress against targets. 	<p>A horizontal stacked bar chart showing the percentage of banks within different maturity scales. The segments are: 31% (green), 52% (yellow), and 17% (red).</p>	<ul style="list-style-type: none"> • Targets related to operational emissions and green or sustainable financing, and performance against these targets. 	<ul style="list-style-type: none"> • Targets related to financed emissions and performance against these targets – in particular, sector-specific and interim targets around financed emissions. • More granular information on targets such as whether the targets are absolute or intensity based.

Appendices

Appendix 1: Maturity scale

We have used a maturity scale to benchmark the climate-related disclosures of the banks with respect to the TCFD recommended disclosures. The maturity scale consists of three levels – as shown on the right.

When assessing the climate-related disclosures of banks within the maturity scale, we assessed the relative maturity of disclosures made by a bank with respect to each TCFD recommended disclosure. In making this assessment, we considered the following.

- 1. Comparison between banks:** How the disclosures made by a bank with respect to each of the TCFD recommended disclosures compare to those disclosures of other banks in our analysis.
- 2. Comparison with the TCFD guidance:** How the disclosures made by a bank with respect to each of the TCFD recommended disclosures consider the TCFD guidance.
- 3. Comparison between the TCFD recommended disclosures across the 4 pillars:** How the disclosures made by a bank with respect to a TCFD recommended disclosure compare to its disclosures for other TCFD recommended disclosures across the 4 pillars in terms of the nature and extent of information disclosed – e.g. TCFD-aligned disclosures in governance compared to those in strategy.

In this report, we have assigned an **overall maturity** to each TCFD recommended disclosure and also shown **the percentage of banks** with disclosures in each level of the maturity scale. The overall maturity is based on the percentages of banks with disclosures in each maturity level within the scale and it is an indication of where we have assessed the majority of the banks in our analysis.

It is important to note that we have exercised a certain level of **judgement** when assessing the disclosures of the banks in our analysis and applying the maturity scale.

The table on the right outlines the key criteria we used when assessing the disclosures within the three levels of the maturity scale.

Maturity scale	Key criteria used when assessing the disclosures by a bank with respect to each TCFD recommended disclosure
 <p data-bbox="1403 458 1592 544">More work to be done on the disclosures</p>	<ul data-bbox="1633 365 2364 644" style="list-style-type: none"> • Disclosures made by a bank cover limited aspects of the TCFD recommended disclosures when compared to other banks. • Disclosures made by a bank consider limited aspects of the TCFD guidance. • Disclosures made by a bank may benefit from further enhancements compared to other TCFD recommended disclosures across the 4 pillars.
 <p data-bbox="1403 746 1592 832">Disclosures are moderately advanced</p>	<ul data-bbox="1633 668 2333 922" style="list-style-type: none"> • Disclosures made by a bank cover some (but not all) aspects of the TCFD recommended disclosures when compared to other banks. • Disclosures made by a bank consider some (but not all) key aspects of the TCFD guidance. • Disclosures are moderately advanced compared to other TCFD recommended disclosures across the 4 pillars.
 <p data-bbox="1403 1022 1592 1108">Disclosures are relatively advanced</p>	<ul data-bbox="1633 943 2364 1150" style="list-style-type: none"> • Disclosures made by a bank consider all aspects of the TCFD recommended disclosures as well as key aspects of the TCFD guidance when compared to other banks. • Disclosures made by a bank are relatively advanced compared to other TCFD recommended disclosures across the 4 pillars.

Appendix 2: Standard developments

The table below outlines some of the key aspects of the proposals by the ISSB and highlights how the banks' 2021 climate-related disclosures compare against these key aspects.

Key aspects of the proposals by the ISSB	Comparison with the banks' 2021 climate-related disclosures
<p>The proposals are strongly aligned with the TCFD's 11 recommended disclosures and draw from its more detailed guidance.</p>	<p>Many of the banks in our analysis state they use the TCFD framework to provide climate-related disclosures in the annual report and other standalone reports. They provide disclosures to align with the TCFD's 11 recommended disclosures – although their 2021 disclosures do not always consider the TCFD guidance.</p>
<p>Reporting would be required at the same time, and for the same period, as the financial statements.</p>	<p>Many of the banks in our analysis currently report sustainability-related information (including climate-related information) in their other standalone reports after the financial statements are issued. Some also use estimated figures for the final quarter or present information relating to an earlier period.</p>
<p>The definition of materiality would be consistent with IFRS[®] Accounting Standards – i.e. focused on investors.</p>	<p>It is not clear from the 2021 climate-related disclosures whether and how banks have applied materiality when preparing these disclosures.</p>
<p>Sustainability reporting (including climate) would be included as part of a company's general purpose financial reporting.</p> <ul style="list-style-type: none"> • Reporting would need to be connected to the financial statements and demonstrate linkage between different significant sustainability-related risks and opportunities. • This is to highlight relationships between pieces of information, explain trade-offs and provide insight into intangible resources and relationships that are not necessarily recognised in the financial statements. 	<p>Currently, there is a lack of connectivity between the financial statements and climate-related disclosures in the front part of the annual report and the other standalone reports.</p> <p>Additionally, the current lack of quantitative climate-related information in the disclosures does not help users to understand the impact on financial statements.</p>
<p>The proposals would require forward-looking information about the impact of significant sustainability-related risks and opportunities on the company's strategy, business model and financial statements in the short, medium and long term.</p>	<p>Currently, a few banks provide quantitative disclosures relating to scenario analysis, and it's challenging to use the information currently disclosed by banks to assess the resilience of their strategies and the impacts on financial planning. Additionally, the disclosures are not clear on what banks see as the opportunities in the longer term.</p>
<p><i>Financed emissions:</i> The industry-specific disclosures in the proposals include disclosure topics and metrics relating to financed and facilitated emissions.</p> <p>Although the proposals reflect significant, generally accepted aspects of current practice including elements of the PCAF standard, they also allow for the development and refinement of technical measurement methods.</p>	<p>Banks are yet to calculate and disclose their financed emissions across their full lending and investment activities.</p> <p>Currently there is no universally accepted single methodology for calculating these emissions, which makes it challenging for banks to calculate these but also challenging for users to make comparisons across banks in a consistent manner.</p>

Appendix 2: Standard developments (continued)



Other than the proposals by the ISSB (see page 13), there are more sustainability standard developments taking place around the globe (including climate-related disclosures)

- The SEC issued proposed climate reporting rules in March 2022⁵.
 - The SEC's proposed disclosures are not the same as the ISSB's sustainability disclosure proposals, but they are both built from or inspired by the framework of the TCFD and its 4 pillars – governance, strategy, risk management, and metrics and targets.
 - The SEC proposal would require certain metrics and other disclosures in the Form 10-K and registration statements, including in the audited financial statements.
 - The SEC's proposed rules consist of mandatory climate-related disclosures with audit and attestation requirements.
 - If the final rules are effective by December 2022, they could begin to apply to SEC filings in 2024.
- EFRAG issued a set of 13 exposure drafts of European Sustainability Reporting Standards (ESRSs) in April 2022 for companies located in EU member states⁶.
 - These standards would introduce extensive new disclosure requirements and would apply to most listed and large companies located in the EU.
 - Legislative procedures are still in process but current proposals aim for initial application for reports published on or after 1 January 2025, with a requirement for limited assurance initially and reasonable assurance after six years.
- Additionally, there are other developments taking place in certain jurisdictions around the world.

⁵ Refer to our talk book [Understanding the SEC's climate proposals](#) for more information.

⁶ Refer to our [web article](#) for more information.

Keeping in touch

Contacts



Andrea Schriber

Audit Quality Leader – Financial Services
KPMG International Standards Group
andrea.schriber@KPMGIFRG.com



Silvie Koppes

Associate Partner
KPMG in the UK
silvie.koppes@KPMG.co.uk

Follow 'KPMG IFRS' on LinkedIn or visit home.kpmg/ifrs for the latest news.

Whether you are new to IFRS® Standards or a current user, you can find digestible summaries of recent developments, detailed guidance on complex requirements, and practical tools such as illustrative disclosures and checklists.

IFRS Today

Blog, podcasts and videos



News

Search all KPMG articles on IFRS Standards



Climate change financial reporting resource centre



Sustainability reporting



Guides to financial statements



Financial reporting in uncertain times resource centre



IFRS App

Download the app to your iOS or Android device



Insights into IFRS®

Helping you apply IFRS Standards to real transactions and arrangements





© 2022 KPMG IFRG Limited, a UK company, limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

KPMG International Standards Group is part of KPMG IFRG Limited.

KPMG refers to the global organisation or to one or more of the member firms of KPMG International Limited (“KPMG International”), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit home.kpmg/governance.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

This publication contains copyright © material of the IFRS® Foundation. All rights reserved. Reproduced by KPMG IFRG Limited with the permission of the IFRS Foundation. Reproduction and use rights are strictly limited. For more information about the IFRS Foundation and rights to use its material please visit www.ifrs.org.

Disclaimer: To the extent permitted by applicable law the ISSB Board and the IFRS Foundation expressly disclaims all liability howsoever arising from this publication or any translation thereof whether in contract, tort or otherwise (including, but not limited to, liability for any negligent act or omission) to any person in respect of any claims or losses of any nature including direct, indirect, incidental or consequential loss, punitive damages, penalties or costs.

Information contained in this publication does not constitute advice and should not be substituted for the services of an appropriately qualified professional.

‘IFRS®’, ‘IASB®’, ‘IFRIC®’, ‘IFRS for SMEs®’, ‘IAS®’ and ‘SIC®’ are registered Trade Marks of the IFRS Foundation and are used by KPMG IFRG Limited under licence subject to the terms and conditions contained therein. Please contact the IFRS Foundation for details of countries where its Trade Marks are in use and/or have been registered.