

Memorandum
CLIMATE-RELATED
FINANCIAL DISCLOSURE FRAMEWORK
November 23, 2022

To: Members of the Board
From: Robin M. Gilliam, Assistant Director
Thru: Monica R. Valentine, Executive Director

Subject: **TCFD Disclosures in Other Governments' Financial Reports** (Topic A)

INTRODUCTION

Staff presents an education and discussion session on what governments are implementing the task force for climate-related financial disclosures (TCFD) recommendations for their financial statement reporting.

Staff will deliver the slide deck on December 12, 2022.

For any questions please contact us as early as possible at gilliamr@fasab.gov with a cc to Monica Valentine at valentinem@fasab.gov.

NEXT STEPS

Staff will present education and discussion sessions on research findings to help the Board develop a climate-related financial disclosure framework.

ATTACHMENTS

1. Staff Analysis
2. *Governments Requiring Commercial Entities to Adapt TCFD for Climate-Related Financial Disclosures about Climate Risk for Investors.*
3. *Governments that are Adapting TCFD for Climate-related Financial Disclosures in Their Financial Statements*
4. Climate Task Force Members

Context

At the June 2022 Board meeting, members approved the second phase of the climate-related financial reporting project to develop a climate-related financial disclosure framework. During that meeting, staff recommended that FASAB align with the [Task Force for Climate-Related Financial Disclosures](#)¹ (TCFD) recommendations to develop the federal climate-related financial disclosure framework.

A. TCFD REVIEW

1. What is the TCFD?

The Financial Stability Board (FSB) created TCFD in response to a 2015 request from the G20² Finance Ministers and Central Bank Governors to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks—risks related to climate change. TCFD works to improve and increase reporting of climate-related financial information. In 2017, the TCFD released climate-related financial disclosure recommendations designed to help companies provide better information to support informed capital allocation.

2. TCFD Recommended Framework

TCFD identified the following risk and opportunity categories (1) transition risks and opportunities, and (2) physical risks.

Transition Risks

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and

² [The G20 is a forum of the twenty largest economies in the world that meets regularly to discuss the most pressing issues facing the global economy.](#) Together, the G20 accounts for more than 80% of world GDP, 75% of global trade and 60% of the population of the planet. The current members are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, South Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom and the United States, plus the European Union.

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focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations.³

Climate-Related [transition] Opportunities

Efforts to mitigate and adapt to climate change also produce opportunities for organizations, for example, through resource efficiency and cost savings, the adoption of low-emission energy sources, the development of new products and services, access to new markets, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organization operates.⁴

Physical Risks

Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. Organizations' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organizations' premises, operations, supply chain, transport needs, and employee safety.⁵

The TCFD recommendations are structured around four thematic areas that represent core elements of how organizations operate. The recommendations include 11 supporting climate-related disclosures.

³ <https://www.fsb-tcfd.org/recommendations/> page 5

⁴ <https://www.fsb-tcfd.org/recommendations/> page 6

⁵ <https://www.fsb-tcfd.org/recommendations/> page 6

TCFD Recommended Disclosures

The Task Force developed 11 recommended disclosures across the four recommendations

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the company's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy, and financial planning where such information is material.	Disclose how the company identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the company has identified over the short, medium, and long term.	a) Describe the company's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the company's businesses, strategy, and financial planning.	b) Describe the company's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management.	c) Describe the targets used by the company to manage climate-related risks and opportunities and performance against targets.

The Board agreed to start with TCFD recommendations in developing the federal climate-related financial disclosure framework, with the understanding that it is a commercial based model and other models may be available.

B. CLIMATE TASK FORCE

During the June 2022 Board meeting, members also asked staff to form a task force comprised of preparers, users, and subject matter experts to help address the following questions:

1. Which governments are using TCFD for disclosures in their financial reports? How are these governments implementing TCFD, the challenges, and lessons learned?
2. What are the common themes from the 10K+ comment letters received by U.S. Securities and Exchange Commission (SEC) on the proposed climate-related reporting rules?
3. What types of reporting are federal agencies currently using to comply with the various climate-related Executive Orders and legislative acts?
4. What information will federal financial statement users find useful as it relates to climate risk?

Staff activated the climate task force (CTF) on July 21, 2022. The CTF has over 65 members. Please see Attachment 4: *Climate Task Force Members*. Staff has initially divided the CTF into two working groups: Agency and TCFD. The task force working groups are dynamic and might change in the future as new questions emerge from the Board.

The goal of the Agency Working Group is to collect data about their agency's climate-related activity. This information will answer question #3 - *what types of reporting are federal agencies currently using to comply with the various climate-related Executive Orders and legislative acts*. This working group is currently researching this information. Sarah Cunningham, Director at Summit, is assisting staff with the collection and presentation of this information, given her background at Office of Management and Budget (OMB) and extensive knowledge in agency operations. Staff will present this information to the Board at a future education session.

The goal of the TCFD Working Group is to collect data about how governments are adapting TCFD recommendations for including climate-related financial disclosures in their financial reports. This information will answer question #1 - Which governments are using TCFD for disclosures in their financial reports. How are these governments implementing TCFD, the challenges, and lessons learned? Corinne Dougherty, Partner at KPMG, is assisting staff with the collection and presentation of this information, given her extensive knowledge in auditing federal clients and in Environmental, Social and Governance (ESG)⁶ reporting.

The research collected to date shows that most countries are requiring commercial entities, such as, banks, insurance companies, and pension funds to adapt TCFD in climate risk reporting to educate investors, but are not including climate-related financial disclosures in their own financial statements. See Attachment 2: *Governments Requiring Commercial Entities to Adapt TCFD for Climate-Related Financial Disclosures about Climate Risk for Investors*.

According to the working group's research, Canada is the only government implementing TCFD recommendations. See Attachment 3: *Governments that are Adapting TCFD for Climate-related Financial Disclosures in Their Financial Statements*. The following subject matter experts will present how Canadian cities are implementing TCFD for reporting in their financial reports, the challenges, and lessons learned. Members will have an opportunity for a question and answer session with the panel after the education session. Members will then provide staff with information from the presentations that is relevant to building the federal climate-related financial disclosure framework.

⁶ Climate is included in the "environmental" in ESG.

C. EDUCATION SESSION PANEL - BIOS & AGENDA (1 hour)

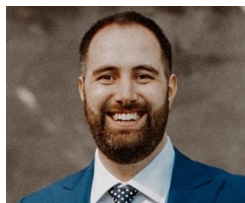


Corinne Dougherty is a partner in KPMG's Washington, DC office. She has over 18 years of experience providing financial statement audit and related assurance services. Corinne is part of KPMG's Environmental, Social and Governance (ESG) leadership team. In this role, Corinne leads the development and delivery of ESG related training. She advises clients in developing best practices for ESG reporting and leads teams engaged to provide ESG assurance services. Additionally, Corinne is the ESG Government Sector Leader. Corinne is a frequent speaker on ESG topics and has been featured in publications including Government Matters, Federal News Network, the Journal of Accountancy, Bloomberg Law, the Institute of Internal Auditors, and Insights Magazine.

Additionally, Corinne is a partner in KPMG's Federal practice in providing audit and advisory services to Federal Government clients. Corinne oversees audits of large, complex Federal government Departments and agencies.

Corinne has a Bachelor's degree in Accounting from the Robert H. Smith School of Business at the University of Maryland and is a Certified Public Account, Certified Government Financial Manager, Project Management Professional, and received an Executive Certificate in Advancing Sustainability from NYU Stern's Center for Sustainable Business.

[Corinne will present an overview of how Canadian cities are implementing TCFD. See Attachment 2 for a list of resources.](#)



Wes Anderson is the Manager of Business Planning & Financial Services at the City of Mississauga, where he oversees the external financial planning and reporting responsibilities for Canada's 7th largest City, including the City's business plan and budget, in-year forecasts, consolidated financial statements and other legislated reporting. Wes also oversees the City's transactional finance activities, including banking, cash management, investment portfolio, accounting and payables. Wes has led a number of Finance transformation projects, including the implementation of sustainability reporting through the City's annual report, finance technology transformations, leads the City's comments and responses to proposed changes in public sector accounting standards, and currently sits on the Board of Directors for the Canadian Association of Government Finance Officers.

Previously, Wes was the Lean Program Manager at the City, where he led the largest Lean Six Sigma transformation in Canadian municipal government, solving complex problems, working across multiple industries, and engaging staff from the front line to executives in building a culture of continuous improvement. The thousands of improvements through the City of Mississauga's Lean Program have saved and avoided over \$10 million in Wes' time building the Lean Program. Prior to that, Wes managed the Operational Planning team for the City's Parks and Forestry Division, overseeing

financial and business analysis. He also started his now 17-year career at the City as a Business Advisor.

Wes has a degree in Economics and Finance from York University. He is a certified Lean Six Sigma Black Belt, PMP, a certified practitioner for Managing Successful Programmes (MSP), and is wrapping up his CPA designation in 2023.

[Wes will present an overview of implementing TCFD climate-related financial disclosures into Mississauga's financial reports.](#)

D. Board Questions and Answers with Panelists (1/2 hour)

E. Recommendations & Next Steps (1/2 hour)

Discuss what information from the presentations is relevant to FASAB for developing the federal climate-related financial disclosure framework.

Governments Requiring Commercial Entities to Adapt TCFD for Climate-related Financial Disclosures about Climate Risk for Investors

December 2022

Topic A - Attachment 2

Eurosystem

- [Eurosystem agrees on common stance for climate change-related sustainable investments in non-monetary policy portfolios](#), May 1, 2021

France

- [France strives for global green leadership with climate disclosure rules](#), June 22, 2021
- [France: New disclosure rules require companies to report on environmental & social factors, including climate risks](#), March 7, 2016

Germany

- Central Bank: [Climate-related disclosures by the Deutsche Bundesbank 2022, Part of the Eurosystem-wide climate-related disclosures on the non-monetary policy portfolios \(NMPPs\)](#) (pdf)

Hong Kong

- [Reporting on TCFD recommendations, Guidance on Climate Disclosures](#), November 2021 (PDF)

Italy

- Central Bank: [Report on Sustainable Investments and Climate-Related Risks](#), May 2022, (PDF)

Japan

- Central Bank: [Climate Change Initiatives: Disclosure Based on TCFD Recommendations](#), May 27, 2022, (pdf)

Netherlands

- Central Bank: [DNB publishes its first report on financial climate-related risks and opportunities in accordance with TCFD recommendations](#), March 23, 2021

Spain

- Central Bank: [Bank of Spain and Climate Change](#), no date

Switzerland

- [Swiss join France, others in laying out climate disclosure timeline](#), August 18, 2021
- [Big Swiss companies obliged to report on climate risks from 2024](#), August 18, 2021

U.K. England and Wales

- [U.K. proposes climate risk reporting by local government pension funds](#).
September 1, 2022 (comments due November 24, 2022)

**Governments that are Adapting TCFD for
Climate-related Financial Disclosures in their Financial Reports
December 2022
Topic A - Attachment 3**

Canada:

City of Mississauga

- Sustainability report: [Sustainability Recommendation Report – City of Mississauga](#)
- Annual Financial Reports: [Finance reports – City of Mississauga](#)

City of Montreal

- 2021 Annual Financial Report: [Annual Financial Report \(montreal.ca\)](#) (pdf)

City of Toronto

- ESG reports: [Environmental, Social & Governance Performance Report – City of Toronto](#)
- Annual Financial Reports: [Annual Financial Report – City of Toronto](#)
- TransformTO (climate strategy): [TransformTO – City of Toronto](#)

City of Vancouver

- Annual Financial Reports: [Financial reports and information | City of Vancouver](#)

Other

- Canadian Government 2021 Budget Chapter 5: A Healthy Environment for a Healthy Economy: [Part 2 - Creating Jobs and Growth | Budget 2021](#) (specifically section Strengthening Public Climate-related Disclosures)
- CPA Canada TCFD guidance for public sector organizations: [A guide to adopting the TCFD recommendations for cities \(cpacanada.ca\)](#)

CLIMATE TASK FORCE MEMBERS
**TOPIC A –DECEMBER 2022
Attachment 4**

	FIRST NAME	LAST NAME	ORGANIZATION	DIVISION_ DEPARTMENT	TITLE
1	Aaron	Avant	DOT	Associate Director, Fin Rep & Audting	OFM
2	Adair	Morse	Treasury	Capital Access Climate Coord Committee	Deputy Assistant Secretary Lead
3	Alex	Gardner	Homeland Security	Risk Mngt & Assurance Br	Team Lead
4	Alex	Verkhivker	Treasury	Domestic Finance, Acct Policy & Fin Transparency	
5	Andra	Gerstenkorn	Interior	Energy Team	Lead
6	Ann	Kosmal	GSA	Buildings	Architect
7	AnnMarie	Walker	VA	OFM-Acctg Policy & Reporting	Accountant
8	Battle	Brown	Manassas Consulting		Consultant
9	Behailu	Dinsa	EPA	OCFO: Policy & Training Branch	Accountant
10	Bernice	Lemaire-Harvey			Retired
11	Bill	Ellett	DFC	Financial Management	Managing Director
12	Bobby	Hart	Ernst & Young	Financial Accounting & Advisory Services	Managing Director
13	Brian	Casto	Treasury	Bureau of the Fiscal Service	Accountant
14	Brent	Kurapatskie	DOT	Office of Administration, Office of the Secretary	Sustainability Program Manager
15	Bruce	Gallus	Smithsonian Ins	Financial Audit & Quality Control Manager	OIG
16	Chandran	Pillai	NASA	Financial Policy and Compliance Division	Accountant
17	Marisol	Berrios-Siletti	BDO	ESG	Strategy & Services Leader
18	Christopher	Osborne	EPA	Office of Controller	Senior Financial Advisor
19	Corinne	Dougherty	KPMG	ESG	Partner
20	Daniel	Shriver	KPMG	Federal Advisory Services	Director
21	Dave	Warren	IPSASB		Director
22	Deborah	Sanders (Holden)	GSA	Environmental Liabilities	OCFO: Lead FM Analyst
23	Dino	Johnson	DOT	Office of Administration, Office of the Secretary	Sustainability Program Manager
24	Dr. Tony	Lupo	Univ of Missouri	School of Natural Resources	Professor
25	Eileen	Parlow	SEC	Office of Financial Management	Senior Staff Accountant
26	Emina	Brannum	USDA	Financial Reporting Branch	Branch Chief
27	Eric	Juzenas	SEC	Under Secretary for Domestic Finance	Counselor
28	Eric	Przybylski	Deloitte		Specialist Leader
29	Fred	Lipschultz	USGCRP	Climate Resilience Information System	Lead Scientist
30	Gyami	Shrestha, Ph.D	Lynker Corporation (NOAA's Environmental Modeling Center)		Program Director

	FIRST NAME	LAST NAME	ORGANIZATION	DIVISION_DEPARTMENT	TITLE
31	Hesham	Aziz	USDA		Staff Accountant
32	Isaac	Emerson	VA		Accountant
33	James	DeLoach	Interior	Office of Performance Mngt	Staff Accountant
34	Jeffrey	Lang	Interior	Budget	Budget
35	Jennifer	Helgeson	NIST	Applied Econs-Engineering Lab	Research Engineer
36	Jesse	Carpenter	COTTONCPA	Audit	Partner
37	Jessica	Bowron	NPS - National Park Service		Comptroller
38	Joe	O'Neil	GAO	FMA	Assistant Director
39	Jon	DeBoer	BDO	Public Section	Director
40	Jung (June)	Walley	DOD	ODCFO-Policy & Reporting	Staff Accountant
41	Kamalu	Knele	Ernst & Young	Risk Transformation Gov & Public Sector	Manager
42	Katie	Miller	GSA	Office of Policy and Compliance Federal Acquisition Service	Climate Senior Leader
43	Kenneth	Cason	Interior	Fin Reptg Div - Fin Management	Chief
44	Kevin	Love	CohnReznick	Gov & Public Sector	Director
45	Kristin	Saltzer	Commerce	Office of Financial Reporting & Policy	Director
46	Larisa	Aranbayeva	NASA	FMD - Property	Staff Accountant
47	Larry	Prock	DFC Interl dev finance corp	Management Accounting, Analysis, and Policy	Director
48	Laurese	Hale	NASA	OFCO	Senior Policy Analyst
49	Lina	Osorid	FAA	Fin Stmt & Reptng Division	Systems Accountant
50	Linda	Griswold	Interior	Bureau of Reclamation	Staff Accountant
51	Mairim	Lopez	EPA	Supervisory Auditor	OIG-Office of Audit Financial Directorate
52	Marico	Jefferson	DHS	ICE	Supervisory Accountant
53	Matt	Aks	Treasury	U.S. Treasury Climate Hub	Senior Advisor
54	Mickey	Moreno	Baker Tilly	Business Advisory Services Practice	Director
55	Per	Thastrom	FI Consulting		Managing Consultant
56	Peter	Schultz	ICF-USGCRP		PM for staffing support
57	Rachel	Denchfield	Energy	Financial Reporting and Business Analysis	Deputy Director
58	Ryan	Spruill	DOD	IG	IG
59	Samantha	Malle	USDA	Rural Development/Finance	Branch Chief
60	Sarah	Cunningham	Summit		Director
61	Dr. Sarah	Kapnick	NOAA	Chief Climate Scientist	
62	Sunita	Sharma	NASA	Policy Branch	Accountant
63	Taetaye	Shimeles	EPA	Water Infrastructure Finance & Innovation (WIFIA)	Portfolio Manager
64	Taylor	Larimore	EY	Fraud risk Management & integrity	Senior Manager
65	Ted	Kowalsky	Guidehouse	Energy, Sustainability, Infrastrature	Director
66	Teresa	Lampkin	DOT	Accountant	OFM
67	Yvonne	Durazzo	DFC (OPIC)	CFO -Risk Management	Managing Director