



Climate-Related Financial Reporting Project

December 13, 2022 - Board Meeting

9:15am - Noon

Robin M. Gilliam, CPA, PMP
Assistant Director & Project Lead

Today's Agenda

- ▶ Project Overview (1/2 hour)
- ▶ Education Session: Government Climate Reporting Research (1 hour)
- ▶ Break (15 minutes)
- ▶ Member Q&A with Panel (1/2 hour)
- ▶ Recommendations & next steps (1/2 hour)

Project Overview

Project Goal:

to develop a climate-related financial disclosure framework

At the June 23, 2022, meeting the Board agreed to

- 1) 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.
- 2) form a task force comprised of preparers, users, and subject matter experts, and

What is TCFD?

- ▶ The Financial Stability Board (FSB) created TCFD in response to a 2015 request from the G20 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.
- ▶ In 2017, the TCFD released climate-related financial disclosure recommendations designed to help companies provide better information to support informed capital allocation.

TCFD Recommended Risks & Opportunities

TCFD REVIEW (cont.)

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

► 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.

► 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.

TCFD Framework

TCFD REVIEW (cont.)

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

TCFD Recommended Framework

TCFD REVIEW (cont.)

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.

CLIMATE TASK FORCE (CTF)

Will help with research to address the following questions identified by the Board at June 2022 meeting:

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?

CTF Working Groups

1. Agency Working Group

- ▶ Collecting data about agency's climate-related activity to address 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.

2. TCFD Working Group

- ▶ Collected data about how governments are adapting TCFD recommendations for including climate-related financial disclosures in their financial reports. *This information answers question #1 - Which governments are using TCFD for disclosures in their financial reports. How are these governments implementing TCFD, the challenges, and lessons learned?*

NOTE: working groups are dynamic and may change to address Board questions and concerns.

CTF - TCFD Working Group

The research 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. (Attachment 2: *Governments Requiring Commercial Entities to Adapt TCFD for Climate-Related Financial Disclosures about Climate Risk for Investors*)
- ▶ Canada is currently the only government implementing TCFD recommendations in their financial statements. (Attachment 3: *Governments that are Adapting TCFD for Climate-related Financial Disclosures in Their Financial Statements*)

Education Session

Disclaimer

- ▶ Views expressed are those of the speaker
- ▶ The Board expresses its views in official publications

Government Climate Reporting Research

Panel (full bios are on pages 6-7 in the Topic A memorandum)

- ▶ Corinne Dougherty, Partner, KPMG ESG
- ▶ Wes Anderson, Manager of Business Planning & Finance, Canadian City of Mississauga

Discussion

- ▶ How Canadian cities are using TCFD for climate-related financial disclosures in their financial reports
- ▶ Successes & challenges with implementing TCFD
- ▶ Lessons learned with TCFD

Member Action Item

Please take notes on anything relevant from Canadian climate reporting that you would like the Board to consider for the US climate-related financial disclosure framework.

Government Climate Reporting Research

FASAB Board Meeting

December 13, 2022



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Introduction



Corinne Dougherty

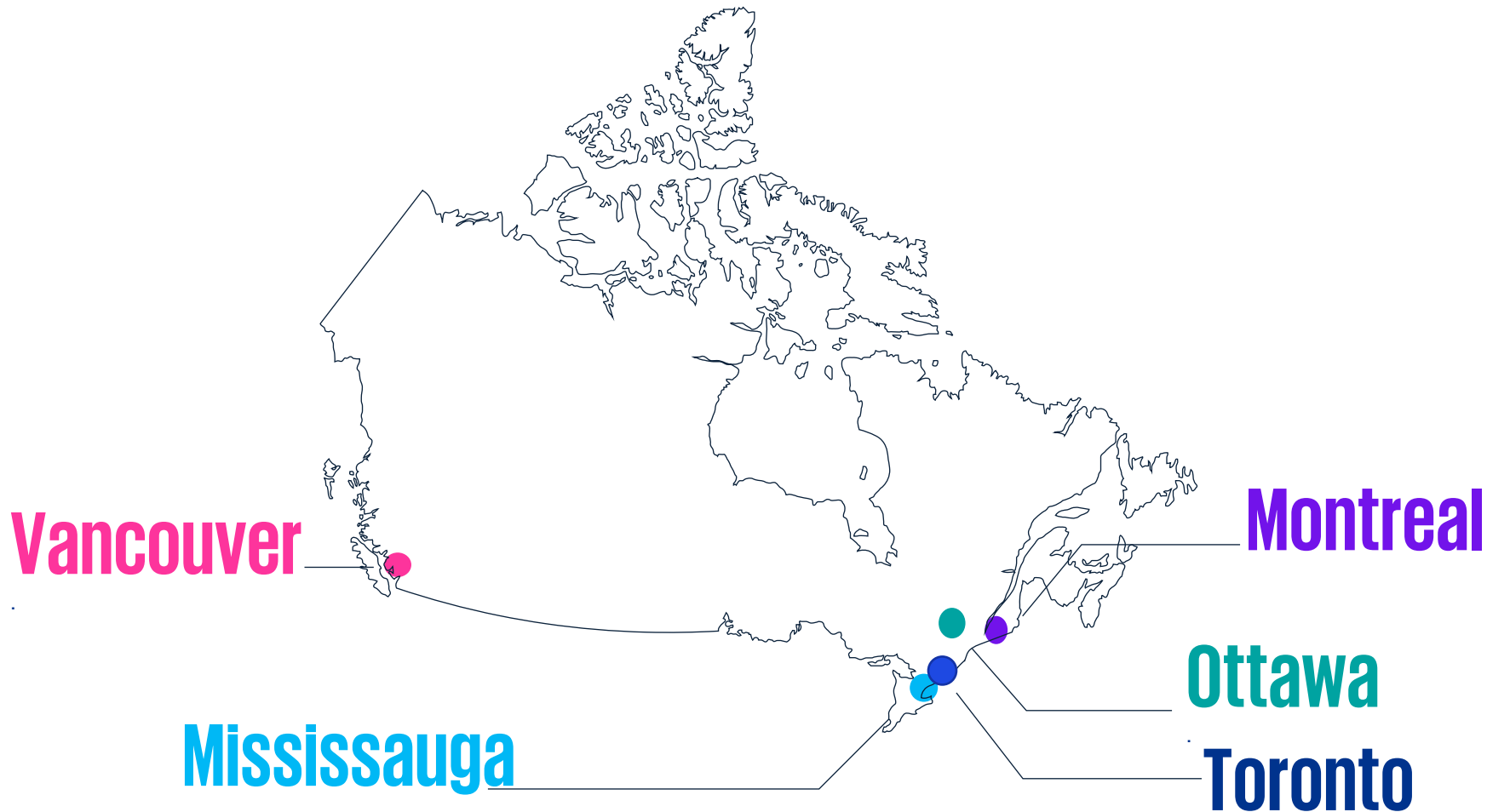


Partner
KPMG ESG
cdougherty@kpmg.com

Agenda

- 01** Overview
- 02** Summary of climate reporting
- 03** Reasons for reporting
- 04** City dashboards
- 05** Successes & challenges
- 06** Lessons learned

Canadian climate reporting research overview



Levels of Government

FEDERAL

- Departments
- Agencies
- Crown Corporations

PROVINCIAL

- Government of Ontario
- Government of British Columbia

MUNICIPAL

- City of Mississauga
- City of Montreal
- City of Toronto
- City of Vancouver

Summary of Canadian climate/ESG reporting

	TCFD	GRI	SASB*	<IR>*	UN SDGs
City of Mississauga ¹	✓	✓		✓	✓
City of Montreal ²	✓				
City of Toronto ³	✓	✓	✓	✓	✓
City of Vancouver ⁴	✓				
Crown Corporation - International Development Research Center ⁵	✍				
<div> <div>✓ Currently reporting</div> <div>✍ Planning to report in the future</div> </div>					

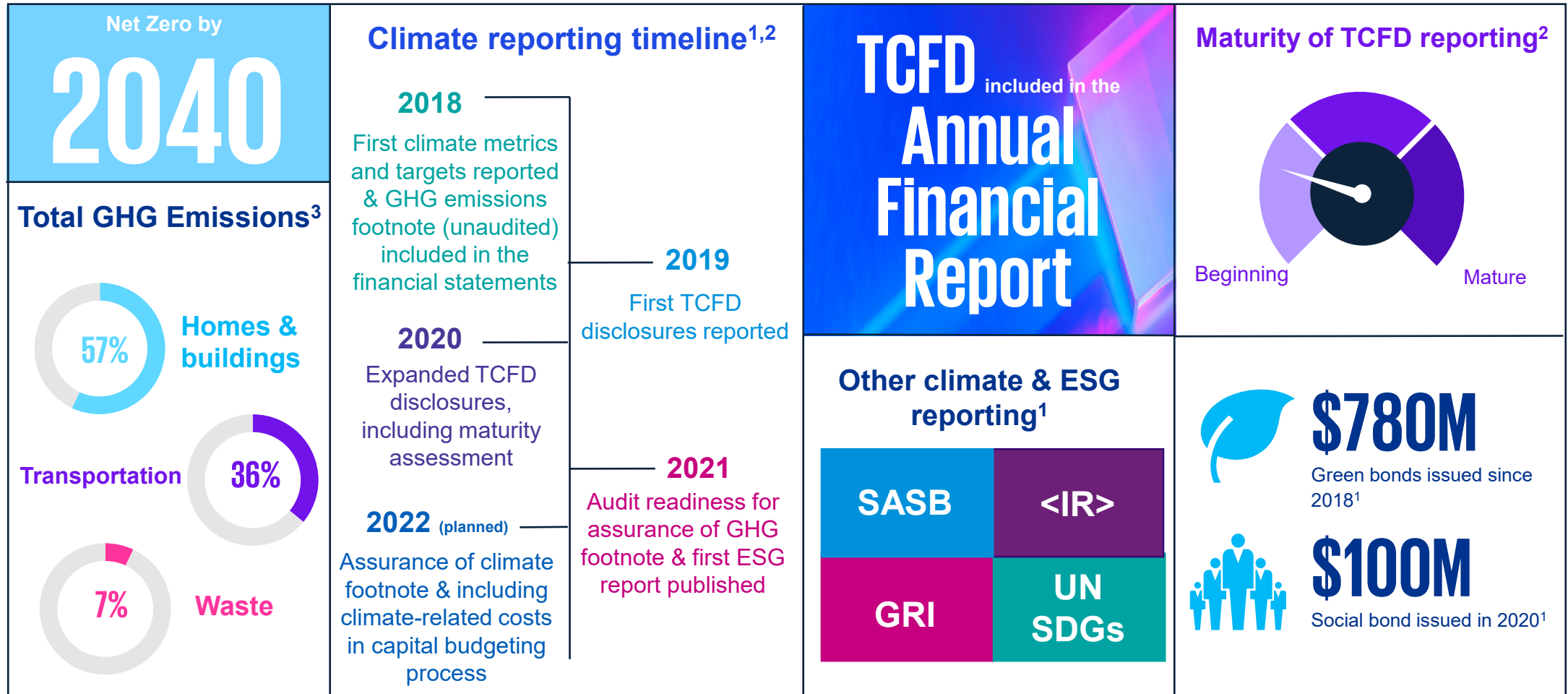
* SASB and <IR> have been consolidated into the IFRS Foundation

Sources: (1) City of Mississauga Annual Financial Reports, [Finance reports – City of Mississauga](#); (2) City of Montreal 2021 Annual Financial Report: [Annual Financial Report \(montreal.ca\)](#); (3) City of Toronto ESG reports, [Environmental, Social & Governance Performance Report – City of Toronto](#) and City of Toronto Annual Financial Reports, [Annual Financial Report – City of Toronto](#); (4) Annual Financial Reports: [Financial reports and information | City of Vancouver](#); (5) Canadian Government 2021 Budget Chapter 5: A Healthy Environment for a Healthy Economy: [Part 2 - Creating Jobs and Growth | Budget 2021](#)

Reasons for climate reporting



City of Toronto



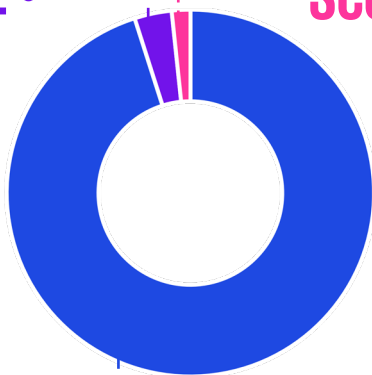
Sources: (1) City of Toronto ESG reports, [Environmental, Social & Governance Performance Report – City of Toronto](#); (2) City of Toronto Annual Financial Reports, [Annual Financial Report – City of Toronto](#); (3) TransformTO website, [TransformTO – City of Toronto](#)

City of Mississauga



Total GHG Emissions²

Scope 2 • Scope 3



• Scope 1

Net Zero by

2050

TCFD included in Financial and Sustainability Report

Additional climate & ESG reporting standards and frameworks²

GRI

<IR>

UN
SDGs

2020

Started TCFD
reporting²

Additional sustainability reporting topics²

Human
Capital

Manufactured
Capital

Social &
Relationship
Capital

Natural
Capital

Sources: (1) City of Mississauga Sustainability report, [Financial and Sustainability Report 2021 \(mississauga.ca\)](https://www.mississauga.ca/sustainability); (2) City of Mississauga Annual Financial Reports, [Finance reports – City of Mississauga](#)



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City of Montreal

Greenhouse Gas (GHG) Emissions

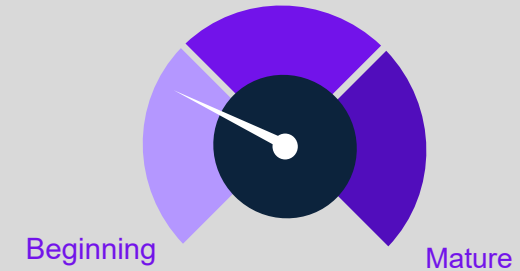
GHG emissions have been tracked since 2013. The majority of GHG emissions are from transportation, residential and industrial sources.¹



2019

Started TCFD reporting¹

Maturity of TCFD reporting¹



TCFD included in
the **Annual
Financial Report**

**CDP "A"
List City²**

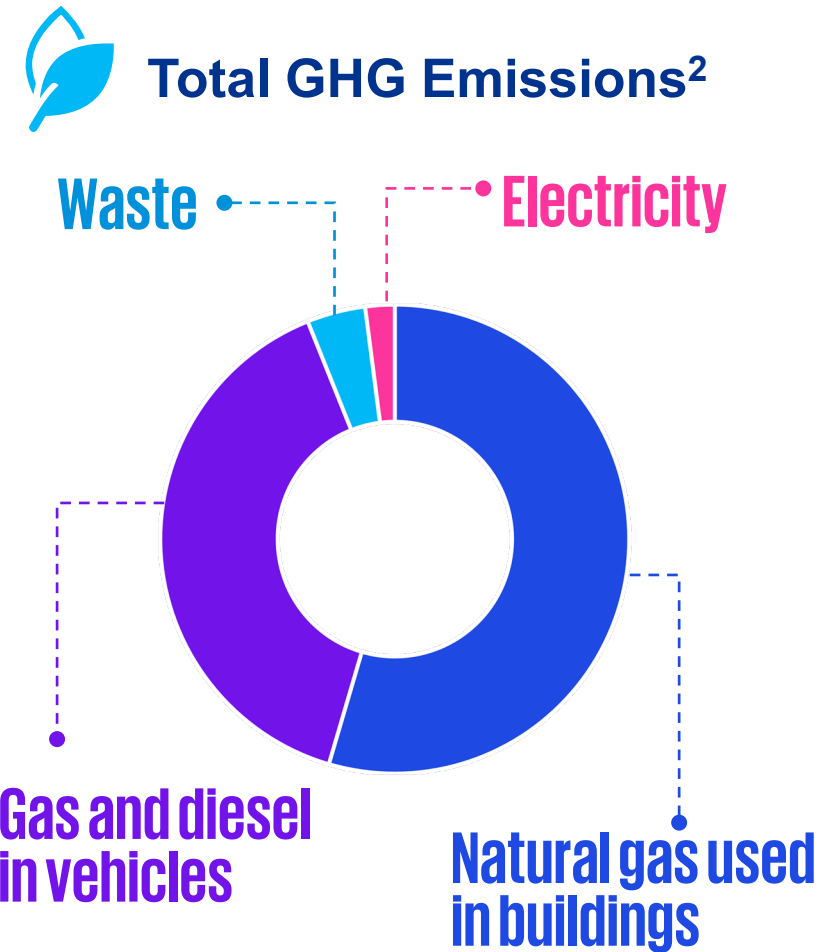
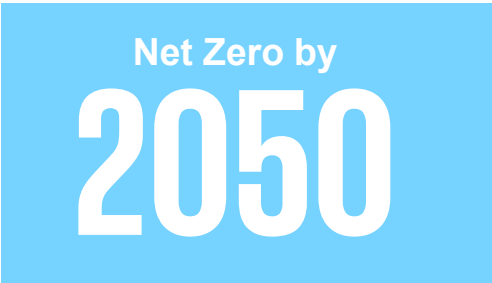
Climate Budget Project

Part of the C40 Pilot, which provides participating cities with advice for preparing a climate budget.¹

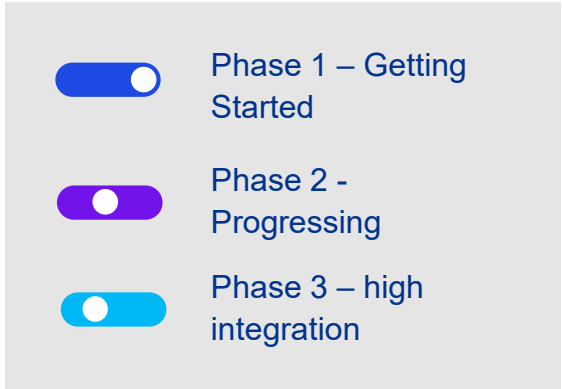


Source: (1) City of Montreal 2021 Annual Financial Report: [Annual Financial Report \(montreal.ca\)](https://montreal.ca/annual-financial-report); (2) CDP website [Cities scores - CDP](https://www.cdp.net/en/cities)

City of Vancouver



Maturity of TCFD reporting¹



Sources: (1) Annual Financial Reports: [Financial reports and information | City of Vancouver](#); (2) Climate Emergency Action Plan: [Climate Emergency Action Plan | City of Vancouver](#)

Successes in climate reporting



Challenges in climate reporting



Lessons learned



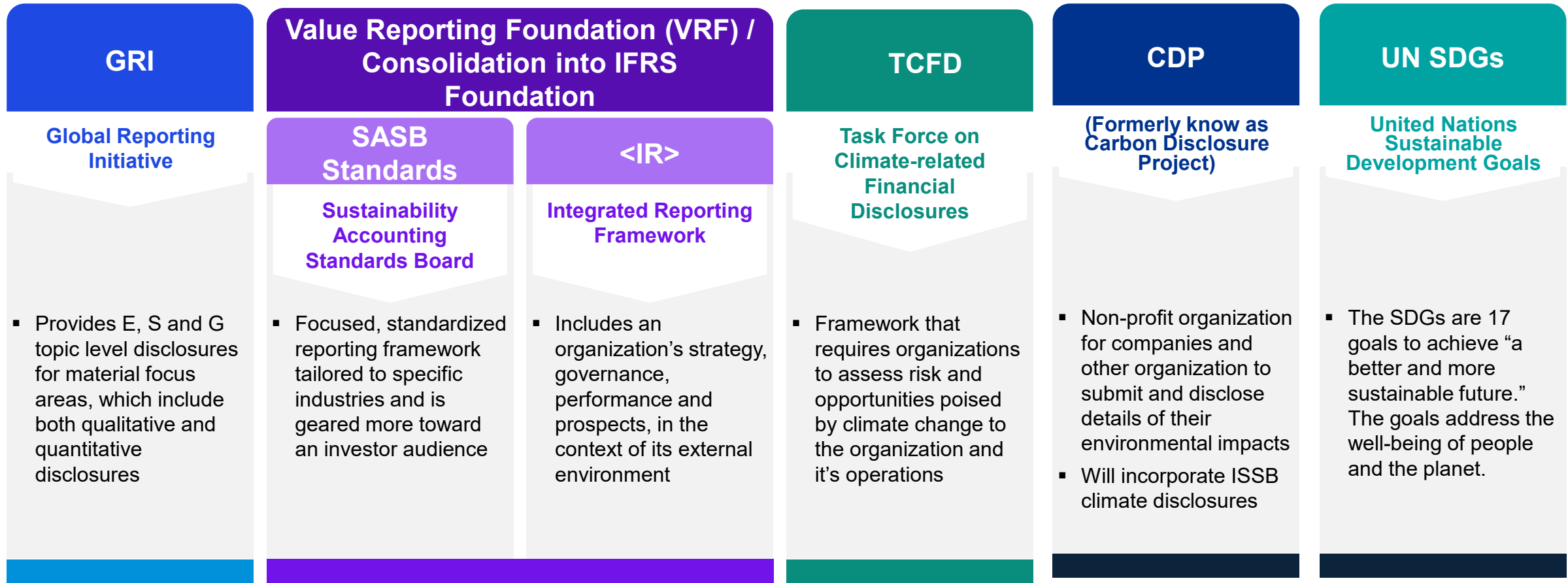
Thank you

- **Wes Anderson, City of Mississauga**
- **Sandra Califaretti, City of Toronto**
- **Raoul Cyr, City of Montreal**
- **Richard Danis, Crown Corporation - International Development Research Center**
- **Llyod Lee, City of Vancouver**
- **Baia Ouldsliman, City of Montreal**

Appendix

Standards and frameworks

Leading ESG guidance and reporting frameworks



International Sustainability Standards Board



— — Resources consolidated into the IFRS Foundation

ISSB: Feedback on general and climate proposals

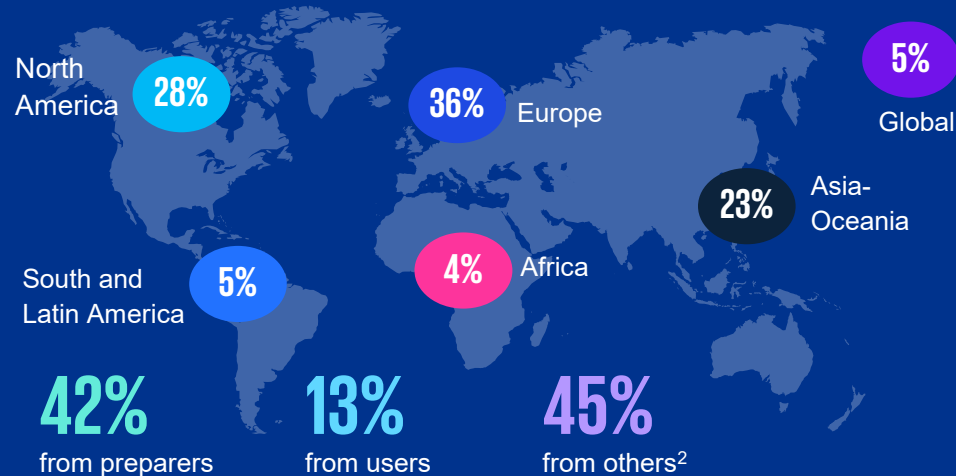
1,435

comment letters and
survey responses

Almost all respondents
supported:¹

- Building on the **TCFD framework**
- Creating a **global baseline**
- Achieving **interoperability** with US and EU requirements

Engagement from across the globe



1. This slide summarises the ISSB's own analysis of feedback received. 'Almost all' is defined as 'all except a very small minority'. Interoperability with EFRAG and SEC proposals was highlighted as important by almost all European and US respondents respectively.
2. Including public interest groups, accountants and academics, standard setters, regulators and policy-makers.

Action list

key areas chosen for
redeliberation

GENERAL REQUIREMENTS

- ✓ **Scope and breadth of reporting** – Five topics including application of materiality, value chain reporting, the meaning of terms including 'enterprise value' and 'significant' and **identifying sustainability-related risks and opportunities and disclosures** *;
- ✓ **Connected information*** between topics and with the financial statements, plus IASB collaboration
- ✓ **Frequency of reporting*** including location requirements
- ✓ **Updating estimates*** in comparative information

CLIMATE

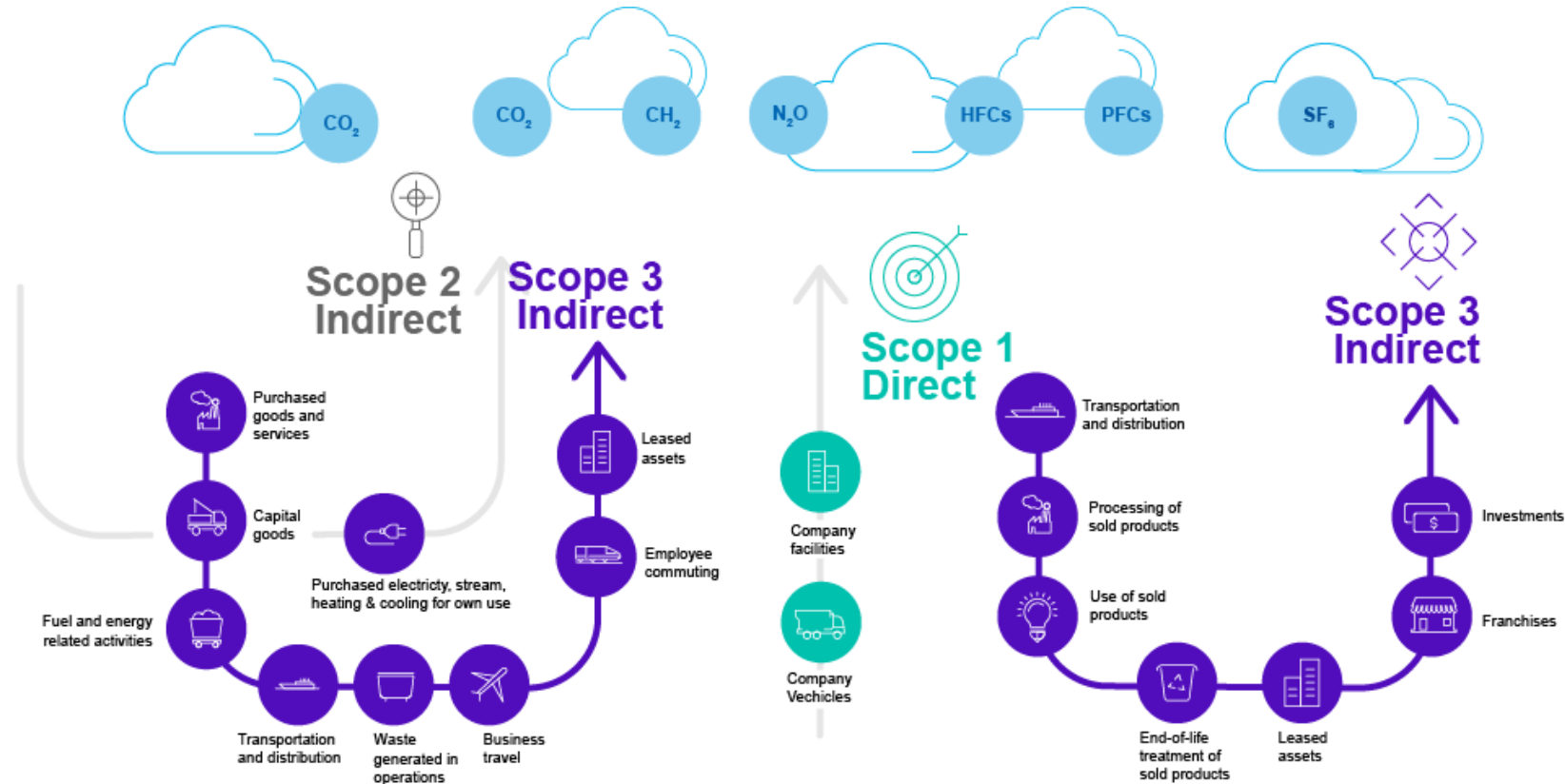
- ✓ Disclosures on **strategy, decision making, and transition plans and targets***
- ✓ **Climate resilience and scenario analysis***
- ✓ **GHG emissions**, particularly Scope 3 and measurement methods
- ✓ **Industry-based topics**, including financed and facilitated emissions

CROSS CUTTING

- ✓ **Interoperability** of the standards for all types of global company
- ✓ **Financial effects*** of sustainability- and climate-related risks and opportunities

*Discussed in the November meeting

The scopes of greenhouse gas emissions



Scope 1:
Emissions from company-owned operations

Scope 2:
Emissions from purchased electricity, steam, heat, or cooling

Scope 3:
Emissions from a company's value chain

Upstream activities ➡

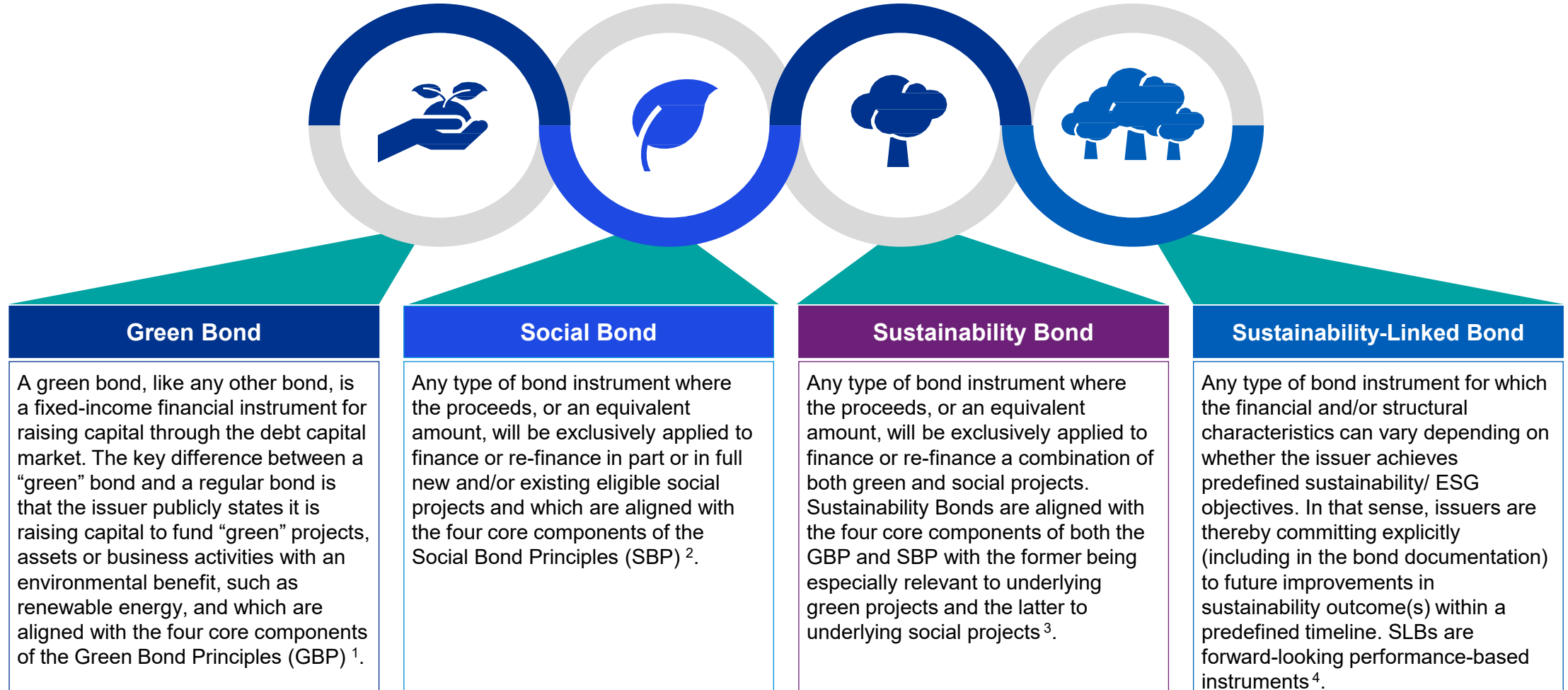
Reporting company ➡

Downstream activities ➡

Source: Environmental Protection Agency. Greenhouse Gases at EPA. [Greenhouse Gases at EPA | US EPA](https://www.epa.gov/greenhouse-gases)

What are green, social, sustainability (GSS) and sustainability-linked bonds (SLB)?

Standard bonds with a bonus “green” and/or “social” benefits feature



1. ICMA Group, [Green Bond Principles June 2021](#)

2. ICMA Group, [Social Bond Principles June 2021](#)

3. ICMA Group, [Sustainability Bond Guidelines June 2021](#)

4. ICMA Group, [Sustainability-Linked Bond Principles June 2020](#)

References

References

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 \(montreal.ca\)](#)

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](#)
- Climate Emergency Action Plan: [Climate Emergency Action Plan | 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 \(cpacanada.ca\)](#)
- CDP website [Cities scores - CDP](#)



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An inside look into climate reporting for the City of Mississauga

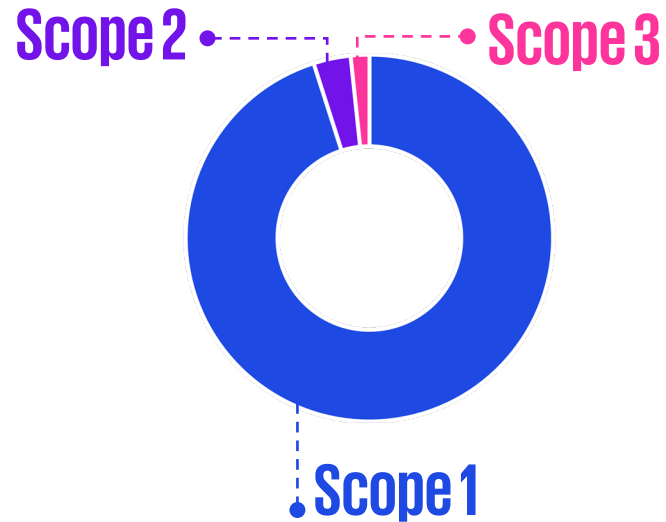


Wes Anderson - Manager of Business Planning & Financial
Services at the Canadian City of Mississauga

City of Mississauga



Total GHG Emissions²



Net Zero by
2050



Additional climate & ESG reporting standards and frameworks²



Additional sustainability reporting topics²



Sources: (1) City of Mississauga Sustainability report, [Financial and Sustainability Report 2021 \(mississauga.ca\)](https://www.mississauga.ca/financial-and-sustainability-report-2021); (2) City of Mississauga Annual Financial Reports, [Finance reports – City of Mississauga](#)



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15 MINUTE BREAK

Member Q & A with Panel



½ hour

Climate-related Financial Disclosure Framework Discussion

What information is relevant
for FASAB to consider for
developing the
US climate-related
financial disclosure framework?

½ hour

Next Steps: Potential Schedule

Board Meeting	Subject	Note/Goal
February 2023	<p>SEC</p> <ul style="list-style-type: none">• common themes from comment letters• Status of published/publishing rules	<p>Does not depend on rules being published</p> <p>[question #2]</p>
April 2023	<ul style="list-style-type: none">• OMB budget update• Sustainability.gov update• Agency Climate-Related Activity	<p>Agencies present inventory of activity by EO and Acts(adaptation & mitigation) [question #1]</p>
June 2023	<ul style="list-style-type: none">• Other climate models• How commercial entities are accounting for climate in financial statements and/or disclosures?	