

Memorandum
CLIMATE-RELATED
FINANCIAL DISCLOSURE FRAMEWORK
May 30, 2023

To: Members of the Board

From: Robin M. Gilliam, Assistant Director

Thru: Monica R. Valentine, Executive Director

Subject: **Climate Change Risks Research** (Topic A)

INTRODUCTION

Staff presents an education session with the U.S. Government Accountability Office (GAO) and the U.S. Global Change Research Program (USGCRP) on climate change risks.

Prior to the Board's June meeting, please provide any comments or questions to Robin Gilliam at gilliamr@fasab.gov with a cc to Monica Valentine at valentinem@fasab.gov.

NEXT STEPS

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

ATTACHMENTS

1. Staff Analysis

Staff Analysis

CLIMATE-RELATED FINANCIAL DISCLOSURE FRAMEWORK

May 30, 2023
Topic A - Attachment 1

Context

The objective of the Climate-related Financial Reporting project is to develop a climate-related financial disclosure framework. The project is currently in the research phase to help the Board develop this framework. Staff presents information on climate change risks through the following education session panel.

A. Education Session Panel

Joe Thompson from GAO will discuss [GAO's High Risk](#) List issued April 20, 2023 and limiting the federal government's fiscal exposure by better managing climate change risks; and

Mr. Thompson is an Assistant Director in GAO's Natural Resources and Environment team. He coordinates GAO's climate change work and has been at GAO for almost 19 years. Joe has a BS in environmental policy from the University of Michigan-Ann Arbor and a Master of Public Affairs from the University of Wisconsin-Madison. Most of Joe's free time is spent playing with his 3 ½ year old daughter Audra. For more information, see [linkedin.com/in/josephdeanthompson](https://www.linkedin.com/in/josephdeanthompson).

Dr. Fred Lipschultz from [USGCRP](#) will discuss the 5th [National Climate Assessment \(NCA5\)](#).

Dr. Lipschultz is a Senior Scientist at USGCRP. His responsibilities include working on the National Climate Assessment, coordinating with U.S. state and local assessments, and serving as an advisor to international assessment activities. He also leads efforts to enhance the provision of climate data, information, and knowledge. Fred also supports USGCRP's Coastal Interagency Group and its various work streams. He is a contractor with the Universities Space Research Association on assignment to USGCRP.

Dr. Lipschultz is a FASAB climate task force member.

B. Board Q&A with Panelists

NEXT STEPS:

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

The following are questions the Board asked staff to research

1. How are federal agencies calculating and tracking the cost and budget information for climate-related financial risk exposure?
2. How can budget information inform climate related financial risks?
3. Where to present climate-related risks in financial reports, such as, is RSI appropriate?
4. What information will federal financial statement users find useful as it relates to climate risk?
5. Determine if GHG scopes 1, 2, or 3 are useful for climate-related federal financial statement disclosures (transition risk).
6. Is tiered reporting an option? For example, should the significance or materiality of climate-related activity determine different levels of reporting?

Research Completed:

At the December 2022 Board meeting, staff presented an education and discussion session to address the following questions: Which governments are using the Task Force for Climate-related Financial Disclosures (TCFD) for disclosures in their financial reports? How are these governments implementing TCFD, the challenges, and lessons learned?

Members learned that Canadian cities are the only government implementing TCFD reporting. That TCFD was not the only model the Canadian cities used—some cities created their own framework from multiple models to report on ESG [environmental, social, and governance] and not just climate; and the cities determined the scope of ESG/climate reporting by understanding what is material and relevant to stakeholders.

At the February 2023 Board meeting, staff presented an education and discussion session to brief the Board on SEC's proposed climate-related reporting rules and common themes from the 12K+ comment letters received. Members learned that SEC is proposing:

1. Climate-related disclosures in a separately captioned section, to improve the consistency of and accessibility to information that investors can identify and analyze;
2. Two types of assurances:
 1. The first will be for the climate-related disclosures, such as the financial metrics in the S-X proposed amendments. Those would be included in the financial statement footnotes and would be subject to the financial statement audit.
 2. A separate requirement is for greenhouse gas (GHG) emissions scopes 1 and 2 metrics that is a phased-in attestation requirement that starts with a limited assurance in fiscal years two and three, after the Scope 1 and 2 emission disclosure compliance date. Then there is a reasonable assurance for fiscal year four and beyond. This attestation assurance would be applicable to accelerated filers and large accelerated filers under the proposal. There is an accommodation for smaller filers.

At the April 2023 Board meeting, staff presented an education and discussion session to address the following questions:

- A. what types of reporting are agencies currently using to comply with the various Federal climate-related Legislative Acts and Presidential Executive Orders;
- B. what information are agencies reporting in financial reports based on the OMB A-136 optional and required climate-related reporting; and
- C. can FASAB leverage and reference current agency climate-related reporting, including climate-related risks, to help users understand the reporting entity's ability to sustain operations?

Members learned that agencies are capable of reporting climate-related activity and impact through quantitative budget information and explanations about what it expects to achieve; quantitative net cost information; qualitative TCFD-like information as it relates to government operations; and quantitative and qualitative information about loan and loan guarantees as impacted by climate-risk.