

HOW TO IMPROVE CLIMATE-RELATED REPORTING

A SUMMARY OF GOOD PRACTICES FROM EUROPE AND BEYOND

Report at a glance

- Highlights good reporting practices as well as potential ways of improving the current state of play
- Practical and action-oriented
- The result of collaboration between European preparers, users and other stakeholders within the Project Task Force on Climate-related Reporting
- Comprises a main report and two supplement documents on general climate disclosures and scenario analysis reporting
- Reflects review of 149 companies, with 58 examples extracted from 30 companies
- Articulates and attempts to show where there is need to reconcile preparers' and users' perspectives on climate-related reporting
- Invites readers to navigate through the content in an interactive way and to zoom in on the examples of good reporting practices

149 COMPANIES REVIEWED **23** PROJECT TASK FORCE MEMBERS

48 PARTICIPANTS IN DIALOGUE WITH STAKEHOLDERS

13 NATIONALITIES IN THE PROJECT TASK FORCE

12 MONTHS EFFORT

Outcome

58 GOOD REPORTING PRACTICE EXAMPLES

30 COMPANIES HIGHLIGHTED



Main report



Supplement 1: climate-related reporting practices



Supplement 2: scenario analysis practices

In February 2019, the European Corporate Reporting Lab @EFRAG (European Lab) convened a Project Task Force on Climate-Related Reporting (PTF-CRR). The PTF-CRR report was published in early February 2020. Consistent with the mandate of the European Lab, the report provides an analysis of good practices for climate-related corporate reporting. It includes a main report supported by two supplement documents. The first supplement deals with the four pillars of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and with the EU Non-Financial Reporting Directive (NFRD) requirements and provides examples of good practices in reporting on governance, strategy, risk management and metrics and targets. The second supplement focuses on climate risk scenario analysis good reporting practices.

This report is the result of collaboration between European preparers, users and other stakeholders within the PTF-CRR and their dialogue with stakeholders outside the PTF-CRR. It has the ambition to be a stock-take of good climate reporting practices with a primary focus on European companies, and also to identify scenario analysis reporting practices for global companies as this is considered a relatively immature aspect of reporting. The report also articulates and tries to show where there is need to reconcile preparers' versus users' perspectives in a context where investors seek better information on their exposure to climate-related risks, while companies aim to enhance their climate-related reporting for their own benefit and for the benefit of their stakeholders. The focus of the report is therefore to illustrate good reporting examples and provide suggestions on how to generate and disclose information that is both useful for companies and relevant for users.

The report does not comment on the actual implementation of a company's sustainability strategy but will hopefully inspire them to take the required next steps to improve their climate-related reporting. The PTF-CRR reviewed the reports of mainly European companies to primarily identify good reporting practices and to assess the level of maturity in the implementation of climate-related disclosures from both a mandatory (NFRD requirements) and a voluntary (TCFD recommendations) perspective.

This report intends to be both practical and action-oriented and to present several examples of good practices on each section, that were extracted from the review of 149 companies' reports spanning multiple economic sectors. The report includes 58 examples from 30 of the reviewed companies. The objective of the report is not to provide an assessment of the adequacy of the companies' positioning vis-a-vis climate change but to provide real life examples of good ways of disclosing climate-related information. It is meant to be useful for companies operating in different sectors, with different sizes and different levels of maturity of climate change understanding and climate disclosures practices. The supplement on scenario analysis digs into the various building blocks underpinning a comprehensive scenario analysis and provides examples of good reporting practices related to each of them.

The report is an additional attempt to show where there is need to build the bridge between preparers and users and therefore does not only target investors. It highlights good reporting practices as well as potential ways of improving the current state of play. Indeed, even the most advanced preparers' reports are not fully addressing NFRD requirements nor all TCFD recommendations. A lot of company reports show good pieces of information, but it is hard to find any that are really outstanding on all the elements. Even though the last reporting cycle has shown a lot of improvements, there is still a long way to go to fully align with the NFRD requirements and TCFD recommendations.

The PTF-CRR hopes that with the urgency of climate-related issues, this report will help to raise the bar for climate-related information in the next reporting cycle, and help preparers to enhance the quality of their reporting thanks to the illustrative examples and areas for improvement highlighted in this report.

General climate-related disclosures

- Climate-related disclosures are in an early implementation stage and there is room for improvement
- Challenging to find companies that show a high level of sophistication for all aspects of climate-related reporting
- Reporting is more mature among large cap than in mid cap and small cap companies
- Companies are generally good at reporting their climate-related policies but less good at reporting how they monitor such policies and manage risks
- There is rarely enough explanation on if and how companies' business model and strategy are resilient to climate risk
- Insufficient articulation of the four TCFD thematic areas including interaction between them
- Insufficient description of board's oversight over climate-related risks and opportunities, and commitment to environmental transformation
- Need to improve reporting of strategy and risks over different time horizons and throughout the value chain
- Reporting on climate-related opportunities is often absent
- Metrics are generally reported but are not always linked to targets and risks
- Reporting practices to avoid include: disclosing information that is too general or does not provide sufficient detail, and disclosures that lack necessary supporting information

Scenario analysis

- Publications and guidance supporting TCFD implementation focus more on transition risk than physical risk; and transition risks are subject to a more detailed analysis and reporting than physical climate risks
- There is a disconnect between climate change time horizon and typical business planning horizons
- Preparer challenges arise due to lack of data for scenario analysis and the inherent uncertainty of scenario analysis information
- Users are eager to have access to quantitative information that preparers are not always comfortable disclosing due to the uncertain nature of scenario analysis and potential detrimental impacts on company
- There is a challenge of selecting a set of scenarios that informs on both climate change mitigation and adaptation
- There are challenges in the translation of scenario analysis model outputs into business decision variables
- There are shortfalls with the extent to which companies provide quantitative impact of climate change risk on financial metrics
- There is limited information and insights on companies adaptive capacity and resilience

The European Corporate Reporting Lab @EFRAG

The European Corporate Reporting Lab @EFRAG (European Lab) was established by EFRAG following the call by the European Commission in its March 2018 [Action Plan on Financing Sustainable Growth](#) (EC Action Plan). The European Lab serves the European public interest and its objective is to stimulate innovation in the field of corporate reporting in Europe by identifying and sharing good reporting practices through:

- Facilitating dialogue between preparers, users and other relevant stakeholders; and
- Documenting the content and outcomes of this dialogue in reports and other means and making them available in the public domain.

The European Lab has a multi-stakeholder Steering Group (European Lab SG) and under its direction project task forces may be established for specific projects (European Lab PTFs).

The European Lab SG is responsible for: setting the agenda of the European Lab; appointing the members of the European Lab PTFs and/or agreeing on alternative project processes; monitoring project implementation; promoting outputs of the European Lab and mobilising networks; giving direction on external communication; and reviewing the progress of the European Lab activities.

The European Lab PTFs are responsible for the operation and contents of European Lab projects, including planning, selection of specific issues, conducting stakeholder outreach activities, as well as providing project reports and other deliverables.

The activities of the European Lab PTFs may include public consultation such as expert meetings, seminars, round-table discussions, interviews, surveys and other activities to facilitate engagement and exchange with other stakeholders. The European Lab PTFs decide on the form of consultation and outreaches relevant and appropriate for the public.

For more information on the European Lab see www.efrag.org.

Do you want to get involved?

The European Lab encourages readers of [How to improve climate-related reporting: A summary of good practices from Europe and beyond](#) and its two supplements ([Supplement 1: Climate-related reporting practices](#) and [Supplement 2: Scenario analysis practices](#)) to get involved in future European Lab projects and other activities. To receive relevant news and updates, stakeholders can register in the EFRAG corporate reporting database:

