B.
Recommendations

B. Recommendations

The Task Force's recommendations are structured around four thematic areas that are core elements of how organizations operate—governance, strategy, risk management, and metrics and targets (Figure 5). The four overarching recommendations are supported by key climate-related financial disclosures—referred to as recommended disclosures—that build out the framework with information that will help investors and others understand how reporting organizations assess climate-related issues (Figure 6, p. 15).

Figure 5

Core Elements of Recommended Climate-Related Financial Disclosures

Governance
The organization's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Risk Management
The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

A. Introduction

B. Recommendations

C. Guidance for All Sectors

D. Supplemental Guidance for the Financial Sector

E. Supplemental Guidance for Non-Financial Groups

F. Fundamental Principles for Effective Disclosure

Appendices

The Task Force recommends that organizations provide climate-related financial disclosures in their mainstream (i.e., public) annual financial filings and recognizes that most information included in financial filings is subject to a materiality assessment. However, because climate-related risk is a non-diversifiable risk that affects nearly all industries, many investors believe it requires special attention. For example, in assessing organizations' financial and operating results, many investors want insight into the governance and risk management context in which such results are achieved. The Task Force believes disclosures related to its Governance and Risk Management recommendations directly address this need for context and should be included in financial filings.

For disclosures related to the Strategy and Metrics and Targets recommendations, the Task Force believes organizations should provide such information in annual financial filings when the information is deemed material. Certain organizations—those in the four non-financial groups that have more than one billion U.S. dollar equivalent (USDE) in annual revenue—should consider disclosing such information in other reports when the information is not deemed material and not included in financial filings.[22] Because these organizations are more likely than others to be financially impacted over time, investors are interested in monitoring how these organizations' strategies evolve.

Importantly, the recommendations were developed to apply broadly across sectors and jurisdictions and should not be seen as superseding national disclosure requirements. Organizations should make financial disclosures in accordance with their national disclosure requirements for financial filings.

[22] The Task Force chose a one billion USDE annual revenue threshold because it captures organizations responsible for over 90% of Scope 1 and 2 GHG emissions in the industries represented by the four non-financial groups (about 2,250 organizations out of roughly 15,000).

Figure 6

Recommendations and Supporting Recommended Disclosures

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization 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 organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization 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 organization's businesses, strategy, and financial planning.	b) Describe the organization'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 organization'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 organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

C.
Guidance for All Sectors

C. Guidance for All Sectors

The Task Force developed guidance to support all organizations in developing climate-related financial disclosures consistent with its recommendations and recommended disclosures. The guidance assists preparers by providing context and suggestions for implementing the recommended disclosures.

1. Governance

Investors, lenders, insurance underwriters, and other users of climate-related financial disclosures (collectively referred to as "investors and other stakeholders") are interested in understanding the role an organization's board plays in overseeing climate-related issues as well as management's role in assessing and managing those issues. Such information supports evaluations of whether material climate-related issues receive appropriate board and management attention.

Governance

Disclose the organization's governance around climate-related risks and opportunities.

Recommended Disclosure a) Describe the board's oversight of climate-related risks and opportunities.	**Guidance for All Sectors** In describing the board's oversight of climate-related issues, organizations should consider including a discussion of the following: – processes and frequency by which the board and/or board committees (e.g., audit, risk, or other committees) are informed about climate-related issues; – 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 organization's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures; and – how the board monitors and oversees progress against goals and targets for addressing climate-related issues.
Recommended Disclosure b) Describe management's role in assessing and managing climate-related risks and opportunities.	**Guidance for All Sectors** In describing management's role related to the assessment and management of climate-related issues, organizations should consider including the following information: – whether the organization has assigned climate-related responsibilities to management-level positions or committees; and, if so, whether such management positions or committees report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues; – a description of the associated organizational structure(s); – processes by which management is informed about climate-related issues; and – how management (through specific positions and/or management committees) monitors climate-related issues.

2. Strategy[23]

Investors and other stakeholders need to understand how climate-related issues may affect an organization's businesses, strategy, and financial planning over the short, medium, and long term. Such information is used to inform expectations about the future performance of an organization.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

Recommended Disclosure a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	**Guidance for All Sectors** Organizations should provide the following information: – a description of what they consider to be the relevant short-, medium-, and long-term time horizons, taking into consideration the useful life of the organization's assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms; – 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 organization; and – a description of the process(es) used to determine which risks and opportunities could have a material financial impact on the organization. Organizations should consider providing a description of their risks and opportunities by sector and/or geography, as appropriate. In describing climate-related issues, organizations should refer to Tables A1.1 and A1.2 (pp. 75–76).
Recommended Disclosure b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	**Guidance for All Sectors** Building on recommended disclosure (a), organizations should discuss how identified climate-related issues have affected their businesses, strategy, and financial planning. Organizations should consider including the impact on their businesses, strategy, and financial planning in the following areas: – Products and services – Supply chain and/or value chain – Adaptation and mitigation activities – Investment in research and development – Operations (including types of operations and location of facilities) – Acquisitions or divestments – Access to capital Organizations 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 prioritized. Organizations' disclosures should reflect a holistic picture of the interdependencies among the factors that affect their ability to create value over time. Organizations should describe the impact of climate-related issues on their financial performance (e.g., revenues, costs) and financial position (e.g., assets, liabilities).[24] If climate-related scenarios were used to inform the organization's strategy and financial planning, such scenarios should be described.

[23] The Task Force's *Guidance on Scenario Analysis for Non-Financial Companies*, *The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities*, and *Guidance on Metrics, Targets, and Transition Plans* may be useful to organizations in disclosing information under this recommendation.

[24] These impacts may be described in qualitative, quantitative, or a combination of both qualitative and quantitative terms. The Task Force encourages organizations to include quantitative information, where data and methodologies allow.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

	Organizations that have made GHG emissions reduction commitments, operate in jurisdictions that have made such commitments, or have agreed to meet investor expectations regarding GHG emissions reductions should describe their plans for transitioning to a low-carbon economy, which could include GHG emissions targets and specific activities intended to reduce GHG emissions in their operations and value chain or to otherwise support the transition.[25]
Recommended Disclosure c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**Guidance for All Sectors** Organizations 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 organization, scenarios consistent with increased physical climate-related risks.[26] Organizations should consider discussing: – 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 (e.g., revenues, costs) and financial position (e.g., assets, liabilities);[27] and – the climate-related scenarios and associated time horizon(s) considered. Refer to Section D in the Task Force's report for information on applying scenarios to forward-looking analysis.

[25] Organizations may agree to meet investor expectations regarding GHG emissions reductions for various reasons, including concerns about access to or the cost of capital if they fail to do so.

[26] In interpreting the phrase "2°C or lower," organizations should consider aligning their scenario analysis with Article Two of the 2015 *Paris Agreement* which commits parties to "holding the increasing in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels."

[27] These impacts may be described in qualitative, quantitative, or a combination of both qualitative and quantitative terms. The Task Force encourages organizations to include quantitative information, where data and methodologies allow.

3. Risk Management[28]

Investors and other stakeholders need to understand how an organization's climate-related risks are identified, assessed, and managed and whether those processes are integrated in existing risk management processes. Such information supports users of climate-related financial disclosures in evaluating the organization's overall risk profile and risk management activities.

Risk Management Disclose how the organization identifies, assesses, and manages climate-related risks.	
Recommended Disclosure a) Describe the organization's processes for identifying and assessing climate-related risks.	**Guidance for All Sectors** Organizations should describe their risk management processes for identifying and assessing climate-related risks. An important aspect of this description is how organizations determine the relative significance of climate-related risks in relation to other risks. Organizations should describe whether they consider existing and emerging regulatory requirements related to climate change (e.g., limits on emissions) as well as other relevant factors considered. Organizations should also consider disclosing the following: – 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.
Recommended Disclosure b) Describe the organization's processes for managing climate-related risks.	**Guidance for All Sectors** Organizations should describe their processes for managing climate-related risks, including how they make decisions to mitigate, transfer, accept, or control those risks. In addition, organizations should describe their processes for prioritizing climate-related risks, including how materiality determinations are made within their organizations. In describing their processes for managing climate-related risks, organizations should address the risks included in Tables A1.1 and A1.2 (pp. 75–76), as appropriate.
Recommended Disclosure c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	**Guidance for All Sectors** Organizations should describe how their processes for identifying, assessing, and managing climate-related risks are integrated into their overall risk management.

[28] The Task Force's *Guidance on Risk Management Integration and Disclosure* may be useful to organizations in disclosing information under this recommendation.

4. Metrics and Targets[29]

Investors and other stakeholders need to understand how an organization measures and monitors its climate-related risks and opportunities. Access to the metrics and targets used by an organization allows investors and other stakeholders to better assess the organization's potential risk-adjusted returns, ability to meet financial obligations, general exposure to climate-related issues, and progress in managing or adapting to those issues.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended Disclosure a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	**Guidance for All Sectors** Organizations should provide the key metrics used to measure and manage climate-related risks and opportunities, as described in Tables A1.1 and A1.2 (pp. 75–76), as well as metrics consistent with the cross-industry, climate-related metric categories described in Table A2.1 (p. 79).[30] Organizations should consider including metrics on climate-related risks associated with water, energy, land use, and waste management where relevant and applicable. Where climate-related issues are material, organizations should consider describing whether and how related performance metrics are incorporated into remuneration policies. Where relevant, organizations should provide their internal carbon prices as well as climate-related opportunity metrics such as revenue from products and services designed for a low-carbon economy. Metrics should be provided for historical periods to allow for trend analysis. Where appropriate, organizations should consider providing forward-looking metrics for the cross-industry, climate-related metric categories described in Table A2.1 (p. 79), consistent with their business or strategic planning time horizons. In addition, where not apparent, organizations should provide a description of the methodologies used to calculate or estimate climate-related metrics.
Recommended Disclosure b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	**Guidance for All Sectors** Organizations 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.[31] All organizations should consider disclosing Scope 3 GHG emissions.[32, 33] GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions.[34] As appropriate, organizations should consider providing related, generally accepted industry-specific GHG efficiency ratios.[35]

[29] The Task Force's *Guidance on Metrics, Targets, and Transition Plans* should be reviewed by organizations disclosing information under this recommendation.

[30] Financial organizations may find it more difficult to quantify exposure to climate-related risks because of challenges related to portfolio aggregation and data availability. The Task Force suggests financial organizations provide qualitative and quantitative information, where data and methodologies allow.

[31] Emissions are a prime driver of rising global temperatures and, as such, are a key focal point of policy, regulatory, market, and technology responses to limit climate change. As a result, organizations with significant emissions are likely to be impacted more significantly by transition risk than other organizations. In addition, current or future constraints on emissions, either directly by emission restrictions or indirectly through carbon budgets, may impact organizations financially.

[32] The Task Force strongly encourages all organizations to disclose Scope 3 GHG emissions. While the Task Force recognizes the data and methodological challenges associated with calculating Scope 3 GHG emissions, it believes such emissions are an important metric reflecting an organization's exposure to climate-related risks and opportunities. For guidance on reporting Scope 3 GHG emissions, see the GHG Protocol's *The Corporate Value Chain (Scope 3) Accounting and Reporting Standard*.

[33] When considering whether to disclose Scope 3 GHG emissions, organizations should consider whether such emissions are a significant portion of their total GHG emissions. For example, see discussion of 40% threshold in the Science Based Targets initiative's (SBTi's) paper *SBTi Criteria and Recommendations*, Version 4.2, April 2021, Section V, p. 10.

[34] While challenges remain, the GHG Protocol methodology is the most widely recognized and used international standard for calculating GHG emissions. Organizations may use national reporting methodologies if they are consistent with the GHG Protocol methodology.

[35] For industries with high energy consumption, metrics related to emission intensity are important to provide. For example, emissions per unit of economic output (e.g., unit of production, number of employees, or value-added) is widely used.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

	GHG emissions and associated metrics should be provided for historical periods to allow for trend analysis. In addition, where not apparent, organizations should provide a description of the methodologies used to calculate or estimate the metrics.
Recommended Disclosure c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	**Guidance for All Sectors** Organizations should describe their key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc., in line with the cross-industry, climate-related metric categories in Table A2.1 (p. 79), where relevant, and in line with anticipated regulatory requirements or market constraints or other goals. Other goals may include efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a low-carbon economy. In describing their targets, organizations should consider including the following: – 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. Organizations disclosing medium-term or long-term targets should also disclose associated interim targets in aggregate or by business line, where available. Where not apparent, organizations should provide a description of the methodologies used to calculate targets and measures.