FSB publishes recommendations for supervisory and regulatory approaches to climate-related risks and calls for continued progress on disclosures

The Financial Stability Board (FSB) today published two reports as part of its work on addressing climate-related financial risks, outlined in its Roadmap.

- A final report on supervisory and regulatory approaches to climate-related risks. The report aims to assist supervisory and regulatory authorities in developing their approaches to monitor, manage and mitigate cross-sectoral and system-wide risks arising from climate change and to promote consistent approaches across sectors and jurisdictions.

- A progress report on climate-related disclosures, which takes stock of progress made over the past year by the new global standard-setter, by national and regional authorities and by firms.

The reports have been delivered to G20 Finance Ministers and Central Bank Governors for their 12-13 October 2022 meeting.

The FSB also welcomes the publication today of the 2022 status report by its industry-led Task Force on Climate-related Financial Disclosures (TCFD), which describes the further progress by firms in making TCFD-aligned disclosures.

Supervisory and regulatory approaches to climate-related risks

The report provides high-level recommendations to promote consistency as authorities continue to develop their approaches to monitor, manage and mitigate risks arising from climate change. The report has been finalised following a public consultation on the interim report in April 2022. The recommendations cover:

- **Supervisory and regulatory reporting and collection of climate-related data from financial institutions**: The recommendations encourage authorities to accelerate the identification of their data needs for supervisory and regulatory objectives; identify relevant types of data and metrics that they may require from financial institutions; and provide key policy considerations to assist authorities in their future work towards expanding regular standardised regulatory reporting requirements.
System-wide supervisory and regulatory approaches and the extent to which supervisory and regulatory tools and policies address climate-related risk: Authorities are encouraged to expand the use of climate scenario analysis and stress tests for macroprudential purposes. As approaches develop and mature in the next few years, the FSB will consider in 2024 conducting a peer review of supervisory and regulatory practices against its recommendations. The FSB will also consider updating its recommendations in 2025.

Early consideration of other potential macroprudential policies and tools: The report notes that microprudential tools alone may not sufficiently address the cross-sectoral, global and systemic dimensions of climate-related risks. Authorities and standard-setting bodies are encouraged to undertake research and analysis in the near to medium term on the appropriate enhancements to their regulatory and supervisory frameworks.

Progress report on climate-related disclosures

This progress report looks at:

Progress made by the International Sustainability Standards Board (ISSB) in developing its global baseline standard: The timely issuance of a final global baseline climate reporting standard ready for adoption across jurisdictions is critical to provide decision-useful information to investors and other stakeholders on climate-related risks and opportunities. The reports on progress by the ISSB in setting the global baseline standard; on the work of the International Auditing and Assurance Standards Board, the International Ethics Standards Board for Accountants; and also of IOSCO in supporting the work on both disclosure and assurance standards.

Actions undertaken by jurisdictions to require or promote climate-related disclosures: Financial authorities across most FSB member jurisdictions, including several emerging market and developing economies, have taken additional actions to set requirements, guidance or expectations on climate disclosures since last year. The report summaries the actions and highlights the need to ensure interoperability of the global baseline standard with jurisdictional frameworks.

Firms’ progress in making climate-related disclosures, as reported in the 2022 TCFD Status Report. The report notes the continuing need to maintain momentum by monitoring and reporting on progress in firms’ climate disclosures during the period until the ISSB global baseline standard is agreed and the implementation of that standard across jurisdictions begins to be monitored. The FSB therefore requests that the TCFD prepare another progress report on firms’ disclosures in 2023.

Notes to editors

The FSB published its Roadmap to address climate-related financial risks, which was endorsed by the G20 in July 2021. The Roadmap sets out a comprehensive and coordinated plan for addressing climate-related financial risks, including steps and indicative timeframes. The Roadmap covers four focus areas in total: firm-level disclosures, data, vulnerabilities, and
regulatory and supervisory practices and tools. A progress report on the Roadmap was published in July 2022.

The final report on supervisory and regulatory approaches to climate-related risks reflects public feedback received on a consultative version of the report, which the FSB published in April 2022. A summary of responses to its public consultation and the changes made in light of this has also been published today.

The TCFD was established by the FSB in 2015 to develop a set of voluntary, consistent disclosure recommendations for use by companies in providing information to investors, lenders and insurance underwriters about their climate-related financial risks. These disclosure recommendations, which were finalised in 2017 after extensive public engagement and consultation, provide a framework for companies to develop more effective climate-related financial disclosures through their existing reporting processes. The TCFD’s 30 international members, include representatives from providers of capital, insurers, large non-financial companies, accounting and consulting firms, and credit rating agencies.

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Klaas Knot, President of De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.