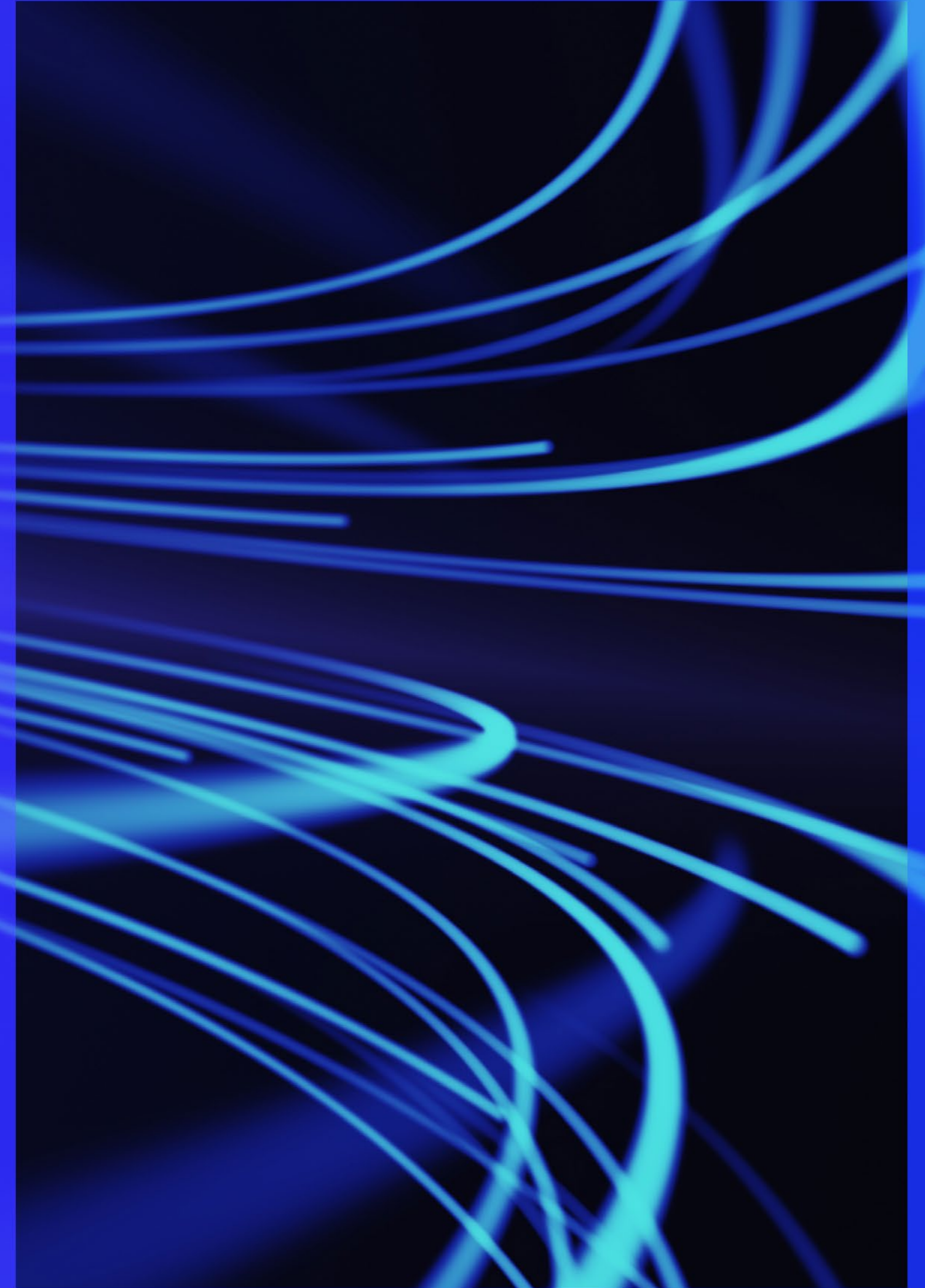




**Are we  
there yet?**

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As promised in the article in our March quarter publication<sup>1</sup>, this article explores in a bit more detail the observations from our benchmarking<sup>2</sup> of banks' climate-related disclosures during the financial year (FY)22 reporting cycle. Similar to Phase 1, we have included 35 major banks in Phase 2. This includes five banks in the UK, seven in Europe, five in Australia, five in Canada, seven in Asia (across China, Japan and India) and six in the US.

It has been five years since the Task Force on Climate-related Financial Disclosure's (TCFD) recommendations were released. One would have thought that by now we should see full compliance in respect of at least a couple of the recommendations. However, not a single recommendation achieved full marks; the best score was 80%. In addition, not one of the banks surveyed has complied fully with all 11 recommendations.

#### Key messages from this global analysis

1. TCFD-recommended climate-related disclosures on governance and risk management are relatively advanced – but these will need to develop further to meet the requirements in the new international standards.<sup>3</sup>
2. Banks have laid the foundation for their climate strategy – now they should be building their detailed transition plans with clear actions and interim targets.
3. Most banks currently use scenario analysis to assess risks – but it's not yet clear how they are using it to evaluate the resilience of their strategy and inform their strategic planning.

4. Some banks disclose certain financed emissions numbers – but more transparency is needed to help users understand these disclosures, such as clarity on methodologies, assumptions, data and limitations involved in the calculation.<sup>4</sup>

“ One would have thought that by now we should see full compliance in respect of at least a couple of the recommendations. However, not a single recommendation achieved full marks; the best score was





80%



Figure 1 shows where we have assessed the majority of banks in our analysis to fall on the maturity scale in respect of the 11 TCFD recommendations.

“ **89%** of the global banks disclose that they obtained an assurance report on selected climate-related metrics.

**Figure 1**  
**MATURITY OF THE BANKS' TCFD-ALIGNED DISCLOSURES**

Thematic area	TCFD-recommended disclosuresw	Overall maturity
<b>Governance</b> 	a) Describe the board’s oversight of climate-related risks and opportunities	Green
	b) Describe management’s role in assessing and managing climate-related risks and opportunities	Green
<b>Strategy</b> 	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Red
	b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning	Red
	c) Describe the resilience of the organisation strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Red
<b>Risk management</b> 	a) Describe the organisation’s processes for identifying and assessing climate-related risks	Green
	b) Describe the organisation’s processes for managing climate-related risks	Green
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation’s overall risk management	Green
<b>Metrics and targets</b> 	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Red
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks	Red
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Yellow

**Maturity scale:** ■ More work to be done on the disclosures. ■ Disclosures are moderately advanced. ■ Disclosures are relatively advanced.

“ It takes time to reach full maturity and New Zealand banks shouldn't be disheartened if they are 'not quite there yet' .

### What about assurance?

89% of the global banks disclose that they obtained an assurance report on selected climate-related metrics.

Some observations in regards of the level of assurance obtained (i.e. limited versus reasonable assurance):

- Most banks obtained limited assurance over:
  - Scope 1 and Scope 2 greenhouse gas (GHG) emissions related to their own operations; and
  - Amounts of green or sustainable financing granted or facilitated to date.

- A few banks obtained limited assurance on other metrics – e.g. estimated financed emissions for certain portfolios.
- A few banks have obtained reasonable assurance over their operational emissions in Scope 1 and Scope 2.

### Stepping up to comply with the new international standards

Similar to the Aotearoa New Zealand climate standards, the new international standards are aligned to the TCFD recommendations. However, this may have created a false sense of security.

As mentioned above:

- even the more advanced governance and risk management disclosures will require further development to meet the requirements in the new international standards;
- not a single recommendation achieved full marks; and
- not one of the banks surveyed has complied fully with all 11 recommendations.

This should be a warning to climate-reporting entities in New Zealand not to rely too heavily on the TCFD disclosures examples in the market or

to anchor to these as 'best practice'. The disclosures in the market are a good starting point, but like the new international standards, the Aotearoa New Zealand climate standards will:

- require more detailed disclosures relating to the strategy, and metrics and targets pillars, in particular in relation to scenario analysis, transition plans and cross-industry metrics; and
- introduce additional requirements that either are not covered by the TCFD recommendations or build on them.

The new international standards become effective from 1 January 2024 and, although not mandated yet by many jurisdictions, it will be interesting to see how many global banks will adopt these standards on a voluntary basis going forward.

### **How does this compare to the action being taken by New Zealand financial institutions?**

Very few banks in New Zealand prepared voluntary climate statements for the FY22 reporting cycle. We are hoping to see a step change for the FY23 reporting cycle, but we acknowledge that producing these disclosures requires a significant amount

of resources and New Zealand entities have had limited time since the release of the standards in December 2022. Also, as one can see from the observations from our analysis, it takes time to reach full maturity and New Zealand banks shouldn't be disheartened if they are 'not quite there yet'.

We will keep you posted on progress in New Zealand and international developments. In our annual bank publication we are aiming to shift the focus from global banks to the disclosures provided by New Zealand financial institutions.

Until then...

## **Very few banks in New Zealand prepared voluntary climate statements for the FY22 reporting cycle.**

## **End notes**

1. <https://kpmg.com/nz/en/home/insights/2023/06/fips-quarterly-march-2023.html>
2. <https://assets.kpmg.com/content/dam/kpmg/ch/pdf/banks-climate-related-disclosures-phase2.pdf.pdf>
3. Sustainability-related disclosure standards issued by the International Sustainability Standards Board (ISSB).
4. For climate reporting entities in New Zealand disclosures in respect of transition plans (point 2) and financed emissions (point 4) are not required in the first climate statements



## Contact us

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