

Climate Thematic Headline Findings

November 2020

The FRC has completed a review of climate-related issues as they affect governance, reporting and audit, and the roles of a range of market participants. The following outlines the questions we asked and our headline findings. Our consolidated findings, links to more detailed findings and an outline of our next steps can be found [here](#).

How are boards taking account of climate-related challenges?



It is the board's responsibility to consider climate-related issues, but there is little evidence that business models and company strategy are influenced by integrating climate considerations into governance frameworks.

How are companies developing their reporting on climate-related challenges?



An increasing number of companies are providing narrative reporting on climate-related issues. While minimum legal requirements are often being met, users are calling for additional disclosure to inform their decision making. Some companies have set strategic goals such as 'net zero', but it is unclear from their reporting how progress towards these goals will be achieved, monitored or assured.

Consideration and disclosure of climate change in the financial statements lags behind narrative reporting. We identified areas of potential non-compliance with the requirements of International Financial Reporting Standards (IFRS).

How are auditors taking account of climate-related challenges?



The quality of support, training and resources provided to the audit practice varied considerably across firms. Firms also need to do more to ensure that their internal quality monitoring has appropriate regard for climate change considerations.

Audits reviewed indicated that auditors need to improve their consideration of climate-related risks when planning and executing their audits.

How are professional bodies and audit regulators taking account of climate change in their regulatory responsibilities?



UK professional bodies, and audit regulators in the Crown Dependencies, are responding to climate change, but approaches differ in terms of substance and granularity regarding references to climate-related reporting and the impacts of climate change.

What do investors want to see?



Investors support the Task Force on Climate-related Financial Disclosures framework, but also expect to see disclosures regarding the financial implications of climate change. Investors are themselves facing a changing regulatory environment.