DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARDS

Appendix IV - TCFD Recommendations and ESRS reconciliation table

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EFRAG

DISCLAIMER

This document has been prepared by EFRAG Secretariat and has not been agreed with TCFD. This is an updated version of the reconciliation table prepared when issuing the ESRS Exposure Drafts in April 2022.

Appendix IV – TCFD and ESRS reconciliation table

TCFD RECOMMENDATIONS AND SUPPORTING RECOMMENDED DISCLOSURES	ESRS	Comparison TCFD vs ESRS
Introduction: **When comparing TCFD with ESRS it must be noted that TCFD is on climate only and ESRS are covering also numerous other sustainability matters besides climate. ESRS has Disclosures Requirements applicable across sustainability matters for the reporting areas Governance, Strategy, Impact, risk and opportunity management and Metrics and targets in ESRS 2 *General disclosures*. In addition, matters are covered in topical standards.** **A comparison of TCFD with ESRS involves therefore Disclosure Requirements from ESRS 2 *General disclosures* and ESRS E1 *Climate change.***		
GOVERNANCE		
Disclose the company's governance around climate-related risks and opportunities.	➔ ESRS 2 GOV-1, GOV-2 and GOV-3	All TCFD governance disclosures are covered in ESRS E1. Additions or classification differences in ESRS E1: - Impacts considered in addition to Risks & Opportunities; and - Remuneration directly tied to GHG emissions reductions targets in ESRS E1 DR related to ESRS 2 GOV-3 Integration of sustainability-related performance in incentive schemes, and classified under Governance in ESRS rather than Metrics in TCFD; - list of sustainability matters addressed by the undertaking's administrative, management and supervisory bodies §24 (c) - Statement on sustainability due diligence (DR GOV 4).
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	➔ ESRS 2 GOV-1 ➔ ESRS 2 GOV-2	TCFD and ESRS are aligned noting that TCFD refers explicitly to climate-related issues whereas ESRS 2 refers to sustainability matters.

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.	➔ ESRS 2 GOV-1 ➔ ESRS 2 GOV-3	

Appendix IV – TCFD and ESRS reconciliation table

TCFD RECOMMENDATIONS AND SUPPORTING RECOMMENDED DISCLOSURES	ESRS	COMPARISON TCFD vs ESRS
STRATEGY		
Disclose the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy, and financial planning where such information is material.	➔ ESRS 2 SBM-3, and IRO-2 ➔ ESRS E1-1, E1-2, E1-3, E1-4, E1-9, DR related to ESRS 2 SBM-3 and ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities	All TCFD strategy disclosures are covered in ESRS E1. Additions or classification differences in ESRS E1: - Impacts on the environment and society taken into consideration on top of risks & opportunities; - Clearer reference to alignment with limiting global warming to 1.5°C (i.e., transition plan); - Concept of locked-in emissions and related stranded assets more developed; - Concept of policies more developed in ESRS to address both strategy and risk management processes; - Effects on current financial statements required under DR 2 SBM-3 and classified under Connectivity Requirements (reconciliation between sustainability and financial statements) in ESRS 1; - Effects of climate-related risks on future financial position and business activities separated between physical and transition risks; - ESRS E1 is more specific on targets and does not allow the use of carbon credits/offsets to achieve GHG emission reduction targets) - Future financial effects of climate-related risks covering gross risks instead of net risks (before mitigation and adaptation policies, targets and actions); - Taxonomy-alignment ratios and consistency of resources and financial opportunities with figures from Taxonomy Regulation; and - ESRS E1 requires SFDR and EBA disclosures (real estate assets by energy-efficiency classes, list of assets at physical acute and chronic risks, exposure to fossil activities) and provides examples of potential assets/liabilities for instance relating to stranded assets or ETS liabilities; and
Recommended Disclosure a) Describe the climate-related risks and opportunities the company 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.	➔ ESRS 2 SBM-3 ➔ ESRS 1, section 6 Time horizons ➔ ESRS E1, DR related to ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities §18 (b) and (c)	
Recommended Disclosure b) Describe the impact of climate-related risks and opportunities on the company'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.	➔ ESRS SBM-3 ➔ ESRS 2 SBM-1 ➔ ESRS E1-1 ➔ ESRS E1-2 ➔ ESRS E1-4	

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). If climate-related scenarios were used to inform the organization's strategy and financial planning, such scenarios should be described. 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.	➔ ESRS E1-3 ➔ ESRS E1-9 §61 (a), (b) ➔ ESRS E1, DR related to ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities §19	- More details on potential financial effects and opportunities (business activities at risks, market size for low carbon solutions).
Recommended Disclosure c) Describe the resilience of the company'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. Organizations should consider discussing: • where they believe their strategies may be affected by climate-related risks and opportunities;	➔ ESRS 2 SBM-3 §46 (e) ➔ ESRS E1, DR related to ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model(s) §17 (b) and (c) ➔ ESRS E1, DR related to ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities §19	

• 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); and • the climate-related scenarios and associated time horizon(s) considered.		

Appendix IV – TCFD and ESRS reconciliation table

TCFD RECOMMENDATIONS AND SUPPORTING RECOMMENDED DISCLOSURES	ESRS	COMPARISON TCFD vs ESRS
RISK MANAGEMENT		
Disclose how the company identifies, assesses, and manages climate-related risks.	➔ ESRS 2 IRO-1 ➔ ESRS E1-2, E1-3, E1-4, and DR related to ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities	All TCFD risk management disclosures are covered in ESRS E1. Additions or classification differences in ESRS E1: - Impacts taken into consideration on top of risks and opportunities; - More detailed application requirements for physical and transition risks identification and assessment with the provision of detailed climate scenarios ESRS E1 § AR 10 to 13; - The concept of due diligence process is further elaborated on in ESRS 1; and - Concept of policies, actions and resources more developed in ESRS to address both strategy and risk management processes.
Recommended Disclosure a) Describe the company'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.	➔ ESRS 2 IRO-1 ➔ ESRS E1, DR related to ESRS 2 IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities §18 (b) and (c)	
Recommended Disclosure b) Describe the company'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.	➔ ESRS E1-2 ➔ ESRS E1-4 ➔ ESRS E1-3	

Recommended Disclosure c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the company'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.	➔ ESRS 2 GOV-5	

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TCFD RECOMMENDATIONS AND SUPPORTING RECOMMENDED DISCLOSURES	ESRS	COMPARISON TCFD vs ESRS
METRICS AND TARGETS		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	➔ ESRS E1, DR related to ESRS 2 GOV-3 Integration of sustainability-related performance in incentive schemes, ESRS E1-4, E1-6, E1-8, E1-9, E1-16, E1-17.	All TCFD metics and targets disclosures are covered in ESRS E1. Additions or classification differences in ESRS E1: - Energy consumption and mix and energy intensity per revenue required; - More details on GHG emissions (share of Scope 1 emissions under ETS, Scope 2 emissions in market-based and location-based, calculation requirements on scope 3, distinction between removals, and carbon credits); - Clarification on reporting boundaries (operational control approach required by ESRS E1); - More details on potential financial effects and opportunities (stranded assets, assets at physical risks, ETS liabilities, business activities at risks, market size for low carbon solutions); - Turnover, CapEx, OpEx deriving from the EU Taxonomy regulation; - Specific target on GHG emission reduction and remuneration tied to this target; - Distinction of three levels of targets: general climate-related targets, GHG emission reduction targets, and net zero targets and other neutrality claims; - Scope of the target specified; - Target values aligned with 2030 and 2050 and preferably set over five year intervals after 2030; - Targets presented by decarbonisation levers; - Use of carbon offsets excluded from GHG emission reduction targets (only included in net zero targets under specific conditions); and
Recommended Disclosure a) Disclose the metrics used by the company 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 well as metrics consistent with the cross-industry, climate-related metric categories. 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. **Cross-industry, climate-related metric categories and example metrics**: • GHG emissions: absolute Scope 1, Scope 2, and Scope 3; emissions intensity;	➔ ESRS E1-6 §41 and 50 ➔ ESRS E1-9 ➔ ESRS E1-3 ➔ ESRS 2 GOV-3 ➔ ESRS E1-8 ➔ ESRS E1, DR related to ESRS 2 GOV-3 Integration of sustainability-related performance in incentive schemes	

• Transition risks: amount and extent of assets or business activities vulnerable to transition risks; • Physical risks: amount and extent of assets or business activities vulnerable to physical risks • Climate-related opportunities: proportion of revenue, assets, or other business activities aligned with climate-related opportunities • Capital deployment: amount of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities • Internal carbon prices: price on each ton of GHG emissions used internally by an organization • Remuneration: proportion of executive management remuneration linked to climate considerations		- Pathways to net zero presentation.
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. All organizations should consider disclosing Scope 3 GHG emissions. GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions. As appropriate, organizations should consider providing related, generally accepted industry-specific GHG efficiency ratios. 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.	➔ ESRS E1-6 §41 and 50	
Recommended Disclosure c) Describe the targets used by the company 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., and in	➔ ESRS E1-4	

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.		