



The Audit Committee Frontier – Addressing Climate Change

Global Boardroom Program
December 2021

The Audit Committee Frontier - Addressing Climate Change

Global Audit Committee survey spanning

40 Countries and

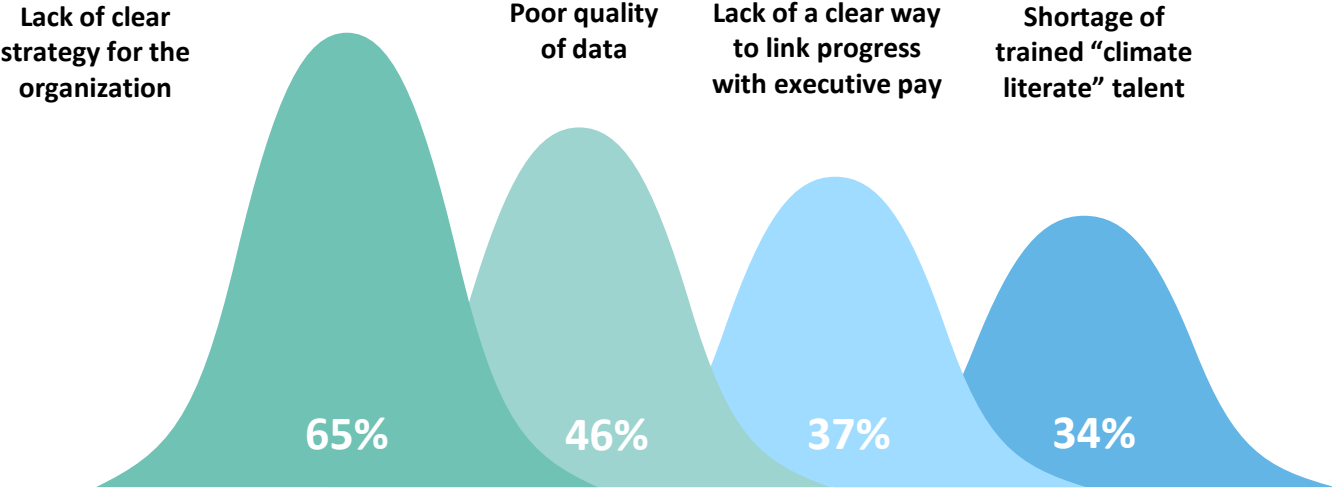
>350 Audit Committee
Members (of which 56%
committee chairs)



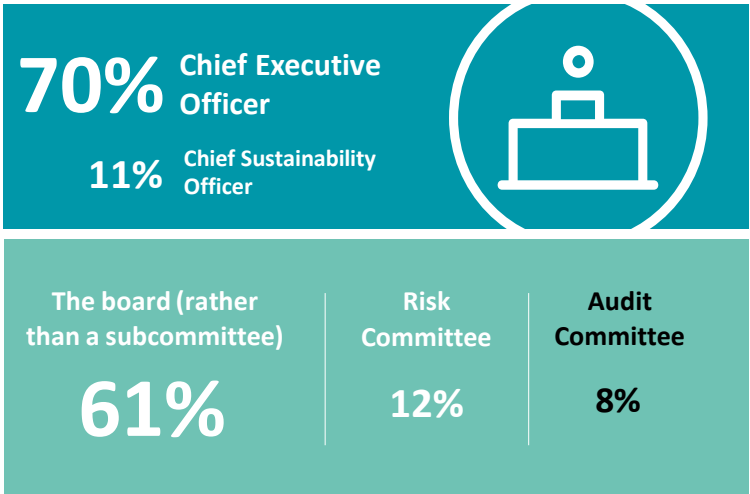
The Audit Committee Frontier – Addressing Climate Change

Key findings from the survey

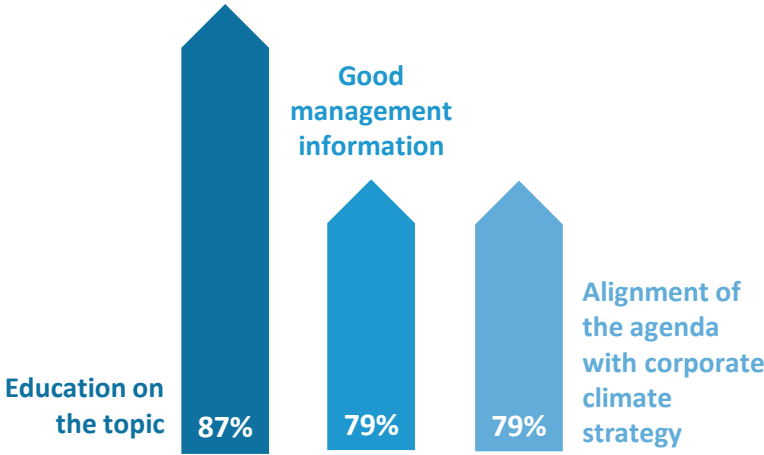
Ⓞ Challenges in overseeing climate change within the organization



Ⓞ Who owns climate in the organization?



Ⓞ Top three ways to make progress on climate



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Key findings from the survey



Climate change not always on the audit committee agenda



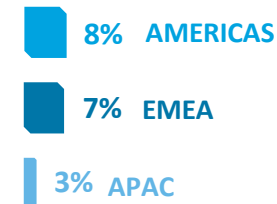
58%

of respondents **do not discuss climate change** at all or as a fixed agenda item.



Only 6%

of respondents **discuss climate change every meeting**



Climate literacy

47%

of respondents **do not consider their audit committees to be “climate literate.”**



External challenges in overseeing climate change

60%

Lack of common global reporting standards

46%

Reporting and regulatory landscape keeps changing

46%

Everyone seems to be exploring slowly and carefully how to best approach the topic, making **clarity and consensus** difficult

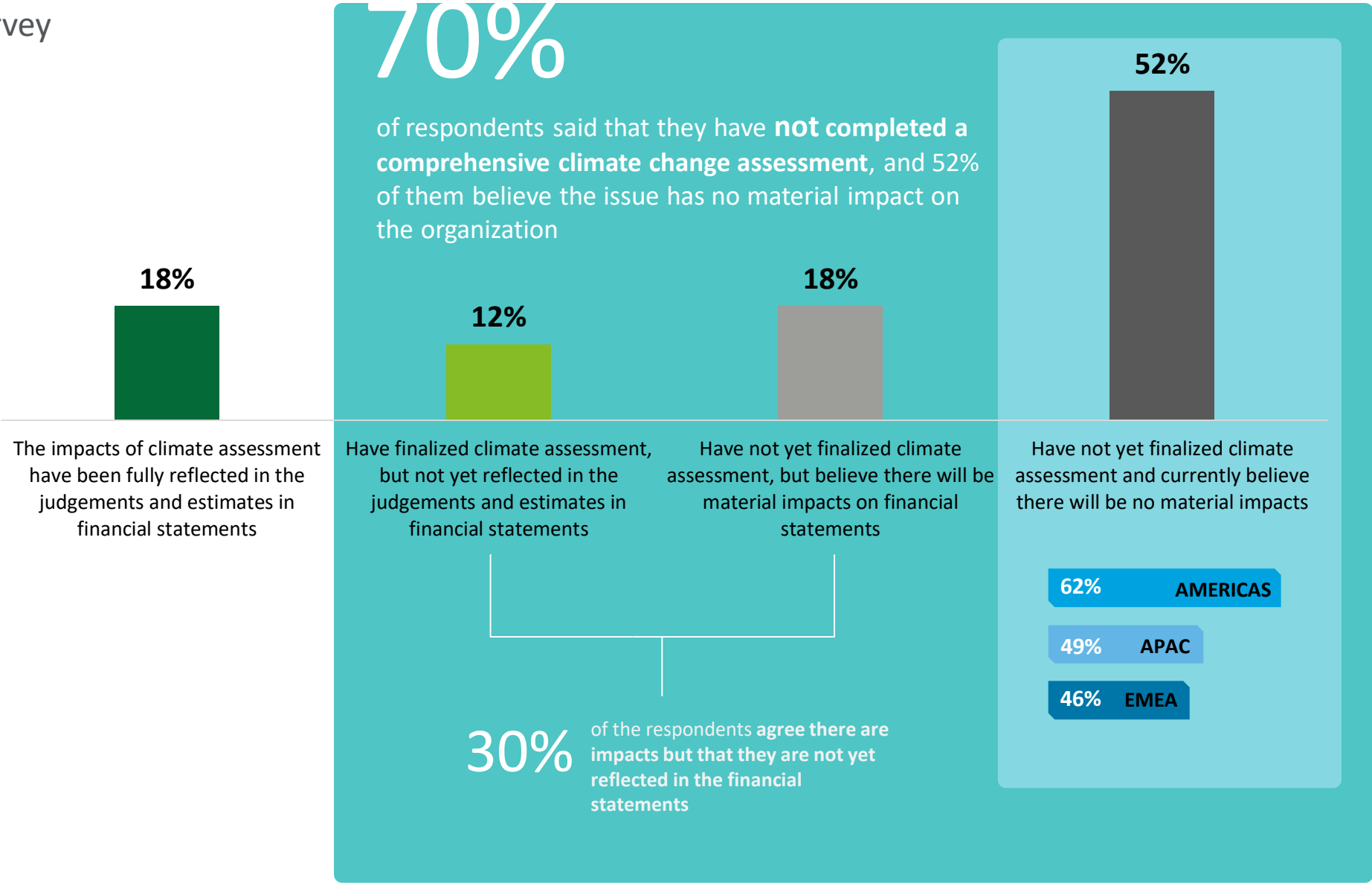
46%

Solutions require **coalitions and alliances beyond our organization** to achieve real progress and this is difficult to achieve

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Key findings from the survey


Climate and financial statements

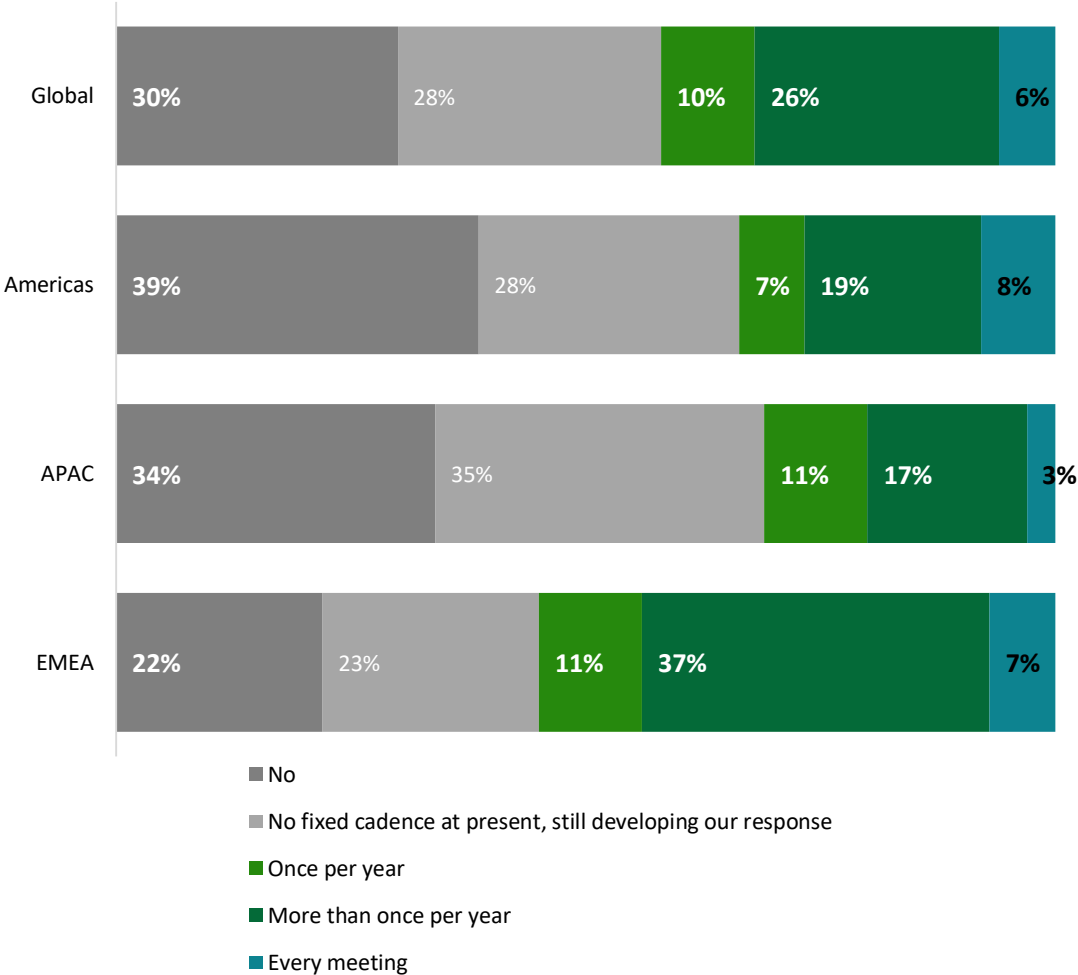


Survey results

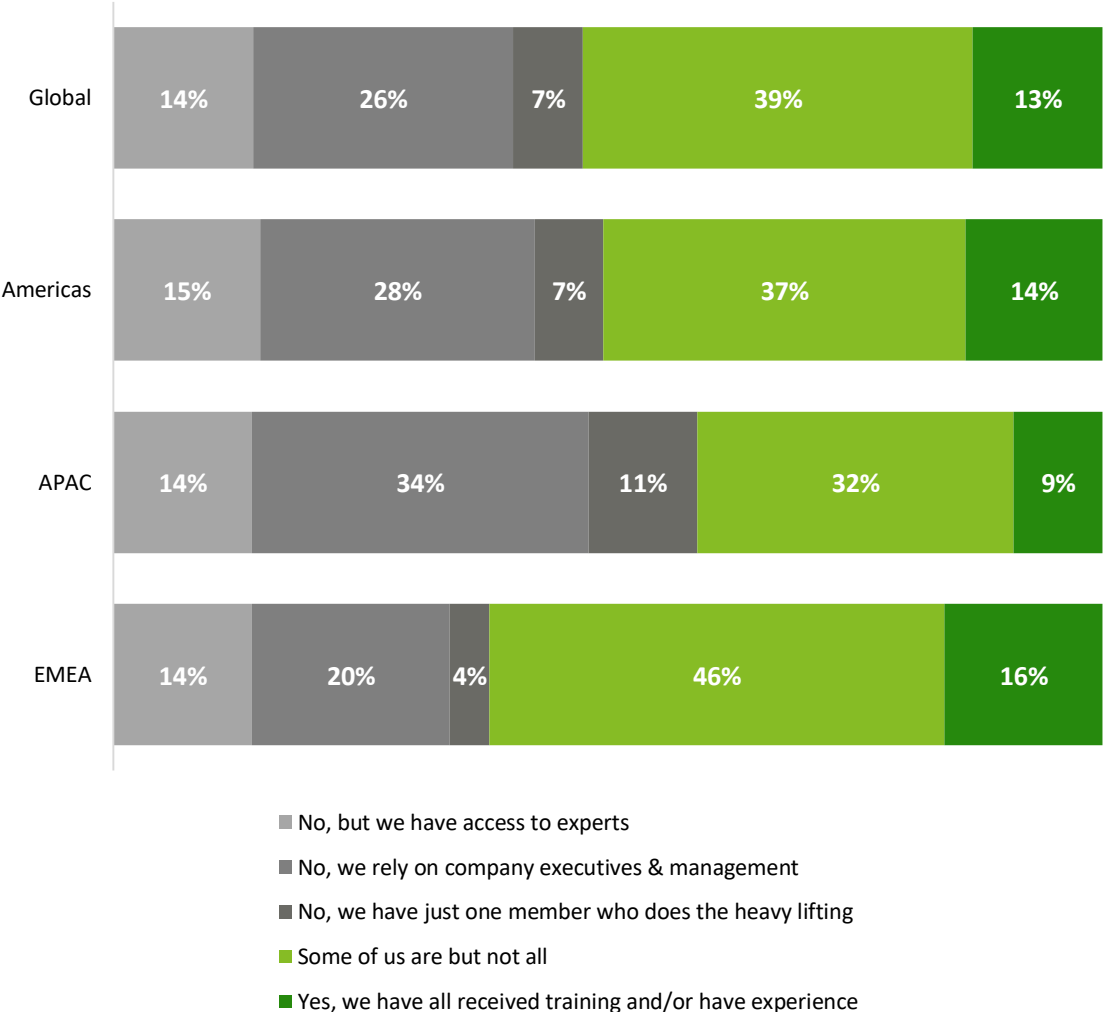
Appendix

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Q1. Is climate a specific topic on the audit committee agenda, and how regularly?

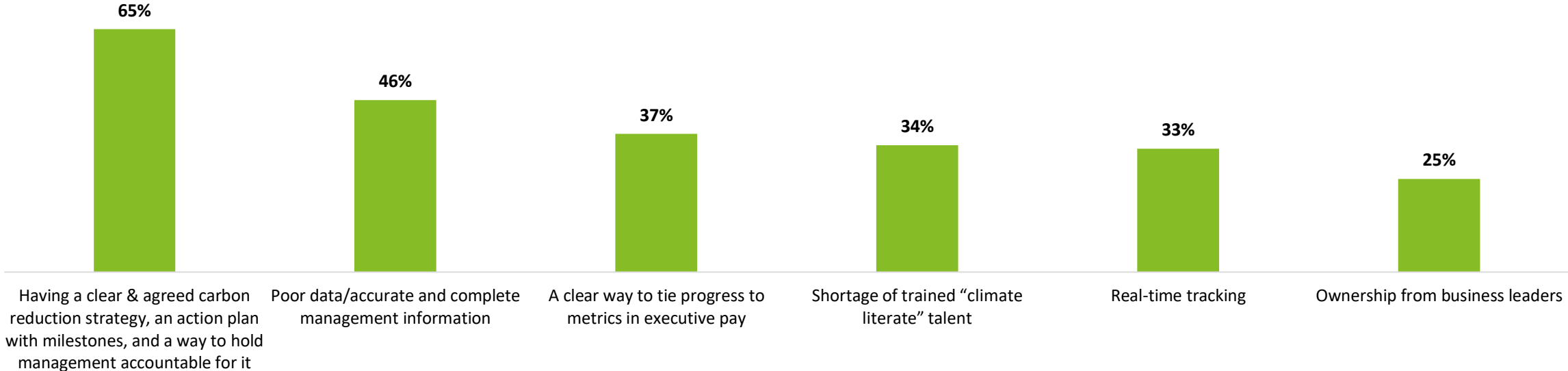


Q2. Is the audit committee “climate literate”?



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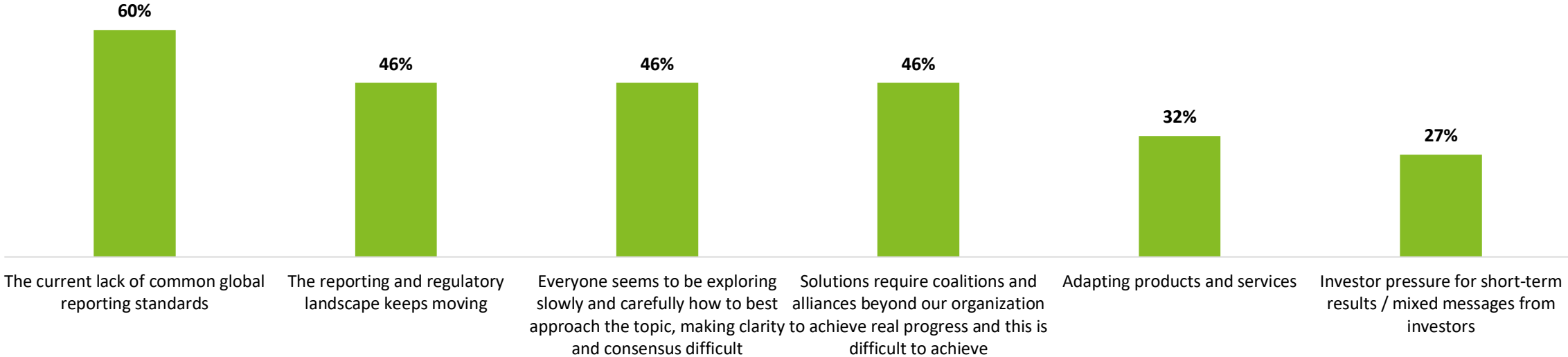
Q3. What is the biggest challenge in overseeing climate change, in relation to: A. Your organization? Please select all that apply.



	Global	Americas	APAC	EMEA
Having a clear & agreed carbon reduction strategy, an action plan with milestones, and a way to hold management accountable for it	65%	65%	66%	64%
Poor data/accurate and complete management information	46%	48%	40%	49%
A clear way to tie progress to metrics in executive pay	37%	40%	37%	34%
Shortage of trained "climate literate" talent	34%	38%	46%	24%
Real-time tracking	33%	41%	29%	30%
Ownership from business leaders	25%	20%	36%	22%

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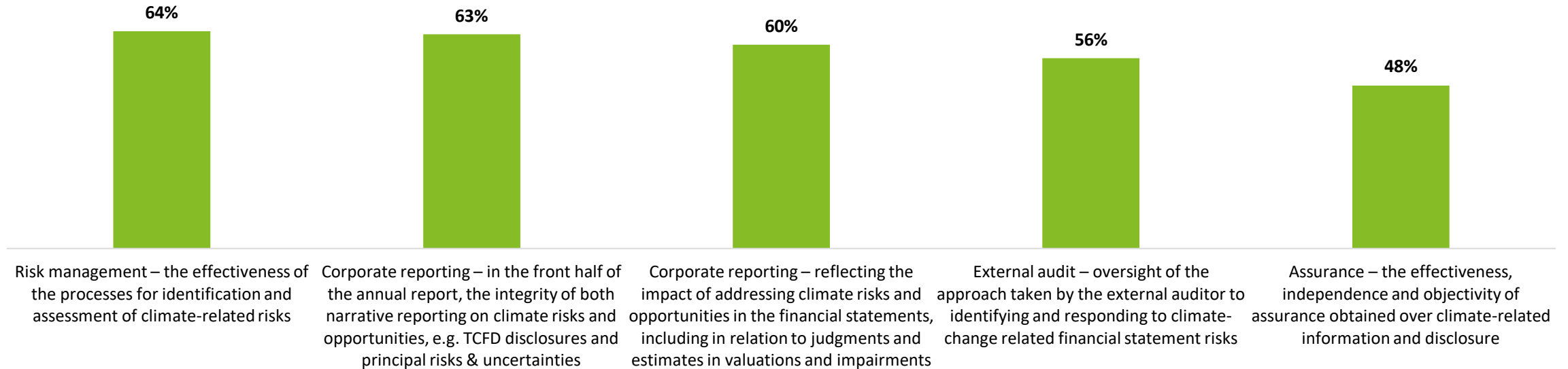
Q4. What is the biggest challenge in overseeing climate change, in relation to: B. The external environment? Please select all that apply.



	Global	Americas	APAC	EMEA
The current lack of common global reporting standards	60%	64%	56%	60%
The reporting and regulatory landscape keeps moving	46%	52%	41%	46%
Everyone seems to be exploring slowly and carefully how to best approach the topic, making clarity and consensus difficult	46%	48%	51%	41%
Solutions require coalitions and alliances beyond our organization to achieve real progress and this is difficult to achieve	46%	52%	39%	45%
Adapting products and services	32%	20%	39%	35%
Investor pressure for short-term results / mixed messages from investors	27%	27%	35%	22%

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Q5. Which aspects of climate-related matters does your audit committee have oversight responsibility for? (Top 5 mentions)



	Global	Americas	APAC	EMEA
Risk management – the effectiveness of the processes for identification and assessment of climate-related risks	64%	63%	64%	64%
Corporate reporting – in the front half of the annual report, the integrity of both narrative reporting on climate risks and opportunities, e.g., TCFD disclosures and principal risks & uncertainties	63%	52%	56%	75%
Corporate reporting – reflecting the impact of addressing climate risks and opportunities in the financial statements, including in relation to judgments and estimates in valuations and impairments	60%	54%	56%	66%
External audit – oversight of the approach taken by the external auditor to identifying and responding to climate-change related financial statement risks	56%	53%	51%	62%
Assurance – the effectiveness, independence and objectivity of assurance obtained over climate-related information and disclosure	48%	42%	43%	55%

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Q6. Which executive has overall responsibility for sustainability and climate?

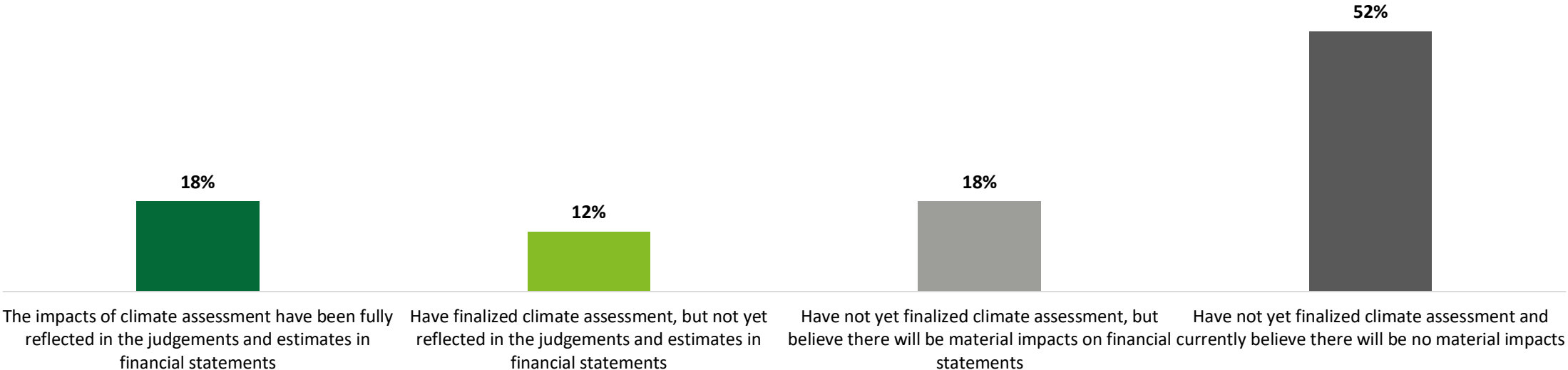
	Global	Americas	APAC	EMEA
The CEO	70%	68%	75%	68%
The Chief Sustainability Officer	11%	12%	8%	12%
The CFO	5%	6%	7%	3%
The Chief Risk Officer	4%	3%	4%	5%
The Chief Strategy Officer	1%	1%	0%	3%
Other	9%	10%	6%	10%

Q7. Which board committee has overall responsibility for sustainability and climate?

	Global	Americas	APAC	EMEA
The board as a whole is responsible	61%	54%	63%	64%
Risk	12%	13%	17%	9%
Audit	8%	9%	8%	7%
Nomination/Governance	6%	10%	5%	4%
Compensation/Remuneration	0%	1%	0%	0%
Other	12%	13%	7%	16%

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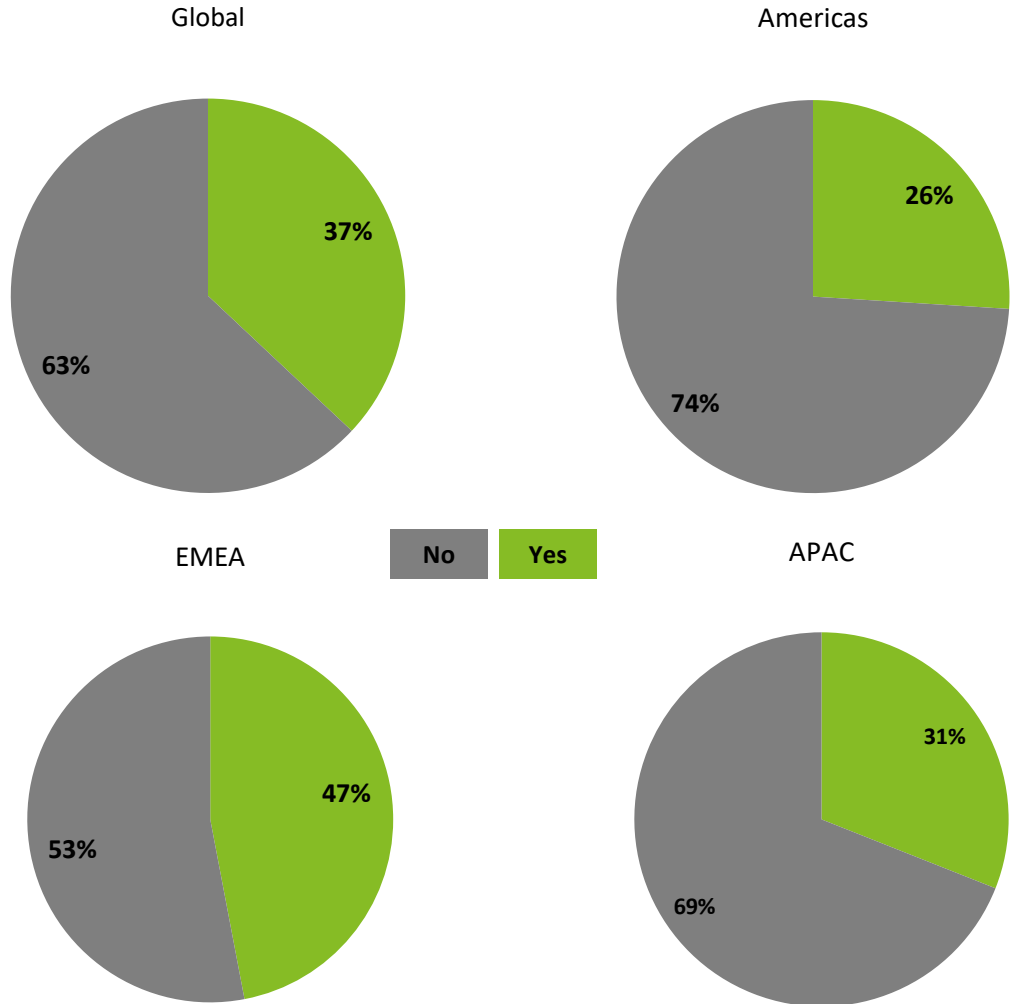
Q8. Have you fully completed your climate assessment and are the results of this, and related strategies and commitments, fully reflected in your financial statements?



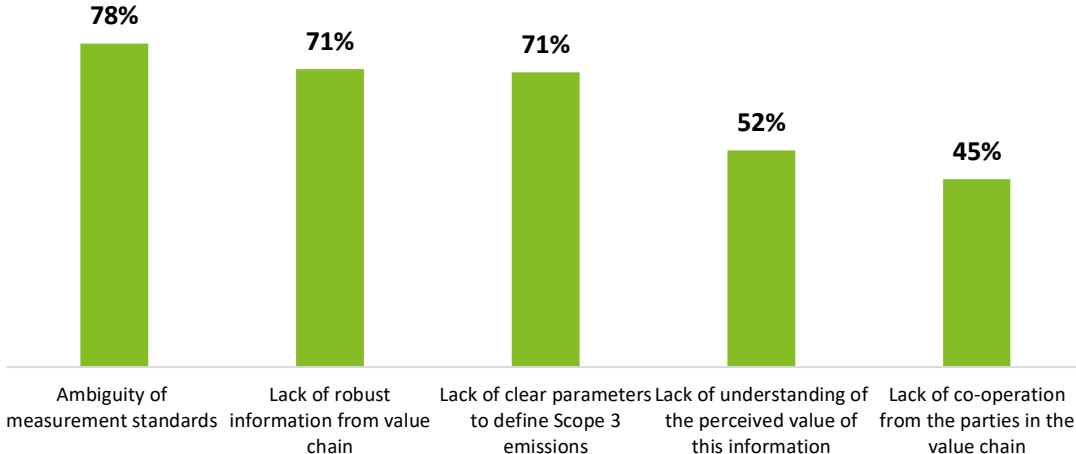
	Global	Americas	APAC	EMEA
The impacts of climate assessment have been fully reflected in the judgements and estimates in financial statements	18%	15%	17%	21%
Have finalized climate assessment, but not yet reflected in the judgements and estimates in financial statements	12%	5%	11%	17%
Have not yet finalized climate assessment, but believe there will be material impacts on financial statements	18%	18%	23%	16%
Have not yet finalized climate assessment and currently believe there will be no material impacts	52%	62%	49%	46%

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Q9. Are you reporting/ planning to report Scope 3 emissions as part of your TCFD disclosures?



Q10. If yes, you are planning to report then what are the key challenges you are facing in reporting Scope 3 emissions as part of your TCFD disclosures? Please select all that apply.

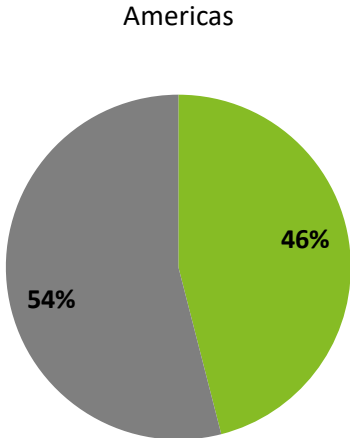
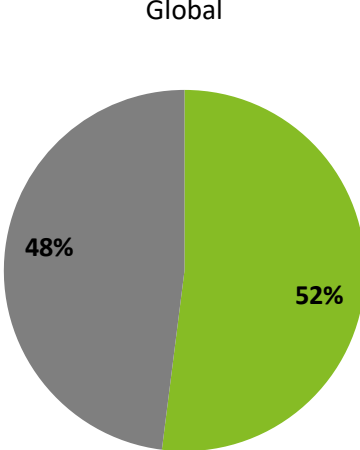
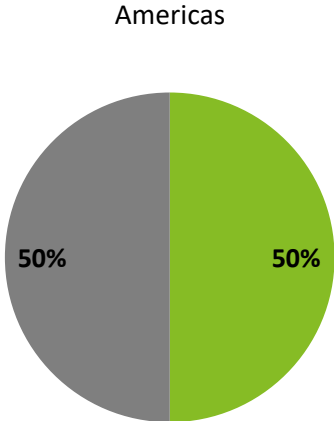
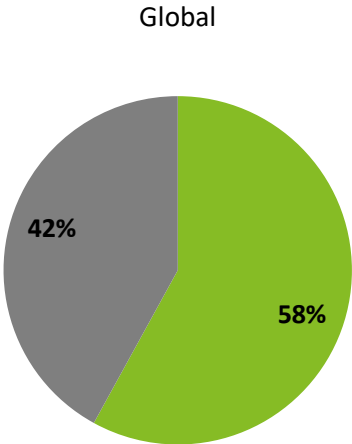


	Global	Americas	APAC	EMEA
Ambiguity of measurement standards	78%	92%	77%	72%
Lack of robust information from value chain	71%	85%	71%	67%
Lack of clear parameters to define Scope 3 emissions	71%	77%	68%	69%
Lack of understanding of the perceived value of this information	52%	62%	58%	46%
Lack of co-operation from the parties in the value chain	45%	46%	58%	39%

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Q11. Overall, do you believe your organization is addressing the climate challenge as swiftly and robustly as you would like?

Q12. Overall, do you believe the audit committee has the information, capabilities, and mandate to fulfil its regulatory responsibilities in relation to climate risks and carbon reduction targets at your company?



No Yes

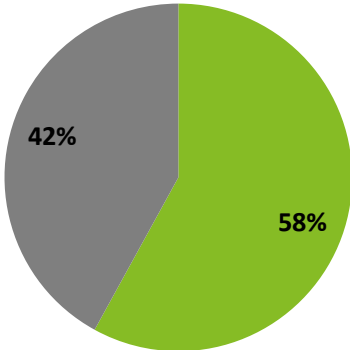
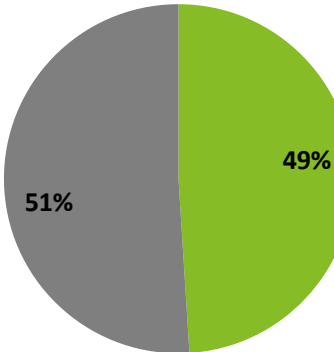
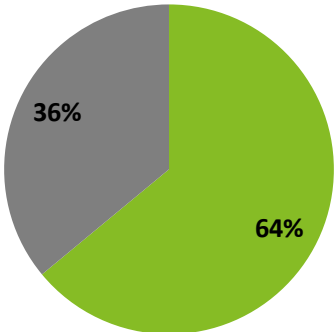
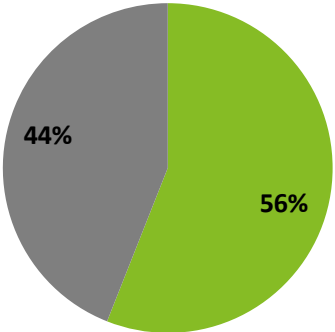
No Yes

APAC

EMEA

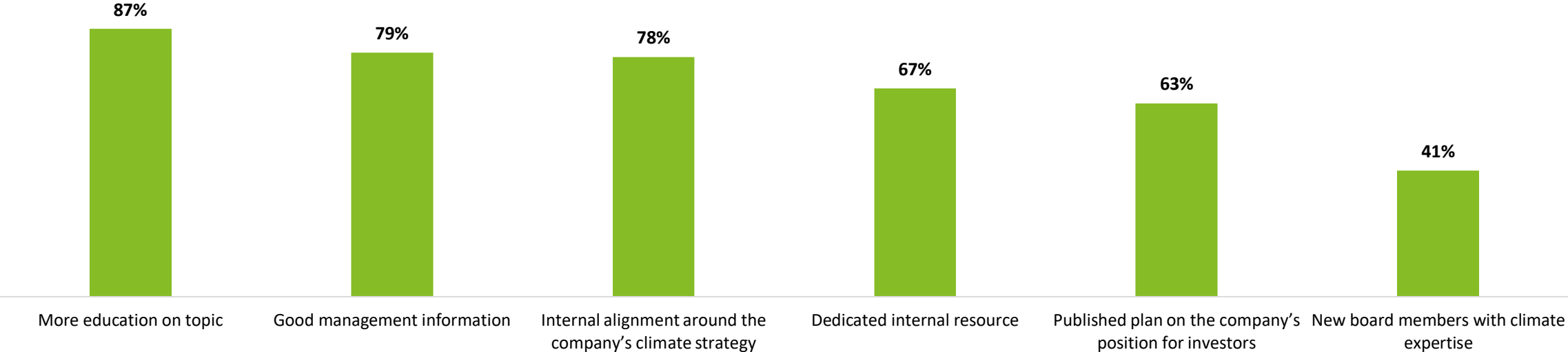
APAC

EMEA



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Q13. What piece of advice would you offer other audit committee members in relation to the impacts of climate change? Please select all that apply.



	Global	Americas	APAC	EMEA
More education on topic	87%	89%	81%	88%
Good management information	79%	75%	79%	81%
Internal alignment around the company's climate strategy	78%	77%	77%	78%
Dedicated internal resource	67%	64%	68%	68%
Published plan on the company's position for investors	63%	68%	58%	61%
New board members with climate expertise	41%	45%	41%	38%

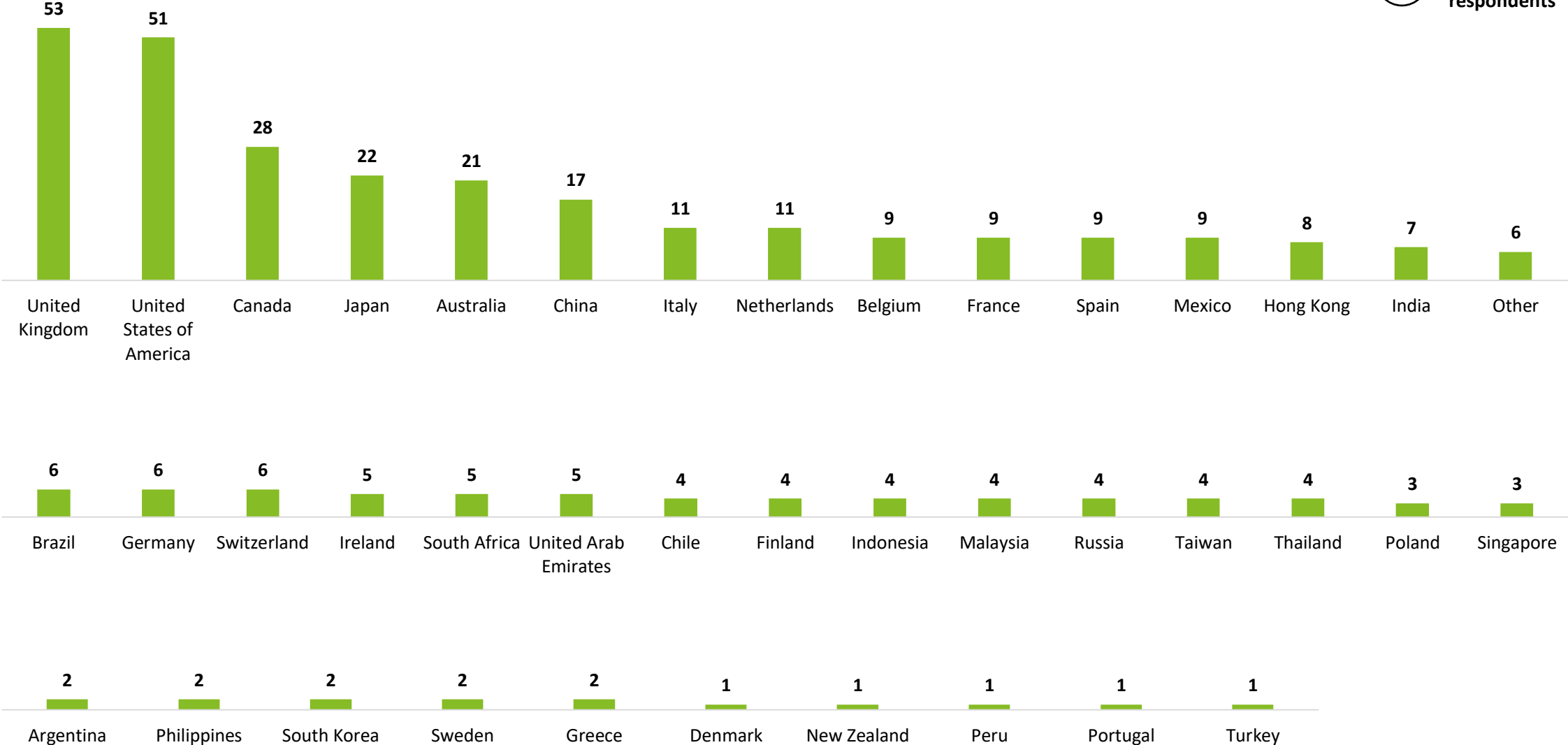
Background information

Survey respondents

Which of the following best describes where your company's primary operations is located?



Total: **353**
respondents



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Regarding the company for which you serve as a member on the audit committee:

	Global	Americas	APAC	EMEA
Publicly listed	67%	71%	74%	60%
Private (including family business)	17%	13%	7%	26%
State-owned	8%	6%	8%	9%
Other	5%	4%	7%	4%
Not for profit	3%	6%	4%	1%

Within what industry does the company primarily operate?

	Global	Americas	APAC	EMEA
Financial services	27%	25%	16%	35%
Other	15%	9%	21%	15%
Manufacturing	15%	13%	24%	10%
Energy/resources	14%	21%	10%	13%
Services	11%	10%	14%	9%
Healthcare/pharmaceutical	5%	8%	5%	4%
Retail/wholesale	5%	7%	4%	5%
Technology	5%	7%	3%	5%
Telecommunication/media/entertainment	3%	1%	3%	3%

Deloitte's Global Boardroom Program

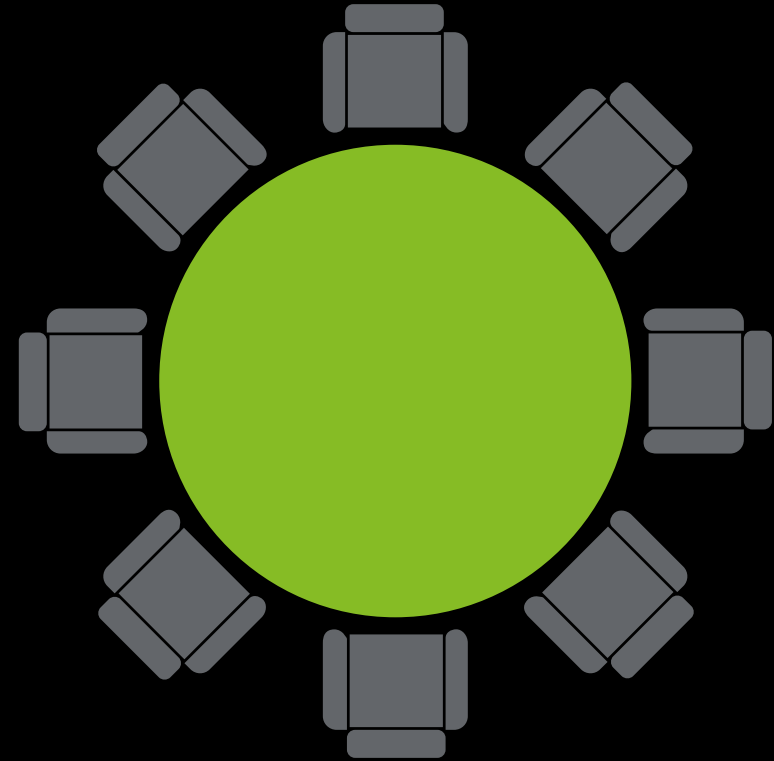
A network of nearly 70 countries

DELOITTE GLOBAL **BOARDROOM** PROGRAM

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