



BANKING AND FINANCE

Call for feedback: report on climate-related disclosures by the Technical Expert Group on Sustainable Finance

Fields marked with * are mandatory.

Introduction

Disclaimer:

This feedback process is not an official Commission document nor an official Commission position. Nothing in this feedback process commits the Commission nor does it preclude any policy outcomes.

Stakeholders are invited to comment on the [TEG report on climate-related disclosures](#) by 1 February.

The Technical Expert Group on Sustainable Finance will not produce a revised version of this report, but will process comments received and give the Commission services a summary to be considered in the subsequent update of the non-binding guidelines.

In their responses, stakeholders are encouraged to make concrete proposals for improving the guidelines and recommended disclosures contained in the report.

More information:

- [on the background to this report and on this feedback process](#)
- [on the protection of personal data regime for this feedback](#)

1. Information about you

* Are you replying as:

- a private individual
- an organisation or a company
- a public authority or an international organisation

* Name of your organisation:

Accountancy Europe

Contact email address:

The information you provide here is for administrative purposes only and will not be published

vita@accountancyeurope.eu

* Is your organisation included in the Transparency Register?

(If your organisation is not registered, [we invite you to register here](#), although it is not compulsory to be registered to reply to this consultation. [Why a transparency register?](#))

- Yes
- No

* If so, please indicate your Register ID number:

4713568401-18

* Type of organisation:

- Academic institution
- Company, SME, micro-enterprise, sole trader
- Consultancy, law firm
- Consumer organisation
- Industry association
- Media
- Non-governmental organisation
- Think tank
- Trade union
- Other

* Where are you based and/or where do you carry out your activity?

Belgium

* Field of activity or sector (*if applicable*):

at least 1 choice(s)

- Accounting
- Auditing
- Banking

- Credit rating agencies
- Insurance
- Pension provision
- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- Social entrepreneurship
- Other
- Not applicable

* Please specify your activity field(s) or sector(s):

Corporate reporting



Important notice on the publication of responses

* Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?

([see specific privacy statement](#) )

- Yes, I agree to my response being published under the name I indicate (*name of your organisation /company/public authority or your name if your reply as an individual*)
- No, I do not want my response to be published

2. Your opinion

1. Do you have any comments on [Chapter 2 “Disclosures under the Directive: Principles and Rationale for Non-Financial Reporting”](#) of the report?

3000 character(s) maximum

We concur with the essence of this chapter. This brings a great opportunity to link financial and non-financial information, improving integration of corporate reporting. We would also like to emphasise the importance of companies using internationally accepted standards and frameworks for non-financial reporting.

With respect to this chapter, we have the following comments:

1. It is important to clarify the two directions of impacts outlined in this report: under the NFRD - the impact of the company's activities on the environment and under the TCFD - the physical impact of the environment on the company. Whereas this is described in 2.3 of the report, it is of critical importance to clarify these two dimensions in the overall guidance as it is not entirely clear which approach is applied in which instance, including clarifying the specific focus of the TCFD recommendations.
2. The NFRD requires the disclosure of information to "the extent necessary to understand an undertaking's development, performance and its position". If such information is material to the company, it should be disclosed in the management report rather than in a separate NFI statement, especially since a separate report might be published up to 6 months after the balance sheet date. The TCFD recommendations focus on financial impacts of climate change, but equally aims to provide forward-looking information developed through scenario analysis - raising the question to whether such information is material today and thus be included in the management report. Companies will need to decide what disclosures are appropriate for the management or a separate report using materiality concept and guidance in the Non-Binding Guidelines on how to do so would be extremely valuable.
3. The concept of materiality is an element of both the TCFD and the NFRD. Whereas they take a similar starting point, they may be seen as differing in their interpretation: 'to the extent necessary for a good understanding of ' versus 'financial materiality as applied for annual reporting'. We suggest clarifying both concepts and how they can be aligned to each other.

2. Do you have any comments on [Chapter 3 "Alignment of NFRD and TCFD"](#) of the report?

3000 character(s) maximum

The TCFD is much more prescriptive than the non-binding guidelines. Both initiatives have different initial focus, therefore, it needs to be very clear how these two initiatives align.

For this chapter we have two major comments:

1. It is important to emphasise that the TCFD recommends the disclosure of the information in the mainstream annual report due to the perceived investor relevance of this information. Whereas the NFRD has left room for individual EU members to consider other venues of reporting. We believe that ESG related issues should be disclosed a priori in the annual management report, but as indicated in the comments under Question 1, only if it pertains to matters that are truly material to the company.
2. Not all companies will be affected equally or simultaneously by climate-related risks and companies will want to evolve their approach and reporting. We would recommend allowing for such practices to evolve by stipulating the financial materiality of the various disclosures, noting the financial materiality criteria that the TCFD has applied to the recommendations on Strategy and Metrics and targets, and the reporting journey that could be taken in developing proper and robust climate-related risk reporting.

3. Do you have any comments on [Chapter 4.1 “Business Model”](#) of the report?

3000 character(s) maximum

We support the classification of disclosures into different categories according to their importance/materiality to a company. However, we have some concerns that these disclosures as described under chapter 4 of the report do not necessarily reflect the concept of materiality. The current wording “At a minimum, a company is expected to report certain disclosures, irrespective of the companies’ own assessment” gives a strong impression that all companies are expected to report on general or Type 1 disclosures whether or not these disclosures are relevant to the company. This may trigger boilerplate disclosures, which is not the purpose. Revising the wording would help clarify expectations and ensure consistency throughout the report. We would also like to emphasise that disclosures under the Scope 3 are quite complex and the time and effort need to gather such information may not justify the benefit from these additional disclosures. And there is no guarantee that it will be reliable or consistent and comparable. The TCFD recommendations refer to disclosure of Scope 3 emissions ‘where appropriate’ only. This might be a preferable option.

4. Do you have any comments on [Chapter 4.2 “Policies and Due Diligence Processes”](#) of the report?

3000 character(s) maximum

We have a few comments, specifically relating to general disclosures (Type 1). Including 'consistent and historical' disclosures in the Type 1 recommendation may lead to a misunderstanding of the relevant and material information to be disclosed. This may apply to other chapters too and relates to the fact that for climate risk disclosures are suggested to be forward-looking rather than historical.

Besides, the TCFD recommendations also propose the disclosure of the frequency of board oversight and the level of detail applied as well as the oversight process - this is not adequately reflected in the additional guidelines in Chapter 4.2.

5. Do you have any comments on [Chapter 4.3 “Outcomes”](#) of the report?

3000 character(s) maximum

The report names GHG emissions and related targets as one of the Type 1 disclosures. In our view this is not in line with the nature of 'outcomes' – rather, GHG emissions can serve as key performance indicators to measure progress.

Secondly, GHG emissions will not be financially material for all companies in all sectors. Therefore, suggesting that all companies should report on these seems not to be in line with this principle.

Finally, GHG emissions are only one of the potential indicators a company could disclose to show the results of its policies and for many sectors can only be seen as a proxy for climate-related risks.

We therefore suggest to revisit the General Disclosure for this element.

6. Do you have any comments on [Chapter 4.4 “Principal Risks and Their Management”](#) of the report?

3000 character(s) maximum

We would suggest emphasizing how the TCFD-defined risks and the risks according to the NFRD (“principal risks...where relevant and proportionate...likely to cause adverse impacts...”) relate to each other and how companies should consider each of them. We would like to emphasise again the importance of other risks (externalities) – climate-risks should not be considered in isolation.

Furthermore, the short, medium and long-term have not been defined neither by the TCFD nor by the NFRD. These terms differ from sector to sector, potentially even from company to company. We therefore suggest explaining the definition and potential challenges of the terms for considering climate-related risks in the report.

Furthermore, transitional risks are also important to consider so we would suggest including a separate part on transitional risks in addition to the one on physical climate-related risks and opportunities as already included in the report.

7. Do you have any comments on [Chapter 4.5.1 “General and Supplementary KPIs”](#) of the report?

3000 character(s) maximum

We note that the examples provided in the report primarily relate to greenhouse gas emissions, whereas climate-related financial risks are to a large extent also defined by other challenges, such as water scarcity and water stress. With that, the report seems to provide an unbalanced picture of potentially relevant indicators for measuring climate-related risks. We suggest revisiting this in the report, either by adding further (other) example indicators or by referring to the TCFD sector guidance for further examples.

Furthermore, we see that in Table 8, the wording suggests reporting, ‘if appropriate’, Scope 3 greenhouse gas emissions. This states clearly (and rightly) that these disclosures are not mandatory which is not necessarily the case in the table on page 17 – where it could be understood as Scope 3 is mandatory.

8. Do you have any comments on [Chapter 4.5.2 “Sectoral and Company-specific KPIs: Non-financial Companies”](#) of the report?

3000 character(s) maximum

Accountancy Europe does not have any specific comments on Chapter 4.5.2.

9. Do you have any comments on [Chapter 5 “Sector specific Guidance: Banks and Insurance Undertakings”](#) of the report?

3000 character(s) maximum

Accountancy Europe does not have any specific comments on Chapter 5.

10. Do you have any additional comments on the report as a whole?

3000 character(s) maximum

We understand the urgency to focus firstly on climate change related issues. Nonetheless, we would like to stress the importance of addressing also social aspects. Climate-related matters should not be treated in isolation as this could have a negative impact elsewhere; these matters should rather be linked to wider sustainability risks.

Furthermore, we note that more and more stakeholders including investors want to know whether or not they can trust reported information by companies and therefore ask for independent assurance over the reported information. As non-financial reporting practice is still evolving, however, it is important to make sure that such information is or can be verifiable. As a way forward, it may be necessary to discuss further assurance over non-financial information.

Useful links

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

[More on this feedback process \(https://ec.europa.eu/info/publications/190110-sustainable-finance-teg-report-climate-related-disclosures_en\)](https://ec.europa.eu/info/publications/190110-sustainable-finance-teg-report-climate-related-disclosures_en)

[Specific privacy statement \(https://ec.europa.eu/info/files/190110-sustainable-finance-teg-report-climate-related-disclosures-privacy-statement_en\)](https://ec.europa.eu/info/files/190110-sustainable-finance-teg-report-climate-related-disclosures-privacy-statement_en)

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