

Report on **Climate-Related Disclosures**

**Technical Expert Group
on Sustainable Finance**

**Sub-group
Climate-related Disclosures**

January 2019 | **Public consultation support document**



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Agenda

- 1. The role of the Technical Expert Group**
- 2. The report on Climate-related disclosures**
- 3. Consultation process**

Disclaimer

This report reflects the views of the Technical Expert Group on Sustainable Finance. It does not necessarily reflect the views of the European Commission.

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Audience

...focus on information needed by the providers of financial capital, but also address the information needs of other stakeholders

A Journey

- flexible disclosure elements
- primarily based on the TCFD recommendations and other existing reporting frameworks
- increase consistency and decision usefulness of data

Two-ways impact

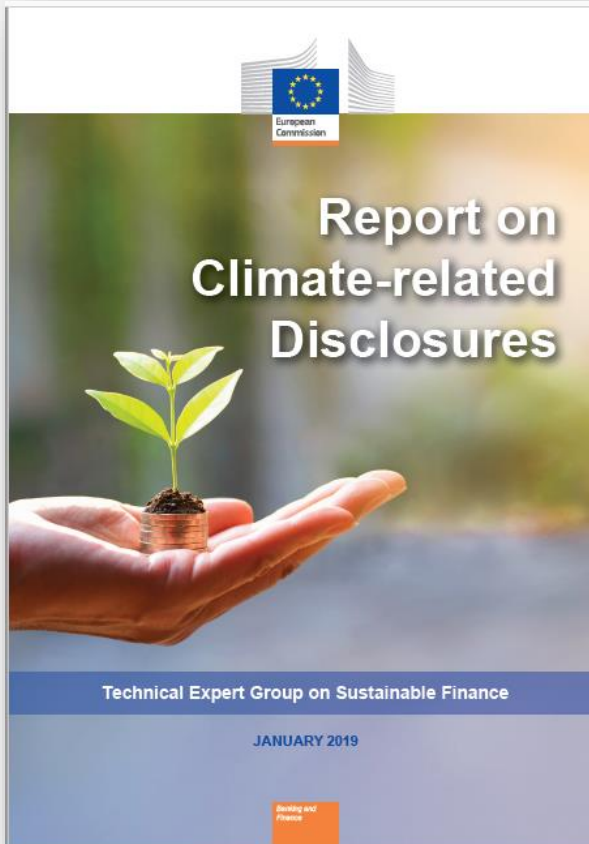
Outside-in (TCFD)

Inside-out (NFRD)

One is the extension of the other

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- ➊ Introduction
- ➋ Disclosures under the Directive: Principles and Rationale for NFR
- ➌ Alignment of NFRD and TCFD
- ➍ Proposed disclosures
- ➎ Sector Specific Guidance: Banks and Insurance Undertakings

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1 Introduction

Assisting companies in developing high quality climate-related disclosure that complies with the NFRD & TCFD recommendations

The proposed guidance included in this report:

1. reference the TCFD recommendations;
2. are supported by standards that companies can turn to for further guidance;
3. address gaps in current reporting practice;
4. enable comparability across jurisdictions;
5. align with the EU's decarbonisation efforts; and
6. streamline reporting.

Table 1 – Potential Benefits of Climate-Related Disclosure

Listed Companies	<ul style="list-style-type: none">○ Better understanding of the exposure of a company's operations to physical and transition risks related to climate change○ Inclusion in managed investment portfolios
Banks	<ul style="list-style-type: none">○ Better understanding of loan portfolios' exposure to climate-related risks○ Better risk evaluation for the calculation of capital charges
Insurance Undertakings	<ul style="list-style-type: none">○ Evidence of risk control for prudential regulators (stress testing) and control over amount of technical provisions that could be affected by climate-related risk

**2 Disclosures under the
Directive: Principles and
Rationale for NFR**

- **Detailed but flexible**
- **Combines the outside-in with the inside-out view**
companies can show their contribution towards policy
- **Scenario analysis and pathways**
- Links to the **forthcoming taxonomy look at climate related opportunities**

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3 Alignment of NFRD and TCFD

Table 2 – NFRD Elements and TCFD Recommendations	
NFRD Elements (Broader Sustainability Approach)	TCFD Recommendations (Specific Climate Change Approach)
a) Business model	a) Governance
b) Policies and due diligence processes	b) Strategy
c) Outcomes	c) Risk management
d) Principal risks and their management	d) Metrics and targets
e) Key performance indicators (KPIs)	

4 Proposed disclosures

All companies should disclose some “minimum disclosures”:

their governance processes addressing climate-related risk and opportunities, how climate change is incorporated into their strategy and risk management processes, and their Scope 1 and Scope 2 GHG emissions.

Beyond these expected minimum disclosures, for all five NFRD key elements recommended disclosures based on a “twofold logic” that stakeholders have an interest in understanding the company’s view of

(I) how climate change might affect its business model, and

(II) how its activities might affect climate change, over the short, medium and long term.

5 Sector Specific Guidance: Banks and Insurance Undertakings

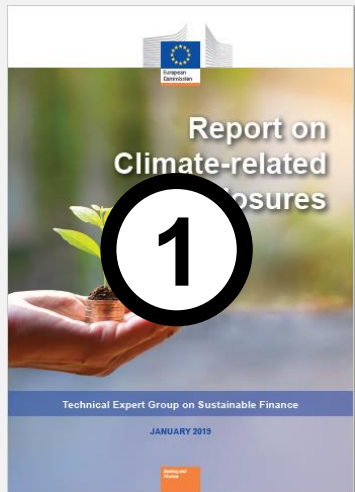
Recognizing the important role of financial intermediaries' lending, investing, insurance underwriting and asset management activities in the transition to a low-carbon and climate-resilient economy.

Banks and insurance undertaking are proposed to disclose

- how their **business model** is positioned with regards to climate change risk and opportunities,
- how their **policies** embed this positioning
- and how they **manage the impact of climate change** related risks on their lending, investing and insurance portfolios.

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**TEG report on
Climate-related
disclosures**

Call for feedback
on TEG's report

Available for
comments from
10th January
until 1st of
February 2019

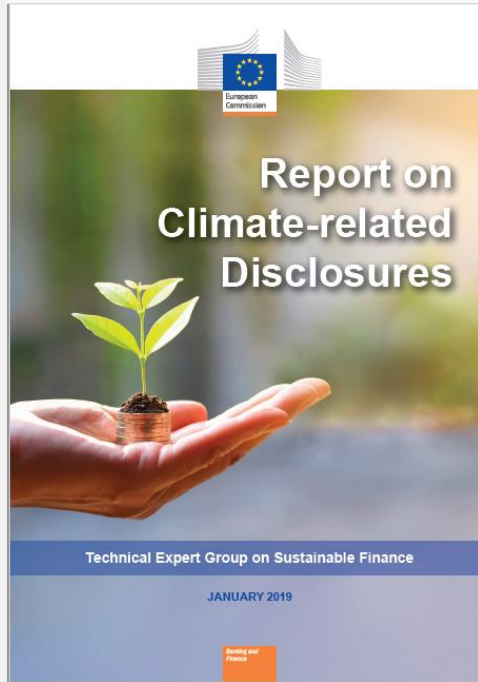
Compilation of
comments to the
Commission




**Commission
Consultation
Document**

Commission's
consultation on
the update of the
non-binding
guidelines

Publication of
updated non-
binding
guidelines



 **BANKING AND FINANCE**

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

<https://ec.europa.eu/eusurvey/runner/teg-report-climate-related-disclosures>

Deadline 1st February

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