



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:

International Capital Market Association (ICMA)

Contact email address:

The information you provide here is for administrative purposes only and will not be published

nicholas.pfaff@icmagroup.org

* 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:

0223480577-59

* 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?

France

* 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):

Trade Association



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

ICMA welcomes mapping the recommendations of the TCFD against the EU Non-Financial Reporting Directive, and the identification of potential gaps that provides valuable guidance as to how companies, on a voluntary basis, can enhance their non-financial reporting. This should help companies to develop a risk management as well as a transition plan towards a more climate-resilient future, should they require it.

Our understanding is that the recommended disclosures will remain voluntary (see further footnote 22 on page 7 of the report: “This report was drafted under the assumption that the NBSs are and will remain voluntary”) and that there is no intention that they should become mandatory (should the intention be that the disclosures become mandatory, the substance of this response could vary significantly). The use of “should” in General Disclosure (Type 1) can, however, create confusion as it can be interpreted as introducing a mandatory requirement. We support a voluntary ‘comply or explain’ approach; i.e. the organization explains in its non-financial disclosure how and why it complies, or not, with the climate-related disclosure guidelines.

A voluntary ‘comply or explain’ approach is indeed preferable as a mandatory requirement may restrict the further development of flexible market-based initiatives and recommendations as exemplified by the TCFD. Best practice on reporting is also likely to emerge from the increasing expectations of the investor community where sustainability considerations are rapidly mainstreaming, and where disclosure requirements can reasonably be expected to develop and evolve commensurately and organically.

It is important to underline the implementation difficulties for financial firms of the proposed disclosure requirements. This is due to the diversity of their business activities spanning lending, asset management and insurance activities as well as the complexity of their exposures to financial products and underlying borrowers and issuers. Effective methodologies will require time to develop, test and validate. The widening of the reporting to include Scope 3 emissions will be especially challenging and where the methodological issues are the greatest.

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

3000 character(s) maximum

The mapping, as illustrated in Figure 2 of the report, is helpful in providing an overview of alignments and possible gaps between NFRD and TCFD. Nonetheless, its design is somewhat confusing and could be improved to be more 'user-friendly'. The significance of the difference between the highlights in light and dark grey shading is not completely clear even if the preceding text indicates that the dark grey reflects areas where guidance is provided in the report.

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

3000 character(s) maximum

While the TCFD may not explicitly address disclosure related to the organization's business model, we agree that it is an integral part of climate-related disclosure to assess the impact on business models. However, it will be challenging for an organization to describe with certainty any climate-related risks and opportunities, in particular over the long term, when the existence of any such risks and opportunities may not have yet materialised. Therefore, Type 1, 2 and 3 disclosures should be qualified with wording such as “to the extent known”, or similar.

One of the key recommendations of the TCFD is the use of different climate scenarios as a strategic management tool to help assess the climate resilience of the organization's business model, operation and strategy, and to help the organization's risk management and transition. We consider that the further development of relevant and realistic climate scenarios will allow a more forward-looking assessment of climate-risks and opportunities.

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

3000 character(s) maximum

The starting point for disclosure on Policies and Due Diligence would be disclosure of the organization’s policy regarding climate change, if the organization has such, and that seems to be missing in this guideline.

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

3000 character(s) maximum

No specific comments.

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

3000 character(s) maximum

No specific comments.

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

3000 character(s) maximum

No specific comments.

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

We welcome the Green Financing Key Performance Indicators (KPIs). We recommend that for the Green Bond Ratio and the Green Debt Ratio, the Green Bond Principles and Green Loan Principles should be expressly mentioned, as they represent widely recognised international market standards. We propose the following amendment to the explanatory text in Table 12: “The total amount of green bonds or green debt should only include bonds and debt instruments issued according to the EU Green Bond Standard, or any other broadly recognised green debt frameworks such as the Green Bond Principles or Green Loan Principles”.

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

3000 character(s) maximum

Concerning specifically the KPIs for Financial Intermediary Activity listed in tables 15 to 19, we recommend that these be closely coordinated and if needed adjusted going forward with the input of the Supervisors and Central Banks’ Network for Greening the Financial System (NGFS). The NGFS is indeed in the process of developing risk assessment methodologies and related KPIs for climate risk. It is essential to avoid duplication or inconsistency between the proposed EU disclosures in this area with the future output of the NGFS. This work is likely to lead to reporting requirements for the financial organisations under the authority of the participating Supervisors and Central Banks.

In line with our comments in 8 above, we recommend that the KPI relating to “the total amount of the portfolio invested in green bonds according to the EU GBS” also refer to bonds aligned with the Green Bond Principles. We also recommend an additional KPI for the total amount of green loans aligned with the Green Loan Principles as a percentage of a financial intermediaries’ total loan portfolio.

We are concerned about the perception that reporting company turnover associated with Taxonomy activities (Table 11) could create. There is a risk that activities not covered by the Taxonomy may be perceived negatively regardless of whether they raise sustainability issues or not.

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

3000 character(s) maximum

We broadly welcome the proposals for the updating of the Non-Binding Guidelines of the NFRD in line with the TCFD's recommendation. The TCFD was created to address the potential impact of climate change and inaction on future financial stability. Changes in policy, technology and physical risks related to climate change could prompt a reassessment of the value of a large range of assets as costs and opportunities become apparent. The speed at which such re-pricing occurs is uncertain and could be material for financial stability.

We consider that appropriate climate-related disclosures will be important going forward in promoting financial stability, and that it is necessary to provide consistent, comparable, and reliable information for investors and for supervisors, as well as the wider economy. The recommendations of the TCFD provides such a reporting framework.

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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