

Vice-President Valdis Dombrovskis  
European Commission  
Rue de la Loi / Wetstraat 200  
1049 Brussels  
Belgium

23<sup>rd</sup> January 2017

**Subject: Aligning the Non-financial reporting guidelines and the FSB Task Force on Climate-related Financial Disclosure's recommendations**

Dear Vice-President Dombrovskis,

We would like to congratulate the European Commission for its decision to take the recommendations of the FSB Task Force on Climate-related Financial Disclosures (TCFD) into account in its Non-Financial Reporting (NFR) guidelines. The work of the TCFD is the start of a strategic process to fully integrate disclosures of financially material climate-related information in mainstream corporate reports. The importance of this information for millions of EU citizens' savings and pensions, and the overall stability of the financial system, will only grow as the Paris Agreement is implemented and the climate continues to change in response to the carbon burden being borne by the atmosphere.

**The European Commission should ensure that all material non-financial information is published in mainstream financial reports** and not in separate non-financial reports. Taking such an approach would be consistent with the TCFD's recommendation that climate disclosures should be made in mainstream financial reports to give capital market participants timely and decision-useful information.

We also note that the TCFD's recommendations relate to climate-related *financial information*, rather than *non-financial* climate change information. Since good-quality reporting on climate risks is at an early stage, the European Commission may wish to take a 'phased' approach and use the existing Non-Financial Reporting Directive and its non-binding guidelines as a first step to build capacity within Member State companies. This would help them prepare for full compliance with the TCFD's recommendations. Determining the subsequent steps to achieve this outcome should form part of the work of the High-Level Expert Group on sustainable finance.

**We believe that the TCFD's recommendations will have a major global impact and, in time, will set the 'new normal' for climate-related financial disclosures**, fostering decision-useful reporting practices globally. This is a significant opportunity for the EU to future-proof its reporting requirements by ensuring companies provide more consistent and comparable climate-related information to capital markets, while reducing the burden imposed by the currently fragmented reporting frameworks. It will, in turn, allow better informed decision-making and a clearer understanding of the climate-related risks and opportunities most pertinent to business activities.

Improved reporting on climate-related information is also likely to contribute to the continued competitiveness of EU companies relative to international peers. Large EU companies including Schneider Electric, Ikea, Philips and Siemens have played a leading role in responding to climate change issues.

Based on the TCFD's Phase II report, the guidelines should:

- Explicitly mention the TCFD's recommendations on disclosure about governance, strategy, risk management, as well as metrics and targets as they relate to the Directive's requirements (notably 'Business model, policies, outcome or principal risks');
- Highlight and encourage report preparers to consider climate-related risk beyond its most limited sense and expand focus on financial risk, physical risk and nonphysical risk (including transition risk) related to climate change;
- Reference established frameworks and guidance, as well as market best practice to support report preparers; and
- Signal to European companies that full integration of financial and non financial information is important to communicate long term value creation.

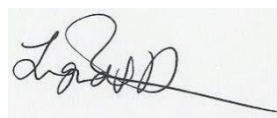
Finally, the Commission should engage at the G20 level to support the implementation of TCFD recommendations and the operationalisation of standardised climate-related financial disclosure: the upcoming G20 German Presidency presents an excellent opportunity to take these issues forward. It will be critical to discuss this issue in the forthcoming High-Level Expert Group on sustainable finance, considering the feasibility of the Commission to review the NFR Directive sooner than later to align it with the TCFD's recommendations in an operational way, as provisioned by Article 3 of the Directive.

We would welcome the opportunity to meet with you and discuss these topics in further details. Thank you very much for your consideration.

Yours sincerely,



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