

Open letter from MEPs to the European Commission

Commissioner Dombrovskis
European Commission
Rue de la Loi / Wetstraat 200
1049 Brussels
Belgium

10 November 2017

Integrating the FSB Task Force on Climate-related Financial Disclosures' recommendations in the forthcoming EU Sustainable Finance Action Plan

Dear Vice-President Dombrovskis,

We, the undersigned Members of the European Parliament, would like to draw your attention on the importance to implement at EU level the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (FSB TCFD). These industry-led recommendations have received wide support from companies, investors and banks globally¹; 85% of EU-based companies representing a market capitalization of 77% disclose physical and regulatory climate risk to their investors already²; technical TCFD reporting solutions exist, such as through the corporate environmental disclosure platform of CDP, an investor-led global initiative committed to adopt the TCFD recommendations in their entirety³.

At Member State level, **France**⁴ has pushed for mandatory TCFD reporting during the September NYC Climate Week 2017; the **UK**⁵ government has launched a plan to accelerate growth of green finance, including an official endorsement of the recommendations published by the FSB TCFD and encourages all listed companies to implement this new framework to align climate-related risk management and financial governance; **Sweden**'s Finance Minister stated the importance of working at EU level to strengthen the sustainability competences at the European Supervisory Authorities, in close connection with TCFD's recommendations⁶; and the **German** government is conducting a study⁷ to assess the feasibility of regulation on sustainability disclosure requirements for financial actors, similar to those in the French Energy Transition Law.

Furthermore, the **High-Level Expert Group on Sustainable Finance** made an early recommendation in its Interim Report⁸ on the issue: "The recent TCFD recommendations should be integrated in a way that advances EU leadership on these areas, while providing legal certainty and maintaining a level playing field globally. The 2018 review of the Non-Financial Reporting Directive represents an

¹ Over 100 firms worth \$2tr in annual revenues and 390 investors with \$25 trillion assets have publicly committed to support the recommendations; banks representing over \$7 trillion committed to work with UNEP Finance Initiative to develop analytical tools and indicators to strengthen their assessment and disclosure of climate-related risks and opportunities (UNEP-FI 2017); already more than 10 global leading companies have committed to implement the TCFD recommendations within 3 years, including Iberdrola, Marks & Spencer, Aviva, Philips, Engie. A TCFD-preceding statement on fiduciary duty and climate change disclosure had been signed by more than 150 companies and 33 investors as well as a number of investor coalitions.

² "Out of the starting blocks", CDP global Climate Change report 2016, page 36

³ Press release: [CDP ramps up plans for Task Force adoption to bring climate change into the boardroom](#)

⁴ NYC Climate Week RI article: [France pushing for mandatory TCFD reporting and adoption of Article 173 at EU level.](#)

⁵ UK government press release: [UK government launches plan to accelerate growth of green finance](#)

⁶ [Speech by Minister for Financial Markets Per Bolund at UNPRI conference in Berlin](#)

⁷ "Ausschreibung - Klimaschutzrecht und Nachhaltigkeitswende des Finanzbereichs, insbesondere im deutsch-französischen Vergleich", published 10/04/2017

⁸ HLEG Interim Report, July 2017: [Financing a sustainable European economy](#)

opportunity.” We therefore believe that the EU needs to harness this unprecedented momentum on sustainable finance and, more specifically, on climate and wider ESG-related financial disclosures.

In particular we endorse the following key elements of the TCFD recommendations:

- The recommendation for all sectors to *structure reporting on four issues*: governance, strategy, risk management, metrics and targets;
- The recommendation to perform *forward-looking climate scenario analysis* (notably under a 2°C or 1.5°C scenario)⁹;
- The recommendations apply both to non-financial corporates and financial institutions.

The European Parliament sees the Commission’s forthcoming Sustainable Finance Action Plan in Q1 2018 as a major opportunity to take concrete action regarding climate and wider ESG-related financial disclosures. For this reason, **we would like to see the European Commission enhancing sustainability disclosure by:**

- **Endorsing the FSB TCFD recommendations and committing for EU mandatory implementation to ensure a level playing field and harmonise climate reporting. This issue should be included in the EU Sustainable Finance Action Plan from the Commission in Q1 2018;**
- **Preparing the integration of the FSB TCFD recommendations in the Non-Financial Reporting Directive (NFRD), to be reviewed in 2018.** As an entry point the NFRD Guidelines published by the Commission in June 2017 already mention TCFD and the HLEG interim report suggests TCFD implementation into NFRD in its recommendation 4 “Disclosures for sustainability”. The timeline of a few years until the reviewed NFRD is transposed and enters into force is adequate to ensure that companies and financial institutions can build on existing climate risk disclosure and develop best practice and operational guidance.
- **Similarly, urging that listing requirements from stock exchanges integrate TCFD requirements for listed companies.**

Without comparable, reliable and useful data on material climate and wider ESG-related issues, the market cannot accurately value companies; neither can investors effectively allocate capital; nor can they enhance their contribution to EU climate and sustainability objectives. Implementing the FSB TCFD recommendations will help redefine the notion of financial risks and provide a robust, strategic, harmonised and consistent reporting framework.

Yours sincerely,

Bas Eickhout, Greens/EFA
Fabio de Masi, GUE/NGL
Molly Scott Cato, Greens/EFA
Paul Tang, S&D
Sven Giegold, Greens/EFA
Reinhard Bütikofer, Greens/EFA

Sirpa Pietikainen, EPP
Ernest Urtasun, Greens/EFA
Pervenche Beres, S&D

⁹ The research consortium [Sustainable Energy Investment metrics](#), funded by the EU research fund Horizon 2020, designed a tool to measure the 2°C alignment of an investment portfolio and of the portfolio companies’ business model: this puts in practice and confirms the feasibility of the TCFD recommendation to perform forward-looking climate scenario analysis. The tool is free and has already been tested by more than 150 investors globally.