Frequently Asked Questions: guidelines on reporting climate-related information

Do the new guidelines replace the Non-Binding Guidelines adopted by the Commission in 2017?

No. The new guidelines on climate reporting are a supplement to the general non-binding guidelines on non-financial reporting adopted by the Commission in 2017. The 2017 guidelines cover information on all topics referred to in the Non-Financial Reporting Directive (environment, social issues, human rights, bribery and corruption), and they remain fully applicable. The new guidelines cover climate-related information only. They are additional guidance that can be used together with the 2017 guidelines, but they do not replace the 2017 guidelines.

Are the new guidelines mandatory?

The new guidelines are non-binding, like the existing non-binding guidelines published in 2017 to which they are a supplement. They do no create any new legal obligations. Companies may chose alternative approaches to the reporting of climate-related information, provided they meet legal requirements.

Which companies are expected to use the new guidelines?

The guidelines are intended for use by companies that fall under the scope of the Non-Financial Reporting Directive. In practice, this means large listed companies, banks, and insurance companies, with more than 500 employees. Approximately 6.000 companies fall under the scope of the Directive. The guidelines may also be useful for companies that do not fall under the scope of the Directive but nevertheless wish to disclose climate-related information.

Are companies expected to use all the proposed disclosures and indicators contained in the guidelines?

No, companies are not necessarily expected to use all the proposed disclosures and indicators in the guidelines. Companies are expected to exercise their own judgement when deciding which disclosures to use. When deciding whether and to what extent they use the recommendations contained in the guidelines, companies should take account of the principles of good non-financial reporting contained in the Commission's 2017 Non-Binding Guidelines on Non-Financial Reporting, including the principles about disclosed information being: material; fair, balanced and understandable; and comprehensive but concise.

What is the legal basis for the guidelines?

The new guidelines are a supplement to the general guidelines adopted in 2017 and therefore they have the same legal base, which is article 2 of the Non-Financial Reporting Directive (2014/95/EU). This article required the Commission to prepare non-binding guidelines for reporting non-financial information, including key performance indicators, with a view to producing relevant, useful and comparable disclosures.

What is the content and structure of the new guidelines?

The principal contents of the guidelines on climate reporting are:

- Explanations of key concepts in relation to reporting climate information under the Non-Financial Reporting Directive, including materiality, climate-related risks, opportunities, and natural capital dependencies.
- Proposals for what to report regarding the climate under each of the reporting areas identified in the Non-Financial Reporting Directive (business model, policies, outcomes, risks and indicators).
- An annex with further guidance for banks and insurance companies, in view of the particular issues that they face regarding the reporting of climate-related information.
- An annex explaining how the reporting requirements of the Non-Financial Reporting Directive can be combined with the recommendations of the Task Force on Climate-related Financial Disclosures (task force established by the Financial Stability Board/G20).

What is the relationship between these guidelines and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)?

The Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board of the G20, and published its recommendations in 2017. The TCFD recommendations are widely recognised as authoritative guidance on the reporting of financially material climate-related information, and a number of governments and financial regulators around the world have expressed support for the recommendations and are integrating them into their guidance and policy frameworks. The new guidelines integrate the TCFD recommendations, and provide guidance to companies that is consistent with the Non-Financial Reporting Directive and the recommendations of the TCFD.

How were the new guidelines developed?

The Commission made a commitment to provide guidelines on climate reporting as part of its Sustainable Finance Action Plan adopted in March 2018. The Technical Expert Group (TEG) on Sustainable Finance, created in the summer of 2018, published a report in January 2019 containing proposals for the content of the new guidelines. In preparing its report the TEG engaged with companies that disclose non-financial information, and with the users of that information, mainly investors and non-governmental organisations. The TEG report on climate-related disclosures was open to public comment for a period of 3 weeks, and 72 different organised and individuals submitted comments.

Based on the TEG report and on the comments made on that report, the services of the European Commission published a draft version of the guidelines for consultation between mid-February and mid-March 2019. 114 different organisations and individuals responded to the consultation. The Commission considered these replies when it drafted the final version of the guidelines.

How do the new guidelines relate to the proposed EU taxonomy of sustainable economic activities?

The report of the Technical Expert Group on Sustainable Finance on the taxonomy emphasises that improvements in company disclosure of climate-related information will be necessary for the proposed taxonomy to function effectively.[1] The new guidelines will help to fill the gap.

The guidelines propose that companies disclose the proportion of their turnover and/or capital expenditure and/or operational expenditure that meet the criteria for substantially contributing to mitigation of or adaptation to climate change as set out in the proposed taxonomy. The guidelines say that companies should use this indicator if and when the proposed Regulation on the establishment of the taxonomy is approved.

When will companies start using the new guidelines?

Companies should be able to use the new guidelines for reports published in 2020, covering financial year 2019. The services of the Commission expect to gather feedback on the use of the guidelines in the second half of 2020.

[1] https://ec.europa.eu/info/files/190618-sustainable-finance-teg-report-taxonomy_en