

## ***Bloomberg L.P. - input to the European Commission's public consultation on the Renewed Sustainable Finance Strategy***

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Bloomberg L.P. welcomes the opportunity to provide views to the European Commission (EC)'s Renewed Sustainable Finance Strategy. We strongly support the EC's overarching objectives on Sustainable Finance. Bloomberg L.P. has been a proactive supporter of the EC's Sustainable Finance agenda in the past years, from the first High-level Expert Group on Sustainable Finance up to the Technical Expert Group on Sustainable Finance, and we contributed to its recent work with an expert member of the Group.

At the international level, Bloomberg has helped launch two key industry-driven organizations - the Sustainability Accounting Standards Board (SASB) and the Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) - which are providing global guidance on assessing climate-related risks. Meanwhile, at the request of the United Nations (UN) Secretary-General António Guterres, Bloomberg L.P. founder, Michael R. Bloomberg, launched and chairs the Climate Finance Leadership Initiative (CFLI), which is working to mobilize private finance to address climate change in ways that also spur economic growth. Bloomberg L.P. is also a signatory of the UN Global Compact and the United Nations Principles for Responsible Investment (UN PRI).

We are very committed to continuing to support the EC's global leadership on sustainable finance in addition to supporting the Sustainable Finance agenda in the EU. In light of the many challenges presented by the COVID-19 pandemic, the importance of shoring up the resilience of the EU and global economy while maintaining a strong focus on the green recovery cannot be overstated. We look forward to offering our support, expertise and insights as the EC develops and consolidates its sustainable finance policy.

We will continue to provide technical input to key consultations feeding into the specific elements of the strategy. In this letter, we outline a few points that we consider as key priorities for the Renewed Sustainable Finance Strategy, and highlight areas where Bloomberg L.P. can contribute to the EC's policy development and thinking.

### ***Strengthen non-financial reporting and disclosure to leverage sustainable investment***

We believe that non-financial reporting and disclosure are essential to creating the transparency needed to drive investments towards sustainable activities. As the EU launches its ambitious programme on the Green Recovery post COVID-19, the review of the Non-Financial Reporting Directive (NFRD) is a key opportunity to strengthen disclosure and reporting to give companies stronger and more coherent reporting frameworks and standards on climate disclosure while meeting investors' increasing demand for decision useful information on climate and sustainability risks. The TCFD, with its broad support from the official and private sectors, can play a central role in supporting the NFRD and the EU climate and sustainability agenda more broadly.

Located in 73 countries on six continents, the over 1,300 TCFD supporters span the public and private sectors and include organizations such as national governments, central banks, regulators, stock exchanges, and credit rating agencies. Supporting companies in industries such as asset management, banking, chemicals, energy, insurance, metals and mining, oil and gas, and transportation, among others, have a combined market capitalization of \$12.1

trillion. Supporters include 608 financial firms responsible for assets of over \$148 trillion. TCFD is now widely considered the key global framework for climate reporting.

Disclosure aligned with the TCFD recommendations supports a broader green climate and recovery agenda, including the EU's ambition to become a net zero economy by 2050. As an increasing number of countries join the EU in this commitment, the TCFD framework will help businesses communicate how they plan to align with national goals, and help investors assesses which companies and industries are best positioned for the future. The momentum behind the TCFD has shown that reporting frameworks accelerated by public sector support can quickly achieve international recognition. The EU Commission has already acknowledged the TCFD prominence as the key climate reporting framework in the June 2019 Climate Reporting Guidelines, and encouraged companies to implement them. Incorporating the Task Force's recommendations into the NFRD will enable the EU to set a high standard for climate-related disclosure and, importantly, assist with reducing fragmentation across national regulatory regimes. The broad acceptance of the TCFD framework provides a strong foundation for a coherent approach to climate risk disclosure.

### *Integrate climate and environmental risks into the financial system*

It is essential to have accurate data on how companies manage their climate risks and how investors integrate them into their investment decisions, and we fully support the EU initiatives adopted in this area. The recently adopted EU legislation on sustainable finance (EU Taxonomy Regulation, Regulation on sustainability-related disclosures in the financial services sector, Regulation on low-carbon benchmarks and positive carbon impact benchmarks) and their related secondary measures will provide the key framework to assess financial players' sustainable investments. We look forward to contributing to the European Supervisory Authorities and EC's work to finalise secondary legislation related to these acts.

Embedding the EU Taxonomy as a common language in sustainable investing and product labelling is clearly a cornerstone to the EC's Sustainable Finance strategy. To claim substantial contribution to climate change adaptation, a company needs to demonstrate that it is reducing all material physical climate risks to the extent possible. The TCFD is the only framework that enables a company to demonstrate they have robustly analyzed climate related risks and opportunities and in turn, enables investors, armed with that information, to make climate risk informed decisions.

Incorporating TCFD into mainstream EU law applicable in 27 Member States will help accelerate and promote more consistent and comparable reporting by industry on climate risks and climate investment opportunities providing investors with higher quality and more granular and user friendly information.

### *Define a clear EU policy framework for greenhouse gas emission reduction towards decarbonisation*

Bloomberg New Energy Finance is a leading provider of primary research on clean energy, advanced transport, digital industry, innovative materials, and commodities. We believe that the goals to reach up to 55% reduction by 2030 from 1990 levels, and net-zero by 2050, require the accompanying policy frameworks and regulatory signposts that can trigger the orderly transformation of carbon intensive economic activity. At a high level, the adjustment of the emissions trading scheme cap in line with the increased ambition will provide a backstop to the EU's emissions reduction effort. However, relying on the EU Emissions Trading System and its volatile carbon price alone to guide emissions intensive sectors towards decarbonisation will not provide sufficient certainty to asset owners and national policy makers



to always anticipate the changes needed, and avoid situations of financial or social distress as a result.

Each carbon intensive sector will also require policy incentives and increasingly stringent low-carbon standards to progressively decarbonize their activity. The use of reference scenarios and benchmarks with a transparent methodology that draw a pathway towards meeting the EU's climate goals can help corporations and investors evaluate the positioning of their activities/portfolios, and would further support an orderly transition towards low-carbon activities. For example in the power sector, emissions intensity standards measured in emissions per unit of generation already help investors favour utilities that are decarbonizing faster.

Bloomberg L.P. will continue to provide technical expertise and input to DG FISMA services as they finalise the key elements of the Renewed Sustainable Finance Strategy. We look forward to continuing to support the EC's leadership on sustainable finance, and help achieving the common goal of building transparency in the global financial markets.