



EUROPEAN COMMISSION'S
TECHNICAL EXPERT GROUP ON
SUSTAINABLE FINANCE

Climate-related Disclosures
Summary of responses to call for feedback

Climate-Related Disclosures Subgroup

February 2019

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1. Background

On the 10th of January the European Technical Expert Group (TEG) published its report on climate-related disclosures, which corresponds to the task 4 of the TEG’s mandate, which is to “Develop climate-related metrics in the context of its work on an EU taxonomy allowing for an improved disclosure on climate-related information” and publish the outcome in a report.

The TEG is grateful for the thoughtful and constructive responses received in the call for feedback between January 10 and 1st of February 2019. **This document summarizes the responses received. It does not imply any judgment on those responses on the part of the TEG.**

Interested parties are also encouraged to access the [FAQ](#) available online that accompany the TEG [Report on climate-related disclosures](#).

2. Stakeholder consultation. Profiles

In total, 72 answers were received in the stakeholder consultation. The respondents were either organisations/companies, individuals or public authorities/international organisations. The following sections explain the key stakeholder characteristics.

The majority of the respondents were organisations or companies (Figure 1). The respondent group of private individuals comprised of three respondents.

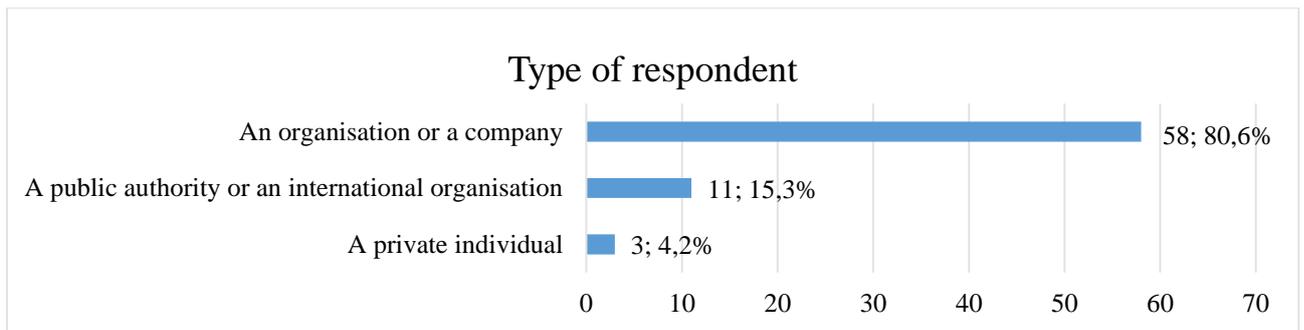


Figure 1. Respondents by type (N).

The type of the responding organisation is illustrated in Figure 2. The largest portion of respondents were industry associations (N=21), followed by NGOs (12) and companies (10).

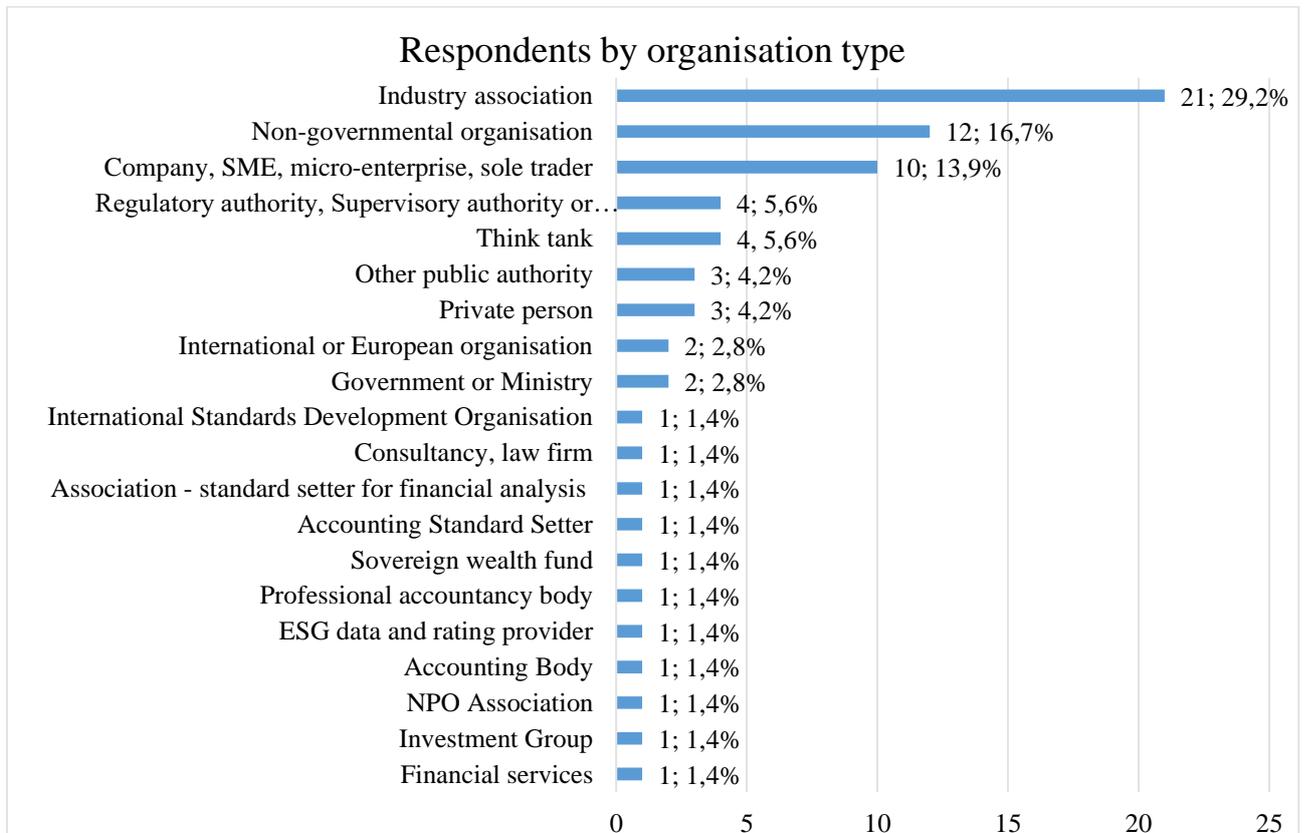


Figure 2. Respondents by organisation type.

Figure 3 indicates that the majority of respondents were from Belgium (N=13), followed by Germany (11), France (10) and the United Kingdom (10).

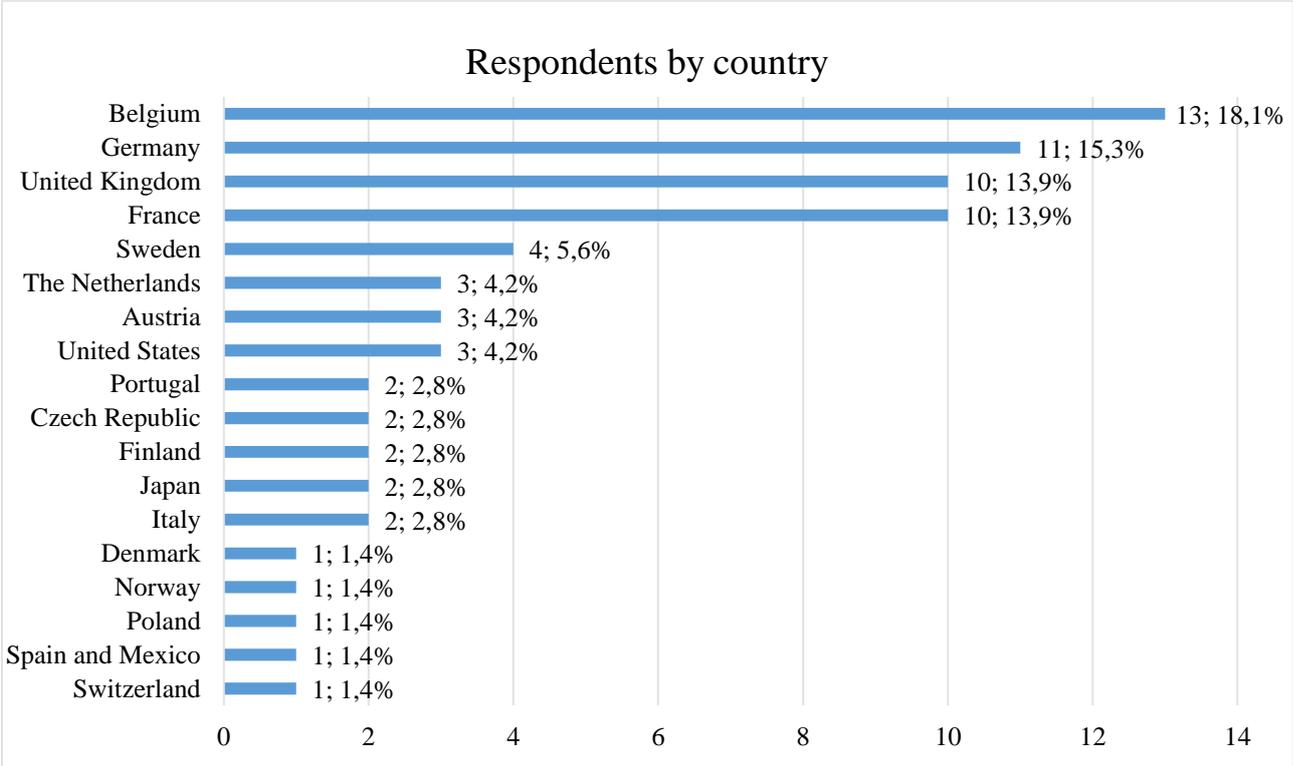


Figure 3. Respondents by country.

Figure 4 ranks the respondents by their field of activity / sector. Associations were represented the most (N=17), followed by financial institutions (12) and accountants/auditors (10).

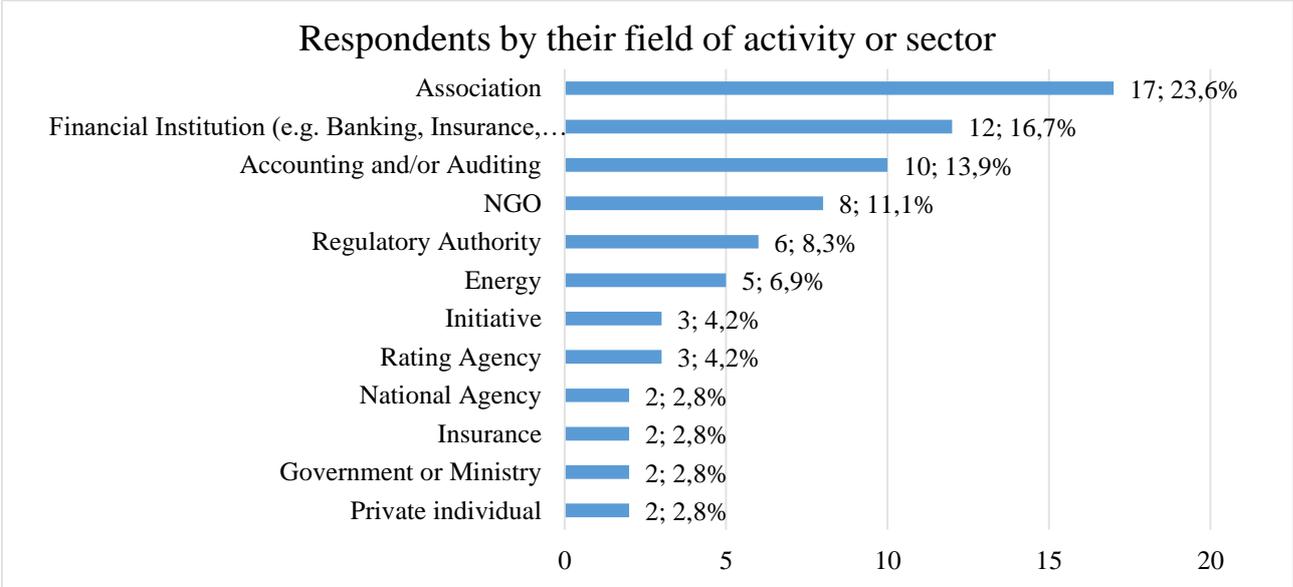


Figure 4. Respondents by their field of activity or sector.

3. Mandate, principles and rationale.

Nature of the mandate

The TEG has received input considering the **mandatory vs. voluntary nature** of the content of the report and the size of companies in **scope** (calling for SMEs to embark on the reporting journey as well). As the TEG has been given a clear mandate to consider the Non-Financial Reporting Directive (NFRD) and the supporting Non-Binding Guidelines (NBGs) as its legal starting point, the scope and voluntary nature of the content of the report were not at the discretion of the TEG.

Similarly, a few feedback statements asked about the **audience** of the non-financial statements that the TEG focussed on and the exclusive **focus on climate**. When working on the Climate-Related Disclosures (CRD) the TEG worked under the mandate determined by the European Commission which feeds into Action 9 of the EU Action Plan on sustainable finance. Action 9 states that “Building on the metrics to be developed by the Commission technical expert group on sustainable finance [TEG], the revised guidelines on the Non-Financial Reporting Directive should provide further guidance to companies on how to disclose climate-related information, in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD) and the climate-related metrics developed under the new classification system [the taxonomy]”.

We recognize that several submissions called for looking at a **broader approach** considering Environmental, Social and Governance (ESG) issues. The mandate of the TEG is focusing on climate issues, a subset of overall ESG topics, although the TEG report does recognise the interconnectedness of climate with other sustainability issues.

The TEG did not change the **principles** defined by the NBGs which call for material, fair, balanced and understandable, comprehensive but concise, strategic and forward looking, stakeholder orientated, consistent and coherent information to be disclosed. These constitute the reporting principles that is the "how" of the reporting.

4. Dual focus

The TEG report keeps this dual focus on both the **outside-in** (how do climate risks and opportunities impact the company) and **inside out** (how does the company impact on climate), in line with the approach of the Directive.

There were some recommendations to make an **explicit references in this regard** to the IIRC Framework and Natural Capital Coalition.

While many respondents have welcomed the nature of the report and its **level of granularity and ambition**, there were reactions received that called for more flexibility and lower ambitions in light of the fact that many reporters in scope of the NFRD have only gone through one reporting cycle till date.

Policy targets

Respondents welcome **references to the IPCC 1.5° special report**, which also urges action to eradicate poverty, but highlight that fighting climate change should be prioritized and references to low-carbon energy – rather than renewable energy. A few respondents suggested that the link with policy targets should more explicitly reference the objectives of the Paris Agreement.

It was also noted that the report should also provide **examples of how KPIs specifically relate to policy targets**. Recommendations have been made that the approach adopted for climate should be extended to other policy targets, such as the SDGs. Respondents also note that current nationally determined contributions do not match the level of ambition of the Paris Agreement. It is also noted that the Paris Agreement does not explicitly reference 2050 as a target year, but only “the second half of this century”, while others note that 2050 is too far away to guide effective action by companies.

5. Alignment with the TCFD

A lot of respondents **welcome the approach** to link TCFD with NFRD. However, they have different opinions on how this should be done.

There is **no common understanding of the links** / differences between NFRD and TCFD among the respondents. Some argue that as the scope is following the same outside in logic, TCFD should be the reference framework and urge the EC to adopt the TCFD recommendations and simply align the requirements. In this case, companies reporting under TCFD should be exempted of NFRD reporting.

For a lot of respondents, a **revision of the NFRD and even the Accounting Directive** would be necessary to reconcile both views. Respondents recognizing the difference between the NFRD and the TCFD in terms of audience, scope, location disagree with the report's explanation that addressing the NFRD would be enough to also address the TCFD. Some advocate for including all recommendations of the TCFD **plus additional disclosures** aiming at covering the inside out logic. Others suggest a phased approach, starting with TCFD disclosures and expanding later to the rest including both scopes/ logics.

For a lot of respondents, TCFD is only climate oriented whereas NFRD goes far beyond. TCFD approach should therefore **be limited to the climate part** of the NFRD. Some respondents also argue that TCFD goes beyond the strict requirements of the NFRD.

Some respondents advocate for **alignment** of frameworks instead of creating new ones.

Alignment with TCFD recommendations for banks and insurance underwritings

There are some proposals to align further the disclosures with the TCFD recommendations, and in particular with the supplementary guidance for banks and insurance undertakings. The same respondents articulate in their comments that the disclosures should enable the understanding by stakeholders of the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks; an early assessment of climate-related risks; facilitate market discipline, and provide a source of relevant data to assess risks.

6. Different “types” of disclosures

Type 1, 2 and 3

The main comment is about the **confusion between the used terms**, such as “Non-binding”, “should disclose”, “should consider disclosing” and “may consider disclosing”. Several respondents highlight the inconsistency between “minimum disclosures” and “non-binding guidelines”. A lot of respondents (usually data users) would like to see more type 1 or even mandatory information, forgetting that these are (voluntary) NBGs. Others advocate for including mandatory (or should disclose) directly in the NFRD. Several respondents ask for more clarity between the 3 types of disclosures.

For some respondents, the disclosures should be split between **mandatory** (rather in the Directive) and **voluntary** ones. But there is no consensus on the frontier between both. For others, splitting them in 3 types creates priorities that are detrimental to the TCFD’s 11 recommendations. There are some recommendations for relying on materiality to allocate to type 1 or 2 as well as some advocacy for aligning TCFD minimum disclosures with NBGs type 1 disclosures. For several respondents, the trigger and starting point should be the materiality concept and they are back to asking for a definition of what is sustainable materiality and how to set clear thresholds.

For those who consider proposed **disclosures are going too far** (usually the preparers) there cannot be distinction between 3 types of disclosures as those disclosures are non-binding and should be decided by each company based on materiality or on its ability to produce the relevant information.

A lot of respondents express **concerns about the current low level of maturity** of reporting on climate-related topics and argue for more guidance on what should be concretely disclosed by preparers. Some advocate for a kind of “comply or explain”-approach when it comes to type 2 disclosures.

Some respondents are sensitive to the **burden and cost** of such disclosures, arguing that type 2 (especially segmental disclosures) may be more expensive and time consuming than type 3. Some advocate for a proportionality principle, arguing that medium and small companies may face difficulties to address the same level of disclosures as large ones. The lack of reliable data is often highlighted.

Some respondents welcome the table, others ask for clarification of what is subject to company’s own assessment. There are numerous remarks and comments on what should be moved from one type to another (including GHG as minimum disclosure or type 1). Some respondents highlight some **overlapping** between the various types and seek for clarification.

Globally, banks, and bank associations are concerned by the **link between NFRD / NBGs and other regulations** they already have to address.

7. Scenarios and forward looking

More specific guidance needed

A few respondents recommended using **Science Based Targets** as recommended guidance for scenario analysis and setting targets – will help with comparability and putting scenarios into action.

Respondents also recommended linking scenario analysis to **specific transition pathways** to help with comparability and implementation of low-carbon strategies and that alignment on a 2 degree trajectory would be a good tool for introducing scenario analysis to companies.

Some respondents wanted more guidance, not necessarily on how to conduct scenario analysis, but on specifically what they should disclose from the results as well as specific KPIs to consider and disclose.

Respondents stressed the need that underlying assumptions should be part of recommended guidance and less optional – some suggested this is not a Type 3 disclosure, without this information scenarios are harder to use for financials conducting analysis.

Scenario analysis and stress testing should **both cover physical risk and transition risk** – not just stress testing on physical risk and scenario on transition risk.

Many respondents felt that the current guidance would not allow for comparability and more direct guidance on which scenarios to use, specific time horizons, assumptions were needed for the scenarios to actually be used in the market – some suggested that the TCFD recommendations, in particular the scenario analysis supplement, could be referenced more for this, but even more concrete decisions that are stated in the TCFD should be made and put into guidance.

Some respondents wanted specific data sets they should reference and other suggested materials to get started.

Respondents **wanted more industry specific guidance** – similar to what is provided for insurance, in particular on KPIs to use in scenario analysis. SASB metrics were recommended to follow.

As example indicators, it was suggested that for analysis of business segment alignment with energy scenarios, carbon footprint reduction is broken down in % per source of reduction such as carbon capture and storage, natural carbon sinks and renewable electricity.

Carbon price hypothesis and percent of production, turnover, EBIT currently exposed to a carbon price and regulation, or energy efficiency benefiting from an enforcement mechanism such as audits and penalties were also recommended as specific indicators.

Use of 1.5 degree scenario

A few respondents suggested recommending a 1.5 degree scenario as this will help users look at short term windows and better align with the Paris Agreement.

Other users suggested reporting compatibility with a 1.5 degree pathway as a step beyond scenario analysis to put the process into practice for both corporates and financials.

Moving Scenario Analysis to General Disclosure

There was a lot of support for **moving the scenario analysis recommendations to the General Disclosure** section as this is not a secondary issue – only a few respondents said this should not be a required process.

There was some confusion among respondents on how they should determine whether they should consider disclosing scenario analysis under Type 2 disclosures.

Some respondents noted that financial institutions should be included in guidance that they **SHOULD** do scenario analysis as opposed to **MAY** consider.

Competitive information

Some respondents feared that detailed reporting on scenario analysis, in relation to financial impacts and strategy could result in the disclosure of competitive information. In particular for companies that already use scenario analysis as a strategy practice.

Guidance on liabilities for the company and management of disclosing forward looking and potentially competitive information could help companies with these concerns report more.

Climate targets should be distinguished from other forward looking information to alleviate risk of disclosing competitive information.

Some respondents provided examples of KPIs that they believed would be too competitive to include.

Relation between 2°C scenario and policy goals

It was recommended that companies should explicitly explain how it will contribute to climate neutrality through 2050 and scenario analysis can be a part of this process.

It was recommended that forward looking reporting must be linked to policy frameworks.

Time horizon: definition of short / medium / long term --> in some cases respondents ask for flexibility but disclosures by company, some others advocate for time horizons defined in the NBG

More respondents requested that **specific time horizons** are defined in the guidance, than those who requested flexibility – with some noting that there is no way to compare scenarios when specific time horizons are not defined.

Specific time horizons will help show financial relevance of climate change as many companies use only a 1 year time horizon for considering forward looking plans in typical business planning.

A few respondents commented that they needed more guidance on how to assess materiality under scenario analysis given different time horizons – this played into other questions where scenario analysis should be disclosed because it may not be appropriate for management report if it is not explicitly material today.

Guidance on what should be included in the management report based on what is material today would be helpful.

Quantified and forward-looking information

Respondents generally agreed with the point that scenario analysis and forward looking information **could start as a qualitative** disclosure and over time move to quantitative.

Some respondents felt that without the **taxonomy** finished quantitative reporting would be more difficult.

Forward looking information should be linked to **specific capabilities of the reporting** entity such as capex or technology changes.

More forward looking indicators and KPIs are needed.

Some respondents challenge the purpose of historical data on GHG emissions arguing that only forward-looking targets are relevant.

8. Proposed disclosures

Location of disclosures

Some respondents point out the benefits of NBGs aligning with TCFD. However, yet others argue that there is an inconsistency, following the recommendation to deliver disclosures in the mainstream financial report in combination with NFRD. They advocate for **removing the option** in the NFRD to disclose non-financial information alternatively also outside of the financial report. They argue that the recommendations put forward in the TEG report could be misleading as disclosing the suggested information out of the financial report would not be TCFD compliant. One respondent goes beyond the question of location of disclosure and encourages the disclosures to be digital, discoverable and easily accessible. Others request just clear guidance on the location of disclosure, wherever it may be.

Several respondents point out the sensitivity and competitive nature of some the suggested disclosures and **argue against the level of transparency** that is recommended in the report.

Several respondents also advocate for a **phased approach** to non-financial disclosures given the low level of maturity of reporting of some actors and the difficulty to access and collect the suggested data. Some respondents (mainly data users) recommend free access to avoid additional costs.

Renewable vs nuclear and scope more broadly

Some respondents from the energy sector highlight the fact that the transition to a low carbon economy can be achieved with different types of low carbon energy generation and not only renewable energy. **Nuclear energy being part of the EU action** plan to achieve its goals they recommend that renewable should be replaced by low-carbon. Some respondents express concerns that favouring too much low-carbon is unlikely to support carbon-intensive sectors to successfully transition to a low carbon economy. This may raise security of supply failures and lead to other social issues.

Several respondents disagree with the approach of the revision of the NBGs in terms of scope (limiting to only climate-related topics and not mentioning other ESG factors) as well as timing disconnect from the taxonomy definitions, which is not in place yet).

Materiality

1. About the concept of materiality

The avoidance of the word materiality is challenged by a number of respondents.

- Some of them do not perceive the difference between financial and non-financial materiality and thus ask for referring only to the definition of financial materiality
- Others ask for clarification on the link between materiality as defined in the TCFD and in the NFRD and how relevance or significance used in the report tie with those two concepts

- Several respondents argue that introducing relevance or significance requires new explicit definitions while others think it would be confusing to use other terms than materiality
- A few respondents understand that the definition of materiality in the Accounting Directive relates to conventional finance approaches and not to sustainable finance and urge the EC to clarify this issue.
- Some advocate from clear thresholds on what is material and what is not.
- The clearest proposal is: *relevance should be assumed as given if the impacts do cause material financial damage on the one hand and substantial environmental damage on the other or one of them (also known as “double materiality”)*

2. On the use of materiality

A lot of respondents consider that **materiality should be at the heart of the disclosures**, from completely mandatory to fully voluntary. Several respondents advocate for linking type 1, 2 and 3 with materiality thresholds. Main arguments are the diversity in terms of maturity of reporting. Some respondents challenge the request for minimum disclosures in case climate change is not material for a company, the main argument being that this extensive list of disclosures does only make sense if the company disclosing is materially exposed to climate risks. Respondents trying to push back on the amount of disclosures refer mainly to the inside out impact with very few or no consideration for inside out impact.

When not referring to materiality, several respondents advocate for flexibility and proportionality in the application of the NBGs. Main arguments are the low level of knowledge of the market, the inevitable adaptation to market innovations in methodologies. For a lot of respondents, the practical solution is a phased approach and a gradual implementation of the revised guidelines.

Beyond materiality, a lot of respondents ask for clarification about “risks”. This is dealt with in the risks section of this summary.

Some respondents ask for clarification around climate-related aspects. The report uses various terms (issues, topics, risks and opportunities, matters, impact). They highlight the lack of consistency across the report and ask for more clarity in the guidelines.

A respondent advocates for alignment between NBGs and TCFD on the Board and Management level, removing the reference to top management.

Respondents mainly express the need for clarification on "relationship between the company's financial position and its impact on climate change" and “the interrelatedness and dependencies between climate-related risks and opportunities and other factors that affect the company’s financial position”.

Risks

Risk definition

Some respondents **ask for clear definitions of climate-related risks, risk tolerance, risk appetite**. Some respondents support the need that companies disclose the risk definition they use to assess climate risk and suggest it is disclosed in the “general disclosures” section. Some respondents ask for a definition of “principal risk” and how it ties with the TCFD section on risks, opportunities and financial impacts.

Some respondents ask for **clarification between governance process, due diligence process and risk management process**. This may refer to the various options left to the company to disclose risk related information in policies and due diligence and / or in risk management (see figure 2 of the report).

A respondent disagrees with the “**narrow**” **definition of physical risks** and mentions the inappropriate definition of transition risks. Some ask for reference to existing risk classification frameworks. It is suggested to refer to COSO: COSO/ WBCSD’s guidance on Applying Enterprise Risk Management to Environmental, Social and Governance-related Issues. (<https://www.coso.org/Documents/COSO-WBCSD-ESGERM-Guidance-Full.pdf>).

Risk analysis

Comments around risk and risk management are very different, from governance to organisation, high level views and day to day business. They talk about understanding, feasibility, expertise, operational challenges.

In terms of governance, a respondent highlights that the Board competency could be achieved through access to expertise on the topic and not necessarily Board members being expert while another wants clarification on how to measure the Board expertise. Several respondents stress the importance of the Board’s responsibility in tackling these topics.

There is **no consensus on how far climate risk analyses should be developed**, users are asking for more quantitative information whereas preparers tend to argue in favor of high-level qualitative information arguing that science and methodologies on climate risk are at this stage in time not developed enough to support quantitative analyses. For a lot of them the IPCC report clearly shows these uncertainties. On the opposite, several respondents, mainly data users advocate for climate-related topics being fully embedded in the existing processes and control frameworks and risk analyses are not limited to risk identification but also include assessment. Respondents are much more concerned by the (financial) risks born by the company due to climate change than the sustainable risks of the company’s activity on environment.

Some respondents highlight the imbalance of information provided between physical risk (largely referred to in the report) and transition risk.

Several respondents advocate for flexibility in the risk analysis to enable progressive introduction of new methodologies and future knowledge enhancements.

Risk exposures and mitigation policies are often referred to as minimum information.

Some respondents consider that opportunities are not highlighted enough in the report.

KPIs vs outcomes

Some respondents express concerns about the use of KPIs in the report and stress the difference between Key Performance Indicators (KPIs) and other pure/ regular metrics. They disagree with all the metrics conveying performance information. However, there is no real consensus. Some consider GHG emissions and targets as KPIs and others as outcomes.

Quantitative vs qualitative

The debate is around what should / could be quantified as of today. This should be strongly related to the risk assessment process. The main arguments to stick to qualitative types of information are that i) sensitive/ competitive information may not be disclosed, ii) the current knowledge does not allow for sound quantitative analysis, iii) data is not accessible or does not exist to perform those analyses. Data users would welcome more quantification on the risk issue.

9. Key performance Indicators

Further references to other standards

It was **suggested to add** to The EU Eco-Management and Audit Scheme (EMAS), SASB standards to the list of reporting frameworks to which the proposed KPIs align to. It was also suggested to include a link to OECD Principles for Corporate Governance and the International Integrated Reporting Framework, and to provide more precise links to particular sections within the CDP, CDSB and GRI frameworks.

Improve comparability of KPIs

Respondents generally supported the proposed guidance on the KPIs, however some considered that it could be improved by **adding more examples** of how preparers may disclose the KPIs, for example, by indicating how emission targets set against a benchmark can be disclosed or by providing industry-specific examples. It was also suggested to make a reference to how the KPIs relate to the 1.5 of 2 degrees climate objective.

It was also highlighted that comparative disclosures should be provided and that preparers should explicitly disclose whether they are on track with respect to the pre-defined targets. The proposed guidance should also indicate how the breakdown of GHG emissions disclosures should be performed, e.g. by geographical area or product type.

Finally, comparability concerns were raised with respect to the choice between ISO 14064-1 and the GHG Protocol. It was also noted that the reference to the ISO standard should consider the most recent (2018) version of this standard.

Focus on data quality and assurance

There was support for the **requirement to provide assurance** on the disclosure of KPIs. It was highlighted that the focus of disclosures should be on the quality of the KPIs rather than on their quantity, as the long lists of KPIs in the report could be counterproductive. It was suggested for reporting companies **to describe the methodology applied in the verification/assurance process**.

Provide more guidance regarding scope 3 emissions reporting

Several respondents raised concerns over the feasibility of scope 3 emission disclosures by companies, also suggesting to **add more (sectoral) guidance** on how to measure and report. Several respondents from financial institutions highlighted that the practices to report on these emissions vary widely and that a gradual approach towards these disclosures is necessary. It was also mentioned that the quality of these disclosures will be a function of the input data provided by customers and investee companies. It was also highlighted that scope 3 emissions in TCFD are required “if appropriate”, while in the list of KPIs they are listed as Type 1, thus appearing to be more binding compared to TCFD.

As an alternative to scope 3 emissions, reference was made to other methodologies that are currently under development such as those being addressed by 2dii and PCAF.

Enlarge the scope of the proposed KPIs

Several respondents suggested that the proposed guidance **should include references to KPIs** addressing **circular economy, energy efficiency and natural resources, particularly water risks**.

It was noted several times that KPIs should normally relate to companies' internal management strategies and its own environmental objectives, while in the report the focus seemed to be on measures of progress **with respect to EU policy objectives**. That being said, the alignment of KPIs to EU policy objectives also received support by some respondents.

KPIs were sometimes also regarded as **excessively focused on GHG emissions**, thus largely disregarding physical and transition climate risks and the dependencies between these risks and natural capital resources, as well as not addressing climate adaptation investments.

Finally, it was also noted several times that KPIs on energy consumption should **not be limited to renewable energy sources**, but to low-carbon sources and, in general, KPIs should be technologically neutral.

Clarify the link with the taxonomy

Some respondents highlighted that the link between the KPIs and the Taxonomy should be clarified and addressed with caution due to the fact that the latter is still under development.

It was also argued that the KPIs should be technologically neutral and therefore they should be decoupled from the taxonomy.

Green bonds metrics

Whilst there was general support for the green bond metrics, it was noted that the link between climate change and green bond metrics may not always be meaningful, and that the market may be too nascent for this type of KPI disclosure. Furthermore, it was recommended to consider also the inclusion of other green financing arrangements and to reference other green bond and green loan frameworks, such as the Green Bond Principles.

Consider additions to the proposed KPIs

It was recommended that KPIs relating to circular economy and science-based emission targets should be given more prominence as type 1 disclosures. In addition, it was suggested to add a KPI relating to emissions and energy intensity and to provide examples of industry-specific KPIs. It was also suggested to include a KPI on the use or effect of carbon pricing, and to give more explicit guidance around the link to EU climate policy targets.

Lastly, it was recommended to consider whether some of the KPIs may raise concerns in relation to the risk of disclosing commercially sensitive information, for example percentage of expenditures in products or services associated with taxonomy activities.

10. Sector specific guidance for Banks and Insurance undertakers

Any sensitivities, including legal, in reporting climate-related risks

Respondents support the level of granularity of the sector specific disclosures, provided that banking secrecy is not violated, especially in those jurisdictions with a limited number of actors. The need for confidentiality regarding potentially sensitive information is a concern reflected in some comments.

In some cases, respondents explain that there should not be a tendency to favour **importance of climate-related risks over economic risks** during investments valuation, and underline that prudential economic assessment should always be a priority and should take full account of the risks stemming from sustainable investments in terms of lower returns, longer-term viability and higher risk. In addition, some concerns were raised on whether these disclosures may disincentive the flow of lending towards e.g. counterparties that need finance to transition to lower-carbon operating models

More classification and/or to reclassify disclosures between Type 1, 2 and 3

Some comments were received on the need to further **highlight that the general disclosures applies to all companies, and that disclosures for banks and insurance underwriters included and section 5 apply on top of the general disclosures**. Some comments have connected reclassification with reporting burden, proposing to reclassify description of governance and policies around climate-related disclosures to a less obligatory reporting type category. One commenter saw a lack of Type 1 disclosures. Another commenter stressed the importance of applying the three types of disclosures for transparency and comparability reasons.

There are proposals among the comments received to align the format of this section with the format of section four and include the disclosures in the format of a table with clear distinction between type 1, 2 and 3 disclosures.

Finally, some of the respondents proposed to turn some of the disclosures from “could” to “should,” as opposed to other comments in the opposite sense, proposing to move some disclosures from "should disclose" to "may consider disclosing".

Proposals for additional disclosures and KPIs (divestment strategies from carbon-intense sectors etc.)

There are many proposals to include additional disclosures like e.g. disclosures on compliance with the upcoming Taxonomy, voting rights, long term versus short term strategies, hedging strategies related to climate change, how materiality is applied or internal carbon prices. There are suggestions to mention more explicitly the disclosure of possible divestment strategies from carbon-intensive sectors.

Further disclosures for insurance underwritings include the reporting of alliances between Government Entities and private insurance companies to cover damages caused by climate changes and catastrophic events, in case such alliances exist.

The concise risk statement

There are questions and requests for more guidance around the format and where to disclose the risk statement,

Scope and what the EC includes in the NBG

Some comments proposed **broadening the scope of the disclosures** by referring to sustainable finance rather than green finance. In some cases concerns were raised on the risk that the updated guidelines might represent a binding reference for NFS already from 2020 in some jurisdictions, and on the time perspectives, or the need to await the Taxonomy before setting disclosure guidance.

There is support that a **separate chapter** is dedicated to banks and insurance undertakings, as this underlines the fact that financial institutions have different risks than non-financial companies. There is also support for the specific reference and recommendations that financial institutions conduct scenario analyses, in line with the fact that these institutions have different exposures and therefore different risks than non-financial institutions.

Pillar 3 alignment

Several respondents underlined the fact that credit institutions are subject to comprehensive **disclosure requirements in their Pillar 3 reports**. They explain that the disclosures proposed in the report should be further developed in the Pillar 3 regulations, and that the different disclosure frameworks should be consistent and aligned.

Further work and more guidance

There are comments that suggest the need for further guidance, in particular on forward looking disclosures, defining financial materiality thresholds, widening Scope 3 reporting and for scenario-analysis (what scenarios to use, how etc.). In addition, some respondents propose to align the proposed disclosures and KPIs with for example the Supervisors and Central Banks' Network for Greening the Financial System (NGFS). There are also suggestions that more work and clarifications are needed on 'ESG factors' and Type 1 disclosures, underlying that EBA and ESRB could play a role in a next step, and add further consistency. In addition, a question was raised on how resilience could be defined quantitatively and on how "consistent and historical data" should be further specified.

Reporting on collaterals

There are some comments related to the reporting on collaterals highly exposed to climate-related risks, raising concerns that this could pose sustainability and reputational risks to institutions. One comment raised the question on how green collaterals would be defined, and if the Taxonomy will shed light on this.

Reporting burden

Some **concerns were expressed on the fact that the scope and granularity** of the disclosures proposed go beyond the current practices of most financial institutions, and on the challenges for financial institutions to achieve the expectations set out in the report. These comments refer in particular to the information on the awareness of institutions' counterparties on climate-related issues and on Scope 3 disclosures. There is support for a gradual implementation of the disclosures and for including further clarity on definitions and the scope of proposals, in order to ensure consistency and quality of disclosures. .

The need for time was stressed, underlying that scope 3 disclosures are necessary but that time is needed for financial institutions to develop and strengthen reporting practice on Scope 3 disclosures.

Some respondents raised the issue of the application of NACE classification codes, and the challenge that this would represent in those jurisdictions where different classifications systems are applied. Some concerns were also reported on the costs connected to reporting burden.

Preferences to resilient strategies

Many comments received on chapter 5 refer to the disclosures regarding the potential preference of institutions for counterparties with climate resilient strategies. For example, comments include the **connection to incentives** and the appropriateness of such in this regard, that incentives around resilience is still immature and needs to evolve first, and that incentives could be used internally but should not be disclosed. Some concerns refer to fear of "cliff effects"