



COMMENTARY  
MARCH 2019

## How Green Are You? EU Proposes Climate-Related Update to Guidelines on Non-Financial Reporting

### IN SHORT

**The Situation:** The European Union continues to roll out its Action Plan for Financing Sustainable Growth with its latest proposal concerning climate-related disclosures and the European Commission's launch of a public consultation process to close on March 20, 2019.

**The Result:** Certain EU entities will have increased climate-related disclosure obligations; the bar is being raised, in particular, for large entities, banks, and insurance companies.

**Looking Ahead:** New final guidelines are expected by June 2019, and covered entities will need to take a fresh, in-depth look at their business models, policies, and due diligence processes in order to provide specific information on environmental outcomes, principal risks and their management, and key performance indicators that are traceable, relevant, and consistent over time.

The "E" for "environmental" in environmental, social, and governance ("ESG") has skyrocketed to prominence worldwide. Regulatory proposals and certification schemes by governments and industry offer fresh perspectives and opportunities. However, without a common technical and legal foundation, investors, issuers, and the financial industry find measuring "greenness" to be nebulous at best.

The European Commission's updated Guidelines on non-financial disclosure of climate-related information, when published, will assist covered entities in determining whether climate-related information is material for disclosure purposes and, if so, how to disclose it. It is expected that large entities will be moving to adopt these disclosure guidelines given investors' and other stakeholders' heightened awareness of these issues.

Both buy-side and sell-side stakeholders are closely watching Europe's changes to sustainable finance rules, and Jones Day is monitoring developments as well.

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### TWO KEY TAKEAWAYS

1. It appears that the European Commission will take a broad interpretation of materiality of climate-related information. Covered entities will need to consider carefully the updated Guidelines when updating their non-financial disclosure statements, as well as their corporate governance and internal processes.
2. The updated Guidelines are likely to assist in standardizing the format and content of climate-



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related disclosures, in an ongoing effort to provide a common language and basis for comparison. The European Commission and European Union as a whole are moving quickly to implement far-reaching sustainable finance rules.



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