

On the home straight: delivering disclosures to support growth, competitiveness and decarbonisation

*EFRAG Conference: "Advancing Transparency & Competitiveness in Challenging Times"
Keynote speech, 10 December 2024*

- It is a pleasure to be able to address you today. Thank you to Patrick and Wolf for the invitation.
- The themes of today's conference, "advancing transparency and competitiveness in challenging times", are close to my heart. The intersection between financial reporting and sustainability is a priority for my work at Bloomberg, at the Glasgow Financial Alliance for Net Zero and as Chair of the Climate Data Steering Committee.
- Understanding and addressing the risks of climate change is a once in a generation policymaking challenge. We can only succeed if we use policy to unlock the innovative forces of the corporate sector and capital markets.
- Given that the challenges are real, it is worth stepping back from the world of disclosures to think about what good looks like. After all, we are not in the business of seeking climate disclosures for the sake of it.
- As we know, the EU is working to reduce carbon emissions by 55% by 2030, and reach net zero by 2050, through a combination of measures including carbon pricing and fiscal incentives, legislative and regulatory measures, industrial and financial services policy.¹
- Beyond the important objective of emissions reduction, the EU is rightly increasingly focused on driving growth and competitiveness as a direct consequence of its transition.²
- There are reasons for optimism that this can be achieved. The EU has already reduced emissions by more than a third relative to 1990 levels, while the economy is two thirds larger.³ A wave of investment in new clean energy sources, increasing electrification, and developing cleaner industrial processes contributed, per IEA estimates, a third of EU growth in 2023.⁴ And the Commission estimates that this investment will create 3.5 million new jobs by 2030.⁵

¹ [European Council, "A climate-neutral EU by 2050"](#)

² [European Commission, "Towards a green, digital, and resilient economy: Our European Growth Model"](#)

³ [European Commission, "Report from the Commission to the European Parliament and the Council: EU Climate Action Progress Report 2024"](#)

⁴ [International Energy Agency, "Clean energy is boosting economic growth"](#)

⁵ [European Commission, "Press Release: Commission sets out actions to tackle labour and skills shortages"](#)

- Alongside good policymaking, keeping this momentum going requires companies proactively developing their own strategic action plans for the transition. By identifying the opportunities and challenges, and setting out an intended path forward, transition plans can help ensure EU companies lead, rather than lag, the global transition, and help firms raise the necessary investment and finance.
- For Europe’s financial markets to work effectively, so that finance can find its way to support companies in seizing transition opportunities and mitigating risks, there is a clear need for disclosure of decision-useful foundational climate data. This fact is at the core of well functioning financial markets, and the daily work of many of you.
- We know the risks of opaque markets, dominated by insiders and cliques, with adverse selection effects and the risks of widespread mispricing and capital misallocation. Indeed, Nobel Prize Winning Economist George Akerlof commented that *‘in a market plagued by asymmetries of information, the quality of goods will decrease and the market will come to be dominated by crooked sellers and gullible or desperate buyers’*.⁶
- I think George would be pleased, therefore, that we are nearly a decade into our climate disclosure journey, and our destination is in sight.
- The fact that climate-related risk and opportunities have the potential to be material and warrant disclosure is now widely accepted. Many initiatives contributed but it was transformational when nearly a decade ago, the G20 asked the Financial Stability Board to establish the Taskforce on Climate-related Financial Disclosures (or TCFD). TCFD’s mission was to bring cohesion to the climate disclosure landscape by putting on preparers and users of data the task of developing a framework for the disclosure of decision useful information. TCFD’s four pillars: governance, strategy, risk management, and metrics and targets quickly entered the lexicon of climate disclosures.
- And these pillars have now become the basis of regulation in a growing number of jurisdictions, as well as the foundation for the International Sustainability Standards Board (ISSB). It is thanks to the efforts of many of you that the EU reporting requirements in CSRD and the European Sustainability Reporting Standards (ESRS) also continue to build on this progress, ensuring a high level of interoperability with ISSB.⁷ That interoperability is critical to the many EU firms and financial institutions operating globally.
- The EU is leading, but is part of a larger group - that accounts for more than half of emissions and of global GDP - that are implementing interoperable and ISSB-aligned standards.⁸

⁶ George Akerlof, “The Market for ‘Lemons’: Quality Uncertainty and the Market Mechanism (1970)”

⁷ EFRAG and IFRS Foundation, “ESRS-ISSB Interoperability Guidance”

⁸ IFRS Foundation, “Progress on Corporate Climate-related Disclosures: 2024 Report”

- Having taken nearly a decade to get here, completing the journey is now key. And time is not on our side.
- The brutal reality of climate science is that the carbon budget to limit warming to 1.5 degrees will be exhausted this decade if the world remains on its current trajectory.⁹ At the same time the race for the clean, green, growth and jobs of the future is firmly on.
- In completing our journey, I would like to highlight three areas for focus.
- First, as I have tried to make clear, the need for reliable, sustainability related data has never been more crucial nor more widely understood.
- As a leader in this space, such requirements are starting to come into effect in the EU. The rubber is now hitting the road as firms get to grips with their emissions, their exposure to climate risk, and explore their strategic opportunities to thrive in the net zero transition.
- There is no question that producing these disclosures is hard. Firms are thinking about their businesses in a way they haven't before, collecting data on their operations and along their supply chains, developing new systems and metrics.
- But as Theodore Roosevelt famously said: *"Nothing in the world is worth having or worth doing unless it means effort, pain, difficulty. I have never in my life envied a human being who led an easy life"*.¹⁰
- We are transitioning from a world of limited climate data to one of widespread consistent and reliable climate data which can support a reorientation of our economies and of finance. The prize here is a big one - it is something *worth having* and *worth doing* - and we must stay true to this fundamental objective. Now is not the time to take the path of the *easy life*.
- At the same time, this has been a journey of learning by doing, and the political landscape is shifting. As we near the end of our journey we should consider whether there is need to make adjustments to ensure safe arrival at our final destination. In this context, it is important that EU policymakers are considering whether any simplification, consolidation and streamlining is needed to ensure comprehensive delivery of the fundamental data we all need.
- What I would say, from my experience in GFANZ and TCFD, is that there is foundational climate data that none of us can manage without. That includes the targets companies set, their scope 1, 2 and 3 emissions, and plans and planned investments in reducing

⁹ [Nature Climate Change, Lamboll, R.D., Nicholls, Z.R.J., Smith, C.J. et al, "Assessing the size and uncertainty of remaining carbon budgets \(2023\)"](#)

¹⁰ Theodore Roosevelt, *The Strenuous Life: Essays and Addresses (1910)*

those, and - as relevant - their use of carbon credits. Not all of these data points are currently easy to produce but they are essential.

- And, as discussions move to sector specific standards, there is an opportunity to align with market practice, support interoperability with SASB standards, and get the necessary buy-in from preparers and users.
- Second, while disclosure defines the problem, action plans are needed to fix it.
- The Draghi report recognises the importance of planning saying “*if Europe’s ambitious climate targets are matched by a coherent plan to achieve them, decarbonisation will be an opportunity for Europe*”.¹¹ A step up in strategic transition planning by governments, corporates and financial institutions can create a positive feedback loop of policy, finance and real world decarbonisation.
- GFANZ was founded to support the financial sector in developing guidance for transition planning and published the resulting transition planning framework in 2022. Firms are increasingly using it voluntarily. Of the over 700 financial institutions that are net zero committed, two-thirds have voluntarily set out plans for transition that cover all five themes of our framework, and one third have set out detailed plans that include all ten sub components.¹²
- Voluntary progress has been growing in the real economy: almost 6,000 companies disclosed having a 1.5°C-aligned transition plan through CDP in 2023, and nearly two-thirds of European companies have voluntarily produced transition plans.¹³
- Firms are doing this because they see the value in strategic planning for transition. As one EU bank puts it: “*The transition is a historic opportunity for growth, job creation, innovation, and a sizeable market for entrepreneurs and innovators*”.
- But they are also anticipating regulation in a number of jurisdictions, including in the EU.
- Increasing the quantity and quality of transition plans across the whole economy demands a common global baseline for transition plan disclosures. This will ensure that all stakeholders are able to understand the steps a company is taking to align with the transition, and to compare across companies regardless of what market, region, or sector companies operate in.
- There are extensive existing materials to build on. The GFANZ framework is widely used in the market. The G20 has agreed Principles of Credible, Robust and Just Transition

¹¹ [Mario Draghi, “The future of European competitiveness: A competitiveness strategy for Europe” e](#)

¹² [GFANZ, “2024 Progress Report”](#)

¹³ [EY, “Global Climate Action Barometer 2024”](#)

Plans.¹⁴ ISSB has taken ownership of the Transition Plan Taskforce materials, which build on the GFANZ framework, and is making them globally applicable.¹⁵

- EFRAG has a fantastic opportunity to once again work closely with ISSB to design guidance that aligns with the existing practices being deployed by data preparers and users and emerging global frameworks. Again, this will well serve EU companies and financial institutions operating globally.
- Third, we need to ensure that the foundational climate data that companies are working to produce is disclosed in a way that makes it available to a broad range of stakeholders, in a consistent, easily accessible way, free of charge.
- We are making progress towards that objective through the development of a global public good database - the Net Zero Data Public Utility (NZDPU) - whose proof-of-concept was launched at COP28 last year and which will serve as an open repository of foundational climate transition-related data.¹⁶ The vision for the NZDPU is to eventually include emissions data for every major company, their targets for reducing emissions, and their performance against those targets.
- This will allow a broad set of stakeholders to see which companies are setting ambitious targets and making progress against those, and which are not, enabling them to make data driven decisions and take the necessary actions to ensure that we are collectively on track.
- However, success in making this information accessible and decision-useful for stakeholders will rely on the ability to easily extract and aggregate data from companies' public disclosures. But the precise location, format, and structure of the data is not always fully specified in jurisdictional disclosure requirements, nor are the necessary elements to make the data comparable. As such, there is a risk that in this final lap of a decades-long journey, companies' disclosures are produced in ways that are hard to find or use. That is not what we have all expended our efforts for and it doesn't serve the needs of users or preparers of data.
- So in finalising implementation, key countries - and again the EU is showing leadership here - would ideally find ways to ensure that disclosed data is standardised and digitised appropriately, by ensuring that it is centralized in one open location, and reported in a consistent format and structure.

¹⁴ G20 Brasil, "2024 G20 Sustainable Finance Report"

¹⁵ IFRS Foundation, "ISSB delivers further harmonisation of the sustainability disclosure landscape as it embarks on new work plan"

¹⁶ Net-Zero Data Public Utility, <https://nzdpu.com>

- The net zero transition is a huge opportunity for the EU to build a more competitive and agile economy, through leadership in the technologies of our net zero future while addressing the increasing risks from climate change. The EU has a significant head start in building the necessary architecture for data and disclosures.
- It's been a long and winding road, but with widespread sustainability disclosures, credible and comparable transition plans, and freely accessible climate data, we can resolve George Akerlof's asymmetric information problems, support the delivery of the finance needed to meet the huge transition investment needs, drive innovation and clean growth, and advance the EU's competitiveness goals.
- Thank you.