

Europe Should Seek an Agreement with the Biden Administration on Minimum Standard for Corporate Non-Financial Disclosure

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By Eric J. Pan

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On his first day in office, Joe Biden promises to bring the US back into the Paris Agreement on climate change and commit to net zero carbon emissions by 2050. In a Biden administration, the US is ready to follow Europe's lead in confronting climate change.

The EU has long discussed the importance of harnessing the financial markets to deliver the more than €180 billion Europe will need annually to support investment in green and transitional economic activities. Financial markets, just like climate, run across borders.

Therefore, global standards and global regulatory cooperation are essential to make sure financial markets can be fully utilized to fund a more sustainable world.

More Attractive

As part of its Green Deal agenda, Europe should now be reaching out to the Biden administration to seek cross-border agreement on how financial markets can promote sustainability, focusing in particular on a global minimum standard for what sustainability information companies should disclose.

Company disclosure standards would address a key market need and advance investors' ability to take climate and other sustainability risks into account as they make their investment decisions. A global standard supported by both the EU and US also will make Europe more attractive to international investment capital and advance the EU's efforts to promote a Capital Markets Union.

The Investment Company Institute (ICI), which includes ICI Global, represents regulated funds around the world that collectively manage more than €29 trillion in assets. ICI is calling on companies to disclose their activities consistent with the recommendations of the Sustainability Accounting Standards Board (SASB, a nonprofit organization founded in 2011 to develop sustainability accounting standards) and the Task Force on Climate-Related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB, created by the G20 in London in 2009).

ICI has urged the Biden administration to make this a top priority. It calls on European policymakers to focus on TCFD and SASB as well, as it is the best starting point for coordination between the EU and the US.

Starting Point

The TCFD and SASB frameworks provide investors with industry-specific sustainability information and help define how climate risk can affect a company's performance. This information is critical to enabling investors to assess how companies are making the transition to a more sustainable economy.

Agreement on company disclosure in accordance with TCFD and SASB would serve as a key foundation for a global sustainable finance agenda. On top of this foundation, the EU can still decide if it wishes to impose additional requirements on companies to secure the objectives of the EU Green Deal, such as mandating that companies achieve certain sustainability outcomes, regardless of whether the US and other jurisdictions are supportive of similar efforts.

We have an unprecedented opportunity to fight the dangers of climate change—to the benefit of citizens, investors, and global

economies. Focusing on tools that give market participants the ability to make choices that support sustainability is an important starting place for EU-US cooperation on climate change and will embed sustainable finance in US policy and international market practice for the foreseeable future.

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