

Attendance to European Lab agenda consultation event:

STAKEHOLDER OUTREACH AT EFRAG

Tuesday 10 September 2019, 12:00 – 14:30

Introduction:

“Today is really a day that's all about the future” – quote from Alain Deckers-DG Fisma

- Issues related to sustainability with a social dimension as well
- Would expect a revision of the non-financial reporting directive will be part of the next mission
- Wan to work with practitioners so at a practical level the process goes smoothly in terms of climate reporting – encourage the continuation of focus on this so being effective and to make progress

“Climate is an urgent challenge that we need to face” – quote from Alain Deckers

1. EFRAG projects: Context

- NFRD directive rules
- At a global level
- GDPR to encourage reporting
- Hard to compare data - investor interest, availability, are companies already reporting well and consistently, with a meaningful outcome, reports say NEED to do more
- **3 areas proposed and [current consultation](#) to select one**

2. Project 1: Social matters and human rights

Project 1.1 – Social matters and human rights in the Supply chain

Legislative reasons backing the importance of this project:

- A lot of discussion and debate and legislation. (For value creation and innovation in companies)
- Risk is very important!!
- Complexity of multiple countries and how the different practices in each can become confusing
- Shareholders and stakeholders NEED this information - risk in terms of reputation and resilience – both internal and external

** 5th September report on LinkedIn: HR implication of the mineral boom – low carbon economy – due diligence (9/10 are part of the issue even though they are already reporting – meaning that **good practice in reporting is GROWING IN IMPORTANCE**) -> guidelines?

➔ Project could cover reporting practices!

Project 1.2 – Human capital management

- Significant part for enhancing performance and value creation



- Crucial for sustainability and performance in the long-term
- Link input to output to find the better data and metrics BEFORE the evaluation
- o Key area for readability and ability to evaluate

- ➔ Project aims to cover good reporting
- o The scope could also be extended to include good reporting practices!
- o Also must consider the important for growth and competition
- o Link with business model

Project 1.3 - Human and social capital and impacts of climate adoption mitigation policies

- Renewables and low carbon business options
- Human rights implication – working environment
- Regulation NFRD and clear reporting guidelines from the EC – NTO hard to add on to the already reporting
- o Failure to address is the problem – damage to lower income countries – need more investigation
- -> project:
- o In terms of reporting their climate-related adaptation and mitigation strategies
- o REALIABLE INFORMATION? Consistency? Investor demand in this?
- o Non-Financial risks and opportunities to be reported

3. Project 2: reporting of non-financial risks and opportunities, and linkage to the BUSINESS MODEL Elisabeth Gamber

Much more complex these days.

1. NFRD requires this reporting
2. Other bits of EU legislation in terms of risks and business model and the management report (includes non-financial), ESMA guidelines stakeholder expectation – just as important as other risks
3. LSB plan to revise the 2010 plan – business model and risk guidelines

All these requirements make it a real challenge! – as well as it being slightly unclear what **non-financial reporting** is and entails

Reporting of business model – stakeholders need a better understanding and also investors – to show opportunities and also stuff about HR and climate matters (circular economy eg – changed from linear approach to a circular one to offer a service – MICHELIN eg) needs to have a clear presentation of these changes – NFRD doesn't require this but it is still important – without disclosing sensitive information

UKFRL 2016 – report didn't address the non-financial risks

- ➔ The project would cover:
- Identify examples of good reporting
- Identify practices that need improvement
- Focus on non-financial risks and also related opportunities

- Focus on the full range of non-financial risks going beyond climate risks that it addresses in the First Lab Project
-

4. Project 3: reporting on the MATERIALITY assessment process and outcomes for ESG matters- Flavia Micilotta

ESG is sustainability

- Also a link to investors
- Legal, financial and sustainability too

WHY AND HOW these issues need to be reported by a company

What materiality could mean? All the material information that is capable of making a difference – also helps the transition

GUIDE – the level of disclosure and has advanced massively as well as the launch of the NFRD consultation – double materiality – how the company impacts the environment social aspect and VICE VERSA

- ➔ Project would cover
 - Major issue is those both ways of looking – needs to define the process to determine the impact – to better understand and better evaluate
 - Good practice – assessment, strategy, governance, policy and risk management
 - Reporting the outcomes

5. Other points discussed

Requirements for SMEs to consider but it is not in the current focus

Climate reporting draft guidelines are expected in November

Revision of NFR guidelines will most probably be on the DG Fisma agenda

TIMINGS for the EFRAG work:

The lab would like to have decided about the project by the end of the year.

Good practice will of course be the outcome, but the form is unclear.