



Agenda Consultation

Stakeholder Outreach

10 September 2019



Welcome

Jean-Paul Gauzès

EFRAG Board President

Chair of the European Lab Steering Group





Introduction

Alain Deckers

European Commission DG FISMA

Vice Chair of the European Lab Steering Group





Proposed topics for future projects

- The European Lab Steering Group has identified three possible future project topics:
 - Reporting of social matters and human rights.
 - Reporting of non-financial risks and opportunities, and linkage to the business model.
 - Reporting on the materiality assessment process and outcomes for ESG matters.





Project 1: Reporting on social matters and human rights

Arlene McCarthy

European Lab Steering Group member
Advisor to UN Special Envoy for Climate Action Michael Bloomberg





Project 1: Reporting on social matters and human rights (SMHR)

WHY CONSIDER THIS AREA?

- NFRD requires reporting on SMHR.
- SMHR are important for UN SDG relevant business strategies.
- Regulation of corporate responsibility towards respecting SMHR increasingly implemented.
- SMHR impacts for companies not easily quantifiable or comparable.
- Need for improved corporate reporting of relevant information and linkage to business models and long-term value creation.
- Scope of area too wide.
- Address **only one** of three specific focus areas.





Project 1:

Focus area 1 – Reporting on social matters and human rights (SMHR) in the supply chain

WHY ADDRESS THIS FOCUS AREA?

- Supply chains are significant for company success, value creation and innovation.
- Significant risks are involved driven by SMHR factors.
- Added complexity of multiple countries, tiers, structures and interdependencies.
- Prevention or mitigation of supply chain SMHR risks is important for company reputation and business model resilience.
- Companies are called to include in their corporate reports information on internal as well as indirect risks and opportunities relating to supply chains.



Project 1:

Focus area 1 – Reporting on social and human rights matters in the supply chain

WHAT COULD THE PROJECT COVER?

- Mainly good reporting practices relating to human rights matters associated with supply chains.
- Good reporting practices relating to other social matters may also be considered.



Project 1:

Focus area 2 – Reporting on human capital management

WHY ADDRESS THIS FOCUS AREA?

- Multiple definitions of human capital and social capital.
- Human capital management – a significant part of business processes for enhancing performance and value creation.
- Social capital management – increasingly becoming a significant part of business processes.
- Companies are expected to include in their corporate reports information on human and social capital management in relation to their business model resilience.
- BUT, extending the project to reporting on social capital might lead to the scope of the project becoming too broad.





Project 1: *Focus area 2 – Reporting on human capital management*

WHAT COULD THE PROJECT COVER?

- Mainly good reporting practices relating to human capital management.
- Scope could be extended to include good reporting practices relating to social capital management.

Project 1:

Focus area 3 – Reporting on human capital and social capital impacts of climate adaptation and mitigation policies

WHY ADDRESS THIS FOCUS AREA?

- Climate change not limited to environment-related issues.
- Under the *UN Guiding Principles on Business and Human Rights*, companies are expected to address the human rights implications of climate change.
- Relevant highlights in EC Guidelines on reporting on climate-related information.

Project 1:

Focus area 3 – Reporting on human capital and social capital impacts of climate adaptation and mitigation policies

WHAT COULD THE PROJECT COVER?

- Good reporting practices of how companies integrate information about impacts on human capital and social capital in the reporting of their climate-related adaptation and mitigation strategies.





Project 2: Reporting of non-financial risks and opportunities, and linkage to the business model

Elisabeth Gambert

European Lab Steering Group member
CSR & International Affairs Director – AFEP



Project 2: Reporting on non-financial risks and opportunities, and linkage to the business model

WHY THIS PROJECT?

Importance for stakeholders:

- A robust business model description can:
 - inform on the sources of competitive advantage, risks, opportunities and the sustainability of the business model over time.
 - be a core input for assessing companies' competitive position.
- Opportunity to add value by focus on EU companies' good practices - Similar project has occurred within particular countries (e.g. UK).

Room for improvement: Despite multiple sources of guidance, various studies show room for improvement in current business model reporting. Possible improvements include:

- the linkage to non-financial risks and opportunities.
- reporting that allows comparison of peers.

Broad applicability: Relevant for all sectors and company sizes.





Project 2: Reporting on non-financial risks and opportunities, and linkage to the business model

WHAT COULD THE PROJECT 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 risk that is addressed in the first Lab project.



Project 3: Reporting on the materiality assessment process and outcomes for ESG matters

Flavia Micilotta

European Lab Steering Group member
Director – Luxembourg Green Exchange





Project 3: Reporting on the materiality assessment process and outcomes for ESG matters

WHY THIS PROJECT?

- Assessment of materiality challenging for ESG information because of:
 - Multiple definitions and frameworks to navigate through.
 - Higher level of subjectivity due to less prescriptive nature of non-financial reporting requirements and longer time-horizon to consider.
- Involves of a wide range of stakeholders.





Project 3: Reporting on the materiality assessment process and outcomes for ESG matters

WHAT COULD THE PROJECT COVER?

- Identify good practices in relation to reporting materiality assessment processes and outcomes. In particular:
 - Reporting about the materiality assessment process including the links with the organisation's strategy, governance, policies and risk management.
 - Reporting about the level of engagement with providers of financial capital and other stakeholders.
 - Reporting about the outcomes of the materiality assessment process.
- Address dual perspective of materiality.
- Consider existing frameworks but keep a 'neutral' approach by not giving preference to any of them.





Debate with the Audience

Saskia Slomp

EFRAG CEO: moderator



Audience poll

- Selection of projects for the future agenda of the European Lab.
- Instructions for sli.do
 1. Connect to the internet
 - Wi-fi network: **EFRAG Guest**
 - Password: **GARFE1000**
 2. Using your device (smartphone, tablet or laptop)
 - Go to: www.slido.com
 - Enter the code: **EFRAG**
 3. To participate in the poll select: **Polls**





Closing remarks

Alain Deckers

European Commission DG FISMA

Vice Chair of the European Lab Steering Group



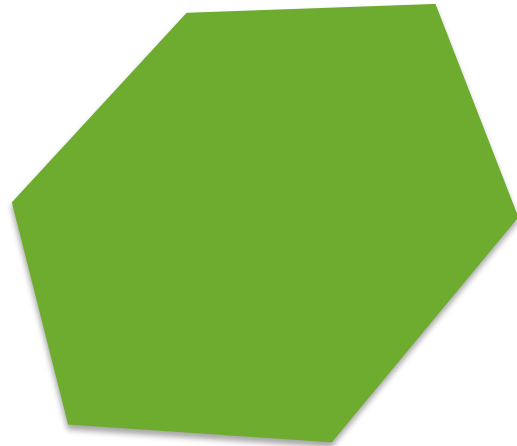
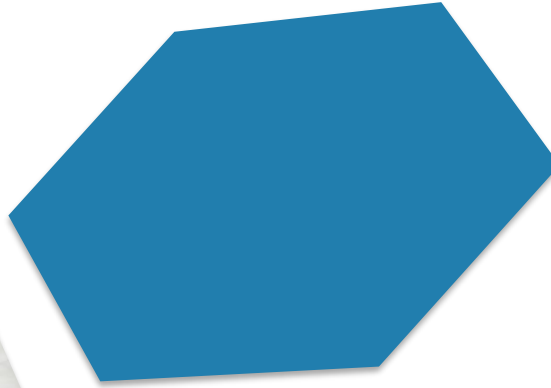


Deadline for replies to
[European Lab agenda consultation:](#)

30 September 2019

Thank you!





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