EUROPEAN CORPORATE REPORTING LAB

CALL FOR CANDIDATES FOR THE EUROPEAN LAB PROJECT TASK FORCE ON REPORTING OF NON-FINANCIAL RISKS AND OPPORTUNITIES, AND LINKAGE TO THE BUSINESS MODEL.

13 March 2020

Dear Madam, Dear Sir,

SECOND PROJECT OF THE EUROPEAN LAB ON REPORTING OF NON-FINANCIAL RISKS AND OPPORTUNITIES, AND LINKAGE TO THE BUSINESS MODEL

CALL FOR CANDIDATES ON EUROPEAN LAB PROJECT TASK FORCE

In 2018, EFRAG established the European Corporate Reporting Lab (European Lab) following the request in the 2018 EC Action Plan: Financing Sustainable Growth. The European Lab serves the European public interest and its objective is to stimulate innovation in the field of corporate reporting in Europe by identifying and sharing good practices through:

- Facilitating dialogue between reporting companies, users and other relevant stakeholders and organisations; and
- Documenting the content and outcomes of this dialogue in reports and other means, for making them available in the public domain.

At its October 2019 meeting, the European Lab Steering Group (European Lab SG) considered the feedback received from its public agenda consultation and decided that the European Lab's second project will be on Reporting of Non-financial risks and opportunities, and linkage to the business model. This project is expected to commence during Q2 2020 for a duration of approximately 12 months.
PROJECT DESCRIPTION

According to the existing Non-Financial Reporting Directive (NFRD), a company is required to disclose information on environmental, social and employee matters, respect for human rights, and bribery and corruption (often referred to as ‘ESG factors’), to the extent that such information is necessary for understanding its development, performance, position and impact.

Investors and stakeholders at large need to understand whether and how risks that arise from ESG factors may negatively affect the prospects, performance and risk exposure of companies (i.e. financial materiality). At the same time, they need to understand how the company’s business and operations may have positive or negative environmental or social impacts (i.e. environmental and social materiality) and how companies may respond in mitigating associated risks.

Non-financial aspects may also lead companies to adapt their business models in order to take into account the related risks and opportunities to ultimately, enhance their profitability while contributing to a more sustainable economy.

Robust reporting on non-financial risks, opportunities, and the sustainability of business models over time, and sources of competitive advantage – is a core input in the assessment of companies’ competitive position by investors and stakeholders at large. But reporting on these issues has proven to be a huge challenge for companies at this stage because there are several EU pieces of legislation and global frameworks in addition to the NFRD addressing the reporting on business models and risks, each with slightly different approaches. Finally, there is an expectation from stakeholders for companies to disclose how they address these risks because they are increasingly understood to be as material as other risks, although sometimes with a different time horizon. A number of reviews of both EU and global companies’ reporting practices have shown that there is scope for improvement.

The project aims at identifying good practices on the reporting of these matters by identifying companies that have managed to connect the material information of their business model to risks and related opportunities and have reported on it.

The project is expected to consider the information needs and expectations of a wide range of users and other stakeholders, how that information is consumed, the extent to which such information needs are addressed by current reporting practices and the challenges faced by companies in providing the information.

The above is only a high-level description of the project and the European Lab Project Task Force will be responsible for further scoping (in agreement with the European Lab SG) and conducting the project.

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1 There is the Accounting Directive as regards the management report into which the non-financial declaration is included. There is also the Prospectus Regulation regarding the description of risks in the prospectus in general. Recent ESMA Guidelines on risk factors clearly mention environmental and social risks as a possible category.

2 For instance; 2018 CDSB report, 2019 Alliance for Corporate Transparency report.
EUROPEAN LAB PROJECT TASK FORCE

A European Lab Project Task Force (European Lab PTF), under the leadership of a Chair appointed by the European Lab SG, will be responsible for conducting the project and this will include performing tasks and taking responsibility for the following: development of a project plan; scoping the project in consultation with and agreement of the European Lab SG; conducting the fieldwork including reviewing reports for identifying good practices; participation in stakeholder consultative outreach activities; and writing of the project’s final report and any other deliverables as decided by the PTF.

The European Lab PTF is expected to comprise between 15 and 20 members. European Lab PTF members are appointed in a personal capacity and may not be represented by alternates.

Further details about the operations of the European Lab PTF can be found in the European Lab PTFs Operating Guidelines.

Appointment to the European Lab PTF

EFRAG is calling for candidates for the European Lab PTF on reporting of non-financial risks and opportunities, and linkage to the business model. Nominations of suitable candidates are sought from all European stakeholders with an interest, experience and knowledge on matters related to the reporting of strategy and business model, and of risk management, non-financial risks and opportunities.

We are in particular looking for candidates from companies (including financial institutions) of different sizes, users (analysts and investors), civil society, accountancy profession and other relevant stakeholders with proven practical experience and expertise on the project topic.

Members of the European Lab PTF should be able to bring to the table practical insights, based on either the preparation or use of reported information, required for reviewing current reporting and identifying good reporting practices. Members of the European Lab PTF will be expected to actively and positively contribute to all aspects of project execution including planning, specific issue selection, conducting fieldwork to identify good practices, outreach activities, report writing and promotion of the work of the European Lab PTF and its deliverables.

Appointments will be for the duration of the project, envisaged to be approximately one year.

Profile

Practical experience and expertise: European Lab PTF members should have demonstrated knowledge, practical experience and expertise in the field of preparing, reviewing or using information on strategy and business model, risk management and non-financial risks and opportunities enabling to identify reporting challenges and good practices.
Competency: European Lab PTF members should be competent and qualified within their professional or business background and have the knowledge and experience relevant for the project.

Thought leadership: European Lab PTF members should have a demonstrated interest in improving reporting of non-financial risks and opportunities, and linkage to the business model, including developing, promoting or otherwise embracing new developments, innovations and good reporting practices both at a European and at an international level.

Commitment to acting in the European public interest: European Lab PTF members are required to commit themselves to acting in the European public interest.

Time commitment: European Lab PTF members should be committed to provide the time - which could be significant at some periods - to contribute effectively and constructively to the work of the European Lab PTF. As the members of the PTF are expected to also be performing the analysis needed to support the purposes of the project, time commitment is not limited to participation to the meetings of the PTF but includes desktop work as well.

Time commitment for the different phases of the project will be agreed at the inception of the project. Success (i.e. timeliness and quality) of the project heavily depends on the time allocated by PTF members. Based on experience from the European Lab first project, the time commitment is estimated to be, more or less, an equivalent of 24 full days spread over 12 months including participation in full day meetings held in Brussels on a regular basis.

Good command of English language: The working language of the European Lab PTF is English. European Lab PTF members should have a good knowledge of the English language to participate in and actively contribute to the project.

Collegiality: European Lab PTF members are expected to cooperate in a collegial atmosphere. European Lab PTF members are expected to have the ability to engage diplomatically and constructively and be able to uphold the highest standards of integrity, objectivity and discipline.

Candidate nationality: European Lab PTF members shall have a nationality from the European Economic Area.

Selection process for the members of the European Lab PTF

The selection amongst candidates will be based on the following criteria:

• Meeting the profile: The extent to which a candidate meets the above profile for European Lab PTF on reporting of non-financial of risks and opportunities, and linkage to the business model;
• Profile and background: The aim is to secure a reasonable balance in backgrounds with an emphasis on companies (including financial institutions and other sectors with high impact on ESG aspects), users and other stakeholders; Geographical spread and gender diversity: The need for geographical and gender diversity will be taken into account in the selection process. The aim is to secure a reasonable geographical and gender balance.

European Lab PTF members and the European Lab PTF Chair will be appointed by the European Lab SG.

ADDITIONAL INFORMATION

The European Lab PTF is supported by the EFRAG Secretariat.

European Lab PTF members will not be remunerated by EFRAG for their duties and are expected to bear their own expenses except in exceptional circumstances.

The envisaged practical operations are described in European Lab PTFs Operating Guidelines. The European Lab PTF will itself decide how to organise its work, including the methods to be employed in collecting wider input to supplement the expertise, views and experience of the members of the European Lab PTF themselves. Such methods could include surveys, structured interviews, focus group or bilateral meetings, roundtable and other events and other forms of public consultation (collectively 'outreach activities').
European Lab PTF on reporting non-financial of risks and opportunities, and linkage to the business model

Applications for the European Lab PTF membership should be sent by 10 April 2020 by email to EFRAG for the attention of the Chairman of the European Lab SG, Jean-Paul Gauzès, using the email address: nominations@efrag.org

Applications should, at a minimum, include a CV and covering letter which should describe: how the candidate meets the requested profile; the candidate’s demonstrated practical experience and expertise with the subject matter, an indication of feasible time commitment that can be dedicated to the project (e.g. days or hours per month), an outline of any experience leading and/or participating in similar task forces or working groups, the possibility to delegate to other resources (e.g. within own organisation) the execution of some desktop tasks and analyses, while taking responsibility over time and quality of delivery.

European Lab SG members are eligible to submit an application for the European Lab PTF.

All candidates will be informed about their appointment or outcome of their application after the European Lab SG makes the decision on the composition of the European Lab PTF. The first meeting of the European Lab PTF on reporting of Non-financial risks and opportunities, and linkage to the business model is scheduled for Wednesday 27 May 2020. Candidates are requested to reserve this date in their diary to allow for a swift start of the activities of European Lab PTF.

Yours sincerely,

Jean-Paul Gauzès
Chairman of the European Lab Steering Group and EFRAG Board President