ACCOUNTANCY EUROPE.
Welcome
EU NFI Directive: A comprehensive guide to the national laws

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Opening and Welcome

Stefan Crets
CSR Europe, Executive Director
Member State Implementation of the NFI Directive

Rosana Tufo
CSR Europe, Project Manager
DIRECTIVE 2014/95/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of 22 October 2014
amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by
certain large undertakings and groups

Adoption


Preparation & Consultations

Transposition follow up by CSR Europe-GRI platform

Member States implementation overview

Implementation, application, review
Non-financial reporting platform

Support the **efficient, effective and smart implementation** of the directive by collecting, analysing and sharing information on:

- How governments are transposing the directive
- What activities governments and stakeholders initiate locally to support efficient and effective transposition of the directive
- What capacity building measures governments and/or stakeholders are implementing to help companies comply with the directive
Non-financial reporting platform

66 members
26 countries
34 NGOs
2 companies

Engagement type
Closed
Open
Non-financial reporting regulations in Europe:
State of play
• **Overview requirements** of the transposed national laws concerning the Directive 2014/95/EU in each of the Member States

• Mapping **similarities and differences** across transposed laws

• Provide an overview of **EU policy context** related to non-financial reporting
Data collection: stakeholders engagement

**Who?**

- National Ministries from 28 countries
- CSR Europe National Partner Organisations
- Other organisations

**How?**

- Online survey
- Direct follow up and reach out

*Note: a full list is provided in the publication*
Data collection: information checked and compared

- Definition of large undertaking
- Definition of Public Interest Entity (PIE)
- Reporting topics and content
- Reporting framework
- Disclosure format
- Auditors’ involvement
- Non-compliance penalties
- Presence of safe harbour principle
- Diversity requirements
Content overview

- Introduction
- Overview Directive 2014/95/EU requirements
- EU policy analysis: non-financial reporting and beyond
- Summary information for 28 Member States and 2 EEA countries
- Country-specific review
- Links to actual laws and supporting documents when applicable
- Conclusion and end notes
Member State Implementation of the NFI Directive

Paul Gisby
Accountancy Europe, Manager
Publication – Member State Implementation

• Transposition Progress – 27 EU MSs have confirmed transposition
• The ‘transposition gateway’ covers EU 28, Norway & Iceland
• We will look at transposition of:
  • Scope
  • Disclosure Format
  • Assurance requirements
  • Adoption of ‘Safe Harbour’
  • Use of reporting frameworks

• Disclaimer
**Scope**

**Denmark**
From 2018, applies to all large undertakings (>250 employees).

Presently companies with <500 employees shall report only on human rights, climate and environmental issues.

**Greece**
Supplementary requirements
- For any company larger than micro
- In management report
- Disclose environmental performance and social\EE matters
- Assurance required for presence of information if company is MSE

**Romania**
also applies to:
- Private pension fund management
- Financial Investment services co’s
- Companies with majority or full state ownership

Large PIE's > 500 employees PIE:
- On a regulated market
- Credit institution
- Insurance undertakings
- Any other body a MS so designates

**Supplementary requirements**
- Assurance required for presence of information if company is MSE

**Greece**
also applies to:
- Large entities in logging and mining sectors
- Government entities > 500 employees
**Scope**

**Iceland**
Applies to any PIE with more than 250 employees

**Slovakia**
also applies to:
- Asset & Pension fund management
- Railways
- Entities of central administrations preparing consolidated FS
- Municipality > assets > €100 mil or > 50 000 inhabitants

**Sweden**
Applies to any company with more than 250 employees

**France**
Additionally applies to non-listed Sociétés Anonymes & non-listed investment funds with turnover > €100 million

**Luxembourg**
Applies to any PIE with more than 250 employees

Large PIE's > 500 employees

PIE:
- On a regulated market
- Credit institution
- Insurance undertakings
- Any other body a MS so designates

- Standard PIE definition
- Enhanced PIE definition
Scope – additional points

• Amendments to the scope are often the result of the 2013 Accounting Directive
  • i.e. the inclusion of pension funds, financial services providers and local authorities
  • Obvious exception is Greece
  • Initial impact assessment indicated 6000 companies affected
  • Expansion of PIE definition could lead to 12 000 companies being affected
  • Impacts country specific – i.e. Latvia expects 10 listed co’s, 5 credit institutions and 2 insurance undertakings
  • Lower limits in Sweden expected to result in nearly 1600 reports
• AE’s latest work on PIEs indicates around 18 000 in EEA – 2/3 could produce NFI reports
Disclosure Format

- Management report

MS options:
- Separate report published with MR, or
- ≤ 6 months, report on website linked in MR

9 (Consolidated) Management report only

7 Separate report published with M'ment report

4 Management report and/or Website

10 All three options
**Assurance**

- **France**
  Consistency check if turnover or balance sheet total > €100 million

- **Denmark**
  Regulators to select 10-20% of reports at random for ‘full scope enforcement’

- **Germany**
  If a separate report has been verified, the assurance report must be published

- **Assurance requirement** - existence check that info is provided.

- **MS option to extend scope**

17
- Existence check only

13
- Enhanced assurance – i.e. consistency check
Safe Harbour

‘Safe Harbour’ – MSs may allow impending information to be omitted where disclosure would be seriously prejudicial

- 25 countries have adopted Safe Harbour
- 5 countries have not adopted Safe Harbour
Use of reporting frameworks

- Directive permits use:
  - Of any international, national or EU framework
  - Or any combination of frameworks
  - Disclose frameworks used
- Directive mentions key frameworks – GRI, ISO 26000, UN Global Compact etc.
- Apart from Bulgaria – specified by Finance Ministry – most MSs have copy/pasted
- EC non-binding guidelines provide more practical guidance on use of frameworks
  - Also suggests that the information should be forward looking
Diversity report

• Separate section of NFI Directive – applies to all large PIEs

• For admin, management & supervisory bodies –
  • Disclose diversity policy in respect of age, gender and professional background
  • How policy implemented & results in reporting period

• Variances in implementation:
  • Belgium - specify steps taken to ensure that 1/3rd of the board is a different gender to the remaining 2/3rds
  • Netherlands – Diversity policy for supervisory board applies to all companies
I’ll discuss...

What’s Next? EU state of play for sustainability and transparency

- SDGs
- HLEG on Sustainable Finance & Task Force on Climate Related Disclosures
- Policy Trend: Supply Chain Due Diligence

NFI Directive - An agent of change
EU Priority

SDGs

The communications of the European Commission on its policy agenda over the past year reveal one major priority:

The United Nations Sustainable Development Goals (SDGs)

- EU alignment of economic, social and environmental policies with the SDGs
- Private sector as the necessary catalyst for the fulfillment of the SDGs
- SDG Target 12.6:
  
  Encourage companies […] to adopt sustainable practices and to integrate sustainability information into their reporting cycle
EU Priority

HLEG on Sustainable Finance & TCFD

EC Commission mandated HLEG on Sustainable Finance

- Investors, managers and other stakeholders often lack relevant disclosures to constructively examine ESG risks and opportunities.

- HLEG recommends the adoption of the TCFD by the EU

Interim report released in July 2017 highlights the need to change “the investment culture and behavior of all market participants”, and as part of this it stresses the importance of constructing the trust and confidence “needed for investors to fund the transition to a low-carbon economy”
EU Priority

Task Force on Climate Related Disclosures

TCFD established by the Financial Stability Board (FSB)

- Recommendations for voluntary disclosures of climate-related financial information, including risks and opportunities, in annual reports
- Important highlights from the Recommendations:

  - Widely-adoptable disclosure approach
    Applicable across different sectors & jurisdictions
  - It is a decision-useful frame to align and supplement existing disclosure-frameworks
  - TCFD Annex maps linkages with relevant existing reporting disclosures e.g. GRI, CDP, G20, OECD, CDSB, IIRC
  - Includes a technical supplement for companies to approach Scenario Analysis
Policy Trend
Supply Chain Due Diligence

- Regional and national policies mandating disclosure requirements on businesses’ due diligence of the supply chain
- Raising the global corporate transparency regime and elevating responsible business conduct

Growing global consensus on the importance of supply chain due diligence

Current:
- UK Modern Slavery Act 2015
- French Duty of Care Law 2016
- EU Conflict Minerals Regulation 2017

Upcoming:
- Dutch Child Labor Due Diligence Law
- Australian Modern Slavery Law
- Swiss Responsible Business Initiative

- The requirements set out in these policies focus on transparency of businesses due diligence measures and actions mitigating risks (human rights impacts) in the supply chain
The Directive provides the world with a best practice example of smart CSR policy.

EU Leadership on corporate sustainability and transparency is fundamental for a positive change in EU companies’ performance, and to enhance trust throughout global value chains.

The Directive is another step in the right direction for a circular and sustainable economy.

However, it is necessary to strike the right balance between NFI reporting requirements and providing the necessary guidance for organizations to produce clear, comparable, and decision-useful sustainability information.
Q&As
What role does the non-financial reporting play in the Future of Corporate Reporting?

Olivier Boutellis-Taft
Accountancy Europe, CEO

Maria Alexiou
Titan Cement Group, CSR Manager

Beatriz Alonso
CSR Europe, Services team Manager

Charlotte Portier
GRI, Senior Coordinator Sustainable Development

Wim Bartels
Accountancy Europe, ESG Reporting Task Force Deputy Chair
Keynote address

Alain Deckers
European Commission, DG FISMA,
Head of Unit
Concluding Remarks

Tim Mohin
GRI, CEO
Thank you for your participation!
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@CSREuropeOrg