

THE EUROPEAN VOICE OF DIRECTORS

#EUALERT



WEEK 6

1. DG FISMA : An upcoming public consultation on the review of the Non-Financial Reporting Directive

DG FISMA will launch a public consultation on the review of the Non-Financial Reporting Directive in the coming days.

“There is a wide consensus that the NFRD did not fulfil the objectives that it was meant to achieve” said Alain Deckers, DG FISMA at a conference this week. The EC has a clear political mandate and will not work in isolation. They will engage with the global sustainable platform.

The initiative to review the directive aims to address the following problems:

1. Lack of adequate, publicly available information about the impact of non-financial issues and sustainability issues on companies. In particular:
 - Reported non-financial information is not sufficiently comparable or reliable
 - Users think that companies report non-financial information which is not useful or necessary.
 - Some companies do not report any non-financial information.
 - Investors have difficulties finding non-financial information that is reported.
2. Companies incur unnecessary and avoidable costs related to reporting non-financial information (i.e. where to report and what to report). There are also overlaps on disclosure requirements from other EU legislation.

DG FISMA might also organise thematic workshops to fine-tune the new NFRD.

The services of the Commission have recently contracted two studies that will provide additional data and evidence for the impact assessment:

- “Study on the Non-financial Reporting Directive” (including analysis of the cost of compliance with the NFRD)
- “Sustainability Ratings and Research”. This study will provide an overview of the market and practices with regard to sustainability ratings agencies and providers of sustainability information.

2. EFRAG: Report on How to improve climate-related reporting

The European Financial Reporting Advisory Group (EFRAG) has just published its report on [How to improve climate-related reporting](#). The report has been prepared by the Project Task Force on Climate-related Reporting (PTF-CRR), and it consists of a main document and two supplements.

The primary focus of the PTF-CRR was on identifying good reporting practices and assessing the level of maturity in the implementation of the TCFD recommendations, while also taking into consideration the climate-related reporting elements of the EU Non-financial Reporting Directive and the related European Commission non-binding guidelines.

The project addressed two areas: a general review of climate-related disclosures (detailed findings documented in Supplement 1), and an in-depth review of scenario analysis reporting (detailed findings documented in Supplement 2). The main document outlines the key messages and synopsis of the findings, based on the content of its two supplements.

Next Monday, the European Environment Agency will release the Map of Europe of the sea rise Level.

3. EFRAG: to develop Non-Financial Reporting Standards for the European Commission

In a recent [speech](#) at the Conference on implementing the European Green Deal: Financing the Transition, Executive Vice-President Dombrovskis announced that the European Commission will support a process to develop European non-financial reporting standards. This is in line with the Council conclusions on the Capital Markets Union at the end of last year.

The European Financial Reporting Advisory Group (EFRAG) will be invited to begin preparatory work for these standards as quickly as possible.

“The many overlapping international reporting standards and set-ups confuse companies and investors”, he said.

4. EFRAG: Call for experts to its Advisory Panel on Intangibles

EFRAG calls for experts to its [Advisory Panel on Intangibles](#) by 21 February 2020.

How could an entity improve the information provided to investors about how it creates, maintains or enhances value?

- Is it confusing that acquired intangibles are recognised on the statement of financial position whilst the non-acquired intangibles are not?
- Should internally generated intangibles be recognised in the statement of financial position?
- Would a statement of core intangibles measured at fair value in the notes be useful? To what extent is this usefulness impacted by the embedded assumptions, potential management bias, lack of independent challenge and inconsistencies across businesses?

- Should the cost of developing unrecognised intangible assets be separately disclosed?
- Would KPIs on core intangibles, following the business plan, and a link with financial performance measures be useful?
- What other information regarding intangibles could be useful?

EFRAG is researching suggested disclosures and current best practice in this area whilst considering the related costs and effort. The Advisory Panel will discuss real-life examples based on information reported in the financial statements as well as tailored examples developed for the purpose of discussion on how an entity creates, maintains and enhances value.

5. EBA: Composition of management bodies in institutions

The European Banking Authority (EBA) issued a new [benchmarking report](#) on diversity practices in credit institutions and investment firms analysing the development since its 2015 diversity benchmarking exercise. Based on data as of September 2018, still many institutions, 41.61% out of 834, have not adopted a diversity policy. The representation of women in management bodies is still relatively low and many institutions do not have a gender diverse board. The EBA calls on institutions and Member States to consider additional measures for promoting a more balanced representation of both genders and on competent authorities to ensure institutions' compliance with the requirement to adopt diversity policies. With regard to the supervisory function, 70.78% of institutions have non-executive directors of both genders.

6. ESMA sets out its strategy on sustainable finance

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has today published its [Strategy on Sustainable Finance](#). The strategy sets out how ESMA will place sustainability at the core of its activities by embedding Environmental, Social, and Governance (ESG) factors in its work.

7. Leadership in Risk Management: European Survey 2020

The INSEAD Corporate Governance Centre, in partnership with *Board Agenda and Mazars*, has launched a [new survey research](#) on "Leadership in Risk Management: European Survey 2020" to study into this critical topic that is of high relevance to boards and companies. The survey will study into board practices and examine the level of skills, structures, culture and business readiness of boards in addressing risk in this highly uncertain and risky landscape.

8. Startup Europe

The European Commission's *Startup Europe* initiative announced, on Tuesday 4 February, the launch of an online platform dedicated to start-ups, investors and institutions, aimed at fostering the development of start-up activities throughout Europe.

9. ecoDa's News

- **March 10th 2020 at 17:30 CET:** ecoDa/ iBabs/ PwC webinar on: [How to approach the future of boards](#). The discussion will be moderated by Benoît Van Den Hove, Head of Listing at Euronext Brussels, who will be joined by panelists: Monique Bachner, Board Member at the Luxembourgish Institute of Directors; Richard Sealey, E-Governance Advisor at iBabs UK; Edwin Visser, Tax Policy Leader at PwC EMEA
<https://get.ibabs.eu/webinar-ecoda-future-boards/>



***ecoDa -The European Voice of
Directors***

***Contact person: Beatrice Richez-Baum,
ecoDa's Director General***

contact@ecoda.org

www.ecoda.org