

# The Non-Financial Reporting Directive

21 October 2019

*These slides accompany the explanation of the acquis to Albania and North Macedonia and can only be used for that purpose. Their content is subject to further development of the acquis and interpretation by the Court of Justice of the European Union*

# Reporting requirements

## 4 issues

- Environment
- Social & employee
- Human rights
- Bribery & corruption

## 5 areas

- Business model
- Policies and due diligence
- Outcomes
- Risks and risk management
- KPIs

Large listed companies  
Large banks  
Large insurance companies

With >500 employees

management report  
or separate report

**Materiality:** "to the extent necessary for an understanding of the undertaking's development, performance, position, and impact of its activities..."

# FINANCIAL MATERIALITY

To the extent necessary for an understanding of the company's development, performance and position...



Primary audience:  
**INVESTORS**

# ENVIRONMENTAL & SOCIAL MATERIALITY

...and impact of its activities



Primary audience:  
**CONSUMERS, CIVIL SOCIETY, EMPLOYEES, INVESTORS**

# Non-Binding Guidelines - 2017

## 6 principles

- Material
- Fair, balanced and understandable
- Comprehensive but concise
- Strategic and forward-looking
- Stakeholder oriented
- Consistent and coherent

## Guidance and examples for

each of the 5 disclosure areas  
(business model, policies etc)

&

each of the 4 issues  
(environment, social, etc)

*Flexible, not prescriptive, light-touch*

## Non-Binding Climate Reporting Guidelines - 2019

Integrate TCFD recommendations

Based on proposals from the Technical Expert Group on Sustainable Finance

Business  
model

Policies

Outcomes

Risks

Indicators

**13 recommended disclosures and 10 KPIs**  
indicating which ones are TCFD recommended disclosures

**Further guidance**  
+ specific further guidance for banks and insurance companies

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## Current company climate reporting is inadequate

Only 14 of the 89 companies (approximately 16%) devote attention to the TCFD recommendations and apply them to some extent.

Dutch Authority for Financial Markets, December 2018

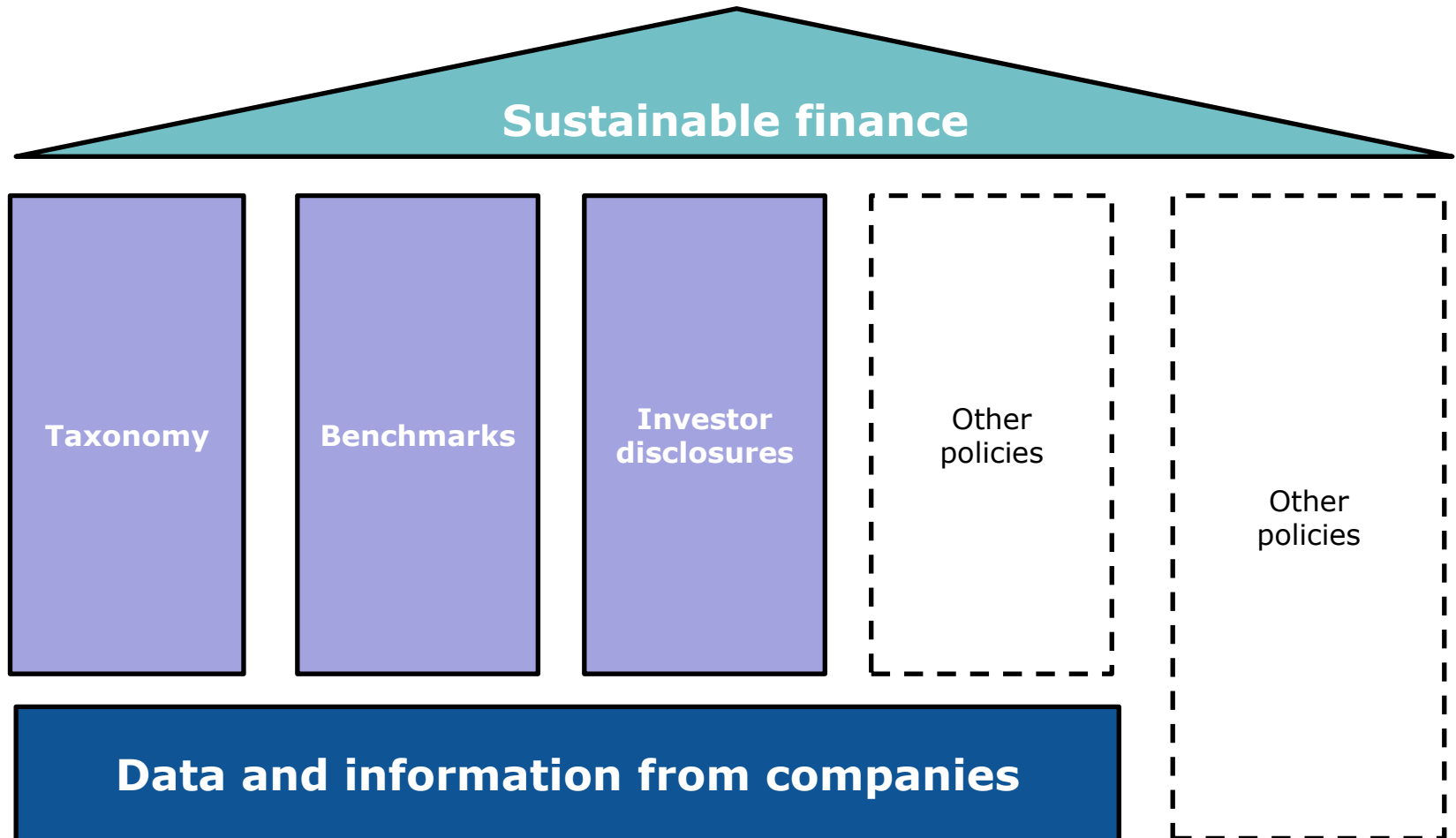
TCFD Status Report 2019

“The Task Force [...] is concerned that not enough companies are disclosing decision-useful climate-related financial information.”  
Only around 25% of companies disclose information aligned with more than five of the 11 TCFD recommended disclosures.

Only 50% of a sample of 105 large companies specified clearly what their climate policy has been designed to achieve and how.

Alliance for Corporate Transparency, 2018

## Sustainable finance requires good climate reporting





## Fitness Check - problems identified –need to revise the NFRD?

