

Finance Watch contribution to the consultation on the EU framework for public reporting by companies

Finance Watch is an independent non-profit Members' association set up in 2011 to act as a public interest counterweight to the powerful financial lobby. Our mission is to strengthen the voice of society in the reform of financial regulation by conducting advocacy and presenting public interest arguments to lawmakers and citizens. Our Members are civil society organisations and expert individuals, supported by a full-time secretariat.

Finance Watch is registered under the EU Transparency Register with ID 37943526882-24. Only the questions that are relevant to Finance Watch are reproduced here.

We agree to the publication of this response.

Finance Watch welcomes the opportunity to provide inputs to the Commission's consultation on the EU reporting framework for companies. For the purpose of this consultation Finance Watch has replied to two of the questions concerning the EU non-financial reporting. Finance Watch responses are reported below.

42. *Do you think that the NFI Directive's current disclosure framework is effective in providing non-financial information that is:*

Material (3)

Balanced (3)

Accurate (3)

Timely (3)

Comparable between companies (3)

Comparable over time (3)

** (partially disagree and partially agree*

For the purpose of this response Finance Watch consulted the non-financial statements of around 10 companies, which were randomly selected from the Euronext basket.

The findings show that:

- most the companies of the sample provide quite comprehensive ESG information
- the level of detail varies among the companies
- companies use different formats in reporting ESG information, which makes the comparison of the non-financial statements very difficult
- several companies provide additional reports on climate risks and
- some of the reports provide information for 2017 while others provide it for 2016.

The table below gives some examples of the information provided by the companies, with relevant references in the non-financial statements.

Table:

Name of the Company	Document references and related links
TOTAL	<p>Environment: (CO2 emissions: SCOPE 1, 2 and 3) https://www.total.com/sites/default/files/atoms/files/integrating_climate_into_our_strategy_eng.pdf (50 page report : “Integrating climate into our strategies”. See pages 23, 48)</p> <p>https://www.sustainable-performance.total.com/en/reporting/reporting-standards/tcf-task-force-climate-related-financial-disclosure</p> <p>Governance: https://www.total.com/sites/default/files/atoms/files/ddr2017-en-accessible.pdf (60 page chapter - n.4 - on governance)</p> <p>Social https://www.total.com/sites/default/files/atoms/files/ddr2017-en-accessible.pdf (36 page chapter - n.5 - on social-environmental information)</p> <p>Other relevant links : https://www.sustainable-performance.total.com/en/climate https://www.total.com/en/investors/publications-and-regulated-information/reports-and-publications#annualReports</p>
KERING	<p>Environment: (CO2 emissions: SCOPE 1, 2 and 3) http://www.kering.com/sites/default/files/document/indicateurs_env_2016_eng.pdf</p> <p>(6 pages on environmental indicators. See page 3-4 on CO2 emissions)</p> <p>Governance: http://www.kering.com/en/node/31/corporate-governance http://www.kering.com/en/sustainability/governance</p> <p>Social: http://www.kering.com/sites/default/files/document/ppt_labor_indicators_2016.pdf (9 pages)</p> <p>Other links, with details on the methodology: http://www.kering.com/en/sustainability/stakeholders-reporting#anchor0</p>
AKZONOBEL	<p>Environment: (CO2 emissions: SCOPE 1, 2 and 3) http://report.akzonobel.com/2017/ar/servicepages/downloads/files/AkzoNobel_Report_2017_interactive.pdf (page 174)</p> <p>Governance : http://report.akzonobel.com/2017/ar/servicepages/downloads/files/AkzoNobel_Report_2017_interactive.pdf (20 pages, 82-102)</p>

	<p>Social: http://report.akzonobel.com/2017/ar/servicepages/downloads/files/AkzoNobel_Report_2017_interactive.pdf (4 pages, 182-185)</p>
DIAGEO	<p>Environment: (CO2 emissions: SCOPE 1, 2 and 3) https://www.diageo.com/pr1346/aws/media/3944/diageo-2017-sustainability-and-responsibility-performance-addendum.pdf (pages 50 – 51)</p> <p>Governance: https://www.diageo.com/pr1346/aws/media/3944/diageo-2017-sustainability-and-responsibility-performance-addendum.pdf (8 pages, 14-22)</p> <p>Social https://www.diageo.com/pr1346/aws/media/3944/diageo-2017-sustainability-and-responsibility-performance-addendum.pdf (11 pages, 55-65)</p>
FCA	<p>Environment: (CO2 emissions: SCOPE 1, 2 and 3) https://www.fcagroup.com/en-US/investors/financial_information_reports/sustainability_reports/sustainability_reports/FCA_2017_Sustainability_Report.pdf (Page 146)</p> <p>Governance: https://www.fcagroup.com/en-US/investors/financial_information_reports/sustainability_reports/sustainability_reports/FCA_2017_Sustainability_Report.pdf (8 pages, 30-37)</p> <p>Social: https://www.fcagroup.com/en-US/investors/financial_information_reports/sustainability_reports/sustainability_reports/FCA_2017_Sustainability_Report.pdf (11 pages, 43-54)</p>
Volkswagen	<p>Environment: (CO2 emissions: SCOPE 1, 2 and 3) https://www.volkswagenag.com/presence/nachhaltigkeit/documents/sustainability-report/2017/Nonfinancial_Report_2017_e.pdf (5 pages, 52, 53)</p> <p>Governance: https://www.volkswagenag.com/presence/nachhaltigkeit/documents/sustainability-report/2017/Nonfinancial_Report_2017_e.pdf (30 pages, 16-47)</p> <p>Social :</p>

	<p>https://www.fcagroup.com/en-US/investors/financial_information_reports/sustainability_reports/sustainability_reports/FCA_2017_Sustainability_Report.pdf (pages 21 72-93)</p>
ING	<p>Environment: (CO2 emissions: SCOPE 1, 2 and 3) ING Non-Financial Data Reporting Protocol 2017 (PDF 0,9 MB) https://www.ing.com/Investor-relations/Annual-reports.htm (page 51,350)</p> <p>Corporate Governance: ING Non-Financial Data Reporting Protocol 2017 (PDF 0,9 MB) (40 pages, 60-100) https://www.ing.com/About-us/Corporate-governance/Legal-structure-and-regulators.htm</p> <p>Social: ING Non-Financial Data Reporting Protocol 2017 (PDF 0,9 MB) (7 pages, 39, 46-47,240,241,337,80)</p>
Renault	<p>Environment: (CO2 emissions: SCOPE 1, 2 and 3) https://group.renault.com/wp-content/uploads/2017/05/dr-2016-version-anglaise.pdf (page 210,211,212)</p> <p>Governance : https://group.renault.com/wp-content/uploads/2017/05/dr-2016-version-anglaise.pdf (72 pages, 227-299)</p> <p>Social : https://group.renault.com/wp-content/uploads/2017/05/dr-2016-version-anglaise.pdf (23 pages, 132-155)</p> <p>Other links : https://group.renault.com/en/finance-2/financial-information/documents-and-presentations/ https://group.renault.com/en/our-commitments/respect-for-the-environment/</p>
L'Oréal	<p>Environment: (CO2 emissions: SCOPE 1, 2 and 3) https://www.loreal-finance.com/_docs/0000000180/LOreal_2017_Progress_Report_SBWA.pdf (page 6, 7, 16)</p> <p>Governance: https://www.loreal.com/group/governance https://loreal-dam-front-corp-en-cdn.damdy.com/ressources/afile/163118-cccd-resource_pdf-3-timelines-of-keydates.pdf (5 pages)</p> <p>Social: https://www.loreal-finance.com/_docs/0000000180/LOreal_2017_Progress_Report_SBWA.pdf (page 23)</p> <p>Other links : https://www.loreal-finance.com/en/annual-report-2016/corporate-social-responsibility</p>
Philips	<p>Environment: (CO2 emissions: SCOPE 1, 2 and 3) https://www.results.philips.com/publications/ar17#/downloads (the sustainability selection from the Annual Report 2017 page 19)</p> <p>Governance: Page 25, the sustainability selection from the Annual Report 2017.</p> <p>Social:</p>

	18 pages, 9-15, 29-41, the sustainability selection from the Annual Report 2017.
--	--

All the companies falling in the scope of the non-financial directive should disclose lifecycle emissions (scope 1, 2 and 3). Moreover, the disclosure of scope 1,2 and 3 emissions would also be instrumental for the purpose of the two articles on low carbon and positive impact carbon in the current proposal to review the Regulation (EU) 2016/1011. The methodologies for the two types of benchmark - which will be detailed in the upcoming delegated acts - should be based on the lifecycle emissions of the companies.

Finally, it would be welcomed if the non-financial information is disclosed in a more standardised, while taking into account the differences between the different sectors. This would significantly improve the comparability of the non-financial statements and allow a more efficient use of ESG information.

48. *The Commission action plan on financing sustainable growth includes an action to revise the 2017 Guidelines on Non-Financial Reporting to provide further guidance to companies on the disclosure of climate related information, building on the FSB TCFD recommendations. The action plan also states that the guidelines will be further amended regarding disclosures on other sustainability factors. Which other sustainability factors should be considered for amended guidance as a priority?*

Environment (in addition to climate change already

included in the Action Plan) (5)

Social and Employee matters (4)

Respect for human rights (4)

Anti-corruption and bribery (3)

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

In addition to revising the Guidelines on Non-Financial Reporting, in order to integrate the TCFD recommendations, the Commission should also require companies to disclose their internal plans to align their business with the two-degree scenario.

The TCFD recommendations are limited in scope, as they simply state that the companies should conduct scenarios analysis, implying that they should analyse the risks and opportunities with different scenarios and take the relative decisions accordingly.

The following is the relevant extract from the TCFD recommendations:

“A critical aspect of scenario analysis is the selection of a set of scenarios (not just one) that covers a reasonable variety of future outcomes, both favorable and unfavourable” (page 27, <https://www.fsb-tcfid.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf>).

Moreover, page 9 of the Technical Supplement (<https://www.fsb-tcfid.org/wp-content/uploads/2017/06/FINAL-TCFD-Technical-Supplement-062917.pdf>) provides a list of key parameters and assumptions which are critical when defining the possible scenarios.

Our main concern is that the TCFD recommendations are fostering a reactive approach instead of incentivizing a proactive one. This is because TCFD recommendations are not explicitly recommending that companies align their policies with the Paris agreement goals (https://unfccc.int/sites/default/files/english_paris_agreement.pdf) and so reduce their emissions to the maximum extent possible. Therefore, when reviewing the 2017 Guidelines on Non-Financial Reporting the Commission should explicitly require companies to describe both their short term and long-term plans to reduce their lifecycle emissions (scope 1, 2 and 3).