

xBRL EUROPE

xBRL IT

22nd XBRL EUROPE DAY in Rome

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Hosted by



UNIONCAMERE



Environment, Social & Governance (ESG) Forum

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Agenda

- Introduction
- Background
- Why ESG reporting & XBRL?
- Reporting frameworks
- Developments EU
- Follow-up

Introduction

- XBRL Europe ESG Forum → Working group
- Make an assessment of global and European developments
- Ideas & contributions
- Call for participation

Background

- ESG = Environmental, social and (corporate) governance
- “ESG stands for finding a balance between financial returns, transparency, social interests and the environment without losing the balance there between.”*
- ESG & sustainability are high on the agendas in politics, business and consumers

* Source: <https://www.pwc.nl/en/industries/private-equity/environment-sustainable-governance.html>

Why ESG reporting & XBRL?

- ESG reporting will increase:
 - Demand side
 - Governments mandating ESG disclosures
 - Shareholders/stakeholders/financers asking for information
 - Consumers want to know what they consume
 - Supply side
 - Comply with regulations
 - Sharing ESG-related information voluntarily to improve image
 - Providing information in exchange for lower cost of capital or other stakeholder requirements
- Digital, structured-data standards are necessary to efficiently produce, exchange, compare and aggregate data

Reporting frameworks

- A reporting framework is a coherent set of definitions, metrics, guidelines, etc. It should enable preparers to communicate a balanced, true & fair representation to stakeholders, with a specific goal.
- Over the last decades, hundreds of frameworks have been designed: CDP*, CDSB, DJSI, GRI*, IIRC, EU NFRD, SASB, SDG, TCFD, etc.
- Which one should be used?
- Or should we create a new framework, covering all others?

* XBRL taxonomy available

How standards proliferate






(SEE: A/C CHARGERS, CHARACTER ENCODINGS, INSTANT MESSAGING, ETC)



Frameworks and purpose

- A model is a representation of reality with a specific goal
- Which framework to use, depends on the goal of the recipient (or preparer) of data
- Examples
 - A country measuring progress on the Paris Climate Agreement / SDGs
 - Finance: assessing climate-related financial risks on a loan
 - Agriculture: measuring & reporting on minerals balance of land & animals

Comparison of selected frameworks

STANDARD	FOCUS	WHY REPORT	SCORING	WHO REPORTS	REPORTING PERIOD
	Primarily GHG emissions, but has grown to address water and forestry issues as well.	CDP holds the largest repository of corporate GHG emissions and energy use data in the world and is backed by nearly 800 institutional investors representing more than \$90 trillion in assets. Its transparent scoring methodology helps respondents understand exactly what's expected of them. CDP was regarded as the world's most credible sustainability rating in 2013.	Companies receive two separate scores for Disclosure and Performance using a 100-point scale. CDP recognizes top scoring companies in the Carbon Disclosure Leadership Index (CDLI).	Public and private companies, cities, government agencies, NGOs, supply chains.	<ul style="list-style-type: none"> Climate Change program: Feb. 1 - May 29 Supply Chain program: April 1 - July 3 Cities program: Jan. 1 - Mar. 31 Water and Forestry programs: Feb. 1 to June 30
	Industry-specific criteria considered material to investors. Equal balance of economic, social and environmental indicators.	Membership in the DJSI is prestigious as it represents the top 10% of the 2,500 largest companies in the S&P Global Broad Market Index. The Corporate Sustainability Assessment (CSA) brings a sector-specific focus and need-to-know simplicity to disclosure for public companies. This index was regarded as the world's second most credible sustainability rating after CDP.	Companies receive a total Sustainability Score is between 0 -100 and are ranked against peers; includes a Media and Stakeholder Analysis; those scoring within the top 10% are included in index.	The 2,500 largest public companies in the world.	April 3 - May 28
	Corporate social responsibility with an equal weight on environmental, social and governance factors. Heavy on stakeholder engagement to determine materiality.	GRI was announced as the official reporting standard of the UN Global Compact, making it the default reporting framework for the compact's more than 5,800 associated companies. It's among the oldest, most widely adopted and most widely respected reporting methodologies in the world. Its thorough focus on social and governance aspects of ESG is unparalleled.	Focus is on transparency so no true scoring methodology; new G.4 framework requires entity reporting to choose "Core" or "Complete" reporting.	Public and private companies, cities, government agencies, universities, hospitals, NGOs.	Anytime, but typically integrated into a company's traditional annual report.
	Environmental, social and governance performance in the global commercial real estate sector only. Includes asset- and entity-level disclosures.	Private and public institutional investors look to GRESB's annual survey as the barometer of sustainability performance in the commercial real estate industry. Its niche target audience allows it to give deeper and more accurate insights into industry performance and reveal "investment grade" results.	Responses scored out of a possible 140.5 points distributed across two categories of data. Heavy weighting placed on implementation and asset-level performance.	Commercial real estate owners, asset managers and developers.	April 1 - June 30
	US public companies only. Industry-specific issues deemed material to investors.	SASB's standards enable comparison of peer performance and benchmarking within an industry. Studies by Goldman Sachs and Deutsche Bank have shown the stock of companies who disclose on sustainability outperforms that of companies who do not. SASB is backed by the likes of Bloomberg LP and the Rockefeller Foundation, giving it extra clout with capital markets.	No scoring system. Instead, SASB is a standardized methodology for reporting sustainability performance through the Form 10-K.	No one yet - they've just released their first sector reporting guidelines.	Integrated into quarterly 10-K filings.

Source: <https://www.measurabl.com/blog/the-top-five-sustainability-reporting-frameworks-you-should-know/>

More frameworks

- Sustainable Development Goals (United Nations): 17 goals, containing dozens of Targets and hundreds of Indicators



February 7-8th 2019

22nd XBRL Europe Day in Italy, Rome

Rome

Developments EU

Non-Financial Reporting Directive (2014/95/EU)

- **EU law requires** large companies to **disclose certain information** on the way they operate and manage **social and environmental challenges**.
- This helps investors, consumers, policy makers and other **stakeholders** to **evaluate the non-financial performance** of large companies and encourages these companies to develop a responsible approach to business.
- Directive 2014/95/EU lays down the rules on disclosure of non-financial and diversity information by large companies. This directive amends the accounting directive 2013/34/EU. Companies are **required to include non-financial statements in their annual reports** from 2018 onwards.

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting_en

Developments EU

Technical Expert Group on Sustainable Finance

- The Commission set up a Technical expert group on sustainable finance (TEG) to assist it in developing, in line with the Commission's legislative proposals of May 2018:
 - an **EU classification system** – the so-called taxonomy – to determine whether an economic activity is environmentally sustainable;
 - an **EU Green Bond Standard**;
 - benchmarks for low-carbon investment strategies; and
 - guidance to improve corporate disclosure of climate-related information.
- The TEG published the “Report on Climate-related Disclosures” in January 2019

https://ec.europa.eu/info/publications/sustainable-finance-technical-expert-group_fr
https://ec.europa.eu/info/publications/190110-sustainable-finance-teg-report-climate-related-disclosures_en

Approach in the Netherlands

- Standard Business Reporting
 - Public-private cooperation; standardize data definitions, processes technology
- Interviews with stakeholders & interest groups
 - Industries (industry standard setters, representative)
 - Banks
 - Government
 - Accountants
 - Software vendors
 - Statistics bureau
- Start a pilot program: choose a framework, exchange information

Follow-up

- Contributions
 - Assessment of global and European developments
 - Use cases for ESG reporting
 - Co-chair & support
- Monthly conference call