

# WWF response to Ad personam mandate on Non-Financial Reporting Standard Setting consultation

October 2020

*In your opinion, if EFRAG were entrusted with the development of possible EU non-financial reporting standards in a revised NFRD, how would the following general and specific considerations, identified as relevant to standard setting mechanism, apply if EFRAG were to be the standard setter? (NB: this does not affect EFRAG' present mission)*

## *1. Governance – Structure and due process*

*1.1 Standards need to be developed in the public interest and no individual category of stakeholder may exercise undue influence: How can it be best ensured that standards are developed based on an inclusive and transparent due process? What should be the characteristics of such a due process?*

WWF considers that it will be very challenging to accommodate all public interest representation when developing the standard, however the different expertise regarding environmental, social and governance aspects should be properly represented. Several experts on sustainability issues, representatives from civil society organisations, academics, public entities and private sector should be included, with thematic subgroups (in this case focused on environmental, social and governance issues), even including sector-specific subgroup categorization inside each of the issues (for environmental one for example focus on climate change, biodiversity, circular economy, water and marine, etc.) with a specific mandate to clarify the definitions, methodologies, metrics to be used in order to ensure harmonization.

The revised EU NFRD should define thematic reporting obligations for companies that cover public interests and needs (alignment with the climate goals of the Paris Agreement, objectives of the Convention on Biological Diversity, SDGs, etc). The standard setter would need to ensure there is consistency among the different existing reporting requirements for companies when developing the standard and ensure meaningful information is disclosed. The standard setter should be mandated in the Level 1 of the revised NFRD to clarify these reporting obligations: it would avoid different stakeholders to (try to) include their individual interests.

*1.2 Relevant European institutions and agencies shall be invited to be fully involved in the development of future standards, including the European Securities and Markets Authority (ESMA): How can these European Institutions and agencies be involved in the development of future standards and in the standard setter? Should there a particular role for ESMA?*

It should be ensured that there is a balanced representation of civil society organisations, academics, public entities and private sector. If this is ensured, the necessary expertise to develop the standard as thematic reporting obligations, including environmental, social and governance topics will be covered. The mandate of the standard setter should cover both risks and impacts (double materiality): this should be clarified in the Level 1 of the revised NFRD.

European Institutions and agencies, such as the ESAs (ESMA specifically), should be clearly involved, potentially as an observer in order to ensure coordination with their own mandate (for example the technical advice they provide to the Commission for the Disclosure Regulation or Article 8 of the Taxonomy Regulation).

*1.3 To permit relevant national public authorities to provide input about whether any future standards are responsive to the public interest, how can these authorities be included in the governance of the non-financial reporting pillar? Which authorities would be the most relevant and how should they be involved?*

WWF believes the standard setter should have a mandatory process of consultation with the different National Competent Authorities, that have the obligation to supervise this type of reporting requirements. Depending on the thematic reporting, it will be one or a few specific authorities that are relevant to be consulted. Coordination of the different national authorities is necessary.

*1.4 Should private sector and civil society representatives be involved in the standard setting work? If so, what would be suitable options for doing so in a balanced way? Which stakeholders<sup>1</sup> should be involved? Should the standard setting pillar be a public-private partnership like in the financial reporting pillar?*

As mentioned in our reply to Question 1.2, the EU standard-setter should include a variety and balanced stakeholders, including civil society organisations, academics, public entities and private sector. The relevant expertise depending on the thematic reporting areas should be well covered. A meaningful representation of NGOs should be included as part of the governance, to properly cover the different expertise regarding the subgroups and sector-specific subgroups that could be set by the standard (environmental matters – climate change, biodiversity, circular economy, etc; social matters – human rights, gender equality, etc. -; governance matters – anticorruption, anti-bribery, etc.). Trade unions and workers representatives must also be included and consumer organisations, among other social expertise. Progressive companies that are frontrunners in the sustainability reporting space, as well as financial institutions should be part of the governance structure. The EU Platform on Sustainable Finance gives an example of a multi-stakeholder group. The EFRAG governance would not work for this purpose in our view.

*1.5 If there were to be SME standards derived from the future EU non-financial reporting standards, how should the SME angle be addressed in the governance and in the standard setting process?*

There can also be an SME representative in the governance structure if they consider it doable in terms of resources and capacity (like SME United in the EFRAG PTF NFRS for example). However it is questionable whether SMEs will have the capacity to be included as part of the standard-setter governance. If it is not deemed possible, there should be a consultation process as described above for national competent authorities: this can also be done with SMEs as well to ensure they can properly provide inputs.

*1.6 Which governance structure would you foresee for the EFRAG EU non-financial reporting standard setting pillar? How would this fit in the overall EFRAG governance structure? What relation would there be with the financial reporting pillar, if any?*

We believe a separate and independent governance structure is needed for the EFRAG EU NFRS setting pillar, as it will tackle different topics. However, financial and sustainability structures should be in close coordination to facilitate both reporting obligations (and potentially an integrated reporting approach). It is crucial that the double materiality angle is the focus of the NFRS setting

---

<sup>1</sup> The annex to the invitation of EVP Dombrovskis on the context in which the question of possible European reporting standard under the NFRD is being considered includes a list of possible relevant stakeholders.

pillar, as both sustainability risks and impacts are key. The pillar on NFR standard-setting should be independent from the pillar on financial reporting.

## 2. Governance – Cooperation with standard setters and other initiatives

2.1 Any future possible EU non-financial reporting standards must be built on existing reporting standards and frameworks to the greatest possible extent:

- *How can the relevant existing standard-setting organisations be closely associated in future standardisation work? How would you see cooperation and involvement?*

WWF believes the EFRAG EU NFRS setter should consult existing reporting standards and frameworks as the EU NFRS will not start from scratch. They could be consulted as part of the development process, as a kind of observer (similar to their role with the PTF NFRS), but should not be part of the governance structure as there would be a conflict of interest.

For this exercise to be productive, the different existing standards should become consistent with recent EU sustainable finance developments, such as the Taxonomy-related disclosure obligations for 'NFRD companies'.

The EU standard-setter should not simply align voluntary reporting standards and frameworks as they have gaps and inconsistencies: it should address these gaps and go beyond the voluntary reporting standards and frameworks.

- *More broadly, how should cooperation with existing public and/or private initiatives producing international standards and framework be established, to ensure that any future non-financial reporting standards applying in the EU build to the greatest extent possible on existing standards and frameworks?*

See previous questions.

- *How can the EU non-financial reporting standard setting have a global impact?*

Different standard-setting institutions have recently<sup>2</sup> come together to show a commitment to working towards a comprehensive corporate reporting system, that can work globally. As mentioned in our reply to the first question under point 2, for this to happen they need to first start a joint exercise to ensure they fill the gaps, fix the overlaps, harmonise their materiality perspectives (use a double materiality principle for all), etc. in order for the international standard to work. This process that will be parallel to the EU NFRS development, needs to be complementary and ensure consistency in the outcomes. A fluent consultation process needs to be created between the EU NFRS setter and this global initiative so that they can feed each other in a dynamic way.

2.2 *How to establish an appropriate coordination between the financial and nonfinancial reporting so as to ensure that financial and non-financial reporting provide an integrated view of the performance, position, development and impacts of reporting companies?*

EFRAG should ensure this coordination is ensured and achieved between its two pillars: financial reporting standard and EU NFRS setter. The double materiality principle must be applied when providing the integrated view, and the financial risks should not be deemed more important than the sustainability impacts.

---

<sup>2</sup> [Statement of intent to work together towards a comprehensive corporate reporting](#) – September 2020

*3. Possible changes to finance of EFRAG*

*3.1 What ideas do you have for financing of the non-financial reporting pillar? Should the financing reflect the public-private partnership?*

N/A

*4. Do you have any other comments you want to share?*

N/A