

IOGP input to the Impact Inception Assessment on the Revision of the Non-Financial Reporting Directive

The International Association of Oil & Gas Producers' (IOGP) member companies account for approximately 90% of oil and gas produced in Europe. IOGP welcomes the world's ambition as laid out the framework of the Paris Agreement. There are many challenges on the road to meet this objective, and the energy transition will require significant investments, new technologies, effective policies and behavioural changes. Our industry is ready to contribute to this change and to the EU's ambition of reaching climate neutrality by 2050. The overarching goal of meeting growing energy demands while lowering emissions is driving a structural change in the industry, which is keen to show to the outside world how it is contributing to the energy transition.

In this context, our industry supports meaningful corporate reporting policies relating to disclosure of non-financial information pertaining to sustainability issues. IOGP members have contributed to the development of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and many members are using them already. We are convinced that effective non-financial reporting is in the interest of the industry's shareholders as much as in the interest of society.

For this reason, we welcome the opportunity to provide our initial feedback to the Impact Inception Assessment on the revision of the Non-Financial Reporting Directive (NFRD) and have the following recommendations:

1) Disclosures should focus on 'material' and relevant information, in order to enable socially responsible investment analysis and sustainable investment decisions

While carrying out the assessment of the NFRD, it should be recognised that 'material issues' vary greatly based upon a company's size, legal financial reporting obligations, operating locations and customer base, among other factors.

Beyond existing legal requirements, corporates must continue to be able to make judgements about what is 'material' to their investors and creditors in terms of non-financial or sustainability issues. This will allow companies to provide decision relevant information for specific portfolio of assets and operations and allow audiences to understand the rationale and governance around which issues are deemed 'material', rather than providing reporting for reporting's sake.

2) A flexible approach is needed

While acknowledging the increased calls for standardization to enable comparability across sectors, it needs to be recognized that one-size doesn't fit all. Trying to create a broad set of uniform standards to measure and compare non-financial risks across various sectors, across various jurisdictions, and therefore facing very diverse non-financial challenges may not fit the purpose. We are aware of different workstreams to identify "core" metrics that are sector agnostic. This is a rapidly developing area, driven primarily by investors, working with asset owners and reporting frameworks. Any revision of the NFRD will need enough flexibility to take account of these initiatives, at the very least to ensure EU companies are not subjected to a web of complex, overlapping reporting requirements.

3) A reporting framework should enable companies to improve their reports and ultimately their performance

Many companies in the oil and gas industry are already using frameworks developed by the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) and the sectorial guidelines. For the oil and gas industry, the IPIECA-IOGP-API Guidance¹ has provided good practice across the industry to encourage companies to keep stakeholders informed about their performance since 2005. This Guidance aims for continuous improvement of sustainability reporting and performance across the sector as it provides a robust, industry-developed framework to help companies shape the structure and content of their sustainability reporting that reflects current expectations on non-financial reporting by investors and civil society. It supports companies across the oil & gas industry globally to improve the quality and consistency of their sustainability reporting, providing better comparability of information in the sector. A 2020 update is being developed by IPIECA, IOGP and API member company experts considering reflections from an independent panel with expertise in sustainability reporting practices relating to the industry, and will be published at the end of March this year. Because of its experience in developing non-financial sustainability guidelines, the oil and gas industry believes it has much to offer in a dialogue with the European Commission on reporting issues, including the revision of the Non-Financial Reporting Directive.

¹ <http://www.ipieca.org/our-work/sustainability-reporting/sustainability-reporting-guidance/>