

Public consultation on the revision of the non-financial reporting directive

Fields marked with * are mandatory.

Introduction

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Background information on the Non-Financial Reporting Directive

The [Non-Financial Reporting Directive – NFRD – \(Directive 2014/95/EU\)](#) is an amendment to the [Accounting Directive \(Directive 2013/34/EU\)](#). It requires certain large companies to include a non-financial statement as part of their annual public reporting obligations. Companies under the scope of the NFRD had to report according its provisions for the first time in 2018 (for financial year 2017).

The NFRD applies to large Public Interest Entities with more than 500 employees. In practice it includes large listed companies, and large banks and insurance companies (whether listed or not) – all providing they have more than 500 employees.

The NFRD identifies four sustainability issues (environment, social and employee issues, human rights, and bribery and corruption) and with respect to those issues it requires companies to disclose information about their business model, policies (including implemented due diligence processes), outcomes, risks and risk management, and KPIs relevant to the business. It does not introduce or require the use of a non-financial reporting standard or framework, nor does it impose detailed disclosure requirements such as lists of indicators per sector.

The NFRD requires companies to disclose information “to the extent necessary for an understanding of the development, performance, position and impact of [the company’s] activities.” This means companies should disclose not only how sustainability issues may affect the company, but also how the company affects society and the environment. This is the so-called double materiality perspective.

In 2017, as required by the Directive, the Commission published [non-binding guidelines for companies on how to report non-financial information](#). In June 2019, as part of the [Sustainable Finance Action Plan](#), the Commission published additional [guidelines on reporting climate-related information](#), which integrate the recommendations of the Task Force on Climate-related Financial Disclosures.

Current context

The non-financial information needs of users, in particular the investment community, are increasing very substantially and very quickly. The demand for better information from investee companies is driven partly by investors needing to better understand financial risks resulting from the sustainability crises we face, and partly by the growth in financial products that actively seek to address environmental and social problems. In addition, some forthcoming EU legislation, including the [regulation on sustainability disclosures in the financial services sector \(Regulation \(EU\) 2019/2088\)](#), and the [regulation on a classification system \(taxonomy\) of sustainable economic activities](#), can only fully meet their objectives if more and better non-financial information is available from investee companies. The taxonomy regulation will require companies under the scope of the NFRD to disclose certain indicators of the proportion of their activities that are classified as sustainable according to the taxonomy.

The feedback received in the online [public consultation on corporate reporting carried out in 2018](#) in the context of a fitness check that is currently being finalised by the Commission services, confirms that the non-financial information currently disclosed by companies does not adequately meet the needs of the intended users. The following problems have been identified:

1. There is inadequate publicly available information about how non-financial issues, and sustainability issues in particular, impact companies, and about how companies themselves impact society and the environment. In particular:
 - a. Reported non-financial information is not sufficiently comparable or reliable.
 - b. Companies do not report all non-financial information that users think is necessary, and many companies report information that users do not think is relevant.
 - c. Some companies from which investors and other users want non-financial information do not report such information.
 - d. It is hard for investors and other users to find non-financial information even when it is reported.
2. Companies incur unnecessary and avoidable costs related to reporting non-financial information. Companies face uncertainty and complexity when deciding what non-financial information to report, and how and where to report such information. In the case of some financial sector companies, this complexity may also arise from different disclosure requirements contained in different pieces of EU legislation. Companies are under pressure to respond to additional demands for non-financial information from sustainability rating agencies, data providers and civil society, irrespective of the information that they publish as a result of the NFRD.

In its [resolution on sustainable finance in May 2018](#), the European Parliament called for the further development of reporting requirements in the framework of the NFRD. In December 2019, in [its conclusions on the Capital Markets Union](#), the Council stressed the importance of reliable, comparable and relevant information on sustainability risks, opportunities and impacts, and called on the Commission to consider the development of a European non-financial reporting standard. In addition, [ESMA recently published a report on undue short-term pressure on corporations](#) where it recommends the Commission to amend the NFRD provisions.

In its [Communication on the European Green Deal](#), the Commission committed to review the Non-Financial Reporting Directive in 2020 as part of the strategy to strengthen the foundations for sustainable investment. Meeting the objectives of the European Green Deal will require additional investments across all sectors of the economy, the bulk of which will need to come from the private sector. In this sense review of the NFRD is part of the effort to scale up sustainable finance by improving transparency.

The European Green Deal also stressed that sustainability should be more broadly embedded into the corporate governance framework, as many companies still focus too much on short-term financial performance compared to their long-term development and sustainability aspects. As part of the [Sustainable Finance Action Plan](#), work is being undertaken to prepare a possible action in this area.

In addition, to ensure appropriate management of environmental risks and mitigation opportunities, and reduce related transaction costs, the Commission will also support businesses and other stakeholders in developing standardised natural capital accounting practices within the EU and internationally.

The services of the European Commission have published an [inception impact assessment on the Review of the Non-Financial Reporting Directive](#). It summarises the problem definition, possible policy options and likely impacts of this initiative.

Objectives of this public consultation and links with other consultation activities

This public consultation aims to collect the views of stakeholders with regard to possible revisions to the provisions of the NFRD. The principal focus of this consultation is on the possible options for such revisions.

This public consultation builds on a number of recent consultation activities, including:

- An [online public consultation on corporate reporting in 2018](#), in the context of the fitness check on the EU framework for public reporting by companies. That consultation enabled the Commission to gather data and views on the problems that need to be addressed with regard to non-financial reporting. Problem analysis is therefore not a principal focus of the current consultation strategy.
- A [online targeted consultation on climate-related reporting in 2019](#), as part of the development of the new guidelines for companies on how to report climate-related information. In addition, the Technical Expert Group on Sustainable Finance organised a [call for feedback on its recommendations with regard to reporting climate-related information](#). The results of these consultation activities, although specific to the issue of climate, are also useful when considering non-financial reporting more generally.

This consultation is one element of a [broader consultation strategy in the context of the review of the NFRD](#). In addition to this open consultation, there will also be targeted surveys addressed to SMEs, and to companies currently under the scope of the NFRD. The targeted surveys will collect more detailed opinions and data from companies on certain issues, including costs related to non-financial reporting.

In addition, the services of the Commission will soon launch an open public consultation on a Renewed Sustainable Finance Strategy, seeking for stakeholders' views in other Sustainable Finance related issues, including questions related to sustainable corporate governance.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-non-financial-reporting@ec.europa.eu.

More information:

- [on this consultation](#)
- [on the consultation document](#)
- [on the protection of personal data regime for this consultation](#)

About you

* Language of my contribution

- Bulgarian
- Croatian
- Czech
- Danish
- Dutch
- English
- Estonian
- Finnish
- French
- Gaelic
- German
- Greek
- Hungarian
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

* I am giving my contribution as

- | | | |
|--|---|--|
| <input type="radio"/> Academic/research institution | <input type="radio"/> EU citizen | <input type="radio"/> Public authority |
| <input type="radio"/> Business association | <input type="radio"/> Environmental organisation | <input type="radio"/> Trade union |
| <input checked="" type="radio"/> Company/business organisation | <input type="radio"/> Non-EU citizen | <input type="radio"/> Other |
| <input type="radio"/> Consumer organisation | <input type="radio"/> Non-governmental organisation (NGO) | |

* First name

Ingrid

* Surname

Holmes

* Email (this won't be published)

ingrid.holmes@hermes-investment.com

* Organisation name

255 character(s) maximum

Federated Hermes includes Hermes Investment Management Limited (HIML) and EOS. HIML is authorised and regulated and carries out the regulated activities referred to herein. EOS is a Stewardship services provider and does not carry out regulated activity.

* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

* Are you (or do you represent companies that are) SMEs?

- Yes
- No
- Don't know / no opinion / not relevant

Transparency register number

255 character(s) maximum

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

577757624718-90

* Country of origin

Please add your country of origin, or that of your organisation.

- | | | | |
|--------------------------------------|--|-------------------------------------|--|
| <input type="radio"/> Afghanistan | <input type="radio"/> Djibouti | <input type="radio"/> Libya | <input type="radio"/> Saint Martin |
| <input type="radio"/> Åland Islands | <input type="radio"/> Dominica | <input type="radio"/> Liechtenstein | <input type="radio"/> Saint Pierre and Miquelon |
| <input type="radio"/> Albania | <input type="radio"/> Dominican Republic | <input type="radio"/> Lithuania | <input type="radio"/> Saint Vincent and the Grenadines |
| <input type="radio"/> Algeria | <input type="radio"/> Ecuador | <input type="radio"/> Luxembourg | <input type="radio"/> Samoa |
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- Angola
- Anguilla
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- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin
- Bermuda
- Bhutan
- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Greenland
- Grenada
- Guadeloupe
- Guam
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
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- Morocco
- Mozambique
- Myanmar /Burma
- Namibia
- Nauru
- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden
- Switzerland
- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo

- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Christmas Island
- Clipperton
- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d'Ivoire
- Croatia
- Cuba
- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Jamaica
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
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- Papua New Guinea
- Paraguay
- Peru
- Philippines
- Pitcairn Islands
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- Romania
- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena Ascension and Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
- Wallis and Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

* Field of activity or sector (if applicable):

at least 1 choice(s)

- Audit, assurance and accounting
- Banking
- Insurance
- Investment
- Pension provision
- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- Credit rating agencies
- Providers of ESG data and ratings
- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- Social entrepreneurship
- Production, manufacturing or services not covered by any of the above categories
- Other
- Not applicable

* Please choose one of the following options:

- My organisation is a preparer of non-financial information (or represents such organisations).
- My organisation is a user of non-financial information (or represents such organisations).
- My organisation is both a preparer and a user of non-financial information (or represents such organisations).
- My organisation is neither a preparer nor a user of non-financial information (nor does it represent organisations that are preparers or users of such information).
- Don't know / no opinion / not relevant

* Are you (or do you represent companies that are) currently under the scope of the provisions of the NFRD?

- Yes
- No
- Don't know / no opinion / not relevant

* Publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

- Anonymous**
Only your type of respondent, country of origin and contribution will be published. All other personal details (name, organisation name and size, transparency register number) will not be published.
- Public**
Your personal details (name, organisation name and size, transparency register number, country of origin) will be published with your contribution.

I agree with the [personal data protection provisions](#)

1. Quality and scope of non-financial information to be disclosed

The feedback received from the [online public consultation on corporate reporting carried out in 2018](#) suggests that there are some significant problems regarding the non-financial information currently disclosed by companies pursuant to [Directive 2014/95/EU](#) ("the Non-Financial Reporting Directive" or NFRD) Likewise, [ESMA's 2018 Activity Report](#) gathers evidence that shows there is significant room for improvement in the disclosure practices under the NFRD.

Question 1. To what extent do you agree or disagree with the following statements about possible problems with regard to non-financial reporting?

Please rate as follows:

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
The lack of comparability of non-financial information reported by companies pursuant to the NFRD is a significant problem.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The limited reliability of non-financial information reported by companies pursuant to the NFRD is a significant problem.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Companies reporting pursuant to the NFRD do not disclose all relevant non-financial information needed by different user groups.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Article 19a of the Accounting Directive (which was introduced into the Accounting Directive by the NFRD) currently requires companies to disclose information about four non-financial matters, if deemed material by the particular company:

- i. environment,
- ii. social and employee issues,
- iii. human rights,
- iv. bribery and corruption.

These correspond to the “sustainability factors” defined in Article 2(24) of Regulation (UE) 2019/2088 on sustainability-related disclosures in the financial services sector.

Question 2. Do you consider that companies reporting pursuant to the NFRD should be required to disclose information about other non-financial matters in addition to those currently set-out in Article 19a?

	<p align="center">Please specify which other non-financial matters (no more than 3):</p>
Other non-financial matter #1	<p>Given the immense risks posed by climate change and the increasing focus on disclosures by investors, regulators and civil society on this issue, it would be worthy of a specific mention.</p>
Other non-financial matter #2	<p>Fair and transparent tax behaviour equally merits specific mention because it is intrinsically tied in with managing /reducing market-wide risks and crisis, including but not limited to the climate change crisis and the current COVID-19 health pandemic. Thus including a specific expectation of reporting on approaches to and policies on payment of fair levels of tax would be very useful.</p>
Other non-financial matter #3	

For each of the four non-financial matters identified in Article 19a of the Accounting Directive, and subject to the company's own materiality assessment, companies are required to disclose information about their business model, policies (including implemented due diligence processes), outcomes, risks and risk management (including risks linked to their business relationships), and key performance indicators (KPIs) relevant to the business.

Question 3. Are there additional categories of non-financial information related to a company’s governance and management procedures, including related metrics where relevant, (for example, scenario analyses, targets, more forward-looking information, or how the company aims to contribute to society through its business activities) that companies should disclose in order to enable users of their reports to understand the development, performance, position and impacts of the company?

	<p align="center">Please specify which additional categories of non-financial information (no more than 3):</p>
<p>Additional category of non-financial information #1</p>	<p>As well as disclosures providing a ‘snapshot’ of current specific environmental and social impacts, we would also value more dynamic forward-looking information. This could be in relation to climate change metrics and indicators, but it would also be of value to look at a series of broader environmental and social factors.</p>
<p>Additional category of non-financial information #2</p>	<p>Building on point 1, we generally find meaningful reporting on environmental and social matters tends to be that which moves beyond reporting on metrics and indicators (which we would consider outputs) to reporting on the effect of those outputs on society and the environment i.e. focusing on impacts. This in turn informs discussion on what can be done to ameliorate negative impact and further enhance positive impact – which is surely the purpose of the reporting anyway.</p>
<p>Additional category of non-financial information #3</p>	<p>Companies should be able to explain how management of the four issues (and the additional issue, as suggested under Q2 above) ties in with the company’s stated purpose and its overall strategy. In our view, more forward-leaning companies are already doing this and expressing for instance a view where responsible tax behaviour is seen as directly linked to and supportive of their ethos, purpose and to achieving long-term strategic goals.</p>

[Investment in intangible assets currently represents the majority of investment carried out by the private sector in advanced economies](#). There is a long-standing debate about the need for better reporting of intangible investments in company reports, including in relation to sustainability¹. Irrespective of the potential future changes to accounting standards, it is likely to remain the case that a significant proportion of intangible assets will fail to meet the definition of an asset or the criteria for recognition as an intangible asset in the financial statements. The Accounting Directive currently makes no explicit reference to intangible assets in the Articles concerning the management report, other than the requirement to report about activities in the field of research and development in Article 19(2)(b).

¹ The European Financial Reporting Advisory Group (EFRAG) is currently carrying out a [research project on this topic](#). The United Kingdom's Financial Reporting Council issued a [consultation document about business reporting of intangibles in 2019](#).

Question 4. In light of the importance of intangibles in the economy, do you consider that companies should be required to disclose additional non-financial information regarding intangible assets or related factors (e.g. intellectual property, software, customer retention, human capital, etc.)?

- Yes
- No
- Don't know / no opinion / not relevant

In addition to the provisions of the NFRD, several other EU legislative acts require disclosures of sustainability-related information for financial sector entities:

- The [Regulation on prudential requirements for credit institutions](#) requires certain banks to disclose ESG risks as of 28 June 2022.
- The [Regulation on sustainability related disclosures in the financial services sector](#) requires financial market participants to disclose their policies on the integration of sustainability risks in their investment decision-making process and the adverse impacts of investment decisions on sustainability factors, as of 10 March 2021.
- The [Regulation establishing a framework to facilitate sustainable investment \(the Sustainable Finance Taxonomy\)](#) creates new reporting obligations including for companies subject to the NFRD, starting in December 2021.

Question 5. To what extent do you think that the current disclosure requirements of the NFRD ensure that investee companies report the information that financial sector companies will need to meet their new disclosure requirements?

- Not at all
- To some extent but not much
- To a reasonable extent
- To a very great extent
- Don't know / no opinion / not relevant

In order to ensure that the financial service sector can comply with the new disclosure requirements there might be scope for better aligning the information required to investees and the one financial sector entities need to report themselves, e.g. as regards sustainability impacts.

Question 6. How do you find the interaction between different pieces of legislation?

You can provide as many answers as you want.

- It works well
- There is an overlap
- There are gaps
- There is a need to streamline
- It does not work at all
- Don't know / no opinion / not relevant

Question 7. In order to ensure better alignment of reporting obligations of investees and investors, should the legal provisions related to non-financial reporting define environmental matters on the basis of the six objectives set-out in the taxonomy regulation: (1) climate change mitigation; (2) climate change adaptation; (3) sustainable use and protection of water and marine resources; (4) transition to a circular economy (5) pollution prevention and control; (6) protection and restoration of biodiversity and ecosystems?

- Yes
- No
- Don't know / no opinion / not relevant

Please provide any comments or explanations to justify your answers to questions 1 to 7:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As investors comparing different listed markets investment opportunities, we are looking for (ideally) consistent and comparable sustainability-related information. This is difficult to come by. This is partly because the disclosure landscape today is crowded with a range of different voluntary regimes aiming to tackle a range of environmental and social challenges, and to an extent governance challenges (although these are increasingly addressed through corporate governance codes), through greater transparency. Their focus lies along a spectrum from the more obviously and immediately financially material (e.g. SASB) to the more medium term financially material and, largely, more currently public policy-focused disclosures (e.g. SDGs). While this happened for the best of intentions it creates a confusing reporting landscape for companies, which must identify the most relevant frameworks for them. It also creates a lack of comparability in the information reported to users. As such there is a clear value case to be made for streamlining disclosure regimes to bring efficiency to the system overall through cutting costs of disclosure – and, as part of that process, to ensure that disclosures are made in a decision-useful way for their intended audience. This includes more information about the assumptions and methodologies used to develop any quantitative disclosures.

'Audiences' or 'users' of sustainability disclosures will, in the main, be interested in the specifics of how companies are identifying, assessing and managing sustainability-related financial risks and over what timescale in order to better understand the risk versus reward profile of the firm and better inform their own decision-making. For this reason, preparers should keep front of mind the need to ensure disclosures are

decision-useful to the different users of those disclosures. This means they should focus on what is material for the respective audiences of disclosure, which sometimes may not align with what the preparer themselves might consider material.

Some attempt at streamlining the current plethora of sustainability disclosures regime could well help preparers focus in on what should be considered material and help to promote more decision-useful reporting. However, it is not without risks. In simplifying the complexity inherent in the sustainability agenda, straightforward but misleading reporting may result. As such we welcome the consultation's careful focus and consideration of this important set of issues.

Finally, more workforce-related disclosures would be helpful. The need for this has been further underscored as the pandemic has highlighted the wide divergence in workforce treatment. IP should probably not be disclosed, given its commercial sensitivity, however IP protection could be disclosed (indeed SASB includes this for some sectors e.g. media).

2. Standardisation

Note: in this section, the word "standard" is used for simplicity. This should not be read as a suggestion that all relevant reporting requirements must be specified in a single normative document. Rather, "standard" is merely used as a shorthand that could encompass a consistent and comprehensive set of standards. Reporting standards define what information companies should report and how such information should be prepared and presented.

A requirement that all companies falling within the scope of the NFRD report in accordance with a common non-financial reporting standard may help to address some of the problems identified in section 1 (comparability, reliability and relevance).

Question 8. In your opinion, to what extent would a requirement on companies to apply a common standard for non-financial information resolve the problems identified?

- Not at all
- To some extent but not much
- To a reasonable extent
- To a very great extent
- Don't know / no opinion / not relevant

Question 9. In your opinion, is it necessary that a standard applied by a company under the scope of the Non-Financial Reporting Directive should include sector-specific elements?

- Yes
- No
- Don't know / no opinion / not relevant

A number of non-financial reporting frameworks and standards already exist. Some, including the standards of the Global Reporting Initiative (GRI), the framework of the International Integrated Reporting Council (IIRC), and the standards of the Sustainability Accounting Standards Board (SASB), aim to cover most or all relevant non-financial issues.

Question 10. To what extent would the application of one of the following standards or frameworks, applied on its own, resolve the problems identified while also enabling companies to *comprehensively* meet the current disclosure requirements of the Non-Financial Reporting Directive, taking into account the double-materiality perspective (see section 3)?

Please rate as follows:

1= not at all, 2= to some extent but not much, 3= to a reasonable extent, 4= to a very great extent

	1 (not at all)	2 (to some extent but not much)	3 (to a very reasonable extent)	4 (to a very great extent)	N.A.
Global Reporting Initiative	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sustainability Accounting Standards Board	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
International Integrated Reporting Framework	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

10.1 Do you consider that other standard(s) or framework(s), applied on their own, would resolve the problems identified while also enabling companies to *comprehensively* meet the current disclosure requirements of the NFRD?

- Yes
- No
- Don't know / no opinion / not relevant

10.2 Please specify which other standard(s) or framework(s) you consider, applied on their own, would resolve the problems identified while also enabling companies to *comprehensively* meet the current disclosure requirements of the NFRD, and to what extent:

Please rate as follows:

1= not at all, 2= to some extent but not much, 3= to a reasonable extent, 4= to a very great extent

	Name of other standard or framework (no more than 3):	Please rate from 1 to 4 as explained above (please use digits only)
Other standard or framework #1	TCFD	2
Other standard or framework #2		
Other standard or framework #3		

On 5 December 2019, the Economic and Financial Affairs Council adopted conclusions on deepening the Capital Markets Union, in which it invited the Commission to “consider the development of a European non-financial reporting standard **taking into account international initiatives**”.

Most existing frameworks and standards focus on individual or a limited set of non-financial issues. Examples include the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the UN Guiding Principles Reporting Framework (human rights), the questionnaires of the CDP (formerly the Carbon Disclosure Project), and the standards of the Climate Disclosure Standards Board (CDSB). Several approaches have also been developed at EU level in the environmental area, including the Organisation Environmental Footprint and reporting under the Eco-Management and Audit Scheme (EMAS).

Question 11. If there were to be a common European non-financial reporting standard applied by companies under the scope of the NFRD, to what extent do you think it would be important that such a standard should incorporate the principles and content of the following existing standards and frameworks?

Please rate as follows:

1= not at all, 2= to some extent but not much, 3= to a reasonable extent, 4= to a very great extent

	1 (not at all)	2 (to some extent but not much)	3 (to a very reasonable extent)	4 (to a very great extent)	N.A.
Global Reporting Initiative	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sustainability Accounting Standards Board	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
International Integrated Reporting Framework	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Task Force on Climate-related Financial Disclosures (TCFD)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
UN Guiding Principles Reporting Framework (human rights)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
CDP	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Climate Disclosure Standards Board (CDSB)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Organisation Environmental Footprint (OEF)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Eco-Management and Audit Scheme (EMAS)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

11.1 Do you consider that the principles and content of other existing standard(s) or framework(s) should be incorporated in a potential common European non-financial reporting standard?

- Yes
- No
- Don't know / no opinion / not relevant

Question 12. If your organisation *fully* applies any non-financial reporting standard or framework when reporting under the provisions of the NFRD, please indicate the recurring annual cost of applying that standard or framework (including costs of retrieving, analysing and reporting the information):

	Name of standard or framework (no more than 3):	Estimated cost of application per year, excluding any one-off start-up costs
Standard or framework #1		
Standard or framework #2		
Standard or framework #3		

Small and Medium-Sized Enterprises (SMEs) often do not have the technical expertise nor resources necessary to prepare reports in accordance with state-of-the-art, sophisticated standards. This may imply that requiring SMEs to apply the same standards as large companies may be a disproportionate burden for SMEs.

At the same time, many SMEs are under increasing pressure to provide certain non-financial information to other businesses, in particular if they are suppliers of large companies. In addition, financial institutions are increasingly likely to request certain non-financial information from companies to whom they provide capital, including SMEs. In this respect, SMEs that do not provide non-financial information may experience a negative impact on their commercial opportunities as suppliers of larger companies or on their access to capital, and may not be able to benefit from new sustainable investment opportunities.

Question 13. In your opinion, would it be useful for there to be a simplified standard and/or reporting format for SMEs?

- Yes
- No
- Don't know / no opinion / not relevant

Question 14. To what extent do you think that a simplified standard for SMEs would be an effective means of limiting the burden on SMEs arising from information demands they may receive from other companies, including financial institutions?

- Not at all
- To some extent but not much
- To a reasonable extent
- To a very great extent
- Don't know / no opinion / not relevant

Question 15. If the EU were to develop a simplified standard for SMEs, do you think that the use of such a simplified standard by SMEs should be mandatory or voluntary?

- Mandatory
- Voluntary
- Don't know / no opinion / not relevant

In the responses to the [Commission's public consultation on public corporate reporting carried out in 2018](#), just over half of the respondents believed that integrated reporting could contribute to a more efficient allocation of capital and agreed that the EU should encourage integrated reporting.

Question 16. In light of these responses, to what extent do you agree that the body responsible for developing a European non-financial reporting standard should also have expertise in the field of financial reporting in order to ensure "connectivity" or integration between financial and non-financial information?

- Not at all
- To some extent but not much
- To a reasonable extent

- To a very great extent
- Don't know / no opinion / not relevant

Question 17. The key stakeholder groups with an interest in and contributing to the elaboration of financial reporting standards have historically been investors, preparers of financial reports (companies) and auditors / a c c o u n t a n t s .

To what extent to do you think that these groups should also be involved in the process of developing a European non-financial reporting standard?

Please rate as follows:

1= not at all, 2= to some extent but not much, 3= to a reasonable extent, 4= to a very great extent

	1 (not at all)	2 (to some extent but not much)	3 (to a very reasonable extent)	4 (to a very great extent)	N.A.
Investors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Preparers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Auditors/accountants	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

Question 18. In addition to the stakeholders referred to in the previous question, to what extent to do you consider that the following stakeholders should be involved in the process of developing a European non-financial reporting standard?

Please rate as follows:

1= not at all, 2= to some extent but not much, 3= to a reasonable extent, 4= to a very great extent

	1 (not at all)	2 (to some extent but not much)	3 (to a very reasonable extent)	4 (to a very great extent)	N.A.
Civil society representatives/NGOs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Academics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

18.1 Do you consider that other stakeholder(s) should be involved in the process of developing a European non-financial reporting standard?

- Yes
- No
- Don't know / no opinion / not relevant

18.2 Please specify which other stakeholder(s) you consider should be involved in the process of developing a European non-financial reporting standard and to what extent:

Please rate as follows:

1= not at all, 2= to some extent but not much, 3= to a reasonable extent, 4= to a very great extent

	Name of other stakeholder (no more than 3):	Please rate from 1 to 4 as explained above (please use digits only)
Other stakeholder #1	Third party service providers	3
Other stakeholder #2	Professional bodies (accountants, lawyers)	4
Other stakeholder #3	Representatives of corporate issuers	3

Question 19. To what extent should the following European public bodies or authorities be involved in the process of developing a European non-financial reporting standard?

Please rate as follows:

1= not at all, 2= to some extent but not much, 3= to a reasonable extent, 4= to a very great extent

	1 (not at all)	2 (to some extent but not much)	3 (to a very reasonable extent)	4 (to a very great extent)	N.A.
European Securities Markets Authority (ESMA)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
European Banking Authority (EBA)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
European Insurance and Occupational Pensions Authority (EIOPA)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
European Central Bank (ECB)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
European Environment Agency (EEA)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Platform on Sustainable Finance	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

19.1 Do you consider that other European public body/ies or authority/ies should be involved in the process of developing a European non-financial reporting standard?

- Yes
- No
- Don't know / no opinion / not relevant

National accounting standards-setters of several EU Member States are represented in the European Financial Reporting Advisory Group (EFRAG), which acts as the EU's voice and technical advisor in relation to financial reporting.

Question 20. To what extent do you consider that the following national authorities or bodies should be involved in the process of developing European non-financial reporting standards?

Please rate as follows:

1= not at all, 2= to some extent but not much, 3= to a reasonable extent, 4= to a very great extent

	1 (not at all)	2 (to some extent but not much)	3 (to a very reasonable extent)	4 (to a very great extent)	N.A.
National accounting standards-setters	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Environmental authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

20.1 Do you consider that other type of national authorities or bodies should be involved in the process of developing a European non-financial reporting standard?

- Yes
- No
- Don't know / no opinion / not relevant

Please provide any comments or explanations to justify your answers to questions 8 to 20:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Consolidating the currently patchwork approach to voluntary versus legal reporting requirements will help with the standardisation of corporate reporting and so is, overall, welcome. However, for a sustainable /responsible investor we do not think this can ever be a substitute for looking in detail at the information provided and the inputs and assumptions that underpin it. There is already a lot of data available (especially from large caps); the challenge now is for investors to contextualise it, for it to be reported in a more coherent fashion and for it to be essentially integrated into financial reporting - both narrative and numbers. Being or becoming a sustainable company is always a work in progress that static reporting cannot capture - and so we look at trends as well as numbers.

While we support EU leadership on standardising reporting, setting new EU standards does potentially risk a significant divergence between EU and non-EU markets, which is a concern given US companies, for example, account for around 50% of the investable universe. For this reason we would welcome a 'high standards' framework-based approach that maps as much as possible to other regimes internationally. This will encourage at least some element of comparability between mandatory EU-based reporting and voluntary approaches used in the rest of the world.

We would also welcome a more dynamic set of expectations on company reporting that focus not just on the current position in relation to specified environmental or social impacts – but one that also includes a more forward-looking approach. This could take the approach of the IIRF, which place an emphasis on disclosing the process of corporate thinking on sustainability-related issues - rather than tick boxing around provision of data.

We find more progressive companies, in terms of sustainability reporting, increasingly choose a more integrated reporting framework that provides a more holistic approach to a company's value creation story and enables more relevant insight, particularly as market value shifts further towards intangible assets such as intellectual capital, R&D, brand value, and natural and human capital.

We are also keen on the TCFD framework, but suggest it be widened to a broader set of sustainability issues. Finally, we are supportive of the principles based approach articulated in this report <https://www.ifac.org/knowledge-gateway/contributing-global-economy/publications/sustainable-development-goals-disclosure-sdgd-recommendations>. It could be a useful supplement to point-in-time reporting.

It is through this type of more thoughtful and comprehensive reporting that investors can gain a better sense of how firms might be dynamically positioned (or not) to respond to and address any concerns identified.

This will be useful to investors for both pricing securities appropriately but also to inform engagement efforts so that they can be better targeted to address material concerns.

This kind of approach is not sufficiently captured under current reporting regimes. For example, the viability statement (where such information should be reported under the Accounting Directive) only looks 3 years ahead, which in our view is the short term. (Notwithstanding the UK's departure from the EU we think it is worth noting here that in the UK, there is now a discussion how to resolve this issue with proposals emerging from a review of the effectiveness and quality of audit for a requirement to publish a 'Resilience Statement', which would incorporate a going concern opinion for the short term, a statement of resilience in the medium term and a consideration of the risks to resilience in the long term.)

On the issue of company size, we believe the reporting requirements should apply both to large companies and to SMEs on a mandatory basis. The smaller size of SMEs should make reporting easier – as should a lowered number of KPIs against which such companies are expected to report. Streamlining requirements across the board to include a core set of KPIs to be used by all companies plus additional ones for larger companies to consider and report on, as relevant, would ensure a proportional approach. What exactly these core KPIs are should also be a further area of 'deep dive' analysis by the Commission before moving forward. Our initial proposal, based on long experience at looking at and integrating information from extensive ESG data into investment decisions, is:

GHG scopes 1,2,3

Total water usage

% water recycled

Total waste generated

% waste sent to landfill

Workforce composition – disaggregated by age, gender, full time/part time, permanent/contractors

Accident rate – TRIR

Fatalities

Employee turnover

Finally, it is our view that the reporting requirements should be binding on all listed securities traded within capital markets. This means they should apply not just to publicly listed companies but also private companies listing bonds.

3. Application of the principle of materiality

The NFRD requires companies to disclose information “to the extent necessary for an understanding of the development, performance, position and impact of [the company's] activities.” This materiality principle implies that companies reporting pursuant to the NFRD must disclose (i) how sustainability issues may affect the development, performance and position of the company; and (ii) how the company impacts society and the environment. This is the double-materiality perspective ([see also the Commission's non-binding guidelines on reporting climate-related information, section 2.2, page 4](#)). The two “directions” of materiality are distinct although there can be feedbacks from one to the other. For example, a company that with severe impacts on the environment or society may incur reputational or legal risks that undermine its financial performance.

'Material' information is defined in Article 2(16) of the Accounting Directive as “the status of information where its omission or misstatement could reasonably be expected to influence decisions that users make on the basis of the financial statements of the undertaking. The materiality of individual items shall be assessed in the context of other similar items.” This definition is geared towards financial reporting, which is principally intended to serve the needs of investors and other creditors. By contrast, non-financial information serves the needs of a broader set of stakeholders,

as it relates not only to the increasing impact of non-financial matters on the financial performance of the company, but also to its impacts on society and the environment. This may imply the need to provide an alternative definition of materiality for application in the context of non-financial reporting, or at least additional guidance on this issue.

Question 21. Do you think that the definition of materiality set-out in Article 2 (16) of the Accounting Directive is relevant for the purposes of determining which information is necessary to understand a company’s development, performance and position?

- Not at all
- To some extent but not much
- To a reasonable extent
- To a very great extent
- Don’t know / no opinion / not relevant

Question 22. Do you think that the definition of materiality set-out in Article 2 (16) of the Accounting Directive is relevant for the purposes of determining which information is necessary to understand a company’s impacts on society and the environment?

- Not at all
- To some extent but not much
- To a reasonable extent
- To a very great extent
- Don’t know / no opinion / not relevant

Question 23. Is there is a need to clarify the concept of ‘material’ non-financial information?

- Yes
- No
- Don’t know / no opinion / not relevant

Question 23.1 If you do think there is a need to clarify the concept of ‘material’ non-financial information, how would you suggest to do so?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The definition of materiality in relation to non-financial factors needs to be clarified to set a clear expectation on companies that they should look beyond near-term financially material and better consider how the company impacts society and the environment. The double materiality perspective referenced in the NFRD and set out in the Commission’s 2019 supplement to the NFRD on climate-related information is more appropriate to frame such reporting decisions. We suggest more explicitly incorporating this double materiality perspective into the revised NFRD text.

We suggest there could be a core set of environmental and social impacts that every firm must consider by applying a more prescriptive ‘materiality filter’ and report on a comply or explain basis. The core metrics we suggested earlier could provide a backbone for this approach. It would be quite prescriptive but should bring clarity and focus (especially useful for SMEs with more limited resources.). Reporting on these metrics and

the issues they relate to (broadly, climate change, waste, water use, human capital management and health and safety) should, however, be principles-based to avoid tick-box approaches and provide meaningful insight into how companies are considering the issues. Metrics should therefore be contextualized with qualitative information. Again, we commend to you the IIRF and TCFD approaches.

The focus on materiality also highlight the case to change the name of the directive. The term “non-financial” underplays the importance of this information – which can be financially material. Could an alternative title be considered? ‘Non-traditional financial information’ or information relating to ‘contingent sustainability-related risks’?

Question 24. Should companies reporting under the NFRD be required to disclose their materiality assessment process?

- Yes
- No
- Don't know / no opinion / not relevant

Please provide any comments or explanations to justify your answers to questions 21 to 24:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We do think that more work needs to be done to clarify and expand the concept of materiality in relation to non-financial information. As noted above this could potentially be achieved through more explicitly describing the double materiality perspective of the revised NFRD and setting out core issues (such as climate change) that every firm needs to consider and, on a comply or explain basis, report on – leaving open the option to conclude the issue is not material. This should help firms broaden their thinking in a guided way. Climate change is a good case in point: while not every firm will be exposed to transition risk, almost all will be exposed to physical risk, which they may well have not considered (an issue among both financial and non-financial firms – and indeed some governments).

In addition, in the context of human rights – reporting should focus on relevance to staff, suppliers and any communities company activities might affect - rather than purely from a company perspective. This approach would be in line with the UNGP Reporting Framework.

Our suggested list of core areas and metrics aligns with, but is shorter than, the adverse impact reporting list included in the ESAs' SFDR draft RTS. Alignment is important as financial institutions will require consistent information from companies to make the mandated principal adverse impacts disclosures. It would need more discussion among key parties to agree, however, and may need further revision after the ESAs have finalised their RTS.

In terms of where to report – all information should be disclosed publicly, but in line with the current Accounting Directive, information that passes a financial materiality test should be published in the Annual Report. Where issues are not considered financially material a simple statement in the Annual Report explaining why not will suffice – however the required information should be provided in a supplementary sustainability report, in line with the NFRD's double materiality perspective.

A principles-based rather than overly prescriptive approach to setting out this information would be most

appropriate. For investors what makes such information decision-useful is when companies lay out how they have considered such issues, including information on assumptions, inputs and context/scenarios used (in the case of forward-looking disclosures). This goes beyond a box-ticking approach and, in the end, will provide more useful insights into how companies are considering and addressing material issues.

One area of concern we have, and which we think the Commission will need to do more detailed work, is around how any reforms to the NFRD regime might best align and remain coherent with existing corporate reporting requirements and listing rules. This should not act as a barrier to taking this work forward – rather we believe an early consideration of any alignment issues will be beneficial to ensuring the smooth implementation of any changes to the reporting regimes for companies.

4. Assurance

The NFRD requires that the statutory auditor or audit firm checks whether the non-financial statement has been provided if a firm falls within the scope of the Directive.

Article 34 of the Accounting Directive requires that the financial statements are audited, and that the statutory auditor or audit firm express an opinion whether the management report (i) is consistent with the financial statements for the same financial year; and (ii) has been prepared in accordance with the applicable legal requirements. Article 34 of the Accounting Directive also requires the statutory auditor or audit firm to state whether it has identified material misstatements in the management report and to give an indication of the nature of such material misstatements. However, the non-financial statement published pursuant to the NFRD – whether contained in the management report or a separate report – is explicitly excluded from the scope of Article 34 of the Accounting Directive. Consequently, the NFRD does not require any assurance of the content of the non-financial statement.

Question 25. Given that non-financial information is increasingly important to investors and other users, are the current differences in the assurance requirements between financial and non-financial information justifiable and appropriate?

- Not at all
- To some extent but not much
- To a reasonable extent
- To a very great extent
- Don't know / no opinion / not relevant

Question 26. Should EU law impose stronger assurance requirements for non-financial information reported by companies falling within the scope of the NFRD?

- Yes
- No
- Don't know / no opinion / not relevant

There are two types of assurance engagement a practitioner can perform:

- Reasonable assurance reduces the risk of the engagement to an acceptably low level in the given circumstances. The conclusion is usually provided in a positive form of expression and states an opinion on the measurement of the subject matter against previously defined criteria.

- Limited assurance engagements provide a lower level of assurance than the reasonable assurance engagements. The conclusion is usually provided in a negative form of expression by stating that no matter has been identified by the practitioner to conclude that the subject matter is materially misstated.

Question 27. If EU law were to require assurance of non-financial information published pursuant to the NFRD, do you think that it should require a reasonable or limited assurance engagement on the non-financial information published?

- Reasonable
- Limited
- Don't know / no opinion / not relevant

Question 28. If EU law were to require assurance of non-financial information published pursuant to the NFRD, should the assurance provider assess the reporting company's materiality assessment process?

- Yes
- No
- Don't know / no opinion / not relevant

Question 29. If assurance of non-financial information was required by EU law, should the assurance provider be required to identify and publish the key engagement risks, their response to these risks and any related key observations (if applicable)?

- Yes
- No
- Don't know / no opinion / not relevant

Question 30. If assurance of non-financial information was required by EU law, do you think that assurance engagements should be performed based on a common assurance standard?

- Yes
- No
- Don't know / no opinion / not relevant

Question 30.1 If you answered yes in reply to the previous question, please explain whether there is an existing assurance standard that could be used for this purpose or whether a new standard would need to be developed:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We are not aware of an assurance standard that would fit this requirement.

Question 31. Do you think that an assurance requirement for non-financial information is dependent on companies reporting against a specific non-financial reporting standard?

- Yes
- No
- Don't know / no opinion / not relevant

Question 32. Do you publish non-financial information that is assured?

- Yes
- No
- Don't know / no opinion / not relevant

Please provide any comments or explanations to justify your answers to questions 25 to 32:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We are in favour of a company ensuring that all information that it considers to be material to long-term value creation is included in the annual report to shareholders. It then follows that this material information should have proper oversight and be assured. (What we don't want is more information included in the annual report that clouds the picture, if it is not material it should not be reported there. Hence our comply or explain suggestion.)

We do have very significant concerns about the capability and skills within the audit industry to carry out an effective audit of non-financial information, albeit that this can substantively explained by the fact there are no universally agreed standards to assure against (the exception being GHG scope 1 and 2 emissions).

This should not be a barrier to moving ahead, however. While reasonable assurances are preferable, limited assurances will suffice in the short-term as the industry skills up. Investors typically extract information from the strategic report, i.e. where there is forward looking commentary and typically limited assurance is already provided. In addition, our main expectation of any assurances currently is that they would focus on assuring the materiality assessment in the first instance – which will arguably require a common-sense approach. Going forward, positively-focused reasonable assurances would be preferable however.

5. Digitisation

The EU has introduced a structured data standard, the European Single Electronic Format (ESEF) under the Transparency Directive. With effect from 1 January 2020 listed companies in the EU shall report their annual financial reports in XHTML (audited financial statements, management report and issuer's responsibility statements). Additionally, if the consolidated financial statements are prepared in IFRS, the XHTML document should also be tagged using iXBRL elements specified in the ESEF taxonomy. This allows the information to be machine-readable. This is expected to produce a number of benefits, including cost saving for users of annual financial reports, greater speed, reliability and accuracy of data handling, improved analysis, and better quality of information and decision-making.

Additionally, the Commission is exploring opportunities to establish a single access point for public corporate information. In this respect, the Commission expects the High-level Forum on CMU to examine this topic and formulate recommendations from the Capital Markets angle in the coming months.

Question 33. To what extent do you agree or disagree with the following statements regarding digitalisation of non-financial information?

Please rate as follows:

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
It would be useful to require the tagging of reports containing non-financial information to make them machine-readable.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
The tagging of non-financial information would only be possible if reporting is done against standards.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
All reports containing non-financial information should be available through a single access point.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 34. Do you think that the costs of introducing tagging of non-financial information would be proportionate to the benefits this would produce?

- Not at all
- To some extent but not much
- To a reasonable extent
- To a very great extent
- Don't know / no opinion / not relevant

Question 35. Please provide any other comments you may have regarding the digitalisation of sustainability information:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Having non-financial information available at a single point of access should reduce information asymmetry and cost of searching for 'hidden' data for those that don't use third party providers, although most likely most financial services firms do use such third-party data.

Please provide any comments or explanations to justify your answers to questions 33 to 35:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

6. Structure and location of non-financial information

The default requirement of the NFRD is that companies under scope shall include their non-financial statement in their annual management report. However, the NFRD also allows Member States to allow companies to disclose the required non-financial information in a separate report under certain conditions, and most Member States took up that option when transposing the Directive. Companies can be allowed by national legislation to publish such a report up to six months after the balance sheet date.

The publication of non-financial information in a separate report has a number of consequences, including:

- separate reports that include non-financial information are out of the legal mandate of the national competent authorities, whose mandate over periodic reports is limited to the annual and semi-annual financial reports (which include the management report).

- separate reports that include non-financial information are not required to be filed in the Officially Appointed Mechanisms (OAMs) designated by Member States pursuant to Article 21(2) of the Transparency Directive.

Question 36. Other consequences may arise from the publication of the non-financial statement as part of a separate report. To what extent do you agree with the following statements:

Please rate as follows:

1= not at all, 2= to some extent but not much, 3= to a reasonable extent, 4= to a very great extent

	1 (not at all)	2 (to some extent but not much)	3 (to a very reasonable extent)	4 (to a very great extent)	N. A.
The option to publish the non-financial statement as part of a separate report creates a significant problem because the non-financial information reported by companies is hard to find (e.g. it may increase search costs for investors, analysts, ratings agencies and data aggregators).	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The publication of financial and non-financial information in different reports creates the perception that the information reported in the separate report is of secondary importance and does not necessarily have implications in the performance of the company.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

Question 37. Do you believe that companies should be required to disclose all necessary non-financial information in the management report?

- Yes
- No
- Don't know / no opinion / not relevant

Question 38. If companies are allowed to publish the required non-financial information in a report that is separate from the management report, to what extent do you agree with the following approaches?

Please rate as follows:

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Legislation should be amended to ensure proper supervision of information published in separate reports.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Legislation should be amended to require companies to file the separate report with Officially Appointed Mechanisms (OAMs).	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Legislation should be amended to ensure the same publication date for management report and the separate report.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 38.1 Please provide any comments regarding the location of reported non-financial information:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As noted earlier, we think financially material issues (and the company's strategic response to them) should be included in the annual report. We suggest this should be achieved by requiring companies disclose how they have come to conclusions about what is financially material and what is not in relation to a core set of issues/metrics – with any other information captured under the double materiality banner published in a supplementary report.

The management report, including the non-financial statement, aims to provide a company's stakeholders with the information necessary to understand the company's development, performance, position and impact. Some non-financial information is also reported in the corporate governance statement, which is also part of the management report.

Question 39. Do you consider that the current segregation of non-financial information in separate non-financial and corporate governance statements within the management report provides for effective communication with users of company reports?

- Not at all
- To some extent but not much
- To a reasonable extent
- To a very great extent
- Don't know / no opinion / not relevant

Please provide any comments or explanations to justify your answers to questions 36 to 39:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Our answers to the previous questions should be understood in the context that we believe it is very important that material issues (and the company's strategic response to them) to be included in the main annual report. Where other issues that are material from a public policy perspective (but are not deemed material from a financial perspective for the company) have been assessed, expanded information – which may well still be useful for investors to have, as it provides an insight into company culture - should be reported in a separate sustainability report.

7. Personal scope (which companies should disclose)

The NFRD currently applies to large Public-Interest Entities (PIEs) with more than 500 employees. In practice this means large companies with securities listed in EU regulated markets, large banks (whether listed or not) and large insurance companies (whether listed or not) – all provided that they have more than 500 employees.

The Accounting Directive defines large undertakings as those that exceed at least two of the three following criteria:

- a. balance sheet total: EUR 20 000 000;
- b. net turnover: EUR 40 000 000;
- c. average number of employees during the financial year: 250.

Some Member States have extended the personal scope of the NFRD by lowering the threshold to 250 employees, in effect capturing all large PIEs.

Companies that are a subsidiary of another company are exempt from the reporting requirements of the NFRD if their parent company publishes the necessary non-financial information at consolidated level in accordance with the NFRD.

There are a number of potential arguments to support the extension of the personal scope of the NFRD:

- Changes in the legislative framework: following the adoption of the Regulation on sustainability-related disclosure in the financial services sector and of the Taxonomy Regulation, investors may require non-financial information from a broader range of investees in order to comply with their own sustainability-related reporting requirements.
- Large unlisted companies can have significant impacts on society and the environment. There may therefore be no a priori reason to differentiate between listed and non-listed companies in this respect. In addition, the difference in treatment between listed and non-listed companies in this regard may serve as a disincentive for companies to become listed, and therefore undermine the attractiveness of capital markets.
- Exempting PIEs that are subsidiaries limits the information about impacts on society and the environment, thus undermining the ability of stakeholders of such exempted subsidiaries to hold them accountable for their impacts on society and the environment, especially at local and national level.

Question 40. If the scope of the NFRD were to be broadened to other categories of PIEs, to what extent would you agree with the following approaches?

Please rate as follows:

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Expand scope to include all EU companies with securities listed in regulated markets, regardless of their size.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Expand scope to include all large public interest entities (aligning the size criteria with the definition of large undertakings set out in the Accounting Directive: 250 instead of 500 employee threshold).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

Expand scope to include all public interest entities, regardless of their size.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
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Question 41. If the scope of the NFRD were to be broadened to non-PIEs, to what extent would you agree with the following approaches?

Please rate as follows:

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Expand the scope to include large non-listed companies.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Remove the exemption for companies that are subsidiaries of a parent company that reports non-financial information at group level in accordance with the NFRD.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Expand the scope to include large companies established in the EU but listed outside the EU.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Expand the scope to include large companies not established in the EU that are listed in EU regulated markets.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Expand scope to include all limited liability companies regardless of their size.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Question 42. If *non-listed* companies were required to disclose non-financial information, do you consider that there should be a specific competent authority in charge of supervising their compliance with that obligation?

- Yes
- No
- Don't know / no opinion / not relevant

Question 42.1 If you consider that there should be a specific competent authority in charge of supervising non-listed companies' compliance with the obligation of disclosing non-financial information, please specify who in your opinion should carry out this task (National Competent Authorities, European Supervisory Authorities, other...) and how:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

National Competent Authorities would be most appropriate.

Due to the nature of their activities, credit institutions and insurance undertakings have larger balance sheets than non-financial corporations. Hence, the vast majority of such institutions will exceed the balance sheet threshold in the definition of large undertakings set-out in the Accounting Directive. Moreover, the application of some public disclosure requirement of EU prudential regulation for credit institutions and insurance undertakings is defined based on various size thresholds.

For example:

- the [Regulation on prudential requirements for credit institutions and investment firms](#) includes in its definition of large credit institutions those with a total value of assets equal to or greater than EUR 30 billion;
- the same Regulation defines small and non-complex institutions as those that have EUR 5 billion or less total assets;
- the [consultation paper published by EIOPA in October 2019 proposes to revise article 4 thresholds of Solvency II](#) (below which entities are excluded from the scope of Solvency II), doubling the thresholds related to the technical provisions (from EUR 25M provisions to EUR 50M) and allowing Member States to set the threshold referring to premium income between the current EUR 5M and until a maximum of EUR 25M.

Question 43. To what extent do you agree with the following statements relating to possible changes of the personal scope of the NFRD for financial institutions?

Please rate as follows:

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

			3			Don't know /
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	1 (totally disagree)	2 (mostly disagree)	(partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	no opinion / not relevant
The threshold criteria for determining which banks have to comply with the NFRD provisions should be different from those used by Non-Financial Corporates.	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The threshold criteria for determining which insurance undertakings have to comply with the NFRD provisions should be different from those used by Non-Financial Corporates.	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please provide any comments or explanations to justify your answers to questions 40 to 43:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Greater transparency is needed across capital markets – and so disclosures should be universal for firms in scope under reporting requirements.

We would welcome a substantive expansion of that scope. It should apply to any company that is listing securities in capital markets that pass two of the following three tests as follows:

- Listed or securities listed in EU markets
- Over 250 staff
- Assets of at least EUR 5 billion

8. Simplification and reduction of administrative burdens for companies

Question 44. Does your company publish non-financial information pursuant to the NFRD?

- Yes

- No
- Don't know / no opinion / not relevant

Question 44.2 Please state the total cost per year of any external services, excluding the cost of any assurance or audit services, that you contracted to assist your company to comply with the requirements of the Non-Financial Reporting Directive. Please provide your answer for reports published in 2019, covering financial year 2018.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

N/A

The majority of Member States have transposed the NFRD requirements into national legislation making very few changes to the wording of the legal provisions. Therefore, in the majority of the national legal frameworks, companies are required to comply with national legislation that is quite high level, not very prescriptive and do not require the use of any particular reporting standard.

Question 45. To what extent do you agree with the following statements?

Please rate as follows:

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Companies reporting pursuant to the NFRD face uncertainty and complexity when deciding what non-financial information to report, and how and where to report such information.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Companies are under pressure to respond to individual demands for non-financial information from sustainability rating						

agencies, data providers and civil society, irrespective of the information that they publish as a result of the NFRD.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Companies reporting pursuant to the NFRD have difficulty in getting the information they need from business partners, including suppliers, in order to meet their disclosure requirements.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please provide any comments or explanations to justify your answers to questions 44 to 45:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As sustainability rises up the agenda users will be demanding more information from preparers. Given different countries currently have different guidelines that don't meet the different users needs, there will be system and cost benefits to standardizing what information they provide and how they provide it – especially given the plethora of metrics and methodologies now emerging. Shifting to a Regulation to describe reporting requirements would help improve the consistency of reporting.

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) here:

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

Useful links

More on the Transparency register (<http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en>)

[More on this consultation \(https://ec.europa.eu/info/publications/finance-consultations-2020-non-financial-reporting-directive_en\)](https://ec.europa.eu/info/publications/finance-consultations-2020-non-financial-reporting-directive_en)

[Specific privacy statement \(https://ec.europa.eu/info/law/better-regulation/specific-privacy-statement_en\)](https://ec.europa.eu/info/law/better-regulation/specific-privacy-statement_en)

[Consultation document \(https://ec.europa.eu/info/files/2020-non-financial-reporting-directive-consultation-document_en\)](https://ec.europa.eu/info/files/2020-non-financial-reporting-directive-consultation-document_en)

[More on non-financial reporting \(https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting_en\)](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting_en)

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