

European Commission
Directorate-General for Financial Stability,
Financial Services and Capital Markets Union
1049 Brussels

Brussels, 10 June 2020

Dear Sir / Madam,

European Commission public consultation on the revision of the non-financial reporting directive (NFRD)

On behalf of the Deloitte¹ firms in the EU, and to supplement our responses to the detailed questions in the consultation, we highlight some key messages for your consideration.

We welcome the European Commission's review of the non-financial reporting directive (NFRD), as part of its efforts to increase investment in sustainable finance, and the opportunity to share views through a public consultation.

Investors and other users of corporate information are increasingly demanding comparable and reliable information from companies with which they interact. Investors, customers, suppliers or employees need to gain insights into the resilience of companies' business models and supply chains, as well as the broader risks they face and the impact they have on people, profit and the planet.

This increased demand for non-financial information is driven by the following key factors:

- Climate change is an urgent existential issue that is material to all companies in all sectors and across all jurisdictions. Consistent and comparable information is vital to investors and other stakeholders, including how companies are managing the transition to a low-carbon economy.
- Much of the value of a business today is also non-financial, represented by technology, intellectual capital, human capital and how the entity is embedded in its environment and society. Investors and others need insight into these factors in order to understand how value is created and sustained.

We support companies disclosing high-quality, transparent, relevant and comparable non-financial information that is connected to financial information within mainstream corporate reporting. This will help direct capital to long-term sustainable business, by showing how companies are creating long-term value and by providing insights into their business models, the broader risks they face and the impact they have on people, profit and the planet.

¹ For more information, see [Deloitte](#).

More specifically, we share comments on why changes to the NFRD are needed and on the key factors that should be taken into consideration by the EU legislators when adopting such changes:

- 1) The current NFRD requirements do not ensure, in our view, the reliability and comparability of the information reported by companies, nor do they sufficiently meet the needs of investors or, for that matter, help preparers to communicate the risks and opportunities they face. The NFRD should be aligned with other relevant pieces of EU legislation, notably the new EU Taxonomy Regulation, to ensure investee companies are providing the information financial sector entities need to comply with their own obligations and, more broadly, to lessen complexity and costs for stakeholders when using this information.
- 2) We support an interconnected approach between companies' financial reporting and their non-financial reporting. This will help give a fuller picture of how the risks and opportunities faced by business translate into long-term value creation and profitability and how, in turn, this relates to shorter-term financial performance. Key non-financial information should be of equal standing and quality to the financial information.
- 3) Non-financial information should be disclosed in companies' mainstream corporate reporting (i.e. in the board's management report/the annual financial report disclosed by issuers), not in a separate report. This is strategically important information for the company, its shareholders and other stakeholders, helping to give a more holistic view of the company's ability to create value, as well as performance. The Board of directors should take the same responsibility as they do for financial information.
- 4) Non-financial reporting standards are needed to achieve this. Non-financial reporting should comprise a core set of standards, with fixed disclosures (e.g. a limited list of ESG metrics) required for all reporting companies to encourage comparability, to be supplemented by sector-specific requirements, combined with materiality-based disclosures selected by the company through a value-creation lens.
- 5) We support global standardization because the issues faced are global ones and many businesses have global supply and value chains and global investors. Most importantly, issues such as climate change and achieving the UN Sustainable Development Goals are global. Global standards should build on the principles and content of existing international standards and frameworks.
- 6) Recognising that economies around the world are at different stages in their drive to sustainable development, we support a 'building block approach' where core standards are adopted by all but can be supplemented by local requirements, where necessary to reflect public policy priorities.
- 7) Europe is in a very good position to accelerate the global process towards companies reporting transparent, high-quality, relevant and comparable non-financial information and has the vision to make a real difference.
- 8) The concept of materiality of non-financial information needs clarification. Both a) the effect of non-financial matters on a company's development, performance and position (dependencies) and b) the external impact of the company's activities, should be taken into account when deciding if non-financial information is material. These aspects are not distinct and affect each other. A company's impact on society and the environment can lead to consequences for value creation: availability of resources and social license to operate.

Because there is need for further integrated financial and non-financial information, companies should use an overall approach to determine materiality, looking at long-term value creation, which could apply equally to financial and non-financial information in the mainstream corporate report. We support companies disclosing their materiality assessment process.

- 9) The non-financial information to be reported against a non-financial reporting standard should be assured, to enhance its reliability, comparability and credibility. This requires a standard for assurance. In our view, the International Standard on Assurance Engagements (ISAE) 3000 on '*Assurance engagements other than audits or reviews of historical financial information*' is a suitable starting point, together with any further developments made by the IAASB. The target level of assurance to be provided in the medium term should be reasonable assurance on the entire non-financial information reporting.

However, considering the maturity level of non-financial reporting in the EU, starting with an overall limited assurance on the whole non-financial information statement, including on the materiality assessment process, could be an option. Providing reasonable assurance on specific areas/key performance indicators could also be feasible in the short-term.

- 10) We support non-financial disclosures being digitised and made machine-readable. The revised NFRD should though refrain from being too prescriptive in terms of technological solutions or architecture, to leave the door open for future technological developments.
- 11) Regarding extending the scope of the NFRD, a more extensive regime will increase costs for some companies not currently reporting non-financial information, or reporting it minimally. However, a consistent, proportionate, clearer and streamlined regime will provide benefits for a wide group of stakeholders and preparers. Reporting on non-financial matters may be perceived to increase the administrative burden on companies but it is essential for them to measure and manage these matters to enhance business resilience and long-term value creation. Reporting will therefore help to increase stakeholders' trust and confidence in companies' management. The issue at stake is high: there is no reason to do less.

If you have any questions concerning our comments, please contact David Barnes on +44 (0)20 7303 2888 or Laurence Rivat on +33 1 55 61 67 60.

Yours sincerely,



David Barnes
Global Risk, Regulatory & Public Policy Leader



Laurence Rivat
EU Corporate Reporting Policy Leader

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

Fields marked with * are mandatory.

Introduction

This consultation is now available in 23 European Union official languages.

Please use the language selector at the top of this page to choose your language for this consultation.

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
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- ☐ Slovak
- ☐ Slovenian
- ☐ Spanish
- ☐ Swedish

* I am giving my contribution as

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| <input type="radio"/> Consumer organisation | <input type="radio"/> Non-governmental organisation (NGO) | |

* First name

Marion

* Surname

Chaboud

* Email (this won't be published)

mchaboud@deloitte.fr

* Organisation name

255 character(s) maximum

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* 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.

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* Country of origin

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

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| ○ Bermuda | ○ Greece | ○ Mozambique | ○ Suriname |
| ○ Bhutan | ○ Greenland | ○ Myanmar /Burma | ○ Svalbard and Jan Mayen |
| ○ Bolivia | ○ Grenada | ○ Namibia | ○ Sweden |
| ○ Bonaire Saint Eustatius and Saba | ○ Guadeloupe | ○ Nauru | ○ Switzerland |
| ○ Bosnia and Herzegovina | ○ Guam | ○ Nepal | ○ Syria |
| ○ Botswana | ○ Guatemala | ○ Netherlands | ○ Taiwan |
| ○ Bouvet Island | ○ Guernsey | ○ New Caledonia | ○ Tajikistan |
| ○ Brazil | ○ Guinea | ○ New Zealand | ○ Tanzania |
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| | | <input type="radio"/> Saint Lucia | |

* 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 type="radio"/>	<input type="radio"/>	<input checked="" 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 type="radio"/>	<input checked="" 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?

	Please specify which other non-financial matters (no more than 3):
Other non-financial matter #1	Climate Change (to be treated as a separate matter aside from environment)
Other non-financial matter #2	Supply Chain / Value Chain
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?

	Please specify which additional categories of non-financial information (no more than 3):
Additional category of non-financial information #1	
Additional category of non-financial information #2	
Additional category of non-financial information #3	

[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.

1. We agree that the quality of non-financial information continues to be a relevant issue. Given the increasing reliance on non-financial information, the focus must be on disclosure of transparent, high-quality, relevant and comparable investor-grade information, which explains to investors how the company is creating value for the long-term.

Companies today report many ESG metrics, and these are routinely relied upon in investment decisions. Non-financial information should be provided to the extent it helps investors make better capital allocation decisions, i.e. concentrating on its quality. Focusing on the quantity of non-financial data provided by companies is of less relevance.

2. The current NFRD requirements do not ensure the reliability and comparability of the information reported by companies. Q1

It is essential to strike the right balance between reliability and comparability, on the one hand, and relevance and materiality, on the other hand. This is why standardisation is one of the key challenges that the EU will have to deal with when revising the NFRD. The rightful issue of relevance and materiality should not be used as an excuse not to make best efforts to achieve comparability and reliability of non-financial information. Relevance and materiality are dependent on the intended users (whether investors, regulators or any other stakeholders) of the information and we suggest that the NFRD acknowledge that the "user groups" of a company's information may differ across companies and jurisdictions. We would not expect the information required under the NFRD to meet all the information needs of all stakeholders.

3. Moreover, the information provided under the NFRD does not enable investors and preparers to meet the requirements under (new) EU regulations, e.g. prudential requirements for credit institutions and the Sustainable Finance Taxonomy. Q5-7

Any amendment to the NFRD requirements related to environmental or other matters should be drafted with the aim of streamlining around common objectives, such as those set out in the EU Sustainable Finance Taxonomy Regulation. Together with the adequate digitisation of NFI, this will be key to facilitate compliance with the requirements of the Taxonomy Regulation.

4. With regard to the scope of information to be reported, this is not so much about developing new requirements but rather guidance on how to provide meaningful and valid information in the context of the existing categories of the NFRD, such as (Q2-4):

- Specific climate change related impacts: recognising that the EU's non-binding guidelines encourage TCFD disclosures and that many jurisdictions are exploring mandating TCFD, as well as the global focus on this issue, there is merit in treating 'Climate Change' separately rather than it being included implicitly via the reference to the 'Environment' topic;
- Strategy / business model / value creation: forward-looking information would probably require further guidance, to help raise awareness on the need for more strategic thinking in the NFI reporting. Disclosing whether a company has a purpose linked to societal benefit and its core business, is highlighted as a core disclosure in the recent WEF-International Business Council report and can be key to describing the direction of the company's strategy, provided it is meaningful and avoids boilerplate language.
- Intangibles asset reporting: the related information reported in the financial statements may not provide a full picture of an entity's intangible assets, as it is de facto subject to the limitations rightfully required by the accounting standards. The NFI reporting could be used to fill that gap: for example, IP as part of a company's business model, human capital as part of social and employee matters....
- Supply chain / value chain reporting (including in relation to the circular economy): there should be an overall reporting, covering the broad range of existing NFRD topics (environment, climate, social, human rights, etc). This is information particularly relevant for the various reporting perspectives required by the NFRD, such as strategy or impact on business and risk management.

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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sustainability Accounting Standards Board	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
International Integrated Reporting Framework	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input 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

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 type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Sustainability Accounting Standards Board	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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 type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Climate Disclosure Standards Board (CDSB)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input 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

11.2 Please specify the existing standard(s) or framework(s), whose principles and content should be incorporated in a potential common 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 existing standard or framework (no more than 3):	Please rate from 1 to 4 as explained above (please use digits only)
Other existing standard or framework #1	ISO 26000	3
Other existing standard or framework #2		
Other existing standard or framework #3		

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 checked="" type="radio"/>	<input 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	See questions 19 to 20	
Other stakeholder #2		
Other stakeholder #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 type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
European Banking Authority (EBA)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
European Insurance and Occupational Pensions Authority (EIOPA)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
European Central Bank (ECB)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
European Environment Agency (EEA)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Platform on Sustainable Finance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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

19.2 Please specify which other European public body/ies or authority/ies 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 European public body or authority (no more than 3):	Please rate from 1 to 4 as explained above (please use digits only)
Other European public body or authority #1	EFRAG	4
Other European public body or authority #2		
Other European public body or authority #3		

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 to 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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Environmental authorities	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input 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

20.2 Please specify which other type of national authorities or bodies 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 national authority or body (no more than 3):	Please rate from 1 to 4 as explained above (please use digits only)
Other national authority or body #1	National bodies that may be in charge of NFI standard settings when they exist locally	3
Other national authority or body #2		
Other national authority or body #3		

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.

1. We agree that there is a need for standardization. We support standardization taking place globally because global issues need global solutions. Businesses have global supply and value chains, face global risks and have global investors. Most importantly, issues such as climate change and achieving the UN Sustainable Development Goals are global. We are urging worldwide capital market regulators and multi-lateral authorities to act collectively for the benefit of investors and stakeholders and engage urgently in putting a robust global systemic solution in place. We note that a recent speech by an IFRS Foundation trustee (Teresa Ko) signals discussions within the IFRS Foundation on whether they should start working on standards for sustainability reporting. The initiative to develop common metrics by the International Business Council of WEF (WEF-IBC) is also an example of business readiness to report to a broader agenda and a demand for an internationally-agreed approach to disclosures on non-financial information, including its governance. Q8&10

Global standards for NFI, developed through thorough due process would respond to the public policy objective of directing funds into sustainable investments.

Recognising that economies and jurisdictions are at different stages in their drive to sustainable development, a 'building block' approach should be followed, where core standards are adopted by everyone, but they can be supplemented by local requirements, reflecting public policy priorities where necessary. In that respect, we note the proposals of the WEF-IBC published in January 2020, for common ESG metrics for companies.

Recognising the need to move further and faster in this area, the European Commission has proposed that a regional standard be developed building on existing global, voluntary standards and frameworks. This is seen as an important component of wider European Union policy on sustainable finance and the European Green Deal. We consider that Europe is in a very good position to accelerate the global process and has the vision to make a real difference. We believe that this process needs to be consistent and aligned with other international initiatives, particularly in areas such as climate change where the world has committed to a global target.

2. It would be appropriate that any standard-setting approach for NFI considers the six principles of standards settings as highlighted by Accountancy Europe (Cogito Paper 2017, Standard Setting in the 21st century): 1.Legitimacy, 2.Independence, 3.Transparency, 4.Public accountability, 5.Due process and 6. Balanced membership.

In particular, such standards should be developed through robust, transparent, inclusive and thorough due process, including dialogue with a broad range of stakeholders to ensure rigour and buy-in. Balanced membership would require an inclusive governance, reflecting stakeholders interested in financial and non-financial information, in order to favour interconnectivity (Q16). To achieve such inclusiveness and buy-in, be it through membership or dialogue, relevant stakeholders would evidently include a wide range of groups with relevant expertise and/or interest in financial and non-financial information. This would encompass investors (including representatives of credit rating agencies), preparers, auditors/accountants, the European public bodies (ESMA, EBA, EIOPA, ECB, EEA) as well as the Platform on Sustainable Finance and EFRAG, together with some relevant international and national bodies involved in NFI standard-setting and national enforcers with regulatory powers. Considering the nature and purpose of non-financial reporting, it should also comprise civil society and NGOs representatives, including institutions representing customers as well as academics and scientists / environmental engineers. Q17-20.2

3. We recommend that the EC builds on the principles and content of global frameworks and standards,

particularly from members of the Corporate Reporting Dialogue. Within those, the Global Reporting Initiative, the Sustainability Accounting Standards Board and the International Integrated Reporting Framework are the most comprehensive ones, noting that the latter remains at a principles-level only. TCFD is the must for any climate-related information. We understand that the EC may wish to supplement global standards where needed, and where not addressed by global standards, to address particular regional policy objectives. However, we suggest that, if the EC does so, it also involve relevant global organisations in their thought processes so that those organisations can also benefit from the European experience. Q11

4. Finally, rather than drafting a simplified non-financial standard for SMEs, we would suggest that, if there were to be a common EU NFI standard that is also applicable to SMEs, it should include adequate provisions to ensure proportionality. Refer to to Q40-45. Q13-15

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.

We believe that the concept of materiality in the NFRD should be clarified.

1. The terms 'financial materiality' and 'environmental and social materiality' that have been developed in the EC guidelines are confusing and the term 'double materiality' is misleading, in particular for those who are familiar with financial reporting and are used to a single materiality concept. Materiality is usually considered from the perspective of the user of the report, not the subject matter. As stated in article Article 2(16) of the Accounting Directive, "material" information is referred to 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". To us, this principle would equally apply to financial and non-financial information reporting, taking into account trends towards their enhanced interconnection. So, all information within the management report, for example, should be reported using a consistent materiality lens which includes consideration of issues that affect long-term value creation (where value creation should be understood as the net of gross value creation and destruction, encompassing different forms of value creation and not just financial value).

2. Whilst we agree with the NFRD's requirements to consider both a) the effect of non-financial matters on a company's development, performance and position (dependencies); and b) the external impact of the company's activities (impacts), in our view, these are not distinct from each other. There is circularity as the impact that a company has externally may translate into opportunities/risks that are material as they affect its ability to create long-term value. In our view, the double materiality concept should not be presented as two different materiality lenses that apply separately to non-financial information and financial information but rather as two aspects to be taken into consideration in determining an overall materiality for the interconnected financial and non-financial reporting, which in our view would also comply with the principle set in the abovementioned article of the Accounting Directive.

3. The current NFRD does not really address the point that impacts can become (or are) dependencies for companies – that is to say, the company's impacts on society and the environment can lead to consequences for value creation: availability of resources, social license to operate, access to talent and human resources, wider trust and reputational issues. A better formulation of materiality in this context might be information that is relevant to the decision-making of users, which includes impacts that can become material dependencies in the short or long-term. This information, quantitative and qualitative, should help users' understanding of how the company's value is created (or destroyed).

This is especially important if the focus is on the material sustainable development issues that are relevant to

an organisation's ability to create value, or prevent value destruction (and is a recognition that relevant issues for the company may also highlight risks for providers of financial capital, stakeholders and society).

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.

1. We acknowledge the importance of the principle of materiality, which encompasses the use of assumptions and judgment by companies to identify which non-financial information should be reported on under the NFRD requirements, as discussed in our reply to question 23.1.

2. However to achieve the objectives of the NFRD, a balance should be found between, on the one hand, materiality and companies' specificities, and, on the other hand, reliability and comparability:

- When non-financial information is fundamental to an understanding of a company's business model and its ability to generate long-term value or prevent value destruction, such information needs to be of similar quality to financial information and use the same materiality principle as that information, i.e. provide information on risks, opportunities and dependencies that is relevant and material to providers of financial capital, together with other stakeholders and society. This would also aid consistency.
- Yet, the discussion on materiality, and letting a company exercise its judgment about which information it should report on, should not hinder the needs for having a bigger picture on some important matters (e.g. in relation to climate change) and for common metrics allowing comparisons to be made between entities. This is all the more relevant for companies within the same industry but also, though to a more limited extent, to all companies in general.

3. We consider that NFI reporting should comprise a core set of standards, including fixed disclosure (i.e. a limited list of ESG metrics) relating to certain items, required for all reporting companies within the scope of NFRD, to encourage comparability, combined with materiality-based disclosures selected through a value-creation lens, complemented by sectoral guidance (Q9).

4. We would welcome further guidance and explanations on how the materiality exercise to be performed by an entity should be applied (Q23). Also, more detailed guidance on how to apply materiality to the content of each high level category ultimately retained in the revised NFRD, be it the type of information to be provided (e.g. on business model, policies, principal risk, etc) or the subject matter (e.g. environmental, social, intangible assets, supply chain, etc), would be welcome.

5. We also emphasise the importance of entities being equipped with appropriate governance and processes to determine the single materiality we recommend, as well as of disclosing the materiality assessment process followed (Q24). For the users, disclosure of information about assumptions and judgements applied in their materiality assessment process would be useful information, along with details of any thresholds used as part of that process. Beyond external users, such information is also strategically important to higher-level management and boards for better decision making.

6. Having an appropriate understanding by all stakeholders of how materiality applies at a company level represents a necessary step to ensure the relevance, transparency and reliability of the information provided, as well as to enable any potential external assurance that may be requested on such information.

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.

1. With regards to assurance standards, it is crucial to ensure consistency of the external assurance provided on non-financial information across the EU and globally. Accountancy Europe's factsheet on "Toward reliable non-financial information across Europe" shows that, whether it is for mandatory or voluntary assurance reports on non-financial information, the most commonly used standards are either the international standard ISAE 3000 (Revised) Assurance engagements other than audits or reviews of historical financial information or local adaptations of this standard.
2. Therefore, we support action to be taken at a global level under the umbrella of the IOB for the development of auditing standards that would be applicable to NFI reporting assurance. The International Auditing and Assurance Standards Board (IAASB), in particular, is currently working on developing guidance

to apply ISAE3000 to Emerging forms of External Reporting, which could assist in providing further guidance on how to provide assurance on reporting under the NFRD.

3. If the EU were to decide to require external assurance engagements to be performed, it would make sense, for the assurance providers to apply a common assurance standard. We would recommend the same “building block” approach as for NFI standards (see our comments to questions 8 to 20).

4. Therefore, we would encourage the EU to consider using any international standards, relevant guidance and future developments, to be potentially supplemented by local requirements, reflecting public policy priorities where necessary.

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.

1. We believe that the EU legislation should require an external assurance on the non-financial information reported by companies under the revised NFRD, including on company statements relating to the internal controls applicable in their processes to produce this non-financial information (Q25). The assurance provider should also assess the company's materiality assessment process for selecting non-financial information that is presented, and report on the key assurance engagement risks, their assurance work response to these assurance risks and any key related observations in carrying the assurance engagement (Q28&29).

2. Demand for assurance over broader information is likely to continue to grow, in particular in response to the needs of investors and other long-term stakeholders.

There is an increasing understanding that ESG factors can lead to major risks for the company and that related non-financial information is as important as financial information for both preparers, users and other stakeholders, encompassing the need for assurance to enhance the reliability of such information.

The following key features of the external assurance process would suit the needs of both users and preparers:

- Whilst management is responsible for the NFI reporting, external assurance forms part of mechanisms that management uses to assure itself that the information it reports is credible.

- External assurance leads to a formal opinion or conclusion but it also provides insights and recommendations to management and those charged with governance on the reporting process, related controls and risks, which are all essential to reliable information, whether it is financial or non-financial
- External assurance can also provide management and those charged with governance with meaningful insights, as relevant corporate governance rules in the area of NFI reporting are also crucial to ensure accountability.

3. However, the external assurance will only enhance the credibility of the non-financial information if the assurance practitioner fulfils certain criteria, which are (1) independence, (2) compliance with a professional ethical framework, (3) applying quality control procedures and being subject to external quality assurance (i.e. independent inspections), and (4) use of generally accepted and transparent assurance standards. We believe that these criteria should be applied to any assurance provider subject to providing assurance under revised NFRD requirements.

4. On the issue of the level of assurance and the subject matter to be covered by such an external assurance, we believe that it should be seen as a journey leading, ultimately, to the issuance of reasonable assurance on all NFI reporting. However, such journey depends on both the maturity of companies in terms of NFI reporting and users' expectations (Q27).

We already have some experience in providing reasonable assurance on comprehensive NFI reporting and acknowledge that it requires additional investments for preparers in terms of data, evidence, processes and controls.

Based on our experience and considering the developing maturity of companies on NFI reporting, as well as the challenge to obtain the fees commensurate with the work required in order to issue reasonable assurance, it seems that starting with an overall limited assurance on the whole NFI reporting, including on the materiality assessment process, would be an option that could be contemplated. Despite limited assurance on the whole NFI reporting, reasonable assurance could be required on some specific subject matters (e.g. a selection of key metrics), particularly if there is a reference framework. Such key metrics could in particular be focused on KPIs to be used for an entity's financing or management compensation. Providing reasonable assurance over narrative claims and assertions is often more complex and would be an ultimate target but it should be achieved gradually, starting with a selection.

Finally, providing assurance on the effectiveness of the internal control systems for the preparation of the non-financial information is all the more important considering the relative newness of this area compared to financial information. The existence, and the functioning, of robust internal controls for NFI reporting would enable companies to develop mature non-financial impact considerations and integrating thinking.

5. Aiming at requiring reasonable assurance on the whole NFI reporting, for instance by 2025, would be an ambitious target but it could be envisaged, with key milestones monitored in the meantime, such as starting with mandatory limited assurance. The expected improvements in processes to allow moving towards reasonable assurance would have to be made clear and the value of reasonable assurance to both preparers and users would need to be explained (including in terms of level of evidence, extent of procedures and consecutive costs of the engagement).

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 checked="" type="radio"/>	<input 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 type="radio"/>	<input checked="" 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 type="radio"/>	<input checked="" 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.

1. We support the need for digitalisation of sustainability information, considering what is now in effect for listed companies in the EU and their annual financial reports (ESEF requirements). This will be all the more important to facilitate comparability for users.

2. Yet, with regards to the use of XHTML tagging, we would like to emphasise that this should only be an intermediary step towards more modern technological solutions.

We are indeed moving quickly into a world with interoperable systems and connected devices that generate data that algorithms can analyse for intelligence and insights, including on environmental and social matters. In the future, such algorithms will be combined with encryption methods to allow checking of companies' performance from different aspects such as accounting, environment, social, but also educational, supply chain, tax, and state aid perhaps and in different dimensions: real-time, historical, etc.

3. Therefore, we believe that it is critical that any future legislation should refrain from being too prescriptive in terms of any technological solution or architecture. In our view, legislation must be flexible enough to support the exponential pace of technological development, allowing industry and society to reap its benefits. It should provide for a legal framework that will fully allow for an interoperable, once only, fully digital, algorithm-enabled encrypted data sharing /reporting model in the cloud that regulators, tax authorities, assurance providers and civil society can access, query and verify.

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 type="radio"/>	<input checked="" 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 type="radio"/>	<input type="radio"/>	<input checked="" 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 type="radio"/>	<input type="radio"/>	<input checked="" 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.

1. If non-financial information is not included in the annual financial report and if it is issued separately (for instance at a later date), then we believe that the objective of holistic or 'integrated' financial and corporate reporting information would be compromised.

The management report, including the NFI reporting, aims at providing 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.

Where jurisdictions have required non-financial information to be included in the management report, that information is often available earlier than when it is included in a separate sustainability report. It is also our experience that information that is strategically important to a particular company, its shareholders, and other stakeholders, should be included within the management report that is approved by the board of directors and that accompanies the financial statements.

2. Consequently, we believe that the non-financial information should be required to be included in the management report, and incorporated in the mainstream filing/annual report including the financial statements. Q37

3. For those companies that might fall under an extended scope in the revised NFRD but would not be concerned by the obligation of issuing an annual financial report, the non-financial information could be disclosed in a separate statement on their website, together with the report from the assurance provider. Issuers of annual financial reports might also do the same in order to facilitate the access to the non-financial information, as certain stakeholders, interested by such information, might be put off by the size of a company's annual financial report and breath of information provided. Yet, this would only be an additional and complementary way of disclosing the non-financial information.

4. Whatever the case, we emphasise our preference for having both financial and non-financial information included in the management report and incorporated in the mainstream filing/annual report as it promotes integrated thinking. It is only when a company is adopting integrated thinking in developing its strategy and decision-making that it can provide meaningful, authentic information about how the company creates long-term value.

We note that, with the increased importance of connectivity between financial and non-financial information and the fact that they should both be included in the management report, it is all the more important to clearly explain how the materiality concept applies to both financial and non-financial information, as we advocate in Q23.1.

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.

1. Investors and other users of corporate reporting are looking at both financial and non-financial information and are paying increased attention to the consistency of one with each other. Non-financial matters may have either immediate or future financial consequences that need to be considered in financial reporting. For instance, ESG considerations may give rise to the accounting in financial statements of contractual obligations or may affect the assumptions to be used in determining estimates such as for asset valuation. Conversely, financial information also provides the context and relevant insights to understand and estimate the challenges and impact of non-financial information. In our view, non-financial information should be of equal standing to financial information, and as such included in mainstream corporate reports and be of equal quality to the financial information.
2. Considering the need to better interconnect financial and non-financial information, it is essential to require boards of directors to have an equal level of responsibility on the information produced.
3. Also, for users, whether providers of financial capital or other stakeholders, having all the non-financial information in the same document, i.e. the management report, provides greater confidence in both management and board accountability and a more holistic view on the company's ability to create value and prevent value destruction over different time horizons.

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"/>

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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input 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 type="radio"/>	<input checked="" 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 checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input 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

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

	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 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 type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" 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 type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

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

1. We believe that the scope of the revised NFRD should be amended to focus on all large entities (applying the same set of criteria as in article 3 of the Accounting Directive, i.e. balance sheet, net turnover and employees thresholds), whether they are PIEs, non-PIEs, undertakings or groups, governed by the law of a Member States or operating within the EU (Q40). However, we suggest the following exception to this principle (Q40&41):

- All entities, whether they are EU PIEs or not, whose transferable securities are admitted on any EU regulated market would be included in the scope, regardless of their size.

2. In addition, if the number of employees remains a criterion for determining the scope of entities required to apply the NFI requirements (as it currently is the sole criterion under the NFRD), then we believe that its determination should be clarified. It is our view that the “traditional” definition of employees is not relevant any more, as companies may have different business models where they rely on sub-contractors, free-lancers (“open talent”) rather than just “employees”.

3. Regarding a possible extension of the scope of NFRD requirements to SMEs, the findings of the impact assessment to be carried out, assessing whether the overall benefits would outweigh the additional costs for them, will be crucial. The following considerations could support an extension:

- SMEs can have important impacts on the environment and society and they can also be dependent on non-financial matters that may affect their viability over the long-term. Accordingly, a clear approach for SMEs needs to be developed in order to ensure that SMEs with relevant potential impacts, including for larger companies’ supply chain reporting, are scoped in. As mentioned in Section 2-Standardisation, we support a single NFI standard applicable whether the entity is a large entity or a SME, albeit with proportionate application for SMEs. For SMEs, it would include basic reporting requirements but it would nonetheless allow the larger companies to obtain the information they need from their business partners (including suppliers) in order to meet their own reporting requirements.
- SMEs’ environmental and social footprints, from an individual and aggregated perspective, are also important in terms of public interest.

4. We would also like to draw the attention to the fact that size may not always be the most appropriate criterion to consider to identify which entity should provide non-financial information reporting. In its Cogito Paper “From risks to regulation: re-thinking company categorisation” (March 2020), Accountancy Europe suggests to move from a quantitative size-based approach to a qualitative risk-based approach for entity categorisation: “the aim is to lead to simpler, smarter and more effective regulations that are better aligned with the public interest and mitigate negative impact on the society, economy and environment”. A scorecard is proposed by Accountancy Europe to determine an entity’s risk profile and to better understand how, where and why an entity impacts its surrounding.

Those proposals might be worth considering by the EC as it would enable capturing those entities that are relevant based on materiality and public interest considerations.

5. Finally, with regards to the supervision on NFI reporting, we would like to highlight the fact that in many EU countries, there is currently no supervision of non-listed companies’ compliance for the financial information provided, other than by the statutory auditors. The same level of supervision should apply for both financial and non-financial information reporting. Q42

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.

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.						
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.						
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.						

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.

1. The plethora of different voluntary standards and increasing different demands for non-financial information from stakeholders (including financial institutions, investors, business partners and civil society) is arguably leading to increased costs for companies, due at least in part to managing the complexity and uncertainty of collecting, measuring and disclosing data.
2. While a more extensive regime will increase costs for some companies not currently reporting non-financial information, or reporting it minimally, a consistent, clearer and streamlined regime will, we think, in addition to providing useful, reliable and comparable non-financial information for stakeholders, in the longer term provide benefits for preparers.
Providing non-financial information may be perceived to increase the administrative burden on companies but it is essential for them to measure and manage these matters to enhance business resilience and long-term value creation. Reporting will therefore help to increase stakeholders' trust and confidence in companies' management. The issue at stake is high: there is no reason to do less.
3. There is a need to strike the right balance between raising general awareness of the importance of non-

financial matters through extending the scope of non-financial reporting requirements and proportionate measures for reporting that depend on companies' characteristics. This could be dealt with by further developing guidance on how to apply materiality, including defining better what the requirements are as well as how they should be applied.

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

**6c352825-db90-4c56-8dd1-e71f54ee5b28/EC_consultation_non-financial_reporting_-
_Deloitte_cover_letter_100620.pdf**

Useful links

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](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 \(https://ec.europa.eu/info/business-economy-euro/company-reporting-and-audit/company-reporting/non-financial-reporting_en\)](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-audit/company-reporting/non-financial-reporting_en)

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