



10<sup>th</sup> June 2020

Attn Mr Alain Deckers  
European Commission  
DG FISMA  
1049 Bruxelles  
Belgium

Dear Mr Deckers,

PwC International Ltd (PwC), on behalf of the PwC network, welcomes the opportunity to respond to the European Commission's public consultation on the revision of the Non-Financial Reporting Directive.

Capital markets have a crucial role in achieving the objectives of the EU Green Deal and Paris' global climate targets. The success of the EU Sustainable Finance agenda depends on the availability of relevant, comparable and reliable data. It is likely that efforts of capital markets and companies to price in systemic risks (in particular climate risks: physical and transition risks) will accelerate. This will include accelerating climate risk governance and disclosure, tax transparency and the prominence of ESG more widely. However, if the financial industry is to steer private capital flows to a more sustainable economy, it needs relevant and reliable data from a larger group of investees to measure and price sustainability risks.

Furthermore, it should be acknowledged that the relevance of non-financial information for decision making goes beyond investors. We believe it is important to carefully consider who the NFI is intended for and whose decisions it should influence. This assessment and the conclusions from it will also affect the scope of reporting entities. It may be appropriate to develop new criteria for determining which entities should report what information, taking into account their impact on a wider group of stakeholders than just investors.

One of the critical factors in securing buy-in from stakeholders will be a clear demonstration of the benefits of reporting. However, the cost versus benefits ratio should not become a mathematical exercise and should be considered in conjunction with societal needs and ambitions. The costs and benefits are not limited only to reporting, but also the positive impact within organisations on governance and the broader impact that relevant, comparable and reliable non-financial information could have for society at large.

We fully support the objective of having a consistent global set of standards for corporate reporting of financial and non-financial information. A balance needs to be struck between this long term strategic goal and the need to quickly respond to current stakeholder demands. We encourage the EU to work towards rationalisation of the voluntary frameworks and standards, identifying key metrics and linking these to existing initiatives, so that the framework remains relevant as part of a globally accepted solution for corporate reporting.

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Reliability of non-financial reporting is a necessary precondition for its decision-usefulness. Reliability depends among other aspects on the existence and robustness of external assurance by competent and independent providers. If non-financial information is to be considered as rigorous and as important as financial information, it should therefore have a comparable level of assurance with relevant standards, which will increase the extent that users are willing to make decisions based on the information. However, the reliability of non-financial information does not only rely on the level of external assurance, it relies primarily upon the robustness of the systems, processes and controls within the entities that generate the information. The EU framework should explicitly clarify the legal obligation for companies' management to establish such systems, processes and controls, as well as the supervisory board's duty to monitor them. External assurance may indirectly enhance the reliability of the information produced by increasing entities' investments in appropriate internal procedures and controls. Whether and when reasonable assurance on non-financial information is to be provided is also dependent on a cost-benefit analysis to be made by investors and policy makers.

Finally, we invite the Commission to consider how the use of technology could enhance the usefulness and accessibility of corporate non-financial information, also in the context of the EU Data Strategy and the creation of a common European Green Deal Data Space.

We would be happy to discuss this further with you. If you have any questions regarding our response please contact Henry Daubeney at [henry.daubeney@pwc.com](mailto:henry.daubeney@pwc.com)

Yours sincerely,

A handwritten signature in black ink, appearing to read "MS", followed by a long horizontal stroke.

Michael Stewart  
Global Leader, Corporate Affairs and Communications

PwCIL is registered under number 60402754518-05 in the EU Transparency Register

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<sup>1</sup> For more on reporting standards for non-financial information, we refer you to the [PwC response](#) to Accountancy Europe "*Interconnected Standard Setting for Corporate Reporting*" Cogito Paper.

# 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.

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**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](mailto: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

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\* Language of my contribution

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

\* I am giving my contribution as

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

\* First name

Jacomien

\* Surname

van den Hurk

\* Email (this won't be published)

jacomien.van.den.hurk@pwc.com

\* Organisation name

*255 character(s) maximum*

PwC IL

\* 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.

60402754518-05

\* Country of origin

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

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| ○ Antarctica                       | ○ Estonia                             | ○ Maldives         | ○ Serbia                                       |
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| ○ Argentina                        | ○ Ethiopia                            | ○ Malta            | ○ Sierra Leone                                 |
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| ○ Australia                        | ○ Fiji                                | ○ Mauritania       | ○ Slovakia                                     |
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| ○ Barbados                         | ○ Gabon                               | ○ Monaco           | ○ South Korea                                  |
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| ○ Benin                            | ○ Gibraltar                           | ○ Morocco          | ○ Sudan  |
| ○ 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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| ○ Burkina Faso                     | ○ Honduras                            | ○ Norfolk Island   | ○ Tokelau                                      |
| ○ Burundi                          | ○ Hong Kong                           | ○                  | ○ Tonga  |



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| <input type="radio"/> Democratic Republic of the Congo | <input type="radio"/> Lesotho     | <input type="radio"/> Saint Helena Ascension and Tristan da Cunha | <input type="radio"/> Zimbabwe                             |
| <input type="radio"/> Denmark                          | <input type="radio"/> Liberia     | <input type="radio"/> Saint Kitts and Nevis                       |  |
|  |                                   | <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<br>(totally disagree) | 2<br>(mostly disagree) | 3<br>(partially disagree and partially agree) | 4<br>(mostly agree)              | 5<br>(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 checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/>                  |
| The limited reliability of non-financial information reported by companies pursuant to the NFRD is a significant problem.        | <input type="radio"/>   | <input type="radio"/>  | <input type="radio"/>                         | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/>                  |
| Companies reporting pursuant to the NFRD do not disclose all relevant non-financial information needed by different user groups. | <input type="radio"/>   | <input type="radio"/>  | <input type="radio"/>                         | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/>                  |

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

- i. environment,
- ii. social and employee issues,

iii. human rights,

iv. bribery and corruption.

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

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

|                               | <b>Please specify which other non-financial matters (no more than 3):</b>  |
|-------------------------------|--|
| Other non-financial matter #1 | <p>First and foremost, we believe it is important that the information requirements are derived from reporting objectives. If the information needs of the report addressees are defined and the reporting objectives are derived from this, it will help in defining the specific information requirements of the non-financial information to be provided by entities. Regarding specific non-financial matters, we believe that the following matters are considered most relevant in addition to those currently set-out in Article 19a:</p> <p>A better distinction between environmental, social and employee matters would help the companies to disclose more relevant information. Also, in view of the growing importance of climate-related information and the predominant view that the reporting practice should be more meaningful, reporting on climate as an independent non-financial matter and separate from the environment matter should be considered (in particular, climate change adaptation and climate change mitigation as set forth in the taxonomy regulation).</p> <p>Linkage to the SDGs, i.e. if a company is committed to the SDGs, what does the company do to achieve the SDGs and how does the non-financial information map to the SDGs.</p> <p>Better integration and enhancement of other information that is already provided to stakeholders. This includes information about compliance with laws and regulations (GRC systems such as whistleblowing systems, anti-bribery systems) in general with a specific emphasis on fraud. Also reporting on tax strategy, policies and insights on tax contributions is relevant for a wider group of stakeholders. Such stakeholders include institutional investors, trade unions, financial supervisors, and regulators, as well as customers, business partners, employees and boards. Taxation not only has a financial impact on corporations, but also involves potential reputational and commercial risks. As a result, reporting entities need a long-term tax strategy, with clear (board) tasks and responsibilities, effective tax risk management and auditable tax transparency.</p> |
| Other non-financial matter #2 |  |
| 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?**

|   | <b>Please specify which additional categories of non-financial information (no more than 3):</b>   |
|---|--|
| Additional category of non-financial information #1 | <p>We feel that broadening the scope of categories of non-financial information would be beneficial to the users of the information. How users (or ‘stakeholders’) are defined by the European Commission is of high importance to define the scope of the non-financial information. Having said that, the following categories are considered most relevant: There should be a clear link between the “brief description of the undertaking's business model” and the description on how the company aims to contribute to society through its business activities. In relation to this, companies should include more forward-looking information (+5 years, +10-20 years) on their strategy, policies and risks. The minimum content requirements for reporting on human rights and how the supply chain is part of this should be clarified in more detail.</p> <p>It may enhance the significance of non-financial reporting if companies report on their internally defined targets and on the annual outcomes.</p> |
| 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 sustainability<sup>1</sup>. 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).

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<sup>1</sup> 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.

The comparability, reliability and relevance of non-financial information should be improved to meet the need of investors, governments and other stakeholders for a broad view on company performance and valuation generation. Regulation may help in achieving this objective in light of current (capital) market developments and societal needs. Although we prefer markets to force disclosure and transparency, governmental legislation has proven to be able to give a push in the right direction.

The aim of the NFRD was to incentivise corporate behaviours to achieve a measurable impact on European ESG goals. However, reporting practice shows a lack of common understanding of its requirements, resulting in highly diverse and hardly comparable reporting practices. We emphasize the need for clear guidance to more strongly push the agenda on transparent ESG reporting.

In general, the four non-financial matters that are currently set-out in Article 19a are appropriate, but these are viewed as the bare minimum. We recommend distinguishing more precisely between environmental, social and employee matters and to clarify the required disclosures.

Furthermore, there are areas that need extra attention. Specifically topics such as climate reporting, paying taxes, compliance with laws and regulation and mitigation of fraud need more emphasis. Also, companies should address how they achieve alignment with and contribution to the SDGs.

The European Commission's goal is to reorient capital flows towards sustainable investment. In our view, the NFRD could more strongly contribute to and thus reflect this. Therefore, companies should report specific targets and metrics that are aligned with international conventions (e.g. Paris agreement, SDG), and measure their progress accordingly. This would also require companies to clearly describe the link between non-financial information and financial information.

The disclosure of long-term information has long been required. However, such information, particularly in quantified form, can give rise to a false sense of accuracy. We therefore suggest that companies report on their long-term strategy, policies and risks in qualitative form and on the basis of suitable scenarios.

To ensure the provision of information which is necessary to shift capital flows towards sustainable investments and to meet the new disclosure requirements of financial sector companies, more detailed disclosure guidance is necessary. Based on our experience, current non-financial reporting practice mostly does not explicitly address all six objectives set out in the taxonomy regulation.

Additionally, the current focus on large PIEs only addresses a portion of the capital flows. Especially lending by banks to non-listed companies based on sustainability considerations requires relevant and comparable information from those companies as well.

## 2. Standardisation

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

|   | <b>Name of other existing standard or framework (no more than 3):</b> | <b>Please rate from 1 to 4 as explained above (please use digits only)</b> |
|---|---|--|
| Other existing standard or framework #1 | See above   |  |
| 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):

|                          | <b>Name of standard or framework (no more than 3):</b> | <b>Estimated cost of application per year, excluding any one-off start-up costs</b> |
|--------------------------|--|---|
| Standard or framework #1 | N/A  |   |
| 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<br>(not<br>at all)  | 2<br>(to<br>some<br>extent<br>but not<br>much) | 3<br>(to a<br>very<br>reasonable<br>extent) | 4<br>(to a<br>very<br>great<br>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<br><br>(not<br>at all) | 2<br><br>(to<br>some<br>extent<br>but not<br>much) | 3<br><br>(to a<br>very<br>reasonable<br>extent) | 4<br><br>(to a<br>very<br>great<br>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 checked="" type="radio"/>                | <input 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

|                      | <b>Name of other stakeholder (no more than 3):</b> | <b>Please rate from 1 to 4 as explained above (please use digits only)</b> |
|----------------------|--|--|
| Other stakeholder #1 | Accountancy Europe                                 | 3  |
| Other stakeholder #2 | Representation of employees                        | 3  |
| Other stakeholder #3 | WEF IBC  | 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<br>(not<br>at all)  | 2<br>(to<br>some<br>extent<br>but not<br>much) | 3<br>(to a<br>very<br>reasonable<br>extent) | 4<br>(to a<br>very<br>great<br>extent) | N.A.                  |
|--|-----------------------|--|---|--|-----------------------|
| European Securities Markets Authority (ESMA)                   | <input type="radio"/> | <input type="radio"/>                          | <input checked="" type="radio"/>            | <input type="radio"/>                  | <input type="radio"/> |
| European Banking Authority (EBA)                               | <input type="radio"/> | <input checked="" type="radio"/>               | <input type="radio"/>                       | <input type="radio"/>                  | <input type="radio"/> |
| European Insurance and Occupational Pensions Authority (EIOPA) | <input type="radio"/> | <input checked="" type="radio"/>               | <input type="radio"/>                       | <input type="radio"/>                  | <input type="radio"/> |
| European Central Bank (ECB)                                    | <input type="radio"/> | <input type="radio"/>                          | <input checked="" type="radio"/>            | <input type="radio"/>                  | <input type="radio"/> |
| European Environment Agency (EEA)                              | <input type="radio"/> | <input checked="" type="radio"/>               | <input type="radio"/>                       | <input type="radio"/>                  | <input type="radio"/> |
| Platform on Sustainable Finance                                | <input type="radio"/> | <input checked="" type="radio"/>               | <input type="radio"/>                       | <input type="radio"/>                  | <input type="radio"/> |

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

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

**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

|  | <b>Name of other European public body or authority (no more than 3):</b> | <b>Please rate from 1 to 4 as explained above (please use digits only)</b> |
|--|--|--|
| Other European public body or authority #1 | EFRAG  | 4  |
| Other European public body or authority #2 | European Investment Bank   | 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<br><br>(not<br>at all) | 2<br><br>(to<br>some<br>extent<br>but not<br>much) | 3<br><br>(to a<br>very<br>reasonable<br>extent) | 4<br><br>(to a<br>very<br>great<br>extent) | N.A.                  |
|---------------------------------------|--------------------------|--|---|--|-----------------------|
| National accounting standards-setters | <input type="radio"/>    | <input checked="" type="radio"/>                   | <input type="radio"/>                           | <input type="radio"/>                      | <input type="radio"/> |
| Environmental authorities             | <input type="radio"/>    | <input checked="" type="radio"/>                   | <input 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

### 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.

There is a large demand for relevant, comparable and reliable non-financial information, driven by purpose-led investments and growing financial impact. Consolidating current non-financial reporting standards, frameworks and guidance will contribute to this.

We believe that the ultimate objective of having a consistent global set of interconnected standards is a laudable goal. A global driven standard would answer today's demand most, enforced by regional implementation. However, we recognize non-financial reporting is fairly novel and therefore many different stakeholders, investors, countries and individuals still have legitimately different views on what forms of reporting should be required and what and how it should be measured. To the extent that regional solutions are developed as an interim solution, we think these regional standards should draw upon the best elements of the standards that already exist. If such standards are developed and prove successful in the EU, this might be a springboard to allow others to look at these standards as being suitable for adoption in a global context.

We do emphasize that a common standard will not necessarily resolve all identified problems, such as in the areas of reliability and comparability. As with financial reporting, which has become "generally accepted" over centuries, overcoming these problems takes time. At the same time, we do want to emphasize that the non-financial reporting standards to be adopted must include sufficient detailed requirements on disclosure level to keep meeting the demand for relevant, comparable and reliable non-financial information.

In response to questions 8 and 9, we argue that sector-specific elements might not be imperative, but could help to show recognition for the fact that sectors and even companies in sectors will diversify in their non-financial disclosures. At the same time, including sector-specific elements complicates the current process towards a common standard. Hence, we advocate to not include sector-specific elements, but we do think that making specific disclosures recommended or mandatory for specific sectors could be a solution towards sector-specific elements.

In relation to questions 10 and 11, we believe all the existing standards and frameworks have their own unique relevance and have proven to be of use for organizations around the world. Instead of looking for one standard or framework that is 'the best fit', relevant specific elements of each standard and framework should be the basis for reporting in relation to the non-financial reporting directive. We do not believe creating new standards to be of benefit unless there is a clear deficiency in what already exists.

In response to questions 13 to 15 related to SMEs, even if there was a simplified set of standards for SMEs,

we doubt that financial institutions will decrease their demand for information; particularly in light of the increased regulatory requirements for financial service providers following the EU Action Plan. Therefore, we don't support a non-financial reporting standard only for SMEs. We would rather prefer a non-financial reporting standard that is principle-oriented and scalable. The reporting standard should lay out the relevant reporting principles so that also SMEs can apply it. In relation to the more detailed requirements, a European non-financial reporting standard could include reporting exceptions for SMEs to make it accessible for SMEs and limit their administrative burdens. The use of the simplified approach could be voluntary, i.e. SME can apply all or some aspects beyond the minimum requirement of the simplified approach. Furthermore, the identification of entities that should report certain information more extensively, limited or not at all may have to be driven by other parameters than the current parameters based on which SMEs are identified today.

### 3. Application of the principle of materiality

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

‘Material’ information is defined in Article 2(16) of the Accounting Directive as “the status of information where its omission or misstatement could reasonably be expected to influence decisions that users make on the basis of the financial statements of the undertaking. The materiality of individual items shall be assessed in the context of other similar items.” This definition is geared towards financial reporting, which is principally intended to serve the needs of investors and other creditors. By contrast, non-financial information serves the needs of a broader set of stakeholders, as it relates not only to the increasing impact of non-financial matters on the financial performance of the company, but also to its impacts on society and the environment. This may imply the need to provide an alternative definition of materiality for application in the context of non-financial reporting, or at least additional guidance on this issue.

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

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

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

- ☐ Not at all
- ☒ To some extent but not much
- ☐

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

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

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

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

*5000 character(s) maximum*

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

The concept of materiality for non-financial reporting is more challenging than that for financial reporting. We suggest considering a clarification of the concept of materiality to include the following aspects:

The dual perspective of materiality (material impacts a company has on the environment and society, material impacts the environment and society have on the company)

Clear guidance of what is deemed material, for example state unambiguously that information is material if one or if both materiality perspectives are met. Intentions are documented in the non-binding guidelines, but so far the text of the NFRD is conceived as ambiguous.

The time-horizon of non-financial information compared to common financial information.

The distinction between information that is relevant for (almost) all stakeholders and information that serves the more detailed needs for a specific stakeholder and how materiality is applied to these two different types of information.

A common understanding of the concept of materiality is essential for preparers and users of non-financial information. Therefore, the concept of materiality should be clear and "manageable". A clear concept of materiality is also highly relevant in the context of external assurance that is given on non-financial information. It would also be appropriate to align this materiality concept with the materiality concept that is applied in relevant assurance standards.

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

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

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

*5000 character(s) maximum*

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



We believe that the understanding of materiality would be enhanced if companies were required to report on the relevance of their most important stakeholders and what these stakeholders' demands mean for the company's material information.

Next to the further development of the concept of materiality, we strongly support the development of a concrete guideline for determining materiality. This guideline could also include facilitations for SMEs and take into account industry specificities (e.g. per se materiality for certain aspects). Current standards and frameworks have already concrete guidance in place for determining materiality that could help here.

## 4. Assurance

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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.

In our view, we should aim for the establishment of a new assurance standard for NFI reports at international level which can be implemented by EU member state's assurance standard setters in their jurisdictions in a consistent manner with a level of assurance comparable with the level of assurance to be applied in the audit of the financial statements.

We believe that the IAASB is the appropriate organization to develop such a standard on the basis of ISAE 3000A. This standard has been widely accepted globally and further guidance specifically for non-financial information is being developed. Some specific and national guidance (examples of which are ISAE 3410, the 3810N standard in the Netherlands, PS 350 n.F. for the management report in Germany, Avis technique Intervention du commissaire aux comptes – Intervention de l'OTI – DPEF in France) could be taken into consideration.

**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.

In response to Q28, as discussed in Section 3, it is management's responsibility to put in place a process, including engaging with stakeholders, to determine reporting topics. (Note that this is how the "materiality process" is described in Chapter 6 of the IAASB's draft Guidance, to avoid any confusion between decisions on the NFI to be included in the scope of reporting and the concept of materiality as it is used in assessing misstatements in reported information. We believe there is merit in making that distinction). As part of the assurance engagement, the auditor would seek to obtain an understanding of management's process for determining reporting topics and how this impacts the entity's control environment with respect to the information and the systems and controls put in place to support the preparation of the NFI report. This would inform the auditor's risk assessment and design of the nature and extent of procedures to perform in obtaining assurance. To the extent that management's process for determining reporting topics is not sufficiently robust to understand the entity's stakeholders' information needs, the NFI and any assurance provided by the auditor on it may fall short of stakeholders' expectations. Even if the process is robust, the auditor can apply professional scepticism and challenge the judgements management makes in their scoping decisions, but in the absence of a comprehensive reporting framework that provides a basis for evaluating what should be reported, it will be difficult to provide meaningful assurance on whether there are "material omissions" in the matters reported.

In response to Q29, we interpret the question to be whether the auditor's report should provide "key audit matters" similar to the requirement under ISA for financial statement audits. We note that ISAE 3000 does not currently require such key audit matters to be reported, but would encourage that this be further explored in the consultation process. To the extent that further guidance is needed from audit standard setters on

such matters we do not believe that this should be used to delay the implementation of the revisions to the NFRD and assurance thereon. That is, the inclusion of information analogous to key audit matters may be a longer term goal for such assurance engagements

In response to questions 25 to 28, we believe the transformation of the EU's finance system is crucial for achieving its ambitions, such as the Green Deal and the Paris climate goals. Assurance enhances the reliability of non-financial information and has proven to increase the extent that users are willing to make decisions based on the information. Financial institutions rely on assured information regardless of whether this information is financial or non-financial. This implies that investors and policy makers should reassess the need and level of assurance based on a robust cost-benefit analysis.

In our view, a difference between the level of assurance for financial and non-financial reporting does not adequately reflect the importance of non-financial reporting for determining the development, performance and position of a company in the longer term. However, the reliability of non-financial information does not only rely on the level of external assurance but first of all on the robustness of the systems, processes, controls and governance in the entities that generate the information together with the judgements made by management. It is the duty of companies' management to establish such systems, processes and controls and it is the duty of the supervisory board to monitor them. In our view, entities should be provided with a certain transition period (which could be dependent on their size) to establish the required systems, processes and controls to create reliable data for which assurance can be given. Such a transition period may also allow for an improved balance in cost versus benefits, which is partly driven by the understanding of users of the difference between reasonable and limited assurance.

Using a non-financial reporting standard or framework, as referred to in question 31, might help the assurance provider in assessing the non-financial reporting prepared by the company, however conceptually, the assurance requirement should not depend on the use of a specific framework. The assurance requirement should focus on compliance with the NFRD, but should not extend to additional rules or guidelines by default.

## 5. Digitisation

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

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

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

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

*5000 character(s) maximum*

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

The digitalisation of sustainability information should be considered in connection with the introduction of the European Single Electronic Format for the digitalisation for consolidated financial statements within annual reports of listed companies. ESEF applies for 2020 calendar year end annual reports and obliges national authorities to invest in software and people to work on open-ended responsibilities to receive and publish new digital information that investors and other users of the information can tap into at little or no additional cost. It seems entirely natural that with this step-change in place, the information set available to investors should be expanded to include non-financial information in the annual report or other regulatory filings. ESEF will have paved the way for this to happen very efficiently.

**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.

Disclosure requirements drive the extent to which disclosures are standardised or bespoke to an entity. Setting disclosure standards and requirements requires careful consideration of many factors, but whatever the outcome of that consideration, the disclosures made by companies can be digitalised using XBRL technology. Conversely, any digitalisation process should not introduce a level of standardisation that is not prescribed by standards or requirements. Indeed the ESEF requirement has introduced an approach to digital tagging of financial information that requires companies to link their bespoke disclosures to related (but different) items in a pre-prepared taxonomy in a process that is termed "anchoring". We would recommend that anchoring is considered with respect to non-financial information. In this way, the degree of standardisation in the disclosures made by companies can remain a matter to be addressed as part of the standard-setting process and the resultant decisions companies make about their human-readable disclosures, rather than as part of the digitalisation of the information generated.

For digital information to be useful, it needs to be easy to access. We are supportive of the broad concept of a single access point. However there are different ways this can be achieved and the term single access point may hold different meanings to stakeholders. For example, a single access point could operate at a

national level or across Europe. Accordingly, whilst we support any measures to improve accessibility of the data, we recognise that there will be some further decisions to be made. These decisions will be best framed once a requirement for the digitalisation of non-financial information is further developed.

## 6. Structure and location of non-financial information

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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<br>(not<br>at all)  | 2<br>(to<br>some<br>extent<br>but<br>not<br>much) | 3<br>(to a<br>very<br>reasonable<br>extent) | 4<br>(to a<br>very<br>great<br>extent) | N.<br>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<br>(totally disagree) | 2<br>(mostly disagree) | 3<br>(partially disagree and partially agree) | 4<br>(mostly agree)   | 5<br>(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 type="radio"/> | <input checked="" 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.

In our view, separate reports might foster the (perceived) lack of relevance and connectivity of the non-financial report with the annual report and the management report. We support a stronger integration of all material information into the management report, irrespective of their financial or non-financial nature.

Further, in the longer term, a difference in supervising financial and non-financial reporting does not adequately reflect the importance of non-financial reporting for determining the development, performance and position of a company. A requirement to disclose all necessary non-financial information in the management report would stipulate this point moving forward.

Growing towards the integration of information, we call for greater standardisation of the disclosure of non-financial information in relation to the time and place of publication (which may require a transition period), as this would increase the comparability of non-financial information and would help to improve the flow of information between companies and financial markets.

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.

See comment box to Q38.

## 7. Personal scope (which companies should disclose)

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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<br>(totally disagree) | 2<br>(mostly disagree) | 3<br>(partially disagree and partially agree) | 4<br>(mostly agree)              | 5<br>(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<br>(totally disagree) | 2<br>(mostly disagree)           | 3<br>(partially disagree and partially agree) | 4<br>(mostly agree)              | 5<br>(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 checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/>                  |
| Remove the exemption for companies that are subsidiaries of a parent company that reports non-financial information at group level in accordance with the NFRD. | <input type="radio"/>   | <input checked="" 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 checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/>                  |
| Expand the scope to include large companies   |                         |                                  |   |                                  |                       |  |

|   |                                  |                       |                       |                                  |                       |                       |
|---|----------------------------------|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|
| not established in the EU that are listed in EU regulated markets.                | <input type="radio"/>            | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input 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<br>(totally disagree) | 2<br>(mostly disagree) | 3<br>(partially disagree and partially agree) | 4<br>(mostly agree) | 5<br>(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 checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| The threshold criteria for determining which insurance undertakings have to comply with the NFRD provisions should be different from those used by Non-Financial Corporates. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

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

*5000 character(s) maximum*

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

If Europe is to play a leading role as a sustainable finance marketplace, it is essential that all relevant economic actors participate in its development and expansion. Broadening the scope of the NFRD step-by-step would serve this purpose. The extension of the scope could be focused using different criteria, for example, but not limited to:

Size of the company

Listing of securities in regulated markets

Risk related aspects such as exposure to climate change or complex supply chains

The relative impact of the company on ESG factors.

The criteria are key in creating a just scoping. We encourage the use of risk and impact based metrics (e.g. relative emissions of a company) rather than size metrics (e.g. total assets or number of personnel).

Nevertheless, in determining the scope of the NFRD, it is important to consider the overall cost versus benefit of complying with the NFRD. This should include its impact on the competitiveness of companies complying with the NFRD, both positive (e.g. as a result of transparency) and negative (as a result of costs).

Specifically the financial services sector is crucial for achieving ESG objectives and particularly knows different benchmarks and / or thresholds than non-financial undertakings. It could be reasonable to apply different benchmarks and / or thresholds for the financial sector.

## 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.

Not applicable













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<br>(totally disagree) | 2<br>(mostly disagree) | 3<br>(partially disagree and partially agree) | 4<br>(mostly agree)              | 5<br>(totally agree)  | Don't know / no opinion / not relevant |
|--|-------------------------|------------------------|---|----------------------------------|-----------------------|--|
| Companies reporting pursuant to the NFRD face uncertainty and complexity when deciding what non-financial information to report, and how and where to report such information. | <input type="radio"/>   | <input type="radio"/>  | <input type="radio"/>                         | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/>                  |
|  |                         |                        |   |                                  |                       |  |

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| Companies are under pressure to respond to individual demands for non-financial information from sustainability rating agencies, data providers and civil society, irrespective of the information that they publish as a result of the NFRD. |  |  |  |  |  |  |
| 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.

We see increased pressure from investors, governments and other stakeholders for companies to report non-financial information related to their business model and ESG risks, opportunities and impacts.

In some areas, such as supply chains, companies struggle to get reliable information from their business partners. In other areas, such as CO2 emissions, companies more often have mature management and reporting processes. Together with the lack of a global standard or framework, companies do face uncertainty and complexity when deciding what non-financial information to report, and how and where to report such information. At the same time, we see that regional and often national markets have set their baseline on what non-financial information to report, and how and where to report such information, driven by isomorphism.

The NFRD could stimulate convergence of these regional and national markets when it comes to what non-financial information to report, and how and where to report such information.

## Additional information

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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

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**/PwC\_response\_to\_EC\_consultation\_on\_the\_revision\_of\_the\_non-financial\_information\_directive\_June\_2020.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 \(https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting\\_en\)](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting_en)

## Contact

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