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ShareAction»

Raising the bar on corporate disclosure with an ambitious NFRD-Review

ShareAction has responded to the public consultation on the review of the Non-Financial Reporting Directive (NFRD) and looks forward to the dialogue that will emerge from the feedback provided by stakeholders.

ShareAction supports the comprehensive and ambitious approach of the Sustainable Finance Action Plan and encourages an ambitious review of the NFRD, that ensures legislative consistency with the Dislcosure Regulation and the announced Due Diligence legislation.

The response to the public consultation reflects ShareAction's engagement with partners and policy-makers in recent months as well as the key issues highlighted in a joint-statement with partner CSOs in the context of the Alliance for Corporate Reporting (link).

Quality and scope of non-financial information to be disclosed

The four non-financial matters under the NFRD appear to be covering all relevant sustainability matters, but should be defined to explicitly include human-rights impacts on the workforce, supply-chain, consumers and communities; the environmental objectives of the Taxonomy regulation as well as health issues (in the workforce but also across the value chain, namely to consumers). The review should also introduce time-bound sustainability targets and transition pathways that are science-based and Paris-aligned (or aligned with other target systems for biodiversity, social matters etc.).

It is essential that the information disclosed is relevant to its users, and as such the review should ensure coherence with the Disclosure Regulation, not just for investors to fulfil their obligations but also to effectively engage with companies.

Standardisation

No existing standard on its own can solve the current problems in sustainability reporting. The EU should thus adopt the principles of widely adopted reporting standards and frameworks and develop its own European Non-Financial Reporting Standard, by engaging various types of stakeholders (intended users, regulators etc.) and experts.

ShareAction recommends a modular approach, with general requirements on mandatory disclosures in level 1 legislation and specific indicators in level 2 legislation. The latter should also include sector-specific indicators that would be mandatory for high-risk sectors and voluntary for other preparers. A mandatory modular standard would also allow SMEs to disclose significant risks and impacts without overburdening them.

Application of the principle of materiality

ShareAction believes that a review of the NFRD could only solve the problems in the current legislation by clearly broadening and defining the two "directions" of double-materiality. Social & environmental materiality should be defined as "actual and potential adverse or positive impacts on people, society and the environment", while financial materiality should be understood as "sustainability risks and opportunities", as is the case with TCFD.

This discussion cannot be separated from due consideration of governance of sustainability matters. Only effective and transparent governance can ensure the materiality assessment process moves from box ticking to a useful analysis of sustainability risks, opportunities and impacts, and as such should be disclosed.

Assurance
The EU should impose stronger assurance requirements for non-financial information, particularly on the quantitative and comparable data (e.g. clear KPIs) that would be mandated under a European Non-Financial Reporting Standard.

Digitisation
The digitisation of raw harmonised non-financial data, by making it machine-readable and accessible through a single-access-point, would create a level playing field and allow intended users (investors and CSOs) with fewer resources to fully benefit from it. ShareAction thus endorses the recommendation of the High-Level Forum on the Capital Markets Union of setting up a European Single Access Point for company (financial and non-financial) data.

Structure and location of non-financial information
To ensure connectivity with financial information, non-financial information should be published as part of the management report and thus be subject to the same internal approval and supervision process (and be filed in the Officially Appointed Mechanisms – OAMs). This would prevent having two reporting periods, and is anyways becoming market practice.

Personal scope (which companies should disclose)
ShareAction urges the Commission to expand the scope of the directive beyond large publicly listed entities, to include all companies that significantly impact the environment or society as a result of their operations. A company's impact on sustainability factors and the financial materiality of sustainability factors on the company clearly do not depend on the company's listing on stock exchanges.

EUROPEAN COMMISSION
Directorate-General for Financial Stability, Financial Services and Capital Markets Union

FINANCIAL MARKETS
Corporate reporting, audit and credit rating agencies

CONSULTATION DOCUMENT

REVIEW OF THE NON-FINANCIAL REPORTING DIRECTIVE

Disclaimer

This document is a working document of the Commission services for consultation and does not prejudge the final decision that the Commission may take.

The views reflected on this consultation paper provide an indication on the approach the Commission services may take but do not constitute a final policy position or a formal proposal by the European Commission.

You are invited to reply **by 11 June 2020** at the latest to the **online questionnaire** available on the following webpage:
https://ec.europa.eu/info/publications/finance-consultations-2020-non-financial-reporting-directive_en

Please note that in order to ensure a fair and transparent consultation process **only responses received through the online questionnaire will be taken into account and included in the report summarising the responses**.

This consultation follows the normal rules of the European Commission for public consultations. Responses will be published unless respondents indicate otherwise in the online questionnaire.

Responses authorised for publication will be published on the following webpage:
https://ec.europa.eu/info/publications/finance-consultations-2020-non-financial-reporting-directive_en

INTRODUCTION

Background information on the Non-Financial Reporting Directive

The Non-Financial Reporting Directive (Directive 2014/95/EU, the "NFRD") 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 key performance indicators (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 has 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.
- An 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 public 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 a 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.

Consultation questions

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?

	1	2	3	4	5	Don't know
The lack of comparability of non-financial information reported by companies pursuant to the NFRD is a significant problem.					x	
The limited reliability of non-financial information reported by companies pursuant to the NFRD is a significant problem.					x	
Companies reporting pursuant to the NFRD do not disclose all relevant non-financial information needed by different user groups.					x	

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

Article 19a of the Accounting Directive (which was introduced into the Accounting Directive by the NFRD) currently requires companies to disclose information about four non-financial matters, if deemed material by the particular company: (i) environment, (ii) social and employee issues, (iii) human rights, (iv) bribery and corruption. These correspond to the "sustainability factors" defined in Article 2(24) of Regulation (UE) 2019/2088 on sustainability-related disclosures in the financial services sector.

Question 2.: Do you consider that companies reporting pursuant to the NFRD should be required to disclose information about other non-financial matters in addition to those currently set-out in Article 19a? Please specify (no more than three matters).

1. Human rights impacts on workforce, supply-chain, consumers and communities

2. Environmental matters of the Taxonomy regulation, in particular climate change adaptation and mitigation and biodiversity.

3. Health issues (in the workforce but also across the value chain – consumers)

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

Question 3.: Are there additional categories of non-financial information related to a company's governance and management procedures, including related metrics where relevant, (for example, scenario analyses, targets, more forward-looking information, or how the company aims to contribute to society through its business activities) that companies should disclose in order to enable users of their reports to understand the development, performance, position and impacts of the company? Please specify (no more than three).

1. Link of executive compensation with sustainability performance against set targets (relative variation in remuneration over sustainability performance), and major non-financial matters addressed by the board.

2. Time-bound sustainability targets that allow tracking of performance against targets over time. Targets and transition pathways that are science-based and Paris-aligned (or aligned with other target systems for biodiversity, social matters etc.)

3.

Investment in intangible assets currently represents the majority of investment carried out by the private sector in advanced economies.[1] There is a long-standing debate about the need for better reporting of intangible investments in company reports, including in relation to sustainability.[2] 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).

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.)?

[1] https://voxeu.org/article/productivity-and-secular-stagnation-intangible-economy

[2] The European Financial Reporting Advisory Group (EFRAG) is currently carrying out a research project on this topic. See http://www.efrag.org/Activities/1809040410591417/EFRAG-research- project-on-better-information-on-intangibles. The United Kingdom's Financial Reporting Council issued a

consultation document about business reporting of intangibles in 2019. See https://www.frc.org.uk/news/february-2019/consultation-into-improvements-to-the-reporting-of.

Yes	No	Don't know

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

In order to ensure that the financial sector entities comply with the new disclosure requirements, laid down in the different pieces of legislation, in the most effective and efficient manner, there might be scope for better coherence between the different disclosure requirements.

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

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

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

Q1-2: The four non-financial matters introduced by the NFRD appear to be covering all relevant sustainability matters, and there seems to be currently no need to currently introduce additional non-financial matters, even more so as they align with the sustainability matters in 2(24) Regulation (EU) 2019/2088. However, they appear to lack specificity and as such they should be defined to explicitly include the matters listed.

Q3: Our Asset Owners Disclosure Project found that the majority of leading asset owners are setting climate-related targets (most often time-bound), though data quality concerns remain an obstacle. As such, investors require forward-looking information that is time-bound and science-based (or commonly accepted for social/human rights issues) as well as comparable.

The disclosure of a direct-link between management and sustainability performance, also expressed in terms of compensation, would improve accountability. Shareholders with a long-term horizon need to be able to assess how current management is addressing sustainability issues that are not yet but might well become financially material. Hence, also the disclosure of which issues have been discussed by the board would serve this goal.

Q4: The principle of disclosure of non-financial information where material or of significant adverse impact should not be dependent on the type of asset. Our long experience with the Workforce Disclosure Initiative has shown that as clarity both in the legislation and in disclosure is key, a requirement for separate human capital disclosure would be appropriate, as it is an area where sustainability factors have long been applied to intangible assets.

Q5: Data from the Alliance for Corporate Transparency (of which ShareAction is a member) on corporate disclosures shows that 64.3% of the 1000 European companies analysed provided no information on biodiversity and ecosystem conservation, and 94.4% did not provide any information on high-risk areas for civil & political rights. Given the reporting requirements under the Disclosure, Taxonomy and Climate Benchmark regulations, financial institutions do not currently have access to the information they will need to adhere to these requirements. This is also demonstrated by the fact that only 20-30% of companies are specific when reporting their sustainability risks (in the areas of the directive), and even if the information disclosed is specific it is not necessarily relevant to investors.

Q6: Consistency across different legislation is essential in ensuring the relevance of the information disclosed. Positive steps in this sense have been taken with the Disclosure Regulation and the Taxonomy Regulation and we do recognise the different purpose of the different pieces of legislation. The NFRD Review must however ensure that the information disclosed is not only relevant but also usable by its intended users, in this case investors, not only in fulfilling their own disclosure requirements but also for engaging with the company. To this end transparency of the disclosure process and governance of sustainability are crucial.

Q7: Alignment with the six objectives of the Taxonomy Regulation and their technical screening criteria is essential in improving specificity and comparability of disclosures.

However, similar provisions should be made to reflect societal impacts as under the Disclosure Regulation, and to also account for the double-materiality perspective. Thus, while we recognise that not all Taxonomy objectives will be material for all disclosers, alignment with those objectives should depend on both sides of materiality (risks/opportunities and impacts).

2. Standardisation

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

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

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

Not at all	To some extent but not much	To a reasonable extent	To a very great extent	Don't know

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

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 4)?

	1	2	3	4	Don't know
Global Reporting Initiative		x			
Sustainability Accounting Standards Board		x			
International Integrated Reporting Framework	x				
Another framework or standard *					

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

*Please specify other framework or standard (no more than three.)

	1	2	3	4
1.				
2.				
3.				

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

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 Carbon 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:

	1	2	3	4	Don't know
Global Reporting Initiative			x		
Sustainability Accounting Standards Board			x		
International Integrated Reporting Framework		x			
Task Force on Climate-related Financial Disclosures (TCFD)				x	
UN Guiding Principles Reporting Framework (human rights)				x	
CDP			x		
Carbon Disclosure Standards Board (CDSB)			x		
Organisation Environmental Footprint (OEF)					x
Eco-Management and Audit Scheme (EMAS)		x			

Another framework or standard *					

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

*Please specify other framework or standard (no more than three).

	1	2	3	4	5
1. Corporate Human Rights Benchmark				x	
2. Workforce Disclosure Initiative			x		
3. Equator Principles			x		

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

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

Name of standard or framework (max 3)	Estimated cost of application per year, excluding any one-off start-up costs.

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

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

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

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

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/accountants. 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?

	1	2	3	4	Don't know
Investors				x	
Preparers				x	
Auditors/accountants		x			

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

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?

	1	2	3	4	Don't know
Civil society representatives/NGOs				x	

Academics			x		
Other*					

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

*Please specify other categories (no more than three).

	1	2	3	4
1. Trade Unions (separately from CSOs)			X	
2.				
3.				

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

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?

	1	2	3	4	Don't know
European Securities Markets Authority (ESMA)			x		
European Banking Authority (EBA)			x		
European Insurance and Occupational Pensions Authority (EIOPA)			x		
European Central Bank (ECB)		x			
European Environment Agency (EEA)				x	
Platform on Sustainable Finance[3]				x	
Other*					

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

*Please specify other European public bodies or authorities that you consider should be involved in the process of developing a European non-financial reporting standard (no more than three).

	1	2	3	4
1. European Economic and Social Committee		x		
2.				
3.				

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

[3] Established under the Regulation on the establishment of a framework to facilitate sustainable investment (the "Taxonomy Regulation"), not yet published in the EU Official Journal.

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?

	1	2	3	4	Don't know
National accounting standards-setters		x			
Environmental authorities		x			
Other*					

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

*Please specify other type of European public bodies or authorities that you consider should be involved in the process of developing a European non-financial reporting standard (no more than three).

	1	2	3	4
1. National Human Rights Institutions		x		
2.				
3.				

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

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

Q8: A required common standard for the disclosure of non-financial information would address the issues of comparability, reliability and to a large extent relevance.

Under a standard based on the principle of double-materiality, companies would retain a significant degree of discretion over their reporting process. We envision Level 1 requirements on information that companies are required to disclose (business model, governance of sustainability etc.) and on the approach for sector-specific disclosures that would then be specified in the standard at Level 2, which would also include a standardised framework for additional voluntary disclosure.

Q9: While some issues should generally be disclosed due to the severity of their adverse impacts, many other sustainability issues and risks (and their relevance) are sector specific. It would thus be sensible to include in the standard a set of additional indicators for companies to opt-in (based on their materiality assessment), as well as some sector specific requirements included in Level 1 legislation. This would allow comparability for users, as peers and main competitors would disclose against the same KPIs.

Q10: The application of SASB on its own would not resolve the problems identified due to its focus on financial materiality alone.

The adoption of GRI, despite its wide adoption in the market and comprehensiveness, would only solve the problems identified if there were clarity on which disclosures are mandatory.

A European Non-Financial Reporting Standard should thus aim to adopt accepted practices and use existing standards as starting point, but should be developed in line with the specific objectives of the directive and have a coherent approach. In particular, we recommend integrating principles from leading standard-setters such as the ones listed as well as the Corporate Human Rights Benchmark and the Equator Principles. In addition, while not a reporting framework per se, we believe the inclusion of some of the principles used in the Workforce Disclosure Initiative's methodology could be helpful in the development of workforce-related standards.

Q13: Yes. While we do not necessarily support a separate standard, we believe a simplified version of the same standard, with a modular approach to the level of detail (e.g. less detail required for SMEs, but more detail on some indicators for high-risk sectors), could be a good combination of reasonable reporting costs for SMEs and transparency in reporting in high-risk/impact sectors.

Q14: Clarity and standardisation of the requirements would limit the burden on SMEs as other companies would need to demand less information, as already available, particularly for high-risk sectors.

Q15: As the standard would already be a simplified version and pose a limited burden for disclosers, its application should be mandatory.

Q16: The principle of connectivity with financial information should be at the core of the development of such a standard to ensure relevance. However, representation of expertise in the different sustainability matters is perhaps of even greater importance and currently finds less representation.

Q17: Investors, as users, and preparers, as the entities subject to these requirements and who have insight into the feasibility of gathering certain data, should most certainly play a prominent role in the development of a European non-financial reporting standard.

Auditors/accountants should be able to contribute mostly to the process by providing insights into the feasibility of assurance of the reported information.

Q18: Civil society representatives and academics play an important role in this process, as they harmonise investor's need for standardisation and preparers' need for flexibility with the need for a systemic approach and to ensure that information, particularly with regards to adverse impact and not just financial materiality, is disclosed effectively. Trade unions should be considered separately from CSOs due to their role of representation of the workforce and not simply as users of non-financial information.

Q19: As the Platform on Sustainable Finance's role, as set out in the Taxonomy Regulation, is to provide technical assistance and recommendations on technical screening criteria, it seems appropriate for it to be able to provide significant input to the development of a European non-financial reporting standard.

Similarly, the European Environment Agency should be asked to provide technical input for the development of environmental indicators under the standard.

European Supervisory Authorities should be involved in the process, and particularly so should they receive an explicit mandate for supervision of compliance to the disclosure requirements in the reviewed NFRD. Their involvement would be particularly significant in ensuring alignment with the Regulatory Technical Standards of Regulation (EU) 2019/2088 (SFDR).

3. APPLICATION OF THE PRINCIPLE OF MATERIALITY

The NFRD requires companies to disclose information "to the extent necessary for an understanding of the development, performance, position and impact of [the company's] activities." This materiality principle implies that companies reporting pursuant to the NFRD must disclose (i) how sustainability issues may affect the development, performance and position of the company; and (ii) how the company impacts society and the environment. This is the double-materiality perspective.[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.

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[4] See also the Commission's non-binding guidelines on reporting climate-related information, section 2.2, page 4 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XC0620(01)#page=4.

‘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*?

No, not at all	To some extent but not much	To a reasonable extent	Yes, to a very great extent	Don’t know

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*?

No, not at all	To some extent but not much	To a reasonable extent	Yes, to a very great extent	Don’t know

Question 23.: If you think there is a need to clarify the concept of ‘material’ non- financial information, how would you suggest to do so?
The law should clarify the elements of the two “directions” of materiality, in particular the social and environmental (actual and potential) impacts, and require their consideration when reporting non-financial information. Non-financial/sustainability information should:

- be considered material (and thus be disclosed) when it is necessary to understand significant sustainability impacts (regardless of financial materiality). This direction of materiality, namely social & environmental materiality, should state that companies should consider “actual and potential adverse or positive impacts on people, society and the environment”.

- be considered material (and thus be disclosed) when it influences the undertaking’s development, performance and position (regardless of the severity of the impact on the sustainability matter or the undertaking’s contribution towards it). This direction of materiality, namely financial materiality, should be understood as “sustainability risks and opportunities”, as is the case with TCFD.

These two types of information may be unrelated, but companies should consider (and disclose) if and how they may be related.

The legislation should provide definitions of the key terms – risks, opportunities and impacts – and use them consistently with respect to either financial or social & environmental materiality. That is, 'risks and opportunities' should be used for financial materiality, whereas 'impacts' in social & environmental materiality.

There should be a requirement for disclosing material issues alongside a statement that clarifies/explains the outcome of the materiality assessment process. This process should be based on requirements and recommendations in the reporting standard that include a consideration of the global and idiosyncratic sustainability context as well as the concept of corporate responsibility in line with the UNGPs and OECD Guidelines (causing and contributing to impacts, as well as being linked to impacts by business relationships – value chains). It should also clarify how companies should prioritise impacts according to severity, scale, likelihood, and their ability to prevent and mitigate them.

This discussion cannot be separated from due consideration of governance of sustainability matters. Only effective and transparent governance, with the right incentives as already mentioned with regards to disclosure of issues addressed by the board and link to executive compensation, can ensure the materiality assessment process moves from box ticking to a useful analysis of sustainability risks and opportunities.

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

Yes	No	Don't know

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

Q22: As set out in the EU Sustainable Finance Action Plan, investors tend to fail to recognise and address sustainability issues if they do not recognise them as financially material. As these issues might however have significant negative impact on environment and society, might be seen as financially material by long-term investors, or might even help identify the resilience or exposure of a company to external shocks (see current pandemic), the definition set out in Article 2(16) of the Accounting Directive can clearly not serve this purpose.

Q24: Companies should disclose the outcome of the materiality assessment process, and provide some insight into how they have approached this process (cf: Q23). ShareAction believes this will ensure users of the information can be reasonably confident that a specific issue is not being neglected or not being recognised by the company, but rather that after due consideration of it and its impact it was deemed as non-material (both in terms of risks/opportunities and impacts).

4. Assurance

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

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

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

No, not at all	To some extent but not much	To a reasonable extent	Yes, to a very great extent	Don’t know

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

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

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

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

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

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.

It will depend on the characteristics of the EU Non-Financial Reporting Standard.

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

Question 32.: If you publish non-financial information and that information is assured, please indicate the annual costs of such assurance.

If you provided an answer to the previous question, please describe the scope of the assurance services provided (issues covered, reasonable/limited, etc.).

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

Q27: We suggest a combination of the two, depending on the suitability of that information to be audited (specific KPIs with defined methodology vs. materiality determination and qualitative reporting). With the development of practices reasonable assurances should replace limited assurance.

Q31: It should, to avoid repeating the experience with the current implementation of the NFRD and its enforcement.

5. DIGITISATION

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

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

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

	1	2	3	4	5	Don't know
It would be useful to require the tagging of reports containing non-financial information to make them machine-readable.					x	
The tagging of non-financial information would only be possible if reporting is done against standards.			x			
All reports containing non-financial information should be available through a single access point.					x	

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

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

No, not at all	To some extent but not much	To a reasonable extent	Yes, to a very great extent	Don’t know

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

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

Q33: However, for this information to be complete, all companies under the scope of the directive should be required to disclose their information as machine readable. Moreover, while a digital tool could support comparability, this would only be effectively ensured if the information is reported against standards, with clear indicators. This would create a level playing field with users of the information with more limited resources, as large investors already have the ability to sift through vast amounts of information that is not easily comparable, either with the use of artificial intelligence, significant human resources and/or third-party data providers.

Q34:While the cost of introducing tagging of non-financial information would appear to be negligible, the benefits this would bring in widening access to the information and allowing for users to search within large amounts of information across companies are very significant. Thus, the additional cost of tagging would be proportionate to the reduced cost of accessing the relevant information by the intended users.

The information should be accessible through a single access point, that would allow for easy access to raw harmonised non-financial data, possibly free of charge. Alternatively, we also support setting up a European Single Access Point for company data (as also recommended by the High-Level Forum on the Capital Markets Union in its final report), to ensure even greater connectivity with financial data.

6. Structure and location of non-financial information

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

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

- Separate reports that include non-financial information are out of the legal mandate of the national competent authorities, whose mandate over periodic reports is limited to the annual and semi-annual financial reports (which include the management report).
- Separate reports that include non-financial information are not required to be filed in the Officially Appointed Mechanisms (OAMs) designated by Member States pursuant to Article 21(2) of the Transparency Directive.

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

	1	2	3	4	5	Don't know
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).		x				
The publication of financial and non-financial information in different reports creates the perception that the information reported in the separate report is of					x	

secondary importance and does not necessarily have implications in the performance of the company.						

1= not at all, 5= to a very great extent]

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

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?

	1	2	3	4	5	Don't know
Legislation should be amended to ensure proper supervision of information published in separate reports.					x	
Legislation should be amended to require companies to file the separate report with Officially Appointed Mechanisms (OAMs).					x	
Legislation should be amended to ensure the same publication date for management report and the separate report.					x	

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

Please provide any comments regarding the location of reported non-financial information.

All necessary non-financial information should be disclosed in the management report, for investors and other intended users to easily consider it alongside financial information. This would also prevent having two reporting periods per year. Data from the Alliance for Corporate Transparency shows that this has become market practice, and should be welcomed.

Separate reporting could risk siloing sustainability information, giving the impression it is of minor relevance, and more importantly that is not financially material to the company's performance, thus effectively countering the purpose of the directive. For this reason, even in the case of more comprehensive separate reporting, essential non-financial information should still be reported in the management report. Hence, clarity on minimum disclosure requirements is paramount, but should not be interpreted as limiting the company's opportunities for disclosure outside this framework.

Should companies be allowed to publish the required non-financial information in a separate report, legislation should be amended to ensure proper supervision, and the information should be filed to the OAMs under the Transparency Directive. The company's disclosure of non-financial information would thus be subject to the same approval process and internal supervision as the management report, with clear implicit benefits in terms of governance and oversight of sustainability issues. After all, if investors and other intended users see value in having access to non-financial information (and derive essential information on the company's performance and resilience), it should not be treated differently than the information contained in annual reports.

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?

No, not at all	To some extent but not much	To a reasonable extent	Yes, to a very great extent	Don't know

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

7. PERSONAL SCOPE (WHICH COMPANIES SHOULD DISCLOSE)

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

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

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

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

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

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

- Changes in the legislative framework: following the adoption of the Regulation on sustainability-related disclosure in the financial services sector and of the Taxonomy Regulation, investors may require non-financial information from a broader range of investees in order to comply with their own sustainability-related reporting requirements.

- Large unlisted companies can have significant impacts on society and the environment. There may therefore be no *a priori* reason to differentiate between listed and non-listed companies in this respect. In addition, the difference in treatment between listed and non-listed companies in this regard may serve as a disincentive for companies to become listed, and therefore undermine the attractiveness of capital markets.

- Exempting PIEs that are subsidiaries limits the information about impacts on society and the environment, thus undermining the ability of stakeholders of such exempted subsidiaries to hold them accountable for their impacts on society and the environment, especially at local and national level.

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

	1	2	3	4	5	Don't know
Expand scope to include all EU companies with securities listed in regulated markets, regardless of their size.					x	
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).					x	
Expand scope to include *all* public interest entities, regardless of their size.					x	

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

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?

	1	2	3	4	5	Don't know
Expand the scope to include *large non-listed* companies.					x	
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.					x	
Expand the scope to include large companies established in the EU but listed outside the EU.					x	
Expand the scope to include large companies not established in the EU that are listed in EU regulated markets.					x	
Expand scope to include *all* limited liability companies regardless of their size.	x					

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

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

If yes, please specify who in your opinion should carry out this task (National Competent Authorities, European Supervisory Authorities, other…) and how.

To ensure consistency, the supervision of compliance with sustainability reporting requirements by non-listed companies should not differ from the one of listed companies, and as such should be carried out by the same competent bodies. We thus suggest expanding the mandate of financial regulators such as the National Competent Authorities as well as ESMA at EU-level (e.g. for foreign EU-listed companies).

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?

	1	2	3	4	5	Don't know
The threshold criteria for determining which banks have to comply with the NFRD provisions should be different from those used by Non-Financial Corporates.					x	
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.					x	

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

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

Q40: The rationale for disclosure is not limited to financial materiality but includes significant adverse impact as well. There is no evidence to suggest that large non-listed companies cause significantly less environmental and social adverse impact than their listed counterparts, and as such there is no need for disclosure. Investors in non-listed companies should also have access to significant non-financial information. As the stated objectives of the initiative include ensuring access to adequate non-financial information by civil society organisations, trade unions and others to be able to hold companies accountable for their impacts on society and the environment, large non-listed companies should be included in the personal scope of the directive (Q41). Even more so as this is already the approach taken by many member states in the transposition of the directive.

The scope should also include companies whose parent company discloses at group level, especially in cases where the subsidiary is listed or where the parent company is a diversified conglomerate. In those cases in fact, it can be very difficult to disaggregate information for the subsidiary and/or the subsidiary might have undergone a significantly different materiality assessment process.

Q43: The thresholds for financial institutions should be based on financial terms as these are more indicative of the exposure to risks and saliency of impacts than the number of employees.

8. SIMPLIFICATION AND REDUCTION OF ADMINISTRATIVE BURDENS FOR COMPANIES

Question 44.: If your company publishes non-financial information pursuant to the NFRD, please state how much time the employees of your company spend per year carrying out this task, including time of retrieving, analysing and reporting the information? Please provide your answer in terms of full-time-equivalents (FTEs, 1 FTE= 1 employee working 40h a week during 250 working days per year). Please provide your answer for reports published in 2019, covering financial year 2018.

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.

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?

	1	2	3	4	5	Don't know
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.					x	
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.					x	
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.						x

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

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