



FESE response to the European Commission consultation on the Non-Financial Reporting Directive

Brussels, 11th June 2020

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

Q1 - 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	2	3	4	5	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				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		

Q2. Do you consider that companies reporting pursuant to the NFRD should be required to disclose information about other non-financial matters in addition to those currently set-out in Article 19a?

	Please specify which other non-financial matters (no more than 3):
Other non-financial matter #1	The disclosure requirements should be aligned with those introduced via the Taxonomy Regulation Article 8 on “Transparency of undertakings in non-financial statements” and streamlined with the upcoming delegated act specifying the content and presentation of the information to be disclosed by companies in scope of the NFRD.
Other non-financial matter #2	Harmonisation of information disclosures should be promoted to avoid duplicative disclosure requirements. Requirements should not go beyond EU regulation.
Other non-financial matter #3	

Q3. Are there additional categories of non-financial information related to a company's governance and management procedures, including related metrics where relevant, (for example, scenario analyses, targets, more forward-looking information, or how the company aims to contribute to society through its business activities) that companies should disclose in order to enable users of their reports to understand the development, performance, position and impacts of the company?

	Please specify which additional categories of non-financial information (no more than 3):
Additional category of non-financial information #1	Governance issues related to the board, accountability and oversight policies, along with remuneration.
Additional category of non-financial information #2	
Additional category of non-financial information #3	

Q4 - 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

Q5 - 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

Q6 - 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

Q7 - 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.)

FESE supports the objectives of reorienting capital flows to sustainable investments, managing financial risk related to climate change and fostering transparency and long-termism in financial and economic activity. We believe that markets are a key leveraging factor when it comes to critical societal challenges, including climate change.

In the context of the sustainable finance agenda, many new reporting requirements have been agreed in various files (Benchmarks, Disclosure, Taxonomy) and are now discussed within NFRD and Green Bonds. It is important to consider streamlining requirement at EU level to avoid creating parallel but slightly different disclosure requirements that are also established at Member State level, as this risks introducing legal uncertainty and a disproportionate regulatory burden. FESE therefore supports a review of the NFRD to meet the objectives of the Taxonomy Regulation to ensure that all companies are provided with one set of reporting requirements related to sustainable finance. We consider that harmonisation of information disclosures should be promoted to avoid duplicative disclosure requirements and requirements should not go beyond EU regulation.

The review of the NFRD should focus on strengthening & harmonising provisions. Rather than simply extending the reporting obligation for companies, the definition of explicit ESG standards for companies under the NFRD are necessary to ensure that reliable, comparable and relevant non-financial information is disclosed. Generally speaking, the quality and comparability of companies' sustainability reporting under the current NFRD is not sufficient to understand their impacts, risks or plans. Gaps in data, particularly regarding smaller and unlisted companies, as well as inconsistencies in methods and a lack of validation (e.g. by auditors) impede comprehensive integration of relevant and material sustainability factors into investment and/or credit processes.

More and more businesses see benefits in adapting to more sustainable business models and communicate their efforts in environment, social and governance (ESG) reports. They are thereby responding to an investor base which is becoming increasingly ESG oriented. We therefore generally support enhancing environmentally related information disclosure which allow companies of different types, businesses, sizes, governance, maturity, etc. to adapt their reporting to what is appropriate in each case. In addition, FESE believes further attention should be given to social and governance reporting, following the Commission's initiatives focused on environmental reporting.

FESE considers that disclosure obligations on listed issuers should be comparable, well-calibrated and proportionate. We would caution against increasing non-market-related disclosure obligations on listed issuers alone as this would risk disincentivising companies from listing on Regulated Markets, which would not increase transparency. It is important that these disclosures also apply to private firms with comparable economic, social, and environmental footprints to meet the Commission's objective of reorienting private capital

flows towards more sustainable investments. Moreover, this should be implemented on a phased-in basis to allow sufficient time for market participants to adapt.

The scope and targets of policy measures related to sustainability need to remain detached from the type of financing a company has opted for. The same rules should apply to companies, whether they have opted for debt or equity financing.

2. Standardisation

Q8 - 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

Q9 - 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

Q10 - 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 very reasonable extent, 4= to a very great extent

	1	2	3	4	N/A
Global Reporting Initiative			X		
Sustainability Accounting Standards Board			X		
International Integrated Reporting Framework		X			

Q10.1 - 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

Q10.2 - Please specify which other standard(s) or framework(s) you consider, applied on their own, would resolve the problems identified while also enabling companies to comprehensively meet the current disclosure requirements of the NFRD, and to what extent: Please rate as follows: 1= not at all, 2= to some extent but not much, 3= to a reasonable extent, 4= to a very great extent

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

Q11 - 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 very reasonable extent, 4= to a very great extent

	1	2	3	4	N/A
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		
Climate Disclosure Standards Board (CDSB)			X		
Organisation Environmental Footprint (OEF)		X			
Eco-Management and Audit Scheme (EMAS)			X		

Q11.1 - 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

Q11.2 - Please specify the existing standard(s) or framework(s), whose principles and content should be incorporated in a potential common European non-financial reporting standard, and to what extent: Please rate as follows: 1= not at all, 2= to some extent but not much, 3= to a reasonable extent, 4= to a very great extent

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

Other standard or framework #1		
Other standard or framework #2		
Other standard or framework #3		

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

Q13 - 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

Q14 - 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

Q15 - 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

Q16 - 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

Q17 - 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 do you think that these groups should also be involved in the process of developing a European non-financial reporting standard?

	1= not at all	2 = to some extent but not much	3= to a very reasonable extent	4= to a very great extent	N/A
Investors				X	
Preparers				X	
Auditors/accountants			X		

Q18 - In addition to the stakeholders referred to in the previous question, to what extent do you consider that the following stakeholders should be involved in the process of developing a European non-financial reporting standard?

Please rate as follows: 1= not at all, 2= to some extent but not much, 3= to a reasonable extent, 4= to a very great extent

	1= not at all	2 = to some extent but not much	3= to a very reasonable extent	4= to a very great extent	N/A
Civil society representatives/NGOs			X		
Academics		X			

Q18.1 - 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

Q18.2 - Please specify which other stakeholder(s) you consider should be involved in the process of developing a European non-financial reporting standard and to what extent.

Please rate as follows: 1= not at all, 2= to some extent but not much, 3= to a reasonable extent, 4= to a very great extent

	Name of other stakeholder (no more than 3):	Please rate from 1 to 4 as explained above (please use digits only)
Other stakeholder #1	Stock Exchanges/ Stock Exchange associations	4
Other stakeholder #2	Advisor entities that advise issuers	3
Other stakeholder #3		

Q19 - 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 very reasonable extent, 4= to a very great extent

	1	2	3	4	N/A
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				X	

Q19.1 - Do you consider that other European public body/ies or authority/ies should be involved in the process of developing a European non-financial reporting standard?

Yes

No

Don't know / no opinion / not relevant

19.2 - Please specify which other European public body/ies or authority/ies you consider should be involved in the process of developing a European non-financial reporting standard and to what extent:

Please rate as follows: 1= not at all, 2= to some extent but not much, 3= to a reasonable extent, 4= to a very great extent

	Name of other European public body or authority (no more than 3):	Please rate from 1 to 4 as explained above (please use digits only)
Other European public body or authority #1		
Other European public body or authority #2		

Other European public body or authority #3		
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Q20 - To what extent do you consider that the following national authorities or bodies should be involved in the process of developing European non-financial reporting standards?
Please rate as follows: 1= not at all, 2= to some extent but not much, 3= to a reasonable extent, 4= to a very great extent

	1= not at all	2 = to some extent but not much	3= to a very reasonable extent	4= to a very great extent	N/A
National accounting standards-setters			X		
Environmental authorities			X		

Q20.1 - 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

Q20.2 - 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?

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

Please provide any comments or explanations to justify your answers to questions 8 to 20: 5000 character(s) maximum

FESE supports the work undertaken by the Commission on non-financial information disclosures. An EU wide harmonised reporting standard will enable investors to have easy access to information relevant to their investment choices. We consider that some improvements could be made to enhance transparency and promote investments in ESG activities.

A harmonised approach in terms of applicability

We support a harmonised transparency framework for non-financial reporting. In addition, we would invite the Commission to consider supporting the audit community in promoting a harmonised control framework.

A differentiated approach - Taking sector specific elements into account

In defining ESG standards it is important to take sector specific elements into account. The current guidelines are designed to apply to a diverse range of companies. This enables companies to report in a manner adapted to their business model. However, it could lead to artificial application of guidelines that in some cases do not match the reality of the business model and increased compliance costs. Introducing a differentiated approach where standards could be adapted to certain types of businesses could lead to a more tailored approach. Allowing a focus on the core business per sector would support both companies in reporting as well as investors in receiving the information and improve transparency and relevance of information.

Simplified standard for SMEs

We would support the introduction of specific proportionate voluntary guidelines for SMEs (as defined in MiFID). This would cater to the need for transparency for investors but place a more proportionate burden in terms of costs for SMEs that are an important part of capital markets.

Current requirements on SME Growth Market are high and do not differ much from the requirements on Regulated Markets, despite the fact that each additional cost can constitute an important item in the financial model of SMEs. We fear that the introduction of further requirements may be very difficult to handle for SMEs, which may result in an increase of withdrawals of SMEs from the public market and IPOs not taking place. This type of withdrawals is something we are already observing on most Exchanges in Europe.

Use of existing standards when developing unified ESG standards

The international momentum towards the creation of reporting standards for the disclosure of non-financial information and/or sustainability performance data increasingly raises questions about how to consolidate and simplify such standards, especially from the perspective of the report preparer. The institutional framework for non-financial and sustainability reporting in the international context must be clarified-taking relevant institutions such as the International Accounting Standards Board (IASB) and the International Integrated Reporting Council (IIRC) into account - so that report preparers have access to a reliable framework, not just for financial reporting but also for all elements of management reports.

Many issuers align their sustainability reports to the internationally recognised reporting framework of the Global Reporting Initiative (GRI). Since its foundation in 1997, the GRI has developed into a de facto standard for comprehensive and professional sustainability reporting. The Sustainable Development Goals (SDGs) of the United Nations, which were adopted in 2015, are also increasingly attracting attention.

Furthermore, strengthening linkages between non-financial and financial information, in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations can help to further improve the understanding of financial impacts of non-financial matters, which are often missing in corporate managements reports. Information should be presented with a clear structure, using e.g. table of contents, indicators of which information fulfils certain requirements in the regulation under the NFRD and/or disclosure frameworks and cross-references between sections that are interlinked.

There is a wide range of disclosure frameworks used, which explains the diversity in the observed reporting practices, e.g. in relation to the disclosure of KPIs. We therefore support a unified set of ESG disclosure standards. Consequently, the significant optionality, including the choice amongst various applicable frameworks, should be reduced.

To efficiently develop an EU-wide ESG reporting standard, European public bodies or authorities as well as stakeholders should be substantially involved and consulted. Some bodies or authorities, such as the ECB, could be involved as observers for the sake of consistency, harmonisation and exchange of best practices. Existing standards as the ones outlined above should be used as a basis. It will be important to conduct impact

assessments, avoid layering of standards, which would introduce further complexity and focus on simplifying requirements.

3. Application of the principle of materiality

Q21 - 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

Q22 - 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

Q23 - Is there is a need to clarify the concept of 'material' non- financial information?

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

Q23.1 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

There is certainly a need to clarify the concept of material non-financial information. Before doing so, it is paramount to define what is considered as non-financial information. Different concepts and scope exist and it would be important to make it clear.

Q24 - 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

We would like to stress the importance of aligning the concepts of double materiality with the provisions on principal adverse sustainability impact disclosures in the Sustainable Finance Disclosure Regulation. The sustainability risk concept should also be aligned with the Disclosure Regulation and the obligations on financial market participants in this regard.

Ideally, we would suggest that details on the determination of materiality be fleshed out with respect to the double materiality requirements. This would also result in greater clarity as to the requirements governing audit criteria and audit depth.

For users to understand the materiality assessment performed, issuers should disclose how the following aspects were taken into account: the information needs of different stakeholders and their relative importance, the selection of relevant time horizons and the probabilities associated with financial and non-financial impacts.

Furthermore, a concretisation of the risk concept used against the backdrop of different stakeholder expectations (among them shareholders and civil society) is necessary relative to the material risks. Given different definitions of the concept of risk in function of the given application context there has so far been a lack of clarity in corporate reporting which has led to the risk of misinterpretations on the part of report preparers and users alike. Based on the requirements and their experience in financial reporting, reporting companies have so far taken the concept of risk to mean deviations from plans and/or targets (outside-in perspective). In contrast, growing numbers of report users are also interested in assessments of the external risks in the sense of negative effects on people and the environment and/or climate (inside-out perspective).

4. Assurance

Q25 - 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

Q26 - 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

Q27 - 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

Q28 - 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

Q29 - 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

Q30 - 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

Q30.1 - 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:

There is no need to develop a new standard. Existing assurance standards should be screened and mapped with the aim to provide robust guidelines.

Q31 - 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

Q32 - Do you publish non-financial information that is assured?

Yes

No

Don't know / no opinion / not relevant

Q32.1 - If you do publish non-financial information and that information is assured, please indicate the annual costs of such assurance:

5000 character(s) maximum

N/A

Q32.2 - If you provided an answer to the previous question, please describe the scope of the assurance services provided (issues covered, reasonable/limited, etc.):

5000 character(s) maximum

N/A

Please provide any comments or explanations to justify your answers to questions 25 to 32:
5000 character(s) maximum

An external verification of the non-financial information increases the transparency and credibility of companies towards stakeholders, reduces risk of reporting incorrect or inaccurate information and leads to process optimisations as well as increased efficiency. Most issuers engage auditors or auditing companies for the assurance of non-financial information. The scope and depth of the assurance are agreed individually by the companies but there is a clear preference for an assurance with limited certainty. If assurance of non-financial information is required by EU law, we think that assurance engagements should be performed based on a common assurance standard.

5. Digitisation

Q33 - 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	2	3	4	5	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.					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			

Q34 - 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

Q35 - Please provide any other comments you may have regarding the digitalisation of sustainability information:

5000 character(s) maximum

In relation to the question on providing a single access point, please note that as the scope of the NFRD is, and should be, for both listed and non-listed companies in regards to the rules regarding disclosure, the reporting, storage and access to information. Therefore, if the National Competent Authorities' supervisory databases are leveraged for non-financial information, they will also need to be adapted accordingly to ensure the supervision of companies' compliance with the disclosure framework. There are certain structures already in place for listed companies which can be used as a model for the information provided by non-listed companies, such as the Officially Appointed Storage Mechanisms under the

Transparency Directive, but these structures may not be suitable straight off for the broader scope of companies within the NFRD.

We believe that digitisation could help to expand and improve the reporting. The handling of science-based targets, climate stress tests, scenario analyses and disclosure by financial institutions of the compatibility of their portfolios with the reduction targets of the Paris Agreement on Climate Change will possibly be easier. This kind of forward-looking sustainability data is an important prerequisite for improved assessments of the risks and opportunities associated with the future viability of companies and their external effects on the environment.

Please provide any comments or explanations to justify your answers to questions 33 to 35: 5000 character(s) maximum

We would like to firstly highlight that any extension of ESEF to NFRD should be subject to a proper impact assessment as the benefits of data analysis must be in line with the additional effort for issuers.

FESE believes that digitisation is key to enabling a broad and efficient use of non-financial data provided by the NFRD. Potential users of such non-financial data would not be able to gather such data from classic, non-digital sources like annual reports - at least not in an efficient and reliable way.

From a report users' perspective there are (in part considerable) obstacles to obtaining sustainability data. This requires taking steps which make it easier for them to sort through and process relevant sustainability data. At the same time, there should be no disproportionate burden on report preparers.

We recommend the incremental introduction of a standardised, digitised reporting format (e.g. XBRL) for fulfilling the sustainability reporting obligation in the EU as an additional measure. This would serve to match sustainability and financial reporting in respect of the format used and improve the flow of information between companies and financial market players/databases. In the long term, this would make sustainability data a standard component of companies' (financial) reporting.

6. Structure and location of non-financial information

Q36 - 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 very reasonable extent, 4= to a very great extent

	1	2	3	4	n/a
The option to publish the non-financial statement as part of a separate report creates a significant problem because the non-financial information reported by companies is hard to find (e.g. it may increase search costs for investors, analysts, ratings agencies and data aggregators).			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 secondary importance and does not necessarily have implications in the performance of the company.				X	

Q37 - 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

Q38 - 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	2	3	4	5	Don't know/no opinion/not relevant
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		

Q38.1 - Please provide any comments regarding the location of reported non-financial information:

5000 character(s) maximum

The form and structure of the presentation of non-financial information is uneven among companies. By default, sustainability-related information should be provided in a company's mainstream annual report but the NFRD allows Member States to soften this requirement. This results in a split practice with many firms prioritising a separate report which makes it hard for investors and other users to find relevant information even when it is reported. We therefore recommend making reporting in the management report mandatory by removing the exemption to allow the non-financial statement to be reported outside the management report.

Q39 - 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

It is important that the non-financial information is provided at the same time and by the same means as the financial statement. The non-financial information should be easy to find. We therefore consider that this information should be part of the annual report. In addition, a document containing non-financial information should be submitted to the relevant OAM, together with other obligatory elements of the annual report.

Greater standardisation of the time and place of disclosures of sustainability data should be considered over the next few years, as this would enhance the comparability of sustainability data (e.g. in connection with the selected audit depth). This concerns the desirable, simultaneous and, in the best case, integrated publication of both financial and sustainability data and/or the greater integration over time of sustainability data into companies' business and financial reporting.

7. Personal scope (which companies should disclose)

Q40 - 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	2	3	4	5	Don't know/no opinion/not relevant
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			

Q41 - 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	2	3	4	5	Don't know/no opinion/not relevant
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			
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Q42 - 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

Q42.1 - If you consider that there should be a specific competent authority in charge of supervising non-listed companies' compliance with the obligation of disclosing non-financial information, please specify who in your opinion should carry out this task (National Competent Authorities, European Supervisory Authorities, other...) and how:

5000 character(s) maximum

<p>FESE believes that the scope of the NFRD should not be limited to public-interest entities and it should be extended to all non-listed companies with more than 500 employees. Whether a company is listed or not is not a relevant factor about whether its sustainability risks and impacts are high or low. If both public-interest entities, and non-listed companies with more than 500 employees, were required to disclose non-financial information, FESE recommends that National Competent Authorities should be in charge of supervising these companies' compliance.</p> <p>This would ensure an equal level playing field in the disclosure obligations related to non-financial information on companies' activities regarding environmental, social or governance topics. However, we would like to emphasize that this obligation and supervision be limited to the disclosure of non-financial information. The current regime on non-listed companies' disclosure obligation of financial information remains adequate and should not be changed under the NFRD review.</p>
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Q43 - 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	2	3	4	5	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.				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		

Please provide any comments or explanations to justify your answers to questions 40 to 43:
5000 character(s) maximum

We believe that introducing similar non-financial reporting obligations on large unlisted companies is in the interest of the capital market and guarantees a level playing field. The capital market is becoming less and less attractive to companies, as the requirements on listed companies significantly exceed the benefits offered by the status of being a public company. In addition, stakeholders of private companies should also have access to information that is relevant. Disclosure obligations in this regard should be supervised by the National Competent Authorities.

The underlying objective of the European Green Deal is to ensure that the EU is carbon neutral by 2050. Key to the delivery of that objective is the need to reorient significant amounts of public and private capital into sustainable activities. The ambition is that the disclosure of robust environmental data by corporates will speed up the rate of investment into green and other environmentally sustainable activities. We therefore support the proposal to extend the NFRD to non-listed large companies as the contribution of those companies are significant in terms of sustainable activities.

Disclosure obligations on listed issuers should be well-calibrated and proportionate. We would caution against increasing non-market-related disclosure obligations on listed issuers alone as this would risk disincentivising companies from listing on public markets, which would not increase transparency, and result in decreased overall corporate transparency. It is important that these disclosures also apply to private firms with comparable economic, social, and environmental footprints to effectively contribute to the EU's energy and climate 2030 targets. Moreover, this should be implemented on a phased-in basis to allow sufficient time for market participants to adapt.

Same rules for companies opting for debt or equity financing

Given that the transition towards a prosperous, modern, competitive and climate-neutral economy is a comprehensive challenge affecting all EU companies, the scope and targets of policy measures related to sustainability need to remain detached from the type of financing a company has opted for. The same rules should apply to companies, whether they have opted for debt or equity financing.

Finally, SMEs play an important role in many European economies. It is therefore necessary to encourage SMEs to also disclose sustainability data. Financial market players engaged particularly in promoting SMEs should support the latter to continuously broaden their disclosures of sustainability data. Although we do recognise the need to avoid the overall regulatory burden on SMEs, non-financial matters may pose material risks and opportunities to businesses irrespective of their size. Better sustainability-related performance could also lead to lower funding costs, fewer and less significant business interruptions, stronger consumer loyalty and better relations with stakeholders.

Therefore, we believe that any extension of the scope of the NFRD targeting SMEs needs to be carefully assessed and followed by a cost-benefit analysis. A possible way forward to reduce potentially increased costs and administrative burden on SMEs could be to introduce principles of proportionality. We would support the introduction of voluntary specific simplified standard for SMEs (as defined in MiFID). This would cater to investors' need for transparency but place a more proportionate burden in terms of further administrative costs for SMEs. In principle, requirements should include all companies but we also recognise the need for flexibility in order not to overburden small companies and therefore believe that size and complexity of undertakings should be considered when developing such requirements.

Finally, we believe that the current exemption for subsidiaries should be kept in the future requirements of the revised NFRD. The necessary data could be provided at a group level as well and the information can easily be split along entities.

8. Simplification and reduction of administrative burdens for companies

Q44 - Does your company publish non-financial information pursuant to the NFRD?

Yes

No

Don't know / no opinion / not relevant

Q44.1 - 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.

5000 character(s) maximum

N/A

Q44.2 - 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

N/A

Q45 - 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	2	3	4	5	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.					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	

Please provide any comments or explanations to justify your answers to questions 44 to 45:
5000 character(s) maximum

Companies face difficulties in reporting under the NFRD due to the following three reasons:

1. Companies, notably SMEs, are constrained by resources to gather, analyse and report the non-financial information requested by the NFRD.
2. The NFRD disclosure framework lacks specificity and clarity. Companies are left to determine which type of information they should be disclosing and how to calculate the indicators that are sought from financial market participants. Companies would like clear standards to help them maneuver in their disclosure of non-financial information.
3. The NFRD provides companies with guidelines on the elements to disclose, however, it is not necessarily clear for companies how to format the non-financial information to meet the financial market participants' expectations.

It is also important to note that companies face questions from financial market participants on their activities and possible links to their non-financial information. Companies are under pressure to respond to individual demands with elements of answers that cannot be provided under the current NFRD reporting framework.

In addition, companies reporting pursuant to the NFRD have difficulty in getting the information they need from business partners, including suppliers, to meet their disclosure requirements as it is difficult to get information from suppliers in the company's supply chain when the former are not covered by the NFRD.

Additional information

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

The maximum file size is 1 MB.
You can upload several files.