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

Fields marked with * are mandatory.

Introduction

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Background information on the Non-Financial Reporting Directive

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

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

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

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

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

Current context

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

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

1. There is inadequate publicly available information about how non-financial issues, and sustainability issues in particular, impact companies, and about how companies themselves impact society and the environment. In particular:

    a. Reported non-financial information is not sufficiently comparable or reliable.

    b. Companies do not report all non-financial information that users think is necessary, and many companies report information that users do not think is relevant.

    c. Some companies from which investors and other users want non-financial information do not report such information.

    d. It is hard for investors and other users to find non-financial information even when it is reported.

2. Companies incur unnecessary and avoidable costs related to reporting non-financial information. Companies face uncertainty and complexity when deciding what non-financial information to report, and how and where to report such information. In the case of some financial sector companies, this complexity may also arise from different disclosure requirements contained in different pieces of EU legislation. Companies are under pressure to respond to additional demands for non-financial information from sustainability rating agencies, data providers and civil society, irrespective of the information that they publish as a result of the NFRD.

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

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

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

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

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

Objectives of this public consultation and links with other consultation activities

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

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

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

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

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

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

More information:

- on this consultation
- on the consultation document
- on the protection of personal data regime for this consultation

About you

* Language of my contribution

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

* I am giving my contribution as

- ○ Academic/research institution
- ○ Business association
- ○ Company/business organisation
- ○ Consumer organisation
- ○ EU citizen
- ○ Environmental organisation
- ○ Non-EU citizen
- ◉ Non-governmental organisation (NGO)
- ○ Public authority
- ○ Trade union
- ○ Other

* First name

Julia

* Surname

Linares

* Email (this won't be published)

jlinares@wwf.eu

* Organisation name

255 character(s) maximum

WWF European Policy Office

* Organisation size

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

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

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

Transparency register number

255 character(s) maximum

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

1414929419-24

* Country of origin

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

- Afghanistan
- Åland Islands
- Albania
- Algeria
- American Samoa
- Andorra
- Djibouti
- Dominica
- Dominican Republic
- Ecuador
- Egypt
- El Salvador
- Libya
- Liechtenstein
- Lithuania
- Luxembourg
- Macau
- Madagascar
- Saint Martin
- Saint Pierre and Miquelon
- Saint Vincent and the Grenadines
- Samoa
- San Marino
- São Tomé and Príncipe

○ Angola
○ Anguilla
○ Antarctica
○ Antigua and Barbuda
○ Argentina
○ Armenia
○ Aruba
○ Australia
○ Austria
○ Azerbaijan
○ Bahamas
○ Bahrain
○ Bangladesh
○ Barbados
○ Belarus
● Belgium
○ Belize
○ Benin
○ Bermuda
○ Bhutan
○ Bolivia
○ Bonaire Saint Eustatius and Saba
○ Bosnia and Herzegovina
○ Botswana
○ Bouvet Island
○ Brazil
○ British Indian Ocean Territory
○ British Virgin Islands
○ Brunei
○ Bulgaria
○ Burkina Faso
○ Burundi

○ Equatorial Guinea
○ Eritrea
○ Estonia
○ Eswatini
○ Ethiopia
○ Falkland Islands
○ Faroe Islands
○ Fiji
○ Finland
○ France
○ French Guiana
○ French Polynesia
○ French Southern and Antarctic Lands
○ Gabon
○ Georgia
○ Germany
○ Ghana
○ Gibraltar
○ Greece
○ Greenland
○ Grenada
○ Guadeloupe
○ Guam
○ Guatemala
○ Guernsey
○ Guinea
○ Guinea-Bissau
○ Guyana
○ Haiti
○ Heard Island and McDonald Islands
○ Honduras
○ Hong Kong

○ Malawi
○ Malaysia
○ Maldives
○ Mali
○ Malta
○ Marshall Islands
○ Martinique
○ Mauritania
○ Mauritius
○ Mayotte
○ Mexico
○ Micronesia
○ Moldova
○ Monaco
○ Mongolia
○ Montenegro
○ Montserrat
○ Morocco
○ Mozambique
○ Myanmar /Burma
○ Namibia
○ Nauru
○ Nepal
○ Netherlands
○ New Caledonia
○ New Zealand
○ Nicaragua
○ Niger
○ Nigeria
○ Niue
○ Norfolk Island
○

○ Saudi Arabia
○ Senegal
○ Serbia
○ Seychelles
○ Sierra Leone
○ Singapore
○ Sint Maarten
○ Slovakia
○ Slovenia
○ Solomon Islands
○ Somalia
○ South Africa
○ South Georgia and the South Sandwich Islands
○ South Korea
○ South Sudan
○ Spain
○ Sri Lanka
○ Sudan
○ Suriname
○ Svalbard and Jan Mayen
○ Sweden
○ Switzerland
○ Syria
○ Taiwan
○ Tajikistan
○ Tanzania
○ Thailand
○ The Gambia
○ Timor-Leste
○ Togo
○ Tokelau
○ Tonga

		Northern Mariana Islands	
◯ Cambodia	◯ Hungary	◯ North Korea	◯ Trinidad and Tobago
◯ Cameroon	◯ Iceland	◯ North Macedonia	◯ Tunisia
◯ Canada	◯ India	◯ Norway	◯ Turkey
◯ Cape Verde	◯ Indonesia	◯ Oman	◯ Turkmenistan
◯ Cayman Islands	◯ Iran	◯ Pakistan	◯ Turks and Caicos Islands
◯ Central African Republic	◯ Iraq	◯ Palau	◯ Tuvalu
◯ Chad	◯ Ireland	◯ Palestine	◯ Uganda
◯ Chile	◯ Isle of Man	◯ Panama	◯ Ukraine
◯ China	◯ Israel	◯ Papua New Guinea	◯ United Arab Emirates
◯ Christmas Island	◯ Italy	◯ Paraguay	◯ United Kingdom
◯ Clipperton	◯ Jamaica	◯ Peru	◯ United States
◯ Cocos (Keeling) Islands	◯ Japan	◯ Philippines	◯ United States Minor Outlying Islands
◯ Colombia	◯ Jersey	◯ Pitcairn Islands	◯ Uruguay
◯ Comoros	◯ Jordan	◯ Poland	◯ US Virgin Islands
◯ Congo	◯ Kazakhstan	◯ Portugal	◯ Uzbekistan
◯ Cook Islands	◯ Kenya	◯ Puerto Rico	◯ Vanuatu
◯ Costa Rica	◯ Kiribati	◯ Qatar	◯ Vatican City
◯ Côte d’Ivoire	◯ Kosovo	◯ Réunion	◯ Venezuela
◯ Croatia	◯ Kuwait	◯ Romania	◯ Vietnam
◯ Cuba	◯ Kyrgyzstan	◯ Russia	◯ Wallis and Futuna
◯ Curaçao	◯ Laos	◯ Rwanda	◯ Western Sahara
◯ Cyprus	◯ Latvia	◯ Saint Barthélemy	◯ Yemen
◯ Czechia	◯ Lebanon	◯ Saint Helena Ascension and Tristan da Cunha	◯ Zambia
◯ Democratic Republic of the Congo	◯ Lesotho	◯ Saint Kitts and Nevis	◯ Zimbabwe
◯ Denmark	◯ Liberia	◯ Saint Lucia	

* Field of activity or sector (if applicable):

at least 1 choice(s)

- [ ] Audit, assurance and accounting

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

* Please specify your activity field(s) or sector(s):

Environmental NGO

* Please choose one of the following options:

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

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

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

* Publication privacy settings

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

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

Public
Your personal details (name, organisation name and size, transparency register number, country of origin) will be published with your contribution.

☑ I agree with the personal data protection provisions

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

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

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

Please rate as follows:
1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree

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

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

i. environment,

ii. social and employee issues,

iii. human rights,

iv. bribery and corruption.

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

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

	Please specify which other non-financial matters (no more than 3):
Other non-financial matter #1	Taxonomy-related categories, including climate change mitigation and adaptation; sustainable use and protection of water and marine resources; transition to a circular economy, waste prevention and recycling; pollution prevention and control; and protection of healthy ecosystems.
Other non-financial matter #2	Human Rights issues, including impact on all rights holders either caused or contributed by the company, or linked to its operations, products or services by a business relationship. This includes impacts on employees, broader workforce, (members of) communities, (small-scale) suppliers, and customers and consumers, as well as people affected by the use of company's products and services by third parties.
Other non-financial matter #3	

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

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

	Please specify which additional categories of non-financial information (no more than 3):
Additional category of non-financial information #1	Science-based time-bound measurable targets and most importantly measurable and concretely trackable transition pathways related to set targets. The targets relate to align with the Paris Agreement, but should equally be established under a target system on biodiversity goals, social goals, and more
Additional category of non-financial information #2	Forward-looking information: scenario analysis wherever possible (on climate mitigation at least) following clearly defined principles of application (so as to avoid ambiguous application of assumptions etc.);, CAPEX (capital expenditure) (consistent with Taxonomy disclosure for corporates – a key element in this disclosure alignment needs to be the transition segment in the taxonomy technical specifications so that companies can relate their disclosure to such transition pathways, and the FIs based on sound basis) (*)
Additional category of non-financial information #3	Description of full remuneration of executive directors; how it is affected (including in %) by their performance against sustainability strategy and achievement of related sustainability targets; and sustainability matters addressed by the Board.

Investment in intangible assets currently represents the majority of investment carried out by the private sector in advanced economies. There is a long-standing debate about the need for better reporting of intangible investments in company reports, including in relation to sustainability[1]. Irrespective of the potential future changes to accounting standards, it is likely to remain the case that a significant proportion of intangible assets will fail to meet the definition of an asset or the criteria for recognition as an intangible asset in the financial statements. The Accounting Directive currently makes no explicit reference to intangible assets in the Articles concerning the management report, other than the requirement to report about activities in the field of research and development in Article 19(2)(b).

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

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

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

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

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

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

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

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

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

You can provide as many answers as you want.

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

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

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

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

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

1. To contribute to the achievement of the Paris Agreement, biodiversity goals and SDGs by reorienting financial flows, the availability of insightful corporate sustainability data ensuring comparability between peers is critical. A critical requirement is to enable bankers, investors and insurers to make well-informed decisions based on material, comparable and strategic corporate sustainability information. There is significant evidence that most companies have taken a very flexible approach to the implementation of the NFRD, largely ignoring the legislation’s objective as well as the content of the non-binding guidelines. As a result, the vast majority of company reports don’t provide strategic nor comparable information on salient sustainability issues. According to the 2019 research report of the Alliance for Corporate Transparency, which WWF is part of, only approximately 20-30 % of companies disclose specific information about their policies and their risks in the four main areas covered by the Directive. The primary problem is the lack of relevant disclosures. For ex. only 23.5% of the companies in the Energy and Resource Extraction sector explain their climate mitigation targets in relation to the goal of keeping global warming in the safe zone below 2°C.
2. The reviewed NFRD needs to have more specific topics covered, as the ones described are too general in some cases (e.g. environmental and human rights matters). See reply to Question 8.
3. We believe the company should disclose relevant information on the process of the development of the company’s sustainability strategy, including the determination of material issues and targets (science-based). The company should also disclose annual progress against the targets and the evaluation of whether the targets of the strategy are being achieved in the mid-long-term. What is also crucial is the

disclosure of the corporate impacts in term of degree of alignment of their business model with public policy goals, including the use of forward-looking scenario analysis. It is also necessary to ensure consistency with the Taxonomy-related disclosures (green CAPEX). However, this type of forward-looking information should be better addressed in the context of environmental disclosures rather than as part of the governance. There should be more transparency on how the company's sustainability strategy is embedded in Board-level accountability, requiring clarity concerning company's sustainability targets, how they are reflected in KPIs that affect directors' accountability and remuneration, etc.
4. In principle, companies should consider materiality of such information, and disclose it where relevant.
5. It is necessary to ensure the consistency of the reviewed NFRD with the sustainability reporting requirements of the new regulations (Disclosure Regulation, Taxonomy regulations, Capital Requirements Regulation, Climate Benchmark Regulation) in order to ensure that financial stakeholders can access the relevant corporate sustainability information they need to deliver adequately on their own disclosure obligation. In addition, among these companies, a large part reports specific but not relevant information. See examples in Question 1. These numbers demonstrate that investors don't have information necessary for their own due diligence reporting.
6. The reporting of companies under the NFRD has been a failure, as shown by the Alliance for Corporate Transparency 2019 research report. One of the main problems is the lack of specific and material information that financial institutions and other stakeholders can use for their own decision-making processes and for their own disclosure obligations.
There have been some improvements lately as the Taxonomy Regulation refers to the Disclosure Regulation and the NFRD; but consistency in some levels is generally missing.
To develop more granular standardised corporate reporting frameworks, the reviewed NFRD should build on the substantial amount of indicators, metrics and thresholds that the four regulations (see Q5) and their implementing texts are gradually developing.
7. There should definitely be an explicit reference to the 6 environmental objectives of the Taxonomy, and also to the technical screening criteria developed for those objectives in Taxonomy delegated acts: it is critical as it will provide both much more specific disclosure and consistency. So this should be subject to materiality considerations on part of the company.
See attached paper for a reporting flaw in the Taxonomy Regulation that needs to be addressed in the NFRD review.

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

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

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

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

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

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

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

	1 (not at all)	2 (to some extent but not much)	3 (to a very reasonable extent)	4 (to a very great extent)	N.A.
Global Reporting Initiative		X			
Sustainability Accounting Standards Board		X			
International Integrated Reporting Framework	X				

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

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

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

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

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

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

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

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

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

11.2 Please specify the existing standard(s) or framework(s), whose principles and content should be incorporated in a potential common European non-financial reporting standard, and to what extent:

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

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

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

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

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

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

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

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

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

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

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

- (x) Mandatory
- ( ) Voluntary
- ( ) Don’t know / no opinion / not relevant

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

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

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

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

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

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

	1 (not at all)	2 (to some extent but not much)	3 (to a very reasonable extent)	4 (to a very great extent)	N.A.
Investors	○	○	●	○	○
Preparers	○	○	●	○	○
Auditors/accountants	○	●	○	○	○

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

Please rate as follows:

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

	1 (not at all)	2 (to some extent but not much)	3 (to a very reasonable extent)	4 (to a very great extent)	N.A.
Civil society representatives/NGOs	○	○	●	○	○
Academics	○	●	○	○	○

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

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

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

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

	Name of other stakeholder (no more than 3):	Please rate from 1 to 4 as explained above (please use digits only)
Other stakeholder #1	Reporting frameworks	3
Other stakeholder #2		
Other stakeholder #3		

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

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

	1 (not at all)	2 (to some extent but not much)	3 (to a very reasonable extent)	4 (to a very great extent)	N.A.
European Securities Markets Authority (ESMA)			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		

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

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

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

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

Please rate as follows:

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

	1 (not at all)	2 (to some extent but not much)	3 (to a very reasonable extent)	4 (to a very great extent)	N.A.
National accounting standards-setters	○	○	○	○	●
Environmental authorities	○	○	○	○	●

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

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

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

5000 character(s) maximum

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

8.WWF strongly believes that an EU sustainability reporting standard, including sector-specific KPIs for the most salient and strategic issues is a necessity: this is one of WWF high-level priorities for the NFRD review. This can be achieved through a combination of three levels of reporting requirements relatively similar to the method used in the EC Guidelines on Climate-Related Reporting, and application of sector-specific approach: Level 1: General info required for all companies: description of the business model, sustainability governance, risk management, etc. (mandatory) Level 2: sector-specific KPIs (mandatory), for the most salient and strategic issues at sector-specific level, enabling comparison between comparable companies or business models (as few KPIs as possible); Level 3: company-specific info (voluntary), if the company wants to report on additional issues that it deems relevant given its particular business model, strategy, market, etc. 9.Identified mandatory sector-specific sustainability KPIs to ensure comparability between comparable companies or business models is key as most sustainability impacts and risks are sector-specific.Such KPIs at sector-level would complement not contradict a high-level standardized reporting framework for all companies.The difficulty of comparing the sustainability performance of peer companies massively hampers the capacity of financial institutions to factor this info in their decision making process, slowing down the transition. 10.If an EU sustainability standard is to be created, it cannot be based only on one existing reporting standard/framework as this would create a significant conflict of interest.Finally, no reporting framework to date is sufficient.The forthcoming EU standard has to be built on all those frameworks deemed most relevant and use their expertise, but we still think more granular info is needed that is not covered. Simply combining these frameworks would result in an incoherent and excessive catalogue.A review clause will also be needed to regularly update the standardized EU framework on sustainability info. 11.All mentioned in the question include relevant criteria, which taken together should provide a starting point for the development of the EU sustainability reporting standard.However, to our knowledge they don’t include all needed criteria, neither are all of their criteria necessary for the purpose of regulation and standardisation.13. See Question 8. 14.The key benefit would be in providing clarity to SMEs, which would then help them to implement the reporting obligations in a cost-effective way. 15.Given that there are 24.4 million companies in the EU (2017 Eurostat data for EU28) and that SMEs (<249 employees) represent 99.8% of that amount, a compromise will have to be found to clarify which SMEs should be mandatorily required to report.For WWF the standard should be mandatory: at the very least for SMEs in ‘high risk’ sectors, i.e. sectors that create significant impacts on sustainability factors or where companies bear sustainability-related financial risks. Such ‘high risk’ sectors should be identified with NACE codes in a Delegated Act based on existing scientific and financial evidence, and regularly updated; in such ‘high risk’ sectors it should apply at the very least to medium-sized companies (50-249 employees). 16.The financial reporting expertise needs to be balanced with expertise in environmental and social issues, not to be sidelined. 17.The involvement of investors is necessary as they are the ones receiving the info and can inform about the material info they need.

Preparers need to give input on the feasibility of providing a given info.However, investors will be willing to have standardized info and preparer will be looking for flexibility.CSOs should also be involved in this process as they have the environmental and social expertise partly missing in investors and preparers and can contribute to identifying the critical info needed (especially in terms of impacts on E and S).Auditors and accountants should be involved insofar as the question of assurance of data is concerned. 18. See the previous question for NGOs.Academics can provide evidence on current practices and suggest various methodologies on how to measure sustainability risks and impacts. 18.1. Reporting frameworks deemed most relevant should be part of the discussion, providing their expertise.But they should not be the ones leading the establishment of an EU sustainability standard (conflict of interest), they should simply provide inputs. 19. ESAs and the Platform on Sustainable Finance have a direct stake in this process corresponding to their role in the enforcement and standards development respectively.The EEA should help to ensure policy coherence.The ECB should be involved, but given its mandate it may be less relevant for the time being.However, given the important developments of the NGFS, on climate issues, it should be involved.

3. Application of the principle of materiality

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

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

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

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

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

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

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

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

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

5000 character(s) maximum

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

● An important general change is required to refer to material ‘sustainability’ information, not anymore to material ‘non-financial’ information which is a very counter-productive concept as a part of the sustainability information is financially material (as made clear by e.g. the TCFD).

● We stress the need for a much better coordination and integration with financially relevant reporting, as in IFRS/IAS reporting, and the corresponding legal requirements in the EU.

● The requirements for consideration of financial and environmental & social materiality should be explained in the law independently, ideally as two separate requirements.

● It should be clarified that:

○ Information necessary to understand impacts on sustainability matters should be provided irrespective of the considerations of their financial materiality.

○ Information on how sustainability issues influence undertaking's development, performance and position must be provided irrespective of the undertaking’s contribution to the impacts connected to such matters.

○ While these two types of information may be unrelated, companies should also consider if and how they may be related.

● The definition of financial materiality should be more clearly framed by “sustainability risks and opportunities” (as chosen by e.g. the TCFD).

● The definition of social & environmental materiality should more clearly state that companies should consider “actual and potential adverse or positive impacts on people, society and the environment”.

● 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.

● Ideally, the legislation should provide as much detail as possible on the methodology for the assessment of impacts, explaining in particular:

○ How companies should consider the global as well as their idiosyncratic sustainability context;

○ The concept of corporate responsibility in line with the UNGPs and OECD Guidelines - specifically causing and contributing to impacts, as well as being linked to impacts by business relationships (value chains)

○ How companies should prioritise impacts according to their severity, scale, likelihood, and their ability to prevent and mitigate them.

● Critical information that may be financially or socially/environmentally material should be specified at the level of concrete requirements in the reporting standard. Some of these requirements may be applicable in a flexible way that is based on company's own consideration if they are material taking into account its specific position. But the mere existence of such requirements will provide guidance to company's considerations in this regard.

● The abovementioned point should be reinforced by a clear requirement for disclosure of a statement of material issues, supported by an explanation of reasons about why the company considers these issues to be material, on the basis of the definitions of materiality.

● The legislation should further support this process by requiring disclosures concerning governance - in particular Boards' decision-making in these sustainability matters, and how relevant KPIs and measurable sustainability targets are reflected in executive remuneration (including % of full remuneration linked to their achievement).

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

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

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

5000 character(s) maximum

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

21. The materiality test remains unclear across jurisdictions. The NFRD prescribes that information must be provided to the 'extent necessary for an understanding of the company's development, performance and position and the impact of its activity'. The lack of clarity from the NFRD on materiality is disappointing, as materiality is one of the most fundamental aspects of reporting. Without a clear definition, companies may take significantly diverging approaches in relation to the extent of information that they provide, whilst complying with the broader reporting requirements in general. The risk is that even if the procedural aspect of preparing a sustainability report is complied with, the more substantive aspect of providing useful information on ESG issues can be undermined. There is a lack of clarity among many companies about how to identify material information due to the limited guidance in the NFRD.
22. The problem with this definition is that 'users' at large (de facto 'investors' and 'creditors' in the logic of the definition) would need to be able to consider long-term sustainability issues and be interested in social and environmental materiality even in the absence of corresponding financial risks. As recognised in the EU Sustainable Finance Action Plan, this scenario does not correspond to the reality. It is therefore not an option for WWF.
23.1. An important general change is required to refer to material 'sustainability' information, not anymore 'non-financial' information which is a very counter-productive concept as a part of the sustainability information is financially material (as made clear by the TCFD). The requirements for consideration of financial and E&S materiality should be explained in the law independently, ideally as two separate requirements. It should be clarified that: Information necessary to understand impacts on sustainability matters should be provided irrespective of the considerations of their financial materiality; information on how sustainability issues influence undertaking's development, performance and position must be provided irrespective of the undertaking's contribution to the impacts connected to such matters; companies should also consider if and how these two may be related. The definition of financial materiality should be more clearly framed by "sustainability risks and opportunities" (like in the TCFD). The definition of E&S materiality

should more clearly state that companies should consider “actual and potential adverse or positive impacts on people, society and the environment”. The legislation should provide definitions of the key terms - risks, opportunities and impacts - and use them consistently with respect to either financial or E&S materiality. That is, ‘risks and opportunities’ should be used for financial materiality, whereas ‘impacts’ in social & environmental materiality. Ideally, the legislation should provide as much detail as possible on the methodology for the assessment of impacts, explaining in particular: how companies should consider the global as well as their idiosyncratic sustainability context; the concept of corporate responsibility in line with the UNGPs and OECD Guidelines - specifically causing and contributing to impacts, as well as being linked to impacts by business relationships (value chains); how companies should prioritise impacts according to their severity, scale, likelihood, and their ability to prevent and mitigate them. Critical information that may be financially or socially/environmentally material should be specified at the level of concrete requirements in the reporting standard. Some of these requirements may be applicable in a flexible way that is based on company’s own consideration if they are material taking into account its specific position. But the mere existence of such requirements will provide guidance to company’s considerations in this regard. Clear requirement for disclosure of a statement of material issues, supported by an explanation of reasons about why the company considers these issues to be material, on the basis of the definitions of materiality. The legislation should further support this process by requiring disclosures concerning governance - in particular Boards’ decision-making in these sustainability matters, and how relevant KPIs and measurable sustainability targets are reflected in executive remuneration (including % of full remuneration linked to their achievement).
24. Companies should explain reasons why they consider selected issues to be material (especially for human rights issues). It must be based on a set of very clear criteria in order to protect and strengthen the double materiality principle that is at the core of the NFRD. The focus must be placed on the results of this process, rather than on the process itself.

4. Assurance

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

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

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

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

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

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

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

- Reasonable assurance reduces the risk of the engagement to an acceptably low level in the given circumstances. The conclusion is usually provided in a positive form of expression and states an opinion on the measurement of the subject matter against previously defined criteria.
- Limited assurance engagements provide a lower level of assurance than the reasonable assurance engagements. The conclusion is usually provided in a negative form of expression by stating that no matter has been identified by the practitioner to conclude that the subject matter is materially misstated.

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

- (x) Reasonable
- ( ) Limited
- ( ) Don’t know / no opinion / not relevant

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

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

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

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

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

- (x) Yes
- ( ) No
- ( )

Don’t know / no opinion / not relevant

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

5000 character(s) maximum

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

No appropriate standard exists yet.

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

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

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

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

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

5000 character(s) maximum

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

26. There are many inconsistencies across Member States in terms of assurance and verification requirements. Verification of the content is not provided for in the legislation, which is a flaw as there is a lack of supervision and monitoring on what companies are disclosing on sustainability matters.
While it is voluntary in the current Directive, some Member States already require assurance that ESG reporting is existent, while others require assurance that the ESG reporting is consistent with the annual report; in the meantime several other Member States have no requirement at all. In 2018, France, Italy and Spain required to have NFR reports audited by a financial auditor. Harmonisation across Member States is necessary to ensure a level playing field within the EU Single Market.
27. It is deemed feasible and useful to assure sustainability DATA. However, not everything is assurable, especially when dealing with a complex issue. Assuring information related to human rights due diligence processes in the corporate value chain (potentially in another geography, e.g. China, Brazil, RDC or Indonesia) may not be possible if the auditor has not the relevant expertise (on human rights issues, understanding of materiality, uneven national contexts, etc.).

Even worse, if the assurance consists in rubber-stamping the company report, it can make it harder for potential victims of the company’s operations to exert their rights and obtain compensation in case of a prejudice, by ‘shielding’ the company from potential victims. The assurance system should not be counterproductive for corporate accountability.
Reporting against specific KPIs based on a well-defined methodology can be fully assured, whereas determination of material topics and qualitative reporting can be assured only in a limited way.
28. No, because the same process will not work in every business context. This would only lead to unnecessary bureaucracy, additional costs and useless disclosures.
29. This is a difficult question, because the answer depends on the company’s operational context. It may be easy in the case of energy companies or power utilities that discard climate risks, but way more complicated with other environmental and social issues.
30. No appropriate standard exists yet.
31. Yes, otherwise there would be no type of comparability nor sector-specific KPIs, making it very hard and very costly to evaluate and assure sustainability information.

5. Digitisation

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

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

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

Please rate as follows:
1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree

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

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

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

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

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

According to WWF several elements should be integrated:
- Tagging of sustainability information is a must to make it easier to use by various stakeholders, including by making it machine-readable. Such machine readability will significantly improve the use of sustainability data by various stakeholders and enable them to develop more meaningful and sophisticated sustainability analysis (for example investors, banks, insurers, credit rating agencies and ESG rating agencies, index providers, proxy advisors, and also NGOs).
- To be fully effective, the tagging of sustainability information requires the development of an EU sustainability reporting standard, including sector-specific KPIs. This is necessary to radically improve the comparability of sustainability performance between comparable companies (or business models / activities). Otherwise, it will remain sub-optimal.
- Fully effective tagging also requires a single access point, to simplify the access of sustainability information for the various stakeholders. In particular, it should be taken into account that a great majority of NGOs, trade unions or local communities have a limited financial capacity and hence can’t use financial terminals (like Bloomberg or Reuters which increasingly gather sustainability information) or buy consultants’ services. A single access point to sustainability data will reduce costs to gather the sustainability information.
- Finally, it is not clear what specific significant costs would be connected to tagging.

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

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

35. According to WWF several elements should be integrated:
- Tagging of sustainability information is a must to make it easier to use by various stakeholders, including by making it machine-readable. Such machine readability will significantly improve the use of sustainability data by various stakeholders and enable them to develop more meaningful and sophisticated sustainability analysis (for example investors, banks, insurers, credit rating agencies and ESG rating agencies, index providers, proxy advisors, and also NGOs).
- To be fully effective, the tagging of sustainability information requires the development of an EU sustainability reporting standard, including sector-specific KPIs. This is necessary to radically improve the comparability of sustainability performance between comparable companies (or business models / activities).

Otherwise, it will remain sub-optimal.

- Fully effective tagging also requires a single access point, to simplify the access of sustainability information for the various stakeholders. In particular, it should be taken into account that a great majority of NGOs, trade unions or local communities have a limited financial capacity and hence can’t use financial terminals (like Bloomberg or Reuters which increasingly gather sustainability information) or buy consultants’ services. A single access point to sustainability data will reduce costs to gather the sustainability information.
- Finally, it is not clear what specific significant costs would be connected to tagging.

6. Structure and location of non-financial information

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

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

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

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

Please rate as follows:

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

	1 (not at all)	2 (to some extent but not much)	3 (to a very reasonable extent)	4 (to a very great extent)	N. A.
The option to publish the non-financial statement as part of a separate report creates a significant problem because the non-financial information reported by companies is hard to find (e.g. it may increase search costs for investors, analysts, ratings agencies and data aggregators).	○	○	○	●	○
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.	○	○	○	●	○

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

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

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

Please rate as follows:
1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Legislation should be amended to ensure proper supervision of information published in separate reports.	( )	( )	( )	( )	(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)	( )

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

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Non-financial information – or rather: sustainability information - should be treated the same way as financial information, and for simplification issues should be part of the management report.
The 2019 research report from the Alliance for Corporate Transparency finds that more than half of the companies have chosen to publish their sustainability information in their management report not separately: the market has already made a choice that this is the most relevant place.

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?

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

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

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Q37. The NFRD does not require the non-financial statement to be part of the management report, which is a flaw as it makes non-financial information a 'secondary category' of information (i.e. sidelined, at least partly), less important than the financial one: many shareholders only pay attention to the mainstream financial reports and do not read the extra-financial statements published apart. In addition the fact that the sustainability information is not part of the annual report creates a lot of confusion regarding the concept of materiality around 'non-financial' information (which should be renamed 'sustainability' information as explained in Question 23.1, as a part of the sustainability information is financially material as made clear by the TCFD).
Q38.1. Non-financial information – or rather: sustainability information - should be treated the same way as financial information, and for simplification issues should be part of the management report.
The 2020 research report from the Alliance for Corporate Transparency finds that more than half of the companies have chosen to publish their sustainability information in their management report not separately: the market has already made a choice that this is the most relevant place.

7. Personal scope (which companies should disclose)

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

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

a. balance sheet total: EUR 20 000 000;

b. net turnover: EUR 40 000 000;

c. average number of employees during the financial year: 250.

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

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

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

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

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

Please rate as follows:
1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Expand scope to include all EU companies with securities listed in regulated markets, regardless of their size.	○	○	○	○	●	○

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	

Question 41. If the scope of the NFRD were to be broadened to non-PIEs, to what extent would you agree with the following approaches?

Please rate as follows:
1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Expand the scope to include large non-listed companies.					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.	○	○	○	○	◉	○
Expand scope to include all limited liability companies regardless of their size.	◉	○	○	○	○	○

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

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

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

5000 character(s) maximum

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

> The most logical and simple approach would be to extend the mandate of the financial regulators already required to monitor the sustainability disclosure requirement for listed companies (including ESMA at EU level), and ensure they have a similar mandate for non-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?

Please rate as follows:
1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree

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

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

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Q41. In principal, all companies should report sustainability information, whatever their size, similarly to financial accounting - with different levels of reporting depending on their size, complexity and their material risks and impacts (proportionality principle). However, the need to address the largest sustainability risks and impacts in the first place led the EU to target the largest undertakings (as a first step, in WWF's view) – implicitly assuming that there is a correlation between the size of the company and the importance and severity of its sustainability risks and impacts. But four flaws should be fixed as a matter of priority:

- The definition of 'large undertakings' under the Accounting Directive uses an average threshold of 250 employees, while the NFRD definition uses a twice higher threshold: this is inconsistent and there is no meaningful justification about this difference. The threshold of 250 employees should be chosen for the

NFRD to ensure consistency.

- The NFRD definition for 'large undertakings' narrows the scope to listed companies only, which is not meaningful: whether the company is listed or not is not a relevant factor about whether its sustainability risks and impacts are high or low, and whether the company manages and discloses them properly. Large unlisted companies should be included.
- There is a significant flaw in the implicit assumption that there is a correlation between the size of the company and the importance and severity of its sustainability risks and impacts: some sectors create high risks for the environment or societies while others do not, largely irrespective of the size of the companies in such sectors. Chemical companies, even small, can be risky; bakeries, even big, are not much. This must be adressed in the reviewed NFRD. Building on the relevant EU regulations (e.g. on environmental issues), the taxonomy, sector-specific guidelines and best practices and the experience of practitioners, it is now possible to robustly identify 'high risk' sectors on specific E, S and G issues (e.g. the most carbon intensive sectors, for climate impacts; the worst sectors in term of child labour; or the most corrupted sectors). In such 'high risk' sectors, all companies should be required to report their sustainability risks and impacts, while maintaining the proportionality principle. Such 'high risk' sectors should be identified with NACE codes in a Delegated Act based on existing scientific and financial evidence, and regularly updated; in such 'high risk' sectors the NFRD should apply in a mandatory way at the very least to medium-sized companies (companies between 50 and 249 employees as per the Eurostat classification).
- Large companies established in the EU but listed outside the EU, or not established in the EU but that are listed in EU regulated markets should be included as well in the NFRD scope, to ensure a level playing field.
- Finally, the NFRD and the Taxonomy Regulation should be fully consistent in term of taxonomy disclosure, which is not the case on two points that need to be fixed in the NFRD review (see WWF recommendations in Question 7): (1) Investors must report at fund level, which require them to get information from any listed company (for equity funds) and from any company issuing bonds (for bond funds). This is not the case with the current NFRD scope. All listed companies and all companies issuing bonds should be covered by the NFRD scope; (2) Investors are explicitly required to disclose the taxonomy exposure of their funds including on the separate exposures to sustainable / enabling / transition activities of the taxonomy, but corporates are not explicitly required to do so and could disclose their taxonomy exposure as a whole, not disclosing separately their exposure to sustainable / enabling / transition activities of the taxonomy. This creates a gap between corporate disclosure and fund disclosure for investors: this flaw needs to be addressed as well in the NFRD review.

Q42. The most logical and simple approach would be to extend the mandate of the financial regulators already required to monitor the sustainability disclosure requirement for listed companies (including ESMA at EU level), and ensure they have a similar mandate for non-listed companies.

8. Simplification and reduction of administrative burdens for companies

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

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

Question 44.2 Please state the total cost per year of any external services, excluding the cost of any assurance or audit services, that you contracted to

assist your company to comply with the requirements of the Non-Financial Reporting Directive. Please provide your answer for reports published in 2019, covering financial year 2018.

5000 character(s) maximum

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

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

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

Please rate as follows:

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Companies reporting pursuant to the NFRD face uncertainty and complexity when deciding what non-financial information to report, and how and where to report such information.	○	○	○	○	●	○
Companies are under pressure to respond to individual demands for non-financial information from sustainability rating agencies, data providers and civil society, irrespective of the	○	○	○	○	●	○

information that they publish as a result of the NFRD.						
Companies reporting pursuant to the NFRD have difficulty in getting the information they need from business partners, including suppliers, in order to meet their disclosure requirements.	○	○	○	○	○	◉

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

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Q45. There is a need to have clarity on who, how, where and what has to be reported in the reviewed NFRD across the entire EU jurisdiction. In order for companies to be able to properly disclose sustainability information, the information has to be provided throughout the supply chain.
In addition, sustainability information should be systematically provided in the annual management report so that any stakeholder knows where to find it easily.
The EU sustainability reporting standard will simplify sustainability disclosure for companies as it will better answer the stakeholders' demands (e.g. sustainability rating agencies, data providers and civil society). In particular, it will greatly facilitate the comparability between peers with the use of three levels of disclosure as recommended by WWF in Q8:
- Level 1: General information required for all companies: description of the business model, sustainability governance, risk management, etc. (mandatory reporting: no comply or explain)
- Level 2: sector-specific KPIs (mandatory reporting: no comply or explain), for the most salient and strategic issues at sector-specific level, enabling comparison between comparable companies or business models (as few KPIs as possible)
- Level 3: company-specific information (voluntary), if the company wants to report on additional issues that it deems relevant given its particular business model, strategy, market, etc.

Additional information

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

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

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

3960280a-14d3-4439-86f5-358247a2f7f3/WWF_draft_response_to_NFRD_consultation_27March2020.pdf

Useful links

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

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

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

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

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

Contact

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