



Consultation document on the review of the non-financial reporting Directive

[Link to the paper: Consultation document on the review of the non-financial reporting Directive](#)

1.- Target audience (potential stakeholders):

- Companies that are required to prepare reports containing non-financial information, in particular, financial sector institutions (banks, insurance companies).
- National authorities.
- International standard-setting organisations.
- Investors and users of the reports.
- ESG (Environmental, Social, Governance) data providers and ESG rating agencies.
- Civil organisations and trade unions.
- Academics.
- Other stakeholders.

The CNMV would appreciate it if the aforementioned potential stakeholders could forward a copy of their responses to the consultation paper to the following email address: Documentosinternacional@cnmv.es

2.- Information Note

The European Commission, in its Communication of 11 December 2019 on the European Green Deal, committed to review in 2020 Directive 2014/95/EU of the European Parliament and of the Council, amending Directive 2013/34/EU, as regards disclosure of non-financial and diversity information by certain large companies and groups (NFRD).

The European Commission, as part of the strategy to strengthen the foundations for sustainable investment, launched on 20 February 2020 the consultation of the review of the NFRD with regard to non-financial reporting.

The aim of the consultation is for companies and financial institutions to improve their non-financial reporting as users of this information are requiring more and better information from companies and financial institutions on their performance and social and environmental impact; in particular, a better comparability and reliability of the information is required. In the case of companies and financial institutions, they are under pressure to respond to the increasing number of requests for non-financial information and they need certainty to avoid incurring unnecessary costs.

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

launch a public consultation on a Renewed Sustainable Finance Strategy, seeking stakeholders' views on other Sustainable Finance related issues, including sustainable corporate governance.

The consultation paper contains 45 questions divided into the following sections:

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

The consultation paper seeks, inter alia, information on the following issues:

- .- The comparability and reliability of the non-financial information reported by companies pursuant to the NFRD.
- .- What non-financial issues other than those referred to in Article 19(a) of the NFRD covering environmental protection, social responsibility and treatment of employees, human rights, anti-corruption and bribery should be included in the non-financial information?
- .- What additional categories of information (other than business models, due diligence processes, key performance indicators, etc.) should the information to be reported cover? Should information related to intangible assets (such as intellectual property, software, client retention, etc.) be included?
- .- To what extent do current reporting requirements under the NFRD ensure that the information required by financial sector companies in order to comply with their new reporting requirements is reported? Should the reporting of environmental matters be carried out on the basis of the six objectives laid down in the taxonomy regulation (climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and protection and restoration of biodiversity and ecosystems)?

2. Standardisation

The consultation paper seeks, inter alia, information on the following issues:

- .- If standardisation is necessary, should it include specific elements for each sector? Could any of the existing frameworks (*Global Reporting Initiative, International Integrated Reporting Council, standards of the Sustainability Accounting Standards Board*) be used for these purposes? Should standardisation incorporate key principles, the content of a set of standards and current internationally accepted legal frameworks?
- .- Should your organisation apply any type of non-financial standard or framework when reporting under the NFRD? What is the annual cost of gathering, analysing and forwarding the information?
- .- Would it be useful for there to be a simplified standard and/or reporting format for SMEs? Would this be an effective means of limiting the burden on SMEs arising from information requests they may receive from other companies? Should the use of such a standard and/or reporting format be mandatory or voluntary?

.- Should the body responsible for developing this standard also have expertise in the field of financial reporting in order to ensure “connectivity” or integration between financial and non-financial information? Should report preparers/auditors/other stakeholders/European public bodies and authorities/national public bodies and authorities participate in the process of developing the standard? To what extent?

3. Application of the principle of materiality

The consultation paper seeks, inter alia, information on the following issues:

.- Is the definition of materiality laid down in Article 6(2) of Directive 2013/34 (information, the omission or misstatement of which could reasonably influence the investment decisions taken on the basis of the company’s financial statements) relevant for the purposes of determining which non-financial information is necessary to understand a company’s development, performance and position, and its impacts on society and the environment?

.- Is it necessary to provide an alternative definition of materiality in respect of non-financial information given that it has a different overall impact? What concept do you suggest? Should companies be required to disclose their materiality assessment process?

4. Assurance/verification of information

The consultation paper seeks, inter alia, information on the following issues:

.- Are current differences in the assurance requirements between financial information (requires the auditor’s opinion on the management report) and non-financial information (limited to the verification by the auditor of the existence of a non-financial statement) justifiable? Should stronger requirements be imposed for non-financial information? What should these be?

.- If EU law were to impose stronger assurance/verification requirements for non-financial reporting, should the auditor assess the reporting company’s materiality assessment process and identify/ publish the key risks and its response to these risks?

.- Should common standards be applied? Do they already exist or are new standards required? Should they be specific standards for non-financial information?

.- What would be the cost of the assurance/verification of the non-financial information?

5. Digitalisation

The consultation paper seeks, inter alia, information on the following issues:

.- Would the digitalisation of non-financial information allow it to be machine-readable (as occurs in the case of financial information with the European Single Electronic Format (ESEF)) under the Transparency Directive? Should all non-financial reports be available via the single access point?

.- Would the costs of digitalisation be proportionate to its benefits? What effect could digitalisation have on sustainability information?

6. Structure and location of non-financial information

The consultation paper seeks, inter alia, information on the following issues:

.- Would it be difficult to find non-financial information if it were published in a separate report (with the consequent increase in search costs for investors, analysts, rating agencies and data aggregators)? Would the publication in a separate report create the perception that it is of secondary importance and does not have implications on the performance of the company?

.- Should companies be required to disclose all necessary non-financial information in the management report?

.- If companies were allowed to publish a report that is separate from the management report, should legislation be amended to ensure proper supervision by the national competent authorities, to require reporting companies to file the separate report with Officially Appointed Mechanisms (OAMs) and to ensure that the reports have the same publication date?

.- Does the current segregation of non-financial information in separate non-financial and corporate governance statements provide for effective communication with users of the company reports?

7. Personal scope (what companies should disclose non-financial information)

The consultation paper seeks, inter alia, information on the following issues:

.- In the event of extending the personal scope to include other Public Interest Entities (PIEs), what other entities should include: i) All EU companies with securities listed in regulated markets, regardless of their size? ii) All large PIEs with more than 250 employees? and/or iii) All PIEs regardless of their size?

.- In the event of extending the personal scope to include entities other than PIEs, what entities should be included: i) large unlisted companies? ii) Companies that are subsidiaries of a parent company that reports at group level? iii) Large companies established in the EU but listed outside the EU? and/or iv) Large companies not established in the EU that are listed in EU regulated markets?

.- In the event of requiring non-listed companies to disclose non-financial information, should there be a specific competent authority in charge of supervising their compliance with such obligation? What authority should carry out this task?

.- Should the criteria for determining what banks/insurance companies have to comply with NFRD provisions differ from those used for non-financial companies?

8. Simplification and reduction of administrative burdens for companies

The consultation paper seeks, inter alia, information on the following issues:

.- The amount of time that employees of a company spend per year in non-financial reporting; specifically in 2018 and 2019. In addition, the cost per year of any external services, excluding the cost of any audit services for the reports published in 2018 and 2019.

.- Does compliance with the NFRD pose challenges relating to: i) What non-financial information should be reported? How and where should such information be reported? ii) The potential pressure from rating agencies, data providers and the general public?, and iii) The sources for obtaining the information.

3.- Submission of comments

The deadline for submitting comments is **11 June 2020**.

Respondents may send their comments through the European Commission's website: https://ec.europa.eu/info/publications/finance-consultations-2020-non-financial-reporting-directive_en

If you cannot access the online questionnaire, please contact us at the following email address: fisma-non-financial-reporting@ec.europa.eu

Likewise, as it has been said above, the CNMV would appreciate if you could send a copy of your answers to the CNMV to the following address: Documentosinternacional@cnmv.es

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