Patrick de Cambourg's contribution

Consultation questions

1. QUALITY AND SCOPE OF NON-FINANCIAL INFORMATION TO BE DISCLOSED

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

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

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

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

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

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

1. Before considering extending matters, reorganisation of the current topics listed in the directive should be promoted in order to have a clear structure of ESG matters: Environmental, Social and Governance (including business ethics). In addition to retrospective information, emphasis should be put on forward looking information.

2. Governance matters have to be enhanced to describe governance procedures *per se*, management procedures, information systems and systems of internal control. Under governance,

matters related to business ethics should be included: corruption, bribery and fraud, tax (strategy policies, plans…), customer relations and supply chain management…

3. Social shall cover: fundamental human rights (in reference to ILO Conventions for example) and employee matters (health and safety at work, trade union relationships, human capital management as well as diversity). Expected information on data privacy matters could be located in such a section (employees, customers, suppliers…).

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

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

1. Governance decision and documentation on scenario analyses (and sensitivity of scenarios)

2. Governance decision and communication on commitments and targets

3. Follow-up of actual outcomes as compared to targets

Investment in intangible assets currently represents the majority of investment carried out by the private sector in advanced economies.[1] There is a long-standing debate about the need for better reporting of intangible investments in company reports, including in relation to sustainability.[2] Irrespective of the potential future changes to accounting standards, it is likely to remain the case that a significant proportion of intangible assets will fail to meet the definition of an asset or the criteria for recognition as an intangible

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

[2] The European Financial Reporting Advisory Group (EFRAG) is currently carrying out a research project on this topic. See http://www.efrag.org/Activities/1809040410591417/EFRAG-researchproject-on-better-information-on-intangibles. The United Kingdom's Financial Reporting Council issued a consultation document about business reporting of intangibles in 2019. See https://www.frc.org.uk/news/february-2019/consultation-into-improvements-to-the-reporting-of.

asset in the financial statements. The Accounting Directive currently makes no explicit reference to intangible assets in the Articles concerning the management report, other than the requirement to report about activities in the field of research and development in Article 19(2)(b).

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

Yes	No	Don't know

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

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

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

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

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

Question 6: How do you find the interaction between different pieces of legislation (You can provide as many answers as you want)

It works well	There is an overlap	**There are gaps**	**There is a need to streamline**	It does not work at all	Don't know

Question 7.: In order to ensure better alignment of reporting obligations of investees and investors, should the legal provisions related to non-financial reporting define

environmental matters on the basis of the six objectives set-out in the taxonomy regulation: (1) climate change mitigation; (2) climate change adaptation; (3) sustainable use and protection of water and marine resources; (4) transition to a circular economy (5) pollution prevention and control; (6) protection and restoration of biodiversity and ecosystems?

Yes	No	Don't know

Please provide any comments or explanations to justify your answers to questions 1 to 7. (5000 caracters space included)

General comments:

The current NFRD can be considered as a first step that has created awareness and initial momentum on non-financial information (NFI) in the EU. However **a new step is much needed since the situation in the EU is not satisfactory** bearing in mind the increased level of expectations from businesses, investors and other stakeholders:

- ✓ A robust and high-quality ESG information framework must be able to ensure better transparency of companies as well as comparability of corporate reporting in the EU.
- ✓ The implementation of such a framework is an additional element of competitiveness for European companies.

As a consequence an **expeditious revision of the NFRD is a priority.** The objective of such a revision is to strengthen the framework of preparation, control and communication of NFI. This framework should concentrate on principles and, in addition, for proper implementation purposes, organise a robust standard-setting process designed to produce the appropriate detailed implementation regulations and to replace the current guidelines.

The framework combined with detailed implementation regulations should be comprehensive and cover all critical aspects of a robust and high quality set of NFI principles and standards. Such a set generally encompasses four «pillars»:

- ✓ Pillar 1 focused on general quality principles (incl. double materiality- possible impacts on businesses and of businesses- and connectivity between FI & NFI) and a general classification of NFI;
- ✓ Pillar 2 focused on content itself under two key dimensions: a general one (for all businesses) and a sector-specific one since intra-sector comparability is the natural complement to inter-sector comparability;
- ✓ Pillar 3 focused on reporting structures and systems, which are essential in terms of accessibility and digitisation under two basic aspects: a standard reporting format (potentially optional and derived from best practices) and a detailed data taxonomy;
- ✓ Pillar 4 establishing a relevant accountability framework: adequate governance, mandatory external control and thorough supervision.

Refer to :
http://www.anc.gouv.fr/files/live/sites/anc/files/contributed/ANC/4.%20Qui%20sommes-

nous/Communique_de_presse/Report-de-Cambourg_extra-financial-informations_May2019_EN.pdf

Comments specific to questions:

- Q1: The content of NFI suffers from a lack of comparability, both because of the existing differences in transposition between Member States and because of the lack of detailed regulation on content which leads to build upon a diversity of available reference frameworks from which issuers prepare on an *ad hoc* basis (beyond the NFSP) the set of information they disclose. Though assurance is mandatory in France, the lack of clarity in the NFRD provisions on the quality and external control of non-financial reporting is detrimental to a global consistency and coherence within the EU.

- Q2: The overall objective should be that the combination of interconnected FI and NFI be giving as complete as possible a depiction of the risks and opportunities (and not only the risks), the strengths (including positive internalities and externalities) and weaknesses, the past and future global performance.

- Q3: The current NFRD addresses mainly risks regarding ESG topics. A more balanced information including the positive impacts both on companies and society should be promoted. In addition emphasis is put more on retrospective information than on prospective information. NFI should try to enrich prospective information with more contextual data and to avoid the retrospective bias of the financial information standard setting. Disclosures on targets and actual outcomes are important even if they can be sensitive and difficult to establish. Liability on forward looking information may be considered an issue, and therefore a limiting factor at least in a first stage (to be further investigated).

- Q4: In an economy where intangibles represent a significant and increasing factor of value creation the information on intangibles is under-developed. One of the limitations of FI and for good reasons, is the absence of recognition of internally developed intangibles. Information on intangibles should therefore be an integral part of NFI, probably as a medium term objective.

- Q5-7: The objective is to have a coherent and consistent set of regulations in the EU, not only with the ones related to Green Finance. It is key to make sure that companies disclose NFI which is useful to asset owners, asset managers and financing institutions in order for them to meet their own challenges and obligations. As a consequence, coherence by using similar references and reconciliations between the different directives in the financial area (including Taxonomy, Prospectus and Disclosure) and also in other domains (such as environmental regulations or Eurostat nomenclature) is key. A common data taxonomy will help structuring information coherence.

2. STANDARDISATION

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

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

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

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

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

Yes	No	Don't know

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

Question 10.: To what extent would the application of one of the following standards or frameworks, applied on its own, resolve the problems identified while also enabling companies to comprehensively meet the current disclosure requirements of the Non-financial Reporting Directive, taking into account the double-materiality perspective (See section 4)?

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

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

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

	1	2	3	4
1. CDSB	X			
2.WBCDS	X			
3. ISO		X		

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

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

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

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

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

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

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

	1	2	3	4	5
1. Natural Capital Coalition		X			
2. Global Compact		X			
3.					

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

Question 12.: If your organisation *fully* applies any non-financial reporting standard or framework when reporting under the provisions of the NFRD, please indicate the recurring annual cost of applying that standard or framework (including costs of retrieving, analysing and reporting the information). NOT APPLICABLE PER SE

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

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

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

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

Yes	No	Don't know

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

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

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

Mandatory	Voluntary	Don't know

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

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

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

Question 17.: The key stakeholder groups with an interest in and contributing to the elaboration of financial reporting standards have historically been investors, preparers of financial reports (companies) and auditors/accountants. To what extent to do you think that these groups should also be involved in the process of developing a European nonfinancial reporting standard?

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

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

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

	1	2	3	4	Don't know
Civil society representatives/NGOs			X		
Academics			X		
Other*					

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

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

	1	2	3	4
1. Rating agencies			X	
2.				
3.				

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

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

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

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

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

	1	2	3	4
1. EFRAG (as a pivot)				X
2.				
3.				

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

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

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

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

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

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

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

	1	2	3	4
1.				
2.				
3.				

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

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

General comments:

Detailed reporting standards addressing content requirements (Pillar 2) are essential to the success of NFI Reporting.

As a consequence the revised NFRD should organise a r**obust standard-setting process placed under the umbrella of the EU institutions** and preparing a **comprehensive set of high quality standards** (EU Sustainability Accounting Standards/**EUSAS**) meeting the stated quality principles and the expectations of politically accountable institutions and other stakeholders.

From a general standpoint, a few principles guiding the process should be considered:

- ✓ It should take into account other relevant public initiatives in order to promote as much coherence as possible at EU and international levels. It is worth mentioning the SDGs since they represent an agreed upon basis and can be cascaded down to a business environment (Global Compact).
- ✓ It should start from capitalising upon existing private initiatives (distinguishing between frameworks and standards). It is not necessary to «reinvent» what is already available. A proper mapping should analyse thoroughly the relevance of each and every available «private set of standards» as compared to the quality principles to be stated and dual materiality status. Without pre-concluding an enhanced and balanced combination of best references could be a reasonable starting point.
- ✓ It should probably consider different levels of content. A distinction between large entities and SMEs is necessary. For large entities it can also be envisaged to establish a core mandatory level combined with optional more advanced levels.

Comments specific to questions:

Q8: Standards are a necessary tool to achieve quality NFI. Level 1 legislation is not sufficient to create a robust system. Input from stakeholders is key as long as the independence of standard-setting is ensured in a proper public legitimacy context.

Q9: Inter-sector comparability is primary since it is the only one allowing a cross-sector allocation of resources. However additional sector specific indicators allow better intra-sector comparability (which is particularly valued by businesses and some investor groups). This can be considered as a complement to a core set of general indicators applying to all companies. The SASB split (11 industries/77 sectors) could be a starting point with specific attention to materiality issues, scope of indicators, regulatory references.

Q10: Many sustainability reporting frameworks apply the concept of materiality focusing on risk-to-business only, i.e. impacting value creation. In the EU, the concept of dual materiality corresponds to policy orientations and stakeholders' expectations: businesses play a key role in successful transitions and transparency on their contributions is a key factor of integration of businesses into social development as a whole. As a consequence particular attention should be given to those frameworks that promote dual materiality.

Q11: A mapping of existing frameworks should be realised as a priority. First they should be assessed from a general perspective against principles of quality of non-financial information such as the following: faithful representation, relevance (based upon a multi-stakeholder approach), understandability, comparability, verifiability and timeliness.
Second they should be all assessed on the basis of substance: number and quality of proposed indicators. Beyond similar names, nature, scope and calculation of indicators may significantly differ.

Q12: Feedback received from stakeholders indicates that the revision of the NFRD would establish clarity, promote greater efficiency in reporting processes within companies and trigger a reduction in costs through a reduction in external requests (i.e. rating agencies, investors…).

Q13-15: As SMEs play also a key role in transitions an alignment of the various requests makes sense (based on coherence and consistency principles). On the other hand, as SMEs have less resources and are in general less systemic, a lighter and proportionate set of indicators is desirable, together with voluntary more advanced reporting options.

Q16: Connectivity between NFI & FI is key, notably since part of NFI can be considered as pre-financial. However it should be borne in mind that non-financial standard-setting requires a different and broader set of skills and that from a general standpoint there is a crucial need to avoid a «monetary bias», non-monetary and narrative information having also full relevance. As a consequence the non-financial standard-setting process should promote connectivity but be independent in terms of decision-making and teams.

Q17-20: As the issues at stake are points of attention for many stakeholders, the broadest spectrum of stakeholders should be involved in the process. EFRAG (with a fully adapted governance) should play a pivotal role: stimulating contributions from stakeholders in an inclusive approach, insuring connectivity between NFI and FI.

3. APPLICATION OF THE PRINCIPLE OF MATERIALITY

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

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

'Material' information is defined in Article 2(16) of the Accounting Directive as "the status of information where its omission or misstatement could reasonably be expected to influence decisions that users make on the basis of the financial statements of the undertaking. The materiality of individual items shall be assessed in the context of other similar items."

This definition is geared towards financial reporting, which is principally intended to serve the needs of investors and other creditors. By contrast, non-financial information serves the needs of a broader set of stakeholders, as it relates not only to the increasing impact of non-financial matters on the financial performance of the company, but also to its impacts on society and the environment. This may imply the need to provide an alternative definition of materiality for application in the context of non-financial reporting, or at least additional guidance on this issue.

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

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

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

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

Question 23.: If you think there is a need to clarify the concept of 'material' nonfinancial information, how would you suggest to do so?

The revised NFRD should clarify the concept of materiality in the context of NFI. First, it should be clarified that materiality for standard setting purposes (general perspective) may differ from materiality for implementation purposes (entity perspective). Second, it may be of interest to clarify that "comply or

explain" requires appropriate justifications. Third, it is fundamental to clarify that the intention is to provide useful information to a broad spectrum of users. Such a spectrum include shareholders and creditors, employees, suppliers and business partners, existing and potential customers, tax and other public authorities and society in general (NGOs and citizens). In order to avoid discrepancies between management information and disclosures to stakeholders, non-financial information as disclosed should at one and the same time (i) be aligned with the information used internally by decision-makers and (ii) be mindful of reasonable business confidentiality limits.

Currently, though the NFRD refers in principle to "double materiality", diverse interpretations exist and it has created a hard line between two groups: some interpret materiality to be the addition of both dimensions while others consider materiality to be the intersection of the two.

Furthermore, the NFRD is included in the Accounting directive where for financial matters materiality is primarily linked to the financial usefulness expected by a shareholder or an investor.

The Corporate Reporting Dialogue (CRD) has already proposed a revised definition which goes beyond strict financial aspects: "Material information is any information which is reasonably capable of making a difference to the conclusions stakeholders may draw when reviewing the related information".

As noted above, the first key questions to be clarified is: materiality for whom? It should be recognised that some information can be useful for all stakeholders while other aim at meeting specific stakeholders' expectations. As a consequence **there is a need to strike a reasonable balance between expectations of various stakeholder groups and this is the responsibility of a standard-setting process on the basis of agreed-upon criteria.**

The second key question to be clarified is: materiality for which time horizon. For example, the IIRC's suggestion to consider short, medium and long term potential impacts is interesting even if it is considered from the perspective from the entity's ability to create value. The following addition from the IIRC in the CRD materiality report is also interesting: it suggests to consider "the sustainability of the financial, social, economic and environmental systems within which it operates; the various opportunities and risks to which it is exposed, as well as on the quality of its relationships with, and assessments by, its stakeholders". It would link materiality with risk management. It would also help recognise that the foundation of materiality (and potential risk to the entity's value creation process) is the sustainability of the environmental & social systems upon which an organisation relies.

Finally, materiality will need to be explicitly linked to external social and ecological thresholds in a context-based approach.

Definition in the NFRD should also allow to articulate the defined materiality concept with the set of indicators proposed via the standard setting (see section 2).

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

Yes	No	Don't know

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

General comments

Please refer to Q23.

Comments specific to questions

Q21-22: Financial information is designed to provide information upon (past and future) inflows and outflows of monetary elements (measured either at historical cost or at « fair value »). The key factor is therefore for the entity the commitment/obligation to make or receive payment. Elements which (i) cannot be measured in monetary terms, (ii) are not recognised in compliance with certain principles, notably the principle of prudence (or neutrality) and the definition of assets and liabilities, and/or (iii) do not correspond to an obligation are ignored by financial information.
This does limit the relevance of financial information even if *per se* it is extremely valuable information once its above described limits are fully recognised. As a consequence financial information is particularly valuable for stakeholders with an existing « monetary interest » and for financial market regulators (investors' information and protection with a growing long term view). Conversely, non-financial information is key for all stakeholders with a more global interest for elements that (i) will not be measured in monetary terms or (ii) are not (yet) measurable in monetary terms for lack of an existing obligation.
In addition, a materiality definition based on short term financial impacts only is detrimental to the entity's management. Materiality definition can only be relevant for the purposes of determining which information is necessary to understand a company's development, performance and position, if it includes "the sustainability of the financial, social, economic and environmental systems within which it operates", and therefore, a definition that would start from the CRD proposition could lead to the future materiality definition in the revised NFRD.

Q23: The concept of materiality poses notable difficulties in terms of identification and assessment by issuers given the ongoing evolution of the concept with the inclusion of environmental and social matters. Such difficulties bear implications for the relevance of the information published. Too often materiality is assessed solely (i) on a qualitative basis without any quantitative data, and (ii) on a retrospective basis with limited forward looking value.
Incidentally, while clarifying the concept of dual materiality of non-financial information (both internal and external to the company) the recently published guidelines on climate reporting have not made the materiality concept fully

compatible with the definition of materiality in other regulations applicable to issuers. Therefore, it is necessary to work on a harmonised definition.

Q24: Disclosure of the materiality assessment process helps to better understand the impact on/of business and the priority issues identified by the management. Key recommendations based on the WBCSD Reporting matters 2019, Deloitte 2018 report, and the IIRC background papers are below. It could be worth looking for a minimum set of materiality topics (core) for all companies and a minimum set of materiality topics per sector on a comply or explain basis.

- ✓ Have a written methodology to identify, prioritise and validate material issues. Materiality should be reassessed every 2 or 3 years maximum;
- ✓ Describe specific steps taken to **identify** material issues including:
  -how the perspective of the key stakeholders is taken into account, and their selection;
  -how the perspective of your organization is taken into account;
  -how the foundational elements from scientific sources that validate industry specific is prioritised;
  -how the perspective of national priorities/legal background elements (e.g. Duty of Vigilance Law, SDG priorities) is taken into account;
- ✓ **Assess the importance** of identified matters: magnitude and likelihood of impacts;
- ✓ **Prioritise** using elements such as external trends, align materiality process with enterprise risk management; prioritise using the time factor (long term matters should be not be overlooked);
- ✓ **Disclose** a prioritised list of outcomes through a matrix or concise list of highly material issues. Disclose short, medium and long term material elements, and both positive and negative matters. Acknowledge the connectivity of materiality topics and how they can overlap each other. Where appropriate, acknowledge divisional and geographical differences;
- ✓ **Align** the content of the report with outcomes of the materiality assessment, including strategy, targets, performance indicators, evidence of activities and details on implementation and control mechanisms;
- ✓ **Demonstrate internal validation** of the results of the materiality assessment (board governance level);

And explain how third parties contributed to **the assessment process or validation** of outcomes (audit).

4. Assurance

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

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

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

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

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

Yes	No	Don't know

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

- Reasonable assurance reduces the risk of the engagement to an acceptably low level in the given circumstances. The conclusion is usually provided in a positive form of expression and states an opinion on the measurement of the subject matter against previously defined criteria.

- Limited assurance engagements provide a lower level of assurance than the reasonable assurance engagements. The conclusion is usually provided in a negative form of expression by stating that no matter has been identified by the practitioner to conclude that the subject matter is materially misstated.

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

Reasonable	**Limited**	Don't know

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

Yes	No	Don't know

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

Yes	No	Don’t know

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

Yes	No	Don’t know

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

The following should be considered: ✓ Current global standard ISAE 3000 (revised) already exists. ✓ Consultation document by IAASB, together with WBCSD, has issued a on March 13 2020 related to a non-authoritative guidance on Extended External Reporting Assurance (due date for replying is July 13 2020). ✓ AFNOR guidance, « FD X30-024 Guide pour la conduite des missions de vérification telles que prévues à l'art. L. 225-102-1 du Code de commerce », ✓ French CNCC recommendations

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

Yes	No	Don’t know

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

Not available

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

Not applicable

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

General comments

External control is a pre-requisite to reliable non-financial information. Experience demonstrates that wherever external assurance is provided, either on a voluntary basis or on mandatory basis, quality is much better, even in the current context. Therefore **external control should be mandatory in the EU.**

From a general standpoint, high-level non-financial information legislation and standards, as envisaged under the current EU initiatives, contribute a lot to the quality of assurance engagements. They are easier to conduct when there is a clear framework (Pillar 1) together with precise content standards adopted under a standard-setting process ensuring relevance, comparability and public legitimacy (Pillar 2).The existence of clear reporting structures and taxonomies (Pillar 3) as well as guidance on appropriate corporate governance of those matters and supervision (Pillar 4) are also very positive in that respect.

ISAE 3000 (revised), as issued by the IAASB, and the draft (non authoritative) guidance on Extended External Reporting (EER) prepared by IAASB in conjunction with WBCSD and currently under consultation are useful references. The EU situation based upon public legitimacy might simplify significantly the conduct of assurance engagements, which are considered in the above reference documents mostly from a contractual engagement angle. **In this context a common EU standard is desirable.**

The possible level of assurance depends upon (i) the nature of the information and (ii) the extent of audit procedures. On the basis of their respective nature:

- ✓ Retrospective information items of a quantitative nature (monetary and non-monetary) concerning flows over a past period and positions as of past dates as well as of a narrative nature (if specific enough) can be subject to “reasonable assurance”. However, limited assurance based upon less audit procedures might be appropriate in a first step;
- ✓ Most other information items, ie qualitative/narrative (non-specific) and/or future-oriented/forward-looking, can be subject to “limited assurance”.

In this context,”limited assurance” represents the common denominator and can be considered as the minimum requirement. However, even if obtaining a reasonable assurance on part of non-financial information in a near future is probably not realistic (unless optional), this could be an objective to keep in mind.

It might also be of interest to explore a third category of “properly compiled” information, which is used in certain EU legislations (Prospectus for instance) in particular when there is a lack of suitable criteria.

Comments specific to questions

Q27: Please refer to general comments on the possible respective areas for reasonable and limited assurance.

Q28: Assessing the reporting company’s materiality assessment process is much less sensitive if the company reports under a robust set of standards since the standard-setting process will be in charge of assessing relevance of information items. As a

consequence companies move from an entity-specific assessment process to a « comply or explain » situation.

5. DIGITISATION

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

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

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

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

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

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

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

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

Digitisation would allow to rationalise the analyses of data by all the stakeholders (rating agencies and ESG data providers, investors, other stakeholders including NGOs, employees, suppliers, customers …) avoiding duplication of same types of requests in different formats. This is why requests of these stakeholders should be taken into account from the start during the standard-setting process.

Today, the cost of multiple and increasing requests (many questionnaires from all rating agencies and investors) is considered disproportionate and very time consuming. In addition it may create situations of breaches to the necessary level playing field of available information and generate as a consequence situations of conflicts of interest and/or market abuse. A common standard is the pre-requisite for this digitisation.

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

<u>General comments</u>

The easiest access to NFI via digitisation should be organised and ensured from the start. Working with digitisation in mind should not hinder the process of standardisation but should complement it: requested or recommended information should be designed and presented under a format allowing for tagging.

In addition to comments under Q35, the following should be borne in mind :

- ✓ The experience of digitisation of FI cannot be extrapolated (i) because this information is primarily of a quantitative monetary nature, which makes it easy to tag and digitise in principle, and (ii) because for historical reasons reporting structures were less developed initially (see IFRS efforts to compensate this initial lack of structuring via the Primary Financial Statements/PFS project which is underway);
- ✓ By contrast NFI is diverse in nature. It is generally considered that there are three different categories of non-financial information of equal importance : (i) quantitative monetary items (extracted from accounting and management reporting systems, but not deemed useful to financial information *per se*), (ii) quantitative non-monetary items (with many different units of measures such as for instance tons, square meters, number of hours or days, number of people, gender, species….) and (iii) narrative items (which have an informative value in themselves);
- ✓ The first two categories can be digitised without major difficulty and comparability can be ensured if these items are standardised ; narrative information is less prone to standardisation since it is by nature more entity specific and based on words rather than figures.

  Such a situation should not lead to reject digitisation but only to recognise that certain information of a narrative nature will require case by case analysis once tagged since machine reading will not always be practicable efficiently.

As a consequence, **the standard-setting process should be conducted from the start with an agreed-upon data taxonomy structure as a basis in order to allow for an immediate tagging/digitising: each standardised information (even of a**

narrative nature) should receive an appropriate tag at the time of standardisation.

It is worth mentioning also that a proper data taxonomy could be very useful for external control purposes since it would be possible to differentiate the type of assurance given depending upon the category (quantitative vs. narrative) and nature (retrospective vs. Prospective) of each and every information item.

Comments specific to questions

Q33: It is worth mentioning that some express reservations on the efficiency of the current digitisation system of financial information. They also insist on the importance of entity-specific information and recommend that digitisation combined with standard-setting does not reduce relevance.

Q34: It is also worth mentioning that businesses put the emphasis upon the operational efficiency of any system in the long run. The objective of having a single access point is interesting in principle as long as (i) it eliminates the current number of different requests for information, (ii) it really creates an efficient and unified (FI / NFI) playing field and (iii) it improves quality while limiting costs as much as possible.

6. STRUCTURE AND LOCATION OF NON-FINANCIAL INFORMATION

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

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

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

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

	1	2	3	4	5	Don't know
The option to publish the non-financial statement as part of a separate report creates a significant problem because the non-financial information reported by companies is hard to find (e.g: it may increase search costs for investors, analysts, ratings agencies and data aggregators).					**X**	
The publication of financial and non-financial information in different reports creates the perception that the information reported in the separate report is of secondary importance and does not necessarily have implications in the performance of the company.					**X**	

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

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

Yes	No	Don't know

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

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

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

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

A separate presentation is not the preferred way forward. However when it is the case separate reports should be subject to supervision, publication and publication deadlines similar to the ones applicable when it is not the case.

The management report, including the non-financial statement, aims to provide a company's stakeholders with the information necessary to understand the company's development, performance, position and impact. Some non-financial information is also reported in the corporate governance statement, which is also part of the management report.

Question 39.: Do you consider that the current segregation of non-financial information in separate non-financial and corporate governance statements within the management report provides for effective communication with users of company reports?

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

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

General comments

Corporate reporting should be comprehensive and structured in a way:

- ✓ **(i) ensuring coherence (integration),**
- ✓ **(ii) ensuring consistency / comparability (over time and from one entity to others),**
- ✓ **(iii) promoting interconnection (connectivity) between its components (FI, NFI),**
- ✓ **(iv) complying with agreed-upon quality principles (in particular relevance and reliability).**

In this context NFI should preferably be an integral part of the management report. Corporate information would therefore rely upon two, and only two, components which should be interconnected: the financial statements and the management report.

Currently in the EU management reports follow different structures, most of the time inspired by national legislations and traditions, while following the general principles established by the Accounting Directive. Such a situation is justified by history but in the interest of an advanced level of corporate reporting in the EU the idea of a **EU unified corporate reporting structure** would be worth exploring:

- ✓ It should be based on a comprehensive approach covering financial statements and management report;
- ✓ It should incorporate all items of information required (or recommended) at EU level, it could also leave space for national additions (should they be deemed useful at national level);
- ✓ It should leave appropriate space for entity-specific developments;

- ✓ It could structure easy access to corporate information on the basis of unified data taxonomies and derived tagging and digitising procedures (see comments under Section 5);
- ✓ It could be recommended practice to start with and become mandatory at a later stage.

On such a basis the EU would be at the forefront at global level of **digital comprehensive corporate information,** a situation which would reduce any form of dependency to data providers, concentrate rating agencies on data analyses (rather than collecting non-standardised data), create a level playing field in terms of data availability for all stakeholders and ultimately be beneficial to an enhanced Capital Markets Union able to finance efficiently transitions.

<u>Comments specific to questions</u>

Q37/38: The variety of structures is detrimental to relevance and easy access. As a consequence a unified structure should be promoted.

Q39: The current distinction in the Accounting Directive (Chapter 5 in particular) between management report, statement of non-financial performance and corporate governance statement does not help even if it can be explained by historical reasons. A revision of the related chapters of the Directive is desirable in order to establish a coherent and comprehensive reporting structure. Such a structure should also (i) promote interconnection between FI and NFI and (ii) be coordinated with EU legislations other than the Accounting Directive addressing other information requirements from companies.

7. PERSONAL SCOPE (WHICH COMPANIES SHOULD DISCLOSE)

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

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

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

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

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

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

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

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

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

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

	1	2	3	4	5	Don't know

Expand scope to include all EU companies with securities listed in regulated markets, regardless of their size.					X	
Expand scope to include all *large* public interest entities (aligning the size criteria with the definition of *large undertakings* set out in the Accounting Directive: 250 instead of 500 employee threshold).					**X**	
Expand scope to include *all* public interest entities, regardless of their size.					X	

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

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

	1	2	3	4	5	Don't know
Expand the scope to include *large non-listed* companies.					**X**	
Remove the exemption for companies that are subsidiaries of a parent company that reports nonfinancial information at group level in accordance with the NFRD.	**X**					
Expand the scope to include large companies established in the EU but listed outside the EU.					**X**	
Expand the scope to include large companies not established in the EU that are listed in EU regulated markets.					**X**	
Expand scope to include *all* limited liability companies regardless of their size.						**X**

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

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

Yes	**No**	Don't know

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

Authorities in charge of supervising compliance exist. They should be relied upon depending on the nature of the entity (PIEs/non-PIEs, listed/not listed…).

Due to the nature of their activities, credit institutions and insurance undertakings have larger balance sheets than non-financial corporations. Hence, the vast majority of such institutions will exceed the balance sheet threshold in the definition of large undertakings set-out in the Accounting Directive. Moreover, the application of some public disclosure requirement of EU prudential regulation for credit institutions and insurance undertakings is defined based on various size thresholds.

For example:

- the Regulation on prudential requirements for credit institutions and investment firms includes in its definition of large credit institutions those with a total value of assets equal to or greater than EUR 30 billion;
- the same Regulation defines small and non-complex institutions as those that have EUR 5 billion or less total assets;
- the consultation paper published by EIOPA in October 2019 proposes to revise article 4 thresholds of Solvency II (below which entities are excluded from the scope of Solvency II), doubling the thresholds related to the technical provisions (from EUR 25M provisions to EUR 50M) and allowing Member States to set the threshold referring to premium income between the current EUR 5M and until a maximum of EUR 25M.

Question 43.: To what extent do you agree with the following statements relating to possible changes of the personal scope of the NFRD **for financial institutions**?

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

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

Please provide any comments or explanations to justify your answers to questions 40 to 43. (801 caractères)

General comments **Current definitions on size of companies are not homogeneous through the various EU directives. A first step would be to align these definitions and to give clear definitions of their content (how to account for an employee for example, definition of total sales or total assets…).** **In order to promote a proportionate NFI system and to encourage exemplarity, the EU legislation should combine different factors:**

- ✓ **A mandatory level of requirements for entities other than SMEs combined with optional more advanced levels available to those entities which would like to contribute to more substantial levels of information;**
- ✓ **A mandatory simplified level of requirements for SMEs (see Section 1 above), SMEs being in a position to comply with non-SMEs requirements if they so wish.**

Comments specific to questions

Q40: From an investor and regulatory perspective PIEs have specific obligations which lead to consider that they should comply with non-financial requirements.

Q41: The distinction between PIEs and non-PIEs is not the most relevant as regards NFI since it is the evolution of the economy as a whole which is at stake and since the objective is to go beyond an exclusive investor perspective.
As regards territoriality issues it is worth bearing in mind that it is key to promote a fair competition environment between economic areas that have different expectations and requirements from their businesses. This is why the situation of non EU entities developing activities with and/or within the EU should be analysed carefully in order to promote the appropriate level playing field. Complying with EU standard should be a pre-requisite and become a competitive advantage.

Q42: Authorities in charge of supervising compliance exist. They should be relied upon depending on the nature of the entity (PIEs/non-PIEs, listed/not listed…).

8. SIMPLIFICATION AND REDUCTION OF ADMINISTRATIVE BURDENS FOR COMPANIES

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

Not applicable

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.

Not applicable

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

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

	1	2	3	4	5	Don't know
Companies reporting pursuant to the NFRD face uncertainty and complexity when deciding what nonfinancial information to report, and how and where to report such information.				**X**		
Companies are under pressure to respond to individual demands for non-financial information from sustainability rating agencies, data providers and civil society, irrespective of the information that they publish as a result of the NFRD.					**X**	
Companies reporting pursuant to the NFRD have difficulty in getting the information they need from business partners, including suppliers, in order to meet their disclosure requirements.					**X**	

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

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

General comments

The current situation in the EU can be described as follows:

- ✓ There is a high level of expectations as regards the availability of relevant and reliable NFI. This is particularly true of asset owners and asset managers, but also of a large spectrum of other stakeholders.
- ✓ These expectations are amplified by a significant level of sensitivity on these issues at political level. EU and national institutions have taken, are currently taking or are considering taking major initiatives in this area. Recent legislations have concentrated on the sustainable finance lever. It is also considered, and rightly so, to concentrate on the quality of basic non-financial corporate data. In fact the sustainable finance lever will be fully efficient medium term if, and only if, appropriate levels of relevant information are provided by the beneficiaries of sustainable financing. In addition beyond the providers of sustainable finance, appropriate NFI from businesses correspond to more global objectives in order to promote in particular appropriate management and due transparency.
- ✓ Many entities are trying to progress in their communication of NFI, but the situation in terms of standard-setting is such (many frameworks of unequal quality, no public legitimacy…) that they struggle to ensure quality, ie relevance, reliability and comparability.

- ✓ In addition, as of today, since legal requirements may be different from one country to the other within the EU, reporting on NFI is considered complex for many EU companies and groups. The current situation could lead to multiple and various reports and requests.

As a consequence, significant benefits can be expected from harmonisation and standardisation of the reporting. In terms of cost/benefit analysis, though appropriate data are missing at this early stage, one may suppose that:

- ✓ The cost of producing NFI under the current « fragmented » approach is probably high in particular when compared to the « mixed » quality of the outcome. This cost is likely to increase on the basis of an ever-increasing number of uncoordinated requests;
- ✓ A standardised approach would probably imply higher costs because of the scope, coherence and comprehensiveness of the revised NFI system. This would be particularly true if assurance is provided as recommended under Section 4 above;
- ✓ However these higher costs would be probably more than compensated by benefits even if they are not always easy to evaluate as of today. Potential identified benefits are:
    - o (i) better management of transitions which limits risks and stimulate opportunities (on the contrary, ignoring or not assessing properly transition risks can be very costly indeed);
    - o (ii) creating confident relationships with financial stakeholders (shareholders, lenders and other creditors) which is beneficial in terms of availability of funding ant the related costs;
    - o (iii) creating confident relationships with non-financial stakeholders which is also very positive since it promotes a transparent linkage between businesses and their « ecosystem »;
- ✓ In addition the general attractiveness of the EU for businesses would be significantly enhanced since many other economic areas show at this stage less interest for the underlying long term objectives related to NFI. The EU could be perceived as « sustainability friendly ».