Contribution ID: c04f78b0-c38d-42ce-842c-b59b2465e355
Date: 11/06/2020 10:55:38

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

Frida

* Surname

Stokland

* Email (this won't be published)

frida.stokland@deutsche-boerse.com

* Organisation name

255 character(s) maximum

Deutsche Börse Group (DBG)

* 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.

20884001341-42

* Country of origin

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

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

- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Christmas Island
- Clipperton
- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d’Ivoire
- Croatia
- Cuba
- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark

- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Jamaica
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia

Northern Mariana Islands

- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Papua New Guinea
- Paraguay
- Peru
- Philippines
- Pitcairn Islands
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
- Romania
- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena Ascension and Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia

- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
- Wallis and Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

* 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
- [x] Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- [ ] Social entrepreneurship
- [ ] Production, manufacturing or services not covered by any of the above categories
- [ ] Other
- [ ] Not applicable

* 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.

- [x] 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	The disclosure requirements should be aligned with those introduced via the taxonomy regulation article 8 on “Transparency of undertakings in non-financial statements” and streamlined with the upcoming delegated act specifying the content and presentation of the information to be disclosed by companies in scope of the NFRD
Other non-financial matter #2	Define environmental matters on the basis of the six objectives set out in the taxonomy regulation, please see Q7
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	The Boards accountability for sustainability performance, including remuneration.
Additional category of non-financial information #2	
Additional category of non-financial information #3	

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
- [x] There is an overlap
- [x] There are gaps
- [x] 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.

DBG believes that markets are a key leveraging factor when it comes to critical societal challenges, such as climate change. We therefore support the Sustainable Finance agenda and the objectives of reorienting capital flows to sustainable investments, managing financial risk related to climate change and fostering transparency and long-termism in financial and economic activity.

The review of the Non-Financial Reporting Directive should focus on increasing quality and availability of non-financial data by strengthening and harmonizing provisions. For example, by making sure legal provisions related to non-financial reporting define environmental matters on the basis of the six objectives set out in the taxonomy regulation and by developing an EU-wide ESG reporting standard. Rather than simply extending the reporting obligations for companies, the definition of explicit ESG standards for companies under the NFRD are necessary to ensure that reliable, comparable and relevant non-financial information are disclosed.

Generally speaking, quality and comparability of companies’ sustainability reporting under the current NFRD is not sufficient to understand their impacts, risks, or even their plans. Gaps in data, particularly regarding smaller and unlisted companies, as well as inconsistencies in the methods and a lack of validation (e.g. by the auditor) impede comprehensive integration of relevant and material sustainability factors into investment and/or credit processes.

In the context of the sustainable finance agenda, many new reporting requirements have been agreed in various files (Benchmarks, Disclosure, Taxonomy) and are now discussed within NFRD and Green Bonds. In this context, it is important to consider streamlining requirements of different reporting obligations to avoid creating parallel but slightly different disclosure requirements, which would risk introducing legal uncertainty and a disproportionate regulatory burden by creating additional work for companies. DBG therefore supports linking the NFRD to the taxonomy and believes there would be further scope to ensure companies only need to adhere to one set of reporting requirements related to sustainable finance.

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 / 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?

- ◉ 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	○	○	○	◉	○
Sustainability Accounting Standards Board	○	○	◉	○	○
International Integrated Reporting Framework	○	○	◉	○	○

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?

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

10.2 Please specify which other standard(s) or framework(s) you consider, applied on their own, would resolve the problems identified while also enabling companies to *comprehensively* meet the current disclosure requirements of the NFRD, and to what extent:

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

	Name of other standard or framework (no more than 3):	Please rate from 1 to 4 as explained above (please use digits only)
Other standard or framework #1	With regards to the method: Task Force on Climate-related Financial Disclosures (TCFD)	4
Other standard or framework #2		
Other standard or framework #3		

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	UN Global Compact	3
Other existing standard or framework #2	International Integrated Reporting Framework (IIRC)	3
Other existing standard or framework #3	TCFD	4

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
- ( ) To a reasonable extent

- [x] 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	Exchanges	4
Other stakeholder #2	Advisory Committees of the MS	4
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)	○	○	○	●	○
European Banking Authority (EBA)	○	○	○	●	○
European Insurance and Occupational Pensions Authority (EIOPA)	○	○	○	●	○
European Central Bank (ECB)	○	○	●	○	○
European Environment Agency (EEA)	○	○	●	○	○
Platform on Sustainable Finance	○	○	○	●	○

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			X		
Environmental authorities			X		

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?

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

20.2 Please specify which other type of national authorities or bodies 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 national authority or body (no more than 3):	Please rate from 1 to 4 as explained above (please use digits only)
Other national authority or body #1	National Competent Authorities (NCAs)	4
Other national authority or body #2	National central banks	4
Other national authority or body #3		

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

5000 character(s) maximum

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

Taking sector specific elements into account:

• By defining ESG standards it is important to take sector specific elements into account. Introducing a differentiated approach (factoring in the nature of the business) where standards could be adapted to certain types of businesses (similar to the ones already in place for the banking and insurance sector) could lead to a more tailored approach. Allowing a natural focus on the core business per sector would support both companies in reporting as well as investors in receiving the information and improve transparency and relevance of information.

Simplified standard for SMEs:

• In addition to a differentiated approach, we would support the introduction of specific simplified standard for SMEs (as defined in MiFID). This would cater to the need for transparency for investors but place a more proportionate burden in terms of further administrative costs for SMEs.

Use of existing standards when developing unified ESG standards:

• The international momentum towards the creation of reporting standards for the disclosure of non-financial information and/or sustainability performance data increasingly raises questions about how to consolidate and simplify such standards, especially from the perspective of the report preparer.

• The institutional framework for non-financial and sustainability reporting in the international context must be clarified in this connection – taking relevant institutions such as the International Accounting Standards Board (IASB) and the International Integrated Reporting Council (IIRC) into account – so that report preparers have access to a reliable framework not just for financial reporting but also for all elements of management reports.

• According to the latest study on the current ESG Reporting of companies listed in the DAX index family, almost all issuers align their sustainability reports to the internationally recognized reporting framework of the Global Reporting Initiative (GRI). Since its foundation in 1997, the GRI has developed into a de facto standard for comprehensive and professional sustainability reporting. Compared to the previous year, the Sustainable Development Goals (SDGs) of the United Nations, which were adopted in 2015, are also attracting increasing attention.

• Furthermore, strengthen linkages between non-financial and financial information, in line with the TCFD recommendations can help to further improve the understanding of financial impacts of non-financial matters, which are often missing in corporate managements reports. Information should be presented with a clear structure, using, for example, table of contents, indicators of which information fulfils certain requirements in the regulation under the NFRD and/or disclosure frameworks and cross-references between sections that are interlinked.

• There is a wide range of disclosure frameworks used to explain the diversity in the observed reporting practices, e.g. in relation to the disclosure of KPIs. Therefore, we support a unified set of ESG disclosure standards. Consequently, the significant optionality, for example, the choice amongst various applicable frameworks, should be reduced.

• To efficiently develop an EU-wide ESG reporting standard stakeholders such as investors and national authorities should be substantially involved and consulted.

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?

- ○ 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.

Please see comments and explanations to questions 21 to 24.

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.

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

Ideally, we would suggest that details on the determination of materiality are to be fleshed out with respect to the double materiality requirements. This is to be done in view of increasing transparency by way of an assessment of all the topics addressed in the NFRD for companies while simultaneously strengthening and easing the implementation of the “comply or explain” requirement which companies must satisfy. This would also result in greater clarity as to the requirements governing audit criteria and audit depth.

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

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

4. Assurance

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?

- ◉ 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?

- (selected) 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?

- (selected) Yes
- 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
- (selected) No
- 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?

- (selected) 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.

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

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

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

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

Question 32.1 If you do publish non-financial information and that information is assured, please indicate the annual costs of such assurance:

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

Costs of assurance total to € 70.000 p.a.

Question 32.2 If you provided an answer to the previous question, please describe the scope of the assurance services provided (issues covered, reasonable/limited, etc.):

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

The scope of assurance is reasonable and contents the verification of our non-financial statement, GRI Index and sustainability-related homepage.

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.

DBG supports a common assurance standard and would recommend a reasonable assurance.

• An external verification of the non-financial information increases the transparency and credibility of companies towards stakeholders, reduces risk of reporting incorrect or inaccurate information and leads to process optimizations as well as increased efficiency. The latest study on the current ESG Reporting of companies listed in the DAX index family, shows that most of the issuers engage auditors or auditing companies for the assurance of non-financial information. The scope and the depth of the assurance is agreed individually by the companies, but there is a clear preference for an assurance with limited certainty.

• If assurance of non-financial information is required by EU law, we think that assurance engagements should be performed based on a common assurance standard.

5. Digitisation

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.

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

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

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

As a first point, we would like to highlight the importance of any extension of ESEF to NFRD should be subject to a proper impact assessment as the benefits of data analysis must be in line with the additional effort for issuers.

That being stated, DBG believes that digitisation is the key to enabling a broad and efficient use of non-financial data. Potential users of non-financial data would not be able to gather such data from classic, non-digital sources like annual reports – at least not in an efficient and reliable way. Having to gather non-financial data from such classic sources would be extremely onerous so that individual entities would be prohibited economically from accessing the data. In this situation, a multitude of service providers would try to tackle the onerous task of collecting the non- financial data and would then make available the data – centrally accessible and in a machine-readable format. This would increase cost for potential users.

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

The creation of a new raw database for sustainability data which would ideally be managed at European level could be one helpful measure. Its purpose would be the centralised collection of sustainability data published by companies pursuant to their sustainability reporting obligation. Functional databases help to enhance both the efficiency of disclosures by the real economy as well as access to information for financial market players. These raw data should be widely accessible. It will be necessary to review whether a new database must be built up from scratch or whether existing databases should be expanded. In addition, the initiative should be aimed as necessary for the efficient sharing of information between existing databases.

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

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.

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

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.

In addition to our comment above (Q 38.1), greater standardisation of the time and place of disclosures of sustainability data should be considered over the next few years, as this would enhance the comparability of sustainability data (e.g. in connection with the selected audit depth). This concerns the desirable, simultaneous and, in the best case, integrated publication of both financial and sustainability data and/or the greater integration over time of sustainability data into companies' business and financial reporting.

Moreover, important and widely accepted issuer frameworks convey that sustainability information is to be included in the financial reports. For example, the TCFD recommends that disclosure should be included in the public annual financial filings of companies/firms, with the aim of building a more informed understanding of climate-related risks and opportunities and ensuring that appropriate controls and governance will be applied in obtaining and disclosing relevant information. The SASB Standards are also intended to be integrated into mainstream financial filings and conform to corresponding prescribed templates.

According to the latest study on the current ESG Reporting of companies listed in the DAX index family, 49% of the issuers which are affected by the CSR RUG locate their NFE in the sustainability report, while 47% locate it in the (group) management report or as a separate report in the annual report outside the (group) management report.

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).	○	○	○	○	●	○
Expand scope to include all public interest entities, regardless of their size.	○	○	○	●	○	○

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.	○	○	○	○	●	○
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.	○	●	○	○	○	○

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

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?

- [x] 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.

DBG believes that the scope of the NFRD should not be limited to public-interest entities and should be extended to all non-listed companies with more than 500 employees (or whatever a new threshold is decided on). Whether a company is listed or not is not a relevant factor about whether its sustainability risks and impacts are high or low.

If both public-interest entities, and non-listed companies with more than (500) employees, are required to disclose non-financial information, DBG recommends that National Competent Authorities should be in charge of supervising these companies’ compliance.
This would ensure an equal level playing field in the disclosure obligations related to non-financial information on companies’ activities regarding environmental, social or governance topics.

However, we would like to emphasize that this obligation and supervision be limited to the disclosure of non-financial information. The current regime on non-listed companies’ disclosure obligation of financial information remains adequate and should not be changed under the NFRD review.

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.	( )	( )	( )	(x)	( )	( )
The threshold criteria for determining which insurance undertakings have to comply with the NFRD provisions should be different from those used by Non-Financial Corporates.	( )	( )	( )	(x)	( )	( )

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

5000 character(s) maximum

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

The underlying objective of the European Green Deal (which has been described as “Europe’s man on the moon moment”) is to ensure that the EU is carbon neutral by 2050. Key to the delivery of that objective is the need to reorient significant amounts of public and private capital into sustainable activities. It is hoped that the disclosure of robust environmental data by corporates will speed up the rate of investment into green and other environmentally sustainable activities. Therefore, we support the proposal to extend the NFRD to non-listed large companies as the contribution of those companies are significant in terms of sustainable activities.

Same rules for companies opted for debt or equity financing:

• Disclosure obligations on listed issuers should be well-calibrated and proportionate. We would caution against increasing non-market-related disclosure obligations on listed issuers alone as this would risk disincentivising companies from listing on public markets, which would not increase transparency, and result in decreased overall corporate transparency.

• It is important that these disclosures also apply to private firms with comparable economic, social, and environmental footprints to effectively contribute to the EU’s energy and climate 2030 targets. Moreover, this should be implemented on a phased-in basis to allow sufficient time for market participants to adapt.

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

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

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

Furthermore, DBG believes that the current exemption for subsidiaries should be kept in the future requirements of the revised NFRD, as the necessary data could be provided at a group level as well. Moreover, the information can be split along entities. Reporting at the group level conducted by experts should also ensure a higher quality of the disclosed information. In contrast, removing the exemption may increase search costs for investors, analysts, ratings agencies and data aggregators.

Finally, as a general comment, we believe defining strict thresholds in relation to number of employees should be done carefully in order to avoid unintended consequences, such as creating incentives for companies with low green activities to spin off into private subsidiaries and maneuver around the legislation.

8. Simplification and reduction of administrative burdens for companies

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

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

Question 41.1 If your company publishes non-financial information pursuant to the NFRD, please state how much time the employees of your company spend per year carrying out this task, including time of retrieving, analysing and reporting the information?

Please provide your answer in terms of full-time-equivalents (FTEs, 1 FTE = 1 employee working 40h a week during 250 working days per year). Please provide your answer for reports published in 2019, covering financial year 2018.

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

0.168 FTEs in 2019

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.

Costs total to € 16.500

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.

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

1. Companies, notably SMEs, are constrained by resources to gather, analyse and report the non-financial information requested by the NFRD.

2. The NFRD disclosure framework lacks specificity and clarity. Companies are left to determine which type of information they should be disclosing and how to calculate the indicators that are sought from financial market participants. Companies would like clear standards to help them maneuver in their disclosure of non-financial information.

3. The NFRD provides companies with guidelines on the elements to disclose, however, it is not necessarily clear for companies how to format the non-financial information to meet the financial market participants' expectations.

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

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

Additional information

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

The maximum file size is 1 MB.
You can upload several files.
Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

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-auditin /company-reporting/non-financial-reporting_en)

Contact

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