

Responses submitted electronically on June 11, 2020 to European Commission consultation:
[Non-financial reporting by large companies](#)

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

The lack of comparability of non-financial information reported by companies pursuant to the NFRD is a significant problem.	5 (Totally agree)
The limited reliability of non-financial information reported by companies pursuant to the NFRD is a significant problem.	3 (Partially disagree and partially agree)
Companies reporting pursuant to the NFRD do not disclose all relevant non-financial information needed by different user groups.	4 (Mostly agree)

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.

Provided there is an empirical basis supporting a connection to long-term shareholder value, three examples of topics we believe could warrant more standardized disclosure are: human capital management; cybersecurity; and practices and preparedness pertaining to global and/or systemic threats.
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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.

- Governance of material risks and opportunities related to material ESG topics (e.g. how the board oversees and/or delegates oversight, management's role.)
- Strategy and process for identifying and managing material ESG-related risks and opportunities

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

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?

To some extent but not much

6) 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. How do you find the interaction between different pieces of legislation (You can provide as many answers as you want: It works well, There is an overlap, There are gaps, There is a need to streamline, It does not work at all, Don't know/ no opinion/ not relevant)

There is an overlap and there is a need to streamline.

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?

Don't know

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?

To a very great extent

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

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 NFRD, taking into account the double-materiality perspective?

Global Reporting Initiative	No answer
Sustainability Accounting Standards Board	No answer
International Integrated Reporting	No answer

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. [9 standards and frameworks listed]

[No answer.]

12) If your organization 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, analyzing and reporting the information).

N/A

13) In your opinion, would it be useful for there to be a simplified standard and/or reporting format for small and medium sized enterprises?

Don't know

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?

Don't know

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?

Voluntary

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?

To a very great extent

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

Investors	4 To a very great extent
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Preparers	3 To a reasonable extent
Accountants	2 To some extent but not much

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

Civil society representatives/NGOs	3 To a reasonable extent
Academics	3 To a reasonable extent

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

Yes

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.

Independent sustainability/non-financial disclosure standard setters	4 (To a very great extent)
Independent financial accounting standard setters	4 (To a very great extent)

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

ESMA	NA
European Banking Authority	NA
European Insurance and Occupational Pensions Authority	NA
European Central Bank	NA
European Environment Agency	NA
Platform on Sustainable Finance	NA
Other	To a very great extent

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

Yes

19.2) Please specify which other European public bodies or authorities be involved in the process of developing a European non-financial reporting standard

European Financial Reporting Advisory Group (EFRAG)	4 (To a very great extent)
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20) To what extent do you consider that the following national authorities or bodies should be involved in the process of developing European non-financial reporting standards?

National accounting standard setters	NA
Environmental authorities	NA

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

Although CII maintains no explicit position with respect to which specific framework(s) best capture relevant information on sustainability matters, CII believes that any expansion of company disclosure should be guided by the consideration of four key factors: materiality to investment and proxy voting decisions; depth, consistency and reliability of empirical evidence supporting the connection between the disclosure and long-term shareowner value; anticipated benefit to investors, net of the cost of collection and reporting; and the prospect of substantially improving transparency, comparability, reliability and accuracy. We have previously observed that industry-tailored disclosure may be particularly useful with respect to environmental and social practices.

It is evident that no single framework fully meets the objectives set out by the European Union with respect to non-financial reporting disclosure. For the benefit of both users and preparers of standardized sustainability disclosure, we encourage the EU to establish sustainability disclosure requirements that generally follow standards set by a limited number of independent, globally recognized standard setters with rigorous and transparent update processes. Similar to the EU's endorsement process for International Financial Reporting Standards, we note this approach still maintains the ability of the European Commission to establish additional requirements as it determines necessary.

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

To a very great extent

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?

To a reasonable extent

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

Yes

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

Although CII’s concept of materiality is rooted in investor impact and informing proxy voting decisions, we believe a fairly broad application of that definition is appropriate, given that many aspects of corporate activity traditionally categorized as “stakeholder issues” have important consequences for long-term investors and “universal owners.”

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

Yes

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?

To some extent but not much

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

Don’t know

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?

Don’t know

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?

Don’t know

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)?

Don’t know

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

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

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

No

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

It would be useful to require the tagging of reports containing non-financial information to make them machine-readable.	5 (Totally agree)
The tagging of non-financial information would only be possible if reporting is done against standards.	5 (Totally agree)
All reports containing non-financial information should be available through a single point.	4 (Mostly agree)

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

To a reasonable extent

35) Please provide any other comments you may have regarding the digitalisation sustainability information.

Just as with financial data, digitalization of non-financial data can help solve information needs to the extent that companies are using a broadly accepted set of disclosure standards.

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:

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	To a reasonable extent
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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.	To a reasonable extent

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

Yes

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

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

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

We believe investors would benefit from having all necessary information in the same report. However, we are generally less concerned with the location of standardized non-financial information than with the availability, comparability and accuracy of that information.

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

Don't know

40) If the scope of the NFRD were to be broadened to other categories of Public Interest Entities (PIEs), to what extent would you agree with the following approaches?

Expand scope to include all EU companies with securities listed in regulated markets, regardless of their size.	Don't know
Expand scope to include all large PIEs (aligning the size criteria with the definition of large undertakings set out in the Accounting Directive: 250 instead of 500 employee threshold).	Don't know
Expand scope to include all PIEs, regardless of their size.	Don't know

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

Expand the scope to include large non-listed companies.	Don't know
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.	Don't know
Expand the scope to include large companies established in the EU but listed outside the EU.	Don't know
Expand the scope to include large companies not established in the EU that are listed in EU regulated markets.	Don't know
Expand scope to include all limited liability companies regardless of their size.	Don't know

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?

Don't know

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?

The threshold criteria for determining which banks have to comply with the NFRD provisions should be different from those used by Non-Financial Corporates.	Don't know
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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.	Don't know
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44) Does your company publish non-financial information pursuant to the NFRD?

No

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

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.	4 (Mostly agree)
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.	5 (Totally agree)
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.	Don't know

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

Improving the availability, comparability and reliability of sustainability information is a high priority for many investors, including CII members. We ask regulators exploring non-financial disclosure standards to carefully consider generally following a limited number of existing, globally prominent sustainability disclosure standard setters to provide both industry-agnostic disclosure and industry-specific disclosure, the latter of which may provide especially relevant information on "E&S" matters. We believe there are good policy reasons why independent standard setters, rather than regulators or trade groups, have long been the locus of decision making on standards for corporate reporting with respect to financial accounting and auditing, and we believe this model should similarly guide the development of standardized sustainability reporting.