



GRI contribution to the EU public consultation regarding the proposal by the European Commission for a regulation

‘Non-financial reporting by large companies (updated rules)’





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

Introduction

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. Companies under the scope of the NFRD had to report according to 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](#)

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
<i>The lack of comparability of non-financial information reported by companies pursuant to the NFRD is a significant problem.</i>				4		
<i>The limited reliability of non-financial information reported by companies pursuant to the NFRD is a significant problem.</i>				4		
<i>Companies reporting pursuant to the NFRD do not disclose all relevant non-financial information needed by different user groups.</i>				4		

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	Reporting of governance topics should be strengthened, including how the company manages remuneration, customer and supplier relations and lobbying activities.
Other non-financial matter #2	Reports should be signed by a senior executive officer or the highest governance body of the reporting organization accountable for the disclosures.
Other non-financial matter #3	Tax payments.

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	A description of the process for determining material topics to inform users of why topics were or were not considered material.
Additional category of non-financial information #2	The strategy for addressing sustainability topics in the reporting company's business model.
Additional category of non-financial information #3	The process for setting goals and KPIs for each material topic, including how these are influenced by thresholds and planetary boundaries – e.g. living wage thresholds, available freshwater, internationally accepted norms, scientifically proven thresholds (such as the scientifically science-based targets for greenhouse gas emissions which are aligned to GRI's Sustainability Context principle), and international authoritative instruments.

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 sustainability¹. 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).



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

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

Yes

No

Don't know / no opinion / not relevant

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

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

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

Not at all

To some extent but not much

To a reasonable extent

To a very great extent

Don't know / no opinion / not relevant

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

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

You can provide as many answers as you want.

It works well

There is an overlap

☒ **There are gaps**

There is a need to streamline

It does not work at all

Don't know / no opinion / not relevant



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

Yes

No

Don't know / no opinion / not relevant

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

5000 character(s) maximum

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

Q 1 - Ensuring that reporting produces reliable, comparable and relevant information requires clarity around what needs to be reported, agreement as to how the information should be reported and a mechanism for assuring the quality of the information that is reported. We agree with the Commission that, thus far, collectively, company reporting under the existing NFRD has not met the requirements of providing such reliable, comparable and relevant non-financial information. We believe that the proposal of the Commission to develop a standard, leveraging existing, relevant standards (such as GRI), to support reporting under the NFRD will go some way to addressing this problem.

Q 2, 3 - As stated in the Impact Assessment, companies should disclose their performance on material sustainability issues that may affect the company as well as those issues that affect society and the environment as a result of the company's activities throughout its value chain. It is therefore important that the revision of the NFRD should avoid being too prescriptive about reporting in any of the individual topic categories or overly focus on climate-related disclosures. Rather, it should lay out a set of principles for topic inclusion informed by the principles of the Green Deal and the GRI Standards – which are compatible. The directive should include a process to keep disclosure standards current and to reflect: 1. emerging societal expectations, and 2. the latest technical knowledge of impact measurement.

The Commission should utilize the concept of double materiality (i.e., financial and societal impacts) as the basis for the selection of standards to be included in a European Standard; this ensures that a wide range of stakeholders will benefit from the disclosures.

GRI strongly supports mandatory disclosure requirements for reporting information on material topics. Such mandates could be both universally applied and, if warranted, complemented with sector-specific disclosures. In many countries, early voluntary efforts by companies to report on their sustainability performance have been followed by introducing regulatory mandated disclosure requirements.

Q 5 Aligning capital to sustainable business practices and a financially healthy private sector is critical to reaching the objectives of the Green Deal. Understanding the environmental and social impacts of economic activities on the world as well as on a company are therefore of critical importance. The



GRI Standards and reporting framework enables companies of all types to disclose their impacts on people, economy and the environment. If not already financial material at the time of reporting, these impacts are important to society and in many cases represent leading indicators of financially material issues over time. This is why the double materiality concept is essential to the European Standard.

Q 6, 7 - The Green Deal and the GRI Standards are grounded in the same core belief that the environmental and social impacts of economic activities need to be managed so future generations may live prosperously. We agree with the Commission that company reports in response to the existing NFRD have collectively fallen short in providing reliable, comparable information. The failure of companies to correctly apply the available disclosure standards is one of the root causes of this shortfall rather than the lack of availability or quality of such standards.

For more than twenty years, GRI has freely provided the world's most widely adopted reporting sustainability framework and standards. The GRI Standards are based on the world's only independent, multi-stakeholder sustainability Standards development process.



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.
<u>GRI</u>			3		
<u>SASB</u>		2			
<u>IIRC</u>		2			



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

Yes

No

Don't know / no opinion / not relevant

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

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

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

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.
<u>GRI</u>				4	
<u>SASB</u>			3		
<u>IIRC</u>		2			
<u>TCFD</u>		2			
<u>UN Guiding Principles Reporting Framework</u> (human rights)			3		
<u>CDP</u>		2			
<u>CDSB</u>		2			
<u>Organisation Environmental Footprint (OEF)</u>		2			
<u>Eco-Management and Audit Scheme (EMAS)</u>		2			



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?

Yes

No

Don't know / no opinion / not relevant

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	N/A	N/A

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?

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

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?

- ☐ **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**
☐ **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 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.
<i>Investors</i>				4	
<i>Preparers</i>				4	
<i>Auditors/accountants</i>				4	

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.
<i>Civil society representatives/NGOs</i>				4	
<i>Academics</i>				4	

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

Yes

No

Don't know / no opinion / not relevant

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.
<i>European Securities Markets Authority (ESMA)</i>				4	
<i>European Banking Authority (EBA)</i>			3		
<i>European Insurance and Occupational Pensions Authority (EIOPA)</i>			3		
<i>European Central Bank (ECB)</i>		2			
<i>European Environment Agency (EEA)</i>			3		
<i>Platform on Sustainable Finance</i>				4	



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

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.
<i>National accounting standards-setters</i>			3		
<i>Environmental authorities</i>			3		

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

Yes

No

Don't know / no opinion / not relevant

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

5000 character(s) maximum

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

Q 9 – In addition to commonly applicable standards on specific topics it is important to develop sector specific guidance to ensure comparability and prevent 'green washing'. GRI's Sector Standards identify and describe a sector's most significant impacts from a sustainable development perspective. Sector Standards should focus on the impacts that matter most and reflect stakeholder expectations and:

- Describe the sustainability context;
- Outline topics and appropriate disclosures that are likely material.

Sector specific disclosures should not undermine cross-sector comparability. If a topic is deemed material within a sector, companies in that sector should disclose this information based on universally applicable standards. In addition, each company must determine material topics specific to its individual circumstances over and above its sector specific disclosures.

Q 10 - The GRI Standards, with their focus on the environmental, economic and social impacts of the activities of a company is the only sustainability reporting standard that embodies the outward impact component of the double-materiality principle as articulated by the Commission. Identification and reporting of financially material issues is the sole responsibility of the issuing company. Companies around the world regularly use the GRI standards as the basis for reporting financially material ESG

issues as well as issues that impact society. Experience has shown that the impacts that are important to society today are a leading indicator of impacts that could become financially material to the company over time.

Q 11, 12 - The EU Commission and Parliament ambitions for the creation of a sustainable, equitable and just society. These ambitions must be embedded in the disclosure standards aligned with the NFRD. Also, both institutions have been clear in their desire to create a solution that is accepted beyond Europe. GRI strongly supports the EU's ambitions and is keen to participate in the co-creation of appropriate standards. As many European companies operate in global markets, we recommend as the ultimate goal one single global reporting standard aligned with international authoritative instruments.

Given the rate of adoption by companies, capital markets and policymakers within Europe and its trading partners, GRI proposes that its standards should form the basis for an European Standard. GRI does acknowledge that its current standards may not meet the needs of all information users across all topics. However, we believe that our standards, complemented with elements from the other frameworks and standards such as SASB and IIRC, will go a long way to achieving the aim of the NFRD review. We look forward to collaborating with the Commission and all other stakeholders, including the other standards, frameworks and bodies with expertise in financial reporting such as EFRAG and ESMA.

Attached to this consultation submission is short one pager outlining GRI's initial thoughts around a governance model which balances the needs of the European Union with its desire to enable global standards. It builds on the process used to create the GRI Standards that has resulted in global adoption.

Q 13-15 - SMEs form the heart of Europe's economy. While reporting helps SMEs improve business practices, they typically lack resources for extensive reporting processes and should at this stage not be mandated to report. We urge the Commission to provide capacity building programs and guidance for SMEs for ESG disclosure. The Commission should co-develop solutions with SME representatives that reduce burden while providing essential, quality, consistent and reliable ESG information. Rather than developing alternative standards for SMEs, the EU should develop solutions based on same reporting standards that apply to larger enterprises to enhance comparability.

Q 18 – Representatives of labour unions must be included to ensure the right balance of stakeholders involved.

3. Application of the principle of materiality

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

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

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

Not at all

To some extent but not much

To a reasonable extent

To a very great extent

Don’t know / no opinion / not relevant

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

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?

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.

Q 23 - In this context, it is important to create an unambiguous definition of the concept of materiality which goes beyond the current definition in Article 2 (16). GRI strongly supports the concept of ‘double materiality’ as described in the European Commission ‘Guidelines on reporting climate-related information.’

The revised directive should make it unequivocally clear that:

1. the determination of what is material lies solely with the reporting company, and
2. each ‘direction’ of the notion of double materiality needs to be considered in its own right – it is not about the convergence of the two perspectives that renders an issue as material. Impacts on society and the environment cannot be deprioritized on the basis that they are not financially material or vice versa. Moreover, a company should start with the assessment of the larger ESG landscape followed by the identification of the subset of information which is financially material to the company and of interest to the investor stakeholder groups.

Our standards enable companies to disclose their impacts on people, economy and the environment. If not already financially material at the time of reporting, these impacts are important to society and represent leading indicators of financially material issues over time.

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

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.

Question 21, 22 - GRI is committed to representing the needs of all stakeholders, which includes, but is not limited to, the financial health of reporting companies. The environmental and social impacts of economic activities need to be managed so future generations can live prosperously.

Aligning capital to sustainable business practices and a financially healthy private sector is critical to reach the objectives of the Green Deal. At the same time the European Commission rightly expects investors (as responsible owners of companies) to understand and manage the impact of their investments on the environment and social issues; regardless of whether these are financially material.

Question 24 - Through the Green Deal, the European Commission showed that one of the catalysts for change towards sustainable finance is transparency. GRI's broad view of sustainability and materiality is closely aligned with the thinking behind the Green Deal, in terms of determining what should be disclosed by organizations.

Reporting on the materiality assessment process and its outcome is required by GRI's Universal Standards. This framework for reporting in accordance with the GRI Standards requires full transparency of the selection of material issues. It is essential for stakeholders to understand the context of the reported information and assess it on its merits. For that reason, we urge the European Commission to include disclosure of the materiality process and results as a requirement in the revised NFRD.

GRI recently proposed revisions to its universal standards recommending that: "A reporting organization should describe how it has considered sector-specific, product-specific, and geographic-level impacts when identifying its material topics." The organization should also explain whether and why it does not report on some of these impacts as part of its material topics; for example. Reporting this information indicates whether the organization recognizes sector-specific, product-specific, and geographic-level impacts, and provides information users with adequate contextual information to assess the organization's selection of material topics.

For example, an oil and gas project often requires land for its operations, access routes, and distribution. This can lead to impacts such as involuntary resettlement of local communities, which can involve their physical displacement as well as economic displacement such as loss of access to resources. An organization undertaking an oil and gas project would need to consider, in the early stages of due diligence, whether the project could result in involuntary resettlement of communities. If the project does not result in involuntary resettlement of communities, the organization should still report why this topic, which is commonly associated with the oil and gas sector, was not identified as material to report, to make clear that the topic was not overlooked."

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?

Reasonable

Limited

Don't know / no opinion / not relevant

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

Yes

No

Don't know / no opinion / not relevant

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

Yes

No

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?

Yes

No

Don't know / no opinion / not relevant

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

 **Yes**

No

Don't know / no opinion / not relevant

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

Yes

No

Don't know / no opinion / not relevant



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

5000 character(s) maximum

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

Q 25, 26 - Transparency relies on assurance for the credibility and reliability of reported disclosures. Only if stakeholders, including investors, trust the data will it be used to inform better decisions. GRI sees an important role for independent assurance on non-financial information. At present, only three Member States (Italy, France and Spain) mandate assurance for non-financial information disclosures. The revision of the non-financial reporting directive offers an opportunity to take on board the lessons from these countries and require the verification of non-financial information by independent assurance providers, explicitly accredited for verifying non-financial disclosures.

Q 27 - Reasonable assurance should be adopted as this would be commensurate with the level of assurance provided through statutory audits of financial statements and will give information users increased confidence that the reported information is prepared in accordance with the stated criteria. Given the importance of non-financial information to all stakeholders, including investors and its financial implications, it makes sense that both financial and non-financial information is subject to the same level of assurance.

Q 28-32 - For reasonable assurance to provide credibility and trust it is critical that external assurance is provided in conformity with a globally recognized assurance standard (such as ISAE 3000 as issued by the IAASB) so that it is performed consistently and appropriately. It is also critical that reporters use consistent 'suitable criteria' (i.e., a specific non-financial reporting standard) against which the subject matter being assured is evaluated. This specific non-financial reporting standard should incorporate principles for identifying material topics, reporting on the materiality assessment and its output, as well as reporting appropriate disclosures on the topics that have been identified as material. The GRI Standards have been the foundation for such assurance for many years and the framework and disclosures are continually improved to provide 'suitable criteria' for providing assurance.

The GRI Standards recommend that reporting organizations obtain independent external assurance and require the organization's policy and practice regarding seeking external assurance to be reported.

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
<i>It would be useful to require the tagging of reports containing non-financial information to make them machine-readable.</i>					5	
<i>The tagging of non-financial information would only be possible if reporting is done against standards.</i>					5	
<i>All reports containing non-financial information should be available through a single access point.</i>					5	

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.

The success of the revised NFRD in terms of supporting the objectives of the Green Deal is dependent on collection, aggregation and analysis of non-financial disclosures. The Commission should consider mandating the development of a publicly accessible and searchable database for ESG disclosures from which interested parties can draw information to inform their decision making or commercial products. In addition, policy makers could use the data platform to determine performance trends to inform further regulation.

Efficient data collection requires “data tagging” techniques and would require financial and technical support beyond that needed for standards development.

GRI supports data tagging disclosures made pursuant to its standards and have some experience with this issue. Data tagging would:

1. Enable the EU to further reduce the reporting burden of companies and would help drive the global acceptance of an integrated European reporting approach.
2. Respond to the problem highlighted by the Commission in the Inception Impact Assessment, that it is 'hard for investors and other users to find non-financial information even when it is reported'.

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.

Q 33 - Both financial and non-financial disclosures are more valuable if stakeholders can easily access and analyse the information based on their needs. Digital reporting technologies aide reviewing, comparing and analysing information. Digital reporting tools can also help reduce reporting burden.

Q 34 - While the market for ESG data and analysis already has several for-profit actors, a globalized non-profit system would greatly benefit from end-to-end digitalization based on internationally standardized protocols. Such a system could also be used by global and national policy makers to assess the progress towards achieving the SDGs and provide other public benefits.

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.
<i>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).</i>			3		
<i>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.</i>			3		

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

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
<i>Legislation should be amended to ensure proper supervision of information published in separate reports.</i>					5	
<i>Legislation should be amended to require companies to file the separate report with Officially Appointed Mechanisms (OAMs).</i>					5	
<i>Legislation should be amended to ensure the same publication date for management report and the separate report.</i>					5	



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.

Q 38 - GRI acknowledges the advantage of integrating non-financial information into the management report. A separate report on non-financial information is currently the dominant method of publication. By aggregating non-financial and financial information, the disclosures would be subject to the same level of rigor. In addition, this would enable companies to more clearly see the relationship of non-financial disclosure with their operations, thus elevating non-financial matters into corporate-wide decision processes.

When a company chooses to provide separate reports for financial and non-financial information, the same rigor and assurance procedures that apply to the financial statement should apply. This includes reporting information for the same reporting period and for the same group of entities, the same level of assurance, and to the extent possible, publishing information at the same time.

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?

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.

Q 36 - While the Inception Impact Assessment found that "it is hard for investors and other users to find non-financial information even when it is reported," including non-financial information in the management report can help ensuring integration between non-financial and financial disclosures. It also allows data users to have direct access to non-financial information.

Q 37 - Including this information in the management report sends a strong message to management that the EU Commission holds them accountable for non-financial performance as



much as it considers them responsible for reliable reporting on the financial performance of an organization.

The distinction made between the management report, statement of non-financial performance and the corporate governance statement in the Accounting Directive should be amended to ensure coherent reporting. The directive should specify the interconnection between financial and non-financial information and be coordinated with EU legislation.

Q 39 - The NFRD is based on the concept of double materiality which recognizes the reality that ESG issues can have a financial impact. Combining non-financial and financial reporting would align with this policy.

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
<i>Expand scope to include all EU companies with securities listed in regulated markets, regardless of their size.</i>					5	
<i>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).</i>					5	
<i>Expand scope to include all public interest entities, regardless of their size.</i>		2				

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
<i>Expand the scope to include large non-listed companies.</i>					5	
<i>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.</i>			3			
<i>Expand the scope to include large companies established in the EU but listed outside the EU.</i>					5	
<i>Expand the scope to include large companies not established in the EU that are listed in EU regulated markets.</i>					5	
<i>Expand scope to include all limited liability companies regardless of their size.</i>				4		

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

Yes

No

Don't know / no opinion / not relevant

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
<i>The threshold criteria for determining which banks have to comply with the NFRD provisions should be different from those used by Non-Financial Corporates.</i>				4		
<i>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.</i>				4		



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.

Q 40 - GRI believes that limiting the scope of application of the non-financial reporting directive to large public interest entities only does not support the legislation's greater objectives. Private companies can have significant impacts on people and the planet that must be disclosed to be managed. Furthermore, we observe inconsistency between the requirements of the accounting directive, which uses an average threshold of 250 employees, and the non-financial reporting directive, which uses 500.

We therefore encourage the European Commission to follow the lead of countries such as Sweden and extend the scope of application by mandating reporting for all large enterprises (including state-owned enterprises) with more than 250 employees. This requirement should be applicable both to companies established in the EU regardless of where they are listed and those listed in the EU but established elsewhere.

SMEs - As discussed in section 2, SMEs should also be encouraged to start reporting as this will improve relationships in value chains. GRI believes that the revision of the NFRD should include a voluntary program with training and capacity building for companies with 50 to 250 employees.

Q 41, 42 – Despite many significant companies doing business in the EU are not listed, it is important to ensure they disclose the same non-financial information as their listed peers. To exclude non-list companies would open a large 'loophole' in the disclosure system and could create incentives to de-list. Since the EU through the Capital Markets Union seeks to increase the use of public markets, imposing a disclosure burden on only listed companies could disincentivise the use of public markets, to the detriment of the EU regulated markets.

We suggest the EU to oblige non-listed companies to disclose the mandated non-financial information in a report like a GRI based report, since non-listed companies are not required to publish financial disclosures.



8. Simplification and reduction of administrative burdens for companies

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

Yes

No

Don't know / no opinion / not relevant

Question 44.2 Please state the total cost per year of any external services, excluding the cost of any assurance or audit services, that you contracted to assist your company to comply with the requirements of the Non-Financial Reporting Directive. Please provide your answer for reports published in 2019, covering financial year 2018.

5000 character(s) maximum

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

N/A

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
<i>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.</i>				4		
<i>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.</i>					5	
<i>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.</i>					5	



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.

Q 45 - Based on the situation described in the Impact Assessment and in this consultation process, GRI has concluded that mandating specific reporting requirements is essential to reach the Commission's objectives. It will also help address the concerns from companies on confusion about what to report and reporting burden. Mandates will help standardize and professionalize non-financial reporting thus improving access to the underlying data. Such mandates will also improve the comparability of disclosed information.

GRI recognizes that a prescriptive approach to reporting could lead to higher costs (particularly due to the increased costs of assurance) but we believe that the benefits for sustainability, investors, companies, other stakeholders and the EU justify the increase:

- Availability of better information for decision making, enhanced risks assessment, and increased resilience,
- Stronger relations between companies, investors and the stakeholders they engage with supporting their licence to operate,
- Improved access to sustainable financing options,
- Insight into the effectiveness of policy measures implemented to achieve the Green Deal.

Convergence of reporting requirements in other EU policy initiatives

The Commission should strive for convergence of similar reporting requirements in various European policy initiatives focused on sustainability topics (e.g., human rights and environmental due diligence). The NFRD would be the logical place to bring related reporting requirements together to ensure alignment and reduction of reporting burden. The current GRI Standards are an example of how that can be done. They are aligned with widely recognized international instruments for responsible business conduct. These include instruments such as the UN Guiding Principles on Business and Human Rights, the ILO conventions, and the OECD Guidelines for Multinational Enterprises.

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.

- **Governing EU standards_pre-amble_GRI_09062020.pdf**