

CSR Europe's response to the European Commission's public consultation on the revision of the NFRD is the result of compiling and aligning feedbacks, ambitions and expectations from a diverse membership composed by companies from different sectors, geographies, corporate culture as well as different approaches and experiences in relation to the potential revision of the EU Directive on Non-Financial Reporting. It also reflects the long-standing experience and the sensitivities of many of our National Partner Networks which, like us are supporting enterprises with NF disclosure as a means towards better integrated decision making and performance.

CSR Europe has reached a fine common position through a series of steps:

- **January - February:** CSR Europe submitted comments to the initial [Inception impact assessment](#) – (to see, click [here](#) and [here](#))
- **March - June:** CSR Europe facilitated a wide consultation with the network to shape its common response through Issue Insights, webinars and one-to-one meetings with company members and National Partner Organisations.
- **June 11th** - Deadline and submission of the responses to the Commission.

OUR COMMON POSITION ON THE CONSULTATION

1. QUALITY AND SCOPE

Regarding the quality and the scope of the non-financial information currently disclosed by companies, we believe that it is reliable and overall, enough. However, we suggest increasing the topics on which companies are required to disclose to include: topics from the EU Taxonomy, and specifically the social aspect, information on which steps companies are taking to integrate tax policy into their sustainability strategy, and data responsibility in the wider context of data management. The inclusion of additional topics, however, should not result into a **tick-box exercise**.

Moreover, it is particularly important to address the interaction between difference pieces of legislation. The **taxonomy regulation** indeed should be fully considered in defining the environmental matters related to non-financial reporting. We also believe that **capacity building activities** are necessary for companies and investors before disclosure obligations become binding.

2. STANDARDIZATION

CSR Europe believes that the introduction of a common standard, simplified for SMEs, for non-financial information would help to resolve the current problems related to non-financial disclosure. Existent frameworks such as the **Global Reporting Initiative (GRI)**, the **International Integrated Reporting Framework (IIRF)** and the **Task Force on Climate-related Disclosure (TCFD)** should be considered when building such a standard.

The developed standard should see the involvement of **sector associations, industry federations, companies network and local governments** to make sure that all relevant stakeholders are at the table and move forward.

It is also important to leave it to the market to produce standards or frameworks that can better serve companies on specific topics or that focus on specific sectors.

3. MATERIALITY

In our opinion the definition of materiality as set out in Art 2 (16) of the Accounting Directive is relevant but not enough to understand a company's development, performance, and position.

We believe that there is the need to **clarify the concept of material non-financial information**. In this regard, we suggest that the directive becomes more prescriptive with respect to companies assessing the materiality of ESG topics and issues and engaging both internal and external stakeholders.

Companies, furthermore, should be required to disclose their materiality assessment process. It would also be advisable to establish sector-specific reporting requirements and avoid a one-fit-all approach.

4. ASSURANCE

We are in favour of stronger assurance requirements for non-financial information reported by companies falling within the scope of the NFRD and believe that the directive should require **a limited assurance** engagement. However, we believe it is important that stronger assurance requirements do not result into additional bureaucracy, non-necessary disclosure and higher costs. Indeed, it will be necessary to have a through discussion and to build capacity on how to disclose (for companies) what and how to audit (for auditors), before making auditing mandatory.

5. DIGITALISATION

We are in favour of the **tagging of reports** containing non-financial information and believe that all reports should be available through a **single access point**. Digitalisation, indeed, would help reports to be considered by analysts and reinforce their impact.

6. STRUCTURE AND LOCATION

We believe that non-financial information should be published in the **same report** as financial information. This would help stating the importance of non-financial information disclosure. Regulation in this area should ensure flexibility and leave the option for companies to publish information in both the management report and in a separate document if deemed necessary. Concerning the publication date of the management report and the separate report, although we would prefer this option, it should be preferred but not mandatory, as not always possible to implement.

7. PERSONAL SCOPE

We suggest expanding the scope to include all EU companies with securities listed in regulated markets regardless of their size and to include all large public interest entities. However, a revision should aim at securing **a level playing field** for companies. If enlargement of personal scope has to be taken into consideration, it is necessary to ensure a proportionality between scope of the enlargement and accompanying **capacity building measures** to support efficient and effective reporting from the companies falling under the scope of the directive.

In general, before a widening of the scope of the companies affected by the Directive, the EC should produce a good state of play about what categories of companies are currently falling under the scope of the directive after transposition. Moreover, we suggest the EC to support, where necessary, national reporting labs to continue in bridging companies and investors community to build awareness and capacity for certain categories of companies and investors in terms of sizes, sector, geography, etc.

8. SIMPLIFICATION AND REDUCTION OF ADMINISTRATIVE BURDENS FOR COMPANIES

In our opinion companies reporting pursuant to the NFRD do not face extreme uncertainty and complexity when deciding what non-financial information to report, and how and where to report such information. However, we believe that to improve the connection between companies and business partners, it is critical for companies (1) to collaborate with their business partners and clients to achieve their respective and common sustainability targets, and (2) to enhance the awareness and capacity of their suppliers to develop for themselves a sustainability strategy.