I. CORE MESSAGES

- REPORTING AS A MEANS TO INTEGRATE SUSTAINABILITY AND TO ATTRACT SUSTAINABLE INVESTMENT
  Reporting should be considered to help integrate sustainability across business strategy, functions and value chains, with a focus towards integrated performance and management. Therefore, a revision of the directive should aim at securing a level playing field for companies where enhanced transparency will enable them to attract more sustainable investments to accompany them in their further transition and sustainable business transformation.

- FLEXIBILITY AND MATERIALITY ABOVE ALL
  The revision and related additional measures should NOT result in a tick box exercise but keep a strong “Comply or Explain” approach, providing also the absolute flexibility for companies to identify with their internal and external stakeholders which topics are most material for them to report on;

- FOR AN EU SMART MIX APPROACH COUPLING BETTER COMPLIANCE AND CAPACITY BUILDING
  The revision should be coupled with accompanying capacity building measures to support efficient and effective reporting from the companies falling under the scope of the directive and the many more thousands, including SMEs that are directly impacted by it. There is a huge need to go beyond compliance and guidance, and to equip enterprises and their sector associations, investors and authorities with the right learning and capacity building instruments (e.g. to adapt internal processes, undertake smart stakeholder dialogues and materiality assessment, support client / suppliers to provide necessary info). If this is not done, the risk is twofold: (1) Europe will reach poor impact, low geopolitical leadership and not much of system change; and (2) further gaps will be interpreted for even more regulation and standards, ending in a Tick Box exercise; exactly what both in the spirit and in the text of the EUDNFI the EU Institutions managed to avoid, choosing for a clear “Comply or Explain” approach.

II. OUR POSITION

1. The revision of the Directive should not result in a “tick the box” exercise.
2. The enhancement of the scope and of the quality of information disclosed should:
   a. Focus on interaction between difference pieces of legislation, and more specifically the taxonomy regulation.
   b. Include steps to integrate Tax policy in companies’ sustainability strategy.
   c. Require companies to disclose their materiality assessment process, avoiding a one-fits-all approach.
3. The development of a common European standard should:
   a. Be simplified for SMEs.
   b. Build mainly upon the Global Reporting Initiative (GRI), the International Integrated Reporting Framework (IIRF) and the Task Force on Climate-related Disclosure (TFCD).
   c. Involve sector associations, industry federations, companies, network and local governments in the making.
4. We are in favour of stronger and limited assurance requirements for non-financial information, that however needs to be supported by capacity-building on how to disclose (for companies) what and how to audit (for auditors), before making auditing mandatory.
5. Reports containing non-financial information should be tagged and available through a single access point.
6. We support flexibility for companies to publish information in both the management report and in a separate document if deemed necessary.
7. A revision should aim at securing a level playing field for companies. Therefore, we suggest expanding the scope to include:
   a. All EU companies with securities listed in regulated markets regardless of their size.
   b. All large public interest entities.
CSR Europe’s response to the EC’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 11:** Deadline and submission of the responses to the Commission.

*However, our response does not necessarily represent those of all members due to the diverse nature and differing perspectives of the member base, which represents many sectors, geographies, and cultures.*

**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 to increase 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 (TFCD)** should be considered when building such a standard.
The developed standard should see the involvement of sectors, industry federations, companies, networks, 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 thorough 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.