



ESAs 2020 13  
11 June 2020

Mr Valdis Dombrovskis  
Executive Vice-President  
European Commission  
B-1049 Brussels  
Belgium

**Subject: Public consultation on revising the Non-Financial Reporting Directive**

Dear Vice-President Dombrovskis,

The European Supervisory Authorities (ESAs) welcome the European Commission's consultation on the revision of the Non-Financial Reporting Directive (NFRD). The Commission's consultation document addresses a number of important aspects of the future of the NFRD, and each ESA has submitted a response to the consultation to support the Commission in its development of a legislative proposal for a revised Directive.

In this letter, we would like to highlight certain topics which in our view are particularly important for Europe's future non-financial reporting regime.

Firstly, and most fundamentally, we agree that there is a need to revise the NFRD, as the demand for relevant, reliable and comparable company disclosure on non-financial matters goes well beyond the current legislative requirements. We consider that a central element of such a revision would be to introduce a higher level of standardisation of the disclosure requirements which companies must apply when preparing their non-financial information. In the short term, it is necessary to pursue a European standardisation which should, however, be compatible with the aim of achieving international standardisation in the medium term.

In particular, we consider it would be important to include the detailed disclosure standards in regulatory or implementing technical standards, setting out mandatory rather than voluntary requirements. Currently, the absence of mandatory reporting requirements, and the resulting application of a variety of national, regional and global disclosure frameworks, lowers the comparability between companies' disclosures and impedes assurance regarding those disclosures. Introducing mandatory disclosure standards would be the best way to promote a change towards more relevant, reliable and comparable disclosures.

In order to ensure a sufficiently independent but inclusive governance built on strong, multi-stakeholder consultative processes, we suggest that the development of regulatory or implementing technical standards should be placed with a public body. In that context, the ESAs could play a leading role in the necessary standard-setting work, having each received strengthened legislative mandates on ESG matters in the recent ESA review. The ESAs are already tasked with developing regulatory and implementing technical standards on disclosure of sustainability-related topics under their remits and would as such ensure the necessary consistency across the different disclosure standards in the sustainable finance area. In addition, the ESAs would contribute to a consistent application of the disclosure standards thanks to the ability to issue guidelines, opinions and Q&As.

Furthermore, the ESAs would leverage on a sound due process based on extensive stakeholder engagement via public consultations, regular interactions with our statutory

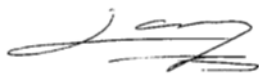
stakeholder groups and ad-hoc outreach activities as well as cooperation with the International Platform for Sustainable Finance and with other public authorities such as the European Environmental Agency and the European Union Agency for Fundamental Rights.

Further to standardisation, the scope of companies to be covered is another central aspect of the NFRD revision. We suggest that now would be a suitable time to expand the scope to create transparency on non-financial matters to a larger group of companies, thus also providing information on a wider scale to facilitate financial market participants in discharging their disclosure obligations under the Disclosure Regulation. The expansion should, however, be done in a proportionate way to avoid undue administrative burden on smaller companies and reflect the need to consider a simplified disclosure standard for SMEs.

Lastly, and closely related to the remarks made above, we would like to highlight the importance of ensuring consistency of the NFRD with other pieces of legislation in the sustainable finance area, notably the Disclosure Regulation, the Taxonomy Regulation and the prudential disclosure requirements foreseen, for example, in the CRR for credit institutions. This is relevant both when revising the NFRD itself and when developing the related Level 2 disclosure standards.

We remain available to discuss the content of this letter and to further support the work of the European Commission on this important legislative file.

Yours sincerely,



José Manuel Campa  
Chairperson, EBA



Gabriel Bernardino  
Chair, EIOPA



Steven Maijor  
Chair, ESMA

CC: Irene Tinagli, Chair of the Committee on European and Monetary Affairs, European Parliament  
Zdravko Maric, President of the ECOFIN Council, Council of the European Union  
Jeppe Tranholm-Mikkelsen, Secretary-General of the Council of the European Union  
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