insurance europe

Position Paper

Insurance Europe response to the European Commission consultation on the Non-Financial Reporting Directive (NFRD)

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1. Quality and scope of non-financial information to be disclosed

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

	1 (totally disagree)	**2 (mostly disagree)**	**3 (partially agree and partially disagree)**	**4 (mostly agree)**	**5 (totally agree)**	**Don't know / no opinion / not relevant**
The lack of comparability of non-financial information reported by companies pursuant to the NFRD is a significant problem.				x		
The limited reliability of non-financial information reported by companies pursuant to the NFRD is a significant problem.		x				
Companies reporting pursuant to the NFRD do not disclose all relevant non-financial information needed by different user groups.				x		

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:

- Environment
- Social and employee issues
- Human rights
- Bribery and corruption

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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?

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:
Additional category of non-financial information #1	Sustainability' integration into a company's strategy
Additional category of non-financial information #2	
Additional category of non-financial information #3	

Investment in intangible assets currently represents the majority of investments 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[1]. 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).

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.

[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.

- 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?

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:

Given the global nature of investment activities, European insurers believe that a non-financial reporting framework agreed at international level would be ideal. As many insurers are global players, a single standard across jurisdictions would facilitate their work and be more consistent. However, given the urgency to act to tackle the current sustainability challenges and difficulty of finding swift agreement at international level, the industry recognises the urgency to perform a revision of the NFRD.

This considered, **European insurers support the revision of the Non-financial Reporting Directive (NFRD) given the existing concerns on the lack of comparability and limited reliability of non-financial information** disclosed under the current Non-Financial Reporting Directive. As a matter of fact, the NFRD application is relatively recent with actors applying it from 2018. As a consequence, the market is still learning and adapting to the Directive's requirements. The revision of the NFRD will also be an occasion to tackle existing overlaps in requirements between the NFRD, taxonomy and SFDR. Now there is a need to align and streamline them.

Insurers also recognise that an update of the NFRD is a prerequisite for meeting the new disclosure requirements under the Sustainable Finance Disclosures Regulation and the EU Taxonomy. As Europe's largest institutional investors, insurers need sufficient quality data from investee companies to fulfil the new disclosure requirements.

The revised NFRD should therefore be consistent with the requirements of the sustainability-related disclosures and taxonomy regulations so that investors have necessary information to comply with proposed requirements. Specifically, the data and assessments (eg assessment against the taxonomy) provided must be aligned to the regulatory requirements set by the disclosure regulation (SFDR) and the taxonomy regulation. In addition, it is key that the revised NFRD answers the requirements defined in the level 2 measures of the disclosure and taxonomy regulations. In this respect, a certain level of standardisation needs to be achieved under the NFRD in order for insurers to comply with some required disclosures under these Level 2 measures of the disclosure and taxonomy regulations.

This set of non-financial information – to satisfy the data needs of the Taxonomy and SFDR – should be published in a standardised data format and should be available electronically in a way that facilitates access and minimises the cost for the investors, preparers and other information users. In fact, data should be reported in a ready-to-use format and free of costs or barriers, possibly under a centralised register for ESG data in the EU.

Beyond what is required to comply with the sustainability-related disclosures and taxonomy regulations, additional mandatory requirements should only be introduced after an assessment that shows that the benefits of their introduction outweigh their costs and that compliance is possible in a way that gives useful information to users. Also, such additional mandatory requirements should be principles-based so that they deliver non-financial information that is meaningful, adapted to the company's circumstances and not reduced to a box-ticking exercise.

Reporting must be carried out in accordance with uniform standards, which on the one hand cover all information required by EU regulations, and on the other hand comply as fully as possible with international reporting standards. The development of the reporting standards must be internationally coordinated. The aim should be to consolidate the myriad of existing global standards which result from private initiatives. Having a unified framework and a reporting standard recognized by the European Commission could therefore be helpful.

To the extent that ESG reporting in the NFRD is to satisfy the needs of stakeholders other than insurers and other investors, it is key that the NFRD defines first who these stakeholders are, what are their reporting needs and whether these are different from those of insurers and other investors.

Finally, the sector highlights that **intangibles** are a much more comprehensive issue that needs to be addressed separately from the NFRD. The industry cautions against introducing separate valuation requirements for intangibles from those included in accounting standards.

Scenario analyses and climate stress testing are currently not yet suitable to be used as a category in the revised NFRD. First, it is essential to ensure that the data basis for modelling scenario analyses and climate stress tests is continuously improving. So far, due to a lack of quality and availability of data, but also lack of accepted models and factors, the results of such tools are too dependent on the choice of the assumptions used, which are not reliable enough to allow for public reporting or for allocation decisions to be made on this basis.

2. Standardisation

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)?

	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.**
Global Reporting Initiative			**X**		
Sustainability Accounting Standards Board			**X**		
International Integrated Reporting Framework		**X**			

Question 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

Question 10.2 Please specify which other standard(s) or framework(s) you consider, applied on their own, would resolve the problems identified while also enabling companies to comprehensively meet the current disclosure requirements of the NFRD, and to what extent:

	Name of other standard or framework	Please rate from 1 to 4 as explained above
Other standard or framework #1	TCFD	4
Other standard or framework #2	PRI	3
Other standard or framework #3	World Economic Forum's "Toward Common Metrics and Consistent Reporting of Sustainable Value Creation"	3

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?

	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.
Global Reporting Initiative			X		
Sustainability Accounting Standards Board			X		
International Integrated Reporting Framework			X		
Task Force on Climate-related Financial Disclosures (TCFD)				X	
UN Guiding Principles Reporting Framework (human rights)			X		
CDP			X		
Carbon Disclosure Standards Board (CDSB)			X		
Organisation Environmental Footprint (OEF)					X
Eco-Management and Audit Scheme (EMAS)		X			

Question 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 11.2 Please specify the existing standard(s) or framework(s), whose principles and content should be incorporated in a potential common European non-financial reporting standard, and to what extent:

	Name of other existing standard or framework	**Please rate from 1 to 4 as explained above**
Other existing standard or framework #1	PCAF	3
Other existing standard or framework #2	Greenhouse Gas Protocol	3
Other existing standard or framework #3		

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):

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

	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.**
Investors				X	
Preparers				X	
Auditors/accountants			X		

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?

	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.**
Civil society representatives/NGOs		X			
Academics		X			

Question 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 18.2 Please specify which other stakeholder(s) you consider should be involved in the process of developing a European non-financial reporting standard and to what extent:

	Name of other stakeholder	**Please rate from 1 to 4 as explained above**
Other stakeholder#1	Lenders	4
Other stakeholder#2		
Other stakeholder#3		

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?

	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.**
European Securities Markets Authority (ESMA)			**X**		
European Banking Authority (EBA)		**X**			
European Insurance and Occupational Pensions Authority (EIOPA)		**X**			
European Central Bank (ECB)		**X**			
European Environment Agency (EEA)	**X**				
Platform on Sustainable Finance		**X**			

Question 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 19.2 Please specify which other European public body/ies or authority/ies you consider should be involved in the process of developing a European nonfinancial reporting standard and to what extent:

	Name of other European public body or authority	**Please rate from 1 to 4 as explained above**
Other European public body or authority#1	EFRAG	4
Other European public body or authority#2	EIB	2
Other European public body or authority#3		

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?

	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.**
National accounting standards-setters		X			
Environmental authorities	X				

Question 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

Question 20.2 Please specify which other type of national authorities or bodies you consider should be involved in the process of developing a European nonfinancial reporting standard and to what extent:

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

Insurers recognise that a standard for non-financial information is aimed at fulfilling the needs of investors/shareholders, lenders, suppliers, buyers, employees and other primary stakeholders. As such, non-financial information should draw heavily on the concepts of the general framework of financial accounting. In this respect, EFRAG is very well suited to develop an EU-standard for non-financial information, leveraging on its ability to gather input from various stakeholders efficiently. Insurance Europe fully supports the Commission's mandate in that regard.

The review of the NFRD aims to strengthen the foundations for sustainable investments. Hence, the key-stakeholders – investors and preparers – should be involved to a very great extent in the process of developing a European non-financial reporting standard. Involvement of national standard-setters should be avoided to the extent possible, however, some involvement may be required to account for national characteristics in non-financial reporting.

Standardisation is important for investors and other stakeholders to be able to compare results. Customization is equally important for information to be relevant and Non Financial Information should be sector specific. Where appropriate, the EU should build on existing frameworks (TCFD for example) EU regulatory authorities such as EFRAG, ESMA, EBA, EIOPA and the ECB should be involved in preparing and developing a revised NFRD to avoid disclosure duplication.

While strong requirements would be helpful for companies in determining what to report on, it is important that a certain level of flexibility remains to avoid rendering the NFRD obsolete in the near future. Accordingly, it is also important that the revised NFRD remains principles based – with the NFRD providing a general framework for reporting, and with standardised requirements set out as Level 2 measures.

The revised NFRD should aim at standardising a limited number of disclosures and helping companies to report non-financial information by providing adequate guidance. In this respect, in addition to a limited set of mandatory key indicators that would constitute material non-financial information relevant to all industries, there could be a reduced sector-specific set of material non-financial information – that will strengthen the growth of sustainable finance – to increase the comparability within a specific sector. This reduced sector-specific set of non-financial information should and take into account the information requirements related to the upcoming Level 2 measures under the Disclosures and Taxonomy Regulations (the latter is at economic activity level) and be defined by the undertakings of each sector according to materiality considerations for investors. **This set of non-financial information required to satisfy the data needs of the Taxonomy and SFDR – should be published in a standardised data format and should be available electronically** in a way that facilitates access and minimises the cost for the investors, preparers and other information users, possibly under a centralised register for ESG data in the EU (see joint letter calling for a European ESG data register).

European public bodies or authorities should be consulted in the development of non-financial reporting. We suggest they are granted observer status in the development process, as done currently for financial standards endorsement.

3. Application of the principle of materiality

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?

As there are significant differences in the nature and complexity of financial and non-financial information, a different materiality concept should apply.

The concept of materiality for sustainability should include the relevance for the company's financial performance and the consequences for society and the environment. Therefore, the concept of double materiality (ie: materiality that accounts for the impact of the environment on companies and companies' impact on the environment) is reasonable for non-financial reporting.

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:

European insurers support using the concept of materiality in determining the nature and extent of disclosures as a key means to increase disclosures relevance while avoiding non-financial information overload of the management report and reporting of non-essential information.

4. Assurance

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 30.1 If you answered yes in reply to the previous question, please explain whether there is an existing assurance standard that could be used for this purpose or whether a new standard would need to be developed:

If assurance of non-financial information was required by EU law, insurers would support the use of a common assurance standard which would guarantee a level playing field across jurisdictions. Assurance requirements currently in force for financial information are tailored to financial reporting and not suitable for non-financial information. New standards tailored to the nature of non-financial information would be needed.

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?

Question 32.1 If you do publish non-financial information and that information is assured, please indicate the annual costs of such assurance:

Question 32.2 If you provided an answer to the previous question, please describe the scope of the assurance services provided (issues covered, reasonable/limited, etc.):

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

The insurance industry recognises the relevance of ESG information, eg for investing reasons and recognises the importance of having quality, reliable data for its investing activities. However, it notes that there are significant differences in assurance of financial and non-financial information. One of the main reasons for this is the complexity of the nature of non-financial information, which is more difficult to objectify and cannot usually be ticked off like financial information. Hence, as assurance requirements are currently tailored to financial reporting and may not be suitable for non-financial information. In addition, the assurance of non-financial information often underlines a more subjective assessment.

In case assurance requirements for non-financial information are introduced the benefits of the added reliability should outweigh its cost for preparers.

The insurance industry recognizes that as companies get acquainted with the process and principles of disclosing non-financial information, the quality and reliability of the information will improve over time. A "step by step" approach, where audit is non mandatory in a first phase, is advisable.

5. Digitisation

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially agree and partially disagree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
It would be useful to require the tagging of reports containing non- financial information to make them machine- readable.				X		
The tagging of non- financial information would only be possible if reporting is done against standards.				X		
All reports containing non-financial information should be available through a single access point.				X		

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:

Please provide any comments or explanations to justify your answers to questions 33 to 35:

The tagging of financial and non-financial information is a major development in the field of accounting and will facilitate user's analysis of companies' information.

Whereas financial reporting is well known by both users and preparers, non-financial reporting remains a less mature reporting field. As such, the focus should be on developing a proportionate and effective approach with tagging of only on a reduced set of material non-financial information. Any requirement for tagging should be delayed to account for developing practice and subject to cost/benefit assessment.

6. Structure and location of non-financial information

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:

	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.**
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).		**x**			
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.	**x**				

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?

	1 (totally disagree)	**2 (mostly disagree)**	**3 (partially agree and partially disagree)**	**4 (mostly agree)**	**5 (totally agree)**	**Don't know / no opinion / not relevant**
Legislation should be amended to ensure proper supervision of information published in separate reports.		**x**				
Legislation should be amended to require companies to file the separate report with Officially Appointed Mechanisms (OAMs).		**x**				
Legislation should be amended to ensure the	**x**					

same publication date for management report and the separate report.						

Question 38.1 Please provide any comments regarding the location of reported non-financial information:

It is important for preparers to keep the current flexibility in deciding whether to publish non-financial information in the management report or in a separate report in the future requirements of the revised NFRD for the following reasons:

- to avoid operational overload and allow flexibility in terms of how companies design and implement internal processes and reporting timetables and
- to avoid that audit requirements are applied to ESG which have been developed to be appropriate for financial reporting are applied for assuring non-financial information.

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:

Insurers non-financial information stemming from the Taxonomy and SFDR should be published by investee companies in a standardised data format and should be available electronically in a way that facilitates access and minimises the cost for the investors and other users of the information. In fact, data should be reported in a ready-to-use format and free of costs or barriers.

It is important for preparers to keep the current flexibility in deciding whether to publish non-financial information in the management report or in a separate report in the future requirements of the revised NFRD for the following reasons:

- to avoid operational overload and allow flexibility in terms of how companies design and implement internal processes and reporting timetables and
- to avoid that audit requirements, which has been developed to be appropriate for financial reporting, are applied to ESG information
- to avoid information overload in the management report and facilitate the clear and concise reporting that primary users need

7. Personal scope (which companies should disclose)

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?

	1 (totally disagree)	2 (mostly disagree)	3 (partially agree and partially disagree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Expand scope to include all EU companies with securities listed in regulated markets, regardless of their size.					X	
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).			X			

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?

	1 (totally disagree)	2 (mostly disagree)	3 (partially agree and partially disagree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Expand the scope to include large non-listed companies.				X		
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.	X					
Expand the scope to include large companies established in the EU but listed outside the EU.				X		
Expand the scope to include large companies not established in the EU that are listed in EU regulated markets.				X		
Expand scope to include all limited liability companies regardless of their size.	X					

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

Question 42.1 If you consider that there should be a specific competent authority in charge of supervising non-listed companies' compliance with the obligation of disclosing non-financial information, please specify who in your opinion should carry out this task (National Competent Authorities, European Supervisory Authorities, other...) and how:

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?

	1 (totally disagree)	**2 (mostly disagree)**	**3 (partially agree and partially disagree)**	**4 (mostly agree)**	**5 (totally agree)**	**Don't know / no opinion / not relevant**
The threshold criteria for determining which banks have to comply with the NFRD provisions should be different from those used by Non-Financial Corporates.				**X**		
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.				**X**		

Please provide any comments or explanations to justify your answers to questions 40 to 43:

Ideally, European insurers would prefer a non-financial reporting framework agreed at international level. Many insurers are global players, who wish to work with a single standard across jurisdictions. However, we recognise the urgency of the NFRD review and difficulty of finding agreement at international level.

European insurers recognise the need to update the Non-Financial Reporting Directive to meet their new disclosure requirements under the Sustainable Finance Disclosures Regulation and the EU Taxonomy on Sustainable Finance - as Europe's largest institutional investors, insurers need sufficient data from investee companies to fulfil our new disclosure requirements.

The scope of companies reporting under the NFRD should be large enough to cover financial market players' investment pool. Entities with listed equity and/ or debt should be in scope of the revised NFRD, but PIES that are not investable should be out of scope, for example wholly-owned subsidiaries.

To the extent that ESG reporting is to satisfy the needs of stakeholders other than insurers and other investors, the NFRD should define who these stakeholders are, their reporting needs and whether they are different from those of insurers and other investors.

The exemption for companies that are subsidiaries of a parent company that reports non-financial information at group level in accordance with the NFRD should be kept in the future requirements of the revised NFRD., Removing this exemption would generate significant unnecessary operational burden to preparers of non-financial information.

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 44.1 If your company publishes non-financial information pursuant to the NFRD, please state how much time the employees of your company spend per year carrying out this task, including time of retrieving, analysing and reporting the information?

Please provide your answer in terms of full-time-equivalents (FTEs, 1 FTE = 1 employee working 40h a week during 250 working days per year). Please provide your answer for reports published in 2019, covering financial year 2018.

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.

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?

	1 (totally disagree)	**2 (mostly disagree)**	**3 (partially agree and partially disagree)**	**4 (mostly agree)**	**5 (totally agree)**	**Don't know / no opinion / not relevant**
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.			**X**			
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.			**X**			
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.			**X**			

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

While the statements in question 45 might be true in individual cases, these are not shared by all insurers. However, we understand that the three statements are related to key concerns in the area of non-financial reporting:

- The fast pace of a broad range of (parallel) developments with regard to sustainability-related matters and related political and legislative measures.
- Lack of standardization within the field of non-financial reporting and lack of clarity on the information demands of different user groups.
- Complexity in (global) organizational processes/supply chains/value chains.

We also understand that certain companies are currently under pressure to respond to individual demands on for non-financial information from a number of stakeholders, but we believe that with the NFRD review and if the companies' non-financial reporting is harmonized and brought to a sufficient level, the need to respond to individual data requests will be reduced.

Finally, the NFRD application is relatively recent with insurers applying it from 2018. As a consequence, the market is still learning and adapting to the Directive's requirements.