



# Targeted consultation on the update of the non-binding guidelines on non-financial reporting

Fields marked with \* are mandatory.

## Introduction

### Disclaimer:

Nothing in this document commits the European Commission or prejudices any decision by the Commission regarding the update of the the non-binding guidelines on non-financial reporting.

The [non-financial reporting Directive \(2014/95/EU\)](#) requires large public interest entities with over 500 employees (listed companies, banks, and insurance companies) to disclose certain non-financial information. As required by the directive, the Commission has published [non-binding guidelines](#) to help companies disclose relevant non-financial information in a more consistent and more comparable manner.

In March 2018 the Commission published the [action plan on financing for sustainable growth](#), with the aim of reorienting capital towards sustainable investment, managing financial risks that arise from climate change and other environmental and social problems, and fostering transparency and long-termism in financial and economic activity.

As part of that action plan the Commission committed to updating the non-binding guidelines on non-financial reporting, specifically with regard to the reporting of climate-related information. In practice, it is expected that the update will consist of a new supplement to the existing guidelines. The Commission expects to publish the new supplement on the reporting of climate-related information in June 2019.

In June 2018, the European Commission set up a [technical expert group on sustainable finance \(TEG\)](#) to assist in four key areas of the action plan through the development of

1. a unified classification system for sustainable economic activities (taxonomy),
2. an EU green bond standard,
3. benchmarks for low-carbon investment strategies,
4. new guidelines on the reporting of climate-related information.

In January 2019 the TEG published its [report on climate-related disclosures](#). The TEG invited feedback on its report by 1 February 2019, and approximately 70 organisations and individuals submitted comments. The TEG has published a [summary of these comments](#).

The Commission has taken into account the TEG report and the feedback received from stakeholders on that report and is now consulting stakeholders on the update of the non-binding guidelines before their planned adoption in June 2019. Stakeholders are invited to provide written comments by 20 March.

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The [consultation document](#) takes account of the TEG report and of stakeholder feedback on that report. This document has been drafted by the services of the European Commission to facilitate a targeted consultation with interested stakeholders on the possible content of the new supplement to the non-binding guidelines. Comments on this document should be submitted by the end of Wednesday 20 March 2019, through this online facility created for this purpose. Comments submitted after that date, and comments not submitted through the online facility, will not necessarily be taken into consideration.

Nothing in this document commits the European Commission or prejudices any decision by the Commission regarding the update of the the non-binding guidelines on non-financial reporting.

More information:

- [consultation document on the update of the non-binding guidelines on non-financial reporting](#)
- [on this consultation](#)
- [on the protection of personal data regime for this consultation](#)

## 1. Information about you

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\* Are you replying as:

- a private individual
- an organisation or a company

a public authority or an international organisation

\* Name of your organisation:

Deutsches Aktieninstitut e.V.

Contact email address:

The information you provide here is for administrative purposes only and will not be published

bremer@dai.de

\* Is your organisation included in the Transparency Register?

(If your organisation is not registered, [we invite you to register here](#), although it is not compulsory to be registered to reply to this consultation. [Why a transparency register?](#))

Yes

No

\* If so, please indicate your Register ID number:

38064081304-25

\* Type of organisation:

Academic institution

Media

Company, SME, micro-enterprise, sole trader

Non-governmental organisation

Consultancy, law firm

Think tank

Consumer organisation

Trade union

Industry association

Other

\* Where are you based and/or where do you carry out your activity?

Germany

\* Field of activity or sector (*if applicable*):

*at least 1 choice(s)*

Accounting

Auditing

Banking

Credit rating agencies

Insurance

Pension provision

Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)

Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)

Social entrepreneurship

Other

Not applicable

\* Please specify your activity field(s) or sector(s):

Capital Markets Policy, Capital Markets Law, Company Law, Corporate Governance, Economic Literacy



## Important notice on the publication of responses

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\* Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?

([see specific privacy statement](#) )

- Yes, I agree to my response being published under the name I indicate (*name of your organisation /company/public authority or your name if your reply as an individual*)
- No, I do not want my response to be published

## 2. Your opinion

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1. Do you have any comments on [Chapter 2 “How to use these guidelines”](#) of the report?

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In general, we welcome the structure of the proposed disclosures, which were divided into two “Types” instead of formerly three. In order to make a clear distinction between Type 1 and Type 2, we recommend Type 1 disclosures to strictly focus on core KPIs. While the guidelines should be flexible, they should neither be overly detailed nor prescriptive in order to underline their non-binding character.

With reference to the structure, the separation of the Non Binding guidelines and the supplement reduces the legibility, adds to a rather complex situation and might potentially cause confusion. In order to avoid this, it could e.g. be an option to integrate the supplement or at least parts of it as explanations in the Non-Binding Guidelines.

With reference to the scope of the proposed update, Action 9 of the Commission's action plan on financing sustainable growth only mentions a revision of the Non-Binding Guidelines with a focus on the TCFD-recommendations. The supplement, however, appears to be taking a larger approach targeting also the concept of double materiality inherent to the NFRD. Yet, the TCFD principally addresses only the dimension of financial materiality. These different levels of quality should be reflected in the guidance.

2. Do you have any comments on [Chapter 3.1 “Business Model”](#) of the report?

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As regards the disclosures identified in the class of Type 1, we recommend to delete all references to opportunities. Despite the fact that the term “opportunities” is not included in the NFRD, a recommendation to reflect on opportunities could potentially lead to more reporting. Moreover, it is obvious and in the interest of companies themselves to report on their opportunities besides on their risks in order to achieve a balanced report, for which they will need no guidance.

In addition, we are sceptic as regards recommendations pointing into the direction of scenario analysis (Type 1 #3, Type 2#4). Scenario analysis is a complex, expansive and future-oriented exercise, which cannot be based on reliable data as it is neither possible to foresee developments, which global warming will take in the future, nor to anticipate future -possibly even disruptive- technological developments which might significantly reduce or even halt GHG emissions and have thus have a positive influence on the climate change.

**3. Do you have any comments on [Chapter 3.2 “Policies and Due Diligence Processes”](#) of the report?**

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Whereas climate policy and targets are the fundament of climate related reporting, we believe many features enumerated under Type 1 disclosures as both too detailed and ambitious especially for companies reporting for the first time on climate-related issues. This might unintendedly produce a reporting-disincentive for companies.

Examples:

Type 1, #2 (reasoning behind target): While company targets may have various formats, and while it is considered good practice that target-setting follows a certain explainable rationale, a link to national or international targets is not necessarily feasible or reasonable in the target setting. For that reason, the link to national or international targets should better be placed under Type 2 disclosures.

Type 1, #5 (degree of climate competency at board and management level): At present, a broadly recognized standard of assessing the level of climate competency does not exist. Type 1#5 should therefore be removed from disclosure recommendations. Descriptions of roles, responsibilities and processes as covered by other disclosure elements will be sufficient to provide the relevant insight.

Type 2, #1 (company's engagement with the value chain): A company's engagement in the value chain may not be limited to the reduction of negative impacts, but also cover joint efforts to mitigate financial risks or tap opportunities. Therefore, the description should be revised in order to reflect a broader scope. Double-counting GHG emissions is unfortunately a(n) (unintended) consequence of the GHG Protocol, since typically Scope 3 emissions of one company will be Scope 1 and 2 emissions of another. In order to avoid potential confusion, it is proposed to delete the reference to double counting of GHG emissions. Independent from this, we are in general sceptic as regards reporting Scope 3-emissions, as at present, collecting reliable data is technically not feasible.

#### 4. Do you have any comments on [Chapter 3.3 “Outcomes”](#) of the report?

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Type 1 disclosures should be limited to the first item. The second item of Type 1 should be moved to Type 2 for reasons explained in the introductory remarks to the answer of the previous question.

**5. Do you have any comments on [Chapter 3.4 “Principal Risks and Their Management”](#) of the report?**

*3000 character(s) maximum*

We propose Type 1 disclosures to be limited exclusively to the fourth item enumerated under Type 1. The rest should be moved to Type 2 disclosures. The following Type 2 disclosures are considered as reaching too far:

- Give a detailed breakdown of climate-related risks by business activity and/or geographical location.
- Describe the processes for prioritizing climate-related risks, including any thresholds applied and indicate which risks across the value chain are considered most significant.
- Disclose any risk mapping that includes climate-related issues.
- Describe the linkages between major climate-related risks and financial KPIs.
- Disclose financial impacts of extreme weather events, including possible indicators on days of business interruptions and associated costs, cost of repairs, fixed-asset impairment, value chain disruptions and lost revenues.

**6. Do you have any comments on [Chapter 3.5 “KPIs”](#) of the report?**

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Overall, we believe the list of KPIs to be too long and overly detailed. We question the necessity of having such detailed Type 1 disclosures. We believe Type 1 disclosures should be limited to: direct GHG emissions and indirect GHG emissions from the generation of acquired and consumed electricity, steam, heat or cooling; other significant indirect GHG emissions; and GHG emissions targets. All other Type 1 disclosures should be moved to Type 2.

**7. Do you have any comments on [Annex I “Proposed disclosures for Banks and Insurance companies”](#) to the report?**

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**8. Do you have any comments on [Annex II “Mapping of NFRD requirements and TCFD recommended disclosures”](#) to the report?**

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**9. Do you have any additional comments on the report as a whole?**

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## Useful links

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

[More on this consultation \(https://ec.europa.eu/info/consultations/finance-2019-non-financial-reporting-guidelines\\_en\)](https://ec.europa.eu/info/consultations/finance-2019-non-financial-reporting-guidelines_en)

[Specific privacy statement \(https://ec.europa.eu/info/files/2019-non-financial-reporting-guidelines-specific-privacy-statement\\_en\)](https://ec.europa.eu/info/files/2019-non-financial-reporting-guidelines-specific-privacy-statement_en)

[Consultation document \(https://ec.europa.eu/info/files/2019-non-financial-reporting-guidelines-consultation-document\\_en\)](https://ec.europa.eu/info/files/2019-non-financial-reporting-guidelines-consultation-document_en)

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## Contact

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