

MEMO# 32246

February 26, 2020

EU Launches Consultation on ESG-related Disclosure for Corporate Issuers Under the Non-Financial Reporting Directive (NFRD)

[32246]

February 26, 2020 TO: ICI Global Members

ESG Task Force

ICI Global Regulated Funds Committee SUBJECTS: Compliance
Disclosure

International/Global

Investment Advisers

MiFID, EMIR, AIFMD, UCITS V RE: EU Launches Consultation on ESG-related Disclosure for Corporate Issuers Under the Non-Financial Reporting Directive (NFRD)

The European Commission recently launched a consultation as part of its review of the Non-Financial Reporting Directive (NFRD).[\[1\]](#) The NFRD requires certain large companies to include a non-financial statement as part of their annual public reporting obligations.[\[2\]](#) In its December 2019 Communication on the European Green Deal, the Commission committed to review the NFRD in 2020 as part of its strategy to strengthen the foundations for sustainable investment.

The consultation deadline is 14 May, and we will have a conference call next Thursday, 5 March to discuss the consultation in more detail. We will circulate a calendar invitation to the Global Regulated Funds Committee and ESG Task Force, and we will provide a detailed agenda in advance of the call.

As background, the Commission has identified two problems that it intends to address in the NFRD review:

1. Inadequate publicly available information about how non-financial issues, and sustainability issues in particular, impact companies, and about how companies themselves impact society and the environment. The Commission is particularly concerned about this area in light of new disclosure requirements for financial market participants and financial products under the Disclosure Regulation and Taxonomy Regulation.[\[3\]](#)

2. Uncertainty and complexity (and associated costs) that companies face when deciding what non-financial information to report, and how and where to report such information.

The Commission previously published an inception impact assessment in January offering a roadmap for the Commission's objectives, consideration of policy options, and expected impacts of the NFRD review.^[4] We understand the Commission is most likely to pursue a policy option that would revise and strengthen the NFRD provisions to increase the scope and detail of information required.

According to the roadmap document, the Commission is considering approaches including the following:

- Specifying in more detail what non-financial information companies should report.
- Requiring some or all companies under the scope of the legislation to use a non-financial reporting standard.
- Modifying the scope, either to add certain categories of company not currently covered by the NFRD and/or by excluding certain categories of company that are currently covered.
- Strengthening the provisions regarding the assurance of non-financial information.
- Clarifying and further harmonizing provisions regarding where non-financial information should be reported, in particular with regard to publishing such information in the management report and/or in a separate report.
- Ensuring that non-financial information is available in a digital format.
- Strengthening the enforcement regime and promoting greater supervisory convergence.

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endnotes

[1] The consultation questionnaire is *available at* <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12129-Revision-of-Non-Financial-Reporting-Directive/public-consultation>.

[2] More information on the NFRD is *available at* https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting_en.

[3] See ICI Memorandum No. 32229 for more information on the Disclosure Regulation and Taxonomy Regulation's disclosure requirements, *available at* https://www.ici.org/my_ici/memorandum/memo32229 (must be logged in to access).

[4] The inception impact assessment is *available at* <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12129-Revision-of-Non-Financial-Reporting-Directive>.

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