



European Commission

Stockholm 27 February 2020

Inception Impact Assessment of the Revision of the Non-Financial Reporting Directive

FAR, the Institute for the Accountancy Profession in Sweden, is responding to the Inception Impact Assessment of the Revision of the Non-Financial Reporting Directive.

FAR welcomes this opportunity to respond to the impact assessment and to be part of the evolution of how the EU can respond to the growing demand on disclosure of non-financial information and how the accounting profession can play its roll.

We have decided to respond more in general than specific to the detailed questions. Please find our comments below.

FAR acknowledge that there are a number of initiatives to establish a common standard for corporate reporting of non-financial information. The number of companies that report non-financial information in annual reports or separate sustainability reports have increased rapidly the last years. So have the number of frameworks and initiatives. The burden for the companies has as such increased and the comparability and added value for investors and the companies can be questioned. The NFRD as it is today are principle based and described on a high level which have resulted in a number of interpretations and challenges in comparability. In order to achieve higher quality in reporting, FAR believes that the NFRD reporting framework should be accompanied by well-defined reporting criteria. As stated in the IAASB's International Framework for Assurance Engagements, it is essential for an auditor that there are criteria suitable to the assurance engagement and that such criteria are available to the intended users. FAR also believes that EU both can and should be in the forefront in establishing this. The NFRD have only been in place for two years in most countries. As auditors, we have seen that the directive has contributed to increased focus on sustainability. However, for many companies it is still too early to externally report on progress. We therefore believe that it is premature to draw conclusions on the implementation and need for change this early. We understand that there are a number of initiatives that the commission is undertaking to evaluate the implementation and gather feedback on the NFRD. The Commission should ensure that these evaluations are taken into consideration before any amendments are made. In addition, Corporate reporting and specific



sustainability issues are global and as such the reporting requirements from EU should be aligned and fit to the global context.

The Commission suggest three policy options.

In short:

1. Continue current approach
2. Explore the use of standards
3. Revise and strengthen the provisions of the NFRD

As mentioned before FAR believes that there is a need for alignment and comparability for non-financial reporting and there is an urgency to accomplish this. However, one needs to understand that establishing such a framework that is fit for purpose will require time and be accepted globally. FAR therefore believes that the most preferred approach would be 3 above. In the short term FAR think that the current approach should prevail for the commission to properly be able to evaluate the implementation and assess the impact on the companies.

We also believe that in developing an EU framework the commission should explore the different standards that are already in use, however merely adopting one standard is probably not sufficient in achieving the goals.

Together with World Economic Forum, Deloitte, EY, KPMG and PWC issued a consultation draft “Toward Common Metric and Consistent Reporting of Sustainable Value Creation. Within this Consultation draft a concept of a core set of global metrics for non-financial information. A concept of core metrics mandatory and expanded metrics is something we believe that the commission should consider. In addition Accountancy Europe issued in their Cogito thought leadership series “*Inter-connected standard setting for corporate reporting*” different suggested approaches for interconnected standard setting, which we also believe that the commission should take into account to ensure a framework that is accepted globally.



Finally, as non-financial information become part of internal decision making and for investments purposes there is a clear need to strengthen the assurance requirements of non-financial reporting. FAR believes that new assurance requirements for NFRD should be developed in accordance with the IAASB's framework for assurance engagements to be globally comparable.

FAR

A handwritten signature in blue ink, appearing to read 'Torbjörn Westman'.

Torbjörn Westman
Chairman specialist group for sustainability