

ESMA responds to European Commission consultation on revision of NFRD

ESMA considers that it is time to make these amendments to the NFRD to provide users of non-financial information with more relevant, reliable and comparable disclosure. ESMA's December 2019 advice to the EC on undue short-term pressures on companies found that the non-financial information disclosed by issuers:

- does not always meet users' expectations of which information is relevant,
- is drawn up using very diverse methodologies, is self-reported and not quantifiable, leading to low reliability, and
- is based on such a wide array of reporting frameworks that comparability across issuers is very low.

For these reasons, ESMA suggests in its consultation response that a stronger standardisation of non-financial disclosure is needed. While in the medium term, ESMA is of the view that international alignment should be the objective, action is needed at European level in the short term to fill the gap between issuers' disclosure and users' expectations. ESMA considers that such a European standardisation should be prepared by an EU public body.

ESMA considers that a wider scope of companies should provide such disclosure and proposes that all small, medium-sized and large issuers admitted to trading on a regulated market as well as all large non-listed issuers and all large public-interest entities (PIEs) should be covered by the NFRD. For listed SMEs, however, ESMA takes a proportionate approach and suggests that these should be subject to lighter disclosure requirements in order to avoid unnecessary administrative burden.

ESMA also highlights the importance of ensuring consistency between different legislative initiatives in the area of sustainable finance, notably the NFRD, the Regulation on sustainability-related disclosures in the financial services sector and the Taxonomy Regulation.

The European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) have also provided responses to the consultation. Along with their responses, EBA, EIOPA and ESMA have submitted a [joint letter](#) from their Chairs, highlighting certain key messages which are of particular importance for Europe's future non-financial reporting regime.