



Brussels, 27th February 2020

EACB feedback to the roadmap on the Non-Financial Reporting Directive Consultation

The EACB welcomes the Commission initiative to amend the requirements in the Non-Financial Reporting Directive in order to ensure that investors and other interested parties have access to the information they need, while not imposing excessive reporting obligations on companies. The EACB would like to emphasize the following points:

- The Non-Financial Reporting impact on profitability, debt financing or even future regulatory burdens must be carefully addressed in order to **avoid inconsistencies with other risk-related information disclosed by banks** (eg art. 449a of the CRR II on the Disclosure of ESG risks).
- The revision of the NFRD is the opportunity to introduce a common minimum set of data harmonised at EU level; that common set must be based on simple and credible KPIs and focus on materiality and comparability of the four main items: governance; strategy; risk management and metrics & targets.
- Implementation of Non-Financial reporting requirements also leads to high processing costs, which binds relatively high personal capacities and financial resources especially in smaller co-operative banks. We therefore find it necessary to **consider a flexible and gradual approach to the Non-Financial reporting requirements**. We consider it crucial that an appropriate balance be ensured between the desired transparency and compliance costs for the undertakings concerned. Additional reporting requirements can be justified if the benefit of this information is clearly proven.
- It is **essential to have reliable and available data**. We highly recommend to give financial institutions free access to already existing environmental and social data (eg. available in CDP). For this reason we would like to suggest that the Commission **includes in the proposal an initiative that will allow to start collecting & providing the ESG data as already available in the market and reported by corporates in the EU in an electronic form**, based on both aggregate and individual basis, **under one of the main statistics centers in the EU** (i.e. EUROSTAT). Such a database shall be open to non-financial corporates which can insert – on a voluntary basis – ESG raw data. Moreover, those data should be provided to users for free or at a reasonably affordable cost. The availability of high-quality ESG data should be regarded as a major strategic infrastructure investment project, which would enable more efficient work for mitigation of the climate change. Any data base must enjoy

The voice of 2.800 local and retail banks, 84 million members, 209 million customers in EU

EACB AISBL – Secretariat • Rue de l'Industrie 26-38 • B-1040 Brussels

Tel: (+32 2) 230 11 24 • Fax (+32 2) 230 06 49 • Enterprise 0896.081.149 • lobbying register 4172526951-19
www.eacb.coop • e-mail : secretariat@eacb.coop



public credibility especially towards supervisory authorities.

- The revised NFRD should ensure that the new rules provide the necessary data from corporates in the appropriate format so that banks can rely on them for the assessment of ESG risks. To ensure reliability of the reported data, we favor an external certification process.

- Financial institutions cannot be entitled to disclose on the basis of data that the regulatory framework doesn't allow them to retrieve from their clients. Since entities like SMEs (typically clients of local and regional co-operative banks) do not publish the requested information, it would be extremely difficult for **banks to take the responsibility to guarantee a consistent and complete reporting** (eg scope 3 information). It must be ensured that banks will not to be held responsible for not disclosing data that are not made available and sanctioned for non-compliance with the Disclosure Regulation and the Taxonomy Regulation. A 1-year delay in the entry into application of disclosure requirements could help financial institutions subject to the NFRD to achieve their obligations.

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