



# 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:

European Confederation of Institutes of Internal Auditing

Contact email address:

The information you provide here is for administrative purposes only and will not be published

p.vandenbussche@eciia.eu

\* 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:

849170014736-52

\* Type of organisation:

- |   |   |
|---|---|
| <input type="radio"/> Academic institution                        | <input type="radio"/> Media                         |
| <input type="radio"/> Company, SME, micro-enterprise, sole trader | <input type="radio"/> Non-governmental organisation |
| <input type="radio"/> Consultancy, law firm                       | <input type="radio"/> Think tank                    |
| <input type="radio"/> Consumer organisation                       | <input type="radio"/> Trade union                   |
| <input type="radio"/> Industry association                        | <input checked="" type="radio"/> Other              |

\* Please specify the type of organisation:

Non Profit European Association

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

Belgium

\* 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



## 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?

*3000 character(s) maximum*

The ECIIA (the European Confederation of Institutes of Internal Auditing) ECIIA welcomes the consultation on the update of the non binding guidelines on non Financial reporting.

We believe that there is no one size fits all approach and that a better understanding of climate related risks would lead to a better exposure of such risks.

The decision to follow the guidelines should be based on a risk analysis and not just on materiality, as proposed for the two types of disclosures.

The approach with different layers is very good as there is no one size fits all solution for this kind of reporting.

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

*3000 character(s) maximum*

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

*3000 character(s) maximum*

The internal audit, which is uniquely positioned to make valuable contributions throughout the reporting development, can:

- be a change agent for the integrating thinking, as these new requirements need new approaches to think and new culture at all levels of the organization,
- provide independent assurance on the adequacy, effectiveness and robustness of internal controls and risk management of the reporting process and the data collection, based on a risk based approach,
- give recommendations that include collaborative action plans and promote organizational effectiveness and improvement.

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

*3000 character(s) maximum*

It is important to have a strong governance model to manage the reporting process and get accurate information.

Moreover, what and how the company reports can represent a significant strategic risk.

Therefore, we propose to integrate the 3 lines of defence model in the guidelines (available on <https://www.eciia.eu/what-is-internal-auditing/>).

In this model, internal audit provides an independent assurance on the accuracy and reliability of the information being reported both internally and externally as appropriate. This way, they will support the Board of Directors and Executive Management.

They will not just review the outcome but also the process that produce quantitative and qualitative information, using a risk based approach.

Internal audit also defines the reliance on the other lines of defence to determine how to perform the relevant assurance : internal audit will assess the internal control processes and evaluate the risks related to the disclosures of information.

Internal audit will partner with external assurance providers to ensure that the engagement is performed efficiently, reliably and cost-effectively.

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

*3000 character(s) maximum*

One of the challenges is how to ensure that controls are effective, the right things are measured and that systems and processes are in place to capture the data needed for reporting purposes. The quality of those systems and outputs must be, as far as possible, evaluated and stakeholders assured on them. Sound governance, risk management and control processes are fundamental foundations

We support the integrated thinking and reporting approach to coordinate organizational efforts and strategies. This can be achieved by ensuring that all layers of the control framework, operational management, specialist compliance and risk management, assurance providers and those with ultimate responsibility for corporate governance are closely aligned.

Consequently, it reduces the organization risks (reputation, supply chain, financial,...), it improves the reliability of the data by adopting a broad perspective of the business. This approach is supported by different Standards such as IIRC, GRC, GRI, SA 8000, .....

This approach will facilitate the role of the Board by integrating the new requirements such as those on the climate impact, in the processes of the companies.

The internal audit plays a key role in this approach: they have a unique position in the organization and give an independent assurance on the accuracy and reliability of the information being reported and offer recommendations about what should be contained in the report and how to improve the internal controls, risks and governance of the reporting process.

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

*3000 character(s) maximum*

The credibility of information reported to the public can not be sufficiently strong without some levels of assurance and internal audit plays a central role as independent assurance provider to the Board and Executive Management.

Internal audit makes recommendations about consistency, alignment with external guidance but also reliability of source data. They will, amongst other controls, evaluate systematically data quality (Financial and non Financial) during each audit engagement. They will also make recommendations to improve internal controls to enhance the veracity of reporting non financial data and KPIs.

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

*3000 character(s) maximum*

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

*3000 character(s) maximum*

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

*3000 character(s) maximum*

It is important to have a strong governance model to manage the reporting process and get accurate information.

Therefore, we propose to integrate the 3 lines of defence model in the guidelines (available on <https://www.eciia.eu/what-is-internal-auditing/>).

In this model, the second line of defence is responsible for performing the majority of the governance functions related to non financial information : it should define the policies, standards and frameworks, and should be responsible for reporting and tracking. The first line is responsible for implementing the policies and standards, and is responsible for day-to-day monitoring of the operations. The third line of defence - internal audit - is responsible for ensuring that the first and second lines are functioning as designed. They will give an independent and objective opinion and make recommendations for improvement actions. Internal auditors perform their review based on the International Professional Practices Framework (\*) and assist the Board assessing the risk management, internal control, reporting system, fairness and materiality of the information included in the non financial reporting. Therefore, they play a key role as « independent assurance provider ».

We suggest to integrate the governance aspects in these disclosures ensuring that all layers of the control framework, operational management, specialist compliance and risk management, assurance providers and those with ultimate responsibility for corporate governance are closely aligned to facilitate the provision of sound and integrated assurance on the climate disclosures.

(\*) : International Professional Practices Framework (IPPF) is the conceptual framework that organizes authoritative guidance promulgated by The IIA (<https://global.theiia.org>)

### 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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