

15 June 2020

ESMA's response to the EC's consultation on the revision of the NFRD

1.0 Background

On 11 June 2020, the European Securities and Markets Authority (ESMA) submitted a [response to the European Commission's \(EC\) consultation on the revision of the Non-Financial Reporting Directive \(NFRD\)](#). Amongst its recommendations, ESMA specifically highlights the standardisation of disclosure requirements, increase of companies falling within the scope of the NFRD and consistency between different legislative initiatives on sustainable finance.

2.0 ESMA's response

The EC's consultation was split into eight (8) main areas:

1. Quality and scope of non-financial information to be disclosed;
2. Standardisation;
3. Application of the principle of materiality;
4. Assurance;
5. Digitisation;
6. Structure and location of non-financial information;
7. Personal scope (which companies should disclose); and
8. Simplification and reduction of administrative burdens for companies.

In this regard, with the objective to counteract the risk of non-financial information not being relevant, reliable and/or comparable, ESMA stresses that stronger standardisation, prepared by an EU public body, of non-financial disclosures is needed.

Moreover, ESMA outlines that the scope of the NFRD should be expanded, whereby more Issuers would be subject to the requirement of publishing non-financial information. However, ESMA remarks that for listed small-to-medium sized entities, the disclosure requirements should be proportionate in order to avoid possible administrative burdens.

ESMA also notes that different legislative initiatives involving sustainable finance should be consistent, specifically in reference to the NFRD, the Regulation on sustainability-related disclosures in the financial services sector and the Taxonomy Regulation.

3.0 Joint letter to the EC

The European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and ESMA have also submitted a [joint letter to the EC, dated 11 June 2020](#), with focus on particular areas which are important to the outlook of Europe's non-financial reporting regime.

Contacts

Should you have any queries relating to the above, kindly contact the Authority on transparency@mfsa.mt