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DG FISMA  
Head of Unit  
Unit C1 - Corporate reporting, audit and credit rating agencies

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Subject : ecoDa's position on the Public consultation on the revision of the non-financial reporting directive

Dear Mr Deckers,

ecoDa is taking the opportunity to reinforce and clarify its answers to the EC Public consultation on the revision of the Non-Financial Reporting Directive.

At ecoDa, we believe that resilience and sustainability must be integrated into our current systems of economic measurement. We have to get rid of the idea that "everything is number". The notion of economic growth and value creation must take into account aspirations for social justice and the preservation of natural resources.

The European Commission has a role to play as a standard-setter and should not be dictated by external standards, even if coordination work with its international partners remains important. Member States are looking for new wealth indicators (Sas law in France, PATH 2030 Report in Finland). At companies' level, human, social and ecological capitals are fundamental and need to be integrated in their business model. For example, variable remuneration of executives already integrates non-financial performance indicators. Obviously, the will to reinforce the level of requirements of the Non-Financial Reporting Directive goes in the right direction and ecoDa is supportive of this approach.

However, we would like to qualify our point:

- There is a tendency to focus too much on data's comparability at the expense of relevance. Investors and board members need primarily indicators that reflect the business model of their company. ecoDa believes that far-reaching standardization in order to privilege comparability across companies would be counter-productive. The relevance of benchmarks varies between sectors. Therefore, ecoDa would favor a sectorial approach;

- We understand that imposing a regulatory framework on SMEs that is enforceable against customers or outsourcers can make sense. However, the European Commission cannot ignore the major burden that will be borne by SMEs. While they will be the first to bear the brunt of the Covid crisis, the Commission must ensure a principle of proportionality and a fair balance;
- We believe that assurance needs to be applied at the right level and to the relevant reporting standards when defined. Formal auditing would need to be linked to the adaptation and capability of audit firms;
- If our members have experienced some positive changes in their dialogue with investors, they tend to observe a lack of ESG expertise on the part of asset managers;
- ecoDa would encourage the European Commission to avoid any overlap risk of reporting requirements;
- In addition, ecoDa would like to point the important role of extra-financial rating agencies play. The world of extra-financial rating is consolidating. Above all, the big players are becoming data aggregators (financial and extra-financial), they provide the data that will be taken up by investors. To a certain extent, they develop standards. Most of these players are now American (S&P, acquisition of Oekom by ISS, Vigeo-Eiris by Moody's, Sustainalytics by Morningstar). There is no point in Europe in developing a sophisticated regulatory framework if standards are fixed outside. It is an element of competitiveness of our businesses. If the Commission is considering putting the aspects of "sovereignty" back at the center of its concerns, the extra-financial data must be part of it.

Overall, ecoDa is fully aware of the crucial role that directors must play in order to set clear strategic objectives and ensure transparency in the debates at board level. We have just set up a working group on ESG issues and we are at the disposal of DG FISMA to enrich the discussion.

We remain at your disposal for further details.

Sincerely yours,

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### **About the European Confederation of Directors Associations**

The European Confederation of Directors Associations (ecoDa) is a not-for-profit association founded in December 2004 under the laws of Belgium. Through its 22 national institutes of

directors (the main national institutes existing in Europe), ecoDa represents approximately 55,000 board directors from across the EU. ecoDa's member organizations represent board directors from the largest public companies to the smallest private firms, both listed and unlisted. [www.ecoDa.org](http://www.ecoDa.org)