

**EFAMA Draft Response to
Public consultation on non-binding guidelines on methodology for reporting
non-financial information
14th April 2016**

I. General principles and key attributes of the non-financial information

Q1. What aspects of disclosure of non-financial information do you think that should be addressed by the GUIDELINES?

Please, order in terms of importance (1 least important, 9 most important)

- 1 (least important) Other**
- 2 Comprehensiveness**
- 3 Understandability**
- 4 Fairness and balance**
- 5 Avoiding undue administrative burden**
- 6 Reliability**
- 7 Comparability**
- 8 Usefulness**
- 9 (most important) Materiality/Relevance**

Q2. Who should be considered in your opinion the main audience of the non-financial statement?

Please, check the box of the alternative that you consider more appropriate.

- The shareholders
- The investment community in a broad sense ✓
- Users of information with an economic interest, such as suppliers, customers, employees, etc.
- All users of information (including consumers, local communities, NGOs, etc.)
- Other

Q2.1. Would you, please, provide a brief explanation?

Disclosure of non-financial information enables asset owners / managers to better judge the awareness and management of risks at a company, and thus its investment attractiveness. It leads to better informed decision-making on whether to invest, stay invested or divest. It can be useful for an asset owner / manager's engagement with a company on the long-term sustainability of its business.

Q3. In your opinion, what features make a piece of information relevant (or material) for the purposes of the non-financial statement?

- 1 (least important) Other
- 2 Relevant for stakeholders in general
- 3 Useful for the management/directors of the company
- 4 Necessary to understand the impacts of the company’s activity
- 5 Necessary to understand the company’s development, performance and position
- 6 Necessary to understand how the company manages non-financial risks
- 7 (most important) Relevant for shareholders or investors’ decision-making

Q3.1. Would you, please, provide a brief explanation?

It is most relevant for investors’ decision-making as it gives information on ESG risk management. Materiality in a financial sense is important to an asset manager for fiduciary duty reasons. Materiality denotes whether ESG policy or strategy affects economic behaviour. The latter is mostly affected by returns and risk. The long term view of the company’s activity must be clearly disclosed. (393 characters)

II. Content of the non-binding guidelines

Q4. Do you think that the GUIDELINES will be more useful for companies and users if they set out general principles and key ideas or if they put forward solutions in a detailed manner, including on specific sectoral issues?

Please, indicate on a scale from 1 to 5
(1 geared towards general principles, 5 high level of detail/prescription)

1 ✓	2	3	4	5	No opinion
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Q4.1. Would you, please, provide a brief explanation?

There is an effort under FSB to harmonise reporting for “voluntary, consistent, financial risk disclosures”. Other valuable input could be found in the work of the SASB, the IIRC and the GRI. It shows that it is very difficult to provide general guidance for all circumstances. The GUIDELINES should refer to other efforts and not create a new separate framework to achieve standardisation.

Q5. Please, provide a brief description of how you think that the following matters should be treated in the GUIDELINES, including as appropriate how they should be defined and described:

a. Business model:
We refer to our answer under Q4.1.

b. Policies:
We refer to our answer under Q4.1.

c. Due diligence process:

We refer to our answer under Q4.1.

d. Business relationships:

We refer to our answer under Q4.1.

e. Key performance indicators –KPIs:

We refer to our answer under Q4.1.

f. Outcome of policies:

We refer to our answer under Q4.1.

g. Principal risks:

We refer to our answer under Q4.1.

h. Impact of the activity:

We refer to our answer under Q4.1.

i. Adverse impacts:

We refer to our answer under Q4.1.

j. Information omitted in exceptional cases where disclosure would be seriously prejudicial:

We refer to our answer under Q4.1.

Q6. How do you think that the GUIDELINES should approach the disclosure of key performance indicators (KPIs)?

Please, indicate your two preferred approaches (1 Best option, 2 Second preferred option)

1 (best option) The GUIDELINES should make reference to KPIs proposed by other frameworks where addressing concrete matters or issues

2 (second preferred option) The GUIDELINES should provide flexibility for companies to exercise judgement in deciding what KPIs should be included in their disclosures

The GUIDELINES should highlight key principles on how to disclose relevant KPIs and complementariness with narrative and/or financial information as applicable

The GUIDELINES should include a comprehensive list of KPIs, general and sectoral

Other

Q6.1. Would you, please, provide a brief explanation?

By referencing the existing reporting frameworks (Q3.1), rather than creating an additional framework, the GUIDELINES could encourage the emergence of a clear leader. Asset managers/owners generally evaluate 5/6 pertinent company KPIs when deciding whether to invest. Guidelines requiring too detailed disclosure requirements in terms of KPIs would create unnecessary complexity for this analysis.

Q7. Do you think that the GUIDELINES should include guidance on specific sectoral issues such as responsible supply chain management of conflict minerals?

1	2	3	4	5	No opinion ✓
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Q7.1. Would you, please, provide a brief explanation?

We refer to our answer under Q4.1. We believe any guidance should have a legal basis (EU Directives/Regulations in the specific sectors in question).

For example:

- The GUIDELINES could refer to the GRI
- KPIs could be extracted from the first pages of the Sustainability Reporting Guidelines Mining and Metals Sector Supplement
- The Food processing sector also has guidance

III. Interaction with other frameworks and other aspects

Q8. How do you think that the GUIDELINES should relate to existing national, international or other EU-based frameworks (such as UN Global Compact, the UN Guiding Principles on Business and Human Rights, OECD guidelines for multinational enterprises, the ILO Tripartite Declaration of principles concerning multinational enterprises and social policy, EMAS, etc.)?

Please, order in line with your views (1 least in line, 6 most in line)

- 1 (least in line)** The GUIDELINES should include detailed solutions and be an exhaustive document in a way that could make unnecessary for companies the use of other guidelines
- 2** The GUIDELINES should explain how content produced in the context of other frameworks could be used in the non-financial statement
- 3** Other
- 4** The GUIDELINES should get general inspiration from other frameworks
- 5** The GUIDELINES should be complementary to other frameworks
- 6 (most in line)** The GUIDELINES should make reference to other frameworks where addressing concrete matters or specific issues

Q8.1. Would you, please, provide a brief explanation?

We refer to our answer under Q4.1.

Q9. Do you think that when preparing the GUIDELINES only the companies included in the scope of the DIRECTIVE should be considered, or that the interests, characteristics and/or requirements of other companies that prepare management reports should be taken into account as well? Please, check the box of the alternative that you consider most appropriate.

- Specific to the requirements of the companies under scope of the DIRECTIVE ✓
- Consider all large companies
- Consider all companies
- Focus on the requirements of the companies under the scope of the DIRECTIVE, but also propose best practice for other companies that prepare management reports

Q9.1. Accordingly, do you think that the content of the guidelines should be different according to the targeted companies? Would you, please, provide a brief explanation?

A broader scope could be considered ultra vires and could hamper the authority of the guidelines.

Q10. Does your company disclose annually relevant non-financial information?

- Yes
- No
- Don't know / no opinion / not relevant ✓

IV. Disclosures related to board diversity policy

Q11. Should the GUIDELINES provide more clarity on what companies should disclose as regards their board diversity?

- Yes
- No ✓
- Don't know / no opinion / not relevant

Q11.1. Would you, please, provide a brief explanation?

Please see response to Q4.1. We do not see the benefit of the GUIDELINES being specific about this single aspect of non-financial reporting, above all others. In any case, EU companies generally already disclose their board profiles, so interested investors are able to access information on diversity.

Brussels, 14 April 2016

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