

SUMMARY REPORT ON THE RESULTS OF THE CALL FOR EVIDENCE ON THE VOLUNTARY NFD REGIME

11 May 2021

1. Introduction

As is known, Directive 2014/95/EU (disclosure of non-financial and diversity information – hereinafter also referred to as the “Directive” or NFRD) introduced disclosure requirements regarding non-financial and diversity information for public-interest entities (as defined in Legislative Decree no. 39/2010) that exceed certain size requirements (“relevant public interest entities” or “RPIEs”¹).

Legislative Decree no. 254 of 30 December 2016 (hereinafter also the “decree”), which transposed the directive into our legislation, introduced the obligation for RPIEs to provide in the annual report on operations a non-financial disclosure declaration (hereinafter also referred to as “NFD”), allowing entities other than RPIEs to publish, on a voluntary basis, an NFD by affixing a “statement of compliance” with the decree on the declaration, if this is drafted in compliance with the provisions of the same decree.

In the case of voluntary NFDs and of NFDs drawn up on a compulsory basis, Consob's information and sanctioning supervision is envisaged. In the case of voluntary NFDs, the minimum and maximum limit of the amounts of the applicable financial administrative sanctions is halved. Furthermore, only those undertakings that qualify as SMEs and voluntarily draw up the non-financial disclosure may waive the obligation to submit it to audit and, in any case, state its compliance with the decree, provided that the disclosure clearly indicates that it is not subject to the auditor's control.²

Nevertheless, the analyses carried out have shown that, from a statistical point of view, the number of companies that have joined voluntary NFD publication regime scheme is very small.³

In light of the above, a Call for Evidence was published with the aim of obtaining information from stakeholders on the reasons for the failure to disseminate non-financial reporting on a voluntary basis, and in particular on the costs and benefits associated with the NFD publication by companies not currently subject to this obligation, in order to gather useful information on possible revisions to the national legislation to promote a greater use of it.

¹ The subjects required to publish an NFD are only public interest entities, as defined by art. 16 of Legislative Decree no. 39/2010 (issuers with securities admitted to trading on a regulated market in the European Union, banks and insurance companies), which exceed certain size requirements, i.e. that: *i*) have had on average more than 500 employees during the financial year and *ii*) at the closing date of the financial statements, have exceeded at least one of the following size limits:

- a balance sheet totalling at least 20 million euro;
- total net revenues from sales or services of at least 40 million euro.

² The notion of SME accepted by the decree coincides with the one set forth in Directive 2013/34/EU (so-called Accounting Directive) and includes companies that, at the closing date of the financial statements, meet at least two of the following size-related parameters: no more than 250 employees during the year, total balance sheet not exceeding 20 million and total net revenues not exceeding 40 million.

³ In particular, 10 companies had published a voluntary NFD as of 31 December 2020.

The consultation paper was published on 1 September 2020 and the consultation ended on 30 November 2020.

The Call for Evidence also draws on the process of revision of the directive currently being carried out by the European legislator. As is known, following a public consultation that ended on 11 June 2020, on 21 April the European Commission published a proposal for a directive on corporate sustainability reporting aimed at amending and replacing the NFRD. The main new elements introduced by the proposal relate precisely to extending the regulation's scope of application. In particular, the new Directive will apply:

- to all large companies as defined by the Accounting Directive⁴. With the alignment of this definition with the Accounting Directive, the threshold of 500 employees referred to RPIEs no longer applies and the obligation to draw up NFDs will concern all large companies, including unlisted ones;
- From 1 January 2026, the NFRD will also apply to small and medium-sized enterprises that are listed on an Italian or EU regulated market (with the exception of micro-enterprises⁵).

For SMEs, the new proposal offers the possibility of using reporting standards that are proportionate to the capacities and characteristics of these companies.

The regime of voluntary publication of the NFD will therefore stay in place for unlisted SMEs and will continue to be a useful tool to gradually bring closer to reporting on sustainability issues all of the other companies that from 2026 will be subject to the NFD obligation.

2. Summary of key elements emerging from the consultation

Although the consultation sought to investigate the problems encountered by SMEs in sustainability reporting, only a small proportion of responding companies fall into this category (around 11%). Even among trade associations, only a small proportion of those that contributed to the consultation can be considered as significantly or exclusively representative of SMEs.

- **Benefits related to publishing an NFD:** all respondents believe that the publication of an NFD leads to benefits both within the company, linked to the rationalisation of its reporting processes and the policies for the management of NFD issues, and externally, especially by strengthening the relationship with stakeholders.
- **Problems related to drafting an NFD:** 35% of respondents believe that the greatest difficulty lies in finding information for the purpose of compiling an NFD, and 25% associate the difficulties to the excessive costs related to drafting an NFD also due to the use of human resources with specialist skills.
- **Strong support for the standardisation of reporting methodologies:** most respondents, both those obliged to draw up an NFD (89.5%) and those not obliged to do so (85.7%),

⁴ **Large companies** are those that at the closing date of the financial statements exceed the numerical limits of at least two of the following three criteria: (a) balance sheet total: EUR 20 000 000; (b) net revenues from sales and services: EUR 40 000 000; (c) average number of employees during the financial year: 250.

⁵ **Micro-enterprises** are those that, at the closing date of the financial statements, do not exceed the numerical limits of at least two of the following three criteria: (a) balance sheet total: EUR 350 000; (b) net revenues from sales and services: EUR 700 000; (c) average number of employees during the financial year: 10.

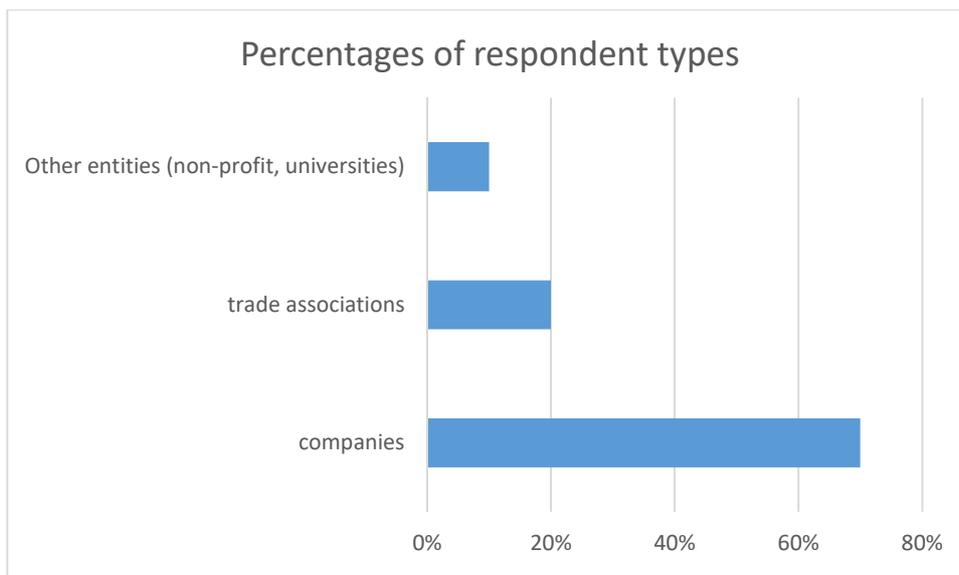
believe that the definition of common standards and uniform criteria defined by the legislation would be useful for the companies required to draw up an NFD and its users, reducing the problems related to reliability, comparability and completeness of the information reported. These standards should in any case allow for discretion to ensure that the company includes in the materiality analysis any information deemed relevant, and takes due account of the reporting standards already in use.

- **Strong support for defining a simplified reporting standard for SMEs:** an overall analysis of the responses to the consultation shows in general a preference for a wider use of NFDs by SMEs, in order to reduce information asymmetry and facilitate the identification of information that is otherwise difficult to find. In particular, all those who answered the question concerning the simplified scheme for SMEs expressed support for introducing such a scheme. Of these, 69% are not obliged to draw up an NFD, of which 22% are SMEs. Only one company not obliged to draw up an NFD and not qualified as an SME opposed to defining this standard as it did not consider it necessary. In particular, among the various possibilities, the most appreciated is certainly defining a simplified information standard for SMEs that could also be defined at EU level, and that can be voluntarily used by those SMEs that will not be subject to the obligation to draw up an NFD under European legislation.
- **Moderate support for the remodulation/elimination of Consob's supervisory regime for those companies drawing up a voluntary NFD:** over 50% of the companies not obliged to publish an NFD have expressed strong or moderate issues in relation to assigning Consob the supervision over companies other than PIEs that voluntarily draw up an NFD.
- **Moderate support for the remodulation/elimination of the sanctioning regime for those companies drawing up a voluntary NFD:** over 50% of the entities not obliged to draw up an NFD expressed the need to review the sanctioning system connected to the alleged infringement of regulations.
- **Strong support for greater interaction with entities issuing sustainability ratings:** all respondents hope for greater interaction between the undertakings and companies issuing sustainability ratings in order to simplify the identification and reading of the information and data contained in an NFD.

3. Respondent overview

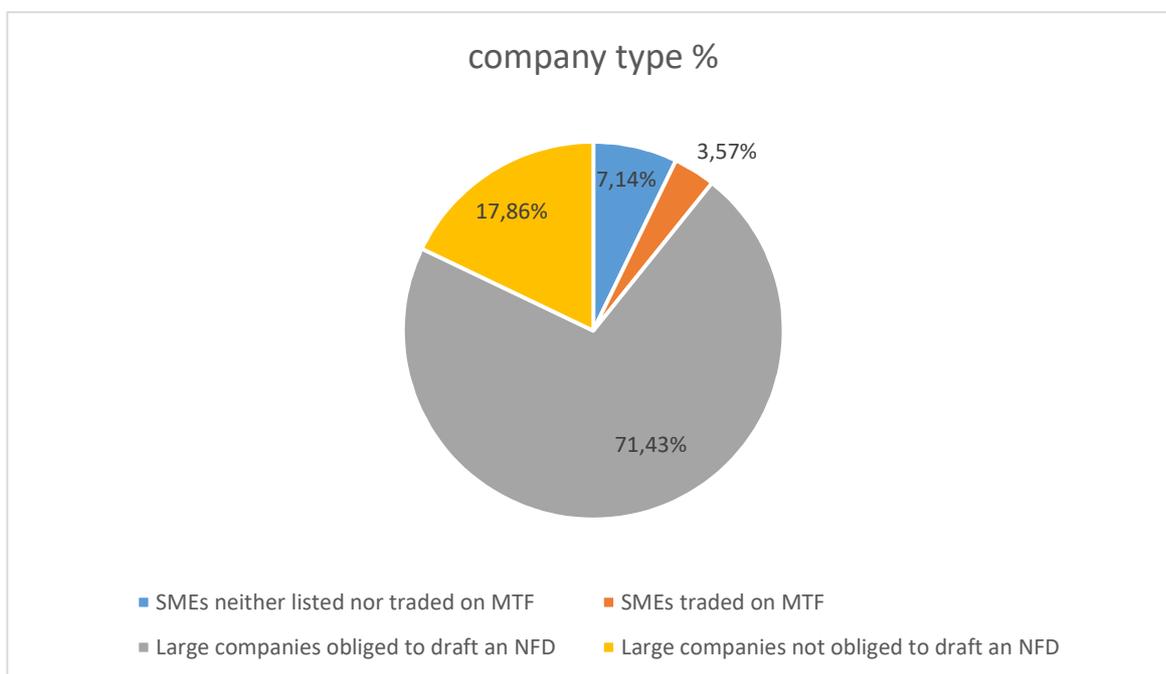
In response to the consultation paper, **40** contributions were received⁶. Most respondents are companies (70%), including financial companies, followed by trade associations (20%) (*see graph below*).

⁶ The responses to the consultation are published on the website www.consob.it

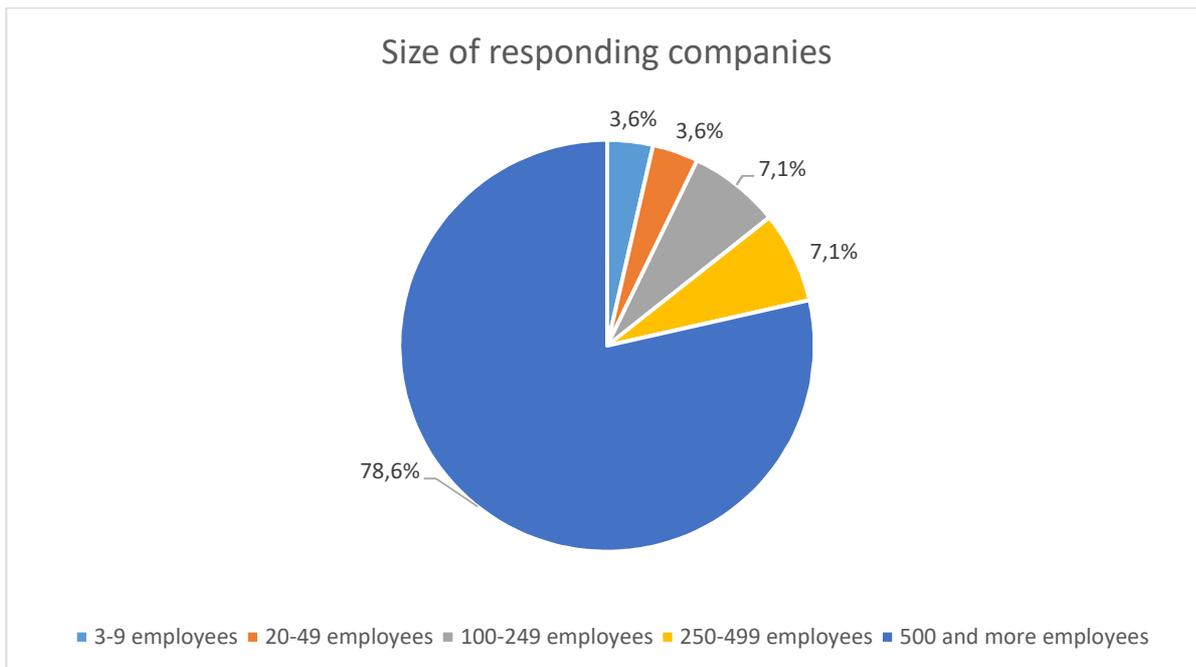


Among the respondents from the category “Other entities”, no subject is obliged to publish an NFD, nor has it voluntarily published an NFD.

Among the respondents that are companies, 10.71% are SMEs, while 89.29% are large companies (see Graph below). Among the latter, the majority falls within the group of subjects required to prepare an NFD (equal to 71.43% of the total number of companies – see graphs below):



Below is also a representation of the responding companies based on the number of employees.



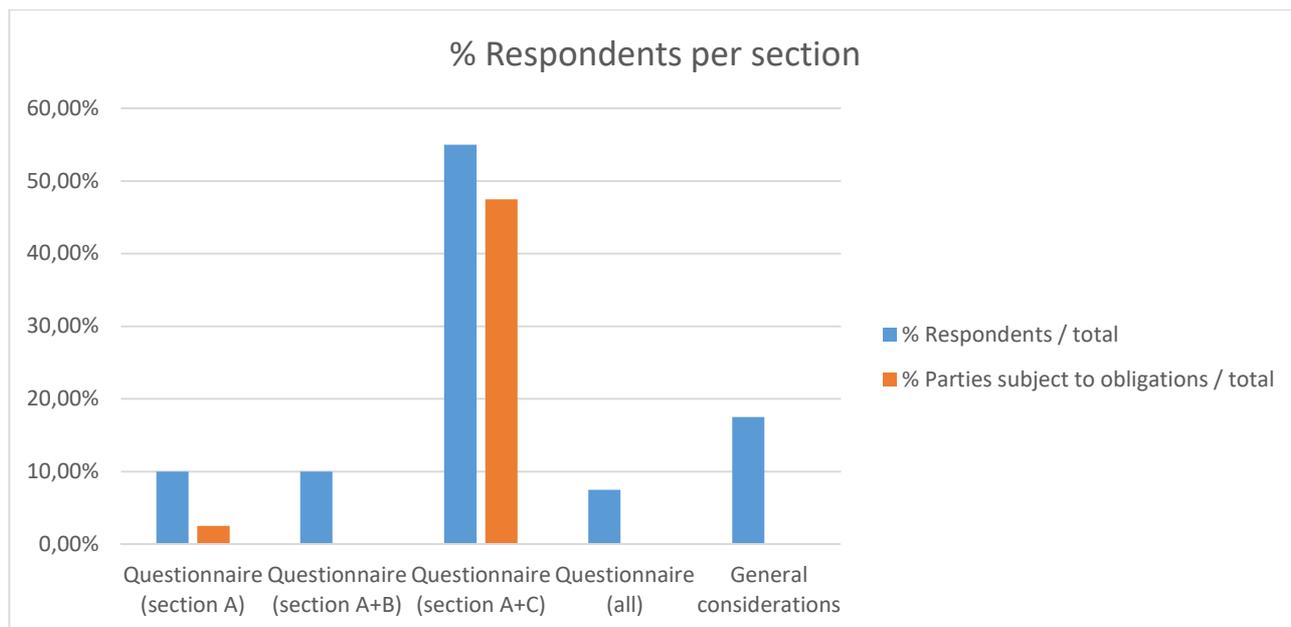
The following paragraphs illustrate the evidence that emerged from the results of the consultation.

4. Summary of responses

The call for evidence contains a series of questions addressed to market operators to gather useful elements in order to outline possible reforms of the national framework relating to the voluntary non-financial reporting regime, with a view to promoting an ever wider dissemination of this type of disclosure that is playing an increasingly prominent role in the choices of investors and policy makers.

In particular, the questionnaire is divided into three sections dedicated respectively: i) to all the companies (Section A); ii) to subjects who do not prepare any form of non-financial reporting or prepare forms of reporting other than an NFD (Section B) iii) to subjects who publish an NFD whether obliged or voluntarily (Section C).

The graph below shows the percentage of respondents per individual section, with details of those subject to the obligation of drawing up an NFD:



4.1. Questions to all the companies (Questions 1-5)

4.1.1. Benefits and difficulties of publishing an NFD

The purpose of the consultation was to acquire information on the benefits of publishing an NFD and whether drafting an NFD could offer companies a greater opportunity to receive financing or to raise risk capital (*see* question 1).

In this regard, in general, all the respondents stated both internal and external benefits for the company deriving from publishing an NFD. The internal benefits derive mainly from the fact that an NFD encourages the adoption of a more integrated approach to the strategy that activates a virtuous cycle and allows companies to seize the opportunity to review, evolve and rationalise their reporting processes and policies for managing these issues, favouring the process of intensifying internal control systems on non-financial information. The external benefits derive from the fact that publishing an NFD guarantees greater transparency towards stakeholders by allowing a better assessment of their potential by financial operators, investors, institutions and consumers, encouraging companies to focus on long-term objectives.

Non-financial information thus becomes increasingly important in the relationship with financial market entities while allowing companies to proactively manage the positive and/or negative impacts generated by the company’s business on social, economic and environmental capital. All of this acquires a strong reputational value and gives companies better access to financing or risk capital, insofar as preferences for sustainability objectives are incorporated into the investment functions of professional investors and/or retail customers.

However, in the question of the questionnaire (question no. 4) regarding the greatest difficulties in drafting and publishing an NFD, most of the respondents expressed difficulties in finding the data and information, often disaggregated, among the numerous interlocutors within the organisation and therefore in coordinating the various organisational structures involved, but also the difficulty of identifying suitable indicators. Sometimes the difficulty is linked to compliance with strict deadlines, also in view of the fact that the NFD time frame is essentially the same as those to approve the financial statements, thus resulting in a significant increase in workload for employees.

Other companies that participated in the consultation experienced difficulties related to the low investment in human resources dedicated to preparing an NFD. Preparing an NFD implies high costs related, precisely, to finding the data needed to complete it as well as to a strong increase in the workload of the various organisational structures involved, and the need to train staff both in “technical/operational” terms to be able to provide the data required for drafting an NFD, and in terms of developing a sustainability “culture”.

In addition to operational difficulties, some financial entities have highlighted the need for general rationalisation and coordination between the different regulatory instruments, in particular the Disclosure⁷ and Taxonomy Regulation⁸ so that these do not contradict each other and do not entail excessive compliance burdens for companies.

With regard to small companies, the difficulties encountered mainly lie in becoming aware of and being able to see the long-term benefits related to the investments necessary to convert their business from a sustainable perspective, while there is a tendency to pay more attention to costs in the short term.

Finally, more than one respondent pointed out the concept of “impact” among the main difficulties in applying the regulations on non-financial reporting. This concept, also referred to by Legislative Decree 254/2016, is not yet consistently defined by all reference sources, with obvious consequences on its measurability. In particular, it is unclear whether this refers to the extent of the direct responsibility of the company or to the wider responsibility involving its supply chain or the entire supply chain upstream and downstream of it. Therefore, the standard should also deal with the definition of “impact”.

Many of the difficulties mentioned above were further confirmed by the Italian Banking Association (ABI) which, in providing its contribution to the consultation, also referred to the main results emerged from the “*BusinEsSG- DNF 2020*” survey that ABI carries out to identify the current progress made in applying NFD regulation.

In particular, the analysis shows that the **availability of data** is mentioned among the major critical issues, both with reference to information on customer companies for the assessment of compliance with the European Portfolio Taxonomy - sometimes referred to in technical terms as “Taxonomy tagging” - and for the calculation of climate change KPIs present in the “Guidelines on the disclosure of non-financial information”⁹.

The difficulty regarding the availability of data is combined with methodological problems related to the transition from assessments on the individual counterparty's ESG profile, to assessments on prospective financial risk (for example, the assessment of Climate-Related Financial Risk - CRFR). In addition, ABI's analysis also highlights the need to invest in training on ESG issues and how these have an impact on banking activities and in adapting IT processes for data collection, as well as the need for greater corporate commitment that makes it easy to involve colleagues on sustainability issues.

⁷ Regulation (EU) 2019/2088 of the European Parliament and of the Council, of 27 November 2019 on sustainability reporting in the financial services sector.

⁸ Regulation (EU) 2020/852 of the European Parliament and of the Council, of 18 June 2020 relating to the creation of a framework that encourages sustainable investments and amends Regulation (EU) 2019/2088.

⁹ In particular, reference is made to the supplement to the non-binding Guidelines published by the Commission in June 2017, regarding the NFRD, focused on climate issues published in June 2019.

4.1.2. Valuations produced by third parties

Question 5 asked whether it is believed that the information/assessments produced by third parties on the ESG impact of the company, such as so-called sustainability ratings, could in any way be complementary to, or a substitute for, the NFD in terms of information that could be used by a potential investor.

Almost all respondents believe that the information/assessments produced by third parties as regards the ESG impact of the company cannot replace the information provided through the NFD but only complementary, also because these activities meet different standards that are difficult to compare. In particular, the use of ratings can help in identifying the information to be included in the NFD and can simplify the data collection activity, which is also useful for investors. Not only, according to respondents, assessments by third parties such as sustainability ratings could provide an extremely important reference, considering that the size of published documents currently constitutes a barrier to entry for non-specialist parties that should not be underestimated.

4.1.3. Relevant themes by sector of activity

The consultation paper asked which of the issues relating to environmental, social and governance aspects are most relevant to the company's activities (*see* question 2).

The following table shows, for the various sectors of activity of the companies that responded to the consultation, which of the environmental, social and governance issues emerged as the most relevant.

sector	environmental	social	governance
Banks/Insurance	environmental risk/impact management	product/customer information	organisational models/policies
	combating climate change and protecting the environment	consumer protection and satisfaction	board composition
		support to the territory/families/entrepreneurs	anti-corruption programmes
		innovation in customer relations	ethics, integrity and transparency in business management
		financial inclusion	value creation and capital strength
		internal dialogue, welfare and equal opportunities	regulatory compliance
		employment relationships, human resource development and well-being	
		security and data protection	
Oil/natural gas/electricity		health and safety at work	
	innovation and new technologies	health and safety at work	sound governance and transparent conduct, including remuneration policy
	decarbonisation of the energy mix	management, development and motivation of people working in the company	diversity (gender, aging, skills and cultures)
	reduction in CO2 emissions	promotion of corporate welfare	remuneration linked to sustainability objectives
	mitigation of the impacts of electricity infrastructure	staff development, respect for human and workers' rights	
	climate change		
	energy consumption		
Water services management	spill prevention		
	water quality	user satisfaction	effective and transparent
	loss reduction		
	environmental risk management		
Waste collection	renewable energy		
	Consumed energy and emissions	Respect for human rights	ethical conduct of the business
	Water use	Health and safety of customers	
	wastewater and waste	Relationship with suppliers	
IT advice		Relationship with customers and communication	
	minimisation of environmental impacts	diversity management and equal opportunities	innovation and safety of products and services
		corporate welfare	solidity and business growth
		Employment	customer satisfaction
		training and skills development	big data and hyperconnectivity
			protection of privacy
			market presence
Wholesale of foodstuffs		handling complaints	
	environmental impact in the supply chain	quality and safety of products	
		consumer information	
Motorway services management		respect for human rights	
	road and infrastructure safety	health and safety at work	combating corruption
		attracting and enhancing human capital	business continuity
Production and distribution of clothing	fabric waste disposal	compliance with labour law	
	use of plastic and paper for packaging	relationships with internal collaborators	

The most important issues emerging from the contents of the table include:

- in relation to **environmental aspects**: environmental risk/impact management and climate change;

- in relation to **social aspects**: health and safety at work, respecting human rights, promoting corporate welfare and personnel training and development;
- in relation to **governance**: ethical and transparent conduct of the business by management, combating corruption.

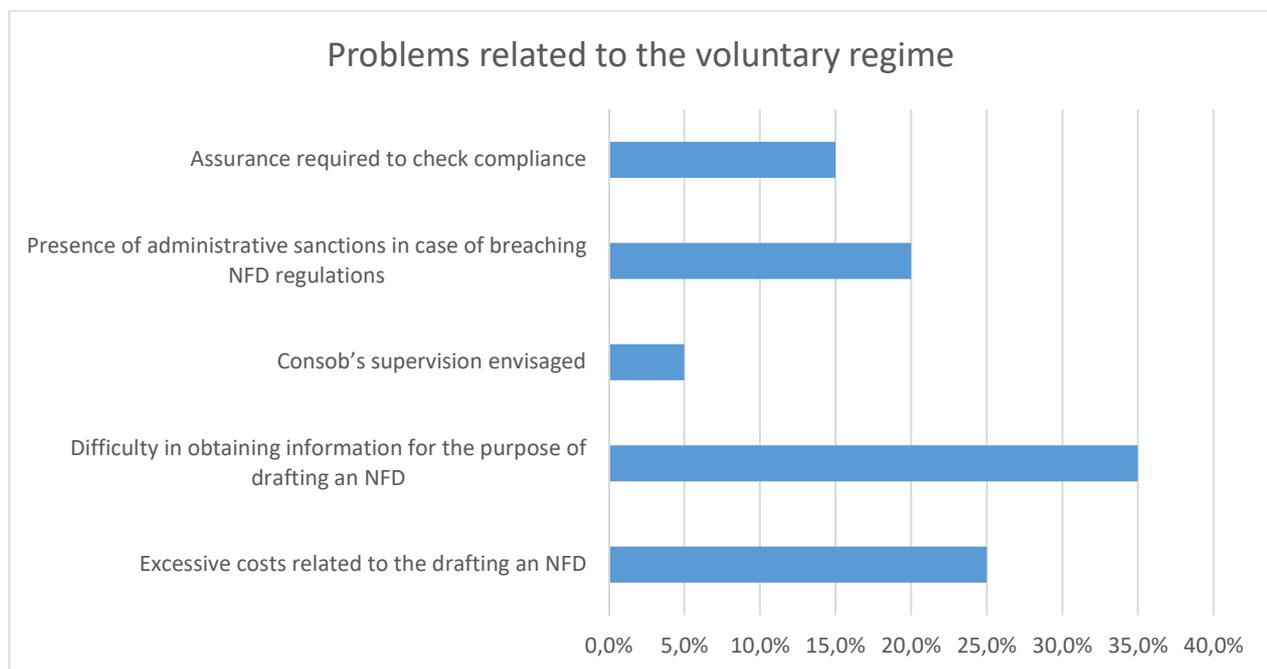
4.2. Questions addressed to subjects who do not prepare any form of non-financial reporting or prepare forms of reporting other than an NFD (questions 6-14)

4.2.1. Problems related to participating in the voluntary publication regime

In question no. 7 the consultation asked about the reasons, among those reported, for the low uptake of the NFD voluntary regime.

Among the companies that responded to the consultation that do not draft an NFD or draft forms of reporting other than an NFD, the low uptake of the regime of voluntary publication of NFDs is mainly due to the difficulty in obtaining information for the purpose of compiling the NFD (35%) and the excessive costs related to preparing an NFD (25%), secondly to the presence of administrative sanctions in case of breaching NFD regulations (20%) and the assurance required to verify compliance (15%) and, only finally, to the required Consob supervision (5%).

The following graph shows the percentage of responses given for each of the above reasons.

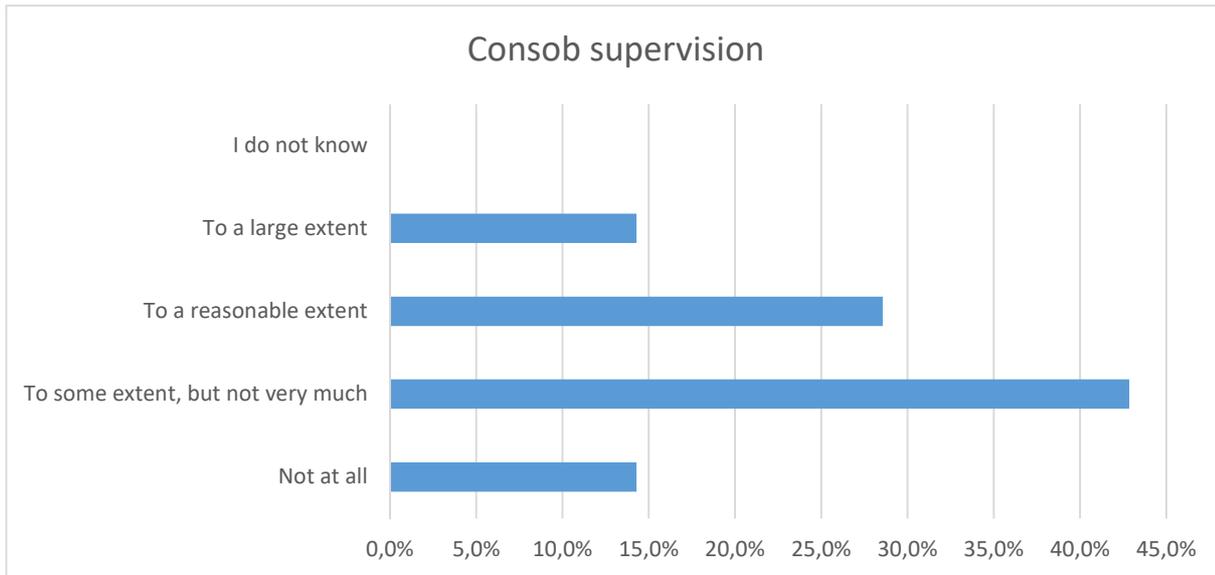


All respondents believe that to draft an NFD, it is necessary for the internal control system to be structured in an adequate way so as to allow the collection of non-financial information. This may prove particularly problematic for those companies that do not consider the aspects covered by an NFD as strategic for their core business. For these companies, the organisational costs aimed at collecting non-financial information are perceived as disincentives compared to the choice to draw up a voluntary NFD.

In addition to the above, it must be considered that, in the event of drafting a voluntary NFD, the company on its own initiative undergoes the entire regulatory framework applicable to the subjects required to publish the NFD, included, among other things, Consob's supervisory regime and in

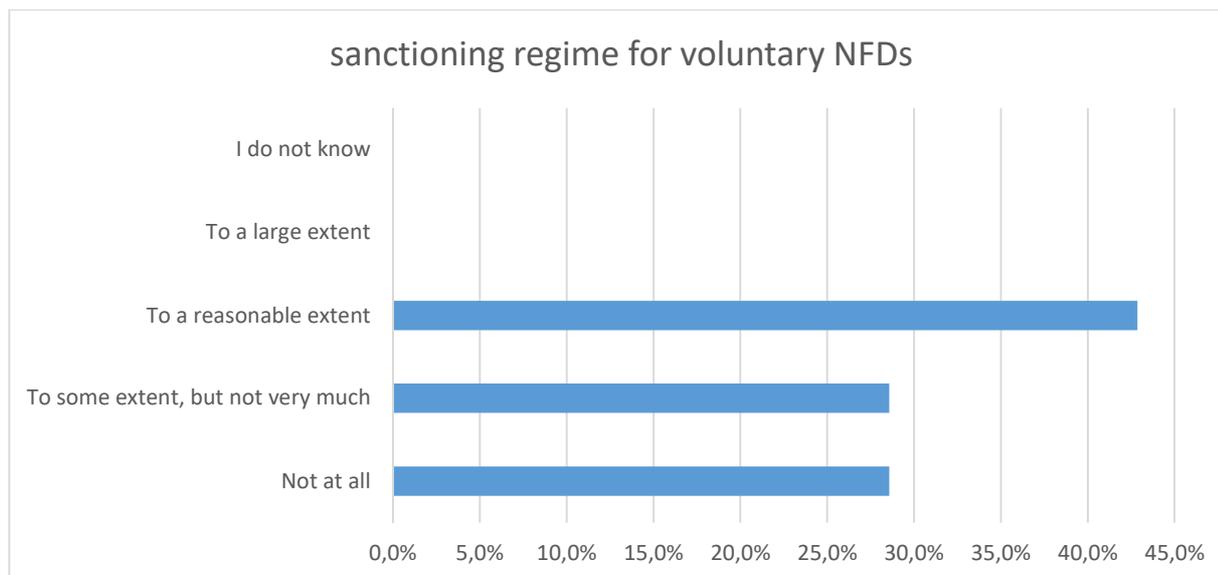
particular administrative sanctions in case of breaching the provisions relating to the rules in question.

In this regard, with reference to question no. 13 (“to what extent is it considered appropriate to maintain Consob’s supervision also over companies other than the PIEs that voluntarily draw up an NFD?”), the majority of respondents (approximately 57%) expressed significant (14%) or limited (43%) reservations about the supervision of voluntary NFDs currently provided for by law (see graph below):



In this regard, it should be noted that evaluations of whether or not to allow for administrative supervision of the compliance of voluntary NFDs with the rules governing their adoption should concern only those companies that are currently outside the scope of supervision of financial supervisory authorities, i.e. in particular, unlisted companies and issuers of financial instruments which are not widely distributed among the public other than financial, banking or insurance companies.

On the other hand, with regard to the sanctioning regime, question 14 asks to what extent the sanctioning regime envisaged for breaching the provisions relating to drafting and publishing voluntary NFDs is deemed appropriate. In this regard, although a considerable proportion of respondents considered the current sanctioning system “reasonable”, the remaining part of respondents (about 57%) expressed a willingness to remodel the sanctioning regime (see graph below).



The set of all the factors listed above can be a disincentive for companies to voluntarily draw up an NFD, when considering that there are currently other methods of communicating non-financial information to stakeholders (such as, for example, the sustainability report or other forms of specific communications) that, unlike the NFD, are not governed by specific regulatory provisions.

In particular, the companies that do not draw up an NFD were asked (questions 6 and 6.2) whether they already envisage the preparation of a report on non-financial aspects not classified as NFD under the national rules and whether they believe that this report nevertheless achieves the objectives set out in the NFD publication. The answers provided showed that most of these companies envisages the preparation of a report on non-financial aspects in a document integrated into the financial statements or in a dedicated section within the report on operations contained in the financial statements, believing that these alternative forms of non-financial reporting in any case achieve the objectives set out in the NFD publication.

The consultation asks what regulatory or content changes may be useful to facilitate the adoption of the rules set to draft and publish voluntary NFDs (*see* question no. 8). In this regard, among the possible changes, some respondents proposed designing a simplified framework and a reward system for companies as well as arranging benefits/incentives related to drafting an NFD, of a tax and non-tax nature. On the other hand, some respondents proposed eliminating Consob’s supervisory and sanctioning power currently imposed on those who draft a voluntary NFD as it discourages those entities that wish to approach non-financial disclosure, transforming it into a potential cost.

4.2.2. Simplified disclosure for SMEs

The consultation aimed to investigate the need of introducing a standard simplified disclosure for SMEs so as not to exclude them from the transition process linked to ESG factors (*see* question 10).

With respect to this topic, in general, most respondents consider first of all that an extension of the subjective scope for drafting an NFD to smaller companies is positive, also in view of the fact that, according to most of the participants in the consultation, disclosure and taxonomy regulations

increase the need for more sustainability information also with reference to SMEs, and this circumstance that could still be an incentive to drafting a voluntary NFD.

According to the respondents, extending the scope to include SMEs would help to reduce the information deficit for this category of issuers, facilitating the identification of information that would otherwise be difficult to find. SMEs would benefit from progressively familiarising with the NFD in general to increase awareness of sustainability issues and their effective integration into their long-term strategy, and in particular to gain easier access to credit and venture capital. This cultural transition is already underway for those SMEs operating in chains of multinational and large companies, having to demonstrate compliance with certain standards in terms of occupational safety, environmental certifications, innovation, staff training and respect for human rights.

However, most respondents believe that many SMEs could encounter difficulties, both organisational and in terms of internal skills, in drafting an NFD, highlighting the need for more advanced governance and to ensure, in compliance with the principle of proportionality, the presence of adequate skills and independent professionals able to promote the progressive evolution of the systems for the management and monitoring of ESG issues, with an increasing involvement of boards in defining strategies and intervention objectives.

Therefore, there is a considerable risk that the need to publish non-financial information will result in an additional barrier to entry into the financial markets for such entities, which already present difficulties also linked in this case to the need to prepare adequate organisational systems and governance processes.

As a consequence, all the respondents suggest greater flexibility which, according to some, can be achieved through voluntary reporting that is not necessarily in the form of an NFD but uses customised formats, or, according to most respondents, by defining a user-friendly and simplified information standard defined at EU level, to which SMEs can voluntarily decide to adhere, which does not introduce obligations or penalties. In particular, among the subjects not obliged to draw up an NFD (of which 22% are SMEs), only one company not qualified as an SME expressed an opinion not in favour of defining a simplified standard for SMEs, considering it unnecessary since the “comply or explain” principle would already be sufficient to explain why they are not or cannot be accounted for, where specific aspects were not accountable for various reasons.

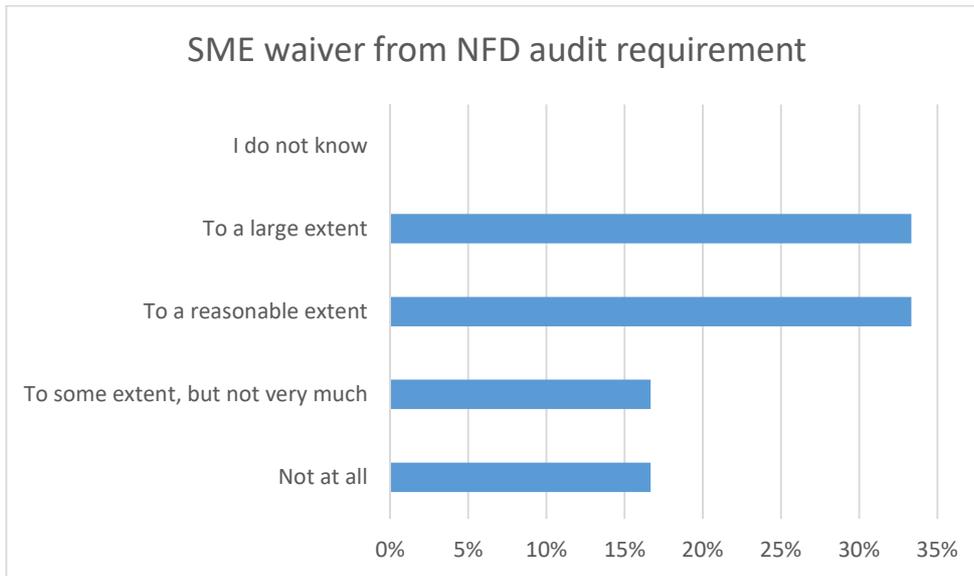
It was also suggested that a centralised European digital database of business sustainability information (ESG factors) should be set up at reduced costs.

In essence, the consultation shows that any obligation for SMEs should take into account the availability of human and financial resources that SMEs can reasonably allocate to sustainability reporting, providing for consequent and appropriate simplifications in terms of the required information set, depending, for example, on some specific economic and financial parameters.

In more detail, the action in question should be inspired by the principle of proportionality, for example by identifying clusters of companies that are differentiated on the basis of (i) objective parameters (such as number of employees, turnover, status or sector to which they belong), and (ii) minimum sets of selected non-financial standard information, whose granularity could be proportionate to the size of the company. The information set could be expanded over time to give businesses some flexibility in adapting their internal organisation, processes and procedures to produce and extract the data required in relation to the information set.

Finally, question 12 asked to what extent the provision according to which only SMEs, as defined by the Accounting Directive, can derogate from the obligation to submit an NFD for auditing is

considered adequate. In this regard, the majority of respondents expressed a favourable opinion (*see graph below*).



4.3. Questions addressed to subjects who publish an NFD whether obliged or voluntarily (questions 15-19)

4.3.1. Materiality

Question 15 of the consultation paper asked whether, in the process of analysing the materiality of the information represented in the NFD, the definition of standards and uniform criteria in legislation for carrying out this analysis could facilitate the companies required to prepare the NFD and its users.

Among the respondents who expressed their opinion on this issue, 73% are obliged to draft an NFD, the remaining 27% of non-obliged subjects are made up of trade associations (71%) and the remaining part (29%) of companies.

Regarding the difficulties encountered in the drafting of the NFD, all the subjects required to draft an NFD, except for two of these (therefore 89.5% in total), expressed support for defining common standards and uniform criteria in legislation for the purpose of materiality analysis, provided that the regulatory representation of these criteria at the same time retains some margins of discretion for companies to include in the materiality analysis any information deemed relevant and is integrated and consistent with the frameworks and reporting standards already used.

The two respondents who showed not to be favourable to a possible standardisation, believe: one that the NFD already requires precise aspects of reporting by specifying some minimum contents to be included in the documents, the other that defining uniform standards and criteria can be a limit in the reporting process, making it difficult for companies called upon to draw up reports with criteria that do not capture the specific elements of the sector of activity, with negative impacts on the accuracy of the information.

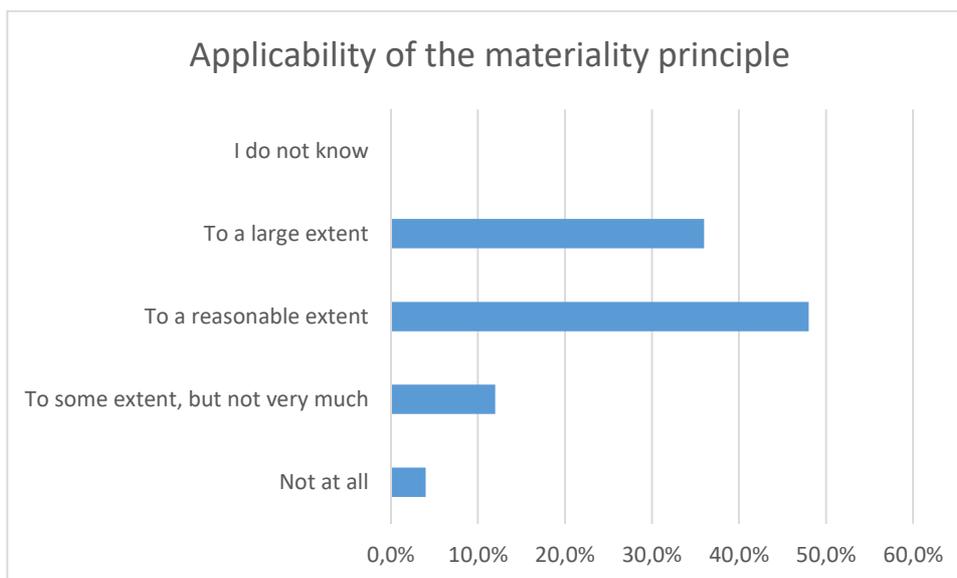
All the respondents not obliged to draft an NFD (among these just one SME) have expressed their favour for a common standard that takes inspiration from effective methods already tested and currently in use, defined by regulation for the materiality analysis process, except for a trade

association, which does not deem a regulatory intervention necessary, which could, at most, only provide some indications on the materiality analysis process while safeguarding the necessary flexibility for the company.

Among the main reasons given by respondents in favour of defining uniform criteria in a regulatory manner, there is certainly that of facilitating the companies required to draft an NFD and its users, reducing the problems regarding the reliability, comparability and completeness of the information reported. The incomplete standardisation of the methodologies and reporting criteria to be adopted, actually makes it difficult to identify the most appropriate metrics and compare the information between the various companies. Standardisation would also allow greater usability in terms of managing NFD data.

For users, uniform criteria should allow the comparability of the information communicated by different subjects, albeit with the limits due to belonging to different production or geographical sectors, while for companies these criteria would be useful to structure reporting processes and facilitate compliance with a minimum “quality” criterion of the information produced.

In any case, in question no. 16 *“To what extent do you consider the applicability of the materiality principle to the environmental and social impacts of the company's activity to be straightforward”*, the majority of respondents (48%) expressed to be in favour by answering *“to a reasonable extent”* (see graph below).



Moreover, most companies when answering questions 17 *“Have you mapped the distribution chain in relation to sustainability factors? If so, please indicate which part of the chain has been analysed and the factors taken as reference”* and 17.1 *“If not, to what extent do you find it difficult to find the information required by the NFD regulation throughout the distribution chain”*, also expressed difficulty in finding the information required by the NFD regulation throughout the distribution chain. Only half of the respondents drafting an NFD reported having a map of the distribution chain in relation to sustainability factors.

4.3.2. Indicators and comparability

In the consultation, question 18 asked: *“Do you think that there are indicators/metrics that can be used in drafting the NFD and are related to the impact of the company's activity on environmental and social issues, that more than others facilitate the comparability of the company's ESG impact?”* and question 18.1 *“If so, which of these indicators/metrics could be more easily integrated (e.g. with lower administrative and management costs) into the company's business model and also constitute a parameter usable in the decisions of a potential investor”*.

Concerning the identification of indicators that can be used in NFDs to facilitate the comparability of the ESG impact, the results of the consultation showed first of all that the extreme heterogeneity of companies excludes in principle that there may be general indicators valid for the whole business world.

While standardisation is desirable, on the other hand, all respondents highlight how complex it can be to standardise the criteria of a process such as that of materiality, given that it depends on the company's characteristics and therefore is submitted to subjective assessments.

Many respondents hope that these standards will be integrated with the existing and most widely used reference frameworks and allow discretion to guarantee the company the inclusion in the materiality analysis of any information deemed relevant.

It is suggested to consider the idea of identifying minimum classes of indicators and metrics that are distinct at business sector level; in particular, a respondent suggests that the shared standard has the characteristics of “scalability” (i.e. the possibility of adapting to companies of different sizes) and “adaptability” to companies belonging to different sectors, with the consequent definition of specific sectoral standards. These characteristics are considered of particular importance since, when preparing non-financial information, it is essential to use indicators that can adequately represent the company in a manner related to its sector of activity and its business model.

Regarding the indicators and metrics that could be more easily integrated into the business model, most companies replied that, pending the publication of shared standards, the use of GRI is one of the most reliable parameters currently available and that this standard allows a degree of flexibility in its adoption in addition to presenting the “scalability” and “adaptability” characteristics described above.

Finally, with regard to the operational difficulties also relating to using technology, it was pointed out that the use of the eXtensible Business Reporting Language (XBRL) would contribute significantly not only to standardising the NFD, thanks to the development and use of taxonomies dedicated to its encoding, but also to improving its usability and processability.

4.3.3. Interaction with entities issuing sustainability ratings

Question 19 of the consultation paper asked whether it is believed that the interaction with entities that develop and issue sustainability ratings, can be (or has been) helpful in identifying the information elements to be included in an NFD that are most useful for the market and for investors in order to assess the ESG characteristics of the company, and what the greatest difficulties encountered were, if any, in the context of the aforementioned interactions.

In light of the comments received from the respondents on the assessments produced by third parties (*see* above), all respondents hope for greater interaction between the undertakings and the companies that issue sustainability ratings as this could simplify the reading of data published with the NFD. The interaction would also help to stimulate a process of continuous improvement in ESG areas, to promote a greater awareness of the information needs of investors, and more generally of the market, and therefore to enhance any elements already contained in the NFD.

However, at present great difficulties are reported in interacting with these entities mainly due to sharing criteria. Those used by the companies that issue sustainability ratings are often not applicable or meaningful for certain sectors or for certain types of activities.

In addition, the companies that issue sustainability ratings are themselves very heterogeneous and use very different assessment algorithms, which make a real comparison between different ratings problematic, often leading to assessments that are opposed to the sustainability of the same company.

In particular, in relation to this last point, respondents consider it essential to obtain clarity from those companies that produce sustainability ratings on the methodologies used to assess ESG data both on an individual and aggregate basis, so that investors can assess in an informed manner the reliability of the methodology and, therefore, the rating used to analyse a certain type of company.

4.4. Conclusions

The answers provided to the Call for Evidence have returned a number of useful elements to assess the impact of applying the national voluntary NFD regime also in the light of the ongoing review process of European legislation.

The importance that ESG information issued by companies has acquired, also due to the increased information needs of the users and recipients of this information, also makes it essential to continue to acquire more detailed data on the costs/benefits related to drafting NFDs by SMEs.

To this end, Consob will continue to study the issues raised in the Call for evidence in order to identify the most appropriate regime for this category of companies: this is both with regard to developing possible new regulatory options at the domestic level to encourage voluntary adherence to non-financial reporting, and with reference to the definition at the European level of the proportionate information regime for SMEs in the light of the proposal published by the European Commission.