# Non-Financial Reporting Directive (NFRD) - Submission Supplement

Social Value UK (SVUK) participated in collaborative discussions with our membership (approximately 30 organisations participated) regarding the update to the NFRD. This document serves as a supplement to SVUK’s survey submission and highlights four key messages and some aligned recommendations. This has been done in collaboration with our parent organisation Social Value International.

Top 4 messages:

1. **Assurance** of non-financial reportingis essential for the credibility and usefulness of the data. Scrutiny of non-financial information should be equal to that applied for financial information. Non-financial information should be presented alongside financial information, any separation increases the likelihood of it not informing decisions. Assurers should be independent and yet be knowledgeable enough to challenge professional judgements over ‘dual materiality’.
2. **Materiality** positions and the process for determining what impacts are included in reports should be disclosed in all non-financial reporting with explicit reference to the dual approaches to materiality. Ideally, organisations should include all impacts that matter to all people (who are impacted) regardless of whether the impacts are financially material to the organisation.
3. The **scope** of the Non-Financial Reporting Directive should be widened to include small and medium sized companies (fewer than 250 employees and either a turnover of up to €50 million or a balance sheet total of up to €43 million) as well as subsidiaries.
4. **Reform of accounting standards.** Reporting disclosures are important but should be linked to a reform of accounting standards that integrate non-financial impacts onto the balance sheet. This will help root the information in business management practice and operational decision making.

A table below summarises some of the other key points made in relation to each of the eight sections. We look forward to seeing the results of this review.

Your Sincerely,

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Ben Carpenter

CEO

Social Value UK

## Appendix: A summary of the key messages for each section:

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| Section of the survey | Key Recommendation |
| Section 2 - Standardisation | * Standardisation should be informed by organisations identifying impacts that are material to people and the planet even if these are not financially material to the business. * Ideally there should be less involvement in the standardisation process from investors and assurers, more involvement from organisations (including SME’s) and representative bodies. |
| Section 3 – Application of the principle of materiality | * Materiality as a principle should allow a reporting entity to determine the relevant and significant impacts to report and this should include all impacts that are material to all people (groups) that are affected by an entity’s activities. * The definition included is fine but needs to be applied with the revised assumption that investors want/need information about impacts that are material to people and the environment (non-financial) to make their decisions. If we shift this ‘starting point’ for investors, then we do not have to create multi stakeholder reporting or dual materiality perspectives. |
| Section 4 – Assurance | * Assurance is essential for non-financial information for it to become useful in decision making. We believe that non-financial information should be given the same level of scrutiny as financial information. * Social Value International have a report assurance standard[[1]](#footnote-1) that could be used. It also has a governance structure that allows for constant development and refinement of the standard through consultation with members. Other assurance standards that exist are AA1000 and ISAE3000. |
| Section 5 - Digitisation | * Data should be published digitally using (multiple) data schemas that allow for interoperability of the data. these data schemas should be open source and data should be made available for transparency. * Care should be taken not to create one single repository of the data itself as this risks commercialisation of the data that should be a public good. * One single repository for all of the different data schemas is recommended. The global value exchange[[2]](#footnote-2) is an open source web platform that could provide this function as a public good for example. |
| Section 6 – Structure and location of non-financial information | * The non-financial reporting should be integrated with the financial information as much as possible. Any segregation into different reports dilutes the effect it has on decision making. |
| Section 7 – Personal Scope | * National competent would be appropriate to regulate but requires competency to be defined as in competent to assess materiality, outcomes, stakeholders and impacts. |

1. <https://socialvalueint.org/social-value/standards-and-guidance/report-assurance-standard-december-2017/> [↑](#footnote-ref-1)
2. [www.globalvaluexchange.org](http://www.globalvaluexchange.org) [↑](#footnote-ref-2)