BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

BETTER FINANCE's answer to the European Commission Fitness Check on Public reporting by companies

BETTER FINANCE, the European Federation of Investors and Financial Services Users, is the dedicated representative of financial services users at European level. It counts about fifty national and international members and sub-member organizations in turn comprising about 4.5 million individual members. Our organization acts as an independent financial expertise centre to the direct benefit of the European financial services users (shareholders, other investors, savers, pension fund participants, life insurance policy holders, borrowers, etc.) and other stakeholders of the European financial services who are independent from the financial industry.

BETTER FINANCE is the most involved European end user and civil society organisation in the EU Authorities' financial advisory groups, with experts participating in the Securities & Markets, the Banking, the Occupational Pensions and Insurance and Reinsurance Stakeholder Groups of the European Supervisory Authorities; as well as in the European Commission's Financial Services User Group (FSUG), and in the European Financial Reporting advisory Group (EFRAG). Its national members also participate in national financial regulators and supervisors bodies when possible.

For further details please see our website: http://betterfinance.eu/

BETTER FINANCE welcomes this opportunity to give its view regarding the current legislative framework on the public reporting of companies. As a representative for individual investors and financial services users in Europe, BETTER FINANCE will focus its answer for this feedback on "whether the financial and non-financial disclosure in the area of Environmental, Social and Governance (ESG) reporting by companies are fit for purpose, including as regards sustainability disclosures"?

Common definitions and common criteria for a better public reporting

As a general comment, BETTER FINANCE believes that the current legislative framework regarding the reporting on ESG should be reviewed to introduce more standardisation in the disclosure process. Under the current legislative framework, public reporting of companies on ESG and particularly on social and governmental issues does not reflect the right picture as

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regard sustainability disclosure. Non-financial reporting EU rules [1] require companies to disclose certain information on the way they operate and manage social and environmental challenges in order to encourage them to develop a responsible approach to business. The NFI directive states [2] that companies must report a non-financial statement regarding the impact of their activity relating to - among others - environmental and social matters. The directive and the non-binding guidelines leave flexibility to the companies to comply with these rules. BETTER FINANCE believes that this flexibility left to the companies should be accompanied by a standardised framework regarding the reporting obligations.

BETTER FINANCE indicated that companies should apply ESG to their own activities[3], especially on governance and transparency. In that regard, our organisation pointed the lack of clear, consistent and mutually agreed definitions regarding ESG. The legislator should ensure that the "sustainable finance" label is not used as a marketing gimmick and come up with common definition and fixed criteria for companies to report on their progress. As a representative of individual investors and savers, we underlined the need for companies to report on social and governance issues.

Social issues - BETTER FINANCE believes that companies should report on their efforts to promote long term sustainable products. As part of its study on Closet indexing and Social Responsible Investments, BETTER FINANCE demonstrated that some investment products labelled as "socially responsible" in reality destroy the real value of their clients' savings instead of providing "*fair and prominent indication of any relevant risks*"[4] and "*fair, clear and non-misleading information*"[5] on products labelled as SRI. With common definitions and criteria, companies should be asked to report on their efforts to promote socially responsible products (in their non-financial reporting obligations).

Governance issues - The concept of sustainable finance should translate into products that are exemplary in terms of transparency and investors protection rules in particular with the rules on information and disclosures. In order to properly report on their progress and advances in

[1] DIRECTIVE 2014/95/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups; Guidelines (non-binding) on the Non-Financial reporting for companies, 2017/C 215/01

[2] Articles 19 (a) and 29 (a) of the NFI Directive 2014/95/EU

[3] See BETTER FINANCE's Press release "SUSTAINABLE FINANCE PRODUCTS MUST FULLY COMPLY WITH CONSUMER PROTECTION RULES AND REALLY CREATE "LONG-TERM AND SUSTAINABLE VALUE" http://betterfinance.eu/fileadmin/user_upload/documents/Press_Releases/en/Other_investors/PR_-_SUSTAINABLE_FINANCE__-_2017_0714_01.pdf

[4] Article 44 (2) (b), MiFID II Delegated Regulation COMMISSION DELEGATED REGULATION (EU) 2017/565

[5] Article 24 (3), MiFID, Directive (EU) 2014/65

terms of sustainability, common definitions and common criteria for evaluation should be adopted.