



THE CNMV PUBLISHES THE ANNUAL SUPERVISORY REPORT ON NON-FINANCIAL INFORMATION OF ISSUING COMPANIES

24 April 2024

- This report is drafted and published separately for the third year running, bringing together useful recommendations to improve the quality of the Non-Financial Statements (NFS);
- During 2024 special attention will be paid to the breakdowns relating to Article 8 of the Taxonomy Regulation, to the disclosure of objectives, measures and progress related to the climate, and to Scope 3 emissions of greenhouse gases (GHG).

Today, the Spanish National Securities Market Commission (CNMV) published the [“Supervisory report by the CNMV on non-financial information and main areas for review of the following financial year.2022”](#). This document details the task of supervising the 2022 NFS of the companies issuing securities (issuers) traded in EU regulated markets, whenever Spain acts as home Member State. The priority areas for the supervision to be carried out by the CNMV in the 2023 NFS are also presented. The report also details the regulatory developments and the obligations arising in the next few years once the new European standards regarding sustainability are applied.

In 2022, of 126 issuers that published their consolidated annual financial report, 102 included the NFS in their management report and 89 had the obligation to provide information on eligibility and alignment of their activities with the environmental taxonomy.

NFS verification reports

No issuer submitted qualifications in the verification report.

The verification was mostly limited to the information required by Spanish Law 11/2018. The CNMV indicates the importance for both verified and unverified information to be clearly identified and traceable.

Supervision of non-financial information

The supervisory task of the CNMV regarding the NFS follows a similar approach as that on financial information, with two types of review. All NFS received are subject to a formal review assessing compliance with certain current regulatory requirements. Furthermore, a substantive review is performed on a specific number of companies, focussing on the priorities established both by ESMA and the CNMV, as well as on material aspects of each company.

As a result, additional information was requested from 23 entities and 27 received recommendations, in order for these to be considered in future NFS.

In most cases, the explanations provided by the issuer in reply to the CNMV's requirements duly supplemented the disclosures required by law, or those established by ESMA and the CNMV in their priorities regarding the 2022 NFS. However, there are still disclosures that can improve, as described in the following sections.

Business model. Participation in the value chain

Providing an adequate description of the business model and its value chain allows for the information included in the NFS to be put into context. Although there has been progress in this aspect, the CNMV recommends improving the description of the activities, identifying the relevant stages of the value chain and explaining the role played by the entity and the stakeholders in each of these. This should be performed within the context of the sustainability strategy and objectives.

Materiality

The materiality analysis must be broken down adequately. This is a basic analysis to avoid omitting important information and its breakdown serves as a starting point to understand the rest of the report.

Even though a gradual improvement can be observed in the breakdown, the CNMV places emphasis on the need for issuers to better explain the criteria and methodology used, to clearly explain the results and to provide explanatory breakdowns regarding the opinions employed. It is important to indicate whether the double materiality perspective has been considered.

Scope of the NFS

It is essential for the scope of the information contained in the NFS to be clearly defined and for any exception to be identified. These will be explained and justified appropriately, providing a description of the scope of the information that was omitted. It is also relevant to indicate that the scope of the NFS will at least coincide

with that used in the financial information and will be consistent with that considered in the comparison period, adequately justifying any possible exception.

Key performance indicators (KPIs)

KPIs tackle all the non-financial information areas. The main aspects for improvement detected focus on providing explanations on their development, describing better their relationship with the objectives of the entity and enabling their definition and calculation methodology, including the origin of the data.

Robustness of the data used in the NFS

Since the value of reports depends to a large extent on the quality of their data, transparency is recommended regarding their internal control processes linked to data collection and the involvement of the board of directors, the audit committee and other relevant internal bodies.

Climate-related and other environmental matters

Among the areas for improvement is the breakdown of risks and opportunities and their possible financial impacts, together with the description of the actions considered in the transition plans.

Establishing clear objectives, with appropriate descriptions and a proven degree of compliance, is essential. Stress is made on the measurement of Scope 3 emissions of greenhouse gases (GHG) so that, in the case of being unable to provide precise information, it becomes necessary to explain the reasons, to detail the actions planned to solve this and to provide qualitative information on the relevant categories and their importance. Around one third of the entities fail to provide data on Scope 3 emissions and less than half of the entities reviewed broke down such emissions in terms of the 15 categories established in the GHG Protocol standard. Also, in response to requirements of the CNMV, future commitments to start calculating and breaking down Scope 3 emissions have been requested. Despite the lack of a breakdown of these Scope 3 emissions by a third of issuers, these represented over 80% of total emissions. It is recommended that financial entities improve the quality and extent of their Scope 3 emissions linked to financed emissions.

Also, the breakdown related to the water footprint is considered to be relevant.

Corporate and personnel issues

Heterogeneity continues to be observed in the calculation methods and the presentation of the gender wage gap. Detailing the salary items considered in the calculation and explaining the methodology used is important. Providing both the

global data and that broken down as per professional category and location is relevant.

Issues regarding respect for human rights and the fight against corruption and bribery

It is necessary to explain and specify the main risks associated with these areas, including those existing in the different countries in which the entities operate, indicating whether their policies also cover the supply and distribution chains.

The whistleblowing channel is an essential instrument to learn about the infringements occurring in these environments. A description of its characteristics, management procedures and results is relevant. The information should not be limited simply to the complaints received via this channel, the infringements informed about and resolved via other channels should also be detailed.

Article 8 of the Taxonomies Regulation

The CNMV published in October 2023 [a report on the breakdowns related to the taxonomy](#), analysing the quantitative and qualitative presentation of the information in the 2022 NFS.

Considered an enforcement priority by ESMA and the CNMV regarding fiscal years 2022 and 2023, the breakdowns linked to the taxonomy in the 2022 NFS show much room for improvement, as proven by the fact that they have led to most actions by the CNMV. Thus, from the non-financial entities declaring they performed activities linked to nuclear energy or with fossil gas, only half of them filled in the templates in Annex XII established by the Delegated Regulation of the European Commission. In relation to the climate change adaptation objective, it was observed that 8 issuers had included non-facilitating activities in the turnover KPI, having committed themselves to correct this in the following NFS.

Supervision plan for 2023 NFS

In October 2023, ESMA published common enforcement priorities for the 2023 non-financial statements, which refer to the following matters:

- Breakdowns relating to the Taxonomy Regulation;
- Disclosure of climate-related objectives, measures and progress;
- Scope 3 emissions of GHG

Regarding taxonomy, particular attention will be paid to whether the templates or models established by the regulations are used adequately, without any

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modification being performed to them. In the case of interpretation difficulties, consulting the CNMV or the European authorities on the correct application of the regulation is recommended. On the other hand, it should be recalled that the European stakeholder request mechanism is available to all entities to express possible discrepancies, suggestions or doubts regarding technical criteria. The avoidance of granting excessive credibility to private opinions unauthorised in the matter is recommended.

Regarding Scope 3 emissions of GHG, it is important to highlight the need to separately breakdown the gross emissions and any carbon equalisation or credit used. Furthermore, given its relevance to investor and without prejudice to the transitional regime considered in the European Sustainability Reporting Standards (ESRS), issuers will strive to breakdown the Scope 3 emissions, where applicable using reliable estimates.

If this is not possible, its omission will be adequately justified, submitting, at the very least, qualitative information on the main categories of their emissions.

The CNMV will focus its 2023 NFS review on all the sections described previously, while also on the coherence between the financial and sustainability information and on the description of the relevant risks relating to the protection of human rights and the prevention of corruption and bribery, on the information on materialised risks, and on their breakdown with a sufficient level of granularity.

In addition, the CNMV has considered a more detailed analysis of the breakdowns on alignment relating to the Taxonomy Regulation, by credit institutions and insurance firms, to be a priority.

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