For immediate release

EFAMA calls for prompt adoption of ambitious mandatory sustainability disclosures under the Corporate Sustainability Reporting Directive

Brussels, 21 April 2021 - The European Commission has published a proposal for a Corporate Sustainability Reporting Directive (CSRD), paving the way for much-needed mandatory European sustainability reporting standards (ESS). Insufficient availability of meaningful, comparable, reliable and public ESG data is a key impediment to realising the full potential of the EU's sustainable finance regulatory framework. EFAMA, therefore, encourages the co-legislators to maintain the ambition of this proposal.

Tanguy van de Werve, Director General of EFAMA, commented: "The limited scope of the Non-Financial Reporting Directive and the inconsistent sustainability reporting ecosystem constrain investors' ability to assess the ESG performance of investments. This CSRD proposal is essential in reducing the ESG data gaps faced by asset managers and supporting the development of green investment products. We call on the co-legislators to maintain the high level of ambition of the Commission's proposal and to ensure its swift adoption. Time is of the essence."

Dominik Hatiar, Regulatory Policy Adviser at EFAMA, added: "The proposed mandatory, assured and digitalised European sustainability reporting standards will be the primary source of input for asset managers' disclosures under the Sustainable Finance Disclosure Regulation and the EU taxonomy's 'green asset ratios'. In the context of the EU Green Deal and Recovery Plan, we see the proposed CSR Directive as a key enabler for taxonomy-aligned sustainable investments and look forward to the first disclosures becoming available on 1 January 2024."

EFAMA supports the Commission's proposal as it:

- **expands the scope of reporting companies** by covering large private undertakings and all undertakings listed on regulated markets, including non-EU companies with securities listed on EU regulated markets. Asset managers need specific ESG data from as many types of companies as possible to enable them to i) consider the sustainability risks and opportunities of their investment decisions; ii) assess the adverse impact of their investments on (material) sustainability factors and iii) calculate their green asset ratio based on the taxonomy KPIs of the investee companies. However, even with the expanded scope, there will still be a large number of non-EU companies not covered by the CSRD. Therefore, a globally accepted disclosure system is required.

- **requires the Commission to take account of EFRAG´s technical advice on the Delegated Act adopting the ESS** . Whereas the enlarged Non-Financial Reporting Directive (NFRD) scope will increase the ESG data quantity, the ESS should improve its quality, usability, and relevance. EFAMA agrees that the ESS should be adopted in a Delegated Act by 31 October 2022, with complementary, sector-specific standards expected by October 2023.

- **clarifies the principle of double materiality** and requires companies to assess and disclose which information is material. EFAMA supports the requirement in Article 19a (2) for companies to report on the process they carry out to identify and address their Principle Adverse Impacts (PAI) and the risks of most significant adverse impacts on sustainability matters regarding their whole value chain. Materiality assessments are crucial as there is a risk of financially material ESG issues being drowned out by excess information on ESG topics.

- **requires the submission of financial statements and management reports in a single, comparable, electronic format** with digitally tagged sustainability information. This will facilitate seamless transmission of ESG data into the European Single Access Point.

- **introduces assurance requirements** for reported sustainability information. However, as asset managers need to trust the provided information, reasonable assurance engagements are more appropriate than limited assurance.

- **seeks legislative consistency** with the information needed to comply with the SFDR RTS (Sustainable Finance Disclosure Regulation's Regulatory Technical Standard) disclosure requirements and the forthcoming taxonomy-related technical screening criteria, thereby ensuring that the taxonomy can be used in practice.

EFAMA stresses that the timing and content inconsistencies between the non-financial and financial undertakings' ESG disclosure requirements remain a real challenge. Whereas companies are unlikely to provide ESS disclosures before 2024, asset managers will have to report as of 2022 under the SFDR and the taxonomy on very specific indicators of the companies in their portfolios.

– ENDS –

Notes to editors:

For further information, please contact:

Brandon Bhatti
Hume Brophy
Efamapr@humebrophy.com

Daniela Haiduc
Head of Communications
+32-2-473 562 936
cc: info@efama.org

European Commission's CSRD proposal: Sustainable Finance and EU Taxonomy (europa.eu)

EFAMA's reply to the EC's public consultation on the revision of the Non-Financial Reporting Directive | EFAMA

About the European Fund and Asset Management Association (EFAMA)

EFAMA, the voice of the European investment management industry, represents 28 member associations, 58 corporate members and 24 Associate Members. At end Q4 2020, total net assets of European investment funds reached EUR 18.7 trillion. These assets were managed by more than 34,300 UCITS (Undertakings for Collective Investments in Transferable Securities) and almost 29,700 AIFs (Alternative Investment Funds). At the end of Q2 2020, asset managed by European asset managers as investment funds and discretionary mandates amounted to an estimated EUR 24.9 trillion. More information available at www.efama.org.