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## **EFRAG sets solid foundations for the establishment of mandatory EU sustainability-reporting standards**

**Brussels, 10<sup>th</sup> March 2021** - The European Fund and Asset Management Association (EFAMA) calls on the European Commission to reflect EFRAG's recommendations for mandatory European Sustainability Reporting Standards in the upcoming NFRD review.

Currently, the lack of quality data on how companies perform against sustainability metrics stands out as a fundamental challenge to leveraging private capital addressing the European Green Deal funding gap. EFAMA therefore believes that accelerated development of mandatory European Sustainability Reporting Standards could become a game-changer unleashing the impact of sustainable finance.

EFRAG's proposals for the standard-setting process are positive as they:

- Recognise the "insufficient quality of sustainability reporting" and the "specific challenges financial institutions face in reporting their sustainability impacts". By addressing the inconsistencies between the recently adopted sustainable finance legislative initiatives, mandatory European Sustainability Reporting Standards (ESS) can improve the integration of ESG into investment decisions and support the fulfilment of asset managers' own disclosure requirements. For example, disclosures following the ESS under the revised NFRD would serve as the primary source of input for financial institutions' reporting requirements imposed by the EU Taxonomy KPIs and the SFDR.
- Aim to operationalise the double materiality concept and strengthen the interactions between impact and financial materiality perspectives. This link could be supported by the proposed integration of sustainability statements in management reports.
- Recommend improving the quality, availability, and usability of sustainability reporting "in terms of reporting structure and presentation", facilitating its digitisation. EFAMA believes that ESS disclosures should be channeled into the European Single Access Point, which should prioritise the centralisation of ESG company data on the principle of open access.
- Set strong conceptual guidelines that strike the right degree of inclusiveness when defining the range of stakeholders and boundaries of value chain reporting. These would be complemented by governance duties for corporate directors under the Sustainable Corporate Governance initiative.
- Recognise the need for an urgent solution, and that the ESS should follow a phased, "climate first approach", prioritising disclosures with "advanced standards on climate change".
- Recommend providing input and contribute to international standard-setting initiatives in a "co-constructive" spirit."

We also find that the information reported under an ESS can help corporate directors set credible targets and sustainability objectives, and asset managers perform their role as stewards of investee companies, contributing to the objectives of the sustainable corporate governance initiative..

**Dominik Hatlar - Regulatory Policy Advisor comments:** *"If the ESS company disclosures become available in 2024 based on the financial year 2023, financial institutions will still face a two-year ESG information gap for their own sustainability reporting obligations under the Taxonomy green asset ratios*

*and Level 2 SFDR, which apply as of 1 January 2022. Therefore, the NFRD review needs to be completed as swiftly as possible”.*

*“EU’s sustainability disclosure ecosystem should drive cooperation towards a globally accepted system by leveraging alignment with existing, highly relevant frameworks, such as SASB and TCFD”.*

EFAMA believes that ESS are essential to the achievement of the EU’s Green Deal objectives and evolving sustainable finance policies, and at the same time, drive cooperation towards convergence behind a global sustainability reporting architecture.

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**Notes to editors:**

**About the European Fund and Asset Management Association (EFAMA)**

EFAMA, the voice of the European investment management industry, represents 28 member associations, 57 corporate members and 23 Associate Members. At end Q3 2020, total net assets of European investment funds reached EUR 17.6 trillion. These assets were managed by more than 34,200 UCITS (Undertakings for Collective Investments in Transferable Securities) and almost 29,400 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](http://www.efama.org).