

7 April 2022

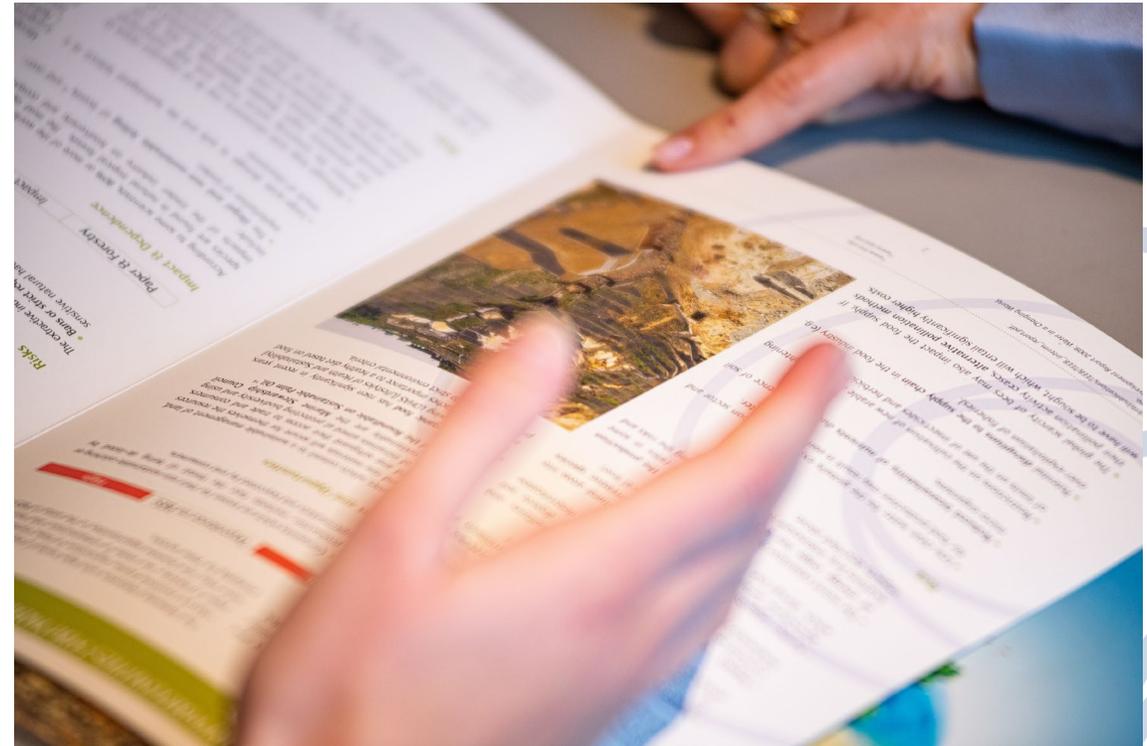
# EU SUSTAINABLE FINANCE UPDATES

Eurosif  
The European Sustainable Investment Forum

# Agenda of this edition

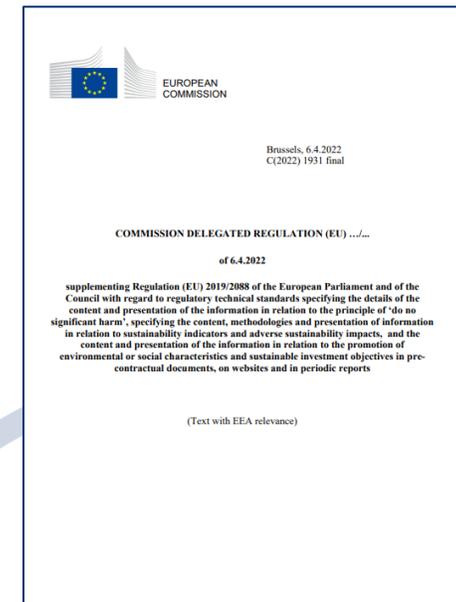
Thursday 7 April 2022

- **SFDR:** Delegated Regulation containing final disclosure requirements & ESAs Supervisory Statement
- **ESG ratings:** Start of Commission consultation
- **Taxonomy:** Publication of two Platform reports
- **Reporting :** Update on CSRD and IFRS + GRI Memorandum of Understanding
- **Reporting:** Publication of ISSB and SEC disclosure requirements



# SFDR: Delegated Regulation containing final disclosure requirements for FMPs

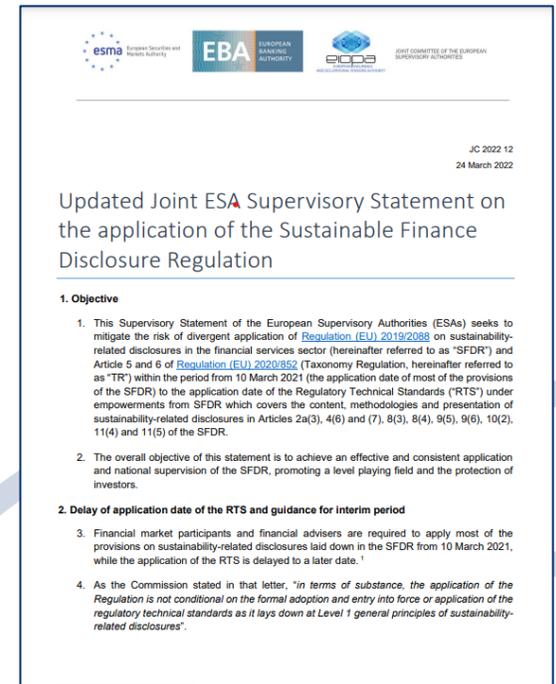
- On 6<sup>th</sup> April, the European Commission adopted the [Delegated Regulation](#) (DR) consolidating all 13 Regulatory Technical Standards (RTS) prepared by the European Supervisory Authorities (ESAs) under SFDR.
- The DR specifies the content, methodologies and presentation of the information to be disclosed by FMPs subject to the SFDR.
- The DR does not deviate from the RTS proposed by the ESAs in terms of substance. For instance, the list of Principal Adverse Impact (PAI) indicators remains the same. The disclosure templates and provisions on the disclosure of Taxonomy-alignment are unchanged. And, the prohibition on the use of estimates for the purposes of Taxonomy-alignment disclosures at product level remains.
- The European Parliament & the Council now have 3 months to scrutinise the DR. The scrutiny period is extendable by an additional 3 months.



# SFDR: ESAs Joint Supervisory Statement on Eurosisif Taxonomy-related product disclosures



- On 25<sup>th</sup> March, the ESAs issued an [updated Supervisory Statement](#) on the application of the SFDR.
- The Statement reiterates that FMPs should use the draft RTS as a basis for their disclosures pending the Commission’s endorsement of the RTS through the adoption of a Delegated Act (see previous slide).
- There are two note-worthy elements in the updated supervisory statement;
  - The ESAs have specified that Taxonomy-related product disclosures must include a precise quantification of Taxonomy-alignment alongside an explanation as to how the FMP determined Taxonomy-alignment figures, and;
  - The ESAs have also re-iterated that the use of estimates of Taxonomy-alignment is expressly prohibited. FMPs must obtain ‘equivalent information’ from the company itself or from a third party.
- The Statement was issued to ensure consistent application of SFDR provisions on Taxonomy-related product disclosures at national level – with NCAs having applied divergent approaches since 1 January 2022.



# The European Commission has initiated a consultation on ESG ratings in the EU



(1) On the structure and **functioning of the ESG ratings market**, and the need for EU intervention. Examples of issues to be consulted on include:

- Lack of transparency on the operations of the providers, and on the methodologies used by providers
- Lack of clear explanation of what individual ESG ratings are measuring
- Lack of common definition of ESG ratings, and variety of terminologies used for the same products
- Lack of comparability between the products offered
- Lack of reliability of the ratings
- Potential conflicts of interests
- Lack of supervision and enforcement over the functioning of this market

(2) On possible **shortcomings** in relation to the **consideration of sustainability factors in credit ratings**, on disclosures made by Credit Rating Agencies, and the need for EU intervention



**Stakeholders can respond to the consultation until 6 June 2022**

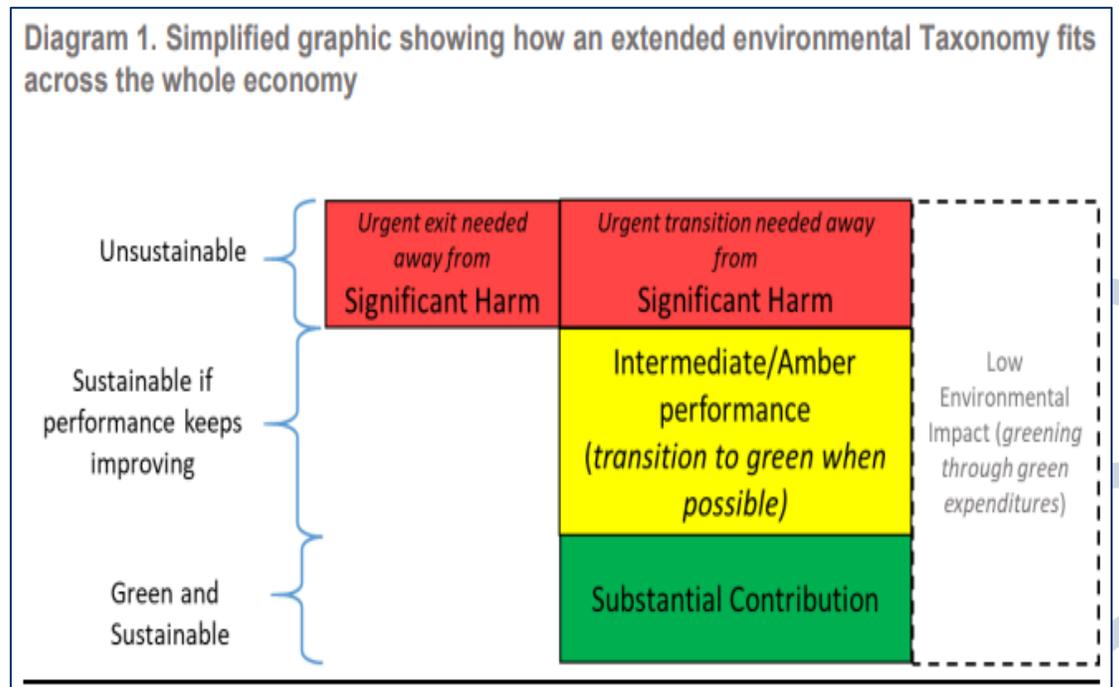
# Taxonomy (1/2): Platform Report on Extended Environmental Taxonomy

The report recommends extending the EU Taxonomy framework to recognise 4 new performance areas:

- **Always significant harm** (no improvement possible) → exit
- **Significant harm with potential improvement** → transition
- **Intermediate performance** → performance is not harmful, but does not meet the criteria for substantial contribution
- Low environmental impact (positive and negative)

## Key takeaways

- Reasons for extending the Taxonomy: increase transparency
- Reasons against extending the Taxonomy: more complexity
- **Eurosif view:** We need caution in making the EU Taxonomy system more complex until we have solved the critical **issue of data reliability and comparability** which may hinder investors' confidence.



# Taxonomy (2/2): Platform Report on TSC for four remaining environmental objectives

Four remaining environmental objectives under the Taxonomy:

- 3 - Sustainable use and protection of water and marine resources
- 4 - Transition to a circular economy
- 5 - Pollution prevention and control
- 6 - Protection and restoration of biodiversity and ecosystems

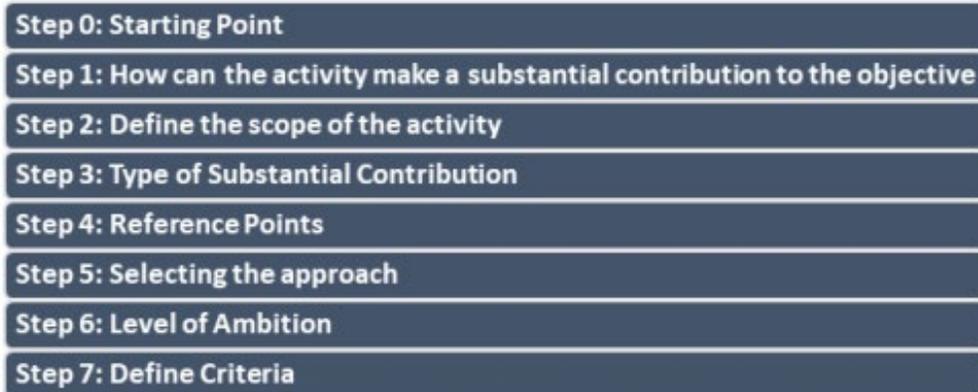


Figure 7: Step-by-step methodology to define technical screening criteria

Economic activities covered, with TSC detailed in Annex B:

- Agriculture, Forestry and Fishing
- Manufacturing
- Energy
- Civil engineering
- Buildings
- Disaster risk management
- Transport
- Restoration, Remediation
- Water supply, sewerage, waste management

Work continues for some activities, but has been postponed for **land-based mining and quarrying of minerals**



**Next steps:** Commission will analyse the report but is not bound by its recommendations

# Update on CSRD and IFRS+GRI Memorandum of Understanding

Trilogues on CSRD have started, with three meetings scheduled (28 March, 7 April, May); ambitions to conclude the file by June.

## EFRAG progresses on its key achievements:

- Sustainability Reporting **Board** in place (meeting 31 March, 7 and 22 April) and Sustainability Reporting **Technical Expert Group** in the making (mid-April)
- Finalisation of **PTF-ESRS exposure drafts**, to be handed over to Sustainability Reporting Board and TEG in April
- Public **consultation** on drafts expected **end of April until 31 July**
- **Delivery** of draft standards to Commission by **November 2022**



**Memorandum of Understanding** between IFRS Foundation and Global Reporting Initiative

- International Sustainability Standards Board and Global Sustainability Standards Board seek to **coordinate work programmes and standard-setting activities**
- Aim to provide **two ‘pillars’** of international sustainability reporting: one covering sustainability-related risks and opportunities (ISSB), one covering companies’ impacts on sustainability issues (GRI)



# Both ISSB and SEC have published their (sustainability) disclosure requirements

On 31 March, the International Sustainability Standards Board (ISSB) launched a **consultation** on two exposure drafts on:

- **general** sustainability-related disclosure requirements,
- **climate-related** disclosure requirements.

The drafts build upon the **TCFD recommendations** and incorporate industry-based disclosure requirements derived from **SASB Standards**

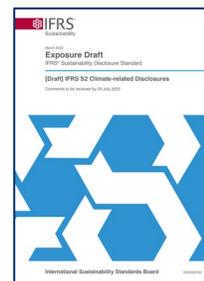
## Standards

## Next steps

Consultation deadline: 29<sup>th</sup> July 2022

Standards published: by end 2022

Consultation on ISSB standard setting priorities: by end 2022



On 21 March, the Securities and Exchange Commission (SEC) proposed **rules** to enhance and standardise **climate-related disclosures for publicly listed companies**

The disclosure requirements replicate TCFD and include:

- **Scope 1, 2 + Scope 3** (if material/or targets are set/safe harbour)
- **Targets & transition plans** (scope, time horizon, interim targets, progress, role of carbon offsets)

## Next steps

Consultation deadline: 20<sup>th</sup> May 2022

Large companies: 2024 (fiscal year 2023); Scope 3 + assurance for Scope 1 and 2 2025 (fiscal year 2024)



# Thank you!

Eurosif  
The European Sustainable Investment Forum

Join us:    [www.eurosif.org](https://www.eurosif.org)