

# EUROSIF RESPONSE TO THE EFRAG CONSULTATION ON THE EUROPEAN SUSTAINABILITY REPORTING STANDARDS

BRUSSEL 8<sup>TH</sup> OF AUGUST 2022



Today, Eurosif submitted its response to the consultation on the European Sustainability Reporting Standards (ESRS), as elaborated by the European Financial Reporting Advisory Group (EFRAG) [\[link\]](#). Eurosif congratulates the EFRAG on the development of an ambitious and comprehensive reporting framework based on double materiality and encompassing the full spectrum of Environmental, Social and Governance (ESG topics).

Eurosif and its members are highly supportive of the mission given by the European Commission to the EFRAG to develop sustainability reporting standards; in accordance with the ambitious provisions of the Corporate Sustainability Reporting Directive (CSRD) [\[link\]](#). Eurosif welcomes the opportunity to comment on the relevance and usability of the standards from the perspective of financial institutions as users of ESG information and data. **Our response shares our assessment of the overall ESRS Exposure Drafts' relevance and on the ESRS on Climate Change (ESRS E1).**

## **A well-structured architecture that adequately covers all CSRD reporting requirements**

Eurosif welcomes the proposed architecture for the cross-cutting standards and the topical standards for sector-agnostic information. **All the reporting areas and topics mandated as per CSRD are adequately covered and structured appropriately.** We support the logic underpinning this structure, distinguishing between Strategy, Implementation, and Performance measurements.

## **The ESRS will bring about a dramatic improvement in the availability, reliability and comparability of climate-related data**

In recent years, the demand for climate-related data has grown rapidly as financial institutions apply increasingly sophisticated ESG investment strategies. However, ESG data gaps create many challenges for investors with **the availability, reliability and comparability of climate-related information often inadequate to enable effective sustainable investing.** This is particularly true with respect to data on companies' prospective alignment with a climate neutral economy.

Accordingly, **Eurosif appreciates several features of the ESRS E1, which seek to address these challenges.** We support the detailed climate-related disclosure requirements envisaged by the ESRS, as well as the reporting on the assumptions, methodologies and inputs used to determine climate-related projections.

## **Closing data gaps and enabling compliance with existing EU regulatory frameworks**

At the EU level, the EU Taxonomy, and the Sustainable Finance Disclosure Regulation (SFDR) have introduced disclosure requirements for financial market participants (FMPs) across

investments, portfolios, and financial products. The **ESRS E1 will furnish FMPs with the data they need to comply with both regulations in terms of climate requirements.** Through the ESRS E1, reporting companies will disclosure data on their Taxonomy-aligned turnover, CapEx and OpEx as well as on ESG performance metrics that correspond to the SFDR's Principal Adverse Impact Indicators (PAIs).

### **Ensuring interoperability between standards to deliver consistent data**

At the international level, others reporting frameworks are currently under development or already exist (the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, the Global Reporting Initiative (GRI) and the international Sustainability Standards Board (ISSB) standards). Each standard reflects a different approach and objectives, which are not always fully aligned with those of the others. Accordingly, **Eurosif encourages further collaboration between standard-setters to ensure interoperability between the various sustainability reporting standardisation initiatives.**

For investors, it is important that **companies reporting under different frameworks produce clear and consistent data and information.** Moreover, investors and analysts need clear instructions on how to navigate the different frameworks to detect relevant information.

### **Furnishing more sophisticated data will require dedication on the part of preparers and users**

We acknowledge that many companies will have to overcome significant challenges when making their initial disclosures; due to the sheer volume and granularity of data to be reported and the inadequacy of their current reporting mechanisms. All stakeholders will need time to 1) gather and analyse the relevant data and 2) to develop more sophisticated reporting functions.

That said, we **urge standard-setters and policymakers to preserve the ambition of the standard while finalising the text.** Ultimately, requiring companies to describe the methodologies adopted to assess, measure and report the most difficult data points can help preparers and users to gradually converge on best practice. **Being less ambitious at the outset will only slow down or prevent this process.**

## **Contact details**

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### **ABOUT EUROSIF**

Eurosif is the leading European association for the promotion and advancement of sustainable and responsible investment making a measurable impact in meeting long-term sustainability goals of the EU and the UN.