

PRESS RELEASE

EFRAG PROPOSALS FOR THE EU SUSTAINABILITY REPORTING STANDARDS ARE A MAJOR STEP TOWARDS UNLEASHING THE POWER OF SUSTAINABLE FINANCE

BRUSSELS, 30TH NOVEMBER 2022



The European Financial Reporting Advisory Group (EFRAG) proposals for the first batch of the EU Sustainability Reporting Standards (ESRS), published on Wednesday 23rd November 2022 [\[link\]](#), are crucial to improve the corporate sustainability-related transparency and enable the sustainable finance framework work in practice.

Eurosif welcomes the EFRAG proposals for the first batch of the sector-agnostic standards which constitute an important step towards establishing a European sustainability reporting framework set by the Corporate Sustainability Reporting Directive (CSRD) [\[link\]](#). The CSRD and the accompanying standards are **essential to improve the availability, quality, comparability and reliability of sustainability-related information that investors need to make informed investment decisions**, and to comply with the disclosure requirements stemming from other EU sustainable finance rules, like the Sustainable Finance Disclosure Regulation (SFDR) [\[link\]](#).

Based on a preliminary reading of the EFRAG proposals, Eurosif initial reactions are:

- The EFRAG proposals were **streamlined with regards to their structure and contents** which is welcomed. Some disclosure requirements were merged, and the wording was simplified. The distribution of the requirements across the two cross-cutting standards and the topical standards, as well as across the main body of the standards and the “Application Requirements” is clearer.
- Major improvements were made to **enable the EU standards’ interoperability and alignment** with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, the International Sustainability Standards Board (ISSB), the Global Reporting Initiative (GRI) and the OECD and UN guidelines on due diligence, while considering the EU sustainability goals, the EU sustainable finance regulatory framework and the requirements set by the CSRD.
- The concept of “**rebuttable presumption**” was replaced by the **materiality assessment by the reporting companies, combined with certain disclosures that shall be always considered material for any company and hence must be disclosed**. Eurosif welcomes this approach as a good compromise ensuring that investors get the metrics, they need the most (i.e. the climate-related disclosure requirements, data necessary to comply

with SFDR, the EU Climate Benchmarks Regulation, etc.) and balancing out the regulatory burden on the reporting companies.

- Several disclosure requirements have been phased-in, deleted, or reconsidered for sector-specific standards, including certain climate change-related metrics. In the upcoming weeks Eurosif will assess the changes made applying the responsible investor lens and considering the EU regulatory framework. In any case, **Eurosif calls on the European Commission to maintain an adequate level of ambition reflected in the EFRAG ESRS.** In particular, the **granularity of the standards should be maintained** to ensure that the corporate sustainability-related disclosures become truly decision-useful and comparable.

Aleksandra Palinska, Executive Director of Eurosif said: *“The EFRAG proposals for the sector-agnostic EU sustainability-reporting standards constitute a major step towards establishing a robust sustainability reporting at European level. I am particularly pleased with the proposals to: 1) make certain disclosures mandatory, including climate, SFDR, and climate benchmarks-related information; 2) reorganising the structure to better fit the international standards developed by ISSB enhancing their respective interoperability; 3) consolidating the governance-related information, and 4) retaining the core social metrics.”*

Next steps

Over the coming weeks and months, the European Commission will consider the EFRAG proposals and consult the relevant EU authorities and bodies as well as the public, before adopting the standards in a form of delegated acts in June 2023, subject to the scrutiny by the European Parliament and the Council of the European Union.

Companies in the scope of the currently applying Non-Financial Reporting Directive will need to report against the sector-agnostic standards as of 2024 financial year (with the first sustainability reports to be published over the course of 2025).

Eurosif stands ready to support the European Commission and the co-legislators in finalising the standards and **calls for their swift adoption which is of essence to enable the EU sustainable finance framework.**

Contact details

Aleksandra Palinska, Executive Director – aleksandra.palinska@eurosif.org

Marie Lavayssière, Communication and Events Manager – marie.lavayssiere@eurosif.org

Eurosif Rue Belliard, 40 – B-1000 Brussels

www.eurosif.org

 @Eurosif

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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.