

Eurosif, PRI, IIGCC - Joint statement on ESRS

The European Sustainable Investment Forum (Eurosif), the Principles for Responsible Investment (PRI), the Institutional Investors Group on Climate Change (IIGCC), as well as **XX** undersigned investors and other financial market participants, call on the European Commission to uphold the integrity and ambition of the first set of the European Sustainability Reporting Standards (ESRS), as envisaged within EFRAG's final technical advice to the Commission published in November 2022.

We welcome the opportunity to provide input on the implementation of the draft Delegated Act. However, we are concerned by the proposals to move away from requiring certain key disclosure indicators to be reported on a mandatory basis, which will instead be subject to materiality assessment. We see this as a significant rollback of ambition compared to that envisaged by the European Financial Reporting Advisory Group (EFRAG) .

ESRS was intended to address data gaps across the EU sustainable finance rules. The proposed approach would limit investor access to the consistent, comparable and reliable information needed to inform decisions and allocate capital in line with sustainability goals, including those of the European Green Deal, the EU Biodiversity Strategy for 2030 and the EU Climate Law. Crucially, it will also reduce financial markets participants' ability to meet their own mandatory reporting obligations, such as those under the Sustainable Finance Disclosure Regulation (SFDR), Benchmark Regulation, and Pillar 3 disclosure requirements. This is despite the fact that the Corporate Sustainability Reporting Directive (CSRD) sets out explicit provisions for the ESRS to capture this information.

We acknowledge that companies' materiality assessment disclosures as defined in ESRS 2 are mandatory, but this is undermined by the fact that explanations as to why a particular sustainability topic is or is not deemed material are now voluntary. Ultimately it would be up to corporates, supported by their consultants and advisers, to determine what is, and isn't, material to report.

In light of the EU's climate objectives and investors' own climate commitments, reporting on GHG emissions, transition plans and climate targets should always be considered material and hence mandatory. This would ensure that investors can access information from their holdings to support the alignment of their portfolios with net-zero and the Paris Agreement targets.

We recognise the implementation challenges of the ESRS. However, the final draft ESRS set 1 published by EFRAG in November 2022 was already the result of a compromise between all stakeholders. This included representatives of the reporting companies, financial market participants, advisers including auditors and civil society. After a public consultation, the number of reporting requirements was nearly [halved](#) compared to the initial EFRAG proposals.

Moving away from mandatory reporting of certain indicators risks undermining the EU's status as a global leader on sustainable finance and its ability to attract capital at a time when other nations and regions are making significant progress in establishing their own sustainability frameworks. It is encouraging that EFRAG and the International Sustainability Standards Board (ISSB) have engaged in productive dialogue to promote interoperability between EU and international standards. But the EU must continue to set a high bar for ambition for others to follow and ensure consistency of the EU sustainable finance framework.

To this end, it is essential that the Commission lays the groundwork for mandatory corporate sustainability reporting on key elements across the full spectrum of ESG matters, closing the existing gaps in the sustainable finance framework. Disclosure remains the foundation of the EU's Sustainable Finance Action Plan. Without a comprehensive regime in place, companies will struggle to attract capital for their financing, and investors and other financial market participants will continue to struggle to obtain meaningful, comparable and reliable information they need to finance the transition to a sustainable economy.

With this in mind, we call on the Commission to:

- Maintain key climate disclosure indicators as mandatory, including Scope 1, 2, and 3 GHG emissions and disclosures enabling investors to assess the credibility of corporate transition plans.
- Ensure that environmental and social indicators relevant to SFDR, EU Climate Benchmark Regulation and Climate Benchmarks Delegated Acts, Pillar 3 disclosures and other investor reporting regulations are disclosed by in-scope companies on a mandatory basis.
- Require explanations as to why certain sustainability topics are not considered material for a company.
- Reconsider the fully optional nature of: (i) own workforce disclosures on non-employees; and (ii) biodiversity transition plans to provide investors with information on how companies will align their strategy and business models in line with the EU Biodiversity Strategy for 2030 and Kunming-Montreal Global Biodiversity Framework.
- Ensure maximum possible interoperability of the ESRS with ISSB and GRI Standards, to reduce fragmentation across the global reporting landscape and support cross-border capital flows while upholding the double materiality principle enshrined in CSRD and ESRS.

This statement is endorsed by: