

## INVESTOR STATEMENT OF SUPPORT FOR EU CORPORATE SUSTAINABILITY REPORTING DIRECTIVE

X September 2021

**The Principles for Responsible Investment (PRI) and its undersigned signatories (representing **XXX** in AUM) welcome the European Commission’s proposal for a new Corporate Sustainability Reporting Directive (CSRD) revising the Non-Financial Reporting Directive (NFRD), and its aim to elevate sustainability information to the same level as financial information. The CSRD proposal is a prime example of policy coherence between investor and corporate disclosure obligations, building an end-to-end disclosure framework that will enable investors to scale up their contribution to the EU Green Deal and wider sustainability goals.**

Investors regularly report to the PRI that a lack of consistent and comparable sustainability information is a substantial barrier to their responsible investment practice. For investors selling and/or marketing products in the EU, access to comparable, consistent and high-quality corporate sustainability disclosure is even more important to meet the increasing sustainability-related disclosure requirements under regulations such as the Sustainable Finance Disclosure Regulation (SFDR) and EU Taxonomy.

In this statement we set out six key aspects of the CSRD proposal which co-legislators should take into consideration to align the CSRD with the EU sustainable finance strategy and enable investors to actively contribute to the EU’s high ambition for a green recovery and emission reduction targets of at least 55% by 2030 and carbon neutrality by 2050.

### **Scope extension**

We welcome the extension of the scope of companies reporting under the CSRD to all large companies and all companies listed on regulated markets (except listed micro-enterprises). Investors need sustainability information from all large public interest and listed companies. However, the scope of the CSRD should be increased further to include non-listed SMEs from ‘high-risk sectors’. This is particularly important for fixed income and private equity investors. Too many exceptions could pose a risk to both investors and investees; an investor might need to exclude certain investees from its’ portfolio given a lack of disclosure on material sustainability information. This limits portfolio scope for investors and reduces funding opportunities for certain companies.

### **Double materiality and integrated reporting**

We fully support the principle of double materiality in the CSRD proposal and the clarifying language in the proposed Directive. Information on a company’s impacts on society and the environment is increasingly needed by investors, particularly when seeking to respond to disclosure requirements such as the SFDR. We therefore also support the proposal to integrate sustainability information into the annual management report alongside financial information.

## Assurance

Sustainability information is material for investment-decision making and reported information needs to be accurate and reliable. Therefore, we welcome the introduction of an EU-wide assurance requirement and encourage co-legislators to provide a clear timeline for moving from limited assurance to reasonable assurance as soon as possible.

## Standards setting

We welcome the mandate provided to EFRAG and the development of European sustainability reporting standards. This is expected to increase the consistency and comparability of reported information. These standards should reflect Europe's high ambition in sustainable finance and contribute to international standard-setting initiatives driven by IFRS and IOSCO to establish a global common baseline on enterprise value creation.

## Single Electronic Reporting Format

We welcome the single electronic reporting format described in the CSRD proposal as it will enable investors to use and compare reported information more easily. In addition, this format will support the initiative on the establishment of a European Single Access Point (ESAP) for financial and sustainability information publicly disclosed by companies. The ESAP can enhance data accessibility and credibility and therefore help investors identify ESG risks and opportunities, understand sustainability performance in the context of social and environmental goals and implement sustainable finance disclosure obligations.

## Timeline

A rapid conclusion of negotiations is of high importance to investors. There is a need to ensure that sustainability information is available in a timely manner to ensure that financial market participants can fulfil their own disclosure obligations.

For further conversation and follow up, please feel free to contact our policy team:

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## ABOUT THE PRI

The PRI is the world's leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of 4,000 investor signatories (representing more than \$100tn in assets under management) in incorporating these factors into their investment and ownership decisions.

## SIGNATORIES

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