INVESTOR STATEMENT TO EU POLICYMAKERS ON THE FUTURE OF CORPORATE REPORTING

The European Commission's Action Plan 'Financing Sustainable Growth' is a major step towards driving private capital flows into sustainable investments and thus towards sustainable businesses and a long term, resilient financial system. Crucial to implementing Paris Agreement, specifically its Article 2.c[1], as well as the Sustainable Development Goals, the investor community has a key position in building a sustainable economy. To take responsibility and action, investors must be able to minimise their exposure to current and future sustainability risks faced by their investee companies. Equally, many investors want to make a positive impact on the environment and society through their investments in sustainable companies.

Many businesses have made ambitious plans to prepare for the opportunities and risks arising from the transition to a sustainable economy. Present reporting requirements, however, fall short of enabling their current and potential investors to differentiate investments based on companies' climate and environmental performance. This hinders the flow of capital needed to support businesses' transitions. By creating a level playing field, sustainable business practices can receive the long-term investment they need, and others can be incentivised to implement similar initiatives.

Although significant progress has been made, corporate information and data on how businesses affect, and are affected by, climate change and environmental issues does not reach financial market participants at the scale nor level of comprehensiveness and comparability required.

This shortcoming in meaningful and comparable corporate climate and environmental data reported under current legal requirements does not allow for efficient and timely financial flows that can deliver a ***low-carbon, climate-resilient and resource-efficient economy***.

With this in mind, we call on EU leaders and legislators to implement a fit-for-purpose framework of corporate reporting that is consistent with investor information needs, by addressing the following issues:

1. Mitigate financial risk

Upcoming EU legislation will require investors to integrate ESG considerations into the investment decision-making process, and to increase transparency about how they integrate such sustainability factors into their investment decisions. This shall enable them to reduce ESG-associated risks in their portfolios, maximise opportunities, and ultimately drive capital flows towards companies with sustainable business models. For this, corporate reporting needs to provide information on the financial risks and opportunities stemming from ESG issues. Specifically, with respect to climate risks, ***corporate reporting should be in line with the recommendations of the Task Force for Climate-related Financial Disclosures.***

2. Create a level playing field across the EU

Inconsistencies between the national transpositions of EU law often result in differences between EU Member States' levels of regulation. This can lead to incomparable and inconsistent information, and ultimately create differences among companies' ambition and disparities in the implementation of actions towards EU and national climate and environmental objectives. Along with ensuring ***consistent implementation of corporate reporting requirements, oversight and monitoring needs to be considered, as well as enforcement and verification mechanisms similar to those of financial reporting***.

3. Standardize sector-specific metrics

[1] Paris Agreement Article 2 (c): 'Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development'

To promote and enable investments that make a positive impact on the environment and society, corporate reporting needs to adequately measure the impact of business operations across the entire economy, including supply chains, in a way that is aligned with the Paris Agreement and the SDGs. ***Key standardised metrics that increase comparability and consistency, and enable tracking progress against public policy targets and clearly defined time horizons, should be specified for each sector.*** Companies would benefit from clarity on what is material and thus, meaningful to their investors.

4. Policy coherence between investor duties and corporate reporting

Investors are required to understand the actual contribution of investments and capital allocation decisions in achieving environmental and societal goals. They therefore need decision-useful information from corporates on their business models, strategies, targets, risks and opportunities on short to long timescales. The lack of decision-useful information and data also hinders sound and sustainability-focused advice being provided to other market actors. ***We stress the conceptual link between corporate reporting requirements and the sustainable finance agenda and the need to enable sustainable and responsible investments by addressing shortcomings in the European corporate reporting legislative framework.***

We stand ready to work with EU policymakers in implementing these actions.

Signed,

Note: The following investor signatories are listed in alphabetical order by organisation name.

ACTIAM N.V.
Arkitekternes Pensionskasse
AXA Investment Managers
Candriam Investors Group
Caisse des Dépôts
Ecofi Investissements
MIROVA
Pensionskassen for Jordbrugsakademikere og Dyrlæger
PKA A/S
ROBECO
RobecoSAM AG
Sampension Livsforsikring A/S
Schroders plc

This statement was coordinated by CDP and remains open for further investor signatories.

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