



ESA 2020 28
16 December 2020

Mr Erkki Liikanen
Chair of the Trustees
IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Subject: IFRS Foundation's consultation on Sustainability Reporting

Dear Mr Liikanen,

The three European Supervisory Authorities (ESAs), the European Banking Authority, the European Insurance and Occupational Pension Authority and the European Securities and Markets Authority, place high importance on supporting the European financial and non-financial sectors in their transition to climate neutrality and to deliver on the 'Green Deal' initiated by the European Commission.

A key element to foster sustainable growth and to channel funding in economic activities enabling and contributing to environmental, social and governance-related objectives, is to improve data availability and therewith the public disclosure of relevant metrics by reporting entities. Whilst the ESAs are fully committed to support the European Commission in the further development of the Taxonomy Regulation¹ and the Non-Financial Reporting Directive² for the European Union, the ESAs strongly support the development of globally accepted non-financial reporting standards.

We observe there is strong investor demand for non-financial reporting, providing important insights into sustainability risks and opportunities, for example regarding the impact of climate change on business models as well as regarding the effects of economic activities on the environment and the society considering social aspects and human rights. Relevant sustainability reporting is expected to become a powerful tool to enhance the efficiency of capital markets and a risk-based allocation of financing. For that, non-financial reporting has to become a reliable, standardised and transparent addition to financial statements. To enable trust in sustainability reporting, it is necessary that the basis of such reporting is clearly defined, and the reported figures are comparable across countries and industries.

¹ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088; *OJ L 198, 22.6.2020, p. 13–43.*

² Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups; *OJ L 330, 15.11.2014, p. 1–9.*

Therefore, we support the IFRS Foundation's initiative to consider the potential for globally accepted sustainable reporting standards to promote internationally consistent and comparable non-financial reporting. We also note that companies and financial institutions engaging in sustainable investments operate on a global scale, which calls for a common set of requirements. In order to be successful, it will be important that any future standards cater for jurisdictions, which are at different stages of development in the area of sustainable finance, while still making sure that the best and most advanced available practices are used as a basis for the development of these standards.

In this respect, we support the ambition of the IFRS Foundation to take advantage of existing jurisdictional and international initiatives to build a high-quality set of internally recognised non-financial reporting standards. From a European perspective, we place emphasis on the concept of 'double-materiality' to enhance the relevance of the disclosure and so to require the reporting on the impact of sustainability risks on business models as well as the impact of businesses on sustainability factors. It is also important to ensure that a future sustainability standards board does not solely focus on climate – although we acknowledge the urgency of starting with a project in that area – but also on the other relevant environmental, social and governance aspects. In addition, any non-financial reporting standards and underlying methodologies will have to be sufficiently clear to be auditable and enforceable.

We shall be pleased to support the IFRS Foundation with the expertise built in the European regulatory and supervisory community in its ambitious and important endeavour to improve sustainability reporting globally.

Yours sincerely,

José Manuel Campa
EBA Chairperson
Chairperson Joint Committee

Gabriel Bernardino
EIOPA Chair

Steven Maijor
ESMA Chair