PensionsEurope comments on the EC's Draft European Sustainability Reporting Standards

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General remarks

PensionsEurope welcomes the opportunity to comment on the EC's European Sustainability Reporting Standards. PensionsEurope supports the introduction of an EU-level sustainability reporting framework. There is an increasing demand from pension funds for ESG data due to the growing sustainable investments of pension funds and the requirements for complying with European regulatory frameworks on sustainable finance.

In the current version, which was published by the EC, companies can make a materiality assessment for disclosure requirements and standards because they directly correspond to the information needs of other parties. If companies conclude that a risk is immaterial, they do not have to report it.

We disagree with the current approach. PensionsEurope has concerns about the subjectivity in the materiality assessment. PensionsEurope suggests that the materiality assessment should minimize subjectivity. We understand the need to relieve the companies of the reporting burden, but at the same time, investors need to have access to comprehensive corporate sustainability data, to be informed about sustainability concerns in investment decisions; and to comply with SFDR PAI reporting. Thereby, the current approach undermines the effectiveness of the CSRD and the coherence of the EU Sustainable Finance framework.

Disclosures should be based on material topics for the information to be relevant. As pension funds must explain data gaps for entity-level PAI indicators, PensionsEurope suggests that companies that consider a PAI indicator immaterial should always explicitly report that this is the case. As a practical solution we suggest the investee reports "qualified 0" which would make it easier also for investors to collect and consolidate investees' data. Alternatively, if SFDR PAI datapoints are deemed immaterial by the investee and are therefore not included in their reports, it should be clarified that investors can treat this lack of data as "qualified 0" and should not be required to seek data in another manner.

Furthermore, PensionsEurope supports and encourages the explicit requirement in the CSRD that the European sustainability reporting standards (ESRS) should be coherent with other legislation, in particular the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy. We evaluate that the current version of ESRS is trying to incorporate this coherence. We do emphasize that pension funds hold significant assets outside the EU, so the CSRD and ESRS are only part of the solution to supply the data required to comply with SFDR and the EU Taxonomy. For this reason, PensionsEurope continues to support further global harmonization.

About PensionsEurope

PensionsEurope represents national associations of pension funds and similar institutions for workplace and other funded pensions. Some members operate purely individual pension schemes. PensionsEurope has **25 member associations** in 18 EU Member States and 4 other European countries[1].

PensionsEurope member organisations cover different types of workplace pensions for over **110 million people.** Through its Member Associations PensionsEurope represents **€ 7 trillion of assets** managed for future pension payments. In addition, many members of PensionsEurope also cover personal pensions, which are connected with an employment relation.

PensionsEurope also has **20 Corporate and Supporter Members** which are various service providers and stakeholders that work with IORPs.

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope has established a **Multinational Advisory Group (MAG)** which delivers advice on pension issues to PensionsEurope. It provides a collective voice and information sharing for the expertise and opinions of multinationals.

What PensionsEurope stands for

- A regulatory environment encouraging workplace pension membership;
- Ensure that more and more Europeans can benefit from an adequate income in retirement;
- Policies which will enable sufficient contributions and good returns.

Our members offer

- Economies of scale in governance, administration and asset management;
- Risk pooling and often intergenerational risk-sharing;
- Often "not-for-profit" and some/all of the costs are borne by the employer;
- Members of workplace pension schemes often benefit from a contribution paid by the employer;
- Wide-scale coverage due to mandatory participation, sector-wide participation based on collective agreements and soft-compulsion elements such as auto-enrolment;
- Good governance and alignment of interest due to participation of the main stakeholders.

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[1] EU Member States: Austria, Belgium, Bulgaria, Croatia, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Romania, Spain, Sweden. Non-EU Member States: Iceland, Norway, Switzerland, UK.

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