PensionsEurope provides feedback on the EU Corporate Sustainability Directive

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General remarks

PensionsEurope welcomes the opportunity to comment on the proposal of the EU Corporate Sustainable Reporting Directive (CSRD). IORPs as investors are users of the data which companies will be required under the legislative proposal for a Corporate Sustainability Reporting Directive.

An increasing number of pension funds have responsible investment policies using a wide array of techniques, such as ESG integration, engagement, exclusion or inclusion policies and impact investing. Whereas the focus traditionally was on listed equity, we observe that other types of assets are also being brought into the scope of the responsible investment policy, such as corporate debt, private equity, real estate, and private debt. Moreover, in some countries, a significant number of pension funds are categorized as a 'light green' financial product and will report principal adverse impacts under the Sustainable Finance Disclosure Regulation (SFDR). These funds are also likely to fall under the reporting obligation of the Taxonomy Regulation.

PensionsEurope is pleased that the intention is to create consistency between the Taxonomy Regulation and the SFDR on the one hand and the Corporate Sustainability Reporting Directive and the future Sustainable reporting standards on the other.

We like to make the following observations.

Link with the SFRD
We welcome the clear link with the SFRD in the CSRD proposal. The SFRD introduces reporting requirements on principal adverse impacts (PAIs) along with a broad set of 18 quantitative and qualitative indicators. Therefore, the financial sector essentially is required to report on information that does not yet need to be made public by companies. This means that pension funds will need to obtain information, partly based on estimates, from specialized data providers. As a result, data sets can diverge significantly and come at a significant cost.

The CSRD should fill this data gap by the inclusion of the PAI indicators in the EU sustainability reporting standard. PensionsEurope welcomes the fact that the legislative proposal, in general, refers to data needs of financial market participants who have to fulfil the requirements of the Disclosure Regulation (Art. 19a (1)). Moreover, we welcome that the proposal also explicitly refers to the Disclosure Regulation in the following delegated acts (Art. 19b (3)). This is the right approach to align the proposed Directive to the existing Regulation and its delegated acts. Nevertheless, the proposal could be improved by explicitly requiring that the forthcoming list of PAI indicators will become part of the EU sustainability reporting standard. Whether the objective of ensuring that companies provide the data needed by financial market participants under the Disclosure Regulation will be met can only be assessed when the regulatory technical standards of the proposed Directive have been published.

We also welcome the proposed standardization as well as the requirements for data to be both retrospective and forward-looking, qualitative and quantitative (Art. 19a (3)).

In terms of those involved in the process of developing the delegated acts, we welcome the inclusion of the Member States Sustainable Finance Expert Group, which ensures that the views of the Member States are taken into account (proposed amendment to Art. 49).

Scope

For the implementation of the responsible investment policy and own reporting obligations under the SFDR, pension funds need information on the companies they invest in across the spectrum of asset categories. The majority of these investments are in listed companies that would have already been subject to reporting under the NFRD, but some investments may be brought in scope. This applies to private equity investments and smaller listed companies. It is good to note that a very significant share of investments is located in the US or emerging markets and these will continue to be out of scope.

We welcome the extension of the scope as it helps to develop responsible investment strategies in areas where data may still be lacking, such as private equity. At the same time, broad coverage of companies should not come at the expense of the depth of information.

Our understanding is that IORPs are not the main subject to the requirements themselves because it is not possible to invest in them in the narrow sense and thus no information has to be given to investors. The main perspective for delivering more and better information on corporate sustainability information, as laid down in the respective explanations and recitals of the CSRD proposal, is still centrally rooted in the context of investing in companies – a perspective that is not suitable for IORPs. More specifically, Recital 8 (which segregates two groups of users) labels investors as the first group of users. The investment perspective is central (including clearly identified and growing information needs) and is laid down in Recital 9. Recital 9 explicitly states that the need for more CSR information comes from the growth in investment products that explicitly seek to meet certain sustainability standards or achieve certain sustainability objectives.
It is very important to recognize that the information need of other stakeholders mentioned in the CSRD proposal such as (prospective) members and beneficiaries, social partners or even NGOs, for whom sustainability-related information might be important, will be addressed by the Disclosure Regulation such that those stakeholders will receive this information according to the Disclosure Regulation.

ESAP

PensionsEurope supports the introduction of the European Single Access Point. We, therefore, welcome that this legislative proposal prepared the ground for its introduction. Uploading CSRD information to the ESAP will reduce costs for investors to access this information. This is particularly important for smaller pension funds, for which data costs represents – relatively speaking – a much higher cost than for large schemes.

Assurance

The quality of sustainability data is of paramount importance to enable pension funds to translate sustainability objectives into investment strategies that meet those objectives. While data providers strive to fill the current data gap, data quality should be assured at the source – i.e. the company - to ensure data quality downstream in the investment chain.

Over time, the assurance of non-financial reporting should therefore develop to the same standard as the assurance of financial information. However, it should be recognized that this will take time. We, therefore, support the proposal's requirement for the limited assurance of sustainability reporting.

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 **24 member associations** in 17 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 more than **€ 4 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 **25 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.

[1] EU Member States: Austria, Belgium, Bulgaria, Croatia, 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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