



20 December 2023

Sustainable Finance Disclosures Regulation

Commission Consultation

BusinessEurope supports the Commission assessing the Sustainable Finance Disclosures Regulation (SFDR) focusing on the useability of the framework and to identify potential shortcomings.

The SFDR is an important part of the EU's sustainable finance policy to attract private investment to support the transition to a sustainable, climate-neutral economy. The SFDR should provide transparency to investors about the sustainability risks that can affect the value of and return on their investments and the adverse impacts that such investments have on the environment and society.

It imposes disclosure requirements on financial companies that impact the disclosures of non-financial companies. Given the interaction between financial sector disclosures and those of non-financial companies, it is of utmost importance that there is consistency between requirements on the financial sector and reporting obligations on companies specified by the European Sustainability Reporting Standards (ESRS). Convergence between investors' disclosures and companies' disclosures should thus be ensured.

Implementation timelines should be well coordinated to allow companies to produce reliable data before imposing disclosure requirements on the financial sector. The lack of alignment in definitions across regulations poses a significant problem, different approaches currently coexist to assess sustainability, particularly regarding the 'do no significant harm' principle, which should be better streamlined between the SFDR and the Taxonomy Regulation. And, importantly, the SFDR should take into account the materiality principle laid down in the ESRS and determine how the financial market participant should deal with the cases of "not material issues" published by the investee companies in their sustainability reporting, without any requirement to estimate the data.

The PAI indicators should also be amended to significantly reduce their number and their content should be based on the disclosures required by the ESRS.

And lastly, it is important that the costs and relevance for non-financial companies is carefully assessed considering that the Commission's consultation documents do not address the issue of costs and relevance for non-financial companies, focusing on financial institutions.
