***EuropeanIssuers Advisory Council* – Questions to Mairead McGuinness, EU Commissioner for Financial services, financial stability and Capital Markets Union**
20 April 2021
14.00 – 15.30 (CET)

EuropeanIssuers

1) The majority of companies are aiming to adopt a renewed focus on climate change and sustainability within the next three years. How can business help national governments and the European Commission to plan and generate an innovative and resilient growth for the EU economy post-COVID 19?

2) The EU economic recovery plan includes own resources proposals, such as digital services tax and carbon border adjustment, that may be viewed as contentious from the perspective of EU's external trade partners. What do you see as the potential impact of these suggested measures on trade relations with the US and China? What will you do to ensure the EU remains attractive for international business?

3) The Financial Times has estimated that there are at least 230 corporate sustainability standards initiatives across more than 80 sectors not to mention initiatives from multiple governments and international organisations promoting just climate change reporting. No global standard has yet emerged, which is what we all need. It is clear to see that the diversity and voluntary nature of these disclosure frameworks create challenges and present risks and scope for cherry picking and greenwashing. What are in your view the next steps to overcome the fragmentation of different reporting standards requirements? Unclear and multiple standards at EU and international level would bring additional administrative burdens for companies and a lack of comparability for investors.

4) According to the information appeared in the press, the Commission is going to extend the scope of the "Non- Financial information directive" to SMEs listed on regulated market. Don't you think that this could disincentivize SME to get listed at a time when the recapitalization through public markets seems to be the only way out from the economic crisis? Wouldn't it be better to foresee an opt-in mechanism for such firms, giving them the choice whether complying with NFR disclosure, based on their needs (attracting ESG investments), on one side, and on their capacity to meet the regulatory requirements, on the other side?

5) While we see the need for higher comparability of Non-Financial information, we wonder that a too rigid standardization, including the provision of a digital format, would reduce the necessary flexibility to address still open issues concerning the relationships between corporate activities and its externalities and to meet evolving expectations by investors and other stakeholders. The risk is that the European standards, if imposed through mandatory rules, can become quickly out- of-date and even distortive. Wouldn't it be better to use soft-law tools to enhance comparability and standardization in a dynamic perspective?

6) Could you explain in more details the notion behind the obligation to use a machine-readable template to report NFI? As far as this obligation is deemed to ensure a better (cross-sectoral) comparability of NFI, we believe this to be difficult to achieve since business models and NFI related thereto differ to a significant degree across sectors/industries.

7) As far as we are aware, one of the objectives of the NFRD-review is to achieve a maximum European harmonisation of non-financial reports. Against the background that a vast number of European companies pursue a business model, which is based on global operations: what

can the EU possibly do to achieve not only a European but a global harmonisation of non-financial reporting as best as possible?

8) Isn't the development of non-financial reporting standards by EFRAG somehow cumbersome since a change of the statutes and the governance of EFRAG, which is not a standard-setter in the classic sense, is required? Wouldn't it be a better alternative to rely on an profoundly experienced and reputable international standard-setter such as the IFRS-Foundation – also from the background that this would ensure the new standard to be embedded into an international standard setting environment known and familiar to European companies operating internationally to a significant degree?

9) Collecting ESG non-financial information from large corporates may prove to be a challenge, as clients may be reluctant to provide the appropriate ESG information. They may view it as an extra reporting burden. This factor may influence the quality of reportable information.

   The European Banking Authority (EBA) is proposing a sequential approach for the implementation of the prudential disclosure requirements under Article 449a Capital Requirements Regulation (CRR), starting with quantitative information on climate change related risks, including transition and physical risks, the implementation of a Green Asset Ratio (GAR) on EU taxonomy aligned activities, which translate the Paris agreement, as well as quantitative information on other mitigating actions, and qualitative disclosures for environmental, social and governance risks.

   Query if there will be sufficient time to allow Banks to better prepare for calculating and reporting their "Green Asset ratio"? Would you consider supporting a request for an extension of the deadline for the Green Asset Ratio reporting obligation or alternatively the promulgation of a provision for a transition period?

10) Currently, Small and Medium Enterprises are not required to report on ESG matters as they are not subject to the Non-Financial Reporting Directive (NFRD). This constitutes a bigger challenge in gathering relevant data from this segment and may put an undue burden on Financial Institutions in their efforts to calculate their portfolio Green Asset Ratio.

    Has the Commission decided on how this issue should be addressed?

11) The growing demand for ESG disclosures in the EU under a range of directives, regulations, delegated acts etc, often entailing overlapping and complex criteria and indicators, has created a regulatory burden for the reporting entities while the diversity of approaches heightens the confusion amongst stakeholders and other interested parties, like regulators, rating agencies and the investment community at large.

    It transpires that there is a need for simplification/standardization to make ESG reporting comparable and meaningful to preparers and to other stakeholders.

How will the EU reporting requirements align with international initiatives to create a consistent ESG reporting framework?