

Mr. Frans Timmermans
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Mr. Valdis Dombrovskis
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Ms. Mairead McGuinness
Commissioner for Financial Services, Financial Stability and Capital Markets Union
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Cc: Mr. Raffaele Mauro Petriccione, Director-General, DG CLIMA
Mr. John Berrigan, Director-General, DG FISMA

05 July 2021

PEIF's and CFOF's views on the Corporate Sustainability Reporting Directive (CSRD)

Dear Executive Vice-President Timmermans, Dear Executive Vice-President Dombrovskis, Dear Commissioner McGuinness,

As the Pan-European Insurance Forum (PEIF) and the CFO Forum (CFOF), we appreciate that the European Commission (EU COM) has made the European Green Deal its growth strategy and a key driver of the EU recovery plan from the Covid-19 crisis. It represents a major opportunity for the EU to be at the forefront of long-term sustainable and climate-resilient growth.

As sustainability reporting plays a critical role in enabling the EU sustainable finance agenda, PEIF and CFOF are highly supportive of the EU's initiative to review the current Non-Financial Reporting Directive into a Corporate Sustainability Reporting Directive (CSRD). The availability, high quality and comparability of ESG data is key for EU's insurers in order to steer sustainable investments successfully, identify and manage sustainability risks correctly and comply with EU sustainability disclosure requirements (especially the Sustainable Finance Disclosure Regulation (SFDR) and Taxonomy Regulation (TR)). Together with the European Single Access Point (ESAP) initiative, the CSRD proposal plays a vital role to ensure that comprehensive corporate sustainability data is available and can be used efficiently.

We would like to take the current feedback period on the CSRD proposal as an opportunity to underline that PEIF and CFOF welcome the EU's efforts and direction of travel in the context of sustainability reporting and to share a few key considerations on the following two key aspects: i) forward-looking data and ii) global standardization.

i) Forward-looking data

Companies should be mandated to disclose forward-looking information and targets, including climate related KPIs, which inform on core business transformation. For insurers and reinsurers as long-term investors and underwriters it is indispensable to assess companies holistically, including from a forward-looking perspective. To this end, information on long-term sustainability goals and strategies of companies is essential. The assessment of corporate sustainability targets should be based on uniform, public and science-based transformation goals. All EU sustainability disclosure regulations should be fully consistent and aligned such that requested information under the TR and the SFDR, including forward-looking data, are correspondingly reported under the CSRD and tagged via ESAP. Besides reporting on Taxonomy alignment, the disclosure of raw data and forward-looking Taxonomy targets will be critical to assess the environmental performance as well as future prospects and progress of a company. In the end, the new CSRD would represent a means to complement the activity-based Taxonomy approach with the overall assessment of corporates by requiring the publication of transition plans and strategies.

ii) Global standardization

The CSRD proposal provides an excellent opportunity to improve the availability, quality and comparability of sustainability information at an EU level and PEIF and CFOF welcome that EFRAG is mandated to develop EU sustainability reporting standards. However, it should be seen in the context of an intermediate step towards global standardization. A global solution for sustainability reporting is essential and should be pursued in parallel as this would be by far most valuable to (1) increase the transparency about and comparability among companies; (2) simplify the reporting landscape; and (3) ensure a level-playing field. This applies generally, but is particularly relevant for the financial sector, as it needs ESG information about companies worldwide, among others, to comply with its specific EU sustainability disclosure requirements.

Against this background, we highly appreciate that the CSRD proposal foresees that EU standards contribute to the process of convergence of sustainability reporting standards at global level and encourage the EU to actively work towards a global solution from the beginning. More specifically, the EU COM should ensure a structure where the EU standard setter is embedded in a global standard-setting environment and closely collaborates with international sustainability reporting initiatives. In this context, we also welcome the ongoing work of the IFRS Foundation to develop internationally-accepted sustainability standards, building on the TCFD framework, in order to avoid unnecessary duplication and fragmentation.

Given that the EU considers global sustainability reporting standards as “a floor but not a roof”, especially with view to the inside-out materiality perspective, collaboration between the respective standard setters is an essential success factor, and the representation of EU interests in the development of global standards is of utmost importance. Otherwise, if EU and global standards are developed separately (and EFRAG develops standards that strongly integrate the requirements for the outside-in and inside-out perspective), it seems unlikely that a successful building blocks approach can be achieved ex post (e.g. after the EU COM reviewed the CSRD) or without significant frictions (e.g. double implementation efforts), which needs to be avoided by all means. Moreover, we are interested in whether and to what extent the envisaged equivalence mechanism for non-EU issuers will work and how it will facilitate global convergence.

Members of PEIF and the CFO Forum stand ready to support the EU COM in this important initiative and to further discuss the above-mentioned aspects around sustainability reporting.

Yours sincerely,

(e-signed)

Mario Greco
Chairman of the Pan-European Insurance Forum

(e-signed)

(e-signed)

Delfin Rueda
Chairman of the European Insurance CFO Forum

(e-signed)

About the Pan-European Insurance Forum (PEIF)

PEIF is an informal forum for the CEOs of major European insurers (Aegon, Allianz, AVIVA, AXA, Generali, MAPFRE, Munich Re, NN, Swiss Re, UNIQA, and Zurich) to exchange and present views on policy and regulatory issues amongst themselves and with others. PEIF companies represent around two-thirds of the STOXX® Europe Insurance.

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About the CFO Forum

The European Insurance CFO Forum ('CFO Forum') is a high-level discussion group formed and attended by the Chief Financial Officers of major European insurance companies. Its aim is to influence the development of financial reporting, value based reporting, and related regulatory developments for insurance enterprises on behalf of its members, who represent a significant part of the European insurance industry. The CFO Forum was created in 2002. More information on the CFO Forum is available at www.cfoforum.eu.