

ESMA  
103 rue de Grenelle  
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France

Stockholm July 12, 2019

## Survey on collection of evidence on undue short-term pressure from the financial sector on corporations

Dear ESMA,

You have recently issued a survey on potential sources of short-termism of corporations stemming from pressures from the financial sector. The Confederation of Swedish Enterprise is Sweden's largest business federation and as such our input to the issues addressed by Esma is primarily from an issuer point of view. As the majority of the questions in the survey are aimed for financial institutions, investors and similar market actors we have settled for responding by submitting a few short comments on some of the matters that are raised.

### *Disclosure of ESG information*

The coming into force of the NFRD did not imply a major change for listed Swedish companies as the vast majority of them already provided a large amount of high quality ESG information to the market. Commonly, the information is provided either in the management report or in a separate sustainability report. Nonetheless, many issuers find themselves spending an excessive amount of time responding to various questionnaires and indexes from fund managers, investment firms and other market actors, despite the fact that the very same information is publicly available. Further, the increasing number of different sustainability standards creates weariness and confusion as they overlap and contain mutually contradictory requirements. Even if most issuers do their very best to acknowledge the expectations of their stakeholders, many of them experience that a growing share of the available resources for sustainability work are spent on compliance exercises rather than the actual readjustments that are so urgently needed. A development towards more global conformity for ESG reporting would be appreciated as well as a focus on sustainability information that is material for the investor and that is linked to financial performance. More legislation on a European level is not the right way forward to promote progress in this direction.

### *The role of fair value*

It has been suggested that fair value measures in financial reporting are a poor ground for decision making and contradict a long-term investment strategy. We do not share this view. Fair value is the closest and most comparable reflection of what an investor currently would be willing to pay for an investment in an arm's length transaction. As such, it may take both short- and long-term factors into consideration. Less information about fair values in the financial statements would reduce transparency and might lead to increased risk premiums and financing costs for issuers. Such increased financing cost would affect sustainable and non-sustainable investments alike. Fair values are in many cases internally available for

issuers for management purposes. If the information is not disclosed, investors will most likely ask for it. To deny such a request is hardly a realistic option for the issuer.

*The assumed link between long-termism and sustainability*

Undoubtedly, the time horizon for investments and investment strategies vary among different investors. Regardless of if the investor acts in the short or in the long term, the investor's actions will depend on which future scenario he or she holds for more likely. However, Esma's survey appear to be based on the underlying assumption that a long-term investment strategy is also a sustainable investment strategy that will help pushing the economy towards a more sustainable path. That only holds if the investor believes that such a path is possible and likely. To create such confidence is an urgent challenge that calls for strong political leadership and action rather than changes in corporate reporting requirements.

Best regards

CONFEDERATION OF SWEDISH ENTERPRISE



Sofia Bildstein-Hagberg