



European Securities and
Markets Authority

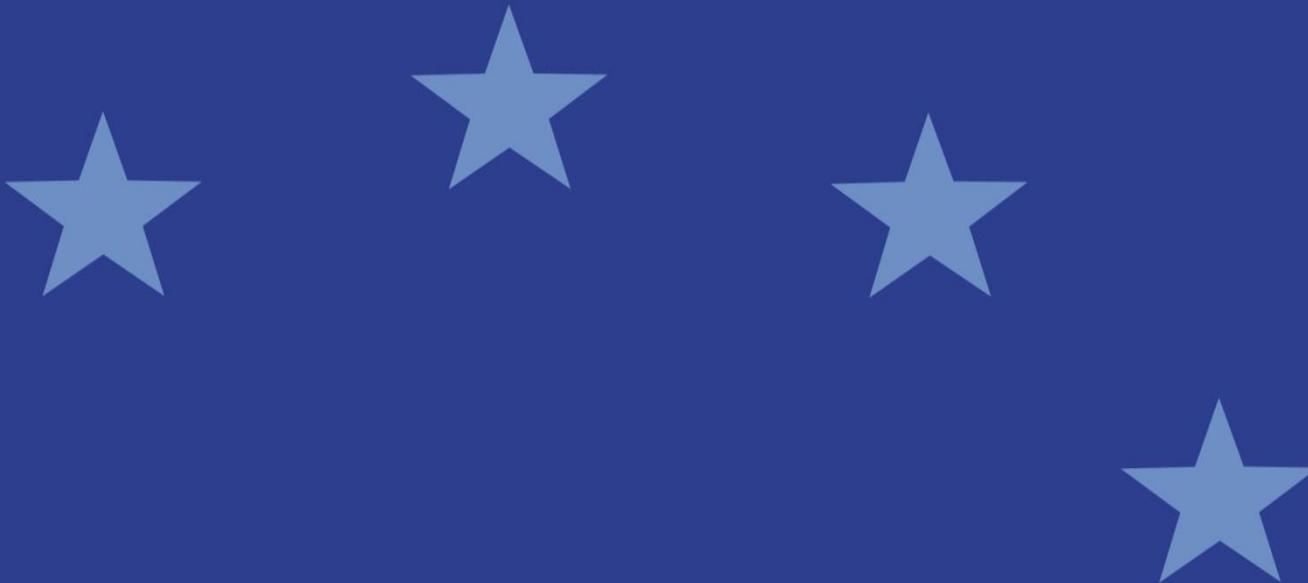
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ESMA Public Hearing on Sustainable Finance

Discussion on user's needs in relation to corporate reporting

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Objective of this session

- The objective of this session is two-fold:
 - ✓ Presenting ESMA's work in the area of corporate reporting in relation to the EC action plan on Financing Sustainable Growth
 - ✓ Hearing stakeholders' views on corporate reporting in the context of sustainable finance, by gathering feedback on selected topics



Agenda

- **Part 1: Corporate reporting actions in the EC Action Plan and ESMA's corporate reporting work in relation to the EC Action Plan**
- **Part 2: Your views on users' information needs on sustainability**



Strengthening sustainability disclosure and accounting rule-making

Summary of the action points in the EC Action Plan on Financing Sustainable Growth:

- Evaluation of sustainability reporting requirements and the prospects for digitalised reporting
- Revision of the EC's non-binding guidelines on non-financial information
- Establishment of the European Corporate Reporting Lab at EFRAG
- Request input to EFRAG and report on impact of IFRS 9 on long-term investments
- Evaluation of relevant aspects of the International Accounting Standards (IAS) Regulation
- Disclosure of how asset managers and institutional investors consider sustainability factors

These actions are relevant also for ESMA in light of its mandate of preserving financial stability and enhancing investor protection



ESMA's mandate and the link with corporate reporting for sustainable finance

Two main areas characterise ESMA's work on corporate disclosures:

- ✓ Supervisory Convergence: by coordinating supervision and enforcement work across the EU
- ✓ Single Rulebook: contribution to the policy set-up and endorsement process in the EU

In this context we focus on preserving financial stability and enhancing investor protection by:

- ✓ ensuring that reporting requirements and practices lead to the necessary transparency
- ✓ assessing both the financial and non-financial (or 'pre-financial') perspective

Let's consider more in detail ESMA's work in these areas...



Promote the consistent and effective application of the Non-Financial Reporting Directive (NFRD)

We have applied two well-tested tools of supervisory convergence in the context of financial reporting to the non-financial reporting area:

- European common enforcement priorities (ECEP) – the ECEP for 2018 annual reports included an extensive section – for the first time – on non-financial disclosures
- Set-up of a dedicated discussion forum of enforcers – the Narrative Reporting Working Group, aiming at discussing issues relating to the application and enforcement of the NFRD

ESMA staff has also actively contributed to the EC Technical Expert Group's Report on climate-related disclosures



Contribute to the consultations on public corporate reporting in relation to sustainable finance

ESMA commented on the following areas relating to the EC Action Plan in the context of the EC's Fitness Check on Public Corporate Reporting:

- Non-financial information – initial views on the application of the NFRD
- IFRS endorsement process – existing use of public good criterion and its link to sustainability
- Digital reporting – early to extend digital reporting beyond financial reporting

ESMA also addressed some key questions in the areas of accounting rule-making in relation to:

- the application of IFRS 9 *Financial Instruments* and its suitability for long-term investment



Agenda

Part 1

- **Corporate reporting actions in the EC Action Plan and ESMA's corporate reporting work in relation to the EC Action Plan**

Part 2

- **Your views on users' information needs on sustainability**



Stakeholders' views on corporate reporting in the context of sustainable finance

Under the current legislative framework on non-financial reporting, it would be useful to understand how issuers can provide more relevant information for investors and analysts

This feedback will:

- help ESMA assessing the quality of information provided by issuers; and
- provide insights into areas of non-financial reporting where ESMA should focus, including when considering recommendations of improvements to disclosure practices

For this purpose we have set out general questions and some more detailed questions...



Users' information needs: General questions

Usefulness of non-financial information for sustainable investment

1. Is the current legislative framework on non-financial information useful for investment decision-making and are there any improvements that you would recommend?
2. Which, if any, of the existing voluntary reporting framework(s) (e.g. TCFD, GRI, <IR>, etc.) currently better serve(s) users' information needs in the context of sustainable finance?
3. Overall, how do you assess the current practice of non-financial reporting by issuers and are there any improvements needed?

Usefulness of financial and non-financial information for long-term investment

4. How well the current financial and non-financial statements provide insights into a company's orientation to invest in the long term and produce sustainable growth for investors?

ESMA's work to promote better information for investment decision-making

5. How can ESMA further promote better information for sustainable finance, while focusing on investor protection and financial stability?



Users' information needs: Detailed questions

Reporting on impacts of non-financial matters

6. The NFRD requires information of the impact of a company on the environment and other non-financial matters (e.g. social aspects, human-rights etc.), do you find that this information, as currently provided, is relevant for investment decision making and financial analysis?

Reporting on non-financial risks

7. What information on principal risks relating to non-financial matters helps you better assessing the risk-return profile of a company? To this end, do you find that sufficient information in the issuers' reports is provided?

Non-financial KPIs

8. Does information on non-financial KPIs as currently provided result in relevant input to you? How can information on KPIs be made more relevant and comparable?



Users' information needs: Detailed questions

How current reporting may affect issuers' investment horizons

9. Do you think that current corporate reporting requirements, both financial and non-financial, may discourage issuers to have a long-term orientation in their investment policy?

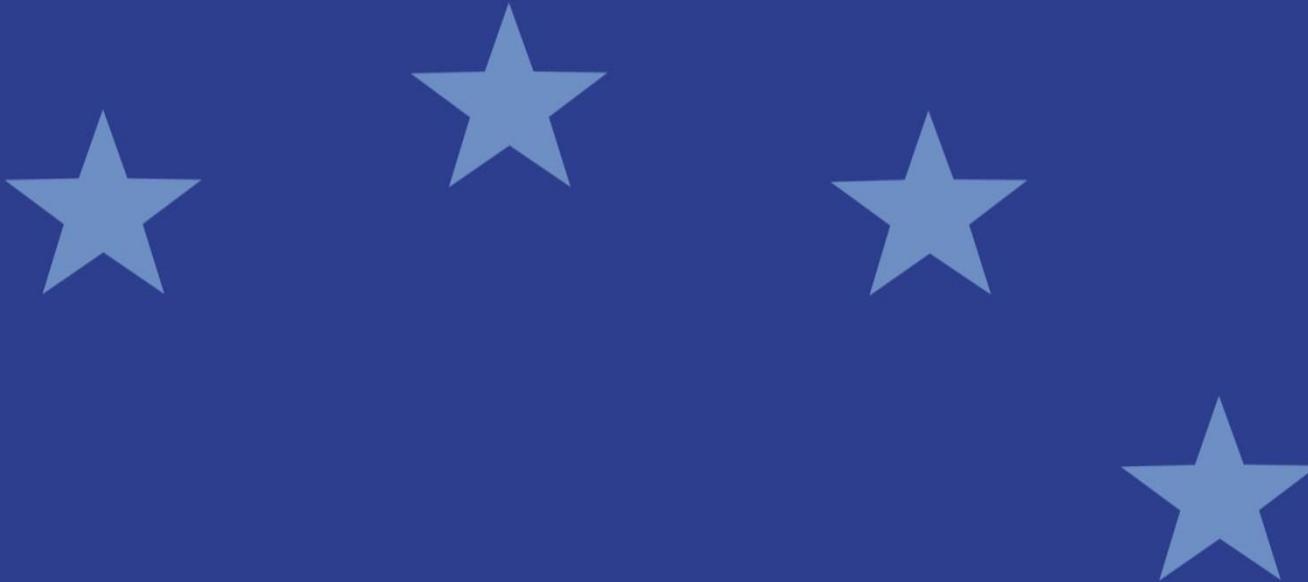
How current reporting may affect investors horizons

10. In your view, does the current corporate reporting framework discourage investors to take investment decisions with a long-term horizon?



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Thank you !



- ESMA's Response to EC Consultation on Fitness Check on public corporate reporting
- ESMA's Response to EFRAG's Discussion Paper Equity Instruments – Impairment and Recycling
- European Commission's Action plan on financing sustainable growth
- European Commission's Technical Expert Group on Sustainable Finance: report on climate-related disclosures