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INSTITUT DE LA FINANCE DURABLE
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EUROPEAN COMMISSION'S SIMPLIFICATION PROPOSAL

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Joint position of Paris Europlace and Institut de la Finance Durable

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Paris Europlace and Institut de la Finance Durable (IFD) welcome the EU "simplification" initiative to enhance EU companies' competitiveness. In this context, **Paris Europlace and IFD support the launch of a first EU "simplification" Omnibus package** to reduce the ESG-related corporate reporting and administrative burden. This said, **this simplification should be achieved without compromising the principles of the EU Green Deal, the urgency of the transition and aligning regulations across the financing value chain, taking into account the need to reduce the over-reliance of EU investors on ESG data providers.**

To this extent, Paris Europlace and IFD believe it is paramount to find the right balance by applying the below main principles that should underpin any change, especially on the CSRD and the Taxonomy.

FOCUSING ON MEANINGFUL DATA POINTS

While a reduction in the scope of companies subject to CSRD is necessary, the proposed approach does not fully address, in particular, the need for a simplification and streamlining of the current corporate sustainability reporting requirements applying to large companies, as they are overly burdensome and complex. Therefore, **it is essential to accelerate the review of the datasets required in ESRS standards, concentrating on the data relevant to users, in particular preparers and investors.** Illustratively, the granularity of certain data (e.g., by site/plant) should be considered voluntary, the most useful data being aggregated at the issuer level. Consequently, we call for a strong reduction in the number of data points in reporting as soon as possible, focusing on the most meaningful ones, independently of the adoption of the Omnibus package by the co-legislators. In that respect, a reduced list of indicators is being prepared by key stakeholders of the Paris financial centre - including professional associations of investors, banks, insurers, and non-financial companies – and will be shared to the European Commission in a second step. For the interim period — before the completion of the ESRS revision — Paris Europlace and IFD call on the European Commission to freeze the scope of the reportable data points for wave 1 companies on the 2024 reporting scope. This would avoid imposing additional data collection burdens with indicators that may ultimately be removed. Finally, while Paris Europlace and IFD welcome the removal of sector-specific standards, the simplified sector-agnostic standards should ultimately be clear and relevant enough for all undertakings.

ALIGNING REGULATIONS ACROSS THE FINANCING VALUE CHAIN

The simplification of CSRD and the Taxonomy regulation shall not create data gaps. It needs to be accompanied by a parallel simplification in other related regulations of the sustainable finance framework: SFDR, MiFID ESG, Climate Law (LEC29 in France), Prudential (CRR/CRD, Pillar 3 ESG, ECB supervisory expectations, EBA Guidelines), Solvency II, BMR, PRIIPS, etc. An alignment in terms of data availability and a synchronisation in implementation timelines are then necessary. Failing that, any removal of corporate reporting requirements beyond what would continue to be necessary to meet these financial regulations would result in multiple bilateral requests for data, which would lead to the opposite to the desired simplification for companies and investors.

The above principles are key to ensuring EU regulated financial institutions have direct access to company-reported data and to reducing reliance on third-party estimates and proxies. The roll-out of the European Single Access Point (ESAP) and digital reporting will also help promote better accessibility to the high-quality data needed to comply with broader EU sustainable finance regulation. However, this roll-out should be aligned with the timeline of the ESRS revision. Premature implementation of digital tagging obligations may lead to resource inefficiencies if the underlying data points are revised or removed. The system should be based eventually on a robust assessment of the implementation of the ESEF and the new possibilities resulting from the development of new technologies, in particular AI.

UPHOLDING THE DOUBLE MATERIALITY PRINCIPLE WHILE FOSTERING THE INTER-OPERABILITY

The concept of double materiality ensures that companies assess not only financial but also environmental and social impacts, risks and opportunities. While it is key to ensure the interoperability with financial materiality-based reporting frameworks (e.g. IFRS) and other international sustainability standards (e.g. GRI), **the double materiality principle should remain a cornerstone of the sustainability reporting**: it is the added value of the EU framework. This shall not prevent simplifying the materiality assessment framework and its documentation - under the ESRS, which would allow corporates to limit effectively their disclosures to their relevant action levers.

ENHANCING CLARITY AND CONSISTENCY SO AS TO PROVIDE LEGAL CERTAINTY AND STABILITY

Clear, consistent legislations ensure the best application of reporting requirements, and avoid overlapping or misaligned obligations, with possible reporting duplications. Regulatory changes should be introduced gradually and predictably, with clear, timely and reasonable implementation guidelines for all relevant stakeholders. In particular, all provisions regarding transition plans should be aligned and laid down in the CSRD, rather than being dispatched across CSRD, CSDDD, CRD, EBA guidelines etc.

ENSURING A LEVEL PLAYING FIELD AND COMPARABILITY BETWEEN SIMILAR COMPANIES REGARDLESS OF THEIR LOCALISATION

First, the European Commission must prevent distortions of competition arising during this period of adjustment of the legislative framework, particularly in view of the fact that some countries have not yet transposed the CSRD. Secondly, the simplification process should not result in a worst situation in terms of level playing field for EU companies. EU subsidiaries of non-EU groups have an ESG footprint in the EU and have to play their part in the EU Green Deal, Fit-for-55 and other sustainability objectives of the EU. EU consumers and other stakeholders also are legitimate to have access to similar data from non-EU and EU firms, when making purchasing, investing, or other decisions. For instance, the increase in the turnover threshold for non-EU companies from EUR 150 million to EUR 450 million does not seem proportionate as this threshold is not evolving for EU companies. Moreover, business secrecy of EU undertakings should be protected vis-à-vis their competitors by allowing them to omit information when the disclosure of information would be detrimental to their commercial position. Finally, to ensure harmonised adequate practices in terms of audit and a level playing field between Member States, we call on the Commission to adopt European sustainability audit standards by 2026 as envisaged by the CSRD.

Paris Europlace and IFD are hopeful that based on the above key principles, the CSRD and the Taxonomy regulations can be simplified without compromising their ambition and undermining the financing of the transition and the development of sustainable investments in the EU. To this extent, Paris Europlace and IFD advocate for pragmatism, and a hand in hand collaboration between co-legislators, corporates, auditors and investors / financing institutions. **It is important that the simplification process is implemented as quickly as possible to ensure that undertakings have reasonable visibility on their upcoming reporting exercises and that investors can rely on harmonized and reliable data. Last but not least, Paris Europlace and IFD also call for engaging, in parallel, an ambitious review of the ESG Ratings Regulation, notably with the aim to extend the regulation to ESG data providers, which are key actors of the investment value chain.**

About the Institut de la Finance Durable and Paris Europlace

The Institut de la Finance Durable aims to coordinate, federate and accelerate the action of the Paris financial center to achieve the ecological transition and the transformation of the economy towards a low-carbon and inclusive model, aligned with the objectives of the Paris Agreement and the Sustainable Development Goals.

It is a branch of Paris Europlace which brings together over 600 stakeholders from the financial ecosystem - banks, insurance companies, asset managers, intermediaries, fintechs, industrial and commercial enterprises, consulting firms, law firms, public actors...: a unique network to gather all stakeholders of the Paris financial market and exchange their priorities.

Paris Europlace promotes the Paris financial market in France and internationally to foster its development in all its dimensions. With its commissions, committees, and working groups bringing together top professionals, the association defines the positions of the financial market and advocates for them with public authorities and other stakeholders in France, Europe, and internationally.

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