



To: Directorate-General for Financial Stability, Financial Services and Capital Markets Union
Attn: Martin Merlin
European Commission
1049 Bruxelles/Brussel
Belgium

Subject: Financial institutions joint letter on concerns regarding EFRAG's work on Sector-Specific Standards

Brussels, 25-11-2024

Dear Mr Merlin,

We are writing to you on behalf of Insurance Europe, the European Fund and Asset Management Association (EFAMA), the European Savings and Retail Banks Group (ESBG),) and the European Banking Federation (EBF) to express **our concern** in relation to the current **direction of EFRAG's work on sector specific standards** undertaken primarily in the three EFRAG Advisory Panels set up to support work relating to sector specific matters and issues for financial institutions.

We call on the Commission to provide EFRAG with a clear mandate to shift the focus of its current work related to financial institutions from the development of new sector-specific disclosure requirements to streamlining the existing sector-agnostic requirements and supporting companies in their application.

Our organisations and member companies are committed to the Corporate Sustainability Reporting Directive's (CSRD) objectives as well as to the implementation of the CSRD's sector-agnostic standards, for which significant resources have been and are being deployed for the reports to be published from 2025. Our organisations include founding members of EFRAG, and we are committed to its ongoing success and commend its achievement in developing the European Sustainability Reporting standards.

As preparers, we face the significant task of implementing extensive sector-agnostic standards, and as institutional investors, lenders and risk underwriters, we are also the primary users of sustainability data. For many years, we have been calling for a high-quality, consistent set of ESG data, which the sustainable finance Framework, including CSRD, is supposed to deliver. However, we have also emphasised the importance of a focused and phased approach to the development of CSRD and the need to prioritise quality and meaningfulness of information.

Our sectors need support from EFRAG to address a number of technical and practical implementation issues related to sector agnostic standards, including issues related to the value chain and materiality concepts. EFRAG established three expert Advisory Panels – for Insurance, Banking and Capital Markets, and in their terms of reference defined their role to *"advise on how to deal with sector-specific ESRS and other ... matters and issues in sustainability reporting, starting with value chain guidance"*.

While we understood that the first objective of the panels was to facilitate the implementation of sector agnostic standards, we are concerned with the approach currently being pursued by the EFRAG Secretariat, which is to prioritize the development of additional sector specific disclosure requirements (DRs) on financial institutions' downstream value chain, rather than clarifying how sector-agnostic DRs should be adapted to financial sectors' specificities. Before identifying any new reporting obligations for financial sectors, the work of EFRAG should focus on supporting financial institutions to implement the current sector agnostic standards, in particular to guide their materiality assessment and replace sector-agnostic DRs that are not meaningful or cannot be applied to financial institutions with more relevant ones. We believe it is crucial for the Commission to clarify to EFRAG that they should adopt a pragmatic approach, **which prioritises supporting companies in the application of sector-agnostic standards rather than rushing to develop additional reporting obligations.**

Supporting implementation (and monitoring market practice) will reveal which disclosure topics and datapoints are material, not material, or need to be reworded to ensure financial services standards are meaningful and effective. This work informs the development of the standards; therefore it must come first. We believe an observation period, allowing all stakeholders to first learn from the application of sector-agnostic standards before any additional disclosure requirements are eventually developed should be granted, and EFRAG should attempt to clarify essential open questions. Such an approach would align with the broader goals of supporting implementation of reporting requirements and allow for simplification and reduction of administrative burden for businesses across the EU.

The Commission should also clarify that primary principles to guide EFRAGs’ work should be relevance, usefulness and consistency of the reporting requirements, avoidance of unnecessary reporting burden and overlaps with existing regulations (such as SFDR, Climate Reports, cyber security, data privacy, conduct of business, and Pillar 3 ESG requirements), both within and across regulations as well as reporting entities. While we will continue to seek this outcome through EFRAG’s governance processes, **we urge the European Commission to give EFRAG this clear mandate**, in order to prioritize the urgent support needed to facilitate the implementation of sector-agnostic standards and to avoid distractions created by the current focus on developing additional sector-specific reporting.

We trust that you will give this matter your attention and would welcome a meeting with you or your team to discuss this matter.

Yours sincerely,



Olav Jones
Deputy Director General, Insurance Europe



Sebastien de Brouwer
Deputy CEO, European Banking Federation



Peter Simon
Managing Director, WSBI ESBG



Vincent Ingham
Director, Regulatory Policy, EFAMA



Jacqueline Mills
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