

20 June 2022

Open letter to EU Member State representatives and MEPs,

Cc President von der Leyen, Vice-President Timmermans and Commissioner McGuinness,

Ahead of the closing trilogues on the Corporate Sustainability Reporting Directive (CSRD), we are writing to you to highlight the need to ensure the ambition and reach of the EU's sustainability disclosure framework upholds the objectives of the European Green Deal. IIGCC has recently published our [Expectations of Policymakers on Corporate Sustainability Disclosures](#), which sets out key principles to support investors' sustainability information needs regardless of the jurisdiction in which they operate. We would like to draw your attention to a number of these principles in the context of CSRD, including the need for a broad and proportionate scope, robust transition plan disclosures that enable assessment of corporate alignment potential, and the need for interoperability with wider reporting frameworks.

Climate change presents material financial risks and opportunities to all companies, irrespective of size. To facilitate transparency over these risks and opportunities, as well as increase the availability of consistent sustainability-related information, reporting requirements should capture a broad scope of companies on an economy-wide basis. IIGCC therefore calls for the Parliament and Council to maintain the inclusion of listed SMEs within scope of the reporting requirements. In addition, while non-listed SMEs are not presently in scope of the requirements, IIGCC recommends that the Commission considers scoping-in such entities, where they operate in carbon-intensive sectors, as part of the anticipated review of the standards once CSRD enter into force. We acknowledge the need for a proportionate approach to SME reporting, given likely resourcing and capacity constraints. However, to be truly effective, sustainability disclosure requirements need to cover the entire value chain to provide investors with a holistic picture of their climate-related exposures, including the actual and potential negative impacts of their investees on the climate, and to help them meet their own reporting obligations.

To channel capital in line with net zero, it will be vital for CSRD to provide investors with the granular, reliable and decision-useful data needed to assess the alignment potential of their holdings. It is therefore essential that requirements to disclose forward-looking information are maintained in the final text, to enable investors to understand how companies are aligning their business models and strategies with a 1.5° Celsius world. Moreover, non-binding guidance should be developed by the Commission to enable in-scope entities to develop consistent methodologies for generating these forward-looking disclosures. Transition plan disclosures under CSRD should include short, medium, and long-term emission reduction targets, scenario analysis (including a 1.5° Celsius scenario) and the assumptions underpinning scenarios, existing and planned actions to meet targets, and detail on how these actions will be integrated into the overall strategy. Together, these key indicators allow investors to assess whether a company is well positioned to support the global net zero transition.

We are pleased to see the EU's commitment to driving greater interoperability of sustainability reporting standards. Our members invest across different sectors and geographies and need to be able to compare the sustainability performance of their holdings across multiple jurisdictions. However, it is critical that the drive for greater interoperability does not lead to a dilution of climate ambition. Where

the EU seeks to go further than other standards (e.g., by maintaining a ‘double materiality’ perspective), a ‘building blocks’ approach should be pursued, whereby a common baseline of climate-related disclosures can be built on with jurisdiction-specific requirements. This will also preserve the coherency and substance of the wider EU sustainable finance framework, and support the information needs of investors when reporting under the Sustainable Finance Disclosure Regulation and the EU Taxonomy.

We welcome your consideration of our concerns and stand ready to continue working with you to drive significant and real progress by 2030 towards a net zero and resilient future.

Yours sincerely,



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