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Rutgers Business School
AIS Department
Continuous Auditing Laboratory
Newark, NJ

https://raw.rutgers.edu/public_interest.html
kevin.moffitt@business.rutgers.edu

EFAMA Brief - 2021

EFAMA Advocates for International Sustainability Standards and Reporting Framework (sustainability)

The European Fund and Asset Management Association (EFAMA) is endorsing the development of the International Sustainability Standards Board (ISSB) and is calling for the consolidation of current standards into a global sustainability reporting framework. EFAMA suggests that the ISSB should look to expand its approach to materiality in sustainability reporting, to include both companies' impacts on climate and how they're affected by environmental risks.
EFAMA has welcomed the European Commission's proposal for a Corporate Sustainability Reporting Directive (CSRD), calling for its swift adoption. It sees the directive as a key move towards obligatory European sustainability reporting standards. The association believes that comprehensive and specific sustainability data from a wide range of companies will enable asset managers to better understand investment sustainability risks, opportunities, and impacts. EFAMA has also positively received the proposed requirement for companies to document how they identify and manage their principal adverse impacts on sustainability across their value chain.
Lastly, EFAMA considers the proposed European Single Access Point (ESAP) as highly beneficial in addressing the inconsistencies and lack of accessibility to financial and sustainability-related data on a Eu level. Recognizing the increasing significance of sustainable corporate governance, EFAMA advocates that directors' compensation should reflect attainment of long-term sustainability objectives.

Enhancing ESG Data Availability through Centralization and Regulation (esg)

The lack of accessible ESG (Environmental, Social, and Governance) data undermines the potential of the EU's sustainable finance framework, according to Tanguy van de Werve, the Director General of EFAMA. Current reporting directives limit investor potential for assessing the ESG performance of their portfolios. The CSRD (Corporate Sustainability Reporting Directive) proposal could help overcome these restrictions by minimizing ESG data gaps and fostering the creation of green investment products. By utilizing a wide range of company-specific ESG data, asset managers can ascertain sustainability risks and opportunities, the impact of investments on sustainability factors, and calculate their green asset ratio. Increasing the range of non-financial reportage will enhance the quantity, quality, usability, and relevance of ESG data. The efficiency of assessing materiality needs improvement, and inconsistencies in the non-financial and financial ESG revelations pose a significant challenge. Moreover, a centralized system for publicly available financial and ESG company data is strongly advocated. It would benefit investors by offering free, structured, and comparable ESG data and aid in realizing the EU's capital market integration. This centralization would enhance investor capacity to assess the ESG profile of companies, create new financing possibilities, and incentivize sustainable practices. However, defining measurable targets at this stage may be premature due to the lack of reliable data and methodologies to measure performance.

EFAMA Responds to Sustainable Corporate Governance Initiative (governance)

The European Fund and Asset Management Association (EFAMA) has recently issued a response to the European Commission's consultation on sustainable corporate governance. EFAMA is demonstrating active interest in shaping the governance and technical aspects of the evolving investment management industry. The association recognizes the crucial role of asset management industries in influencing investee companies on various matters, such as sustainability, governance, due diligence, executive remuneration, and overall business strategy. While supporting the concept of tying directors' variable remuneration to long-term sustainability goals, EFAMA continues to advocate for sustainability-related developments in corporate governance.

Expanding the Materiality Approach in Sustainability Reporting (environment)

There is a recognized interest and call for the International Sustainability Standards Board (ISSB) to broaden the IFRS' materiality approach in sustainability reporting. This would involve acknowledging both positive and negative climate impacts, in addition to the existing focus on how environmental risks influence companies. The support for the European Commission's initiative to integrate environmental and social interests into business strategies is apparent. Advocacy for a regulatory environment that facilitates the vital role of the industry in guiding capital towards sustainable investments and providing long term value for investors is also a key focus.
