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From:	Joint Supervisory Authorities (ESAs) ESMA, EIOPA, EBA
date of receipt:	28 July 2022
To:	General Secretariat of the Council
Subject:	Submission of joint ESAs report on the extent of voluntary disclosure of principal adverse impact under the Regulation on sustainability-related disclosures

Delegations will find attached a letter on the subject mentioned above.

The ESAs' full report is available online can be downloaded via this link:

<https://www.esma.europa.eu/press-news/esma-news/esas-issue-report-extent-voluntary-disclosure-principal-adverse-impact-under>

Encl.



JOINT COMMITTEE OF THE EUROPEAN
SUPERVISORY AUTHORITIES

JC 2022 41

28 July 2022

John Berrigan
Director General
Directorate-General for Financial Stability,
Financial Services and Capital Markets Union
European Commission
1049 Bruxelles/Brussel
Belgium

Subject: Submission of joint ESAs report on the extent of voluntary disclosure of principal adverse impact under the Regulation on sustainability-related disclosures

Dear Mr Berrigan,

I am writing to you as Chair of the Joint Committee (JC) of the European Supervisory Authorities (ESAs) regarding the report on the extent of voluntary disclosure of principal adverse impact under Article 18 of Regulation (EU) 2019/2088 (the Sustainable Finance Disclosure Regulation or 'SFDR').

The ESAs are pleased to submit to you the first joint ESAs annual report on the extent of voluntary disclosure of principal adverse impact under the Regulation on sustainability-related disclosures for consideration. The report will be transmitted in parallel to the European Parliament and to the Council.

In line with provisions pursuant to Article 18 SFDR, the ESAs have taken stock of the extent of voluntary disclosures in accordance with Article 4(1)(a) SFDR made by financial market participants (FMPs) from 30 June 2021. To gather information for the purposes of this report, the ESAs launched a survey of its members in March-April 2022, receiving a total of 33 responses. The first report's preliminary conclusions are that the extent of compliance with voluntary disclosures varies significantly across jurisdictions and FMPs under the scope of SFDR, and it is difficult to identify definite trends. There is also an overall low level of disclosure of the degree of alignment with the objective of the Paris agreement, with disclosures on the alignment being vague and high level.

With the view of getting a complete picture of the state of voluntary disclosures in the market, the ESAs asked NCAs for their feedback also on the disclosures for FMPs choosing to explain why they do not consider adverse impacts of investment decisions on sustainability factors under Article 4(1)(b) SFDR, even if not explicitly requested by Article 18 SFDR. The ESAs have identified that the disclosures under Article 4(1)(b) SFDR lack details, and FMPs largely fail to provide clear reasons for why they do not make such considerations, with insufficient information as to whether and when they intend to consider such adverse impacts.

Based on feedback received through the questionnaire, the ESAs have developed a preliminary, indicative and non-exhaustive overview of good examples of best practices, and other less good examples of voluntary

disclosures under Article 4(1)(a) and (b) SFDR. It is important to highlight that the new mandatory disclosure obligations provided in the Delegated Regulation (2022/1288) will not become mandatory until 1 January 2023, and the deadline for the first due diligence statements on principal adverse impacts under that Regulation is 30 June 2023. Therefore, the examples of best practices of statements made under Article 4(1)(a) and (b) should not be understood to affect disclosures made under the mandatory templates.

Finally, as the detailed requirements for the disclosures on due diligence statement on principal adverse impacts of investment decisions on sustainability factors is not yet applicable, the ESAs do not make recommendations with regards to the SFDR requirements to the Commission. The ESAs have instead made a number of recommendations to NCAs to ensure an appropriate supervision of FMPs' practices, such as running regular surveys in their own markets to determine whether supervisory entities comply with Article 4 SFDR disclosures.

The survey has not covered disclosures under Article 7(1) SFDR as those disclosures do not apply until 30 December 2022. We expect more detailed findings in the next iterations of the report, once the SFDR Delegated Regulation starts applying.

Yours sincerely,



Petra Hielkema
Chair of the Joint Committee of the ESAs and Chairperson of EIOPA

CC: Irene Tinagli, MEP, Chair of the Committee on Economic and Monetary Affairs, European Parliament
Mr Zbyněk Stanjura, President of the ECOFIN Council, Council of the European Union
Didier Seeuws, Acting Secretary-General of the Council of the European Union
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