

Press Release

ESG data availability endangered while additional disclosure obligations are sprawling – BAI demands coherency and proportion

- BAI opposes European Commission's weekend European Sustainability Reporting Standards (ESRS) compared to EFRAG drafts because the ESRS data are important to fulfill financial market participants' disclosure requirements
- Legislators and supervisors should first evaluate the collection and coverage of existing PAI KPIs on the basis of the PAI statements before introduce further mandatory SFDR social indicators
- Phase of consolidation is now appropriate to establish a well-rounded disclosure requirement regime

Bonn, July 11, 2023. The **Bundesverband Alternative Investments e.V. (BAI)**, the central representative of the alternative investments industry in Germany, has addressed severe concerns regarding the EU Commission's drafts of the European Sustainability Reporting Standards (**ESRS**) as well as the newly proposed mandatory social PAI indicators of the Sustainable Finance Disclosure Regulation (**SFDR**).

BAI and its member companies have supported the EU's Sustainable Finance Initiative and its objectives from the very beginning. The challenges posed by climate change for the real and financial industry are immense, not just timewise. BAI Managing Director **Frank Dornseifer** sees that "the finance and fund industry is determined to play its role in the transition to a net zero economy – but the legislator must also provide the industry with the means to achieve these goals. And the linchpin for risk management as well as for investment decisions in the field of sustainable capital investments is data: Available, reliable and resilient data on the E, S and G components."

Regarding **ESRS** BAI highlights that the data of the companies obliged by the CSRD are of enormous importance for the investors and asset managers who invest in them. However, due to the significant changes in the ESRS drafts between the versions of EFRAG from November 2022 and the EU Commission consulted since 9 June 2023, the data to be published by the companies according to the CSRD/ESRS will be drastically weakened to the detriment of the financial and fund industry.

"Because the rules and regulations of the Sustainable Finance Initiative are so interrelated and mutually depended," **Frank Dornseifer** comments, "watering down data granularity under the ESRS endangers the ability of market participants to effectively fulfill their disclosure obligations under the SFDR". The ESRS should be guided by the EFRAG draft in terms of more mandatory data points, while the materiality analysis should be abolished or at least be reconsidered for all areas that are subject to mandatory reporting under the SFDR."

Regarding the extension of the number of mandatory social indicators under **SFDR** BAI sees neither reason nor added value, as long as data availability needs are not addressed in disclosure requirements regarding climate change. The SFDR has only been into force since 1 January 2023, and the financial market participants addressed have been preparing intensively for months and weeks for the first mandatory PAI statement due on 30 June 2023. The collection and coverage of PAI in the alternative investment industry is particularly complex and difficult, provided that many issuers of alternative investors are not subject to the NFRD and most likely won't be subject to the ESRs/CSRD in the future.

In contrast to this weighty administrative expenditure, empirical evidence on the impact is lacking, the first PAI statements are ready to be assessed only recently. **Frank Dornseifer** concludes: "From our member companies point of view, it is therefore not an appropriate time to discuss an extension of the social mandatory indicators. Further mandatory social indicators should be introduced on a strictly evidence-based foundation."

In the view of the BAI and its member companies, in light of the urgency of challenging climate change, it is essential to establish a well-rounded disclosure requirements regime on the topic of climate change mitigation and adaptation before rushing into a different territory. For all these reasons, it is appropriate to start with a phase of consolidation and to get right what currently needs to be done.

You can find the comments on the [BAI homepage](#).

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