

To: Public Affairs & Communications Committee, Economics & Finance Committee, Conduct of Business Committee, Distribution PG, PRIIPs PG, Corporate Reporting WG, Long Term Investments & Sustainable Finance PG, Sustainability WG

ESAs report on the extent of voluntary disclosure of principal adverse impact under SFDR

On 28 July, the Joint Committee of the European Supervisory Authorities (ESAs) [published](#) the first annual report on the extent of voluntary disclosure of principal adverse impact (PAI) under the Sustainable Finance Disclosure Regulation (SFDR).

In brief, the report highlights:

- the extent of compliance with voluntary disclosures varies significantly across respondents, but, overall, the first disclosures since the application of the SFDR are not very detailed - this is expected to change for the disclosures made for the 2022 reporting period once the SFDR Delegated Regulation applies;
- there is an overall low level of disclosure on the degree of alignment with the objective of the Paris Agreement – when disclosure of alignment is made, it is often vague; and
- there is a low level of compliance with the details required for explaining why financial market participants do not take into account the adverse impact of their investment decisions.

The report also includes a set of recommendations for NCAs to ensure appropriate supervision of financial market participants' practices, such as running regular surveys in their own market to determine whether supervisory entities comply with Article 4 SFDR disclosures.

Next steps

- The secretariat will analyse the report and revert to members in due course.
- As the detailed Regulatory Technical Standards are not yet applicable, the indications of good examples of best practices and recommendations included in this report must be considered preliminary at this stage and will be complemented further in subsequent reports.
- The ESAs plan to address this in future iterations of the report, which will also cover voluntary disclosures under Article 7 (1), that will only be fully applicable from 30 December 2022.

For more info

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