On behalf of the Public Affairs Executive (PAE) of the EUROPEAN PRIVATE EQUITY AND VENTURE CAPITAL INDUSTRY

14 July 2021

Feedback to the European Commission on the Proposal for a Corporate Sustainability Reporting Directive (CSRD)

Invest Europe welcomes the CSRD proposal. As a data driven industry, we support the view that to achieve sustainable and inclusive growth it is key to have relevant, comparable and reliable sustainability information as a pre-requisite for tracking progress and, ultimately, meeting the EU sustainability targets.

Although most Invest Europe members do not fall within the scope of CSRD, they are indirectly impacted by it since a number of their portfolio companies will be or become subject to the rules. The information disclosed by portfolio companies will also be relevant for private equity and venture capital (PE/VC) firms' own reporting exercises and compliance with the Sustainable Finance Disclosure Regulation (SFDR).

That said, PE/VC fund managers are currently able to specify and obtain the non-financial information they require from investee companies, to meet their own regulatory obligations or to satisfy the needs of fund investors, in a great level of detail and in areas suitable to their and their investors' needs. This is a consequence of the extensive knowledge reporting and organic exchange of information that grows from the relationship between PE/VC investors and company owners.

In this context, there are some CSRD aspects that deserve particular attention.

It is critical to ensure the CSRD is **aligned**, **consistent** and **compatible** with reporting requirements that will follow/are in place from other EU legislation, such as the SFDR and the Taxonomy. **Coherence** and **synergies** between reporting obligations under different frameworks are essential to ensure **efficiency** and a smooth implementation, facilitating compliance, alleviating costs for companies and minimising duplication of efforts. Not only the content, but also the timelines should be aligned to ensure that the efforts made by the different parts of the supply chain are complementary.

In addition, we support the Commission's **gradual approach** to application which should allow market participants to adjust to any additional or changed requirements.

Equally crucial are the **materiality** and **proportionality** principles (one size does **not** fit all). Any extension of the scope, in particular to SMEs, should require a full application of proportionality so as not to add a disproportionate burden and/or excessive costs. SMEs have proved to be at the core of the European economy and in the context of the recovery from the ongoing crisis any new or revised legislation should be considerably calibrated and **realistic** to reap the benefits of ESG data without negative spill over effects.

We support the Commission’s proposal to develop separate, proportionate and simpler standards for SMEs, which non-listed SMEs could *choose* to use on a *voluntary* basis. That said, we recommend assessing any possible indirect **knock-on effects** on unlisted SMEs, which, even if not subject to CSRD, may have to do sustainability reporting as part of a supply chain to meet the requests of their investors.

It is important to strike a balance between legitimate business interest in maintaining **confidentiality of business plan** and wider public policy requirements (if any) to disclose forward-looking information. Any forward-looking information should only apply to targets set by the company in the ESG domain and should not relate to commercial or any other information that could endanger the competitive situation of the company. We welcome the Commission’s recognition of this and the possibility to omit any information that “would be seriously prejudicial to the commercial position of the undertaking”.

Conscious of the significant costs this would bring, we support the Commission’s progressive approach to the introduction of the assurance requirement, starting with limited assurance.

Given the international nature of the PE/VC industry, we support the EU’s ambition to achieve the worldwide convergence and harmonisation of sustainability reporting standards to avoid unnecessary regulatory fragmentation.

Avenue Louise 81
B-1050 Brussels, Belgium
T +32 2 715 00 20

investeurope.eu
info@investeurope.eu

VAT: BE 0424 557 716
IBAN: BE33 3300 5785 0046
BIC/SWIFT: BBRUBEBB

European Transparency
Register: 60975211600-74

Contact

For further information, please contact Martin Bresson (martin.bresson@investeurope.eu) or Erika Blanckaert (erika.blanckaert@investeurope.eu) at Invest Europe.

About the PAE

The Public Affairs Executive (PAE) consists of representatives from the venture capital, mid-market and large buyout parts of the private equity industry, as well as institutional investors and representatives of national private equity associations (NVCAs). The PAE represents the views of this industry in EU-level public affairs and aims to improve the understanding of its activities and its importance for the European economy.

About Invest Europe

Invest Europe is the association representing Europe's private equity, venture capital and infrastructure sectors, as well as their investors.

Our members take a long-term approach to investing in privately held companies, from start-ups to established firms. They inject not only capital but dynamism, innovation and expertise. This commitment helps deliver strong and sustainable growth, resulting in healthy returns for Europe's leading pension funds and insurers, to the benefit of the millions of European citizens who depend on them.

Invest Europe aims to make a constructive contribution to policy affecting private capital investment in Europe. We provide information to the public on our members' role in the economy. Our research provides the most authoritative source of data on trends and developments in our industry.

Invest Europe is the guardian of the industry's professional standards, demanding accountability, good governance and transparency from our members.

Invest Europe is a non-profit organisation with 25 employees in Brussels, Belgium.
For more information please visit www.investeurope.eu.