PENSIOEN FEDERATIE
FEDERATION OF THE DUTCH PENSION FUNDS

To her Excellency Ursula von der Leyen
President of the European Commission
European Commission
Wetstraat 200, 1049 Brussels
Belgium

7 July 2023

Dear President von der Leyen,

Since the High-Level Expert Group on Sustainable Finance delivered its recommendations in 2017, the European Commission has put great emphasis on the role of private investments in the transition to a more sustainable and carbon neutral European economy. The Dutch Federation of Pension Funds, its members and Dutch pension service providers have supported this approach through our active participation in the relevant expert groups and active advocacy for the EU's sustainable finance strategy.

A very significant majority of the Dutch pension fund sector has opted for an ambitious implementation of the Sustainable Finance Disclosure Regulation (SFDR), through the classification under Article 8 and voluntary reporting on principle adverse impacts (PAIs). The SFDR implementation process has been and still is challenging and resource-intensive, but we believe that transparency on sustainability characteristics of investments is crucial.

Pension funds and other financial market participants need reliable and comparable corporate sustainability data, in order to play their part in achieving the objectives of the Green Deal. They also need this data to meet their own reporting obligations under the SFDR. The Corporate Sustainability Reporting Directive (CSRD) is essential to connect the reporting streams of the financial sector and the real economy. The advice delivered by EFRAG in November 2022 on the European Sustainability Reporting Standard provided this connection. The introduction of a materiality assessment in the draft Delegated Regulation, published on 9 June 2023, deviates from this approach and thereby would sever the critical connection between CSRD and SFDR.

We are very concerned that this proposal will lead to the unavailability of data for pension funds, making it more difficult to translate sustainability ambitions into concrete investment decisions. Moreover, pension funds will still be required to report across all PAI indicators for all companies within their portfolios, irrespective of the outcome of the materiality assessment by investee companies under the CSRD. This will shift the burden to pension funds and other financial market participants that remain obliged to report under the SFDR. It will inevitably lead to the use of less reliable and often estimated data, or possibly divestments. Moreover, it will undermine the consistency and comparability of CSRD and SFDR reporting. We believe that this represents an unwarranted and undesirable scaling down of ambitions of the Commission's sustainable finance action plans. We therefore urge the European Commission to reconsider its proposal and follow EFRAG's advice.

Please find our consultation response enclosed. We have sent a copy of this letter addressed to your colleagues Vice-President Frans Timmermans and Commissioner Mairead McGuinness, as well as Dutch Minister of Finance Sigrid Kaag and relevant Members of European Parliament.

With kind regards,

Ger Jaarsma, Chairman of the Dutch Federation of Pension Funds
Ronald Wuijster, Member of the Board of APG Group & CEO APG Asset Management
Geraldine Leegwater, Member Executive Committee & Chief Investment Management, PGGM
Martijn Scholten, CEO Investment Management, MN