

POSITION PAPER

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Referring to: Targeted consultation document on the establishment of a European Single access Point (ESAP) for financial and non-financial information publicly disclosed by companies.

COMMENTS OF THE FRENCH INSURANCE FEDERATION (FFA)

The FFA welcomes the recommendation of the High-Level Forum (HLF) on Capital Markets Union (CMU) to establish the ESAP, as it recognizes the growing importance for investors of access to non-financial information.

The FFA and its members are strongly committed to sustainable development and fully support the European Green Deal and the Paris Agreement. The French market is a pioneer regarding the regulatory environment for sustainable finance and non-financial reporting. Our members have significant experience as preparers of non-financial reporting (as both issuers and investors) but also as users of ESG data from investee companies.

Robust, comparable, and reliable ESG data are vital for identifying and assessing sustainability risks in insurers' activities. It is necessary to enable investors to steer their portfolios towards sustainability objectives, in line with the Paris Agreement and the European Green Deal, and comply with recent regulatory developments such as the SFDR and the Taxonomy regulations. Unfortunately, the availability of reliable public ESG data is currently limited and in aggregate, their collection and use can entail significant costs.

To remedy this and to achieve the objectives, two instruments are essential:

- First, the revision of the NFRD and the normalization of non-financial data;
- Secondly, a centralized electronic register of EU ESG data to contribute to better comparability, increased transparency and lowering barriers and costs.

The FFA welcomes the ambition of the European Commission's initiative in order to improve accessibility comparability and usability of information for the different stakeholders through the

About the FFA

The French Insurance Federation (FFA) represents 280 insurance and reinsurance companies operating in France, accounting for over 99% of the French insurance market. We represent the interests of insurers to national, European and international public authorities; to institutions and to administrative or local authorities. We produce and make available statistical data essential to the industry and provide information for the general public and the media. The French Insurance Federation also contributes in raising the awareness and attractiveness of the industry by promoting insurance and risk management culture. FFA is a member of Insurance Europe and GFIA. In an ever-changing environment, faced with the emergence of new political, economic, social, technological and environmental risks, the French insurance industry constantly innovates to be more competitive, support the economy and extend the boundaries of insurability.

European Single Access Point (ESAP). The ESG ambition of the ESAP is in line with the joint industry letter on the creation of a European ESG database sent to the European Commission on the 9th of June 2020.

In addition to our responses to this European Commission consultation document, we would like to stress the importance of considering the following key success factors:

➤ **A phase-in approach: the priority should be to include ESG data related to the revised NFRD, SFDR and EU taxonomy in the ESAP ('ESG first approach').**

The FFA believes a phased-in implementation of the ESAP is necessary. In view of the significant data gaps and the limited availability of comparable data in the field of ESG so far, but also considering the disclosure obligations for financial market participants that will come into force in 2022, the highest priority should be given to ESG data.

We propose a gradual and proportionate approach by initially focusing solely on 'public' extra-financial data, on a limited number of indicators, giving priority to the revised NFRD indicators that will enable investors to meet their SFDR reporting obligations (PAI) as well as indicators related to Article 8 of the Taxonomy regulation.

Another building block could be to use ESG information already collected by European and national institutions such as governments, central banks, statistical bodies, etc. The register could include this relevant ESG information knowing that Member States are already reporting environmental expenditure under the System of Environmental (SEEA 2012). The EU should open up its databases that collect environmental reporting data and make those re-usable.

With regard to financial data, it would be more appropriate to assess the relevance of including them in a second phase, in order to evaluate the feedback from the implementation of the ESEF, whose deployment has just begun.

However, we are of the opinion that the database should not cover all the requirements outlined in question 7. In particular, only already public prudential and compliance information should be included in the ESAP. The non-public information requires significant technical expertise to be understood and analysed and could potentially be misinterpreted.

➤ **Reducing reporting costs and constraints for data producers**

The EU legislation requires companies to publish several hundred data sets on a wide range of information (entities' financial performance, environmental, social or governance matters, products and services provided) in a fragmented way, both for data collection and dissemination. As preparers and investors, insurers are particularly impacted by this situation (reporting, cost and constraints of information production, cost of retrieving and using public information from companies...).

Care should be taken to ensure that the benefits outweigh the costs. Such a database is necessary but is only of interest if: (1) it aims to eliminate the current number of different requests for information, i.e. to remove deposits through different channels in favour of a single place of deposit in the ESAP.

(2) it guarantees fair, effective and unified non-financial level playing field,

(3) it improves quality and comparability while keeping cost to a minimum, (4) data sharing does not harm the competitiveness of companies by requiring to disclose confidential or sensitive data.

The materiality of disclosures should be taken into account to avoid unnecessary costs and, more generally, proportionality should be fully taken into account, with the size and complexity of companies being considered when developing guidance or requirements.

The ESAP should focus on the actual information needs of companies and investors and not lead to additional financial and regulatory reporting requirements. Only information that are already publicly disclosed should be included in the ESAP. Technically, formats and processes should be associated with a reasonable effort for companies. ESAP should build to the greatest extent possible on existing European and national IT infrastructure.

Redundant reporting channels should also be avoided. Data that is already disclosed in the ESAP should not need to be additionally disclosed in other reporting formats, if possible. The objective of the ESAP should be to fulfil the existing reporting requirements.

The ESAP should also provide the data coverage necessary to comply as much as possible with national legislation, so that companies can deal with national regulations in a clear and more efficient way. The 'file-only-once' principle mentioned in the ESAP roadmap is key in this respect, as numerous data interfaces already exist. Therefore, an intensive exchange with EU Member States is necessary.

Finally, SMEs and companies not subject to the NFRD must be able to report in the database, in a proportionate manner, the information that will be required under the NFRD. We also believe that non-EU companies could contribute to the base on a voluntary basis.

➤ **Ensuring access to the data through public funding**

The ESAP should be based on public funding. Data should be freely accessible to all stakeholders for consultation. However, the ability to export data should depend on the actors:

- On the one hand, actors who need ESAP data to produce their own regulatory reporting (including financial institutions) should be able to export the data free of charge.
- On the other hand, actors who use the data for commercial purposes, such as rating agencies or data providers, should be charged to export the data.

The ESAP is an opportunity to minimise costs to access ESG ratings and data and avoid that market participants are forced to rely on third-party providers. Indeed, the need for comparability, the broad coverage of ESG assessment and the resource/expertise intensive nature of **sustainability research and ratings** has quickly led to a strong concentration in this market. As a result, ESG ratings and data providers are developing into oligopolistic structures, with increasing costs to access both ESG rating and data. In this respect, the ESAP should carefully consider different treatment for financial market participants and data providers and rating agencies regarding the data accessibility as suggested above.

Beyond **sustainability data, research and ratings, credit rating databases** are also needed by insurers to comply with certain regulations (eg Solvency II). However, they can currently be excessively expensive for insurers to access/use. If the scope of the ESAP goes beyond ESG data, the EC should also consider how credit ratings, especially those already paid by companies, could be included in the ESAP in a way to address this issue. **Associating issuers and investors to the ESAP governance**

Issuers (data preparers) and investors (data users) must be represented in the governance of the ESAP. They should be able to propose evolution of the database architecture, formats/fields and eventually the scope of the data to be collected. In case the EFRAG is mandated by the European Commission to normalise the non-financial data, it should also be part of the ESAP governance.

➤ **Assessing carefully the costs of the formats and ensuring a flexible architecture**

The data should be made available in standardized digital format so that investors can access it efficiently. At this stage, it seems too early to take a position on the most relevant format. It requires a detailed assessment of the associated costs.

Beyond quantitative data, the database should also include qualitative data. In particular, 'verbatim' which are often useful for understanding the context of ESG data.

➤ **Ensuring data quality**

A certificate of deposit should be required from data producers when filing information on both the reliability and date of their data. The ESAP should carry out macro controls of consistency and quality. Finally, it is necessary to ensure proper identification of issuers and capital control links to facilitate the analysis of group information and to integrate business sectors classification in order to allow future analysis by industry.

Contacts

Christine TARRAL

Director, Financial, Prudential and Accounting Affairs

26 Boulevard Haussmann
75311 Paris Cedex 09
France
Phone : +33 1 42 47 92 09
c.tarral@ffa-assurance.fr

Christian PIEROTTI

Director, Europe and International

26 Boulevard Haussmann
75311 Paris Cedex 09
France
Phone : +33 1 42 47 92 27
c.pierotti@ffa-assurance.fr