To Whom It May Concern:

I am pleased to make this submission on behalf of the Investor Alliance for Human Rights. The Investor Alliance is a collective action platform for responsible investment that is grounded in respect for people's fundamental rights. We are a membership-based, non-profit initiative focusing on the investor responsibility to respect human rights, corporate engagements that drive responsible business conduct, and standard-setting and policy-making activities that push for robust business and human rights policies. Our membership is comprised of over 230 institutional investors in 20 countries representing over $14 trillion in assets.

Investors have been anticipating the forthcoming release of sector-specific European Sustainability Reporting Standards (ESRS) and are eager to avoid any further delay in their release for the reasons elaborated below. We urge the European Commission to consider our following recommendations:

- Finalize and adopt the standards for the following high-impact sectors by 2025 - Oil and Gas; Mining, Coal, and Quarrying; Road Transport; Textiles Accessories, Footwear, and Jewelry; Agriculture - considering the technical work already undertaken by EFRAG.
- Given the need to ensure an adequate implementation of sector-agnostic standards, which already require information to be disclosed by preparers concerning material impacts, risks, and opportunities in their sector (however, without clarifying what or in which detail for key issues like biodiversity or workers in value chains), the development of sector-specific standards for all high-impact sectors already identified by EFRAG should be prioritized to be delivered by 2026.
- EFRAG’s Sustainability Reporting Pillar must receive a clear political mandate to prioritize the development of proposals and consultations for the rest of the sector-specific standards.

The Investor Alliance was concerned when earlier this year, against the technical advice submitted by EFRAG, the EU Commission removed the common core of mandatory disclosures from the draft sector-agnostic standards and made reporting on all ESG topics including climate change, biodiversity or own workforce subject to the materiality assessment of companies. This has significantly increased uncertainty for companies as well as for investors as users of sustainability information. In the context of these changes, preparers and users of information need even more the clarity and guidance that can only be provided by developing sector-specific standards, integrating existing good practice, and specifying (only where needed and relevant) the application of sector-agnostic standards.

Investors are reliant upon a comprehensive mandatory reporting framework for companies to ensure they factor in relevant data in their investment decision-making, can carry out adequate risk assessments, and fulfil their own disclosure obligations. This need is particularly urgent for companies operating in high-impact sectors key to the sustainable transformation of our economy. The timely adoption of well-focused standards with clear priorities for companies in key sectors for climate transition and human rights risks will ensure that reporting outcomes are meaningful and comparable.

Investors need sufficient comparable information about their portfolio companies. Sector-specific sustainability standards are essential to create a baseline that guarantees that the focus of reporting from companies within the same sector is aligned on the same outcomes. This information will help investors to compare corporate performance and adjust investment decision-making and stewardship activities accordingly. Instead of relieving companies, delaying sectoral standards will only reduce clarity for companies to deliver on their reporting. It will also leave the door open for greenwashing, as the uncertainty could be unduly exploited.

Delays in releasing the sector-specific standards will further burden companies. The first set of EU sector-agnostic standards, which will start to be applied as of 2024, requires companies to carry out a double materiality assessment on all sustainability areas, and document process, results, and thresholds. The sector-agnostic standards also require companies to disclose information at entity-level that is pertinent to their specific sector. Therefore, an absence of sector-specific standards and guidance imposes an unnecessary burden on companies to self-identify what should be disclosed and in what detail. A lack of clarity for preparers may also hinder a level playing field and reduce comparability of disclosed information, while subjecting companies to assurance obligations for the process and outcome that places unrealistic expectations in terms of expertise of auditors and is likely to increase the time and costs incurred. A timely release of sector-specific standards will aid companies in their materiality assessments and assurance processes.

We appreciate the opportunity to make this submission and hope the concerns of the Investor Alliance for Human Rights are seriously taken into consideration when determining how to proceed on the release of the sector-specific ESRS standards.

Sincerely,

Rebecca DeWinter-Schmitt

Associate Director, Investor Alliance for Human Rights