



Availability, reliability and comparability of data

Using the Taxonomy and complying with SFDR disclosures requirements may not be the real challenge. The real challenge is on the data side. The use of the EU Taxonomy will strongly depend on data. This relates to the (i) availability of data, (ii) quality of data, and with particular focus on *relevant* data and (iii) comparability of data. However, we are convinced that at the end of the day, such challenge will be overcome by the market. This will take significant time to develop. The future of the EU Taxonomy and more in general the road to a more sustainable society depends the availability, reliability and comparability of data.

Increase of data lead to increase of use of the Taxonomy

From that perspective, it may be expected that the use of the Taxonomy will increase once data becomes much more readily available. It may not even be used by a number of market parties when the Taxonomy enters into force, but this will gradually increase once more data becomes publicly directly available. We therefore

assume that it will take time for data markets to develop as corporate issuers and ESG research and rating companies develop their systems. Pressure from regulators and legislators to make this data (publicly) available, *inter alia* by means of a proper NFRD review, might speed-up this process.

Translation of data, data providers & research companies

Availability of climate related reporting from issuers, but also the translation of such data in usable formats or templates by e.g. data research providers is key for asset managers. It determines if, to what extent and at what stage the Taxonomy will be used by asset managers for building a portfolio based on that Taxonomy. Data providers and research companies are also expected to play an important role in the usability of the Taxonomy. The same applies for compliance with the SFDR disclosure requirements, e.g. on principal adverse impact. Asset managers will also rely on their data. However, data providers tend to use different methodologies for assessing ESG ratings on corporate issuers, and the same may apply to the future integration of the Taxonomy principles in their research. We believe that is a concern, as data from various data providers should be comparable. In addition, in order to make the Taxonomy more useful and to be able to comply with SFDR disclosure requirements, we would encourage a common standard format of reporting by corporate issuers. Furthermore, the ease of access to corporate issuer data is also critical, also from a mere practical point of view. For example, data locked away in individual PDFs, i.e. data which cannot easily be processed automatically, would hinder implementation into investment processes of asset managers.

Access to data: EU ESG Database

DUFAS stresses that the success of the EU Sustainable Financial Action Plan relies heavily on data. Pricing of such data in the long run will become also important. Access to free- data or against reasonable costs is by market participants and other stakeholders imperative. We do therefore support any set-up of an EU wide ESG database. Such a database should serve as one-stop shop for investors and other stakeholders to access regulated information and, raw factual data free of charge or at low costs. This database should be set managed by a third party, i.e. not a regulator, [but may be well placed under the supervision of an European regulator]. A consultation process is needed to get to a good design of such a database.

Such EU wide ESG database should also be the basis for ESG rating agencies to base their ratings on. In addition, requirements as to standardization in format, methodology of ratings would contribute to improving quality, reliability and most of all comparability of ESG reports and ratings. Supervision of such ESG rating agencies may also need to be considered.

Digitalisation

DUFAS supports the idea to require companies to supply nonfinancial information in a machine-readable format for purposes of the creation of a centralized electronic database for ESG-data in the EU. It is important that said database should be digitised in an efficient manner with the purpose to minimise the burden of all stakeholders involved.

Questions or suggestions?

A lot is happening in the field of sustainability. We are constantly adapting our positions accordingly, where necessary. For questions or suggestions, or our latest opinions on sustainability, please feel welcome to contact Randy Pattiselanno, DUFAS manager strategy & regulatory affairs, at rp@dufas.nl.

