

EFRAG Conference

Where is corporate reporting heading?

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- Let me start by congratulating EFRAG for the successful completion of the draft European Sustainability Reporting Standards
- EFRAG has been working under a very tight timeline and only received final clarity on the political framework for ESRS when agreement was reached on the CSRD in June. Nevertheless the standards were completed on time.
- This is also due to the new and inclusive structure in EFRAG with a Sustainability Reporting Board and TEG where a wide range of stakeholders are represented.
- We are very grateful to Jean-Paul Gauzes for having established this new structure within EFRAG. And to Patrick de Cambourg as PTF chair, Kerstin Lopatta as acting SRB chair and Chiara de Prete as TEG chair for having concluded the work.
- It is now up to the European Commission to adopt a delegated act for the new European Sustainability Reporting Standards. According to the CSRD these standards need to fulfil a number of key requirements:
 - They need to respect the relevant existing EU legal framework, including the taxonomy and its technical screening criteria, the Sustainable Finance Disclosure Regulation, the EU

climate law and other pieces of legislation. Our standards will not be policy agnostic but will reflect the ambition and the goals that the European Union has set itself in the area of sustainability.

- The standards also need to be in line with the double-materiality principle, they need to cover both the risks that companies face and the impacts that companies' activities have on people and environment.
- ESRS are therefore not only directed at investors but also at other stakeholders who are affected by impacts of companies or who want to know about those impacts.
- And ESRS should contribute to the process of convergence of sustainability reporting standards at global level. The CSRD explicitly recognises the important role of global standards, including of course the International Sustainability Standards Board (ISSB) and the GRI.
- We want European standards to integrate the global baseline standards to be developed by the ISSB, to the extent that they are consistent with our legal framework and our policy ambitions on sustainability.
- And many of the disclosure requirements in the draft ESRS developed by EFRAG have their basis in GRI standards. We very much appreciate the work that GRI staff have done to advise EFRAG.
- It is important that this close cooperation with the ISSB, GRI and others continues into the future.
- Our goal is to make sure that European Sustainability Reporting Standards (ESRS) and ISSB standards are compatible to the largest extent possible.

- Over the last few months, the ISSB, EFRAG and the European Commission have been working jointly to ensure that in the areas covered both by European and international standards - that is mainly the climate area - definitions and concepts align.
- A high degree of interoperability between sustainability disclosures across different jurisdictions and a global baseline of sustainability disclosures are needed to avoid unnecessary complexity and cost for companies that are active internationally. And they are needed to achieve our shared goal of moving to a more sustainable economy.
- We know that for the time being ESRS will cover more areas than the ISSB and we know that our double-materiality and wider stakeholder perspective are broader than the ISSB's approach.
- But that should not keep us from aligning on financial materiality and ESG topics that we cover both.
- I am very grateful to Emmanuel Faber and his team for the strong commitment they have shown to this process. I think we have come to a very good understanding that we share the same goals and that by working together we can create a basis for the success for both ESRS and ISSB standards.
- Practically speaking, the goal from the EU side is clear: given our wider approach we want to make sure that any company complying with ESRS also fulfills the requirements of ISSB standards. As I said, this should start with the climate area.
- But we also need a process going forward when the ISSB will cover additional areas or when we establish sectoral standards within the EU.
- We are keen to keep up the close cooperation and we are looking forward to continue working with our international partners.