

EFRAG Conference
Where is corporate reporting heading?
7 December 2022 – Brussels

Pascal Durand
Rapporteur CSRD, MEP

Good morning to all of you,

This is the moment you've been dreading, the moment when a politician is going to speak in front of an audience of experts, practitioners and specialists on a subject they practice every day, and I apologise in advance for inflicting this on you.

However, I have good news, I am the first to speak this morning so you will be safe for the rest of the day...

On a more serious note, I am very grateful for your invitation and thank Hans BUYSSSE for allowing me to speak to you on this festive occasion of EFRAG's twentieth anniversary.

I certainly do not pretend to believe that it is I who has the honour of this invitation, but that through me you wish to show the importance for EFRAG and more generally for the European Union of the Corporate Sustainability Reporting Directive, which I had the honour of being rapporteur for and to negotiate on behalf of the European Parliament.

It will not surprise you to know how important I consider this new legislation to be. It is a new entry into the 21st century economy, one that takes into account not only the need for a company to create value, employment and develop its markets, but also to do so by integrating into its operational factors the finiteness of our natural resources, their peril, the importance of human, social and environmental rights, as well as the impact that an activity can have on its environment in the broadest sense. This is coupled with a new, more sustainable governance.

Of course, these elements were already used by a large number of companies, but there were disparate, incomplete and above all arbitrarily chosen, as they were not subject to any standardised or certified control.

This is what the CSRD intends to change, with the aim of making the market fairer, more transparent and more balanced between all the players, and also - and above all, one might say - allowing greater readability and transparency for all investors, analysts and stakeholders.

But in order to understand this economic upheaval, which represents a new challenge, it is essential to ask a new question: **Why?**

I am saying this here in front of professionals in the field of figures, as I have done elsewhere in front of my peers, the professionals in the field of law, that the question of "how", of which you are the practitioners, experts and specialists, is no longer sufficient in itself.

You know how to name, everything that is counted, to put it all in the form of a table, a cost, a provision or a value, we will now have to ask ourselves, all of us collectively, how to define in economic terms what at this stage did not necessarily have a value.

And this is where the new question of "why" comes in. This is the question that financial market participants and lawyers no longer have time to ask themselves, obsessed as they are by the need to find immediate answers to standard market problems.

The role of EFRAG is therefore absolutely considerable since it consists in giving value to what until now has counted for little or nothing. I cannot resist the pleasure of reminding you that for years we have been satisfied to give importance to what we know to be important, but now we are caught up in the need to give value to what is important to all, to humanity.

It is a wonderful and indispensable task, and I weigh my words, for EFRAG and all standard setters in our globalised world.

- and I am of course turning to Emmanuel Faber and the ISSB at this moment -

Specifying norms and standards so that a company is aligned with the objectives of the Paris Agreement, so that it ensures the preservation of ecosystems, human and social rights across the planet, so that on the one hand of course it can sustain its activities and retain its markets and profitability, but also, and this is what is new in our world, so that it can participate in maintaining the planet, our planet, in a state of use.

Usus and fructus, as the Roman jurists said, while ceasing the abusus.

Once this has been said, your work must be made possible. This requires us to find a common language to normalise and standardise what represents a new value for the company in terms of both the impacts it produces and the constraints it undergoes.

This is a simple definition, which you may find simplistic, of the dual materiality that has been the hallmark of the European view of non-financial reporting to date.

In this respect, EFRAG and the new standards which have just been proposed to the European Commission and which will subsequently be the subject of a delegated act constitute a step forward in line with the roadmap that the Parliament and the Council have given you.

However, I am not forgetting, and I would like to say solemnly here, that the conditions under which EFRAG is required to work, the little resources with which it is endowed and the obligation to work on a voluntary basis are clearly unworthy of the responsibility that the European Union has entrusted to it.

If we all consider that norms on sustainability and their standards in the years to come will be as important for the company of the 21^e century as balance sheets and financial norms were in the 20^e century, then we must give ourselves the means to ensure that this work is not only remunerated at its fair value but that it finds its place in an international concert and can be respected for that.

However, to date, the resources available to other standard setters, including the ISSB, and those available to the European Union through EFRAG are disproportionate and lead us to the risk, if not discouragement, of not being able to meet all the objectives that the European Union has imposed on itself in its legislation.

I therefore turn once again to the Commission and to the representatives of the Council to tell them that it is imperative that they give EFRAG the means to operate in a sustainable and independent manner, so that it will not be dependent on the goodwill of this or that body in the future.

The Commission must provide the human resources necessary to carry out its work: this is the first and most important gift I wish you for your 20th^e anniversary, that of finally having the financial means useful to the major mission you accomplish.

The second gift I wish you, is to see your work recognised by the Commission and the co-legislators and not diminished in the forthcoming delegated acts, which would reduce the ambition of your standards and norms, either through its scope or through its future control and certification.

This is the second solemn point that I would like to raise today: we absolutely need extra-financial norms and standards to be audited and certified tomorrow with the same rigour, the same independence and the same transparency as the current financial norms.

This is an absolute imperative and here too we must collectively within the European Union provide ourselves with the means for auditing and certification.

To do this, I call on Member States to break out of the monopoly logic of auditing and to open up their market by allowing certification by Independent Assurance Service Providers - IASPs.

The last gift I wish you is that this work is not misinterpreted in the context of incomplete or arbitrary ESG ratings, which do not take sufficient account of the real impacts of economic actors on the environment and human rights.

This is why I also encourage the Commission to regulate the activities of agencies on ESG rating as soon as possible to ensure greater transparency of their activities and the methodologies they use, but also to ensure that certification and non-financial rating can be carried out by players who share the Union's values. This will require an end to the existing oligopolies.

The success of this paradigm shift will be played out in the real world, and EFRAG is already making a significant contribution to this.

I wish you a nice conference.