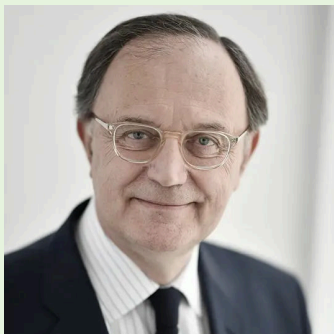


OPINION: SUSTAINABILITY REPORTING

## Reporting for duty

Financial and sustainability reporting are the two legs of reporting; it is vital they walk in coordination





**Patrick de Cambourg**

Chair, Sustainability Reporting Board, EFRAG

Data is vital — you cannot achieve policy goals or strategic business goals without it. And that means no public policy or private business strategy can be successful without proper reporting. This is where standard-setting comes in.

I became chair of the Sustainability Reporting Board of the European Financial Reporting Advisory Group (EFRAG) after long involvement with the group and after heading its taskforce on the preparatory work for the European Sustainability Reporting Standards (ESRS). We submitted our advice on those standards to the European Commission late last year, after working to a very tight deadline due to the timetable set out in the legislation, but also because there is an urgent need for sustainability data. Financial and sustainability reporting are the two legs of reporting; it is vital they walk in coordination and are connected by governance.

### **Ambitious standards**

As well as being produced to an ambitious timetable, the standards themselves are ambitious. EU financial reporting took decades to reach maturity — and we are on a journey to create a second pillar of substance on an equal footing with financial reporting in just a few years. These sustainability reporting standards are a game-changing step and we had to strike a balance with our level of ambition. We had four objectives:

- Align with the EU Corporate Sustainability Reporting Directive (CSRD) and cover all three elements of ESG — environmental, social and governance — because there are so many interactions between the planet, people and governance.
- Reduce the number of disclosures, following the results of a public consultation, by about 45% without impairing the substance.
- Ensure the standards are consistent and as simple as possible.
- Create interoperability with other initiatives, particularly the work at global level of the International Sustainability Standards Board. From an EU perspective, our aim is that if a company is complying with the ESRS it should also be in compliance with ISSB standards.

*To learn more about the work of EFRAG's Sustainability Reporting Board see Patrick de Cambourg interviewed in "[Reporting for duty](#)", an Insurance Europe "Cover Notes" webinar, December 2022.*

**"EU financial reporting took decades to reach maturity — and we are on a journey to create a second pillar of substance."**



## What now?

So, what's next? The Commission now holds the pen on the standards. It has indicated that it does not plan to make significant changes, but this is subject to the political process and, of course, EFRAG will assist the Commission in its work to finalise the standards.

In March 2023, the Commission asked EFRAG to postpone the work on the sector-specific layer of standards that are required by the CSRD and to focus on developing guidance to help with the implementation of sector-agnostic standards instead. The Commission's aim is to ensure that adoption and implementation of the first, very extensive set of standards by companies is successful and also to give EFRAG and its stakeholders more time to develop the sector-specific standards that will follow.

EFRAG also needs to provide standards for listed SMEs and for voluntary disclosure by non-listed SMEs. While non-listed SMEs are not required to report by the CSRD, I think a system of voluntary disclosure is very important.

Busy times lie ahead in this vital underpinning of sustainability in Europe.



What is EFRAG?



The European Financial Reporting Advisory Group develops and promotes European views in the field of corporate reporting and develops draft European Sustainability Reporting Standards. Its members are European stakeholders, national organisations and civil society organisations.

