

EFRAG Sustainability Board  
EFRAG Sustainability TEG  
European Financial Reporting Advisory Group

Brussels, 8 August 2022

## Comment Letter on the public consultation on the first set of draft European Sustainability Reporting Standards

Dear EFRAG Sustainability Board and TEG members,

I am writing to you today on behalf of the EACT to express our support for the development of an ambitious EU sustainability disclosure framework that is interoperable with international standards – including those being developed by the IFRS Foundation.

The EACT (The European Association of Corporate Treasurers) brings together 14 000 treasury professionals active in 22 countries in non-financial companies, working for around 6500 individual companies representing the real economy end-users of financial services and preparers of sustainability information.

We believe that climate change and sustainability issues pose a fundamental challenge to the way we live, and that action and innovative solutions are needed to help move the world towards the goals of the Paris Agreement and a sustainable future.

Sustainability reporting is a part of the solution, as standardization and a single global baseline for sustainability reporting can help foster not only increased transparency and comparability of information, but also increased accountability – allowing consumers and stakeholder to follow the progress of companies' sustainability journeys.

Sustainability reporting standards need to be fit for purpose, simple to implement, and interoperable – with the view to ensure relevant, comparable, coherent, and decision-useful information across jurisdictions globally.

With that in mind, we welcome the EFRAG consultation on the Draft European Sustainability Reporting Standards and would like to highlight several points that will be central to ensuring simplicity, interoperability, as well as relevance and comparability of information:

- 1) Aligning the future ESRS with international sustainability disclosure standards should be a priority.** Our members would encourage further work on international alignment of sustainability disclosure requirements, as interoperability can help ensure legal certainty, comparability and accountability needed for stakeholders and consumers. The ESRS should seek to build upon and expand on existing and upcoming international standards and frameworks, including:
  - The standards being developed by the IFRS Foundation and its International Sustainability Standards Board (ISSB),
  - The Task Force on Climate-Related Financial Disclosures (TCFD),

- The International Integrated Reporting Council (IIRC),
  - The Global Reporting Initiative (GRI),
  - Sustainability Accounting Standards Board (SASB) standards.
- 2) **Facilitating compatibility between the single materiality under ISSB and the double materiality approach of the ESRS.** Our membership strongly believes that single and double materiality are complementary approaches. Having a building-block approach to materiality can allow the EU to have higher sustainability ambitions, while ensuring coherence between the EU and international standard setting initiative – and thus incentivizing a broader set of market participants to engage with sustainability issues.
  - 3) **The ESRS should be proportional, simple, and aligned with CSRD and other requirements stemming from existing and upcoming EU legislation.** More specifically, the ESRS should ensure alignment with the Taxonomy Regulation, Sustainable Finance Disclosure Regulation (SFDR), the EU’s Circular Economy framework, the future Corporate Sustainability Due Diligence Directive, as well as other upcoming proposals, such as the one on Forced Labor.
  - 4) **Enabling a coherent approach to cross-cutting and topic specific requirements being developed as part of the ESRS.** This would help avoid overlaps, while at the same time ensuring an adequate focus on the number of disclosure requirements that the multi-layer approach might entail – given that the exposure draft at hand already covers 137 reporting points.
  - 5) **Reflect ability of organizations to gather information from partners located in other jurisdictions.** With the view to ensure adequate enforceability, EFRAG should also pay attention to potential hindrances to collection of reporting data. Clear guidance is needed on exceptional situations where businesses are not able to secure appropriate information and evidence, or where the requirements might lead to disclosure of confidential business information.

We hope the above high-level comments can serve as constructive input and would like to again express our support for the work being undertaken by the European Financial Reporting Advisory Group to set up comprehensive, fit-for-purpose standards that can be interoperable with the global baseline for sustainability reporting.

Best regards,

François Masquelier

EACT Chair