Open Letter on Sustainability Reporting to the European Commission, the European Parliament and the Council of the European Union

This statement is signed by 60 organisations representing over EUR 9.5 trillion in assets and employing over 5 million people. It is released with the support and coordination of the European Round Table for Industry, the Value Balancing Alliance, the World Business Council for Sustainable Development and the World Economic Forum.

As leading organisations with a global reach, we recognise that the context in which businesses now operate has been transformed by climate change, nature loss, social unrest around inclusion and working conditions, and the changing expectations of the role of corporations. Further, the global pandemic has exacerbated underlying and longstanding challenges regarding equality and access to economic opportunities.

We support the ambition of the European Green Deal and commit to playing our role to build corporate resilience and enhance our license to operate through greater commitment to long-term, sustainable value creation as well as by considering the needs of all our stakeholders.

We believe these efforts and commitments need to be supported by globally consistent and comparable performance metrics and disclosures, to enhance decision-making, trust, and accountability. Sustainability needs to be integrated into accounting and reporting systems.

However, preparers and consumers of environmental, social and governance (ESG) data all over the world are still struggling with a profusion of reporting frameworks and standards that do not enable consistent and comparable disclosures.

The standardisation that has already taken place in financial accounting offers a blueprint for success. In the past, accounting faced myriad metrics, jurisdictions and organisations, and coordination took decades. The global accounting rules in place today ensure that company performance in any industry or country is comparable and companies can be held to account by investors.

To achieve a similar outcome on the ESG front – and to do so fast – the world should follow the same template and establish an independent body that can ensure objectivity and due process. We therefore strongly support the initiative of the International Financial Reporting Standards (IFRS) Foundation to create an International Sustainability Standards Board (ISSB) to develop globally accepted standards for sustainability reporting that can be adopted worldwide.
We also acknowledge that there are jurisdictions that are more advanced in embracing sustainability and want to go further and faster to meet specific policy priorities. **We therefore support the European Commission in its aims to promote high-quality ESG standards** as part of the continent’s green economy transition, through its proposed Corporate Sustainability Reporting Directive (CSRD), including through the introduction of European sustainability reporting standards to be developed following the establishment of a new standard-setting body within the European Financial Reporting Advisory Group (EFRAG).

High-quality standards should be based on principles of legitimacy, independence, transparency, public accountability, and thorough due process. Stakeholder engagement and due process must be inclusive and allow for high-quality input from the business community. **We therefore call on the European Commission to set up a robust and inclusive due process for developing its own sustainability standards, as outlined in its proposed directive. This is important as any future standards will be adopted by delegated acts with direct effect on companies. In this regard, we welcome EFRAG’s consultation on its future due process.**

As investors and organisations with global operations, we rely on international supply chains and attract capital from across the world. Global alignment of reporting standards is crucial to provide a comprehensive view of a company’s sustainability performance. **We encourage the European Commission to support the establishment of the International Sustainability Standards Board and actively and urgently promote cooperation between EFRAG and the new Board.** Increased international cooperation in aligning and harmonising sustainability reporting standards is essential to ensure a global level playing field. To meet the needs of the financial and capital markets, non-financial reporting standards must be global.

**We support the International Organisation of Securities Commissions (IOSCO) and the IFRS Foundation in their recommendation of a ‘building block approach’** for the establishment of a globally-consistent foundation of sustainability standards, upon which national and regional standard-setters may build supplementary standards that serve their specific jurisdictional needs. We note that this model has recently been endorsed by G7 and G20 finance ministers and central bank governors, including the European Union.

We believe this approach is necessary to minimise the risk of divergence, inconsistency and lack of comparability, which would risk creating an unlevel playing field. This could double the reporting burden in countries where differing standards exist. Worse still, capital markets would continue to be unable to effectively channel investments towards sustainable businesses – hampering the necessary restructuring of the global financial system towards long-term value creation, inclusivity, and resilience.
Consequently, we encourage constructive cooperation between the future European sustainability standard-setting body, EFRAG, and relevant international initiatives to maintain a building blocks approach. IOSCO’s proposal for a multi-stakeholder consultative committee to operate within the IFRS Foundation structure could help promote consistency and comparability with jurisdiction-specific reporting standards. The appropriate presence of multilateral bodies and major stakeholders in such a body, including the European Commission, could provide the necessary support for achieving a global baseline and an effective mechanism for cooperation with national or regional standard-setters.

As global organisations with operations in Europe, we know that doing business in more sustainable, inclusive, and resilient ways is one of the crucial challenges of our time. With its international standing and leadership role on the sustainability agenda, the European Union can be a key force behind global cooperation and alignment on ESG reporting standards. We support the institutions of the European Union in this effort and stand ready to contribute with our experience.

Signed

ABN AMRO
Adecco Group
AIB Group
Air Liquide
Allianz
Arabesque
BASF
BBVA
BDO
BMW
Deloitte

Deutsche Bank
Deutsche Post DHL
Enel
ENERGIAS DE PORTUGAL SA
ENGIE Group
Eni
Ericsson
Eurasian Resources Group (ERG)
Euroclear
EY
Galp Energia
HEINEKEN
Holcim
Iberdrola
Ingka Group
JLL
KPMG
Leonardo
ManpowerGroup
Merck
Mitsubishi Chemical Holdings
MOL group
Nasdaq
Neste
Novo Nordisk
Novozymes
Planet
Porsche AG
PwC
Rabobank

Royal DSM
Royal Dutch Shell
Royal Philips
Sabanci Holding
Salesforce
Sana Kliniken AG
SAP
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Siemens
SK Group
Snam
Sonae
Stora Enso
Sumitomo Corporation
Sumitomo Mitsui Financial Group
TotalEnergies
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Yara International

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