

EFRAG conference: *“Advancing Transparency & Competitiveness in Challenging Times”*

**Brussels, 10 December 2024
Jean-Paul Servais | IOSCO Chair**

Keynote speech: *“Corporate reporting developments: international and European regulatory perspectives and realities”*

Cher Benoît, Dear Wolf, Dear Patrick,

Dear Ladies and Gentlemen,

It is a pleasure and a privilege to stand before such a broad and diverse audience today. Both those with us here in the room as well as the many participants online.

In my capacity as IOSCO Chair, I would like to focus my remarks on the aspects that, from an international perspective, are crucial for the development of corporate sustainability reporting globally.

In this context, I am convinced that the sustainability reporting framework is best served by a proportionate and gradual approach at the global, EU and national levels. At the same time, we must strive for appropriate alignment at these levels, and IOSCO is instrumental in achieving this.

Proportionality and alignment as guiding principles

It is clear to everybody that delivering sustainability disclosures is a challenge for companies, especially for the smaller companies in scope and those that have not previously reported sustainability information. One should not forget, however, that we come from an alphabet soup of voluntary disclosure frameworks. This was a complex and hence costly situation for companies seeking to provide information, while leaving investors totally unable to compare the performances and prospects of companies.

The challenge posed by reporting is a massive undertaking for many reasons such as developing the necessary expertise, accessing and analysing the data, making the right interpretation of the standards, and conducting robust materiality assessments. These are challenges that require resources and commitment.

In this regard, the European Commission and EFRAG have taken meaningful and concrete measures to reduce the immediate burden on companies by raising the applicable scoping threshold, by allowing transition periods and by delaying sectoral standards.

Proportionality, which goes hand in hand with implementation guidance, is key to ensuring that the standards also work on the ground and not only on paper. The implementation guidance on various topics, as well as the many Q&As EFRAG has been working on, are therefore very welcome, as they give necessary clarifications on important interpretation questions. I believe that EFRAG has received almost 700 questions. This just to give you an indication of the importance of EFRAG's clarification efforts.

Such guidance also contributes to a common understanding of the standards and their intricacies throughout the whole sustainability reporting ecosystem. I know many of you will be looking at this through the eyes of the issuers, but one should not forget that investors, assurance providers and regulators also need to go up the learning curve.

Implementation efforts should be further prioritised in the EU as well as beyond. As it is often said, sustainability reporting is a journey. At IOSCO, we are particularly attentive to this issue. Teaming up with the ISSB, we are dedicating resources for a capacity-building programme and training with a focus on Growth and Emerging Markets. This is absolutely necessary to promote consistent adoption of sustainability standards across continents.

A lot has happened since the IOSCO endorsement of the ISSB standards in July 2023 and our call upon jurisdictions to adopt, apply or otherwise be informed by the ISSB standards.

IOSCO's endorsement, our implementation efforts, and our capacity-building programme training have contributed to 30 jurisdictions (including the EU, counted as one) (so in fact, 56 jurisdictions) taking steps to integrate these standards into their regulatory regimes. We expect more to follow suit.

- Together, these jurisdictions represent almost 57% of global GDP and over 50% of global greenhouse gas emissions.
- Almost all those 30 jurisdictions see value in progressing with Scope 3 GHG emission disclosure requirements. This means that IOSCO is on track to reach its objective of 130,000 companies eventually using ISSB-aligned disclosures. This includes the EU27 through the ESRS standards.

We should seek ways to minimise duplicative reporting for global firms as much as possible.

IOSCO strongly supports the steps taken by EFRAG and the ISSB to reduce complexity, fragmentation and duplication for companies applying both the ISSB Standards and ESRS. The publication of the ESRS / ISSB standards interoperability table also supports their interoperability and drastically reduces the risk of double reporting.

This milestone underscores the importance of aligning global and regional sustainability reporting frameworks. This alignment reduces fragmentation and supports a unified language for sustainability disclosures.

Alignment of the sectoral standards

In this spirit, efforts to develop sectoral standards must support the same principles of interoperability, proportionality, and inclusivity.

Ongoing dialogue between regional and global stakeholders is essential.

It is to be welcomed that, in developing the sector-specific disclosures, EFRAG aims to leverage, as far as possible, existing frameworks like SASB and those from GRI.

We should seek ways to achieve, where possible, a high degree of alignment between frameworks. Unlike the launch of the first wave of standards where the EU took the lead first as part of its Green Deal, this time both standard-setters are starting work on sectoral standards in parallel, providing an opportunity for alignment from the outset.

As standard setters advance in their consideration of sectoral standards, my view is that we should seek convergence from the outset. Stakeholders, including issuers and investors, appreciate the alignment achieved between ISSB standards and ESRS and are eager to see comparable alignment extended to sectoral standards. So for once, I am not calling for speed. Instead, I would call for thorough concertation.

Transition plan disclosures: comparable, consistent and reliable

As IOSCO Chair I had the pleasure of attending COP 29 in Baku, where I presented the new IOSCO report on transition plan disclosures. As you all know, climate transition plans are increasingly being used by companies. However, in order to have a positive effect on market participants' ability to make informed decisions, the transition plan disclosures need to be comparable, consistent and reliable.

This report seeks to avoid ending up with an alphabet soup of transition plan disclosures where these are being published. IOSCO therefore stresses the ongoing need for interoperability as well as the development of transition plan disclosure guidance to clarify disclosure expectations and lead to more standardized information.

Audit & Ethics

To contribute to the trustworthiness and therefore the usefulness of these disclosures, IOSCO encouraged the global development of assurance and ethical standards that are focused on the public interest, framework agnostic and covering all sustainability assurance providers.

IOSCO recently assessed the standard approved by the international audit standard setter IAASB and encouraged jurisdictions to make use of the standards while taking into account national arrangements.

IOSCO will also soon assess the IESBA ethical standards in the same way as the assurance standards. With these standards in place, the ecosystem of international standards will be complete in early 2025.

I thank you for your attention.