

Sustainability reporting: time to let companies digest EU sustainability initiatives



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European regulators must acknowledge that a revolution has already taken place in European companies following the many sustainability initiatives of the EU. Now it is time for the EU to let companies both digest the changes and take the next step.

“The impact of the CSRD and the implementation of the future CS3D and ESRS standards will not happen overnight. While most boards of directors are aware of the issues, most of them are on the learning curve and the level of preparation varies greatly from one jurisdiction to another”, highlighted Leena Linnainmaa, chair of ecoDa.

At the EFRAG conference, Commissioner Mairead McGuinness has just suggested that new initiatives could be taken to improve corporate reporting and audit quality by ensuring better risk management and internal control as well as by increasing boards’ responsibility.

“The European Commission must give European companies time to digest these changes before embarking on new legislative projects. There is a clear need for a follow-up of the success and impact of the current and coming legislation”, emphasized Pascal Durand-Barthez, new chair of the ecoDa Advocacy Committee .

The responsibilities of directors will greatly increase with the CSRD and the CS3D. Board members need to familiarize themselves with new concepts such as double materiality. They must also set up a structured, traceable and auditable due diligence process. In addition, they must both carry out complex arbitrations and document their decisions.

“Companies will have to perform a complex exercise of due diligence concerning their value chain, materiality analysis and prioritization. Since they are not yet familiar with the requirements, this will be a learning process. In order to add value and reliability EFRAG should quickly consider providing practical guidance and tools to support companies, especially mid-size entities”, pointed out Anne-Hélène Monsellato, Leader on sustainability, ecoDa.

Less is often more, especially when any new regulation implementing reporting requirements generates unwanted consequences affecting SMEs directly or indirectly.

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Notes to editors

About the European Confederation of Directors Associations (ecoDa)

The European Confederation of Directors Associations (ecoDa) is a not-for-profit association founded in December 2004 under the laws of Belgium. Through its 20 national institutes of directors (the main national institutes existing in Europe), ecoDa represents approximately 55,000 board directors from across the EU. ecoDa's member organizations represent board directors from the largest public companies to the smallest private firms, both listed and unlisted.