

Patrick de Cambourg - Keynote Speech

EFRAG Conference 2025

November 2025 — Amended ESRS : why and how !

Following the excellent explanations provided by my colleagues on what EFRAG just achieved, I am happy to share with you the few observations I would like to make when looking back and when looking ahead on the ESRS journey.

After years of involvement in this area, I have no doubt that quality sustainability-related information is key. Key for companies to make decisions on a robust basis. Key for companies to communicate appropriately with investors, lenders and other stakeholders. Key for users of information, in the broadest sense, to understand companies and make their own decisions. When confronted with so many transitions, decisions cannot be based only on retrospective financial information. We see every day that the pace of technology evolution and the importance of geopolitical shifts and market trends require focusing on medium- and long-term plans even if strategic scenarios are to be developed under conditions of uncertainty. Management decisions, allocation of capital, business relationships badly need to integrate this dimension as foundational to proper market functioning, to impact and risk mitigation as well as to trust and social and political confidence. For investors in particular, how to assess the huge gap between book values and market capitalisations, which assume significant « intangibles »; how to explain EBITDA multiples, which assume long-term and sometimes exponential growth? The difference between informed assessment and speculation is a fine line. The former is the basis of market functioning; the latter is one of the biggest threats to financial stability.

What has to be done then to benefit from quality sustainability-related information? I have little doubt that standardised sustainability reporting is the game changer. Until the CSRD, the quality of sustainability-related information was by construct nowhere near the quality of financial information. There was a critical need to put things in the right order and to start from what drives the rest: reliable data! In order to do so we had — we have — a precedent, a reference with the path followed to provide reliable financial information, a path to quality with steps organised in an orderly manner : first a legal framework, then robust standards, then management processes, the oversight and ultimate decision of governance, an independent audit system, appropriate supervision and enforcement mechanisms and finally the users' assessment. This is what the CSRD puts in place and the ESRS follow through.

Incidentally, beyond the risks associated with the lack of relevance and the lack of reliability, in terms of collective cost a fragmented data environment is by far more costly than a standardised environment. Many of us will vividly remember the difficulties that existed in the EU prior to the adoption of a common language for financial information, even if there was the Accounting Directive that was supposed to harmonise but was leaving options and nuances at the discretion of national cultures. This was not enough for financial markets. To implement the global standards there was of course an initial investment and tricky interpretations; there was also a critical need to fundamentally review certain key standards (IFRS 9, 15, 16, 17...) and it was not easy, but today nobody would even think of going back. In addition, information is always better when it is prepared at the source, in this case by the businesses themselves under a clear framework. If I may risk a comparison: if you want to enjoy the best strawberries you are better off relying on your good local producer and picking them yourself from the field. You know how he or she produces, and there are no unnecessary intermediaries. Quality and savings! So, to put it in a nutshell, standardised corporate information should from now on « walk on two legs », the very mature financial reporting « leg » and the new and fast emerging sustainability « leg », both legs being coordinated as they should by the « brain », in this case the governance of the company.

I have to apologise for having stated again what may be considered obvious by many. However it is important not to lose sight of what is at stake. Now, of course, we all know that the best ideas have to be implemented efficiently. The devil is in the details of implementation and time is of the essence. I do not want to elaborate for too long on the past, I just want to say that if we subscribe to the policy objectives to foster a relevant and reliable sustainability data environment, we all need to take stock of what works and improve it further and fix what does not work well. And this is precisely what we have been doing under a new and unprecedented effort. Let me highlight a few critical points.

The first point is of course the scope of the new reporting regime. This was and is not in EFRAG's remit, of course, but it is critical for standard-setting. What is the intended audience for the standards? In retrospect, it is true that we made a decision to capitalise on the best reporting practices available; in doing so we were not reinventing the wheel, but we were implicitly focusing on the most advanced and larger actors. We understand the reaction of the « smaller large », if I may say so: it was a bridge too far for these businesses and as a standard-setter we could have been more vocal and/or more reactive. Yes, we elaborated the VSME standard, but in doing so we were working for the businesses below 250 employees, including the micro-enterprises. So we welcome the de-scoping element of the Omnibus proposal which creates a more realistic match between the ambition of the reporting regime, the standards and their audience. A question remains though for the businesses that are not in the scope anymore. They are confronted with a voluntary regime. If you believe in the benefits of sustainability-

related information, they cannot be left aside even if it is ultimately their responsibility to decide how they want to create long-term value. They and we should pay attention. On our side, it is therefore important to consider what should be the reporting regime offered to these many actors. Proportionality, but also relevance, will be key in that respect. As Commissioner Albuquerque highlighted when she presented the Omnibus proposal back in February, we can expect a virtuous circle (my words !) where the momentum will include businesses that are not in the scope of the mandatory reporting regime if we calibrate the applicable reporting regime properly.

The second point is related to the underlying standard-setting approach that is chosen. Apologies for « talking standard-setter shop » here. In reality there is a range of possibilities that go from basic principles-based systems, a few pages, to strictly rules-based systems, thousands of prescriptive pages. Cultures, underlying legal frameworks, practical circumstances prevailing at a moment in time are critical factors for the standard-setter. In retrospect, with Set 1 we collectively opted for a principles-based system which is in line with our culture, but we also introduced a significant element of rules and prescriptions because of the risks associated with a new area to cover and its characteristics. For relevance and comparability, we had to deal with a raw material which is different from the one financial reporting works from. In particular: the importance of narrative information and the lack of a single measurement unit (euro or dollar). We went too far and therefore gave the impression that we were putting in place a rules-based system that generally goes implicitly and explicitly with a compliance approach. That was not our intention, but we overshot! This is why in the Amended ESRS we have just delivered to the Commission, as explained by my colleagues, we have moved the cursor towards a more principles-based regime with a general emphasis on substance over form. You have heard my colleagues and I do not want to repeat. Substance means that companies need to report on what really matters, and only on what really matters. The general inspiration is that we should avoid at all cost falling into a compliance approach. Reporting is primarily an exercise of transparency about management decisions that pave the way to the future of the company under the strategy decided by its governance and management. This is why in the Amended ESRS we have made an explicit reference to fair presentation as a clear indication, in short, that too much granularity was the enemy of relevance and faithful representation. I say explicit because the characteristics of information quality that are the foundations of fair presentation were already present, but the term « fair presentation » per se was not mentioned... So we decided to clarify and dissipate misunderstandings to the maximum extent possible. We make explicit what was implicit but not understood by all. For us, dissipating misunderstandings is key to focusing on fair representation of material impacts, risks and opportunities of the company taken as a whole. It is a critical burden-reduction factor if applied with common sense ; it does not create additional liabilities if information is presented in a neutral, balanced and ultimately



fair manner. Incidentally it clarifies, if there was doubt, that ESRS and the ISSB standards belong to the same « camp » in terms of underlying framework.

My third point is about the balancing act achieved with the Amended ESRS. At the end of the day, in terms of substance, if we take a step back to provide a « fair presentation » of what we did, did we strike the right balance between the expected simplification and the much-needed relevance of information? In my humble opinion, the answer is yes, take or leave a few aspects that I am sure the Commission will consider further. It is an amazing opportunity to have been given the possibility to perform earlier than usual what standard-setters call a « post-implementation review » (PIR). You have been given an overview of the levers we activated, we have mentioned the reduction of datapoints, so you have the evidence to form your own view. As you know, a consensual decision is a give-and-take exercise where everybody is ultimately a little unhappy. I am comforted in my positive answer by the fact that I hear (and this is illustrated in our letter to the Commissioner) that some would have preferred additional reductions while others indicated that the Amended ESRS are on the verge of introducing too much reduction, if not already an excessive one, almost beyond the tipping point. In a multi-stakeholder environment which reflects the various levels of expectations of stakeholder groups, I am encouraged by the fact that we seem to have adopted a « middle of the road » approach. Reporting is simplified but the core information is not impaired.

Beyond substance, as I said, time is of the essence. My fourth and last point is about how to better manage the pace of change. We are talking about reliefs and phasing-in provisions. It is true that in 2021/2022 we were all in a mindset of addressing an urgent issue. It was not undue enthusiasm ; it was a sense of urgency. In order not to « put the cart before the horses » in the context of the Green Deal, the pivotal role of quality data from the real economy had to be solved. So, for the Amended ESRS, we recognised that collectively we had been going too fast and, as a consequence, every time we had a decision to make in terms of timing, we put the emphasis on substance but gave access to time and reliefs. This is to reflect the time and practical considerations needed to implement a significant change. In doing so we take people at their word: they tell us that they need time and that they are also confronted with practical obstacles that can be solved over time; we believe them and insert sustainability reporting in the EU into a journey that acknowledges that in a new area there are steps towards the ultimate goals. Time will tell, but I am confident.

As a conclusion, let me state that the EU can be proud of having a better-adjusted ambition with respect to sustainability in general and to sustainability reporting in particular. Because at the end of the day, competitiveness is a medium- and long-term goal that requires addressing the transition challenges of the economy at the right point in time and allocating capital accordingly. I believe quality sustainability reporting is here to stay, for management and transparency purposes. Someone, who is not so popular

these days, coined a phrase about eternity, I quote: « Eternity is very long, in particular towards the end ». I will not speak about eternity, which is not in EFRAG's and probably anybody's remit..., but I will finish with this : « Sustainability is about the medium- and long-term future of our companies and of our society at large, but this time horizon is not a remote objective, it starts today, at best... tomorrow morning first thing ! ».

Patrick de Cambourg

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