

Sabine Mauderer: Finding the right balance - the way forward for sustainability disclosures

Speech by Dr Sabine Mauderer, Member of the Executive Board of the Deutsche Bundesbank, at the Bocconi School of Management Conference "Sustainability disclosure: red tape or strategic tool for the future of business?", Milan, 24 June 2025.

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1 Introduction

Ladies and Gentlemen,

It is a pleasure to be here to talk about the role of sustainability disclosures, especially in times of political headwinds. Climate change, nature loss and the green transition of our economies have significant macroeconomic impacts that can translate into various economic and financial risks.

If we stick to current policies, global GDP could be 15% lower by 2050 compared to a world without climate change.^{[1](#)} This is the outcome of our latest NGFS long term scenarios. And even in the short term, the impact on GDP could be substantial. Our recent publication of short-term scenarios shows that delaying the transition by just three years could cost almost 1% of global GDP by 2030.^{[2](#)}

Failing to identify climate and nature-related risks and to manage them properly can have serious consequences. For the real economy and therefore also for individual financial institutions and the financial system as a whole. So, understanding and managing these risks is essential.

2 Why sustainability disclosures matter

I am sure many of you are familiar with the principle "you can only manage what you can measure". Transparency and high-quality data are the foundation for effective risk management. Reliable data allow corporates and financial institutions to assess financial risks posed by climate change and nature loss.

Banks need to understand whether their corporate clients rely heavily on fossil fuels or ecosystem assets like water. ECB research shows that more than one-third—over €1.3 trillion—of bank loans to non-financial corporations in the euro area are to sectors that are exposed to high risk of water scarcity. Dry soils can reduce agricultural yields or low rivers might constrain electricity generation.^{[3](#)} Similarly, insurers have to know whether those assets, they insure, are vulnerable to extreme weather events.

For corporates, on the other hand, it is also important to know vulnerabilities in their supply chains, either related to water scarcity or other ecosystem services. Also, the pharmaceutical industry heavily relies on plants to produce and develop drugs.

Sustainability disclosures help companies identify these financial risks and build more resilient and sustainable supply chains. Corporates that identify and address sustainability risks early can benefit. At the same time, knowing those ecological risks can help companies to develop innovative, clean technologies. This can provide a competitive edge in the market and open up new business opportunities. And we all know, this is what Europe needs more than ever.

Finally, robust disclosure practices can send a signal to financial stakeholders and may make it easier for companies to access funding and attract investments.

3 Challenges

As you can see, there are strong merits to sustainability disclosures. Unfortunately, substantial data gaps persist. This makes it difficult for financial institutions and corporates across industries to integrate climate and nature risks into their risk management and decision-making processes. In recent years, we have seen encouraging progress in closing these data gaps, especially with regard to climate data.

With the Taxonomy and the Corporate Sustainability Reporting Directive (CSRD), the EU has been the first mover on transparency regulations, intended to become a role model for many other regions. However, as you all know, the EU's regulatory framework has faced criticism.

One of the main criticisms relates to complexity. Sustainability reporting frameworks require a deep understanding of technical and regulatory details. Companies perceive the rules as too complicated and have expressed concerns about the high reporting burden, especially small and medium-sized enterprises. True is, that the EU taxonomy encompasses hundreds of pages. This is difficult to handle.

As a result, other regions have refrained from adopting the European approach. Instead, China, Malaysia and other countries have adopted a more principle-based approach to sustainability disclosure.

So the question is, what is the right approach for Europe? The answer is not black or white. A differentiated approach is needed. On the one hand, we see that Europe's economy needs to become more competitive. Uncertainties around global tariff policies and overcapacities from China add to the already low growth and low productivity in Europe. So it is important to reduce burdens for corporates, if there are alternatives.

On the other hand, I mentioned earlier, European corporates and financial institutions are exposed to climate and nature-related risks. So, transparency is crucial to identify potential risks and manage them properly.

Finally, we all know that there is the need to drive transformation towards low-carbon industries, globally. Otherwise we might end up in a hot house world scenario with all consequences. Europe has great opportunities to become a global leader in offering solutions, not only in the clean tech industry. But other regimes seek the same opportunities, esp. China. So, Europe needs to make its mind up.

4 A way forward—pragmatic solutions needed

Going forward, it is crucial to strike a balance between the need for comprehensive information and the reporting burden on companies. Pragmatic solutions are needed.

First, we are living in a world that keeps changing in many ways. Therefore, overly detailed rules might become outdated quickly, whereas general principles might be more sustainable. Principle-based approaches that focus on overarching principles rather than detailed rules, may provide an alternative, esp. for SME's.

At the same time, it is important to admit that there may be some downsides to principle-based approaches. They may leave room for different interpretations or misinterpretations of information.

My second point on a pragmatic approach is international alignment of standards. This is crucial to reduce regulatory burdens and ensures that data are comparable. One notable development in this direction has been the work of the International Sustainability Standards Board (ISSB). The ISSB has created a global baseline for sustainability disclosures.

There are many benefits of aligning disclosure regimes across borders. It minimises the reporting burden for international companies and allows investors to compare. ISSB baseline standards have allowed many jurisdictions to make significant strides with regard to sustainability disclosures.

Many countries all over the world, such as Brazil, Canada, Australia, Kenya and Malaysia have adopted disclosure frameworks that are based on and aligned with the ISSB standards. Others such as India, Hong Kong and the United Kingdom plan to do so. This is a promising development. So we might want to see a closer alignment with ISSB standards in Europe.

Consistent standards and formats are also essential for nature-related disclosures. While the chief focus in sustainability disclosures has been on climate change, it is crucial to recognise and consider the twin crises of climate change and nature loss.

Both crises are deeply interconnected and can reinforce each other. Nature-related disclosures are still in their early stages. Challenges include a lack of standardised metrics.

The Taskforce on Nature-related Financial Disclosures (TNFD) has taken a promising first step by developing a framework to report nature-related information. The ISSB is currently also exploring the development of new standards focusing on biodiversity.

Future frameworks should build on lessons learned from the development of climate-related standards.

Third, the use of new technology will also be key. Technological advances, such as artificial intelligence and machine-readable reporting, have the potential to revolutionise the way we collect, analyse and share sustainability data. This can help corporates to build their sustainability disclosures on information that they are already collecting for other purposes, such as financial reporting.

Let me briefly give you two practical examples. First, the Bundesbank, the BIS Innovation Hub, the Banco de España and the ECB have launched "Project Gaia". This is an AI tool that extracts climate-related indicators from public corporate reports, which helps to analyse climate risks in the financial system.

Second, on a recent trip to Japan, I visited a company that is working on AI-based solutions to assist businesses in sustainability reporting. It offers a platform where companies can easily and quickly enter financial and non-financial data needed for sustainability reports.

Harnessing new technologies can improve the quality and availability of the data needed to effectively manage climate and nature-related risks.

5 Conclusion

Ladies and Gentlemen,

Addressing the challenges related to sustainability disclosures and data requires collaboration across multiple stakeholders. We must develop solutions that are both ambitious and practical. The stakes are high—for the financial sector and for the resilience of our economies and societies. Without a healthy climate and a healthy planet, there can be no healthy economy. Thank you.

¹ Network for Greening the Financial System (2024): [NGFS long-term scenarios for central banks and supervisors](#), 5 November 2024.

² Network for Greening the Financial System (2025): [NGFS short-term scenarios for central banks and supervisors](#), 7 May 2025.

³ European Central Bank: [The European economy is not drought-proof](#), 23 May 2025.