Update on sustainability reporting developments
First set of draft ESRS

30 November 2022

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1. DRAFTING AND ADOPTING THE FIRST SET OF STANDARDS OVER 34 MONTHS

- **Preparatory work**
- **Elaboration of Exposure Drafts (13 EDs)**
- **Public consultation** >700 submissions
- **Elaboration of technical advice (12 ESRS)** SRB and SRT meetings are public with observers from EU authorities
- **EC process to adopt Delegated Acts**

**Timeframe**
- **September 2020**
- **February 2021**
- **April 2021 Draft CSRD**
- **June 2022 Final CSRD**
- **November 2022 CSRD adopted by Council**
- **June 2023**

**Key Milestones**
- **April 2021** Draft CSRD
- **March 2021** EFRAG Institutional Mode (New pillar: SRB + SRT)
- **May 2021** EFRAG Project Mode (Task Force)
- **November 2022** CSRD adopted by Council
2. A ROBUST MANDATORY REGIME OF SUSTAINABILITY REPORTING IN THE EUROPEAN UNION: CSRD and ESRS

- A legal regime of sustainability reporting under double materiality

<table>
<thead>
<tr>
<th>Corporate Sustainability Reporting Directive</th>
<th>Level 1</th>
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<tr>
<td>European Sustainability Reporting Standards</td>
<td>Level 2</td>
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Elaborated by EFRAG Technical advice to the EC. Nov 2022
Adopted as delegated acts by the June 2023

- Comprehensive coverage of environmental, social and governance matters: sector agnostic for the first set.
- Mandatory for large undertakings within the European Union (2024 or 2025 year end). SME and sector-specific standards to follow on set.
- Limited assurance that will evolve into reasonable assurance.
- Report located in a separate section of the management report: Sustainability statements. It forms part of the annual report.
3. SUSTAINABILITY STATEMENTS: Content

Article 19 (a) / (29 (a) Content of the ESRS

1. **Business model and strategy** Resilience to sustainability-related risks and opportunities; transition plan in line with Paris agreements…)

2. **Policies and time-bound targets** related to sustainability matters

3. **Administrative, management and supervisory bodies (AMS) re sustainability matters**: role, expertise & skills and incentive schemes

4. **Due Diligence process**. Principal and potential adverse impacts connected with the undertaking’s own operations and value action; actions to identify and monitor impacts and actions to prevent, mitigate or remediate those.

5. **Principal risks and how the undertaking’s manages those**

6. **Indicators relevant to 1-5 above**

Article 29 (b) ESG Matters to be covered

1. **Environmental factors**: i) Climate change mitigation and adaptation; ii) water and marine resources; iii) resource use and circular economy; iv) pollution; v) biodiversity and ecosystems.

2. **Social and human rights factors**: i) equal treatment and opportunities (e.g. gender equality); ii) working conditions (e.g. collective bargaining); and iii) respect for the human rights, democratic principles and standards

3. **Governance factors**: i) role and composition of AMS; ii) internal control and risk management re sustainability matters; iii) business ethics and corporate culture; iv) political influence activities; v) relationships with customers, suppliers and communities.
4: SET 1 DRAFT ESRS: Comprehensive technical advice delivered to the European Commission

EFRAG Technical advice package 22 November 2022

<table>
<thead>
<tr>
<th>TOPICAL STANDARDS</th>
<th>CROSS-CUTTING STANDARDS</th>
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<tr>
<td><strong>ENVIRONMENT</strong></td>
<td><strong>ESRS 1</strong> General requirements</td>
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<tr>
<td>ERS S1 E1 Climate change</td>
<td>ERS S2 Pollution</td>
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<tr>
<td>ERS S2 E2 Water and marine resources</td>
<td>ERS S3 Biodiversity and ecosystems</td>
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<td>ERS S3 E3 Pollution</td>
<td>ERS S4 Resource use and circular economy</td>
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<td>ERS S4 E4 Affected communities</td>
<td>ERS S5 Business conduct</td>
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<td>ERS S5 E5 Consumers and end-users</td>
<td>ERS S6 General disclosures</td>
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82 Disclosure Requirements
- Qualitative or quantitative

12 Standards across ESG
- 2 Cross-cutting
- 5 Environnement
- 4 Social
- 1 Governance

Double materiality
- Financial materiality
- Impact materiality

4 pillars
- Governance
- Strategy
- Impact, risk and opportunity management
- Metrics and objectives

Digital reporting
- XBRL taxonomy ongoing
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