

EFRAG UPDATE ON EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)

Pulsar

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1. The key features of the European legal regime: the CSRD

The key features of the European legal regime: the CSRD

- A **mandatory regime** for all large entities (250+ employees) and listed SMEs, subsidiary exemption
- A **progressive phase-in**: 2024 reporting year for NFRD reporters, 2025 for the other large entities, 2026 for listed SMEs (with opt-out option until 2028), 2028 for Non-EU companies with branches/subsidiaries
- Other SMEs encouraged to adopt a simplified voluntary reporting
- A **comprehensive coverage of sustainability matters: E, S & G**, under standards elaborated by EFRAG and adopted by the EC via delegated acts
- A key concept: **double materiality** (impacts and financial risks/opportunities)
- **Location and timing of reporting**: in the management report, i.e., at the same time as financial statements
- **Mandatory audit**: limited assurance to start with, moving to reasonable assurance
- **Digitisation: XBRL taxonomy**

Transposition by member states



2. The key features of the regulatory regime: the ESRS

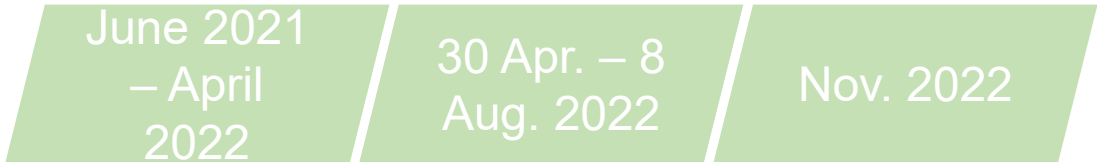
The key features of the regulatory regime: the ESRS

Sector agnostic standards near the finish line

ESRS Exposure
Drafts by EFRAG PTF

Draft ESRS released
to EC

EC draft Delegated
Act public consultation

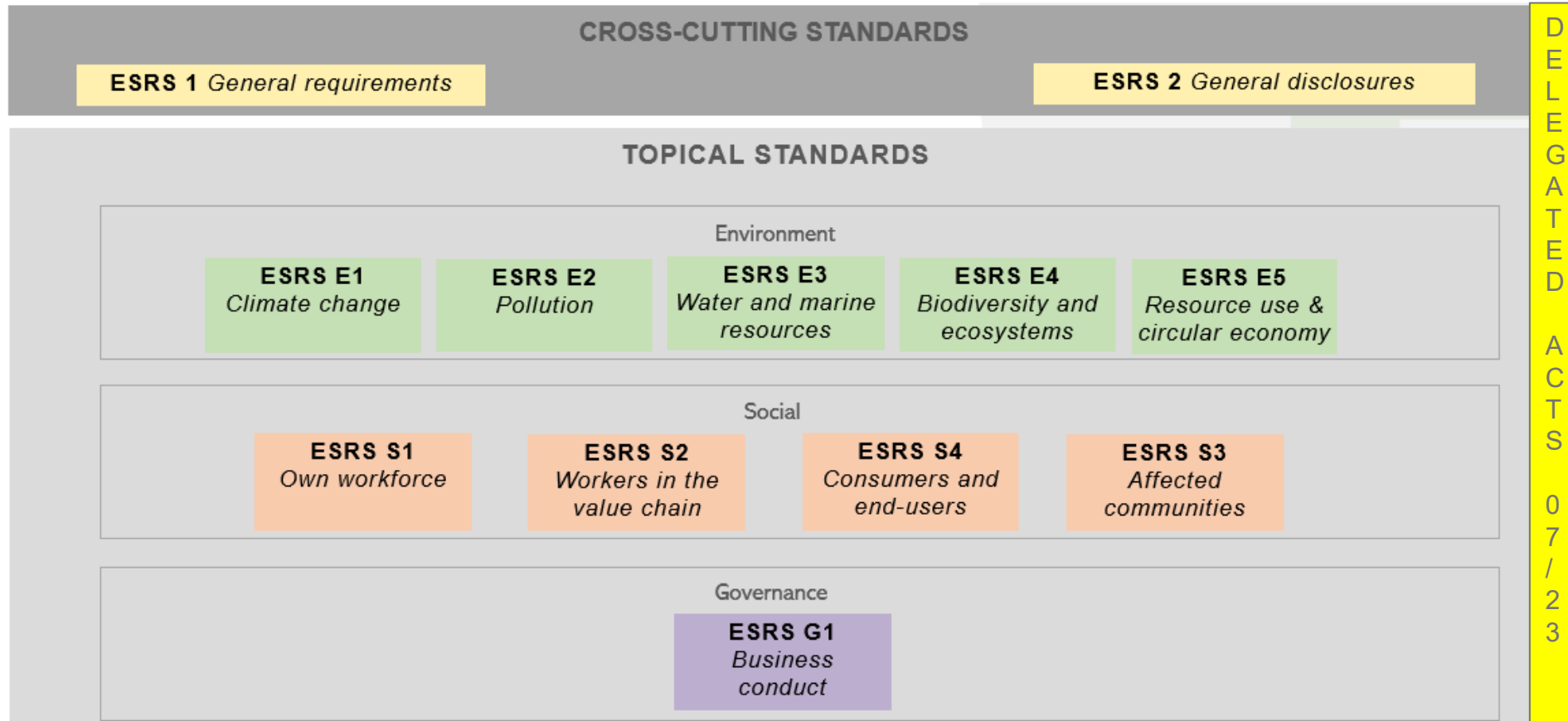


ESRS EDs exposed
for comments

EC final Delegated
Act

The key features of the European regulatory regime: the ESRS

➔ A first set of sector-agnostic ESRS



84 Disclosure Requirements

Qualitative or quantitative

Double materiality

- Financial materiality
- Impact materiality

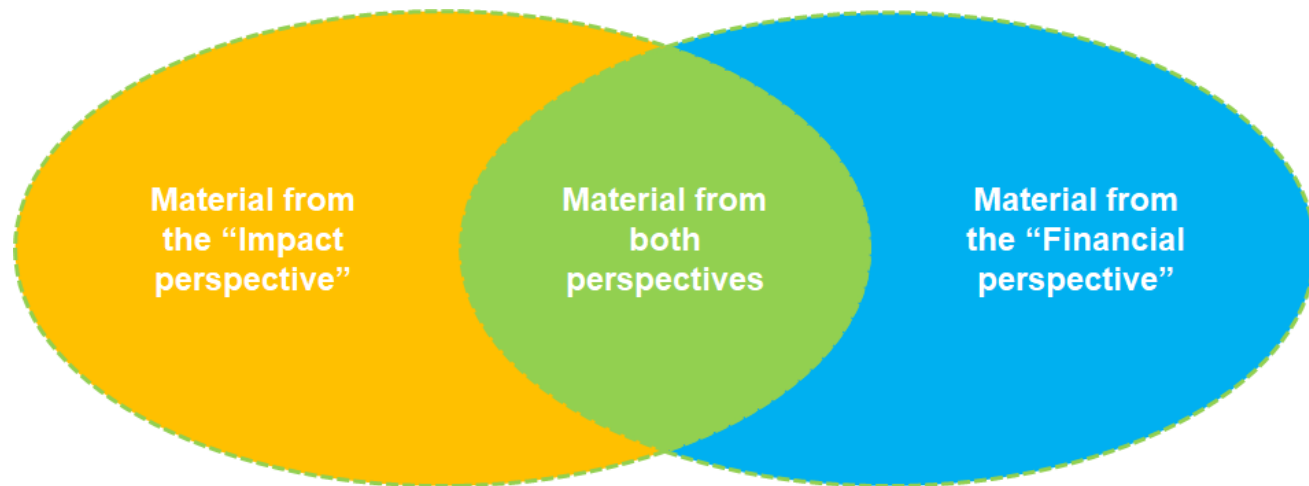
4 pillars

- Governance
- Strategy
- Impact, risk and opportunity management
- Metrics and targets

➔ Future sets: sector-specific standards, SMEs standards + implementation support

Double materiality and its pivotal role

A sustainability matter is material, if it is material from the **impact perspective** or from the **financial perspective** or from **both** of these two perspectives:



Risk-based Value chain approach

- ✓ Sustainability statements shall reflect **all material** impacts, risks and opportunities (IROs): under an objective approach with thresholds
- ✓ Reporting entity to implement a rigorous materiality assessment process to determine material IROs

Interoperability being sought with ISSB (financial materiality) and GRI (impact materiality) -> bilateral working groups to maximise alignment



3. Next steps

Next steps

Implementation guidance on SET 1

ESRS for LISTED SMEs (LSME)

XBRL Taxonomy SET 1

ESRS classification system and sector general approach

ESRS for OIL and GAS

ESRS for MINING, QUARRYING AND COAL

ESRS for AGRICULTURE, FARMING AND FISHING

ESRS for ROAD TRANSPORT

Financial institutions (inc Value chain) + remaining sectors

- High priority. Ongoing for materiality assessment and value chain
- Public consultations in Autumn 2023

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