

# The European Sustainability Reporting Standards

WEBINAR | 31 JANUARY | 16:30-17:30 (CET)



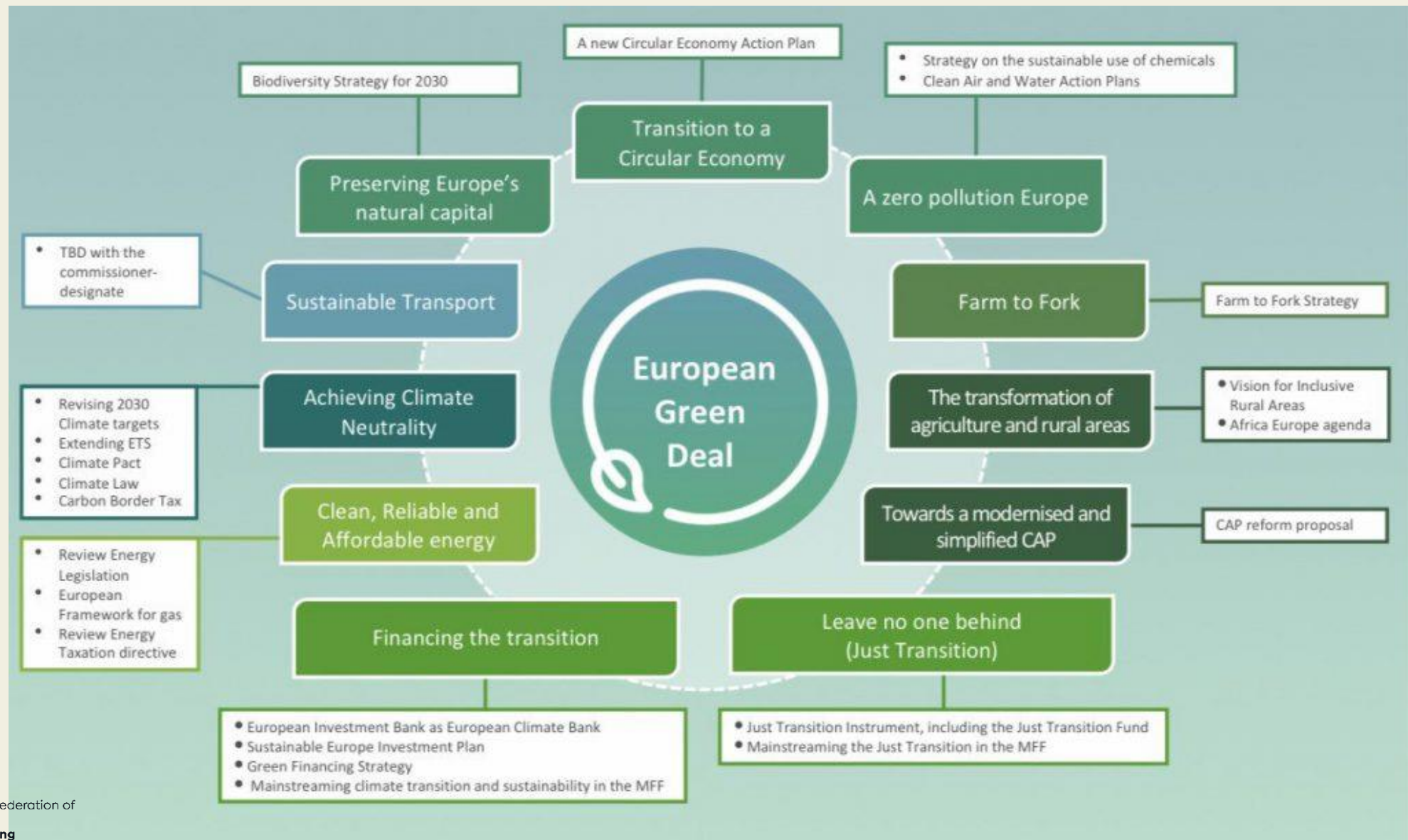
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#ESRS**

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# ESRS in a broader context: The Green Deal



# ESRS in a broader context: Fit for 55

The Fit for 55 package is a set of legislative proposals and amendments to existing EU legislation that will help the EU cut its net greenhouse gas emissions and reach climate neutrality



Energy efficiency



EU emissions trading system



Efforts sharing regulation



Renewable energy



Energy taxation



CO2 emission standards for cars and vans



RefuelEU aviation and FuelEU maritime



Social climate fund



Land use and forestry (LULUCF)



Alternative fuels infrastructure



Carbon border adjustment mechanism

How will the EU reduce its greenhouse gas emissions by at least

**55%**  
by 2030?

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**Do you know the European Sustainability Standards?**

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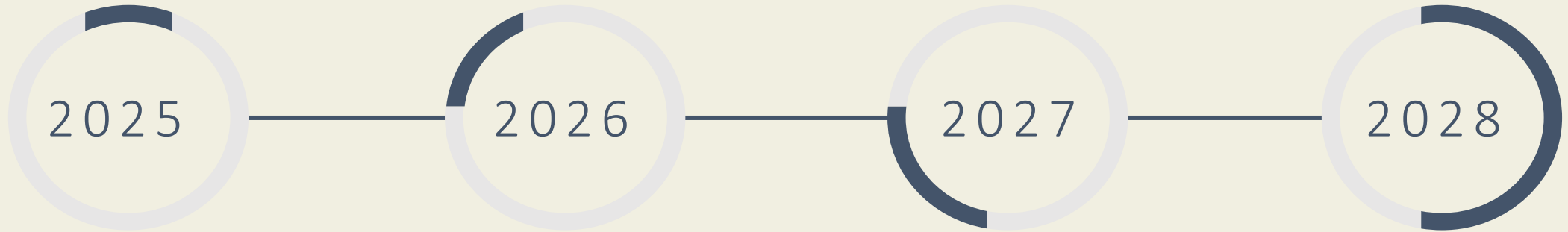
# Context: corporate sustainability reporting directive (CSRD)



To which companies will it be applicable?	All large companies: » 250 employees and/or » €40M Turnover and/or » €20M Total assets
How many companies are subject to the new directive?	49.000 Covering » 75% of total EU companies' turnover
What is the scope of reporting requirements?	Defined by the European Sustainability reporting Standards that will be developed in 2 sets  <b>Adding additional requirements in the ESRS (based on phase 1) on:</b> -Double materiality concept: Sustainability risk (incl. climate change) affecting the company + Companies' impact on society and environment -Process to select material topics for stakeholders -More forward looking information, including targets and progress thereon -Disclose information relating to intangibles (social, human and intellectual capital) -Reporting in line with Sustainable Finance Disclosure Regulation (SFDR] and the EU Taxonomy Regulation
Is independent 3 <sup>rd</sup> party assurance mandatory?	<b>Mandatory- limited level of assurance, including:</b> -integration in Auditor's Report -Audit by independent third party (statutory auditors or others) -Scope to include EU Taxonomy and process to identify key relevant information
Where should companies report?	Inclusion in the Management Report
In what format should companies report?	To be submitted in electronic format (in XHTML format in accordance with ESEF regulation)

# CSRD AT A GLANCE

## PHASED ENTRY INTO APPLICATION



“NFRD companies”:  
Financial Year 2024  
(first reports published  
2025)

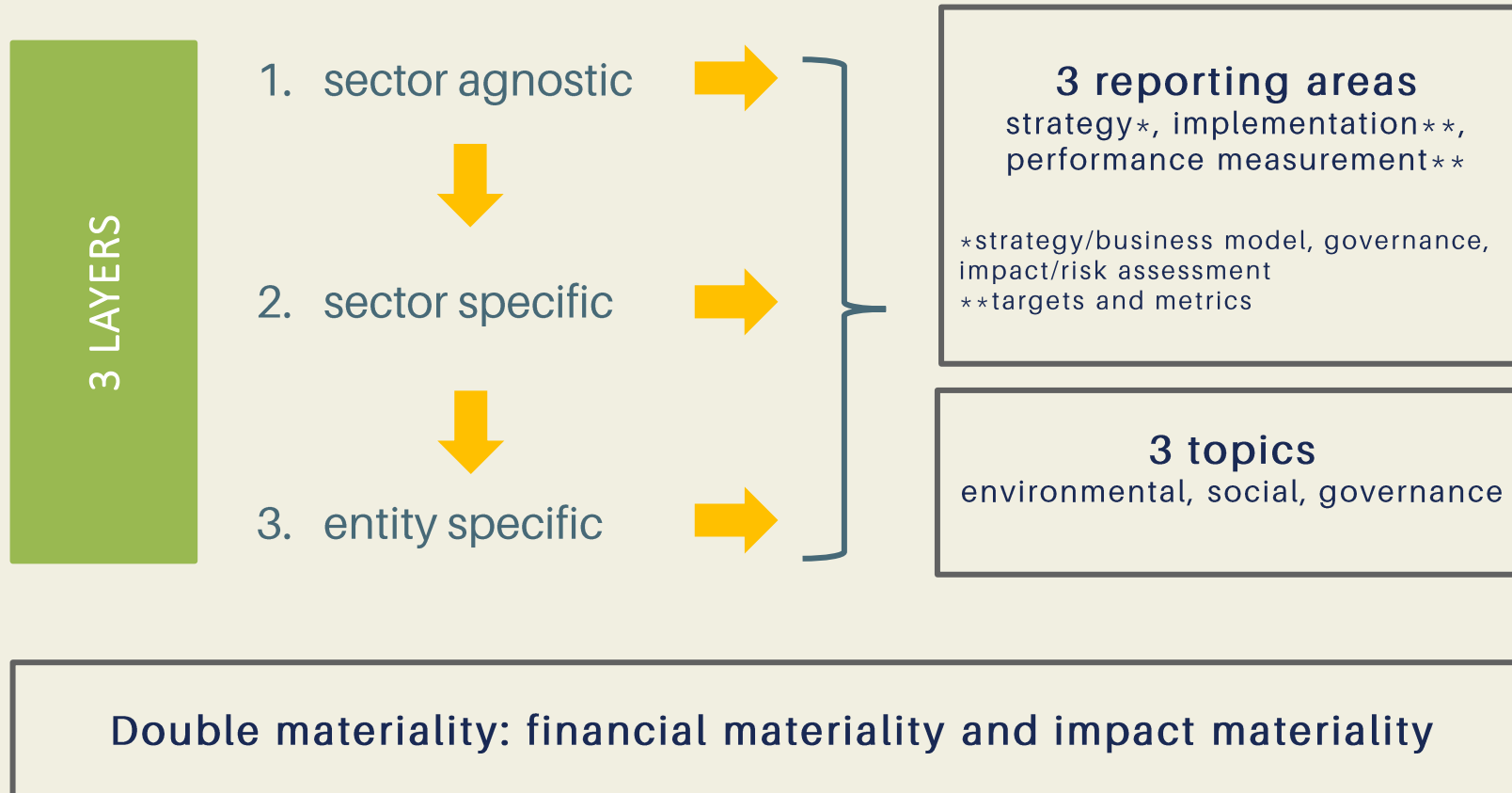
Other large  
companies: Financial  
Year 2025 (reports  
2026)

Listed SMEs Financial  
Year 2026 (reports  
2027)

Non-EU companies with  
branches/subsidiaries  
Financial Year 2028  
(reports 2029)

# Putting sustainability disclosures in an appropriate architecture

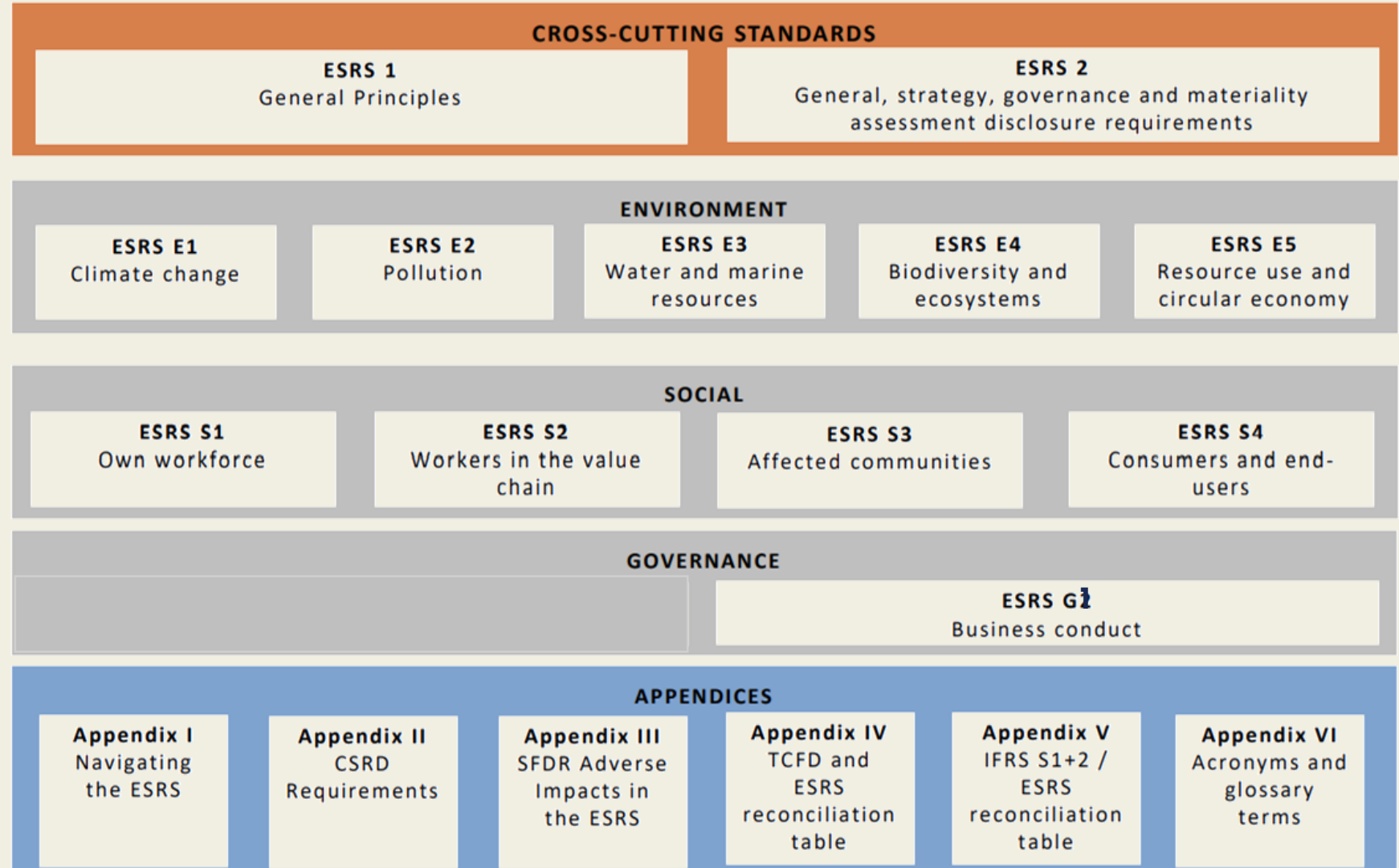
the “rules of three”  
approach for the  
architecture of standards



# European sustainability reporting standards (ESRS)

ESRS 1 IN THE OVERALL ESRS STRUCTURE

11 Topic specific standards  
2 cross cutting standards



# Double materiality as the basis for sustainability disclosures

combination of financial materiality and impact materiality

need to assess what is material to the company and how the company impacts the planet and people

COMPANY'S IMPACTS ON THE ECONOMY,  
ENVIRONMENT AND PEOPLE (INSIDE VIEW)

SUSTAINABILITY TOPICS THAT ARE  
MATERIAL FOR ENTERPRISE VALUE  
CREATION (OUTSIDE VIEW)

CURRENT  
FINANCIAL  
STATEMENTS



# Update from the regulator: assurance requirements in CSRD

- The NFRD currently only requires a statutory auditor or audit firm to assess the inclusion of the non-financial statement in a management report, but some member states have imposed an auditing requirement on the content of the reports, such as Italy, Spain and France
- The new requirements (CSRD) include **limited assurance** (first) **by an accredited independent auditor or certifier**. The independent auditor or certifier must ensure that the sustainability information comply with ESRS  
The aim is to move towards reasonable assurance in the short term.  
Member States may open the market for sustainability assurance services to independent assurance services providers.

Member states will set out requirements ensuring the quality of the assurance carried out by independent assurance services providers. They will set out requirements for training and examination, continuing education, quality assurance systems, and other requirements.

- **Member states will apply national assurance standards and procedures if the Commission has not adopted an assurance standard covering the same subject matter (planned for October 2026 for the “limited assurance” and 2028 for the “reasonable assurance”)**

**IA must play a pivot role in the organisations, enabling the review by the independent assurance services providers**

# Impact for business



# Impact for good corporate governance

- **New responsibilities for Boards to oversight the sustainability reporting**

Some input in ECIIA-ecoDa-Ferma guidance

The CSRD lets flexibility regarding the Committee in charge of sustainability reporting oversight:  
Audit Committee or .....

- **Need for clear governance model in the organisation and clear accountabilities.**

NB: Sustainability reporting needs to go from CSO to CFO responsibilities

- **Need to integrate sustainability in the strategy**

- **Need for adequate risk analysis and collaboration between all parties involved in the different lines and externally**

# Internal audit - Roles in ESG

## Reporting

- Double materiality
- Complex
- Detailed
- Assurance

- Change Agent/Awareness
- Advisory role
- Assurance & insight re.
  - ESG approach
  - ESG risk assessment
  - ESG *embedding (program)*
  - ESG governance, risk mgt and control
  - ESG Culture (change)
  - ESG reporting Non-Financial Information

- Key partner for Board/Governing Bodies
- Key partner for Sustainability transformation
- Key element of the assurance chain

# Internal audit can give assurance

IA needs to examine the design and functionality of both the company's sustainability risk management and internal control systems

IA can validate ESG goals (benchmarking), the strategy and the translation into KPIS, scenarios (forward looking)

IA gives insight on ESG implementation and embedding in the daily operations for the whole value chain

IA can validate the reliance, accuracy, completeness, comparability, timeliness of ESG disclosures, taking into consideration the double materiality and value chain concepts

IA can assess the change in culture, behaviours, governance, strategy, performance to imbed sustainability goals



# Other sustainability standards initiatives: SEC Climate disclosure & ISSB

	SEC CLIMATE DISCLOSURE	ISSB PROPOSAL
Applicable jurisdiction Jurisdictions	All publicly reporting companies under the SEC's jurisdiction in the US *	Voluntary basis by individual jurisdictions
Likely first report	Initials reprot expected in 2024 for scope 1 & 2 emissions (FY 2023)	Guidelines for usage by jurisdiction in 2023 First disclosure FY 2025
Assurance	Limited assurance on emisisions and reasonable assurance after	Audit and oversight of disclosures from third party
Prescriptiveness	Principle based and prescriptive disclosure requirements, detailed level for some disclosures	Not clear for the moment
Governance reporting requirements	Oversight and governance of climate related risks by Board and management	Management oversight of climate related risks and opportunities
Scope	Climate related risks	Climate related risks

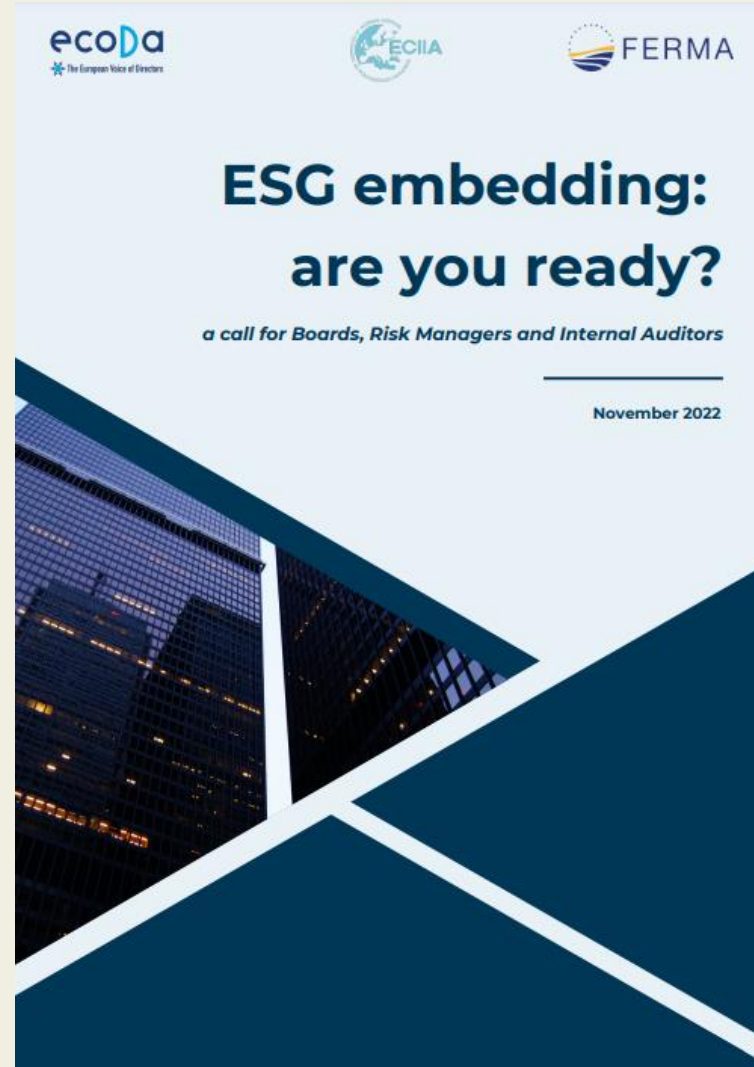
ESRS - HAS A BROADEN SCOPE -HAS THE MOST PRESCRIPTIVE APPROACH WITH VERY DETAILED FRAMEWORK-REQUIRES SCENARIO ANALYSES

# ECIIA reactions





# ECIIA reactions



# ECIIA information to come

## Monthly FACTSHEET in 2023

- To update on the regulation discussions evolution
- To share vision of stakeholders
- To share ECIIA actions on this topic

## In process

- Video explaining the Standards more in details in preparation
- Credentials about IA role, by sector in preparation
- Common work with Accountancy Europe and ecoDa about the assurance of sustainability reporting in preparation
- Meetings with EFRAG, DG Fisma (at EC) in January 2023



# Main takeaways for NIs

Need to inform the members about the upcoming EU regulations in all European countries:

- Communication
- Webinars
- Trainings
- Certification to come from IIA Global
- Local advocacy actions towards local regulator, stakeholders associations
- .....

ECIIA material may be used , translated based on local needs

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## **Audience Q&A Session**

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