



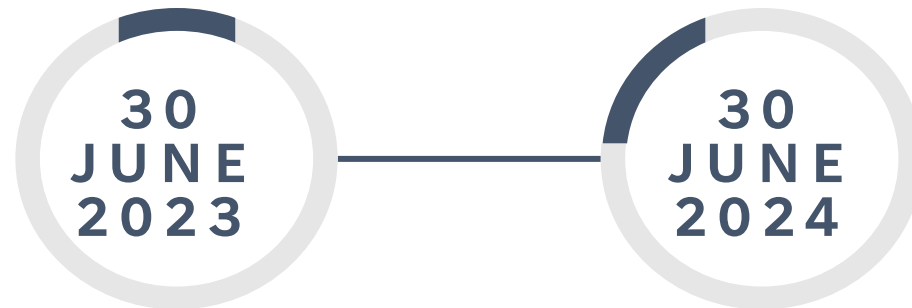
EUROPEAN SUSTAINABILITY REPORTING STANDARDS

FACTSHEET #3

MARCH 2023

UPDATE FROM EC: TIMELINE TO ADOPT STANDARDS

- EC is currently collecting information from European Associations and European Regulators
- EC is aware that more guidance on implementation and usability/readability of the standards is needed
- To take account of other EU regulation; in particular, the SFDR for financial participants
- **Sector agnostic adoption**



- **Standards to specify information to report for SMEs**
- **Sector-specific standards**
- To take account of other EU regulation; in particular, the SFDR for financial participants

Note

- Annual workplan to be presented by EFRAG to EC
- Mandatory review and possible amendment of every standard every 3 years
- Minimum 4 months period between adoption by EC and entry into application



UPDATE FROM THE EUROPEAN COMMISSION

EUROPEAN COMMISSION

The main discussion points are currently:

- **Timing:** the time frame for the implementation is too short
- **Materiality concept:**
 - It will imply judgement by the preparers
 - If some information is not material, should companies publish the reason why it is considered as no material?
 - For the sectorial standards, should materiality be limited to what is already foreseen in the sector agnostic standards, or whether there is the need to add more layers.
 - In the Financial sector, European Regulators suggest to disclose all datapoints to serve SFDR-related disclosures regardless of the reporting entity's materiality assessment
- **Data:** companies are starting gap analysis between the current NFRD and the upcoming CSRD (and ESRS). A large industrial company has identified 955 datapoints to report and only meets 30% of requests with NFRD while leaving 51% unmet and the rest existing data.

UPDATE
FROM
EFRAG

Launch of the working group for the Listed SMEs Standards

LISTED SMES LSME STANDARD (CSRD)	VOLUNTARY STANDARD VSME (SMES NOT IN CSRD SCOPE) not legally binding but empowering tool
<ul style="list-style-type: none">• SMEs between 10-250 employees (plus turnover and capital criteria) that are listed [about <i>1 thousand</i> listed companies in EU]• Small non-complex banks (about 2,300)• Captive insurance and reinsurance (about 300)	<ul style="list-style-type: none">• SMEs not listed [<i>22 million</i> including micro] outside CSRD scope that want to voluntary disclose• Suggested timeline: same as SMEs (no delegated act, but possible EU guidelines)• Aim: to help SMEs in taking the first steps in ESG reporting

Sectorial Standards in preparation


- Coal & Mining-Oil & Gas
- Next ones: Agriculture & Road transports

EDUCATIONAL MATERIAL FROM EFRAG

This series of educational videos on the First set of draft ESRS provides interested stakeholders with an introduction to the draft standards. For each standard, our sustainability reporting experts offer you a choice of the glimpses, which will give you a brief overview, or the educational session for more technical details.

- [Draft ESRS 1](#) General requirements presented by Chiara Del Prete, EFRAG SR TEG Chairwoman
- [Draft ESRS 2](#) General disclosures presented by Gemma Sanchez Danes, EFRAG EFRAG SR Lead for Social
- [Draft ESRS E1](#) Climate change presented by Eric Duvaud, EFRAG SR TEG member
- [Draft ESRS E2](#) Pollution presented by Andrea Giannini, EFRAG SR Central Secretariat
- [Draft ESRS E3](#) Water and marine resources, E5 Resource use and circular economy presented by Julie Mary, EFRAG SR TEG member
- [Draft ESRS E4](#) Biodiversity and ecosystems presented by Philippe Diaz, EFRAG SR TEG member
- [Draft ESRS S1](#) Own workforce presented by Sigurt Vitols, EFRAG SR TEG Acting Vice-Chair
- [Draft ESRS S2](#) Workers in the value chain, S3 Affected communities, S4 Consumers and end-users presented by Joanne Houston, EFRAG SR TEG member
- [Draft ESRS G1](#) Business conduct presented by Fredré Ferreira, EFRAG Senior Technical Manager





**ESRS 1: GENERAL
DISCLOSURES
OVERVIEW IN LIGHT
OF ISSB, GRI AND
TCFD**

GENERAL CHARACTERISTICS

BP-1: General basis for preparation of the sustainability statements

BP-2: Disclosures in relation of specific circumstances (ISSB/GRI)

- Time horizons
- Value chain estimation
- Sources of estimation and outcome uncertainty
- Changes in preparation or presentation
- Reporting errors in prior period
- Disclosures stemming from local legislation or generally accepted sustainability reporting pronouncements
- Incorporation by reference

GOVERNANCE


GOV-1: The role of the Administrative, Management and Supervisory Bodies (AMSBs) (TCFD/GRI/ISSB/SFDR)

GOV-2: Information provided to and sustainability matters addressed by the undertaking's AMSBs (TCFD/ISSB/GRI)

GOV-3: Integration of sustainability-related incentive schemes (ISSB/TCFD)

GOV-4: Statement on sustainability due diligence (GRI)

GOV-5: Risk management and internal controls over sustainability reporting (TCFD/ISSB/GRI)



**ESRS 2: GENERAL
DISCLOSURES
OVERVIEW IN LIGHT
OF ISSB, GRI AND
TCFD**

STRATEGY

SBM-1: Market position, strategy, business model (s) and value chain **(GRI/ISSB)**

SBM-2: Interests and views of **Stakeholders (GRI/ISSB)**

SBM-3: **Interaction of risks and opportunities and the SBM-2: Interests and views of Stakeholders (GRI/ISSB/TCFD)**

**IMPACTS, RISKS & OPPORTUNITIES
MANAGEMENT**

IRO-1: **Description of the processes** to identify material sustainability impacts, risks and opportunities **(TCFD/ISSB/GRI)**

IRO-2: DRs complied with in undertaking's sustainability Statement **(GRI)**

For each material sustainability matter disclose, the disclosure content: Policies (DC-P), Actions (DC-A), Targets (DC-T) and Metrics (DC-M)

UPCOMING CONSULTATIONS

EFRAG's plans for Set 2 Draft ESRS consultations

EFRAG will open a consultation on the second set of draft ESRS Exposure Drafts (ED). The indicative plan is as follows:

1. Beginning of April (100-day consultation period):

- draft SEC 1 (ESRS Sector classification system)
- draft ESRS on Coal and Mining
- draft ESRS on Oil and Gas (upstream and downstream)

1. Beginning of May (with a 90-days consultation period):

- draft ESRS for Listed Small Medium Enterprises (LSME)
- draft Agriculture, Farming and Fishing
- draft Road Transport

The EC will launch a call for feedback on Agnostic Standards early April for 4 weeks



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