



EUROPEAN SUSTAINABILITY REPORTING STANDARDS

FACTSHEET #4

MAY 2023

NEWS FROM EFRAG

Commission called for
prioritisation of
implementation of the
sustainability
reporting standards
and for reduction of
reporting
requirements for
companies



- EFRAG focuses on guidance for set 1 and stops the sectorial-SMEs standards project
- Set up of 2 sub-groups: one on materiality and one on value chain with members of Sustainability Reporting Board and Technical Experts Group
- The guidance on set 1 should include a very pragmatic approach on the new requirements
- New deadlines for sectorial standards, Listed SMEs and Non Listed SMEs Standards are unclear
- EFRAG is starting to work on the taxonomy for the digital reporting

The current objective is still to have the adoption of the delegated acts by the end of June 2023

DIGITAL REPORTING

INTRODUCTION TO ESRS XBRL TAXONOMY

- CSRD requires that undertakings shall mark up (tag) their sustainability reporting, using the Sustainability Reporting XBRL Taxonomy
- ESRS XBRL taxonomy is the digital transposition of the human readable ESRS text and aims to make the sustainability information (specially the narrative one) easier to search and read



DIGITAL REPORTING

THE NARRATIVE CONTENT IN ESRS IS ARTICULATED INTO LEVELS OF NARRATIVE INFORMATION AIMED AT COVERING A “DISCLOSURE OBJECTIVE”

HUMAN READABLE TREE STRUCTURE



DESIGNED TO EASILY IDENTIFY DATA POINTS TO BE TAGGED

LEVEL 1
Digital Reporting TITLE
OBJECTIVE
KEY CONTENT



FULL DR TAGGED

LEVEL 2
a)
b)
c)



1 TEXT BLOCK FOR a)
1 TEXT BLOCK FOR b)
1 TEXT BLOCK FOR c)

LEVEL 3
i.
ii.
iii.

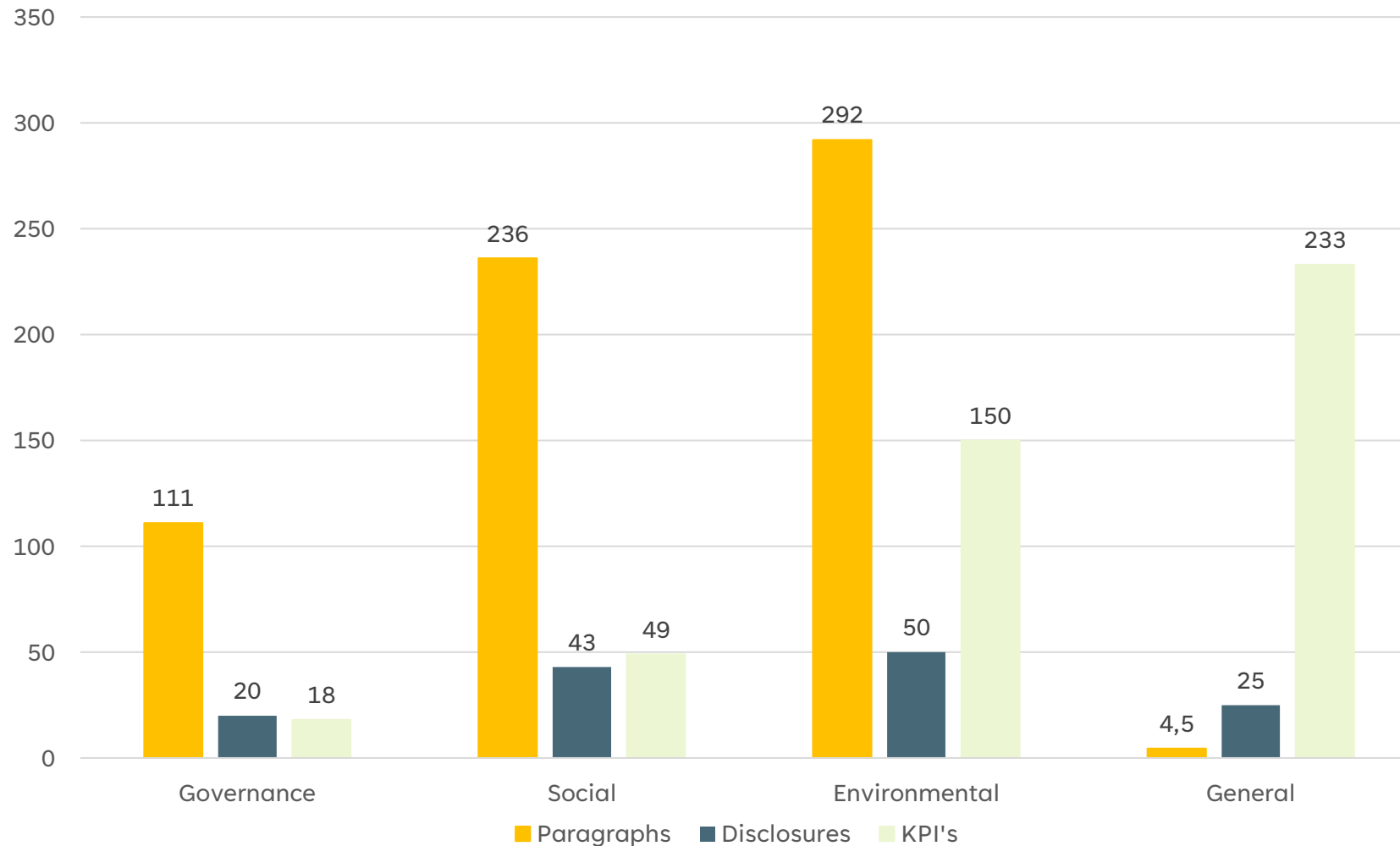


1 TEXT BLOCK FOR i)
1 TEXT BLOCK FOR ii)
1 TEXT BLOCK FOR iii)

WORKING ASSUMPTION



ESRS REPORTING REQUIREMENTS IN DATA POINTS



**REPORTING
REQUIREMENTS
KPI'S,
DISCLOSURES
AND
PARAGRAPHS
UNDER CSRD**

ASSURANCE OF SUSTAINABILITY REPORTING

	NFRD	CSRD
WHEN	<p>Current</p>	<p>At implementation date of SR requirements, limited assurance is required (assurance standards to be adopted before October 1, 2026).</p>
WHAT	<ul style="list-style-type: none"> No assurance required by the NFRD Minimum requirement: check whether non-financial information has been provided Member States can impose additional requirements: <ul style="list-style-type: none"> Check consistency with financial statements, in line with ISA 720 (11 countries) Mandatory independent assurance (3 Member States: France, Italy & Spain) 	<p>Ultimately, possible move towards reasonable assurance → Decided after assessment of the feasibility of reasonable assurance for auditors & entities (assurance standards to be adopted before October 1, 2028).</p> <p>Objective = reach same level of assurance for financial information & sustainability information</p>
		<p><i>Opinion expressed over:</i></p> <ul style="list-style-type: none"> Compliance of SR with the requirements of the CSRD including with the ESRS Process carried out by the company to identify the reported sustainability information Compliance with the requirement to mark-up SR using the ESEF Compliance with the reporting requirements of article 8 of the Taxonomy Regulation <p>→</p> <ul style="list-style-type: none"> Higher level of assurance Positive instead of negative form of opinion More extensive procedures, including consideration of internal controls and substantive testing

WHICH ASSURANCE PROVIDER AND CONSEQUENCES ON THE ASSURANCE REPORT

WHICH ASSURANCE PROVIDER?

Principle: statutory auditor for financial statements



Assurance report on sustainability reporting (SR)

MEMBER STATE (MS) OPTIONS:

Allow statutory auditors other than the one(s) carrying out the statutory audit of the financial statements

Independent assurance service providers (IASP) subject to equivalent requirements regarding professional ethics, independence, objectivity, confidentiality and professional secrecy,

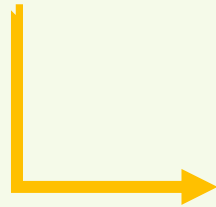
...

If IASPs are allowed by the MS, then so should other statutory auditors.

- Where the same statutory auditor carries out the statutory audit of financial statements and the assurance of SR, the assurance report on SR may be included as a separate section of the audit report, if the MS requires it.
- The report from an IASP should be made available either as an annex to the management report or by other publicly accessible means.

BOARD RESPONSIBILITIES

- Informing the administrative/supervisory Body on the outcome of the sustainability reporting assurance
- Explaining the assurance process and the role played by the audit committee in the integrity of the sustainable reporting
- Monitoring the performance of the assurance of the annual and consolidated sustainability reporting
- Reviewing and monitoring the independence of the assurance providers
- Monitoring the sustainability reporting process, including the digital reporting process
- Monitoring the effectiveness of the organisation's internal controls, risk management and internal audit function



**FIRST, INTERNAL AUDIT CAN MAKE IMPACT IN ADVISORY
CAPACITY**

**THEN, INTERNAL AUDIT CAN PROVIDE ASSURANCE TO THE
BOARD/ AUDIT COMMITTEES**

INTERNAL AUDIT IS A LINK IN THE ASSURANCE CHAIN



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