

EUROFILING CONFERENCE 2022

Update on sustainability reporting developments

First set of draft ESRS

14 December 2022

Gemma Sanchez-Danes



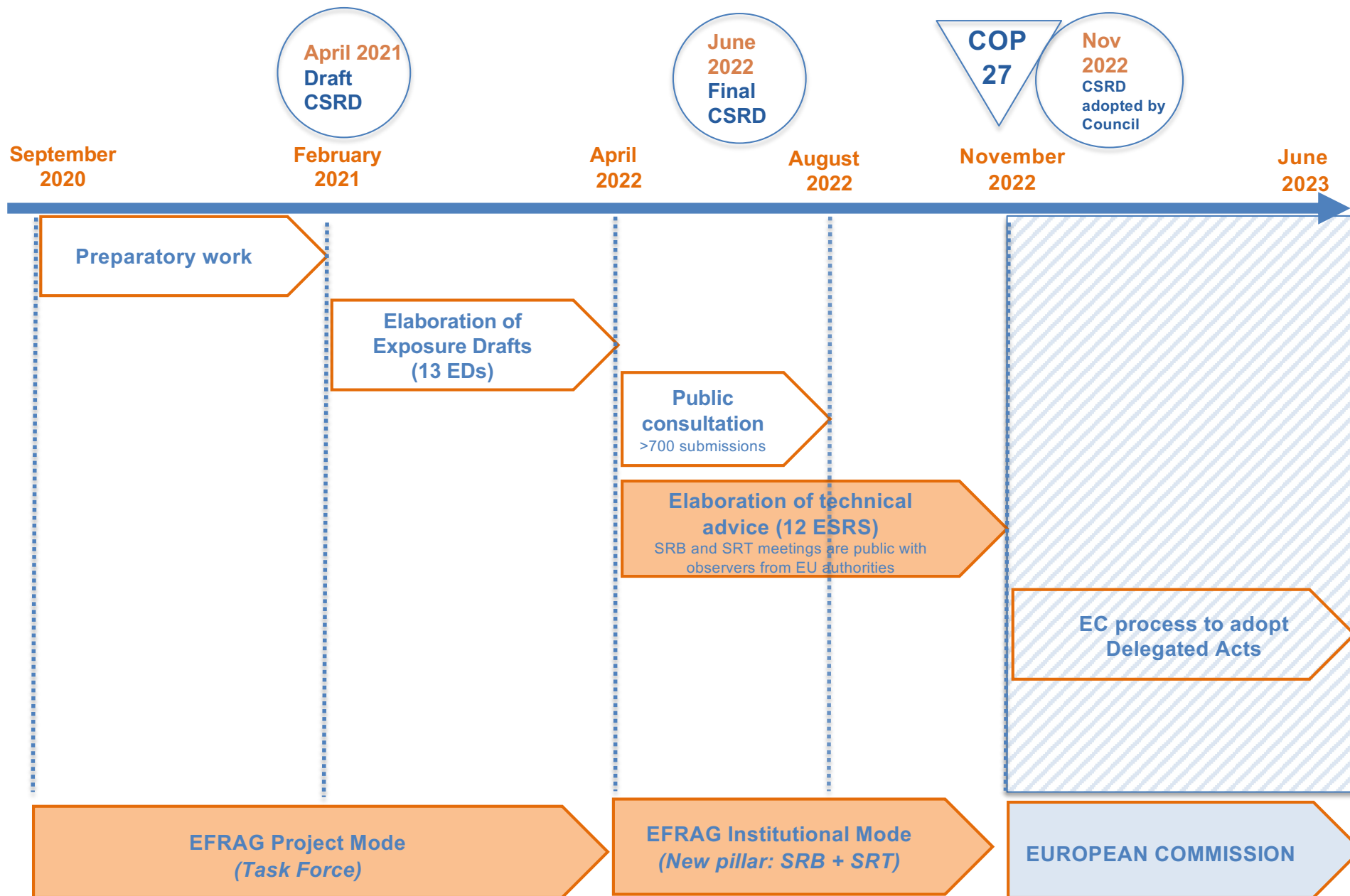
DISCLAIMER

The views expressed in this presentation are those of the presenters, except where indicated otherwise. They are not approved by: the EFRAG Administrative Board, the EFRAG Financial Reporting Board (FRB), the EFRAG Financial Reporting TEG (FR TEG), the EFRAG Sustainability Reporting Board (SRB) and the EFRAG Sustainability Reporting TEG (SR TEG).



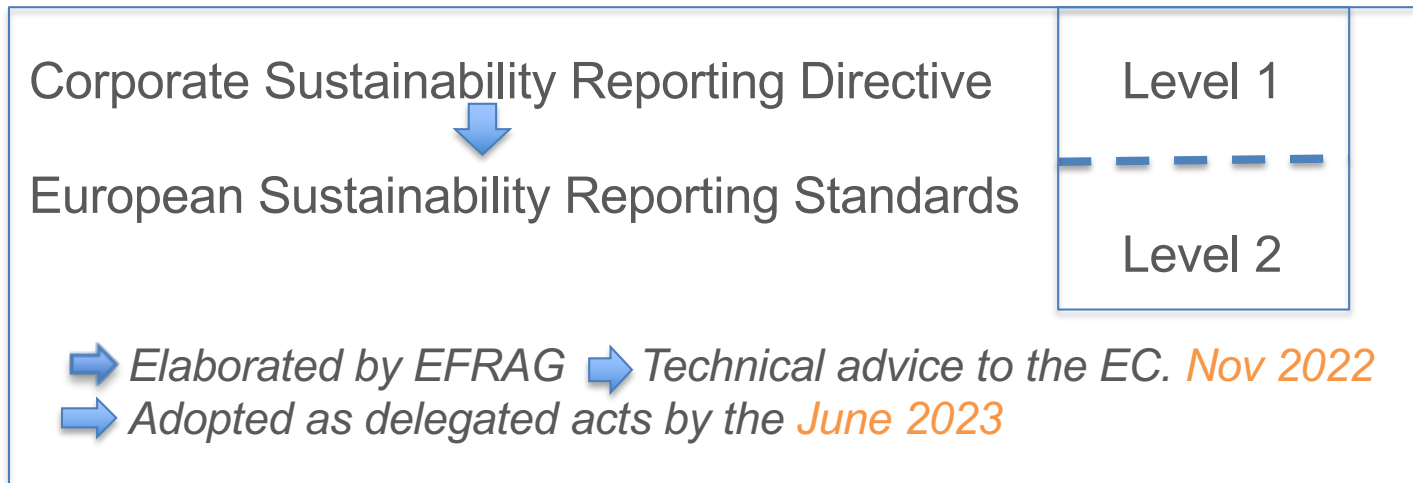
OVERVIEW OF THE FIRST SET OF DRAFT ESRS

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



2. A ROBUST MANDATORY REGIME OF SUSTAINABILITY REPORTING IN THE EUROPEAN UNION : CSRD and ESRS

- A legal regime of sustainability reporting under double materiality



- 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, sector-specific standards and standards for non-EU parent companies with EU subsidiaries and branches above certain thresholds to follow on future sets.
- **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

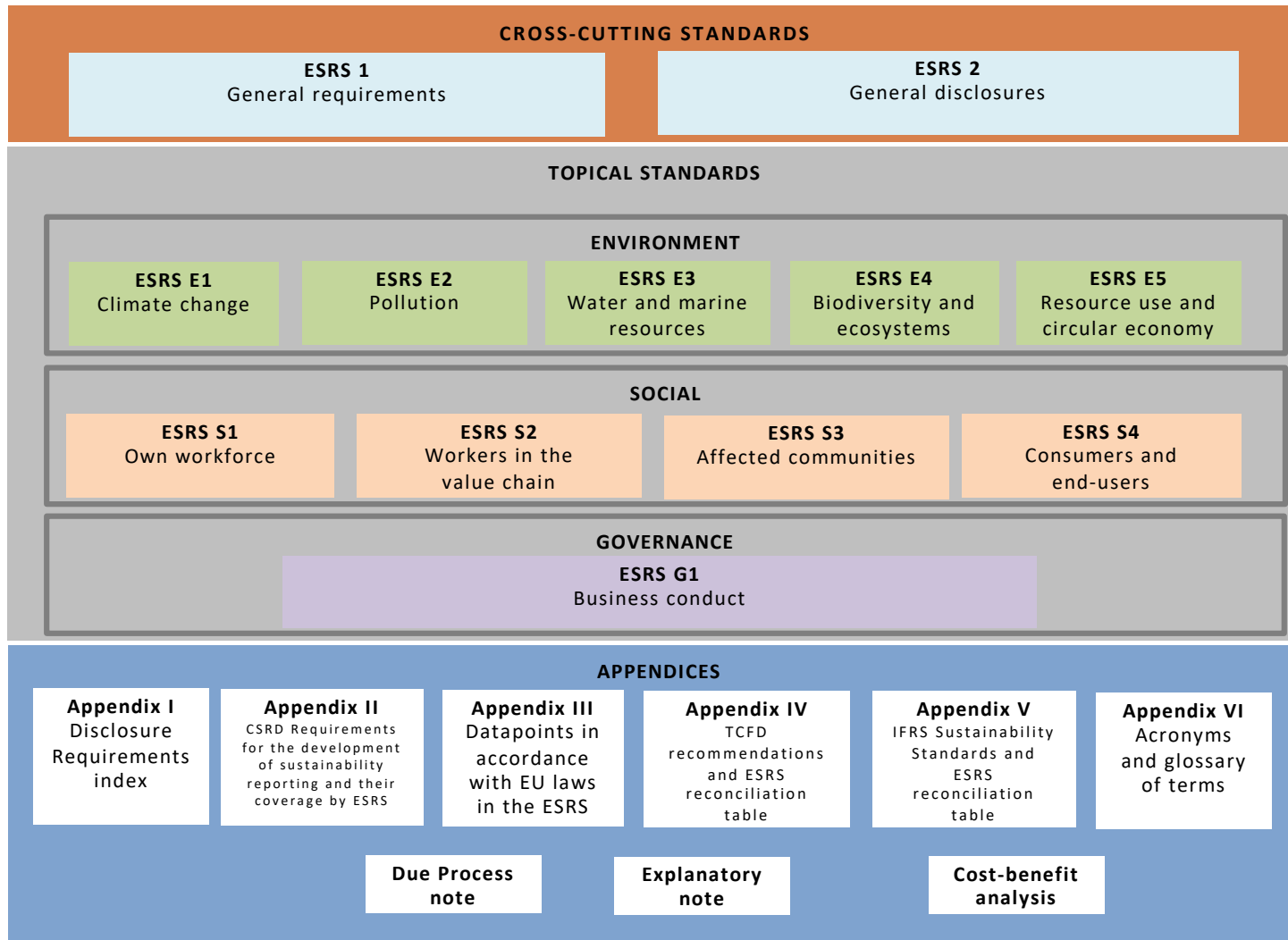
- 1. Business model and strategy** Resilience to sustainability-related risks and opportunities; transition plan in line with Paris agreements...)
- 2. Policies and time-bound targets** related to sustainability matters
- 3. Administrative, management and supervisory bodies (AMS)** re sustainability 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, fundamental freedoms, 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



12 Standards across ESG

- 2 Cross-cutting
- 5 Environment
- 4 Social
- 1 Governance

82 Disclosure Requirements

Qualitative or quantitative

Double materiality

- Financial materiality
- Impact materiality

4 pillars

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

Digital reporting

XBRL taxonomy *ongoing*

Compatible with international sustainability frameworks

- ISSB
- GRI



EFRAG is co-funded by the European Union and EEA and EFTA countries. The contents of EFRAG's work and the views and positions expressed are however the sole responsibility of EFRAG and do not necessarily reflect those of the European Union or the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA). Neither the European Union nor DG FISMA can be held responsible for them.



EFRAG
Aisbl - ivzw
35 Square de Meeüs
B-1000 Brussel
Tel. +32 (0)2 207 93 00
www.efrag.org

