



EUROPEAN SUSTAINABILITY REPORTING STANDARDS

FACTSHEET #1

NOVEMBER 2022

**CONTEXT:
CORPORATE
SUSTAINABILITY
REPORTING
DIRECTIVE (CSRD)**



<p>To which companies will it be applicable?</p>	<p>All large companies: » 250 employees and/or »€40M Turnover and/or »€20M Total assets</p>
<p>How many companies are subject to the new directive?</p>	<p>49.000 Covering » 75% of total EU companies' turnover</p>
<p>What is the scope of reporting requirements?</p>	<p>Defined by the European Sustainability reporting Standards that will be developed in 2 sets</p> <p>Adding additional requirements in the ESRS (based on phase 1) on:</p> <ul style="list-style-type: none"> -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
<p>Is independent 3rd party assurance mandatory?</p>	<p>Mandatory- limited level of assurance, including:</p> <ul style="list-style-type: none"> -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
<p>Where should companies report?</p>	<p>Inclusion in the Management Report</p>
<p>In what format should companies report?</p>	<p>To be submitted in electronic format (in XHTML format in accordance with ESEF regulation)</p>

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)



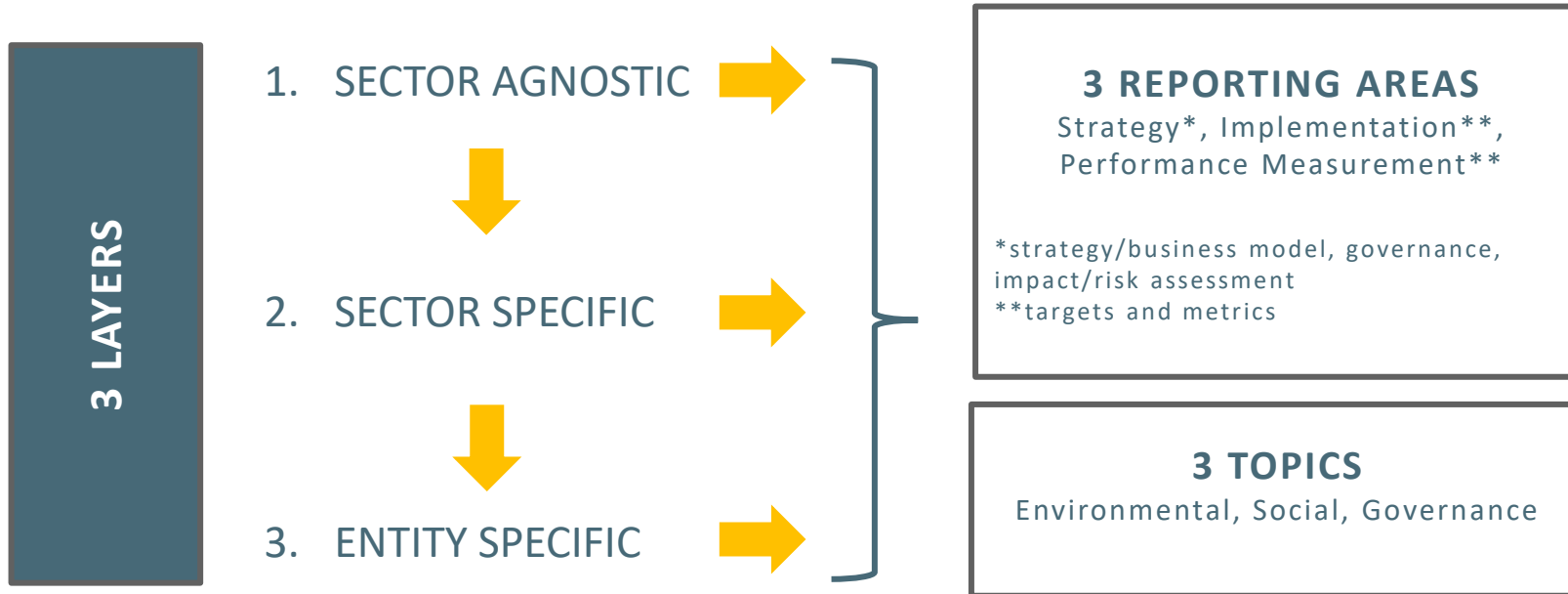
Listed SMEs Financial
Year 2026 (reports
2027)



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



FORWARD-LOOKING INFORMATION WITH PREDEFINED DURATION

DEVELOPMENT OF THE ESRS IN 2 SETS

SET 1

- standards to specify information to report according to articles 19a/29a (all sustainability topics) of CSRD
- sector agnostic standards
- at least covering needs of financial market participants under SFDR

SET 2

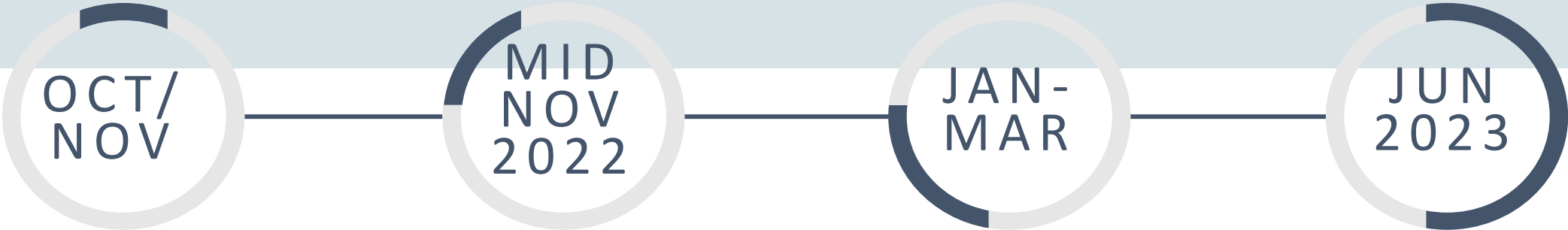
- sector-specific standards
- standards for listed SMEs
- complementary information where necessary
- standards for non-EU companies

- Legal mechanism for adoption of standards remains, even if nothing specified for subsequent years
- Obligatory review and possible amendment of every standard every 3 years minimum
- 4 month period between adoption by Commission and entry into application



EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS) NEXT STEPS

ESRS SET 1



Discussions SRB and TEG and consolidation of ESRS

Handover of ESRS Set 1 to Commission

Commission's Public consultation

Publication of first standards as DAs

ESRS SET 2

Phased-in Approach over Three years



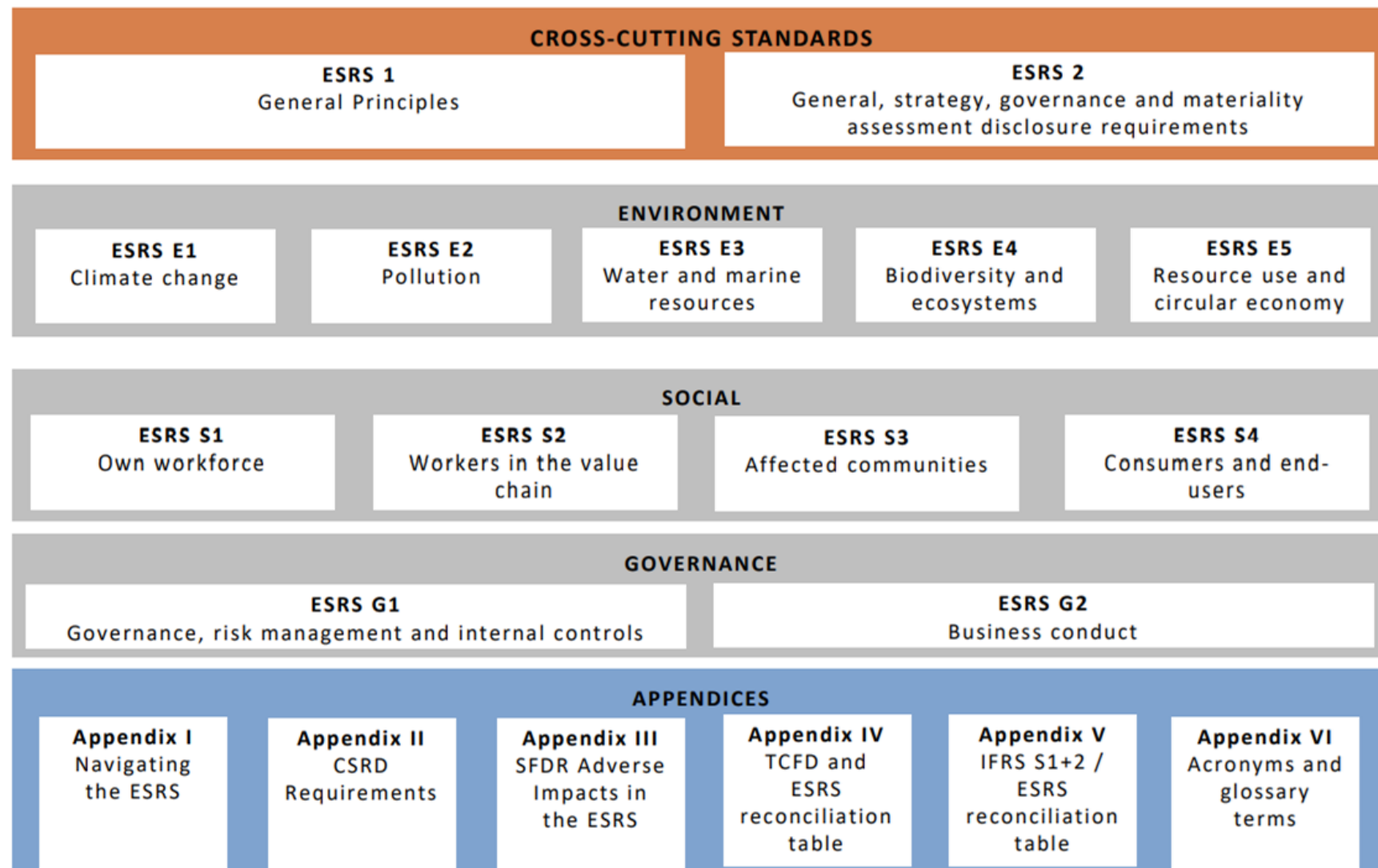
10 sector-specific standards including one on "assurance" of the reporting

Consultation: 10 sector-specific standards

Publication of 10 sector-specific standards

**EUROPEAN
SUSTAINABILITY
REPORTING
STANDARDS (ESRS)**
ESRS 1 IN THE OVERALL ESRS
STRUCTURE

11 Topic specific standards
2 cross cutting standards



**MOST IMPORTANT
PRINCIPLES
PROPOSED IN THE
ESRS**



1.DOUBLE MATERIALITY

See next slide

2.FORWARD LOOKING

Need to set clear ESG targets and publish annually progress towards the targets

3.ROLES & RESPONSIBILITIES

Need to identify who is responsible for achieving sustainability targets (internally and externally)

4.VALUE/SUPPLY CHAIN

See next slide

5.INTEGRATED REPORTING

Integration of sustainable targets and performance into the annual report

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





DOUBLE MATERIALITY

DOUBLE MATERIALITY

Unclear definition, it need guidelines for Implementation-obligation to publish the description of the process and outcome

MATERIALITY ASSESSMENT: KEY AND EXTENDED EXERCISE

Disclosure requirements for material sustainability impacts, risks and opportunities are standardized by sector-agnostic or sector-specific level ESRS. When relevant, these disclosure requirements are complemented by entity-specific disclosures

The disclosure shall include a summarized description

- Of **actual and potential material sustainability risks and opportunities** as identified in the materiality assessment,
- how actual and potential material sustainability risks and opportunities originate from or are connected to the undertaking 's strategy and business model.**

PRESUMPTION OF MATERIALITY

The rebuttable presumption of materiality: all obligations of reporting including in ESRS are material except if the organization justifies that it is not ...now they speak about light explicit approach: no justification if the subject is not material.

BOUNDARIES FOR REPORTING: VALUE CHAIN

UPSTREAM VALUE CHAIN (SUPPLIERS,...)



FINANCIAL STATEMENTS BOUNDARY



DOWNSTREAM VALUE CHAIN (CUSTOMERS,...)

EXPANDED REPORTING BOUNDARIES FOR SUSTAINABILITY REPORTING

Boundary covers:

- Material matters connected to the company by its direct business relationship
- Material matters connected to the company by its indirect business relationship regardless the level of control over them
- They are revised regularly to ensure appropriateness

**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



NEXT STEPS

EFRAG updated Standards expected shortly.

FACTSHEET #2: High level impact for internal auditors : begin December

FACTSHEET #3: Main changes in new set of ESRS: January 2023

FACTSHEET #4: Videos: credentials by sector in 2023

Monthly FACTSHEET in 2023

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

Webinars in 2023 to present the new release of ESRS



WWW.ECIIA.EU