

SUSTAINABILITY REPORTING

ESRS

Giulia Faedo - Sustainability Reporting Technical Manager

13 June 2024



DISCLAIMER

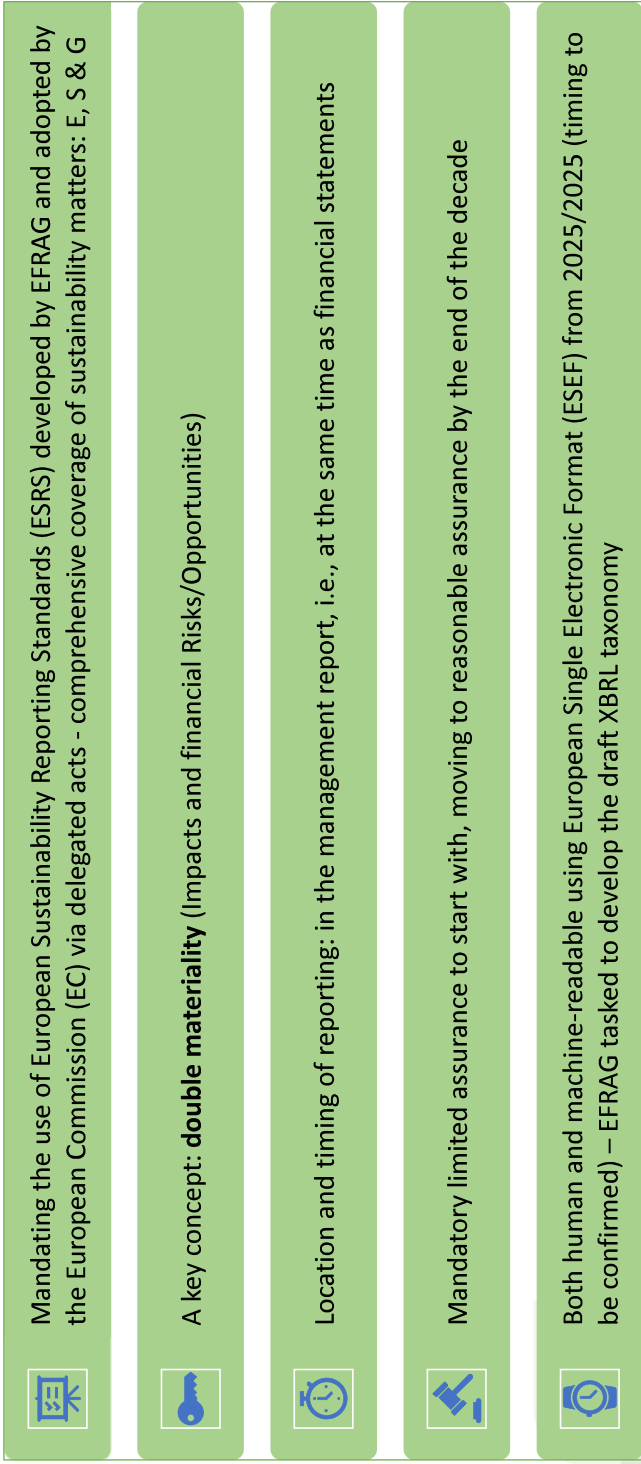
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OVERVIEW

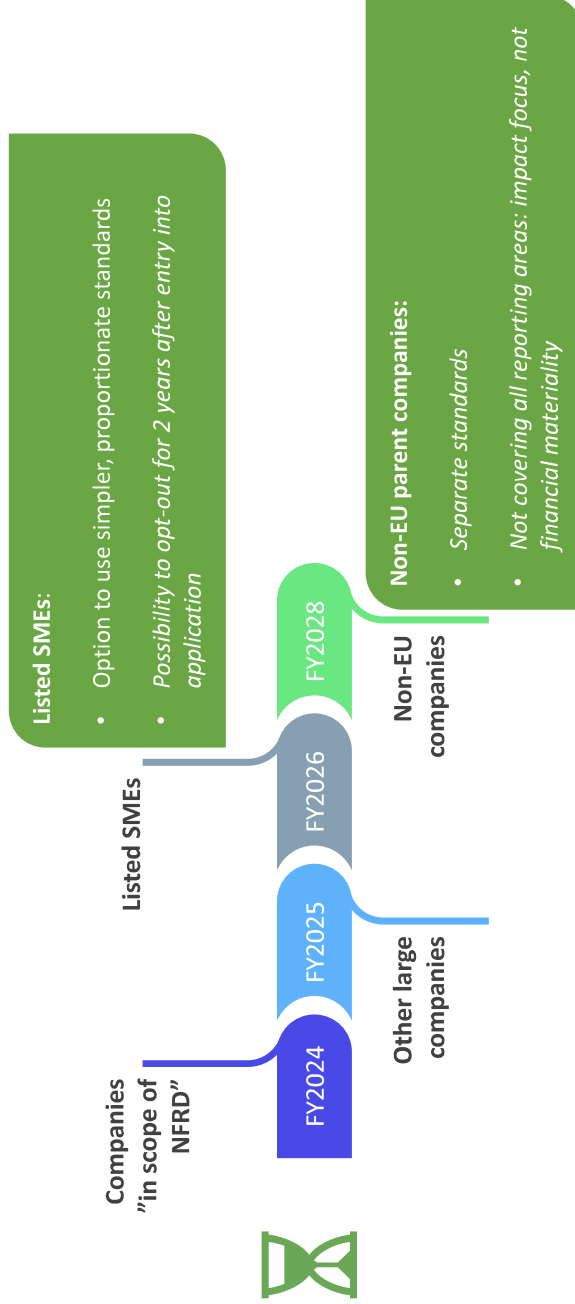
- Introduction
- European Sustainability Reporting Standards (ESRS)
- EFRAG: current activities and developments ahead

Introduction

CSRD: KEY FEATURES



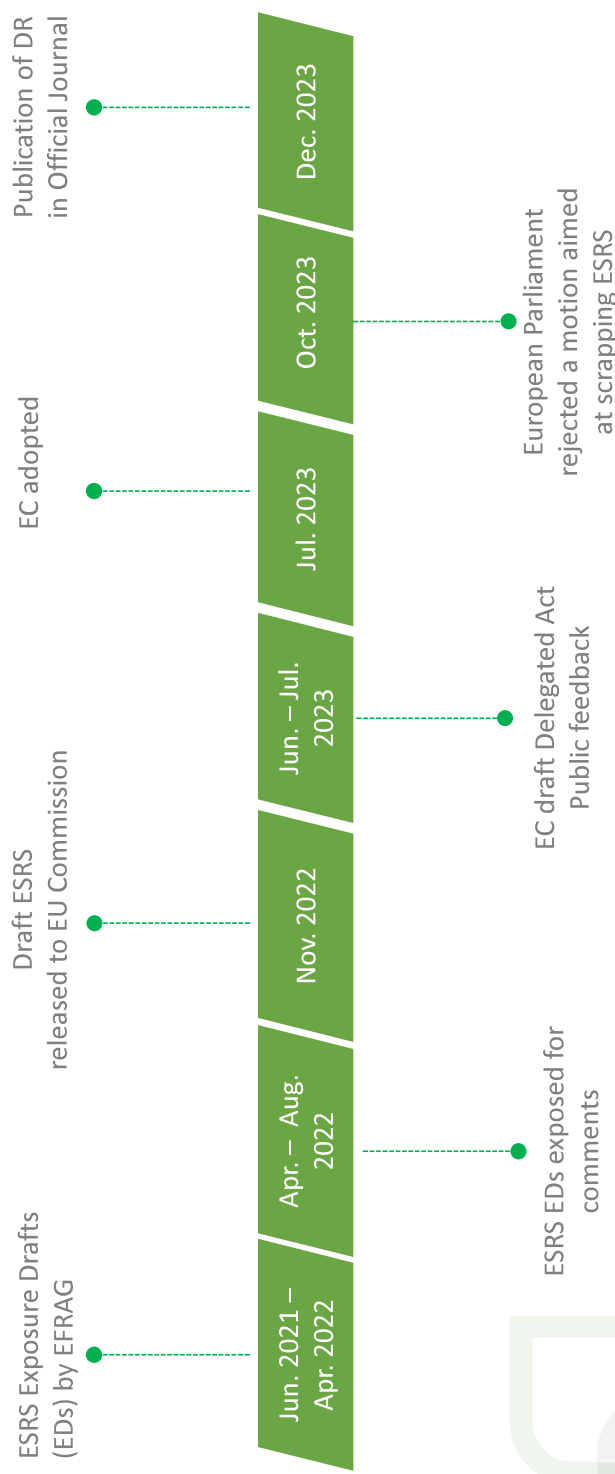
CSRD: PHASED-IN ENTRY INTO APPLICATION





European Sustainability Reporting Standards (ESRS) Sector agnostic

THE SECTOR AGNOSTIC STANDARDS - TIMELINE



DUE DILIGENCE



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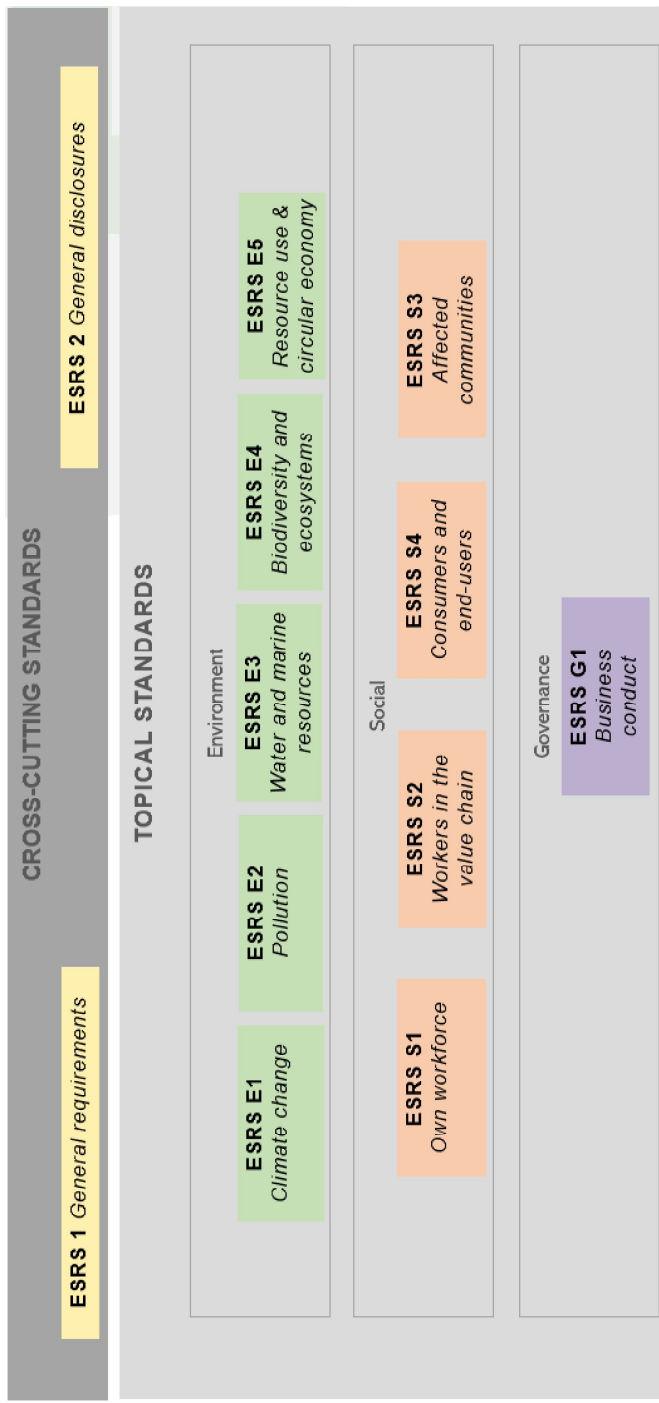
EFRAG'S DUE PROCESS PROCEDURES

EU SUSTAINABILITY REPORTING
STANDARD-SETTING

APPROVED BY THE EFRAG
GENERAL ASSEMBLY ON
15 MARCH 2022



THE FIRST SET OF SECTOR AGNOSTIC ESRs



ESRS 1 GENERAL REQUIREMENTS : “HOW TO REPORT” UNDER ESRS

ESRS 1

1	Categories of ESRS Standards, reporting areas and drafting conventions
2	Qualitative characteristics of information
3	Double materiality as the basis for sustainability disclosures
4	Due diligence
5	Value chain
6	Time horizons
7	Preparation and presentation of sustainability information
8	Structure of sustainability statements
9	Linkages with other parts of sustainability statements
10	Transitional provisions

DOUBLE MATERIALITY

IMPACT MATERIALITY: Inside-Out → IMPACTS

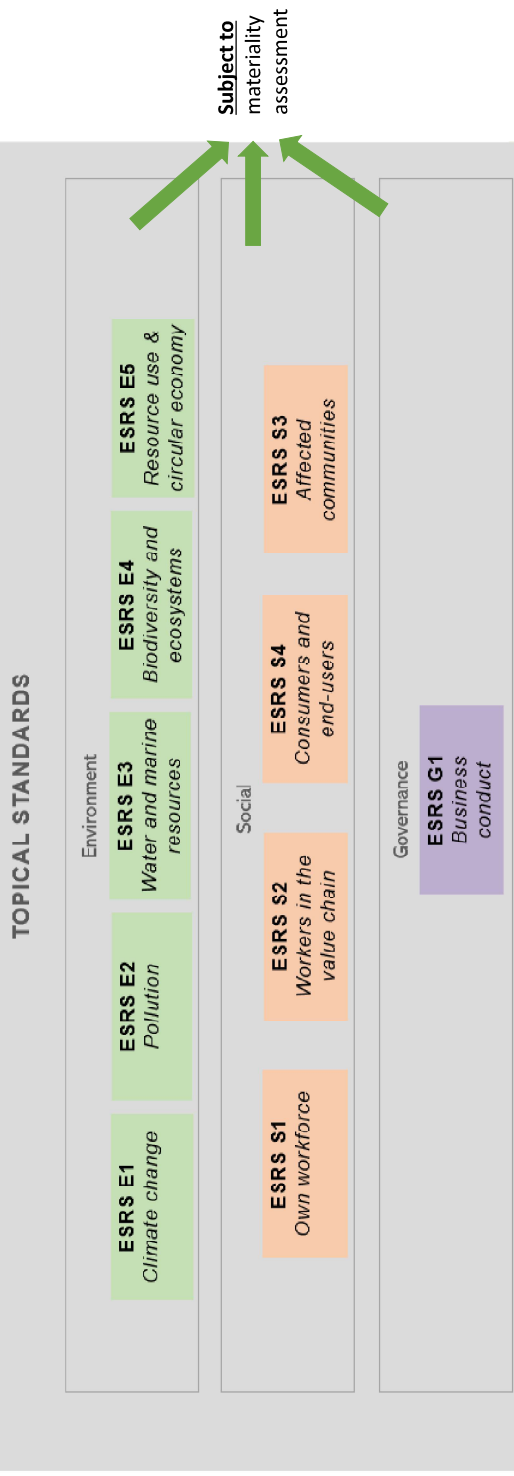
- A sustainability matter is material from an impact perspective when it pertains to the undertaking's material **actual or potential, positive or negative impacts on people or the environment over the short, medium- and long-term.**
- A material sustainability matter from an impact perspective includes impacts connected with the **undertaking's own operations and value chain**, including through **its products and services**, as well as through its **business relationships**.

FINANCIAL MATERIALITY: Outside-In → RISKS & OPPORTUNITIES

- A sustainability matter is material from a financial perspective if it generates **risks or opportunities that affect (or could reasonably be expected to affect) the undertaking's financial position**, financial performance, cash flows, access to finance or cost of capital **over the short, medium or long term.**



Topical Standards



ESRS: LIST of POTENTIAL MATERIAL TOPICS

ESRS 1 paragraph AR 16 states: “Using this list is not a substitute for the process of determining material matters. **This list is a tool to support** the undertaking’s materiality assessment. The undertaking still needs to consider its own specific circumstances when determining its material matters.”

Topical ESRS	Topic	Sub-topic	Sustainability matters covered in topical ESRS
ESRS E5	Circular economy	<ul style="list-style-type: none">Resources: inflows, including resource use to products and servicesWaste	<ul style="list-style-type: none">Secure employmentWorking timeAdequate wagesSocial dialogueFreedom of association, the existence of works councils and the participation rights of workersInformation, consultation and collective bargaining, including rate of workers covered by collective agreementsWork-life balanceHealth and safety
ESRS S1	Own workforce	<ul style="list-style-type: none">Working conditions	<ul style="list-style-type: none">Gender equality and equal pay for work of equal valueTraining and skills developmentEmployment and inclusion of persons with disabilitiesMeasures against violence and harassment in the workplaceDiversity
		<ul style="list-style-type: none">Equal treatment and opportunities for all	<ul style="list-style-type: none">Gender equality and equal pay for work of equal valueTraining and skills developmentEmployment and inclusion of persons with disabilitiesMeasures against violence and harassment in the workplaceDiversity
		<ul style="list-style-type: none">Other work-related rights	<ul style="list-style-type: none">Child labourForced labourAdequate housingPrivacy
ESRS S2	Workers in the value chain	<ul style="list-style-type: none">Working conditions	<ul style="list-style-type: none">Secure employmentWorking timeAdequate wagesSocial dialogueFreedom of association, including the existence of works councilsCollective bargainingWork-life balanceHealth and safety
		<ul style="list-style-type: none">Equal treatment and opportunities for all	<ul style="list-style-type: none">Gender equality and equal pay for work of equal valueTraining and skills developmentThe employment and inclusion of persons with disabilitiesMeasures against violence and harassment in the workplaceDiversity
		<ul style="list-style-type: none">Other work-related rights	<ul style="list-style-type: none">Child labourForced labourAdequate housingWater and sanitationPrivacy

ESRS: LIST of POTENTIAL MATERIAL TOPICS (Cont.)

This list is a good starting point for the identification of sustainability matters, but it should not be used as a checklist substituting a materiality assessment.

Topical ESRS	Sustainability matters covered in topical ESRS		
	Topic	Sub-topic	Sub-sub-topics
ESRS 93	Affected communities	<ul style="list-style-type: none"> Communities' economic, social and cultural rights 	<ul style="list-style-type: none"> Adequate housing Adequate food Water and sanitation Land-related impacts Security-related impacts
		<ul style="list-style-type: none"> Communities' civil and political rights 	<ul style="list-style-type: none"> Freedom of expression Freedom of assembly Impacts on human rights defenders
		<ul style="list-style-type: none"> Rights of indigenous peoples 	<ul style="list-style-type: none"> Free, prior and informed consent Self-determination Cultural rights
ESRS 94	Consumers and end-users	<ul style="list-style-type: none"> Information-related impacts for consumers and/or end-users 	<ul style="list-style-type: none"> Privacy Freedom of expression Access to (quality) information
		<ul style="list-style-type: none"> Personal safety of consumers and/or end-users 	<ul style="list-style-type: none"> Health and safety Security of a person Protection of children
		<ul style="list-style-type: none"> Social inclusion of consumers and/or end-users 	<ul style="list-style-type: none"> Non-discrimination Access to products and services Responsible marketing practices
ESRS G1	Business conduct	<ul style="list-style-type: none"> Corporate culture Protection of whistle-blowers Animal welfare Political engagement Management of relationships with suppliers including payment practices 	
		<ul style="list-style-type: none"> Corruption and bribery 	<ul style="list-style-type: none"> Prevention and detection including training Incidents

ESRS 2 GENERAL DISCLOSURES – ‘WHAT TO REPORT’

Governance

Strategy

IRO* management

Metrics and Targets

* Impacts, Risks and Opportunities

GOVERNANCE
<p>GOV-1: The role the admin., man. and superv. bodies</p> <p>GOV-2: Information provided to and sustainability matters addressed by the bodies</p> <p>GOV-3: Integration of incentive schemes</p> <p>GOV-4: Statement on sustainability due diligence</p> <p>GOV-5: Risk management over sustainability reporting</p>
STRATEGY
<p>SBM-1: Market position, strategy, bus. model(s), value chain</p> <p>SBM-2: Interests and views of stakeholders</p> <p>SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model</p>
IMPACTS, RISKS & OPPORTUNITIES MANAGEMENT
<p>IRC-1: Description of the processes to identify material impacts, risks and opportunities</p> <p>IRC-2: Disclosure Requirements in ESRS</p>

Table of contents

Objective	Interaction with other ESRS
Disclosure requirements	ESRS 2 General disclosures
– Strategy	ESRS 2 General disclosures
– Stakeholders	Disclosure Requirement related to ESRS 2 SBM-2 – Interests and views of stakeholders
– Opportunities and their interaction with strategy and business model	Disclosure Requirement related to ESRS 2 SBM-3 – Material impacts, risks and impacts, risks and opportunities <i>management</i>
– Disclosure Requirement S1-1 – Policies related to own workforce	Disclosure Requirement S1-2 – Processes for engaging with own workers and workers' representatives about impacts
– Disclosure Requirement S1-3 – Processes to remediate negative impacts and channels for own workers to raise concerns	Disclosure Requirement S1-4 – Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions
– Metrics and targets	Disclosure Requirement S1-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities
– Disclosure Requirement S1-6 – Characteristics of the undertaking's employees	Disclosure Requirement S1-7 – Characteristics of non-employee workers in the undertaking's own workforce
– Disclosure Requirement S1-8 – Collective bargaining coverage and social dialogue	Disclosure Requirement S1-9 – Diversity metrics
– Disclosure Requirement S1-10 – Adequate wages	Disclosure Requirement S1-11 – Social protection
– Disclosure Requirement S1-12 – Persons with disabilities	Disclosure Requirement S1-13 – Training and skills development metrics
– Disclosure Requirement S1-14 – Health and safety metrics	Disclosure Requirement S1-15 – Work-life balance metrics
– Disclosure Requirement S1-16 – Compensation metrics (pay gap and total compensation)	Disclosure Requirement S1-17 – Incidents, complaints and severe human rights impacts

Appendix A: Application Requirements

- **Application Requirements** (Appendix): how to apply the Disclosure Requirements, it includes calculation rules, tables to be used, optional disclosures or examples. Appendixes are integral part of the Standard with the same authority as the main body.

Example of Application Requirement

Disclosure Requirement (DR): METRIC

Disclosure Requirement S1-13 – Training and skills development metrics

81. The undertaking shall disclose the extent to which training and skills development is provided to its employees.

82. The objective of this Disclosure Requirement is to enable an understanding of the training and skills development -related activities that have been offered to employees, within the context of continuous professional growth, to upgrade employees' skills and facilitate continued employability.

83. The disclosure required by paragraph 81 shall include:

- (a) the percentage of employees that participated in regular performance and career development reviews; such information shall be broken down by gender;

- (b) the average number of training hours per employee and by gender.

84. The undertaking may disclose breakdowns by employee category for the percentage of employees that participated in regular performance and career development and for the average number of training hours per employee.

85. The undertaking may also disclose the information specified in this disclosure requirement with regard to non-employees in its workforce.

Application Requirement (AR) of the DR

Disclosure Requirement S1-13 – Training and Skills Development metrics

AR 77. A regular performance review is defined as a review based on criteria known to the employee and this or her superior undertaken with the knowledge of the employee at least once per year. The review can include an evaluation by the worker's direct superior, peers, or a wider range of employees. The review can also involve the human resources department. In order to disclose the information required by paragraph 83 (a), the undertaking shall use the employee headcount figures provided in Disclosure Requirement ESRS S1-6 in the denominator to calculate the:

- (a) number/proportion of performance reviews per employee; and

(b) number of reviews in proportion to the agreed number of reviews by themanagement. To disclose the average required per paragraph 83 (b), the undertaking shall perform the following calculation: total number of training hours offered to and completed by employees per gender category divided by the total number of employees per gender category. For the total training average and the average by gender, the head count figures for total employment and employment by gender reported in Disclosure Requirement ESRS S1-6 shall be used.

AR 79. Employee categories are a breakdown of employees by level (such as senior management, middle management) or function (such as technical, administrative, production). This information is derived from the undertaking's own human resources system. In categorising the workforce, the undertaking shall define reasonable and meaningful employee categories which enable users of the information to understand different performance measures between the categories. The undertaking may present a category for executive and non-executive employees.



CURRENT ACTIVITIES

EFRAG NON-AUTHORITATIVE IMPLEMENTATION GUIDANCE



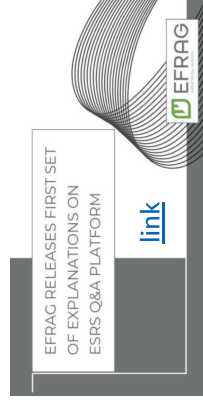
EFRAG ESRs Q&A PLATFORM



Update Q&A Platform 12 June 2024

Question relating to:	Number of Questions received since 24 October 2023
X-cutting	169
Environment	141
Social	81
Governance	13
XBRL	11
VSME	1
LSME	0
Sectors	1
Other	58
TOTAL	475

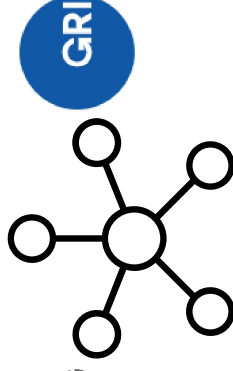
Access the regularly updated [Log of questions](#) submitted.



INTEROPERABILITY MAPS



- To avoid double reporting
- Leveraging on the high-level of interoperability in the standards
- Implementation support material issued jointly
- Paving the way to digital interoperability
- Illustration of the correspondence of detailed requirements in ESRs that correspond to the other standard, with clarification of differences in terminology and substance (if any)



SME EXPOSURE DRAFTS AND EDUCATIONAL VIDEOS



EFRAG PUBLIC CONSULTATION

Exposure drafts on sustainability reporting standards for SMEs

Deadline: 21 May 2024

EXPOSURE DRAFT

VOLUNTARY ESRs FOR NON-LISTED SMALL- AND MEDIUM-SIZED ENTERPRISES (VSME ESRs)

JANUARY 2024

OPEN FOR COMMENTS UNTIL 21 MAY 2024

EXPOSURE DRAFT

ESRS FOR LISTED SMALL- AND MEDIUM-SIZED ENTERPRISES (ESRS LSME)

JANUARY 2024

OPEN FOR COMMENTS UNTIL 21 MAY 2024

4 videos 3,096 views Last updated on 22 Feb 2024

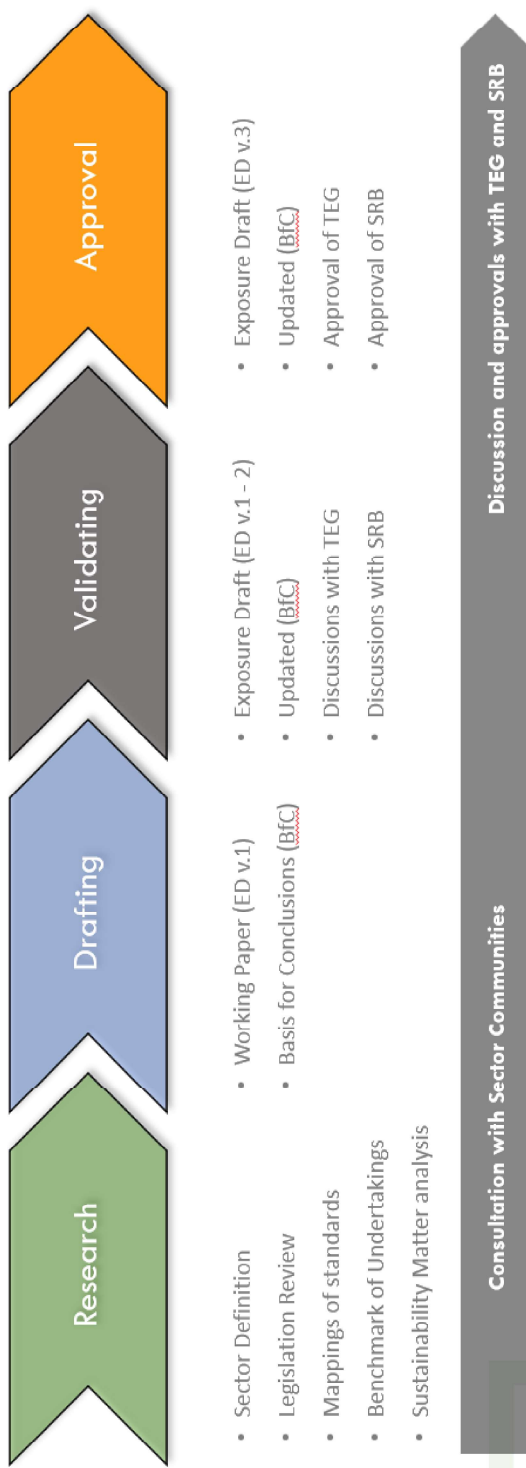
Play all Shuffle

SME Standards

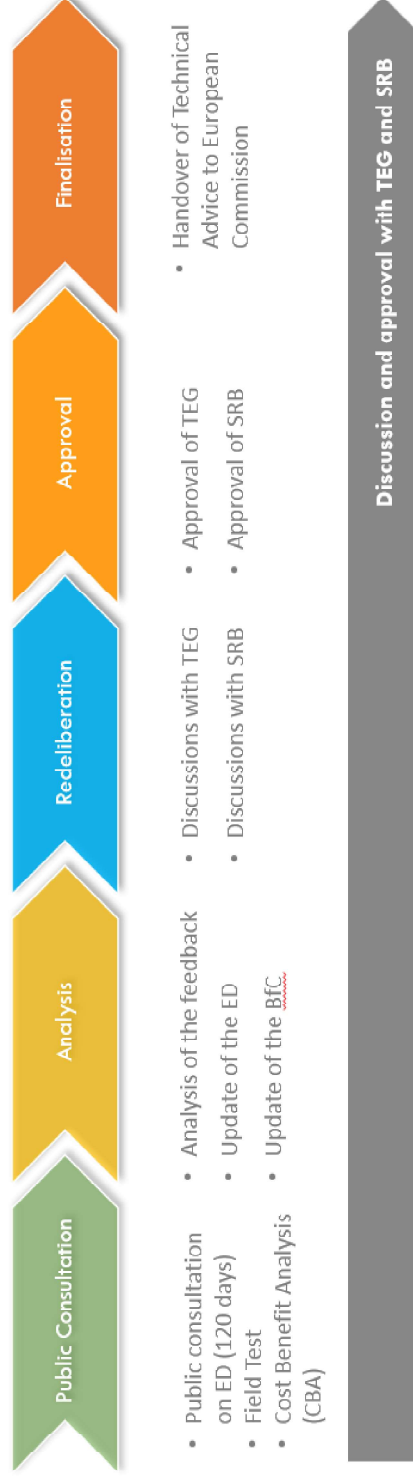
EFRAG is happy to present educational videos dedicated to the ESRS LSME ED and VSME ED, which were released for public consultation on 22 January 2024, and the recording of the outreach event held on 20 February 2024.

Public Consultations and Field Tests

INTRODUCTION TO SECTOR SPECIFIC ESRs



INTRODUCTION TO SECTOR SPECIFIC ESRS (Cont.)



SECTOR COMMUNITY



- Community Sector Groups are constituted by stakeholders interested in the development of Sector ESRS (preparers and preparer organisations, etc.)
- Support the identification of relevant and important sustainability matters for each sector, provide input to the development of draft standards

[EFRAG's sector-specific communities](#)

Become a Friend of EFRAG



Entities can support EFRAG's mission and activities in the development of draft ESRS!

Advantages:

- Visibility on website
- Private meetings with the EFRAG high-level representatives
- Mention in Annual report
- Reserved seats at physical events
- Access to documents prior to publication
- A possible panelist position in EFRAG's events
- A possible EFRAG representation in the entities' events
- Use of "Friend of EFRAG" logo

Who to apply?

Send to nominations@efrag.org a description of your entity's mission and activities and a motivation statement in support of EFRAG's mission in its sustainability reporting activities.



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35 Square de Meeûs, B-1000 Brussels
info@efrag.org - www.efrag.org



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THANK YOU