

JOURNÉE D'ÉTUDE PUBLICATION D'INFORMATIONS EN MATIÈRE DE DURABILITÉ

« Impact sur les entreprises et importance de la concertation sociale »

STUDIEDAG DUURZAAMHEIDSVERSLAGGEVING

« Impact op het bedrijfsleven en belang van het sociaal overleg »

Europese standaarden duurzaamheidsverslaggeving

Normes européennes de publication d'informations en matière de durabilité

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Conseil Central de l'Economie
Centrale Raad voor het Bedrijfsleven
CRB



DISCLAIMER

The views expressed in this presentation are those of the presenter, except where indicated otherwise. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.



About EFRAG

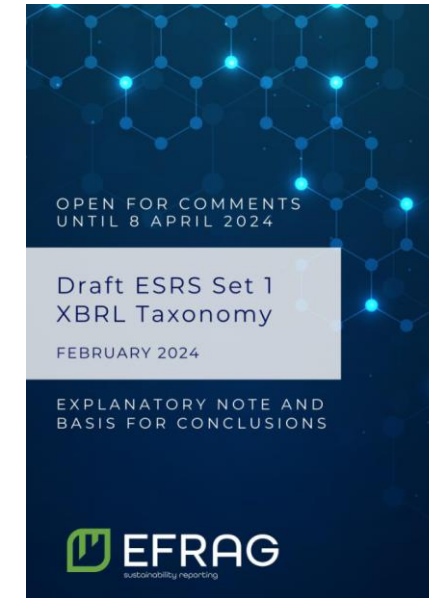
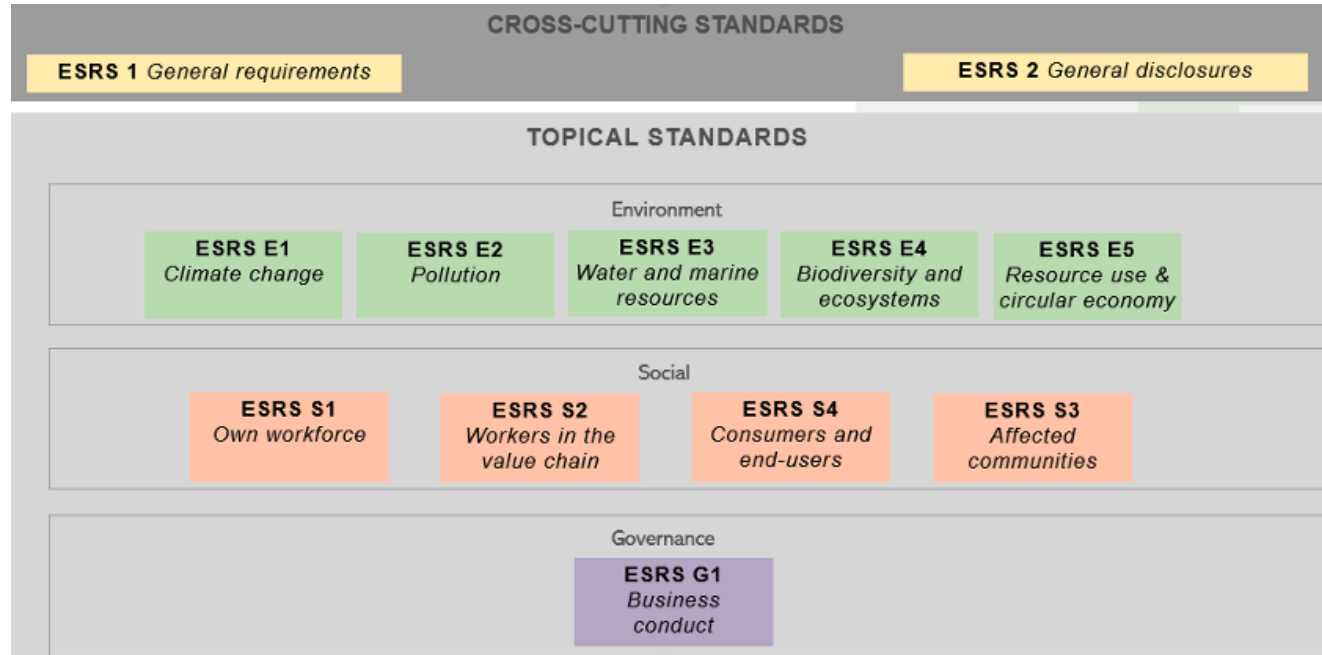
WHAT IS EFRAG?

- Established 2001, serving European public interest
- Missions: mandated to provide technical advice to the European Commission on
 - i. the development of ESRS (sustainability reporting pillar) and
 - ii. the endorsement of IFRS (financial reporting pillar)
- Involved in sustainability reporting since 2018
- Robust governance: multi-stakeholder composition and involvement
- Overall: EFRAG positioned in a leading role in support of front-running European reporting regime and in support of global sustainability reporting momentum.



ESRS

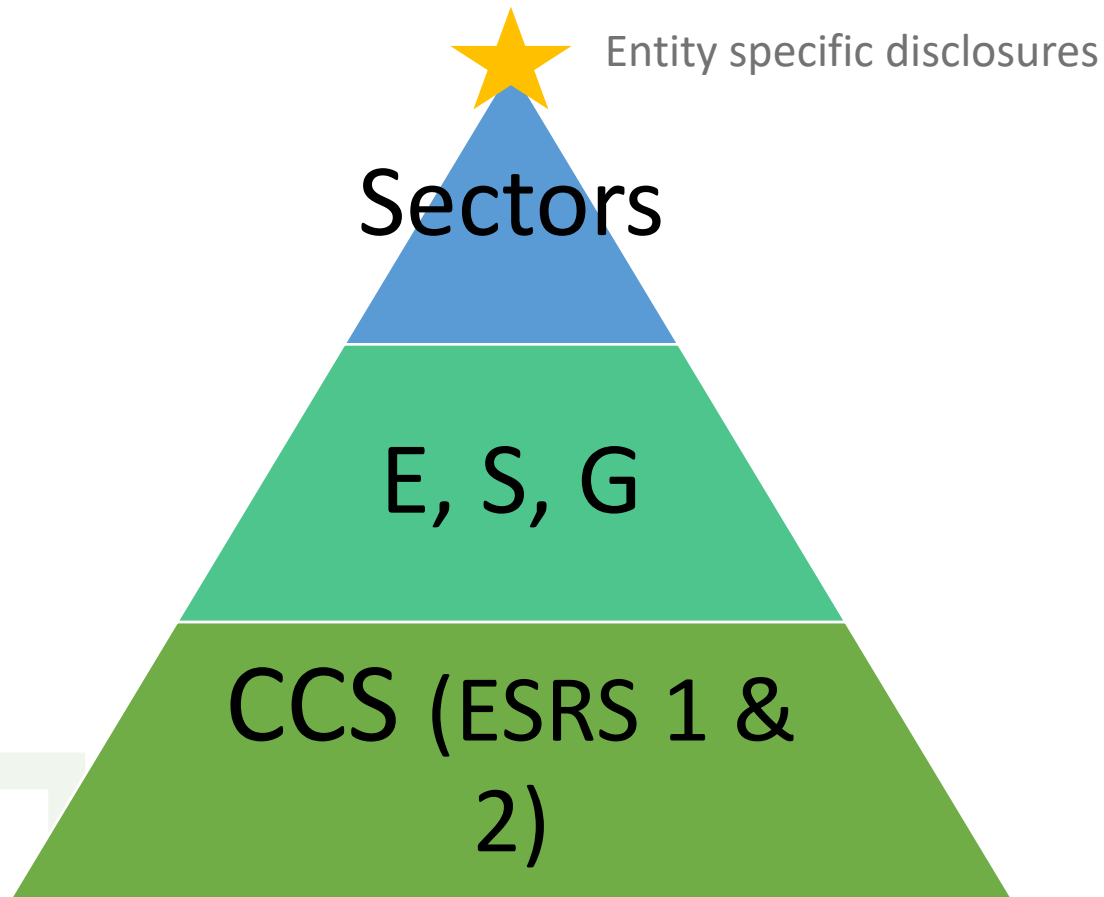
The first set of sector agnostic ESRS



Proposed XBRL taxonomy for Set 1
Published on 30 August 2024

The first set of sector agnostic ESRS (continued)

Categories of ESRS standards and disclosures



Reporting areas



Exposure drafts for SMEs

- Exposure drafts for both LSME (for listed SMEs) and the voluntary reporting standard for unlisted SMEs (VSME)
- Both draft standards to be delivered as technical advice to the EC in **December 2024**
- **VSME**: to provide a simple reporting tool, that can credibly **replace a substantial part of the questionnaires used by business partners** in requesting ESG data from SMEs and that can support SMEs in monitoring their sustainability performance.
- **Value chain cap**: LSME, VSME AND trickle-down effect

The graphic is a public consultation announcement from EFRAG. It features a grey background with a white border. On the left, the text 'EFRAG PUBLIC CONSULTATION' is in yellow, followed by 'Exposure drafts on sustainability reporting standards for SMEs' in white, and 'Deadline: 21 May 2024' in a smaller white font. On the right, there are two side-by-side draft covers. The left cover is dark blue with a yellow grid pattern at the top and bottom. It contains the EFRAG logo, 'EXPOSURE DRAFT', 'VOLUNTARY ESRS FOR NON-LISTED SMALL- AND MEDIUM-SIZED ENTERPRISES (VSME ESRS)', 'JANUARY 2024', and 'OPEN FOR COMMENTS UNTIL 21 MAY 2024'. The right cover is yellow with a dark blue grid pattern at the top and bottom. It contains the EFRAG logo, 'EXPOSURE DRAFT', 'ESRS FOR LISTED SMALL- AND MEDIUM-SIZED ENTERPRISES (ESRS LSME)', 'JANUARY 2024', and 'OPEN FOR COMMENTS UNTIL 21 MAY 2024'.

EFrag PUBLIC CONSULTATION

Exposure drafts on sustainability reporting standards for SMEs

Deadline: 21 May 2024

EFrag

EXPOSURE DRAFT

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

JANUARY 2024

OPEN FOR COMMENTS UNTIL 21 MAY 2024

EFrag

EXPOSURE DRAFT

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

JANUARY 2024

OPEN FOR COMMENTS UNTIL 21 MAY 2024

Two different standards support SME'S access to finance

ESRS for listed SMEs - LSME

- Part of EFRAG mandate in CSRD', delegated act, effective 01/01/26 (two-year opt out)
- **Public-interest relevance:**
 - SMEs with bonds, shares and other securities traded in regulated market in the EU
 - small and non-complex institutions (SNCIs)
 - captive insurers/ reinsurers
- To set requirements proportionate and relevant to the scale and complexity of the activities and to the capacities and characteristics of LSMEs.
- Expected to support LSMEs in better access to finance and avoid discrimination against them on the part of financial market participants

Voluntary standard for non listed SMEs - VSME

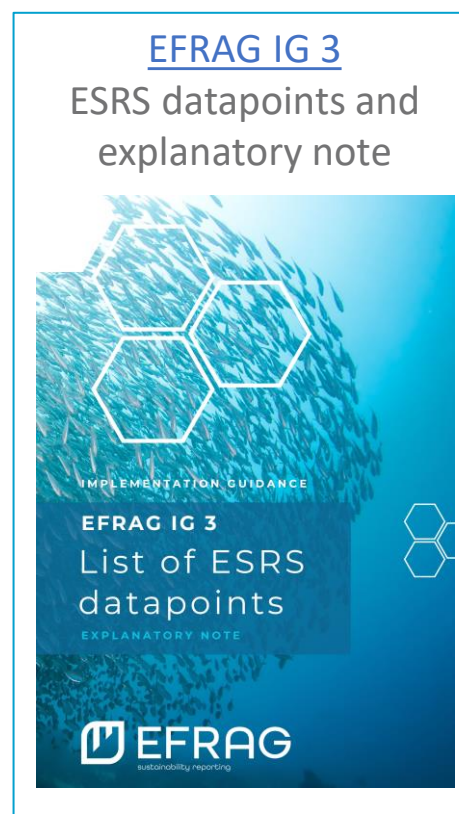
- Outside the CSRD mandate: EC SME Relief Package of September 2023: to support SMEs in accessing sustainable finance.
- Non-listed micro- + SMEs
- Simple reporting tool to assist in responding to requests for sustainability information from business counterparts in an efficient and proportionate manner
- Facilitate SMEs transition to sustainable economy
- To standardise the current multiple ESG data requests by reducing the number of uncoordinated requests they receive.



Implementation support

Implementation Guidance documents

The first three ESRS IG's were published on 31 May 2024.



- IG is developed on EFRAG SRB initiative or in responses to question on Q&A platform.
- **Non-authoritative:** supports understanding of ESRS and illustrates the content with examples and FAQs but **cannot go beyond content** of issued ESRS nor include new provisions.
- Any approach or methodology illustrated is a **possible way to implement the standard.** Determination of implementation approaches stays in the responsibility of the preparer
- Location: <https://www.efrag.org/en/projects/esrs-implementation-guidance-documents>
- Working on IG's for transition plan

Implementation support: EFRAG ESRS Q&A platform

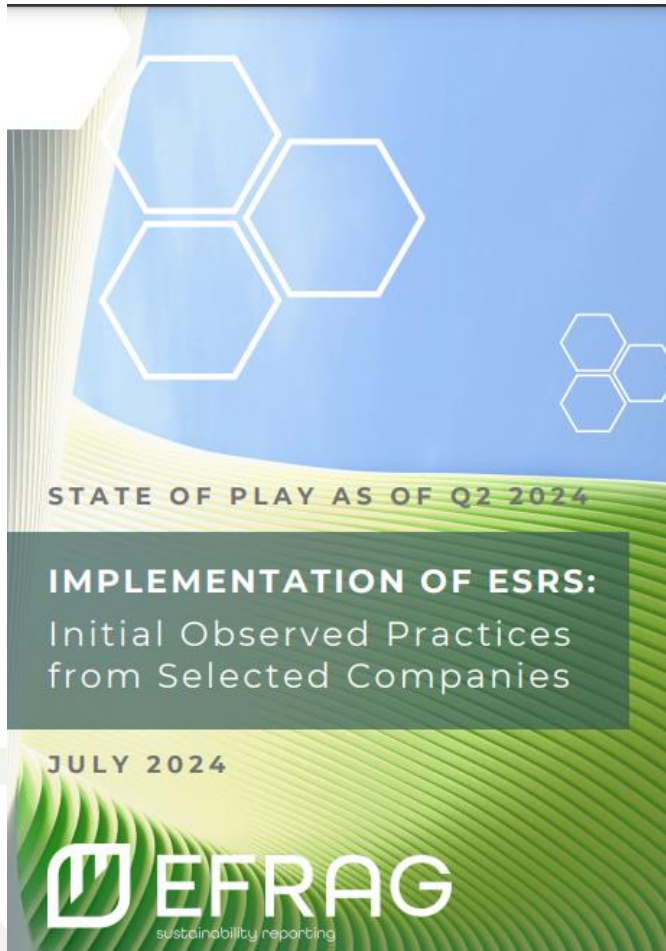
More than 600 questions received

Update Q&A Platform as of 30 August 2024:

	Number of questions received since 24 October 2023
Question related to:	
x-cutting	213
Environment	189
Social	104
Governance	17
XBRL	28
VSME	2
LSME	0
Sectors	1
Other	61
not yet allocated to the above	0
TOTAL	615



Initial observed practices from selected companies



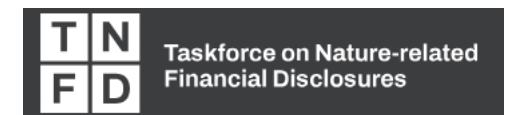
- Educational material (no public feedback)
- It illustrates preliminary practices of ESRS implementation
- Based on interviews of 28 large EU-headquartered undertakings across eight sectors split between financial and non-financial enterprises.
- The emerging practices were analysed against four focus areas particularly relevant to the implementation of ESRS: Materiality assessment, Value Chain, Gap analysis on datapoints, ESG reporting organisational approach.
- The study intentionally focuses on larger undertakings and thus is not representative of the diverse mix of companies that will apply the ESRS.



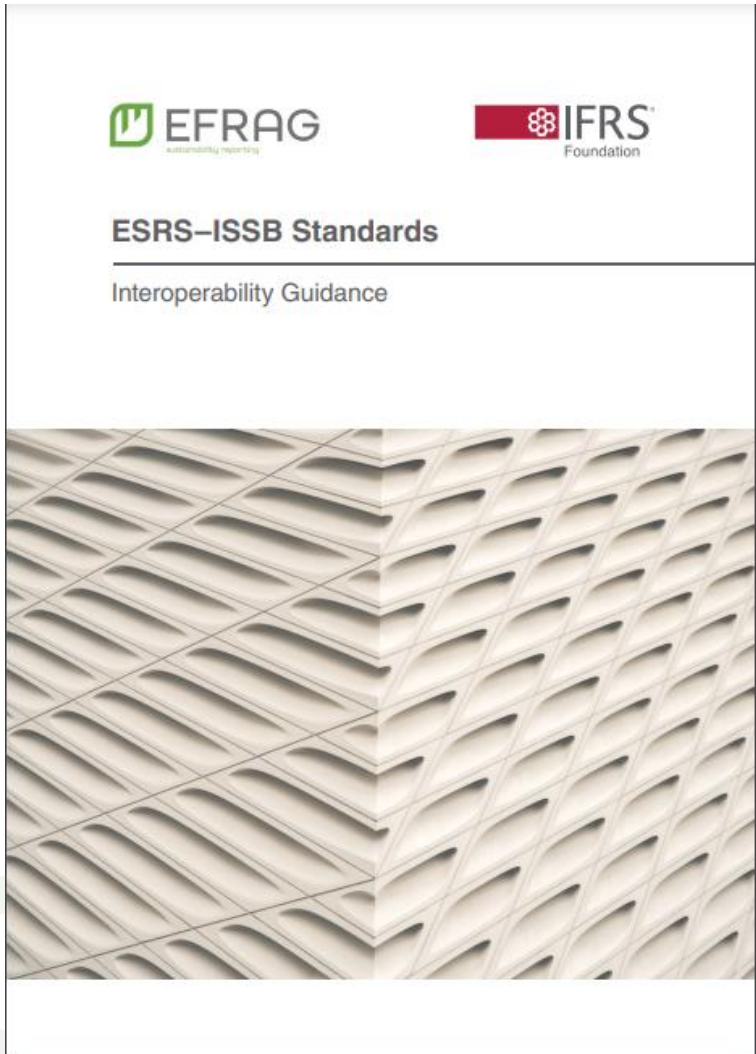
Interoperability

Interoperability maps

- To avoid double reporting (key EU objective: no duplication of requirements)
- Leveraging on the high-level of interoperability achieved in published ESRS
- Implementation support material issued jointly
- 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)
- Paving the way to digital interoperability



ESRS-ISSB interoperability guidance issued on 2 May 2024



International Sustainability Standards Board (ISSB)



- Comments received: great desire for interoperability
- Result of two years dialogue during standard setting and after
- Illustrates high level of alignment
- ESRS preparers can report on climate, also in compliance with ISSB Standards, only with a very limited number of points to consider, clearly identified in Section 3 of this document.
- This document explains that ESRS preparers can use ESRS to comply with ISSB Standards to report on matters beyond climate.
- Next steps:
 - (1) digital interoperability
 - (2) sector standards
 - (3) HC and Nature disclosure (future ISSB standards)

Key interoperability steps achieved in practice

Global Reporting Initiative (GRI)



- November 2023: Memorandum of Understanding: to continue working together to deliver technical support
- GRI-ESRS Interoperability Index made publicly available (draft): how the disclosure requirements and datapoints in each set of standards relate to each other, emphasizing the high degree of commonality already achieved and laying down solid foundations to build a reciprocal digital taxonomy.
- Interoperability prevents the need for double reporting.
- Entities reporting under ESRS will be deemed reporting 'with reference' to the GRI standards and existing GRI reporters will be able to leverage their current reporting efforts to prepare their ESRS "Sustainability statement"

EFRAG and GRI agreement:

A high level of interoperability has been achieved in respect to impact reporting

Entities complying with ESRS considered reporting with reference to GRI Standard (as defined by GRI 1)

EFRAG and GRI have issued on 4 September 2023 a joint statement of interoperability

Next step: Digital and Sector interoperability



Next steps

The journey has not ended...

Sector-specific ESRS

- To complement the set 1 ESRS requirements
- Set 1 has transitional provisions require to cover sector information with entity specific disclosures, which is judgmental and challenging to prepare
- Will reduce the burden associated with entity specific disclosure
- Built following EFRAG transparent and multi stakeholder due process
- Approval process transparent and drafts available quite early in the process
- Public consultation and field test as key step:(120 days) not yet approved
- Built following interoperability approach: SASB, GRI and other sectoral frameworks as a starting point, plus European specificities
- SEC 1 (standard setting approach for sectors and classification) and Oil & Gas ED's approved by SRB with Mining, quarrying and coal mining approval scheduled for 2 Oct.
- Sector EDs for Road transport as well as Textiles, accessories, jewellery and footwear depend on resources; Financial sector standards ED issuance in H2 2025

Other high impact sectors:

- Agriculture, fishing and farming
- Energy production and utilities
- Food and beverages
- Motor vehicles

The journey has not ended...

ESRS for non-EU groups

- Draft standard to be submitted to the EC by end of 2025
- Article 40a of CSRD requires non-EU groups with a branch or subsidiary in the EU and significant activity in the EU (more than EUR 150 million of turnover) to provide sustainability information from the 2028 financial year, with a report published in 2029.
- EFRAG to develop this standard
- Focus is on impact materiality
- Financial materiality-related aspects to understand/explain impacts
- Set 1 as basis.
- Consultation to start in January 2025 with field test during last 30 days of comment period. Watch EFRAG news items for further information
- Draft standard to be submitted to the EC by end of 2025

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 EFRAG's Annual report
- Reserved seats at physical events
- A possible EFRAG representation in the entities' events
- Use of “**Friend of EFRAG**” logo



How to apply?

Complete the online application form [here](#) indicating your legal information, a description of your entity's mission and activities and a motivation statement in support of EFRAG's mission in its financial reporting activities.

Access more info about the Friends of EFRAG [here](#). If you want to request a meeting, please write to caroline.martins@efrag.org.

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THANK YOU