

European Sustainability Reporting Standards

INTRODUCTION TO EFRAG EDs ON DRAFT ESRS

EFRAG, BETTER FINANCE, BEUC, EFFAS AND
FINANCE WATCH JOINT OUTREACH EVENT ON EFRAG
EXPOSURE DRAFTS ON DRAFT ESRS

14 July 2022



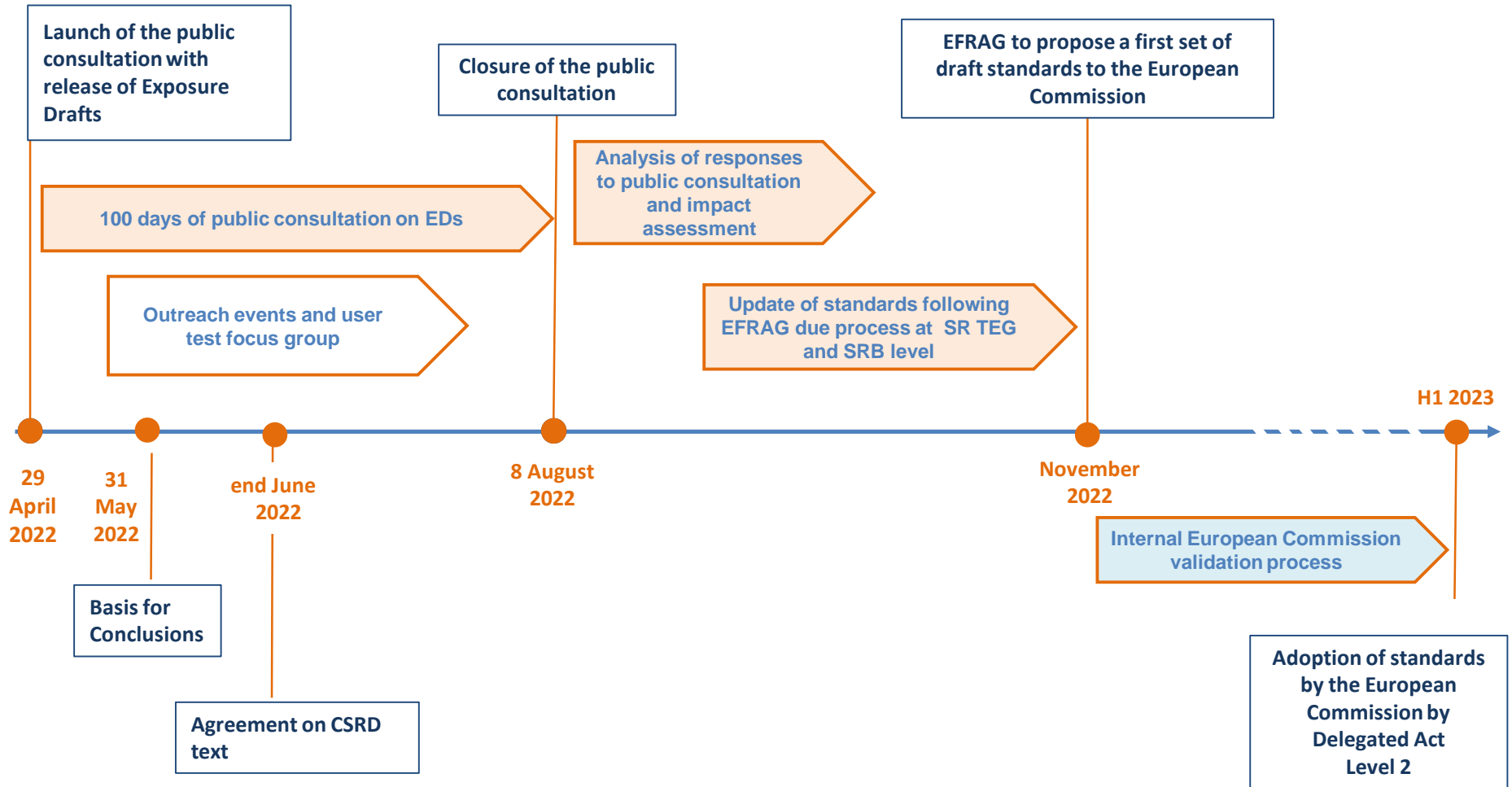
DISCLAIMER

The Exposure Drafts have been prepared solely by the EFRAG PTF-ESRS and submitted to public consultation by EFRAG SRB to inform the upcoming standard-setting steps. They, therefore, do not reflect the EFRAG SRB's position at this stage, nor the position of the European Union or European Commission DG Financial Stability, Financial Services and Capital Markets Union (DG FISMA), nor the position of organisations with which the EFRAG PTF-ESRS has cooperated.



Introduction

From EDs to draft standards: 7 months in 'institutional mode'



The seven key features of the EDs

1. They take account of existing European law and initiatives
 - SFDR, Taxonomy Art. 8
 - A list of European texts (e.g. GHG allowance Directive, the EMAS regulation and European Commission recommendation on the life cycle environmental performance of products and services, see Basis for Conclusions)
 - Recent European initiatives (e.g. a Corporate Sustainability Due Diligence Directive (CSDDD))
2. They take account of European and international sustainability reporting initiatives
3. The overall architecture of Exposure Drafts is designed to ensure that sustainability information is reported in a carefully articulated manner (see next slide)
4. They address sustainability matters as per Article 19b of the CSRD proposal
5. They are a first step in a journey towards a faithful representation of sustainability performance (SME standard(s) and sector-specific standards in the 2nd set)
6. The public consultation will help to finetune relevance and comparability as well as explore ESRS implementation prioritisation / phasing-in options
7. **They will be adjusted to meet the requirements of the final CSRD**

A coherent architecture to implement the CSRD provisions

Cross-cutting

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Overall umbrella

Cross-cutting disclosures

Environment

Social

Governance



Main success factors of the ESRS

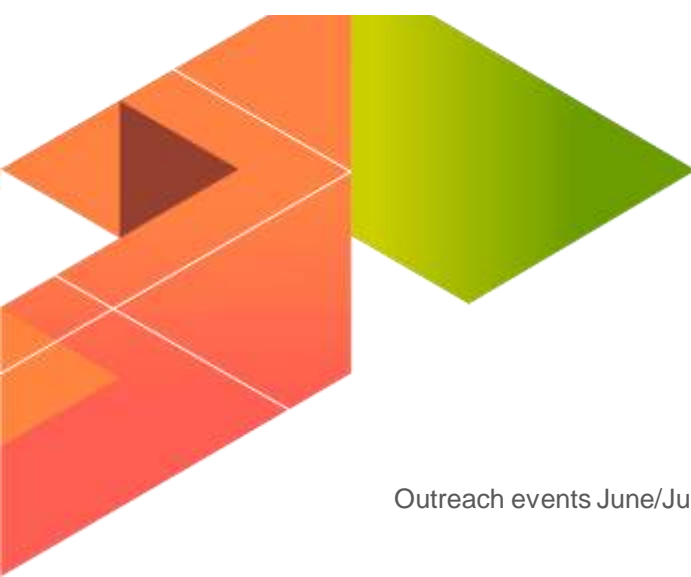
- 1. Information quality (in particular: relevance and sector-agnostic comparability)**
- 2. Coherence with EU policy objectives (content and timing)**
- 3. Compatibility with international initiatives**
- 4. Exercise of judgement to foster proportionate implementation**
- 5. Balanced combination of narrative, semi-quantitative and quantitative information**
- 6. Connectivity to ensure seamless standardised corporate reporting**
- 7. Flexibility in presentation (sustainability statements and incorporation by reference)**

Main challenges of the ESRS

- 1. A real challenge for first time reporters**
- 2. Overall depth of required information (to be fine tuned and/or phased-in)**
- 3. Assessment of material IROs and rebuttable presumption**
- 4. Boundary issues**
- 5. Meeting expectations of all stakeholders**
- 6. Avoiding multiple reportings**



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