

European Sustainability Reporting Standards

EU Sustainability Reporting Standards and the future of sustainability reporting

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European Financial Reporting Advisory Group

Key messages

- ❑ **Climate as a key element of an EU comprehensive sustainability reporting**
- ❑ **The “climate Standard Prototype” working paper: an initial step towards high quality climate reporting**
- ❑ **A commitment to international cooperation**

Climate as a key element of an EU comprehensive sustainability reporting (1/3)

Meeting the challenge of high quality Sustainability Reporting

The CSRD is a major step forward following the NFRD

- Complete coverage of sustainable development themes (**Environment, Social and Governance+**),
- ... required for **all large companies**, whether listed or not,
- ... standardised through **reporting standards** fostering comparability,
- ... demanding in terms of approach (**double materiality**) and **quality** (criteria: relevant, faithful, comparable, understandable and reliable),
- ... located in the **management report**,
- ... **audited** by an external third party (limited assurance initially),
- ... able to be translated to **electronic format** at the outset.

Framing the organisation and due process for elaboration of European standards (ESRS)

- PTF-ESRS and then future EFRAG governance combined to deliver a first set of standards by mid June 2022
- Both operating under a robust due process and in full transparency

Climate as a key element of an EU comprehensive sustainability reporting (2/3)

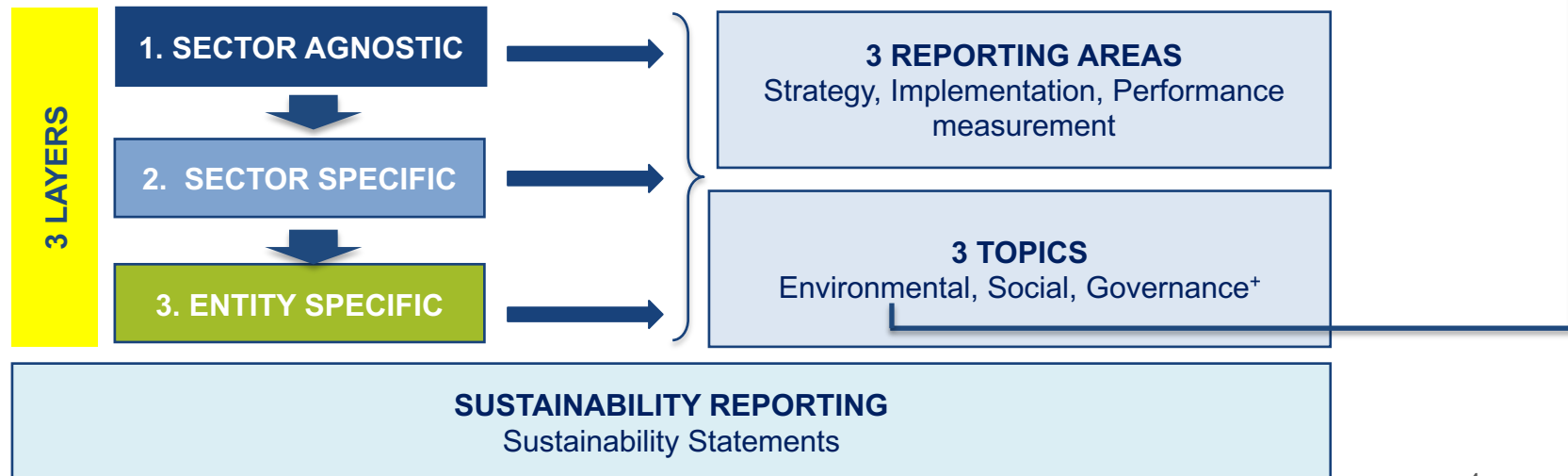
Reflected in a comprehensive standards (ESRS) architecture

The “rule of three”...

- Three layers: from sector agnostic, to sector specific to entity specific
- Three reporting areas: Strategy, Implementation and Performance measurement
- Three topics: ESG+

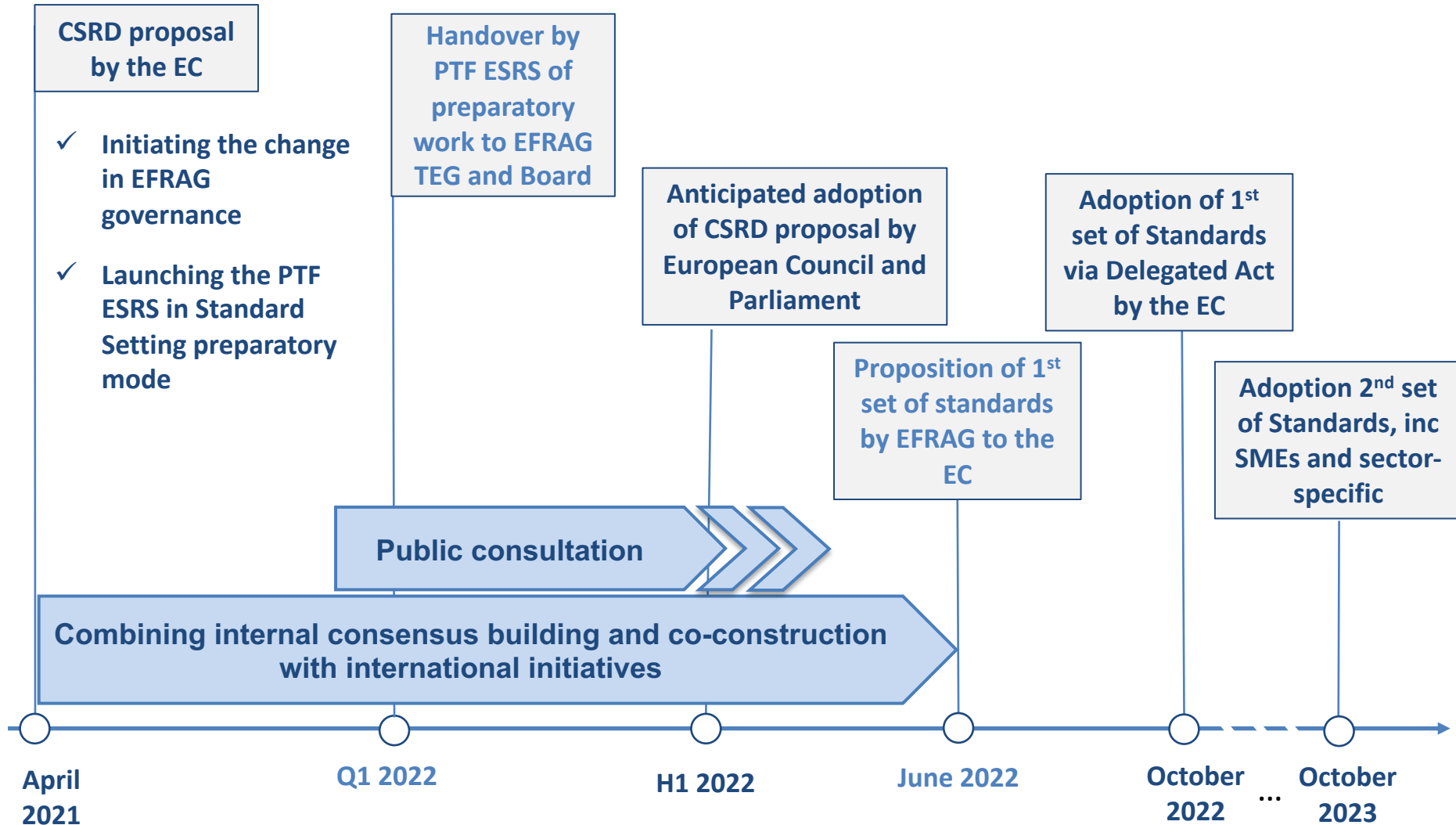
... and the appropriate reporting structure.

Incl. CLIMATE
MITIGATION &
ADAPTATION



Climate as a key element of an EU comprehensive sustainability reporting (3/3)

Under an ambitious timeline



The “climate Standard Prototype” working paper: an initial step towards high quality climate reporting

- Caveat. A **working paper** at this stage, subject to significant next steps until pre-exposure draft (target date December 2021): enhancement, PTF discussion and consensus building, expert working group input
- Overarching objective: complying with the **EU agenda** and the **TCFD framework** and meeting the criteria for quality.  Therefore, comprehensive (relevance and faithfulness) and detailed (comparability).
- **Prioritisation** of disclosures between successive sets still to be decided
- **Key features:**
 - Addressing Governance, Strategy, Risk Management, Metrics & Targets
 - Covering energy, emissions (absolute and intensity), EU taxonomy disclosures, financial risks and opportunities...
 - Covering scopes 1, 2 and 3
 - Covering targets and transition plans in alignment with the Paris Agreement

A commitment to international cooperation (1/2)

Fostering a co-construction approach with international initiatives

- As a pre-requisite from the EC from the start and as illustrated both in the CSRD proposal and the PTF-NFRS reports from March 2021
- Proactive engagement with international initiatives since the launch of the PTF-ESRS in June, resulting in:
 - **Statements of cooperation** signed with GRI and Shift, ensuring their representation and participation to relevant PTF-ESRS clusters; more opportunities being currently investigated with other organisations
 - **Regular technical discussions** with the IFRS Foundation TRWG on the respective climate prototypes, approach to materiality and standards architecture and with SASB/VRF on sector/industry specific disclosures

A commitment to international cooperation (2/2)

Fully illustrated by the content of the climate prototype working paper

