

# ESRS – GENERAL PRESENTATION

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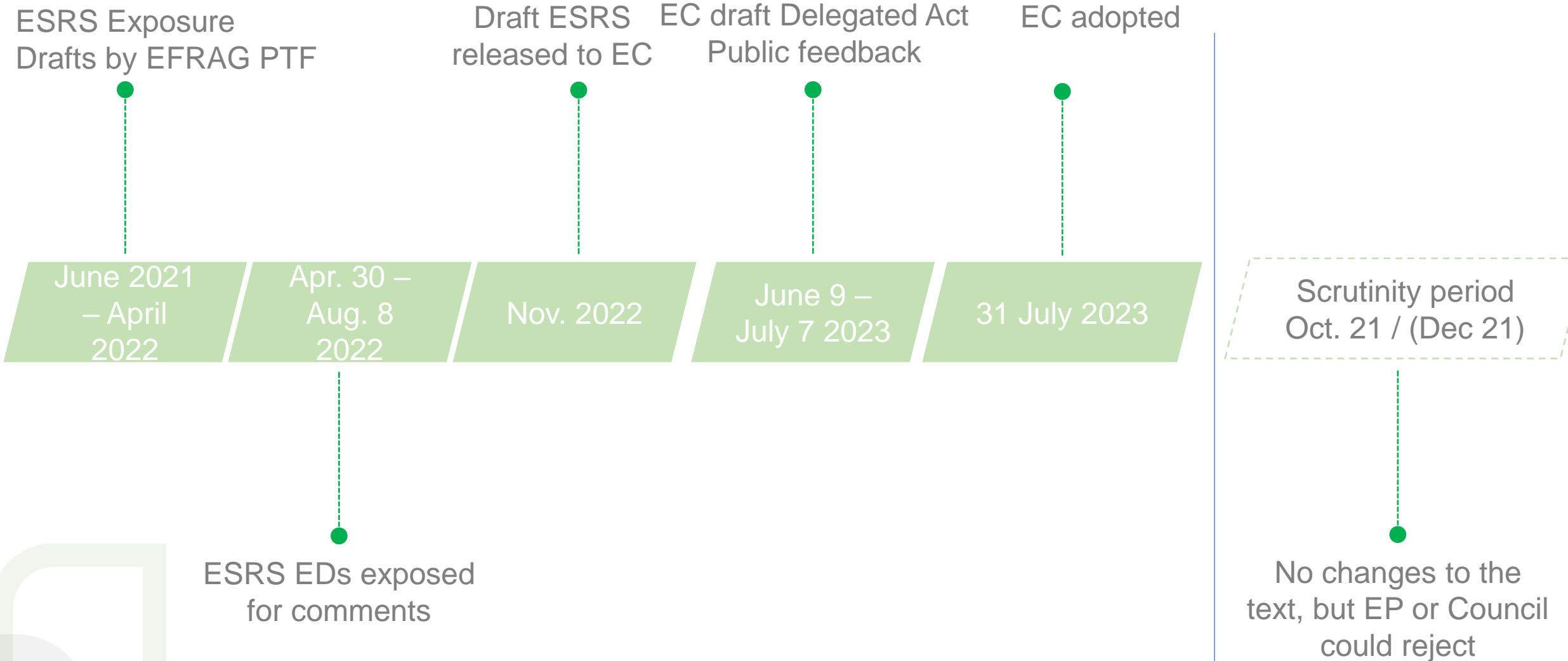
11 October 2023



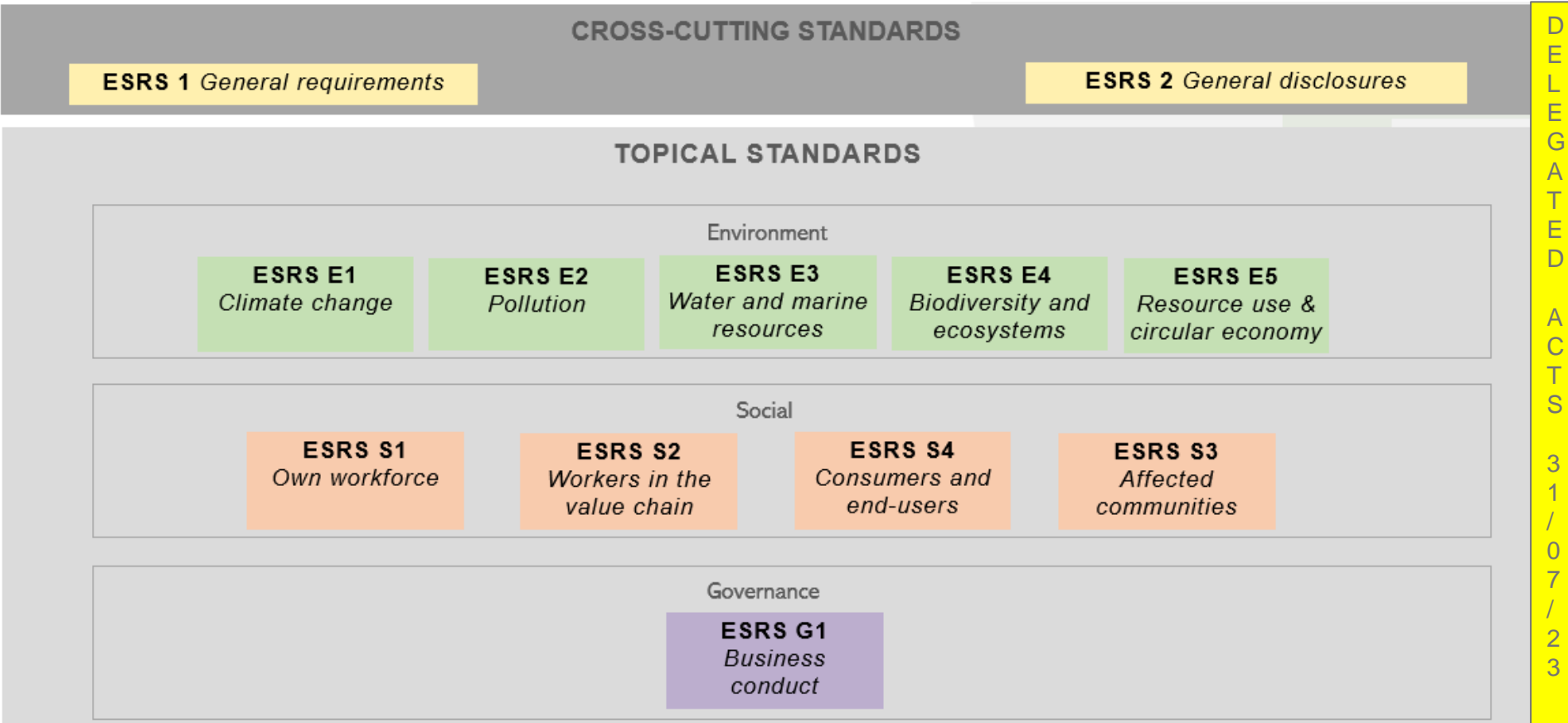


## ESRS Atti delegati

# The Sector Agnostic Standards on the finish line



# The First Set of Sector agnostic ESRS elaborated by EFRAG



## 84 Disclosure Requirements

Qualitative or quantitative

### Double materiality

- Financial materiality
- Impact materiality

### 4 pillars

- Governance
- Strategy
- Impact, risk and opportunity management
- Metrics and targets

... to be complemented by sector specific standards + SME standards (next steps)



ESRS  
Implementation  
Support

## EFRAG non authoritative implementation guidance

- Providing non-authoritative guidance:
  - ✓ How to perform the materiality assessment?
  - ✓ How to address value chain disclosures under the ESRS?
- Normative chapters and FAQs
- Discussed in public meetings from SRB 23 August 2023
- **Available for 4 weeks of public feedback when approved in draft (Q4-23 or Q1-24)**
  - ✓ Inventory of datapoints in xls to perform a « gap analysis » (released jointly with the XBRL taxonomy)
  - ✓ Other documents may follow in the next year(s)

See 23 August  
SRB meeting  
documents for  
latest DRAFT  
versions

## EFRAG to support implementation with FAQ process

- Answering FAQs
  - ✓ Access point
  - ✓ Process to provide answers
- Facilitating access to relevant documents and education
- Under due process and in cooperation with EC

**ESRS Q&A  
portal  
opening soon!**



# EFRAG developments ahead



## A clear structure for each disclosure requirement in ESRS....

- First paragraph -> the description of the Disclosure Requirement
- Second paragraph: -> the objective of the disclosure requirement (principles-based approach)
- Following paragraphs: the specific datapoints to be included (« shall ») under a, b, c..., subdivided, if need be, as (i), (ii), (iii)... (non-limitative list)

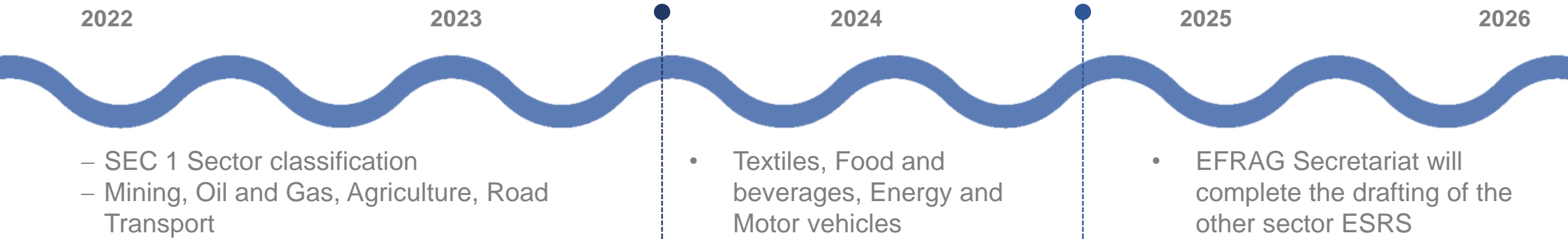
+ Application requirements

## ... facilitating digitisation

- Digital XBRL taxonomy underway at EFRAG, facilitating usability and comparability of ESRS statements in the ESAP
- Draft version will be available **for public consultation in Q4-2023 or Q1-2024**, enabling digital tagging and « taxonomy-centric » report preparation
- Tagging aligned with standard structure allowing for 3 levels of reading:
  - ✓ Level 1: Disclosure requirement level
  - ✓ Level 2 (« nested »): a, b, c ...
  - ✓ Level 3 (« nested »): (i), (ii), (iii) ... (when required by ESRS)
  - ✓ Quantitative (numerical) and semi-narrative tags (Yes/No, Dropdowns) on all levels

# Sector ESRS – 39 Exposure Drafts in the coming years

## Starting from high-impact sectors and financial institutions



Financial institutions (banking, insurance, asset management) to address also value chain specificities  
Apply to Advisory Panel by 15 Sept. 23

Sector standards are being developed over a period of 4/5 years (2022-2026) and are **complementary to sector-agnostic**

**Illustrative timeline – timetable to be confirmed**

# ESRS for non-EU groups

- At group level of ultimate third-country parent undertaking
- *Art. 29 a 2 Points (a)(iii) to (a)(v)* – plans and actions to ensure bus model and strategy compatible with 1,5 °C, how the strategy and bus model take account of stakeholders' views and interests and how strategy has implemented with regard sustainability matters
- *Art. 29 a 2 Points (b) to (f)* – targets, governance bodies, policies, incentive schemes, due diligence, material IROs, actions
- *Art. 29 a 2* where appropriate, indicators for the above.

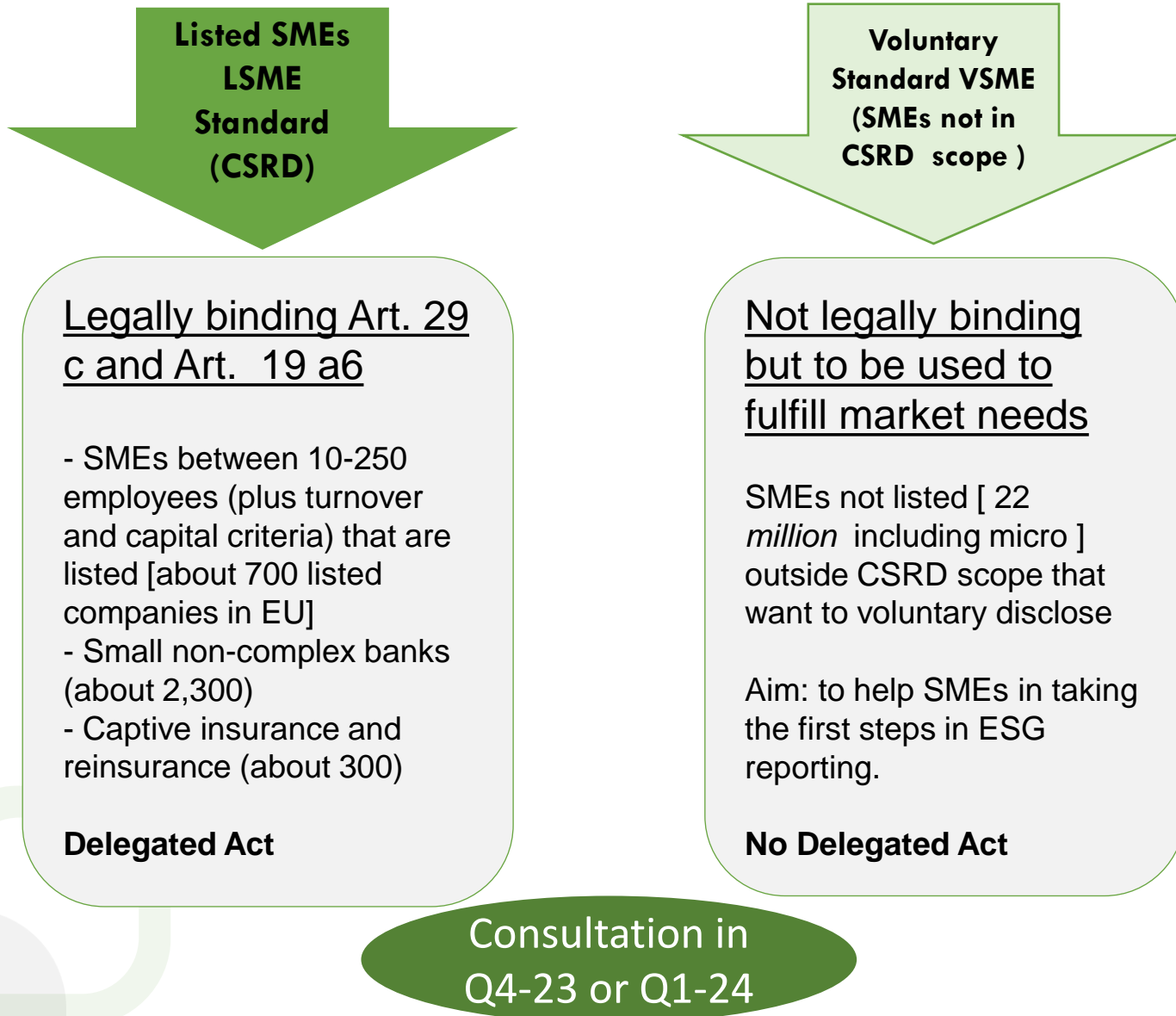
NON-EU COMPANIES IN SCOPE  
Net turnover > EUR 150 million  
and:  
- with a subsidiary in the EU that follow the criteria applicable to EU companies (i.e., being listed on the European market except micro or being within the large company threshold) or  
- with a branch in the EU generating more than EUR 40 million net turnover

Effective from 2028, EFRAG will work on it after SME and first batch(es) of Sector ESRS



FOCUS ON SME

# High priority in EFRAG current workplan: SME



CSRD specifies reporting requirements for listed SMEs. Art 19 a(6) by *way of derogation*. This is a reduced list from the requirements that will apply to other companies under scope:

- A brief description of the undertaking's business model and strategy
- A description of the undertaking's policies in relation to sustainability matters
- The principal actual or potential adverse impacts of the undertaking with regard to sustainability matters, and any actions taken to identify, monitor, prevent, mitigate or remediate such actual or potential adverse impacts
- The principal risks to the undertaking related to sustainability matters and how the undertaking manages those risks
- Key indicators necessary to the disclosures referred to in points (a) to (d).

**VSME has no legal role and does not impact the cap.**

The Draft LSME ESRS will define the limit of information that EFRAG may request from large undertakings, in line with art 29b(4) CSRD.

- EFRAG's work on a voluntary standard for non-listed micro, small and medium companies (from now onwards also **VSME**) is **outside the mandate defined in the CSRD and derives from the market need to have a common point of reference to be used by counterparties in the upstream value chain of SMEs and by lenders, when they define their data requests from non-listed SMEs and to support non-listed SMEs in the start of their sustainability journey.**
- EFRAG Secretariat is working also on the simplified Sustainability Reporting Standards for listed SMEs, small non-complex credit institutions and captive insurances and reinsurances (from now onwards also LSME) as derogation to the ESRS for large undertakings (Article 19a (6) of the CSRD).
- EFRAG SR TEG, SRB and VSME and LSME communities confirmed: facing growing stakeholders request for ESG data and to lower the entry barrier to reporting.
- This market need was also recognized by EC and **Commissioner Mc Guinness and the European Commission recommended EFRAG to work on a [draft] VSME.** This is also a measure included in the recent SME relief package.
- EFRAG SR TEG (Technical Expert Group), SRB (Sustainability Reporting Board) and VSME and LSME communities and Expert Working Group SMEs confirmed the need of a voluntary standard for micro, small and medium sized non-listed companies in Europe to enable them in facing growing stakeholders request for ESG data and to lower the entry barrier to reporting.

The values and benefits of VSME will mainly depend on market acceptance and broader acknowledgement from both preparers and stakeholders, particularly lenders and large companies, as a common standard to meet expectations from both ends.

VSME remains voluntary for all SMEs and has no legal role also in the definition of the value chain cap. It is Draft LSME ESRS that defines the limit of information that large undertakings are expected to collect from their counterparties in the supply chain, in line with art 29b(4) CSRD. VSME would however allow for a single entry point for ESG data demand of SMEs business partners replacing the many different questionnaires currently existing.

## **Key open questions:**

- Does VSME meet the needs of companies that require data to their suppliers?
- Does VSME meet the needs of lenders and investors that require data to their suppliers?
- Could it replace or help to answer your questionnaires (i.e. Eco Vadis, or else )?
- Does it make sense to have a unique questionnaire for suppliers across all sectors or it should be sector specific?

## «BASIC»

Entry level for non listed SMEs

Target for micro-undertakings

Highly simplified language

### [8] metrics DRs

- Simplification: all required (no omissions) BUT whenever it is appropriate the language is 'IF APPLICABLE'

## «POLICY-ACTION-TARGET» (PAT)

Small and Medium undertakings that have already PAT in place and to report

**Simplified language (including for materiality)**

**List of material matters (out of AR 16)**

**Narrative info on Policies and Actions in place and, if applicable, Targets**

**VSME Terminology / simplification vs. consistency with ESRS**

Explain the 'Defined Terms' in simplified language

**Building block**

Reconciliation of the MODULE-BASIC with LSME and ESRS Set 1

## «SUSTAINABLE FINANCE» (SF)

When SME are required to face questionnaires by banks

### Sustainable Finance datapoints

- Table 1 SFDR, Pillar 3, Benchmark regulation
- Same approach as in Set 1 ('not material for the undertaking')

**QUESTION Should we add another module to meet the information needs of corporates that require sustainability data from SME suppliers in order to manage their own sustainability profile?**



Set 1

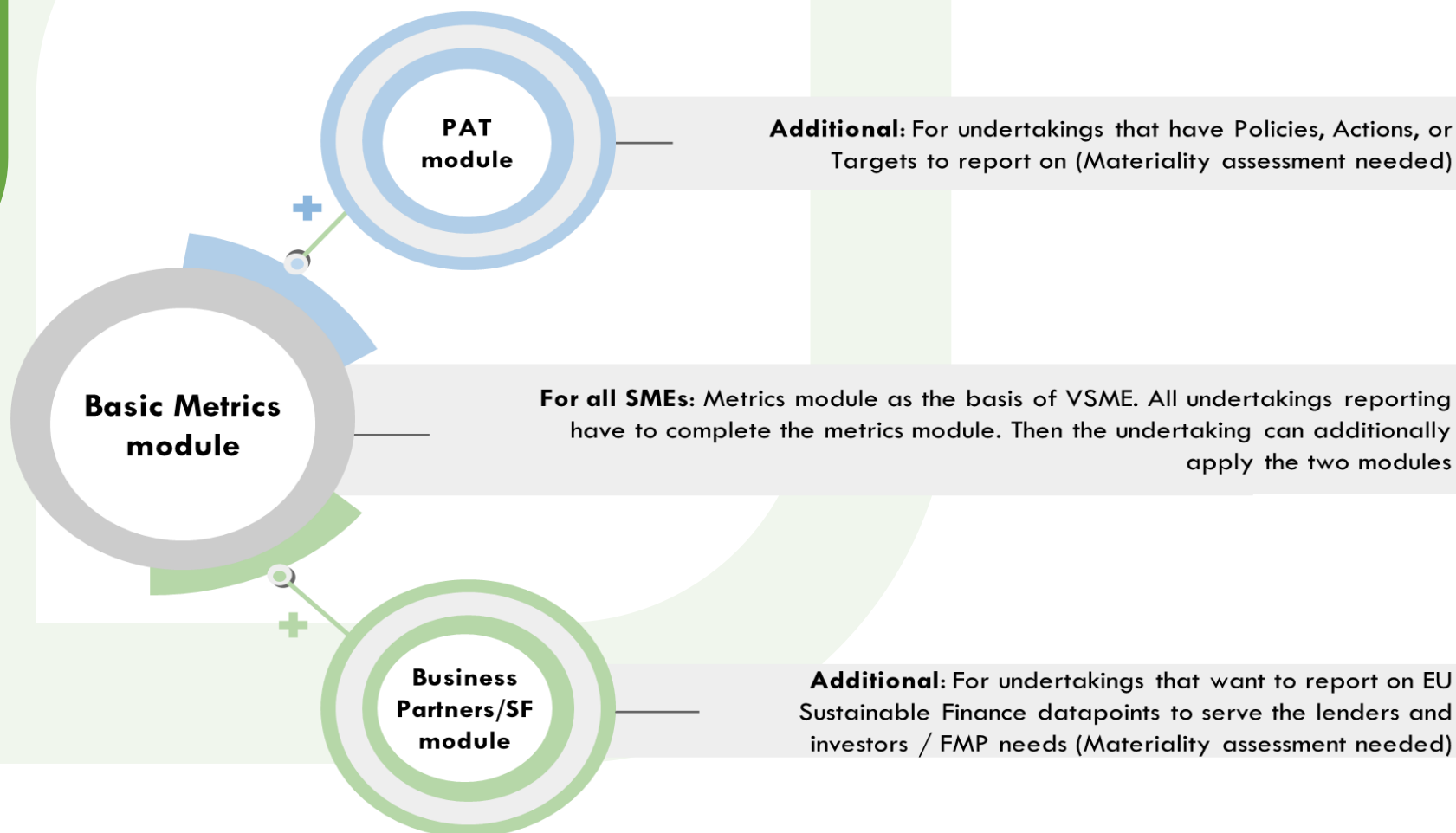
EC DA July 2023

LSME

All VSME modules + datapoints due to value chain cap  
(and adjustments due to the consolidated view in VSME vs individual view in LSME)

Building  
block

VSME





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