

Desarrollos de la primera fase de la normativa corporative europea de reporting de sostenibilidad

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2. DRAFT ESRS ARCHITECTURE AND GENERAL OVERVIEW
3. NEXT STEPS





1. DRAFT ESRS: MANDATE AND CONTEXT FROM THE CSRD

1.1 CSRD AT A GLANCE

CSRD approval:
11 Nov European Parliament
28 Nov European Council

- **Scope** extended to all large and all listed companies, plus some non-EU.
- Mandatory, European **standards**...
- Based on the **double materiality principle**
- Drafts developed by **EFRAG as technical advisor to the EC**
- To be adopted by EC as **Delegated Acts**
- **Standards by topic** (ie theme) and **by sector covering E,S and G.**
- Proportionate standards for **listed SMEs**, and **standards for non-EU** companies with EU branches or subsidiaries
- Assurance requirement, starting with **limited assurance** and later evolving to reasonable (outside the remit of EFRAG)

1.2 SCOPE

- Groups and individual entities. Subsidiary exemption mechanism defined
- All companies > 250 employees operating with the European Union
 - ✓ All large companies
 - ✓ All listed companies (except listed micro-enterprises)
- Listed SMEs
- Voluntary regime for other SMEs (not included in the Delegated Act)
- *Non-EU companies with branches or subsidiaries in the EU above certain thresholds*

Estimate of 50k European undertakings under its scope

Listed SMEs:

- Option to use simpler, proportionate standards
- *Possibility to opt-out for 2 years after entry into application*

Non-EU parent companies:

- *Separate standards*
- *Not covering all reporting areas: impact focus, not financial materiality*

1.3 PHASED ENTRY INTO APPLICATION: Staggered approach

- Financial year 2024 – Companies “in scope of NFRD”
- Financial year 2025 - Other large companies
- Financial year 2026 - Listed SMEs: FY 2026 including further opt-out provisions
- Financial year 2028 - Non-EU companies with branches/subsidiaries

1.4 SUSTAINABILITY STATEMENTS : Content at a glance

Article 19 (a) / (29 (a) Content of the ESRS

1. **Business model and strategy** Resilience to sustainability-related risks and opportunities; transition plan in line with Paris agreements...)
2. **Policies and time-bound targets** related to sustainability matters
3. **Administrative, management and supervisory bodies (AMS)** re sustainability matters : role, expertise & skills and incentive schemes

4. **Due Diligence process.** Principal and potential adverse impacts connected with the undertaking's own operations and value action; actions to identify and monitor impacts and actions to prevent, mitigate or remediate those.

5. **Principal risks and how the undertaking manages those**

6. **Indicators relevant to 1-5 above**

Article 29 (b) ESG Matters to be covered

1. **Environmental factors :**
i) Climate change mitigation and adaptation; ii) water and marine resources; iii) resource use and circular economy; iv) pollution; v) biodiversity and ecosystems.

2. **Social and human rights factors:** i) equal treatment and opportunities (e.g. gender equality); ii) working conditions (e.g. collective bargaining); and iii) respect for the human rights, fundamental freedoms, democratic principles and standards

3. **Governance factors :** i) role and composition of AMS; ii) internal control and risk management re sustainability matters; iii) business ethics and corporate culture; iv) political influence activities; v) relationships with customers, suppliers and communities.

1.5 EUROPEAN COMMISSION TIMELINE TO ADOPT STANDARDS

30 June 2023

- Standards to specify information to report according to articles 19a/29a (all sustainability topics). Sector agnostic.
- To take account of other EU regulation; in particular, the SFDR for financial participants

30 June 2024

- Sector-specific standards
- Standards for listed SMEs
- Extensions /complementary disclosures for set 1, where necessary
- Standards for non-EU parent companies

Note

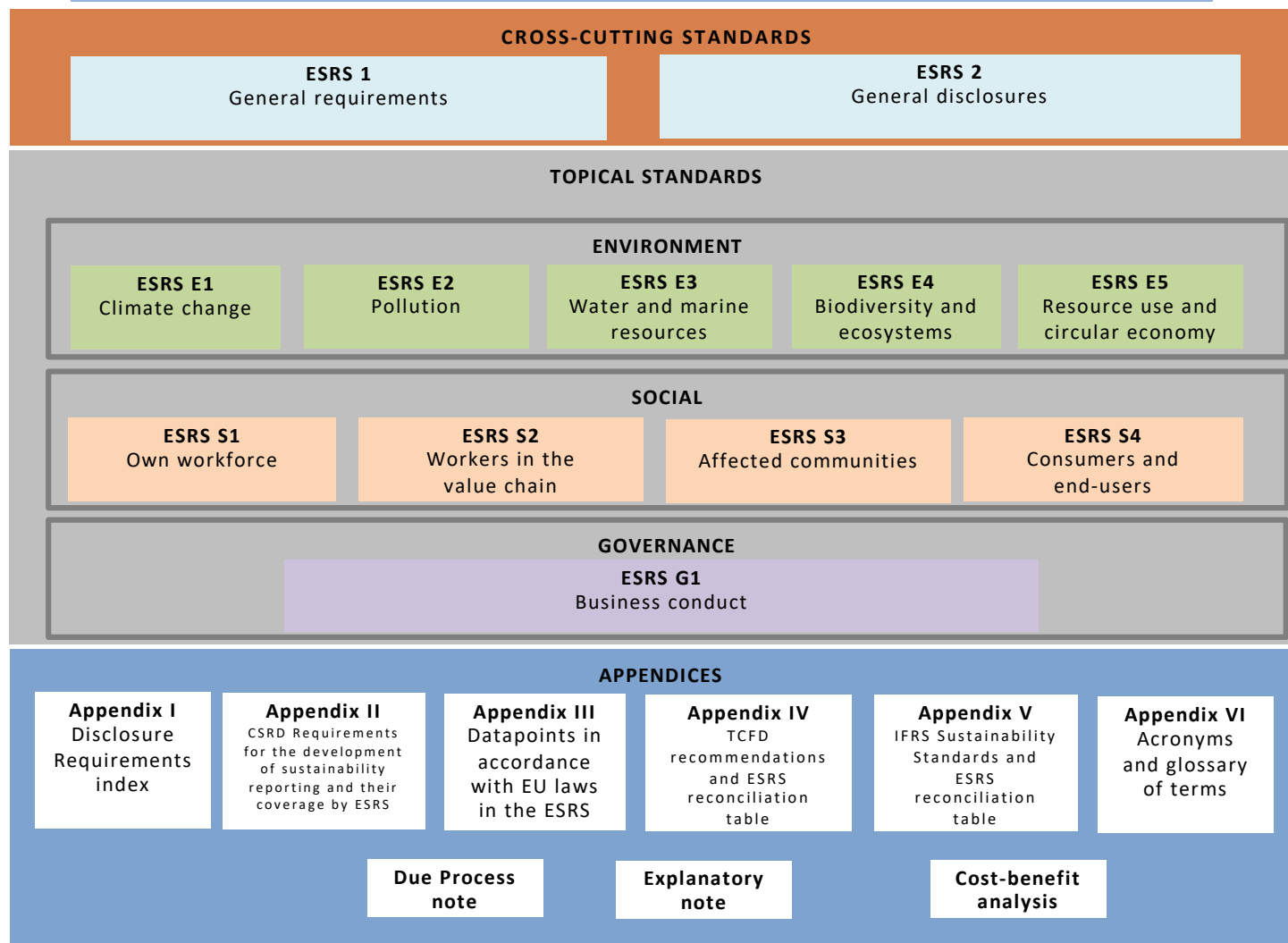
- Mandatory review and possible amendment of every standard every 3 years
- Minimum 4 month period between adoption by EC and entry into application



2. DRAFT ESRS ARCHITECTURE AND GENERAL OVERVIEW

2.1: SET 1 DRAFT ESRS : Comprehensive technical advice delivered to the European Commission

EFRAG Technical advice package 22 November 2022



12 Standards across ESG

- 2 Cross-cutting
- 5 Environment
- 4 Social
- 1 Governance

82 Disclosure Requirements

Qualitative or quantitative

Double materiality

- Financial materiality
- Impact materiality

4 pillars

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

Digital reporting

XBRL taxonomy *ongoing*

2.2 ESRS TAKE ACCOUNT OF THE INITIATIVES AND LEGISLATIONS IN ARTICLE 29 B OF THE CSRD

- **Sustainability related disclosures in the financial sector (SFDR)**
- **Sustainable Finance Taxonomy**
- **EU Climate transition benchmarks and EU Paris-aligned Benchmarks**
- **Capital requirements regulation (CRR)**
- Commission Recommendation of 9 April 2013 on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations
- **EU Emissions Trading Scheme (EU-ETS)**
- **European Climate Law**
- EMAS III
- EU Whistleblowing Directive
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- GHG Protocol
- Transparent Project and Natural Capital Protocol
- Recommendations of the Task Force for Nature Related Financial Disclosure (TNFD)
- Global Reporting Initiative (GRI) Standards
- UN Sustainable Development Goals
- UN Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- UN Global Compact
- Tripartite Declaration of Principles of the International Labour Organisation concerning Multinational Enterprises and Social Policy, and the Fundamental Principles and Rights at Work (ILO core conventions)
- ISO 26000 standard on social responsibility
- UN Principles for Responsible Investment
- ICGN Global Governance Principles

ESRS to provide the data infrastructure necessary for the implementation of the European sustainability regulation

2.3 ISSB and GRI INTEROPERABILITY/ ALIGNMENT

ISSB

- Meetings of the JWG, bilateral meetings at management level and bilateral meetings of climate experts: continued dialogue and cooperation
- Comments received: great desire for interoperability ESRS and IFRS S
- Tentative decisions:
 - Alignment of concepts: financial materiality and value chain in ESRS 1
 - Alignment of content of disclosure objectives in ESRS 2
 - Confirmation of additions to IFRS S2 in ESRS E1
 - Changes to the Architecture
- Differences in timeline

GRI

- Meetings at staff technical level to seek alignment on key concepts: impact materiality, due diligence approach ...
- Comments received and bilateral meetings arranged



ESRS providing the EU data infrastructure and being more comprehensive:

- Double materiality
- EU sustainable finance regulation for financial services (SFDR, Pillar 3)
- Other EU regulation and international human rights instruments (for example, Climate law)

2.4 ESRS 1-2 : PRINCIPLE OF DOUBLE MATERIALITY

MANDATORY INFORMATION TO BE DISCLOSED

The following disclosures/datapoints are to be disclosed and do not follow the materiality assessment:

A. ESRS 2 – General Disclosures

B. EU legislation datapoints (SFDR, EU Benchmarks, Pillar III, EU Climate law ..). These are in ESRS 2 and topical standards – refer to Appendix D of ESRS 2 for a full list.

C. E1 – Climate Change

D. S1 – Own workforce -Disclosure Requirements 1 to 9 for the undertakings with 250 employees or more.

DISCLOSURES SUBJECT TO THE MATERIALITY ASSESSMENT

To identify the material impacts, risks and opportunities for the **undertaking (inc its value chain)** within the short-, medium- and long-term.



At topical standards

MATERIAL

To disclose the information (including, policies, actions and targets)

NOT MATERIAL

Brief explanation



At Disclosure Requirement and/or datapoint (Metrics & Targets)

MATERIAL

To disclose the information

NOT MATERIAL

The undertaking may omit the Disclosure Requirement/datapoint

Content Index / List of all Disclosure Requirements reported

2.5 STRUCTURE OF THE TOPICAL STANDARDS: Example of [draft] ESRS E3 Water and Marine Resources

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The main body of the [draft] Standard includes the following sections:

- Objective and interaction with other Standards
- Information to be disclosed on the four pillars:
 - ESRS 2 related (GOV, SBM, IRO)
 - IRO Management: policies, actions
 - METRICS AND TARGETS: targets and performance indicators

Appendices:

- **Appendix A : Glossary**
- **Appendix B : Application requirements** (i.e. examples, methodology to be applied, tables to be disclosed..)

The appendix B is an integral part of the [draft] Standard and it has the same authority as other parts.



3. NEXT STEPS

3.1 NEXT STEPS – Future sets

41 Sector-Specific standards

Set 2 :

Sector classification (SEC-1)

Sectors: Agriculture, Coal Mining, Mining, Oil+Gas (upstream), Oil+Gas (mid-to downstream)

Energy Production, Road Transport, Motor Vehicle Production, Food/Beverages, Textiles

Set 3, 4 ...

SMEs

- Listed SMEs **Set 2**
- Voluntary standard/guidelines for SMEs (i.e. does not form part of the Delegated Act)

Non-EU parent company standard for third-party groups with branches or subsidiaries within the EU over certain thresholds

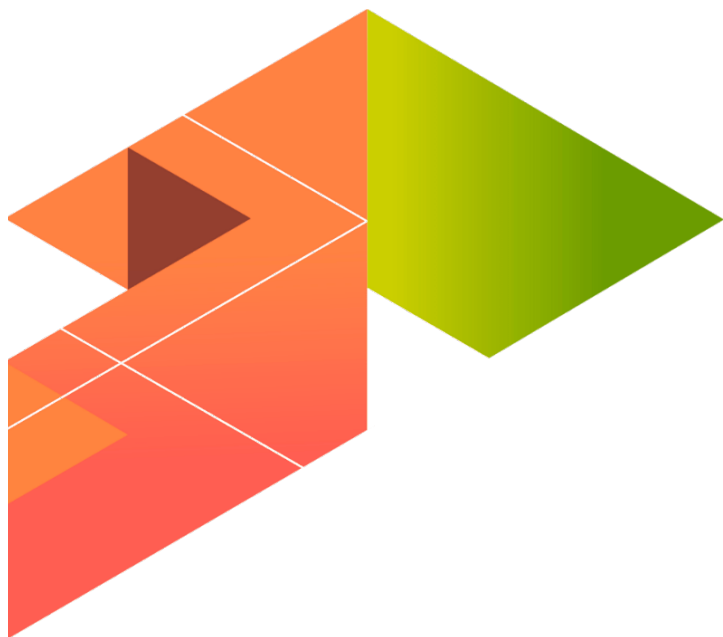
Set 2/3?

Amendments to Set 1

- Value chain cap **Set 2/3?**



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