



ESG

April 2023

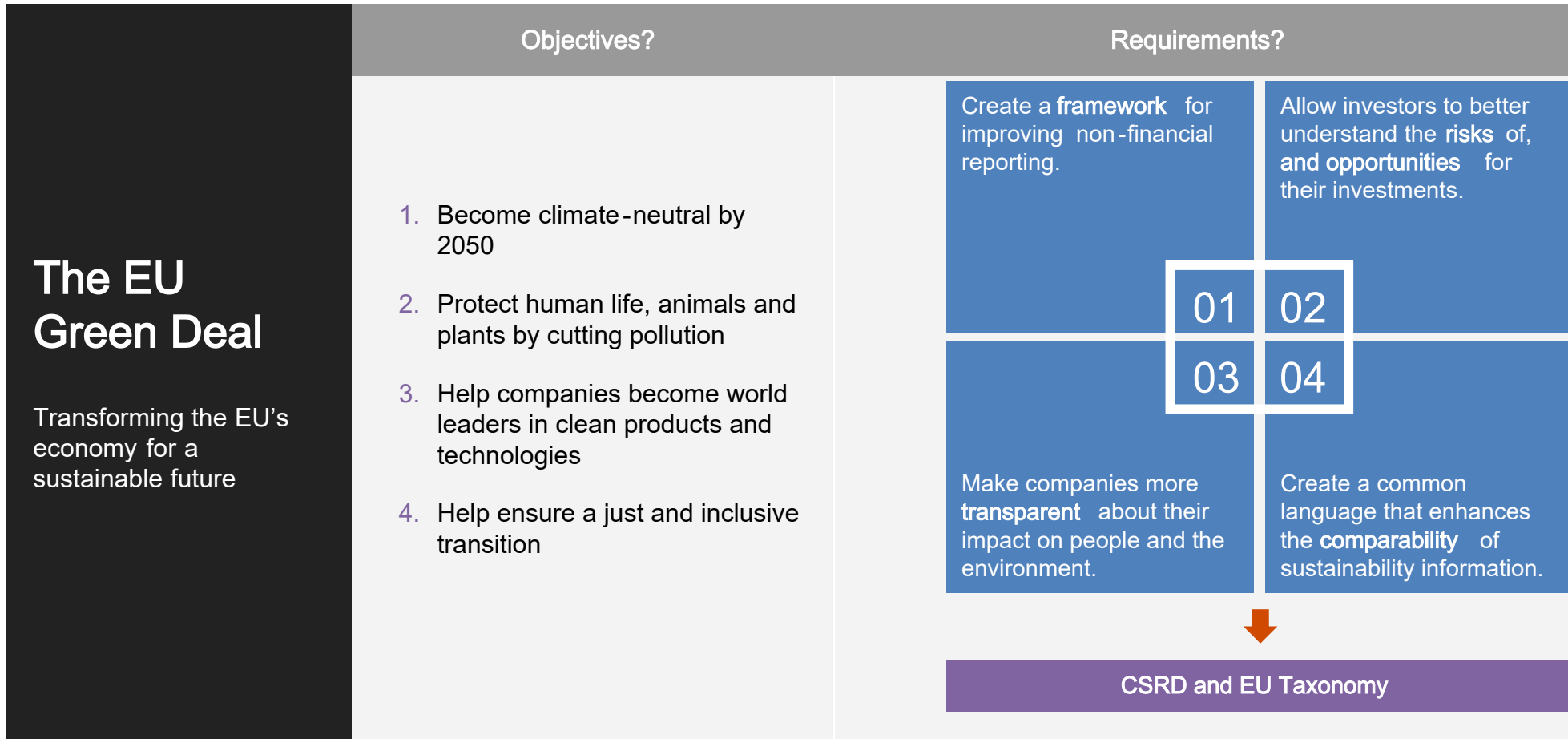
ESRS 1 : General requirements

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EU Context





First set of draft European Sustainability Reporting Standards Handed over by EFRAG to the EU Commission on 22 Nov ([published](#) on 23 Nov)

EFRAG's advice package consists of the following

12 draft ESRS (sector-agnostic standards)

Cross-cutting Standards		Environment		Social		Governance	
ESRS 1	<u>General requirements</u>	ESRS E1	<u>Climate change</u>	ESRS S1	<u>Own workforce</u>	ESRS G1	<u>Business Conduct</u>
ESRS 2	<u>General disclosures</u>	ESRS E2	<u>Pollution</u>	ESRS S2	<u>Workers in the value chain</u>		
		ESRS E3	<u>Water and marine resources</u>	ESRS S3	<u>Affected communities</u>		
		ESRS E4	<u>Biodiversity and ecosystems</u>	ESRS S4	<u>Consumers and end-users</u>		
		ESRS E5	<u>Resource use and circular economy</u>				



12 standards

~350 pages

>80 DRs

>1000 Datapoints

~80 quantitative metrics

~20 templates





First set of draft European Sustainability Reporting Standards Background and timeline





First set of draft European Sustainability Reporting Standards

When do companies have to apply ESRS?

ESRS
(European Sustainability Reporting Standards)

ESRS specify the CSRD reporting requirements

Sector-agnostic standards

Sector-specific standards

Standards specific for listed SMEs

Standards specific for reporting concerning non-EU companies



Directly applicable
(delegated regulation)

CSRD
(Corporate Sustainability Reporting Directive)

The CSRD provides the framework



Scope of content



First-time application



Scope of application



Assurance

and more...



Transposition into national law!
 National law prevails!

First-time reporting under CSRD in accordance with ESRS*

FY 2024

Large PIEs with more than 500 employees (“NFRD Scope“)

FY 2025

Large companies and groups (not included above, ie “not yet NFRD“)

FY 2026

Listed SMEs (--> Opt-out possibility for FY starting before 1.1.2028)

FY 2028

Non-EU companies

*Determination of first-time application is complex and requires a more in depth analysis than illustrated on this slide



Cross cutting standard – ESRS 1

ESRS 1

General Requirements

No disclosure requirements !

→ explains general principles

= **definitions + concepts**

*ie cross-cutting because general definitions
+ concepts for sustainability reporting*

1. *Categories of standards and disclosures under ESRS*
2. *Qualitative characteristics of information (relevance and faithful representation, comparability, verifiability and understandability)*
3. *Double materiality*
4. *Sustainability Due Diligence*
5. *Value chain*
6. *Time horizons*
7. *Preparation and presentation of sustainability information (comparatives, estimation, errors...)*
8. *Structure of sustainability statements*
9. *Linkages with other reporting and connected information*
10. *Transitional provisions (progressivity...)*



Cross cutting standard – ESRS 1

No disclosure requirements !

ESRS 1 sets out the general requirements that undertakings shall comply with when preparing and presenting sustainability-related information under the Corporate Sustainability Reporting Directive (CSRD).

Authoritative content:

1	Standards and disclosures	General requirements on complying with ESRS
2	Qualitative characteristics	Fundamental characteristics (relevance and faithful representation) and enhancing characteristics (comparability, verifiability and understandability)
3	Double materiality	Material information necessary to allow users to understand the impacts on sustainability matters, and how sustainability matters affect the undertaking's development, performance and position
4	Sustainability Due Diligence	Process by which undertakings identify, prevent, mitigate and account for how they address the actual and potential negative impacts on the environment and people connected with their business
5	Value chain	Material value chain information: actual or potential / negative and positive impacts, risks and opportunities connected with the value chain, including products / services, business relationships and supply chain



Cross cutting standard – ESRS 1

General requirements - Overview

Authoritative content:

6	Time horizons	Sustainability matters shall be considered over an appropriate short-, medium-, and long-term time horizon containing retrospective and forward-looking information
7	Preparation and presentation	Requirements for comparatives, estimation and outcome uncertainties, events after the reporting period, changes, errors, consolidated reporting and subsidiary exemption
8	Structure	Sustainability statement within a dedicated section of the management report
9	Linkages	Linkage between information in sustainability statements and related information in other parts of corporate reporting. Requirements regarding incorporation by reference
10	Transitional provisions	For entity-specific disclosures, value chain information, comparatives and phased-in DRs like financial effects, certain social requirements or revenue breakdown

Other authoritative content Appendix

Appendix A: Defined terms
 Appendix B: Application Requirements
 Appendix C: Qualitative characteristics of information

Appendix D: List of phased-in Disclosure Requirements
 Appendix E: Structure of ESRS sustainability statements

Non-authoritative content Appendix

Appendix F: Flowchart for determining disclosures to be included
 Appendix G: Example of structure of ESRS statements
 Appendix H: Example of incorporation by reference



Cross cutting standard – ESRS 1

Transitional provisions and phased-in disclosures

Entity specific disclosures

When defining its entity-specific disclosures, the undertaking may adopt transitional measures for their preparation in the **first 3 annual sustainability statements**

Value chain

For the **first 3 years**, if information regarding the value chain is not available, the undertaking shall explain

- the efforts made to obtain the information,
- the reasons why this information could not be obtained, and
- the plans to obtain such information in the future.

Except when value chain data is needed to comply with the requirements of other pieces of EU legislation

Comparative information

Presentation of comparative information may be deferred by **1 year**

12 Disclosures

Application date of twelve disclosures has been postponed **between 1 and 3 years**, among others:

- Potential financial effects from environmental-related IROs
- Selected requirements of ESRS S1 (e.g. adequate wages, social protection for non-employee workers)
- Breakdown of revenue by 41 ESRS sectors from 2025 onwards

See ESRS 1 - Appendix D: List of phased-in DRs



Cross cutting standard – ESRS 1

Reporting undertaking and value chain

Perimeter of sustainability statements



Perimeter of financial statements

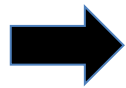


Associates, JV,
unconsolidated
subsidiaries
are in the value chain

...expanded to its upstream and downstream value chain!!!



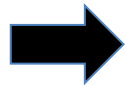
Materiality approach on value chain



information on the **material impacts, risks and opportunities** connected to the undertaking through its direct and indirect business relationships in the upstream and/or downstream value chain (“value chain information”)
→ **qualitative information to understand material IRO**



Majority of quantitative metrics are only required at “own operation” level



apart from ESRS E1 - Climate change → GHG scope 3 disclosure requirements



ESRS E1 - Climate change: Notion of operational control from GHG protocol



some equity entities could be accounted for as scope 1 if it has the full authority to introduce and implement its operating policies, ie can manage the GHG emission reduction



Thank you for your attention