

ESG – la digitalisation des reportings ESRS

CONFERENCE ANNUELLE XBRL France:
“REPORTINGS : CAP 2024”

Paris, 11 décembre 2023

Patrick de Cambourg, Président du EFRAG SRB



DISCLAIMER

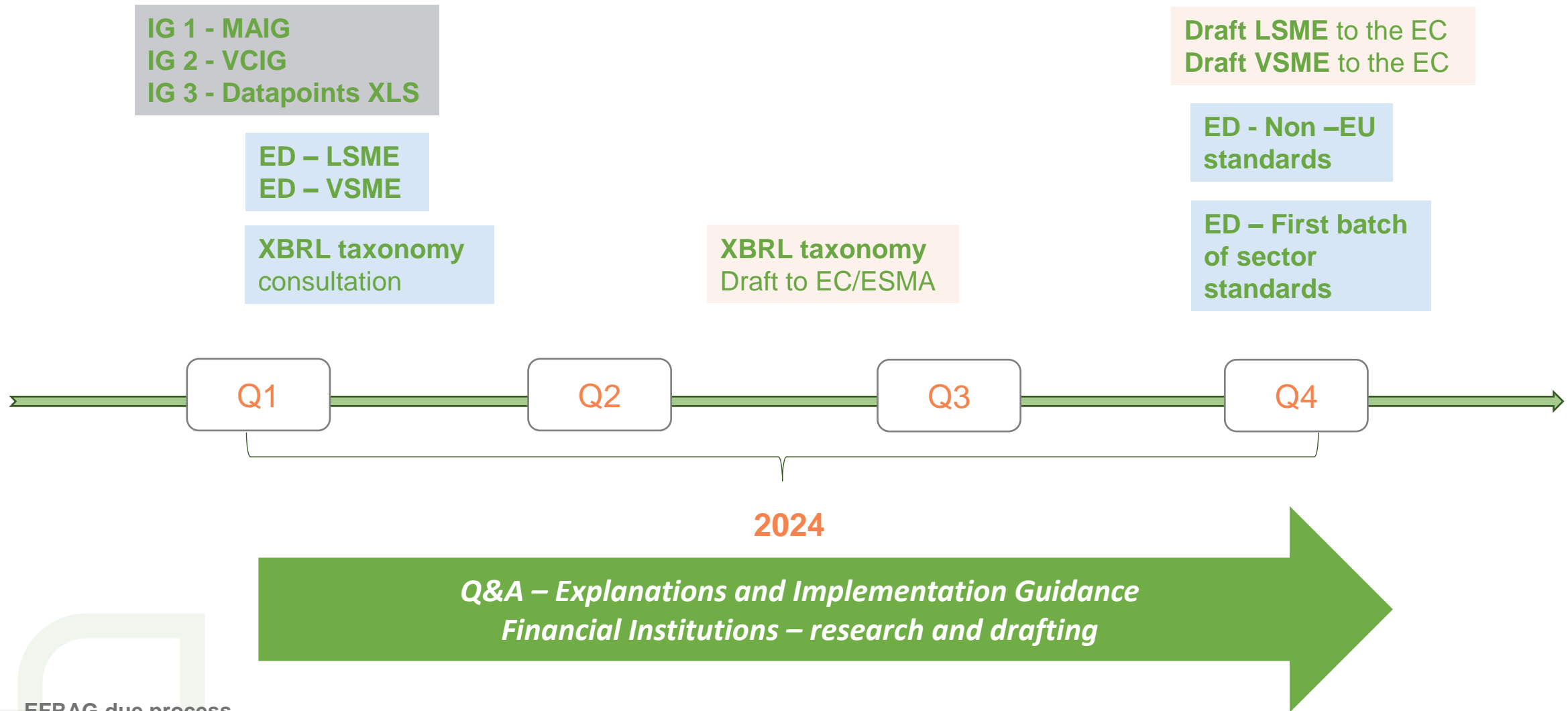
The views expressed in this presentation are those of the presenter, except where indicated otherwise. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.



Overview

- EFRAG 2024 Work Programme for Sustainability Reporting deliverables approved by EFRAG SRB on 11 October 2023
- Based on current available resources and on average assumptions on the expected lengths and number of SR TEG and SRB discussions that needed to approve a given deliverable
- Priorities: implementation support (Q&A and implementation guidelines) and standards for SMEs.
- EFRAG Standard Setting activities are governed by the content of EFRAG Due Process Procedures , which establish the necessary steps to be put in place for each deliverable

Overview



EFRAG due process

- ED: open for comments for 120 days
- IG: open for comments for 30/45 days (depending on holidays)
- XBRL: open for comments for 60 days



ESRS
Implementation Support



- Decision making: SRB, supported by SR TEG
- Dedicated due process procedures have been designed
- Categorization and answers are discussed in public
- Log of questions available on EFRAG website
- Approx. 170 questions received so far (24 Oct/6 Dec.)

Not exposed to public feedback

- Explanations
- Rejections

Exposed to feedback/comments

- Implementation Guidance (30 days min. public feedback)
- Possible amendments to ESRS (full due process)

ESRS Q&A platform - categorization

- **Explanations:** ESRS content already provides an appropriate answer, without adding illustrations nor introduce new guidance
- **Rejections:** (i) question is peculiar to the submitter or is not widespread; or (ii) the issue is too broad to be answered effectively; or (iii) the content of the submission is non-conclusive
- **Implementation Guidance (see next slide)**
- **Possible amendments to ESRS:** new requirements or modification of the existing requirements required as the issue is not covered in the issued ESRS (adopted by the Commission as Delegated Act). EFRAG does not expect to issue proposed Amendments to ESRS in 2024, except if very urgent matters arise.

Explanations

Rejections

Implementation
Guidance

Possible
amendments

In all the quarters of 2024, EFRAG expects to collect questions and process the answers. A series of Explanations and Rejections will be produced each quarter in 2024.

ESRS Implementation Guidance (IG)

- Non-authoritative material that illustrate how the ESRS requirements may be implemented, without introducing new provisions and without amending the requirements in ESRS.
- New provisions can only result from standard-setting activities (e.g., future amendments to draft ESRS).
- EFRAG has drafted the first 3 IG's in 2023
- EFRAG is intending to issue the approved draft versions in Q4 2023 subject to a 45 days public feedback period.
- **Q1-2024: EFRAG expects to issue the final versions of these 3 documents.**

EFRAG IG 1 – Materiality Assessment

EFRAG IG 2 – Value chain

EFRAG IG 3 – Detailed requirements (XLS)

Other IG documents will be issued in 2024, selected based on the topics emerging from the Q&A



SME standards

Key Features:

- A derogation from main ESRS => EC to adopt it as Delegated Act / standalone standard.
- Applies from 2026 + 2 additional years opt-out

Scope¹

- EU and non-EU SMEs listed in EU regulated markets: ≈ 700 -1.000
- SNICs²: 2.235 (source EBA)
- Captive insurances and reinsurances (no official data)

¹ Accounting Directive definitions

² SNCI: Small non-complex institutions

Role of LSME in CSRD

- **Investors protection**, enhanced access for listed SMEs to financial capital and investment portfolios (to include SFDR & Taxonomy)
- **“proportionate” and relevant** to the scale and complexity of the activities, and to the capacities and characteristics of SMEs => substantial reduction of DRs and datapoints
- Individual perspective statement (LSME is not prepared on consolidated basis)
- **Technical role**: legally defines the **'cap' for value chain** -> limit for large undertakings to obtain information from SMEs in their value chain

- **Scope:** non-listed micro and SMEs in EU (99.8% of total companies)
- **Proportionality** = simplified language + modularity ; ESRS consistency

Market acceptance as a pre-requisite for VSME

- **Objective** for SMEs:
 - start ESG journey = competitive growth, resilience,
 - standardised data set to respond ESG info request (banks /sustainable finance; large corporate/ supply chain)
- **User needs**
 - [EC Q&A Delegated Acts ESRS in July 2023](#): “*EFRAG is developing simpler, voluntary standards for use by non-listed SMEs [...] to respond to requests for sustainability information in an efficient and proportionate manner, and so facilitate their participation in the transition to a sustainable economy.*”
 - [EC SME Relief Package of September 2023](#) refers to **VSME as a measure to support SMEs in accessing sustainable finance.**
- **Commitment of market participants** (larger corporates and banks) essential for the success of the standard

Basic Module

- Entry level for non listed SMEs
- Target for micro-undertakings
- **Simplified language (No materiality)**
- **[11] Disclosure Requirements**
 - Simplification: all required BUT whenever it is appropriate 'IF APPLICABLE'

Narrative – PAT

- SMEs undertakings that have already PAT in place and to report
- **Simplified language (including for materiality)**
- **List of material matters (out of AR 16)**

Business Partners

- When SME are required to face questionnaires from business partners
- **Sustainable Finance datapoints (T1 SFDR PAI, Pillar 3, Benchmark) .**
Assumption: proxies for ESG management
- 11 Disclosure Requirement

LSME and VSME – Public consultation

January 2024

Autumn 2024

Issuance of the Exposure Drafts VSME and LSME

Approximate timeline: January 2024 (duration 4 months)

LSME and VSME final deliverable:
Autumn 2024

Cost Benefit Analysis

Key objectives

EFRAG is seeking to obtain the public's view on:

- LSME: simplifications applied, general approach taken, value chain cap => **field tests**
- VSME: market acceptance, simplifications, application guidance => **field tests**



ESRS XBRL Taxonomy (Digital classification)

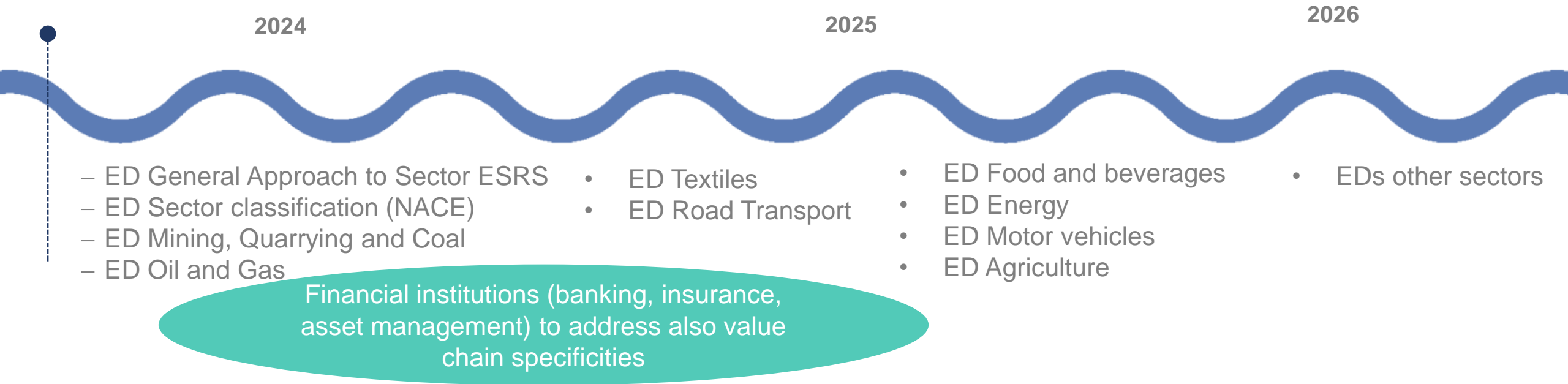
ESRS XBRL taxonomy (Digital classification system)

- DG FISMA letter dated 18 October 2022: to develop the draft digital classification system for ESRS as adopted by delegated act and for Art 8 of the EC Taxonomy Regulation
- Necessary to allow the reported information to be tagged in accordance with ESRS. This will complement the creation of a European single access point (ESAP) for public corporates
- **In Q1-2024 EFRAG will issue for consultation for sixty days the draft digital classification system of**
 - i. the ESRS issued as Delegated Act and**
 - ii. Art 8 of the EC taxonomy regulation.**
- **In the second half of 2024 EFRAG will issue its final advice**
- This deliverable constitutes a technical recommendation to the European Commission on the digitalization rules of ESRS. ESMA will subsequently consult on the final digitalization rules and effective date.



Sector ESRS

ESRS Sector standards: Multi-year programme



Sector standards are being developed over a period of 4/5 years

Complementary to sector-agnostic, they also include guidance on how to apply ESRS Set 1 in the sector



Transitional period (i.e., before the issuance of the relevant sector specific standards): development of sector-specific reporting best practices under characteristics of quality that will inform the standard setting process

ESRS Sector standards: 2024 work programme

- Delegated Act in June 2026 implies delivery by EFRG of the first batch of draft sector ESRS by November 2025
- In 2024 EFRAG expects to finalise and launch the consultation of the first batch of sector Exposure Drafts, including:
 - (i) the general approach to sector ESRS,
 - (ii) the ESRS Sector classification approach, based on NACE and
 - (iii) two ESRS ED's for high-impact sectors (Oil and Gas and Mining, Quarrying and Coal)
- Starting of standard setting research process for Financial Institutions (Banking, Insurance and Capital markets).
- The standard-setting research for the following other high-impact sectors is also ongoing: Agriculture-Farming-Fishing, Road Transport, Food and Beverage, Motor Vehicles, Energy Production-Utilities, Textile-Accessories-Footwear-Jewellery.
- Depending on other deliverables and resources, incl. availability of SR TEG and SRB, EFRAG may issue for consultation one or more additional ESRS Sector Exposure Drafts in 2024/1Q25.



ESRS for non-EU groups

ESRS for non-EU groups

- Following article 40a of the CSRD, non-EU companies that generate over EUR 150 million per year in the EU and that have in the EU either a branch with a turnover exceeding EUR 40 million or a subsidiary that is a large company or a listed SME, will have to report on the sustainability impacts at the group level of that non-EU company as from financial year 2028, with first sustainability statement published in 2029. The CSRD foresees the adoption of separate standards for this purpose.
- The deadline for the adoption of these standards as a delegated act was June 2024. However, the EC has proposed to postpone the deadline by two years, to June 2026. Assuming that this postponement is confirmed, EFRAG should deliver its advice to the EC by November 2025 at the latest.
- **The consultation on an Exposure Draft will start in Q4-2024 or Q1-2025 at the latest.**



Other activities

Other activities

Interoperability with other frameworks

Research

Educational material

*Platform of Sustainable Finance
(observer)*



Follow us



35 Square de Meeûs, B-1000 Brussels
info@efrag.org - www.efrag.org



EFRAG is co-funded by the European Union through the Single Market Programme in which the EEA-EFTA countries (Norway, Iceland and Liechtenstein), as well as Kosovo participate. Any views and opinions expressed are however those of the presenter only and do not necessarily reflect those of the European Union, the European Commission or of countries that participate in the Single Market Programme. Neither the European Union, the European Commission nor countries participating in the Single market Programme can be held responsible for them.

