

ESRS implementation support activities

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Reporting Board

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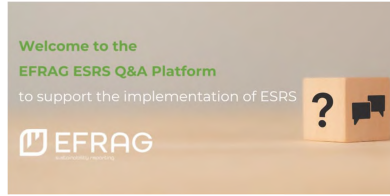
“ESRS will be challenging for companies.

And that's why we're asking EFRAG, who developed the draft standards to focus attention on providing additional guidance for companies to apply the first set of horizontal standards.

We have asked EFRAG to prioritise its efforts on that first set of horizontal standards over preparatory work for the sector standards.”

Opening address by Commissioner McGuinness at the launch of 2023 PwC CEO Report – 21 March 2023

OVERVIEW



1. Navigating ESRS through Q&A



2. Providing Implementation Guidance



3. Fostering interoperability



4. Involving SMEs in the sustainability reporting momentum

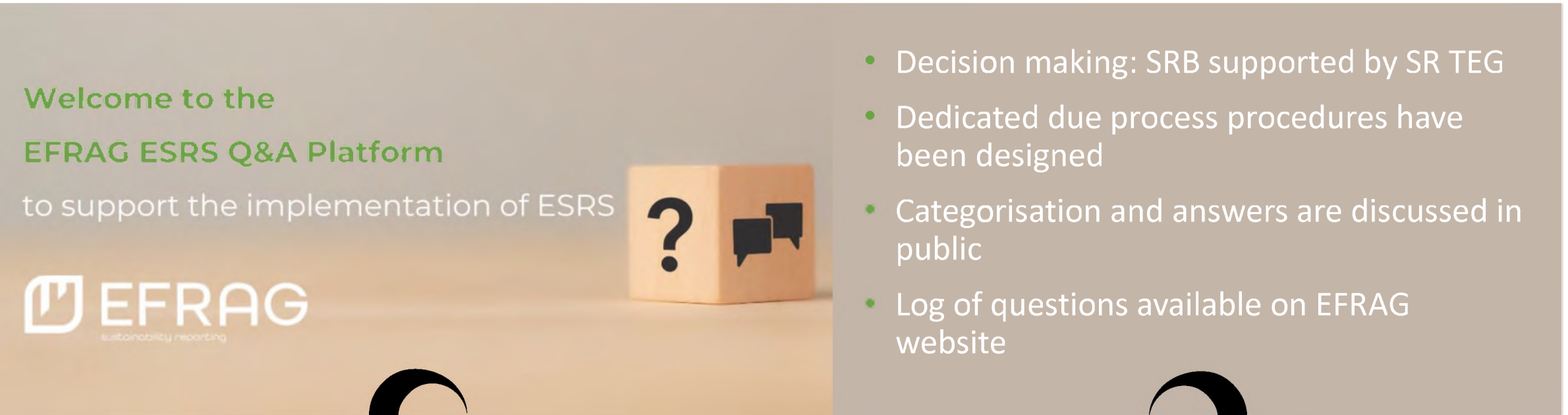


5. Paving the way to digital reporting




1. Navigating ESRS through Q&A

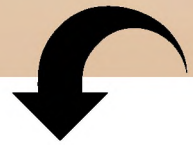
ESRS Q&A platform opened in October 2024



Welcome to the
EFRAG ESRS Q&A Platform
to support the implementation of ESRS

 EFRAG
sustainability reporting

- Decision making: SRB supported by SR TEG
- Dedicated due process procedures have been designed
- Categorisation and answers are discussed in public
- Log of questions available on EFRAG website



Exposed to feedback/comments:

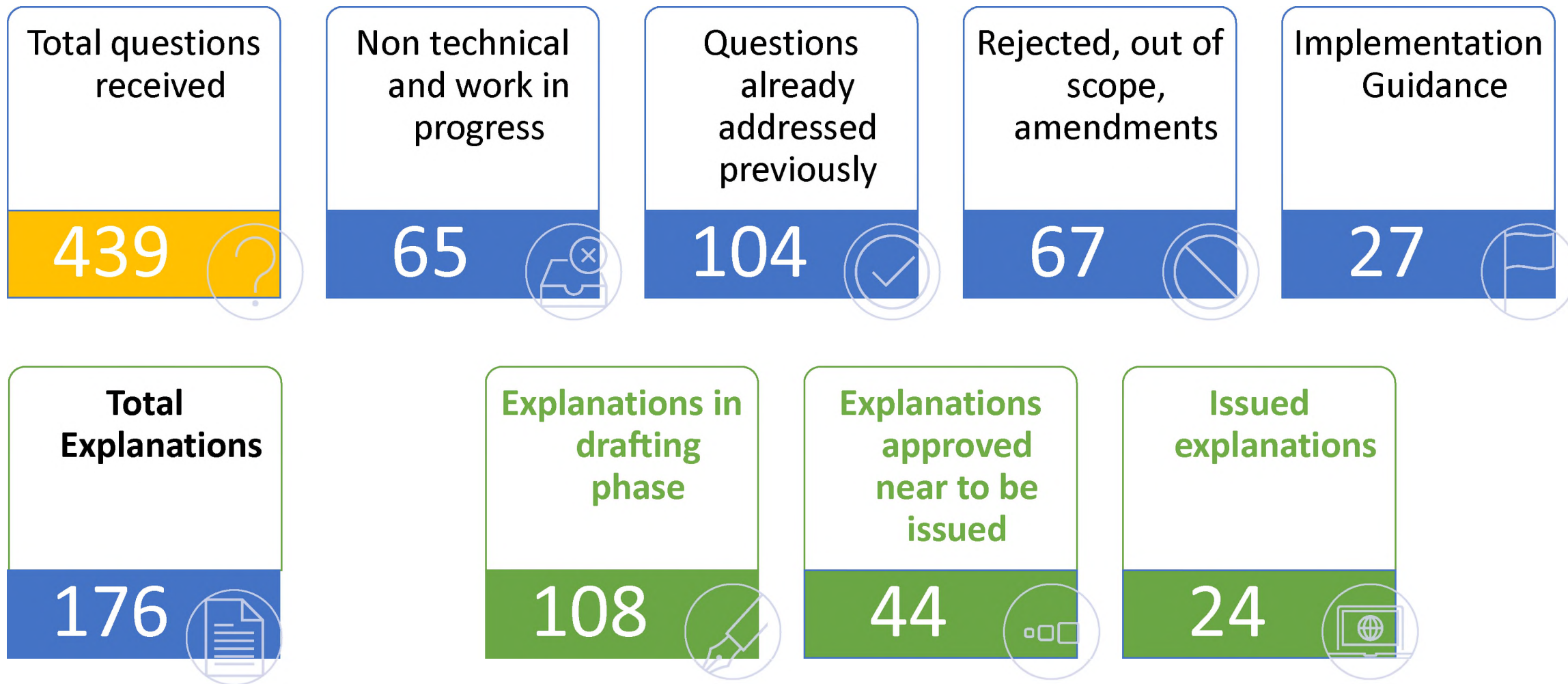
- Implementation Guidance (30 days public feedback)
- Possible amendments to ESRS (full due process)



Not exposed to public feedback:

- Explanations
- Rejections (mainly because the topics are already covered or for technical reasons)

ESRS Q&A platform: status





2. Providing implementation guidance

Implementation Guidance documents: Status



Developing an IG document is either initiated by the EFRAG SRB or decided on the basis of the analysis of the questions received in the Q&A platform.



Non-authoritative documents issued by EFRAG, they support the understanding of ESRS and illustrate their content, helping implementation



They **cannot go beyond content** of issued ESRS nor include new provisions. The guidance **illustrates or explains** the ESRS standards with examples and FAQs



When a specific approach or methodology is illustrated, it is **a possible way to implement the standard**. Definition of implementation approaches stays in the responsibility of management



It forms part of the implementation material. Hence, when questions are received in the Q&A platform that relate to content covered in the IG, the answer identifies where the submitter can find the relevant content in the issued guidance . **Questions may require the issuance of new IGs** in the future or of supplements to issued IGs

Implementation Guidance: Draft IG1, IG2 and IG3

EFRAG has approved its first three ESRS IGs, after the public feedback. They will be issued by the **end of May**, following final editorial review.

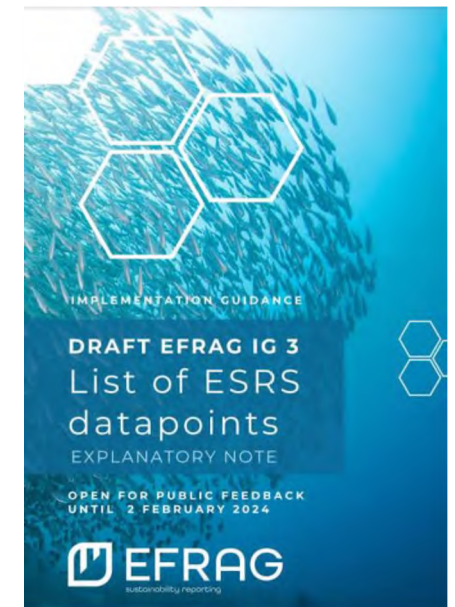
[EFRAG IG 1](#) provides guidance and illustrations of the materiality assessment,
Includes 25 FAQs



[EFRAG IG 2](#) focuses on the value chain aspects in ESRS and includes 10 FAQs



EFRAG IG 3 contains the detailed ESRS datapoints as a Microsoft [Excel workbook](#) with an accompanying [explanatory note](#)



NEXT STEPS



2024: Other EFRAG IG documents.

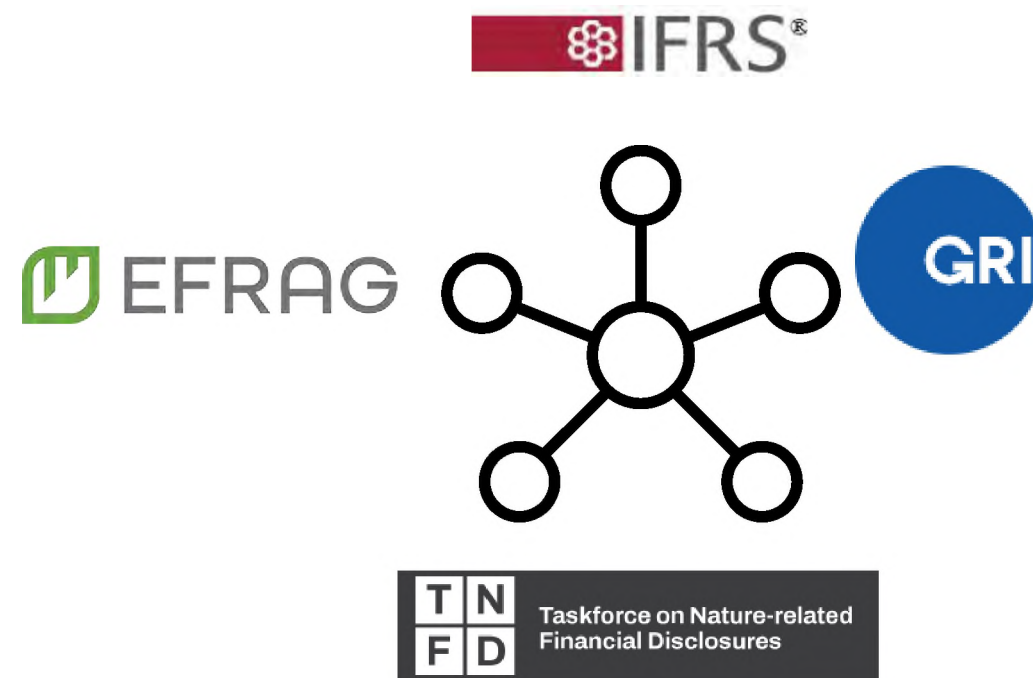
- Transition plan IG
- Mapping AR 16 to DRs
- Other narrow scope Implementation guidance
- Educational material on emerging practices on materiality, value chain and IG 3.

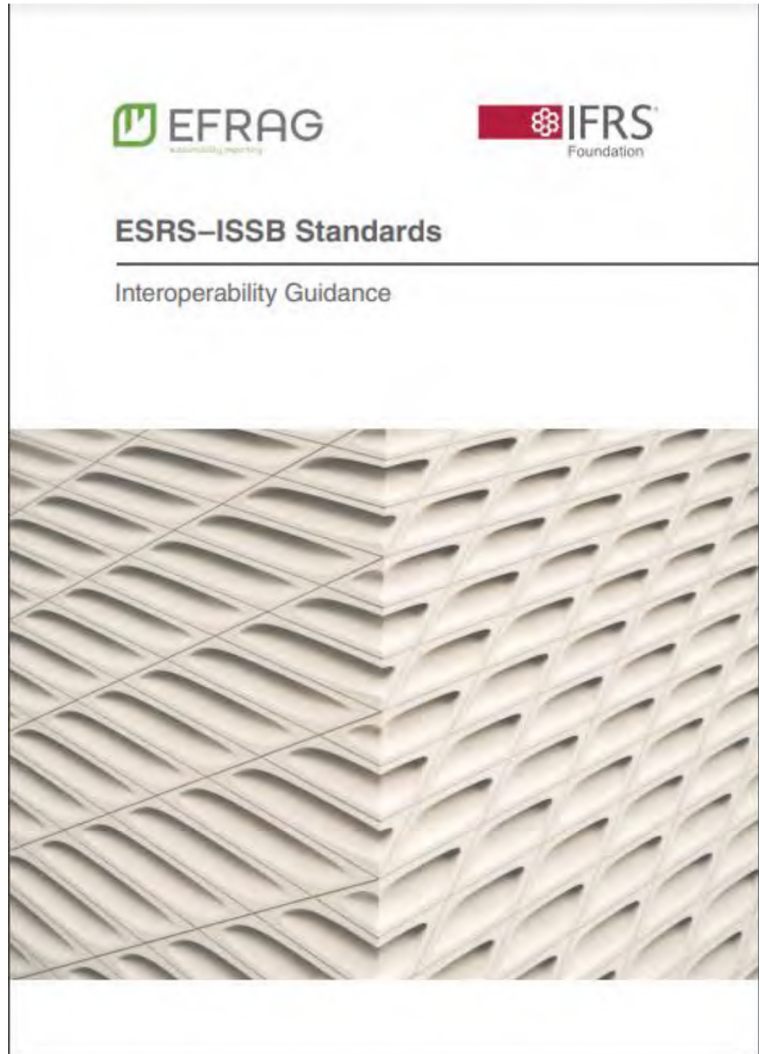


3. Fostering interoperability

Interoperability maps

- To avoid double reporting
- Leveraging on the high-level of interoperability in the standards.
- Implementation support material issued jointly
- Illustration of the correspondence of detailed requirements in ESRS that correspond to the other standard, with clarification of differences in terminology and substance (if any)
- Paving the way to digital interoperability





International Sustainability Standards Board (ISSB)



- Comments received: great desire for interoperability
- Result of 2 years dialogue during standard setting and after
- Illustrates the high level of alignment between the ISSB Standards and ESRS
- ESRS preparers are able to report on climate, also in compliance with ISSB Standards, only with a very limited number of points to consider, clearly identified in Section 3 of this document.
- This document also explains that ESRS preparers are able to utilize ESRS to comply with ISSB Standards to report on matters beyond climate.
- **Next steps: (1) digital interoperability (2) sector standards (3) coordination of respective guidance on financial materiality**

Global Reporting Initiative (GRI)



- November 2023: Memorandum of Understanding: to continue working together to deliver technical support
- GRI-ESRS Interoperability Index made publicly available (draft): how the disclosure requirements and datapoints in each set of standards relate to each other, emphasizing the high degree of commonality already achieved and laying down solid foundations to build a reciprocal digital taxonomy.
- Interoperability prevents the need for double reporting.
- Entities reporting under ESRS will be deemed reporting 'with reference' to the GRI standards and existing GRI reporters will be able to leverage their current reporting efforts to prepare their ESRS "Sustainability statement"

EFRAG and GRI agreement:

A high level of interoperability has been achieved in respect to impact reporting

Entities complying with ESRS considered reporting with reference to GRI Standard (as defined by GRI 1)

EFRAG and GRI have issued on 4 September 2023 a joint statement of interoperability



4. Involving SMEs in the sustainability reporting momentum

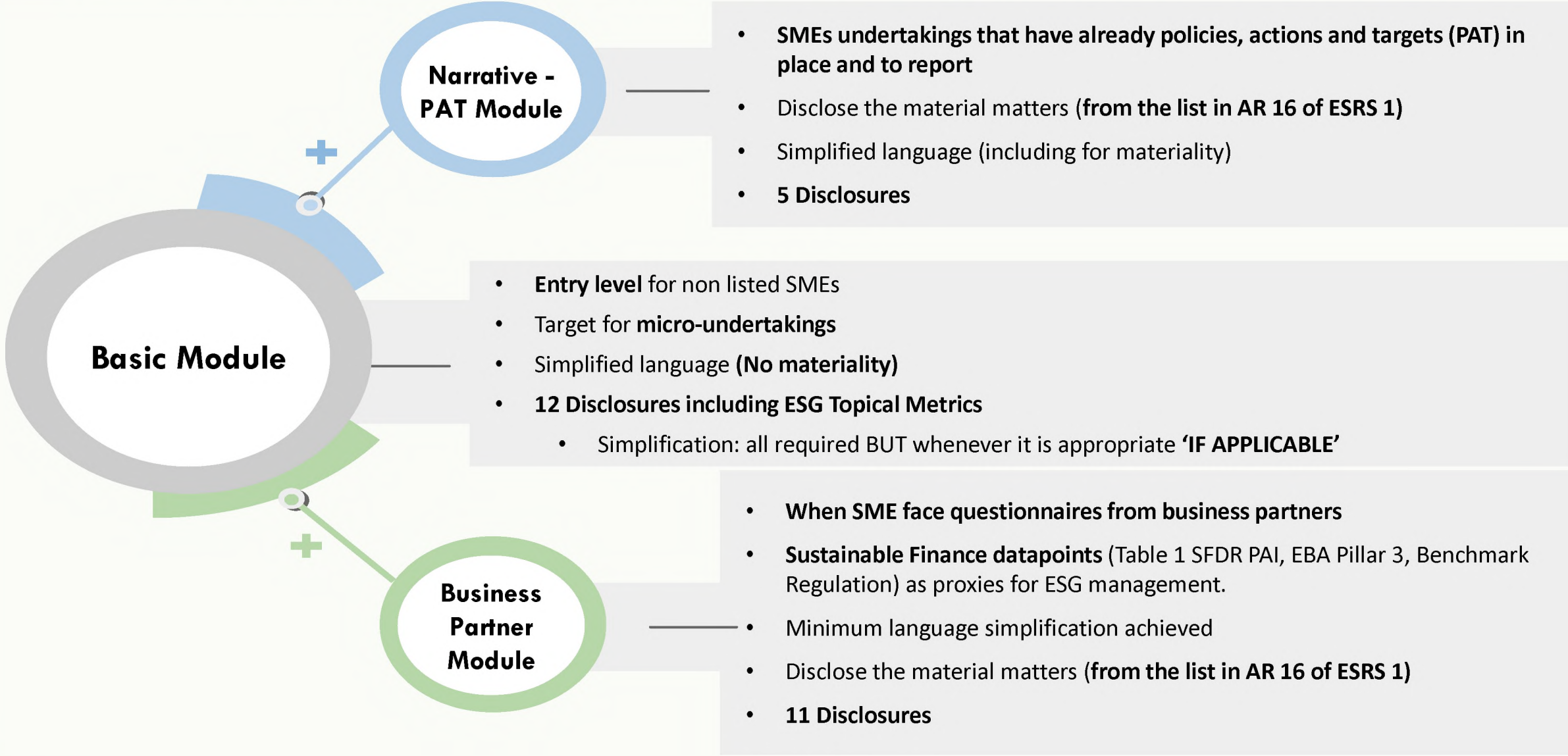
ESRS for listed SMEs - LSME

- Part of EFRAG mandate in CSRD', delegated act, effective 01/01/26 (two-year opt out)
- **Public-interest relevance:**
 - SMEs with bonds, shares and other securities traded in regulated market in the EU
 - small and non-complex institutions (SNCIs)
 - captive insurers/ reinsurers
- To set requirements proportionate and relevant to the scale and complexity of the activities and to the capacities and characteristics of LSMEs.
- Expected to support LSMEs in better access to finance and avoid discrimination against them on the part of financial market participants

Voluntary standard for non listed SMEs - VSME

- Outside the CSRD mandate: EC SME Relief Package of September 2023: to support SMEs in accessing sustainable finance.
- Non-listed micro- + SMEs
- Simple reporting tool to assist in responding to requests for sustainability information from business counterparts in an efficient and proportionate manner
- Facilitate SMEs transition to sustainable economy
- To standardise the current multiple ESG data requests by reducing the number of uncoordinated requests they receive.

Modular approach to maximise proportionality



Overview of EFRAG's workstream for SMEs 2024



Deadline for completing public consultation:
21 May 2024.



5. Paving the way to digital reporting

EFRAG, under the mandate of the EC, developed the ESRS XBRL Taxonomy, which will be part of ESEF RTS

The ESRS XBRL Taxonomy is a digital transposition of the human-readable ESRS

‘Digitalisation creates opportunities to exploit information more efficiently and holds the potential for significant cost savings for both users and undertakings. Digitalisation also enables the centralisation at Union and Member State level of data in an open and accessible format that facilitates reading and allows for the comparison of data’¹

Preparers can use the ESRS XBRL Taxonomy to better structure their sustainability statements

Users benefit from the digital tagging as they will be able to use ESRS data more easily

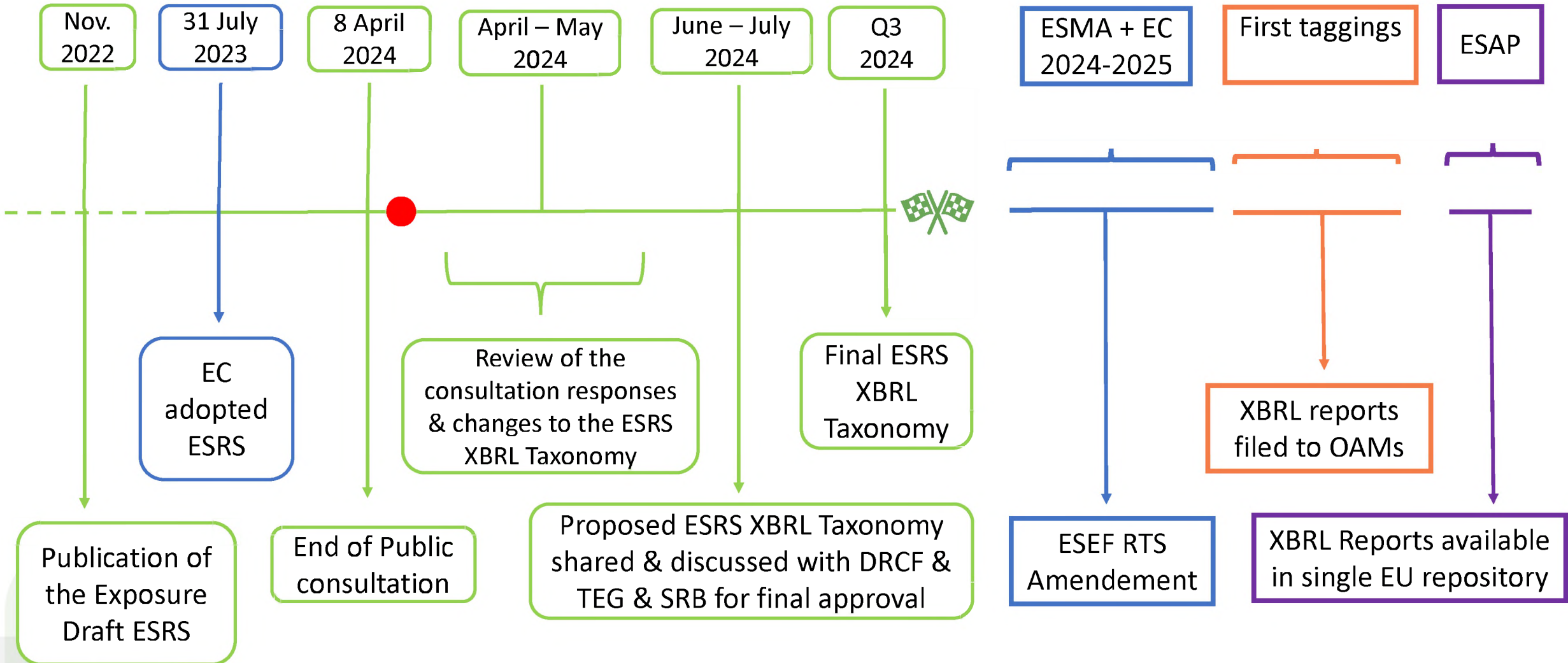
¹ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022, Recital 55

Draft XBRL ESRS Set 1 Taxonomy consultation

- The ESRS Set 1 Draft XBRL Taxonomy has been issued on the 8 February 2024 on EFRAG’s webpage.
- Additionally, a Draft XBRL Taxonomy for **Article 8 disclosures** has been issued for consultation as well.
- The consultation on the taxonomy itself is accompanied by an “**Explanatory Note & Basis for Conclusions**” document, including *illustrations of application instructions* (IAI).
- Two **non-authoritative accompanying documents** have been provided as appendices to the consultation in order to allow for a more informed response:
 - The XBRL taxonomy illustrated in Excel
 - Illustrative Examples of tagged ESRS reports.
- **The consultation has been closed**, 48 responses have been provided and ~400 individual comments. The secretariat is currently preparing for the re-deliberation to address the comments.



Timeline: Final XBRL Taxonomy to be handed over to EC/ESMA in Summer 2024





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