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ANNEX

**ANNEX**

*to the*

**Commission Decision**

**on the financing of the implementation of the pilot project for “Embarking companies and stakeholders into the European sustainability reporting journey” and the adoption of the work programme for 2024**

## ANNEX

### Work programme for 2024 for the financing of the implementation of the pilot project for “Embarking companies and stakeholders into the European sustainability reporting journey”

#### 1. Introduction

On the basis of the objectives given in the budgetary remarks to the budget line PP 03 24 02 (‘Embarking companies and stakeholders into the European sustainability reporting journey’), this work programme contains the actions to be financed and the budget breakdown for the year 2024:

(a) for grants (implemented under direct management) (point 2).

Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012, and in particular Article 58(2), point (a), and Article 110.

Budget line(s)

PP 03 24 02

Objectives pursued

As set out in the budget remarks included in the European Union’s annual budget for the financial year 2024<sup>1</sup> the Pilot Project ‘*Embarking companies and stakeholders into the European sustainability reporting journey*’ aims to enhance the due process of developing sustainability reporting standards so that they achieve their overriding objectives while being easy to apply for companies, without unnecessary administrative requirements and costs.

Specific objectives of the Pilot project are to:

- provide new engagement possibilities in the ongoing development of European Sustainability Reporting Standards;
- identify and address the particular challenges that companies have in applying European Sustainability Reporting Standards.

Expected results

The Pilot Project should result in

- the provision of new engagement possibilities for experts and stakeholders from the ground, including companies’ customers, suppliers, investors, civil society, social partners, and trade unions in the ongoing development of European Sustainability Reporting Standards and, thereby, a balanced representation of different sources of expertise and a broad geographical balance;

<sup>1</sup> DEFINITIVE ADOPTION (EU, Euratom) 2024/207 of the European Union’s annual budget for the financial year 2024, OJ L, 22.02.2024, p.1

- the identification and resolution of the particular challenges that companies have in applying European Sustainability Reporting Standards.

Climate and biodiversity mainstreaming contribution - description of how the action(s) included in this work programme contribute to climate and biodiversity mainstreaming, in qualitative and quantitative ways.

The activities are meant to foster the awareness and general understanding of new reporting obligations among affected entities and thereby facilitate the efficient implementation and compliance. Outreach activities may increase the engagement of affected stakeholders and thus contribute to a higher level of compliance with the reporting obligations at an early stage. Certain activities aiming at providing practical and/or technical support (digital reporting solutions, translations in some national languages, other) might significantly raise the application/ acceptance and compliance with the new rules.

Input and feedback provided by affected stakeholders/ companies throughout the roll-out of the activities will be fed into the process for developing new ESRS and updating the existing ones.

## 2. Grants

The global budgetary envelope reserved for grants under this work programme is EUR 3 240 000.

### **Embarking companies and stakeholders into the European sustainability reporting journey**

Type of applicants targeted by the direct award

On the basis of Article 195(c) of Regulation (EU, Euratom) 2018/1046 a grant will be awarded to EFRAG without a call for proposals. In that respect, as described in the budgetary remarks to the budget line PP 03 24 02 included in the European Union's annual budget for the financial year 2024 *'the pilot project aims to enhance the due process of developing sustainability reporting standards'* with *'the objective of facilitating their implementation from the outset.'*

Article 49.3b of Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings<sup>2</sup>, requires the Commission to take into consideration technical advice from EFRAG when adopting delegated acts providing for

- sustainability reporting standards<sup>3</sup> and
- sustainability reporting standards proportionate and relevant to the capacities and the characteristics of small and medium-sized undertakings and to the scale and complexity of their activities<sup>4</sup>.

<sup>2</sup> Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC, OJ L 182 29.6.2013, p. 19.

<sup>3</sup> In accordance with Article 29b of Directive 2013/34/EU.

<sup>4</sup> In accordance with Article 29c of Directive 2013/34/EU.

As such, EFRAG has both a de jure and a de facto monopoly on the provision of technical advice that the Commission is obliged to take into consideration provided that the conditions listed in Article 49.3b have been complied with, which include that *'such advice has been developed with proper due process ...'*<sup>5</sup>

Thus, to achieve the objective which is set out in the budgetary remarks to the budget line PP 03 24 02 included in the European Union's annual budget for the financial year 2024, it is the due process employed by EFRAG that should be enhanced through the activities described hereinunder.

Description of the activities to be funded by the grant(s) awarded without a call for proposals on the basis of Article 195 of the Financial Regulation, as well as of the objectives pursued and the expected results

The pilot project will test innovative actions to

- **mobilise experts and stakeholders** from the ground, including companies, customers, suppliers, investors, civil society, social partners, and trade unions in **the development of European Sustainability Reporting Standards** by
  - **awareness raising**
  - support through **information and education**,
- and then **to involve them in the preparation of draft European Sustainability Reporting Standards**.

The deliverables resulting from the pilot project will be:

1. **awareness raising material** produced by EFRAG and reports on awareness raising activities undertaken (including critical assessment of the effectiveness of the awareness raising materials and activities);
2. **information and education material** developed by EFRAG to support the mobilisation of experts and stakeholders (together with critical assessment of the suitability of the information and educational material);
3. **contributions of experts and stakeholders from the ground** (including companies' customers, suppliers, investors, civil society, social partners, and trade unions) as an **input to the technical advice that EFRAG prepares for submission to the European Commission** in accordance with the provisions of Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings;
4. **identification of particular challenges that companies have** in applying European Sustainability Reporting Standards and **implementation of methods to address the challenges**;
5. **provision of new engagement possibilities** in the ongoing development of European Sustainability Reporting Standards.

## Implementation

The action will be implemented directly by DG FISMA.

<sup>5</sup> Article 49.3b(a) of Directive 2013/34/EU.

Climate and biodiversity mainstreaming contribution – description of how this action contributes to climate and biodiversity mainstreaming in qualitative and quantitative ways

The activities are meant to foster the awareness and general understanding of new reporting obligations among affected entities and thereby facilitate the efficient implementation and compliance. Outreach activities may increase the engagement of affected stakeholders and thus contribute to a higher level of compliance with the reporting obligations at an early stage. Certain activities aiming at providing practical and/or technical support (digital reporting solutions, translations in some national languages, other) might significantly raise the application/ acceptance and compliance with the new rules.

Input and feedback provided by affected stakeholders/ companies throughout the roll-out of the activities will be fed into the process for developing new ESRS and updating the existing ones.