

# European Sustainability Reporting Standards

ITALIAN OUTREACH

5 July 2022



## DISCLAIMER

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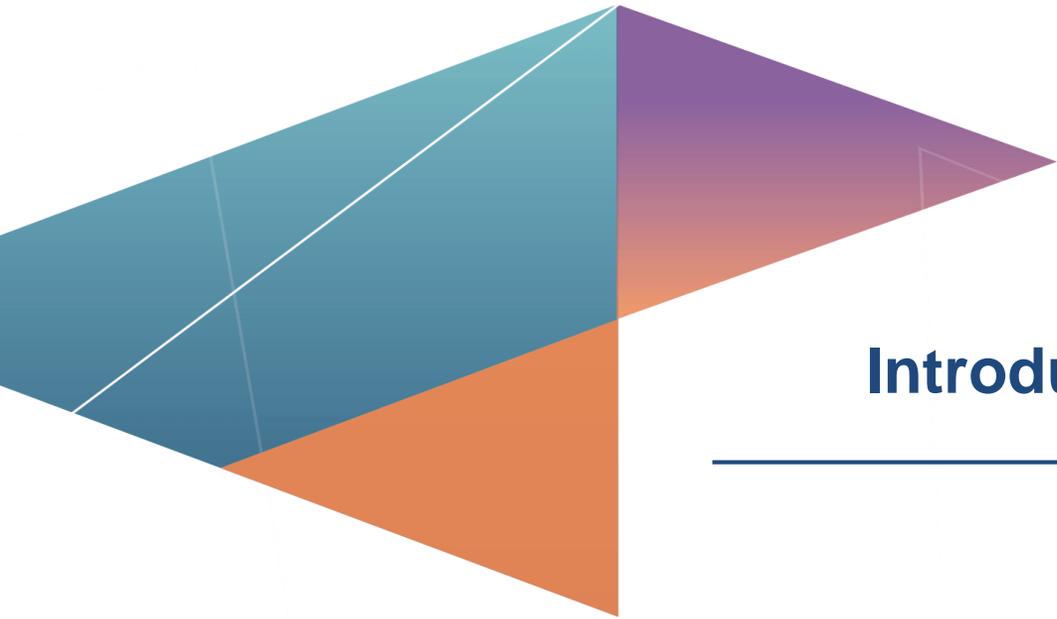
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# Agenda

1. Introduction and ESRS overview
2. ESRS 1- 2: Cross-cutting standards
3. Environment
4. Social
5. Governance

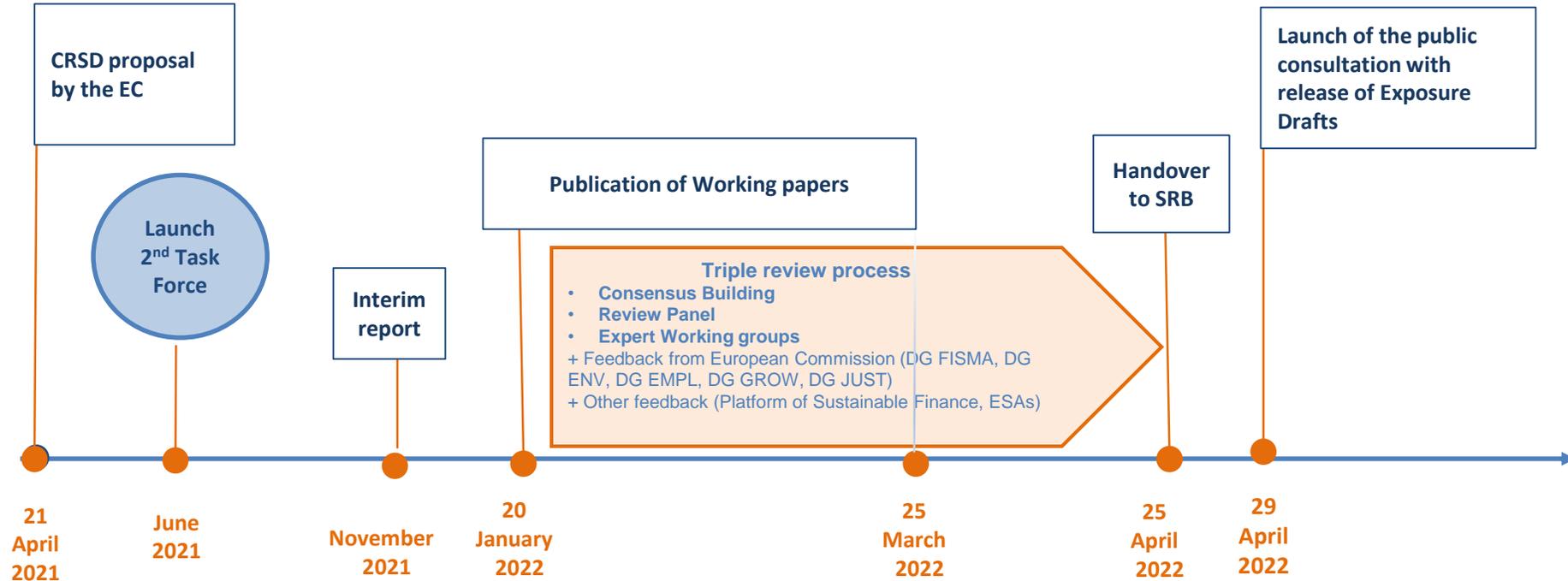




## **Introduction and overview**

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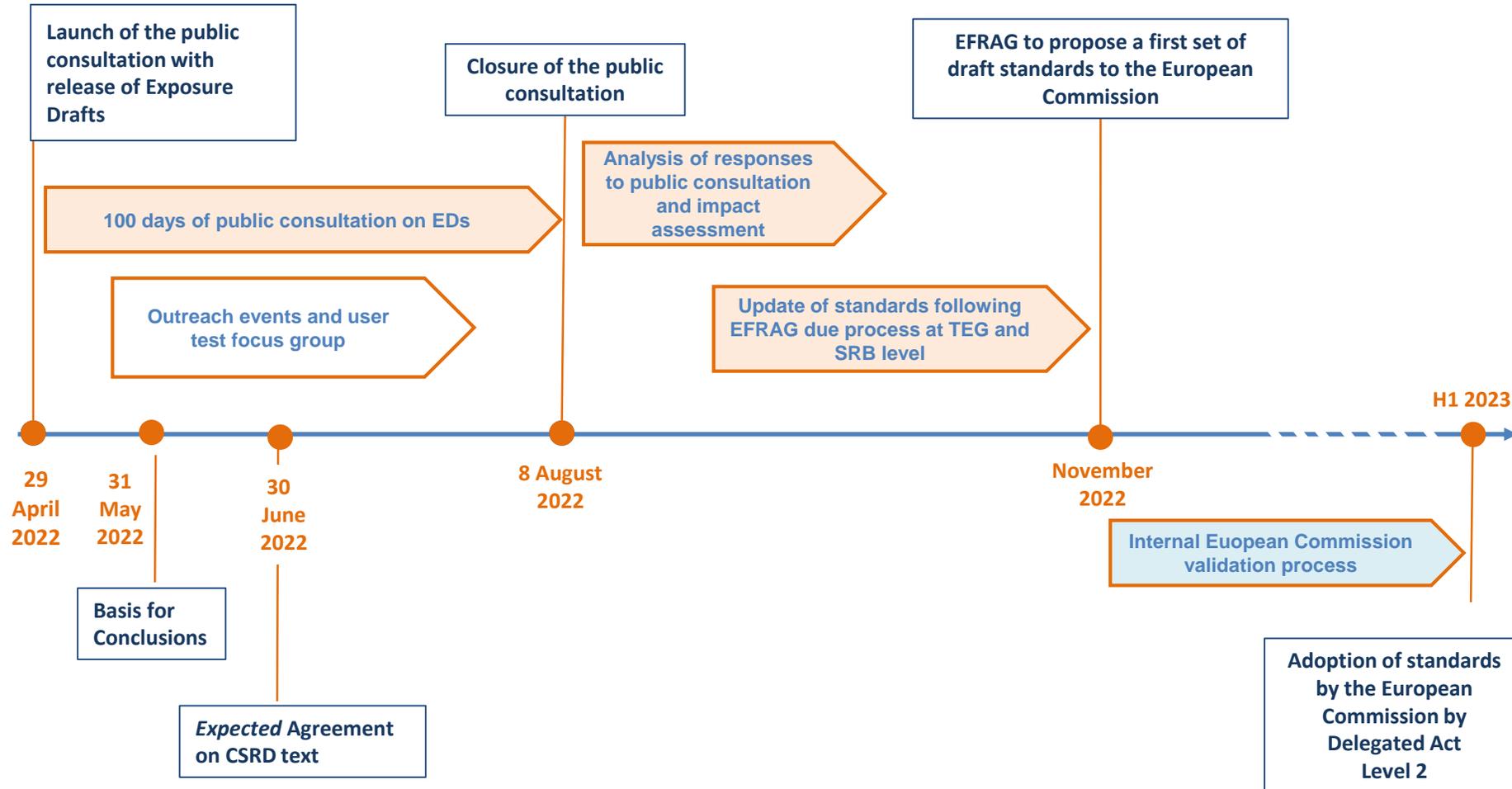
# Drafting exposure drafts for a first set of ESRs: 11 months in “project mode”



**2nd Task-Force re-launched in June 2021** following mission letter from Commissioner McGuinness received on 12 May 2021 in order to start elaborating standards in project mode (PTF):

- 35 members from 13 different Member States
- Supported by Secretariat members (30 full-time equivalent)
- Input from Expert Working Groups (appointed in November 2021)
- Co-construction with GRI, Shift, WICI + dialogue with the IFRS Foundation (TRWG/ISSB) and
- meeting with the SEC

# From EDs to draft standards: 7 months in “institutional mode”



## The seven key features of the EDs

1. They may need to be adjusted to meet the requirements of the final CSRD
2. They take account of existing European law and initiatives
  - SFDR, Taxonomy Art. 8
  - A list of European texts (e.g. GHG allowance Directive, the EMAS regulation and European Commission recommendation on the life cycle environmental performance of products and services, see Basis for Conclusions)
  - Recent European initiatives (e.g. a Corporate Sustainability Due Diligence Directive (CSDDD))
3. They take account of European and international sustainability reporting initiatives
4. The overall architecture of Exposure Drafts is designed to ensure that sustainability information is reported in a carefully articulated manner (see next slide)
5. They address sustainability matters as per Article 19b of the CSRD proposal
6. They are a first step in a journey towards a faithful representation of sustainability performance (SME standard(s) and sector-specific standards in the 2<sup>nd</sup> set)
7. The public consultation will help to finetune relevance and comparability as well as explore ESRS implementation prioritisation / phasing-in options

# A coherent architecture to implement the CSRD provisions

Cross-cutting

T  
O  
P  
I  
C  
A  
L

Overall umbrella

Cross-cutting disclosures

Environment

Social

Governance



## **Main success factors of the ESRS**

- 1. Information quality (in particular: relevance and sector-agnostic comparability)**
- 2. Coherence with EU policy objectives (content and timing)**
- 3. Compatibility with international initiatives**
- 4. Exercise of judgement to foster proportionate implementation**
- 5. Balanced combination of narrative, semi-quantitative and quantitative information**
- 6. Connectivity to ensure seamless standardised corporate reporting**
- 7. Flexibility in presentation (sustainability statements and incorporation by reference)**

## **Main challenges of the ESRS**

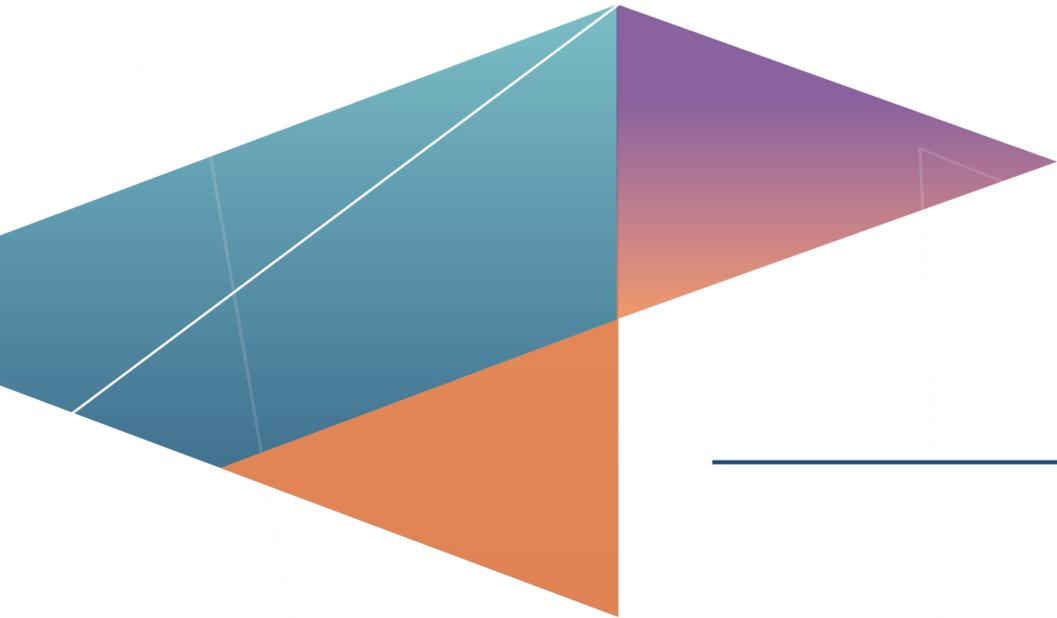
- 1. A real challenge for first time reporters**
- 2. Overall depth of required information (to be fine tuned and/or phased-in)**
- 3. Assessment of material IROs and rebuttable presumption**
- 4. Boundary issues**
- 5. Meeting expectations of all stakeholders**
- 6. Avoiding multiple reportings**

## Public consultation as a key element of the standard setting due process

- **Feedback from constituents on three key aspects of the EDs and the survey has followed the same structure :**
  1. The relevance of (i) the proposed architecture, (ii) the implementation of the CSRD principles and (iii) the overall content of each ED
  2. The possible options for prioritising / phasing-in the implementation of the ESRS, and
  3. the adequacy of each disclosure requirement mandated by each ED.
- **Section 3 of the survey on disclosure requirements split as follows:**
  - 3A. Cross Cutting standards
  - 3B. Environmental standards
  - 3C. Social standards
  - 3D. Governance standards
- **Respondents are strongly encouraged to respond to section 1 and 2.**
- **Due to comprehensive nature of section 3, constituents may select the questions and standards to which they provide feedback (no need for complete responses).**

## Public consultation as a key element of the standard setting due process

- **Other information included in the public consultation:**
  - Cover note
  - Appendix I: Navigating the ESRS
  - Appendix II: CSRD requirements mapping
  - Appendix III: SFDR PAI mapping
  - Appendix IV: TCFD recommendations and ESRS reconciliation table
  - Appendix V: IFRS Sustainability standards and ESRS reconciliation table
  - Appendix VI: Acronyms and glossary of terms
- **EC survey tool**
- **Not consulting on second set of draft ESRS (SMEs and and sector specific)**
- **Outreaches during consultation period**



## **Cross-cutting:**

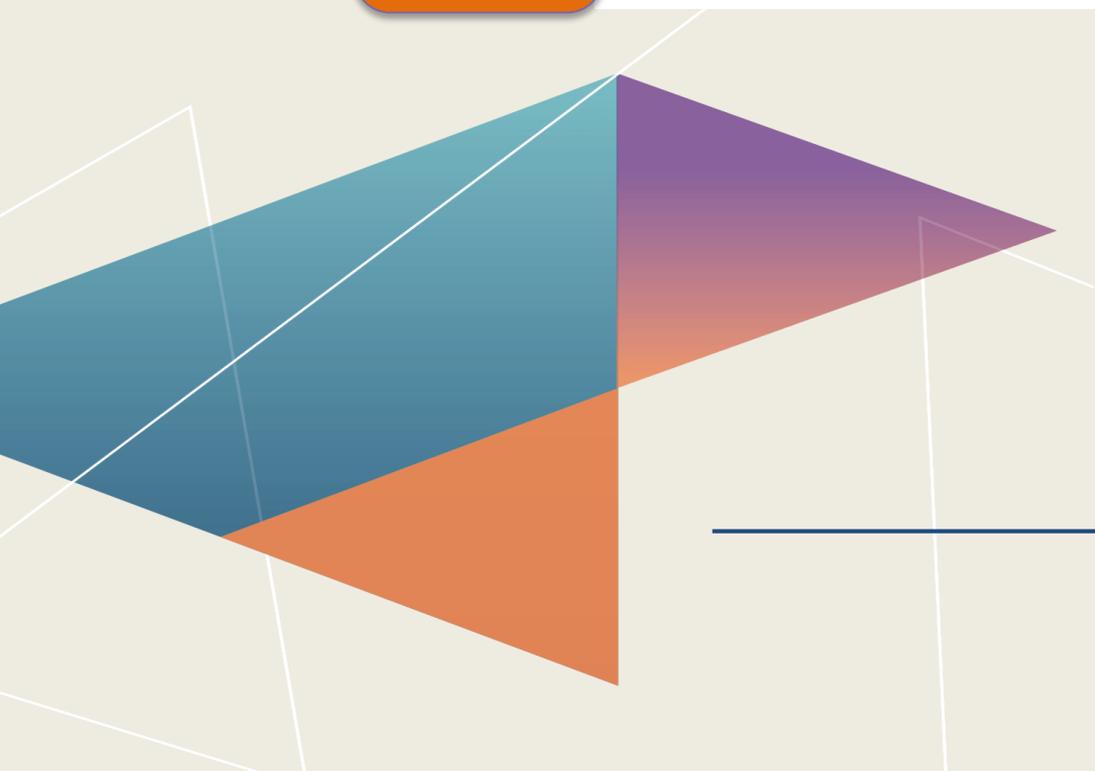
ESRS 1 General principles

ESRS 2 General, strategy,

governance and materiality assessment.

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**Polling question on  
Architecture**



**1**

## **polling question**

### **ESRS 1 e 2 – Architettura**

**A suo avviso, in che misura l'architettura e l'articolazione dei cross-cutting standard e degli standard tematici coprono adeguatamente le aree tematiche e gli argomenti previsti dalla CSRD?**

- a. Per niente**
- b. In misura limitata**
- c. In larga misura**
- d. Totalmente**

# Chapter 1 Reporting under ESRS: implementation of the “rules of three”

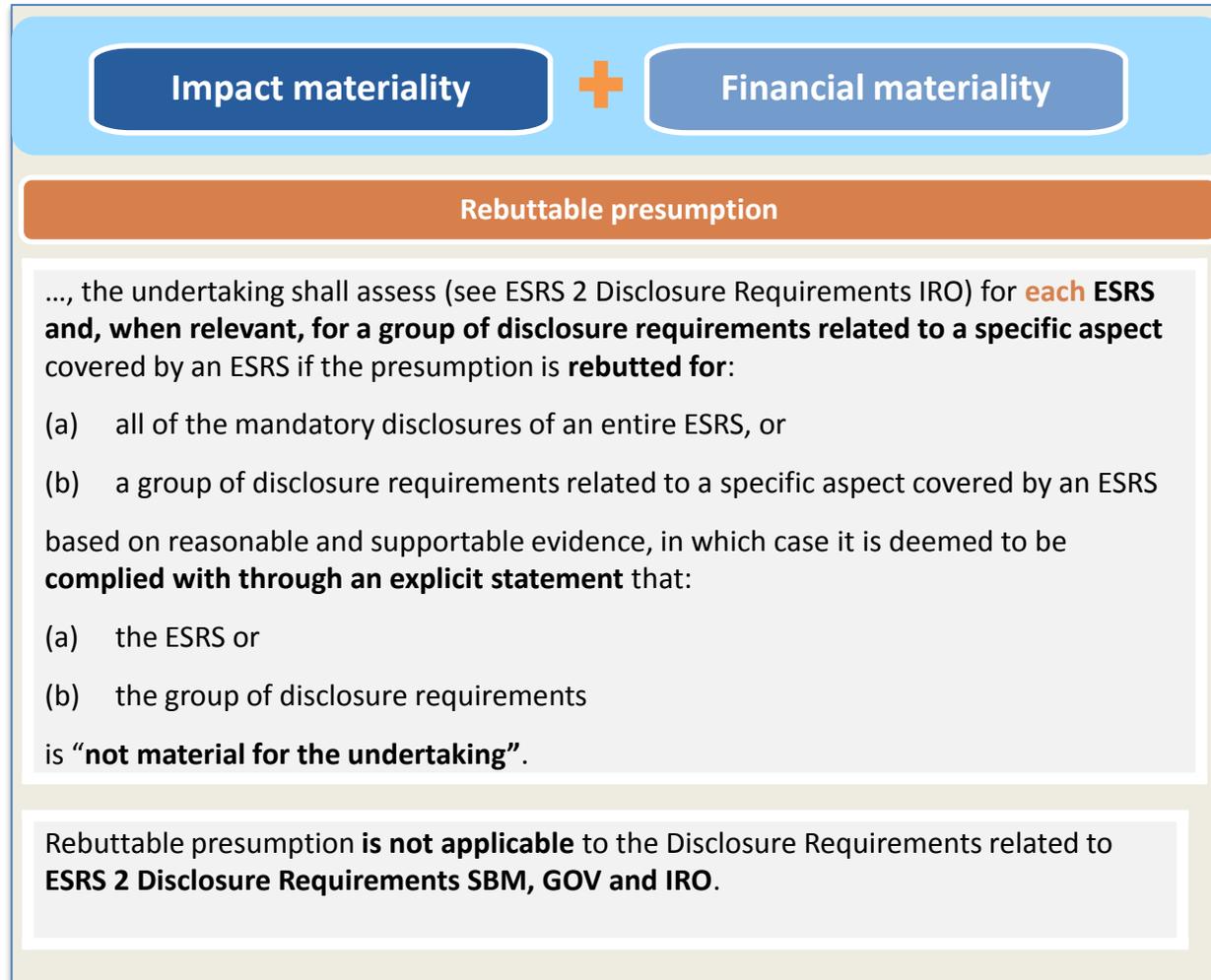
(*CSRD information quality*) **High degree of comparability** across undertakings: standardized **sector-agnostic (and sector specific) disclosure requirements are mandated** for all undertakings

1	Reporting under European Sustainability Reporting Standards (ESRS)	1.1	Complying with ESRS
		1.2	Standardised and entity-specific disclosures
		1.3	Sector-agnostic and sector-specific standards
		1.4	Relationship between cross-cutting standards and topical standards
		1.5	Developing entity-specific disclosures

# Chapter 2 Applying CSRD concepts: CSRD concepts as « Bedrock » of ESRS

2	Applying CSRD concepts	2.1	Characteristics of information quality
		2.2	Double materiality as the basis for sustainability disclosures
		2.3	Boundaries and value chain
		2.4	Time horizon
		2.5	Due diligence under CSRD

## ESRS 1 – Key concepts: Double materiality and the possibility of rebutting the presumption of materiality



- No additional costs expected compared to assessing materiality without a list of requirements - in both cases judgement and evidence are required
- Having a predefined list supports comparability
- Having to rebut the presumption mitigates the risk of loss of relevant information

## Chapter 2 Applying CSRD concepts: 2.2 Double materiality: From mandated DR to information material for the undertaking

Universe of sector-agnostic and sector-specific **mandated** disclosure requirements

-

Rebuttable presumption (at level of ESRS or group of DR)

-

Individual **disclosure requirement**/datapoint that **is below materiality criteria/thresholds** and that is not part of an ESRS (or a group) for which the presumption has been rebutted **may be omitted** and therefore considered implicitly disclosed as “not material”

+

Entity specific disclosures

=

**Material disclosure requirements for the undertaking**

Polling question  
on rebuttable  
presumption



**2**

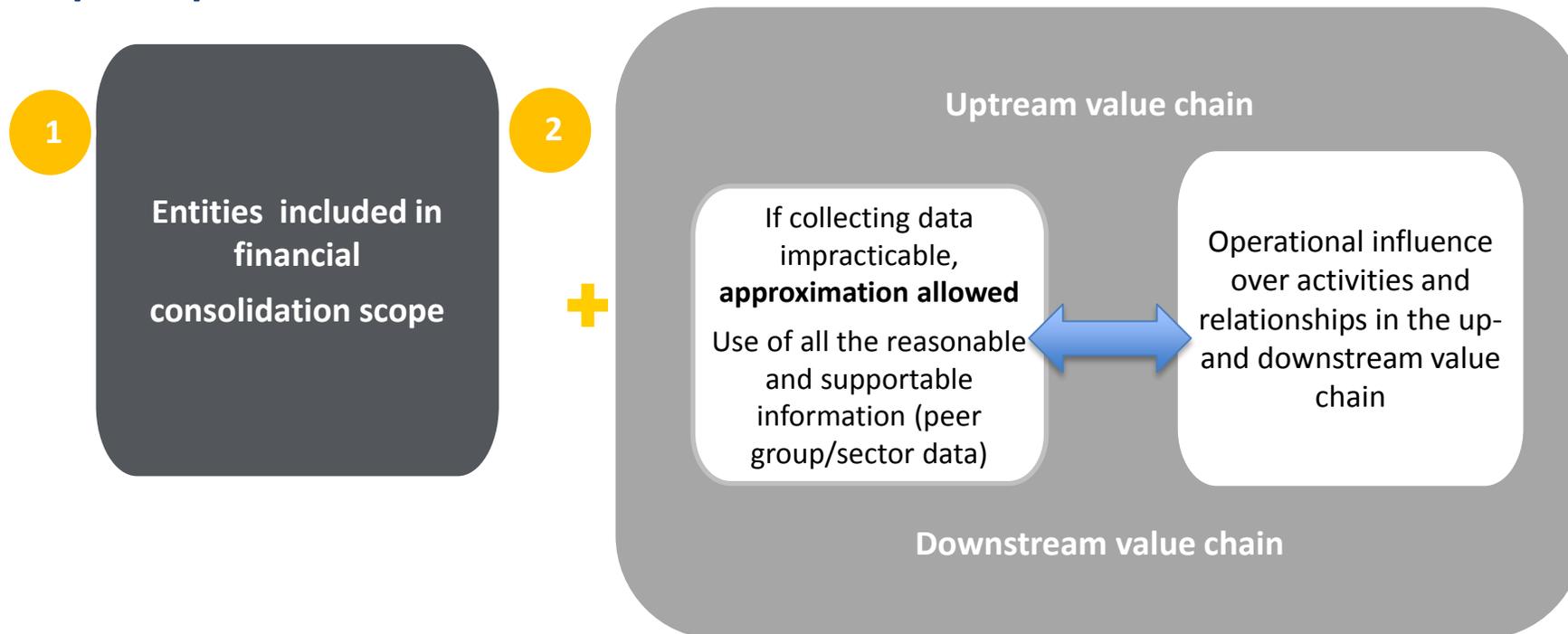
## polling question

### **REBUTTABLE PRESUMPTION**

**In che misura ritiene che la rebuttable presumption e l'applicazione proposta supporteranno una documentazione rilevante, accurata ed efficiente dell'esito della valutazione di materialità?**

- a. Per niente**
- b. In misura limitata**
- c. In larga misura**
- d. Totalmente**

## ESRS 1 – Key concepts: Boundaries and value chain: Consolidation scope plus up- and down-stream



Not all the data need to include value chain information: “Risk-based” approach and link to materiality. The boundary has to be expanded when the integration is necessary to allow a proper understanding of material impacts, risks and opportunities and to produce a set of complete information that meets the qualitative characteristics of information quality.

## Chapter 6 - Structure of sustainability statements: Three presentation options give flexibility. Incorporation by reference to other sections of MR

6	Structure of the sustainability statements	Content of the sustainability statements
		<p>6.1 Undertaking <u>shall</u> report all the applicable <b>disclosures required by ESRS within identifiable parts of the management report constituting the 'Sustainability Statements'.</b></p> <p>Undertaking <u>may</u> include in its sustainability statements <b>additional disclosures clearly identified and referenced to local legislation or general accepted framework.</b></p>
		Structure of the sustainability statements
		<p>Options:</p> <p>6.2 a) <u>Single separately identifiable section</u> of the management report</p> <p>b) <u>Aggregating the disclosures into four separately identifiable parts</u> of the management report: i) general information; ii) environmental information; iii) social information; and iv) governance information</p> <p>c) <u>Aggregating the disclosures required by each ESRS</u> and reporting them as non-separable blocks in identifiable parts of the management report "on a standard-by-standard basis"</p>

**Par. 135/146 and AG 33 of ESRS 1:** information mandated by ESRS may be incorporated by reference to another section of the MR (if separate, clearly identified as addressing the relevant ESRS disclosure requirement). A list of incorporation by references is required. Incorporation by reference to the financial statements is also allowed.

## Overview of ESRS 2

**22** Disclosure requirements

Provides DRs for principles laid out in  
ESRS 1

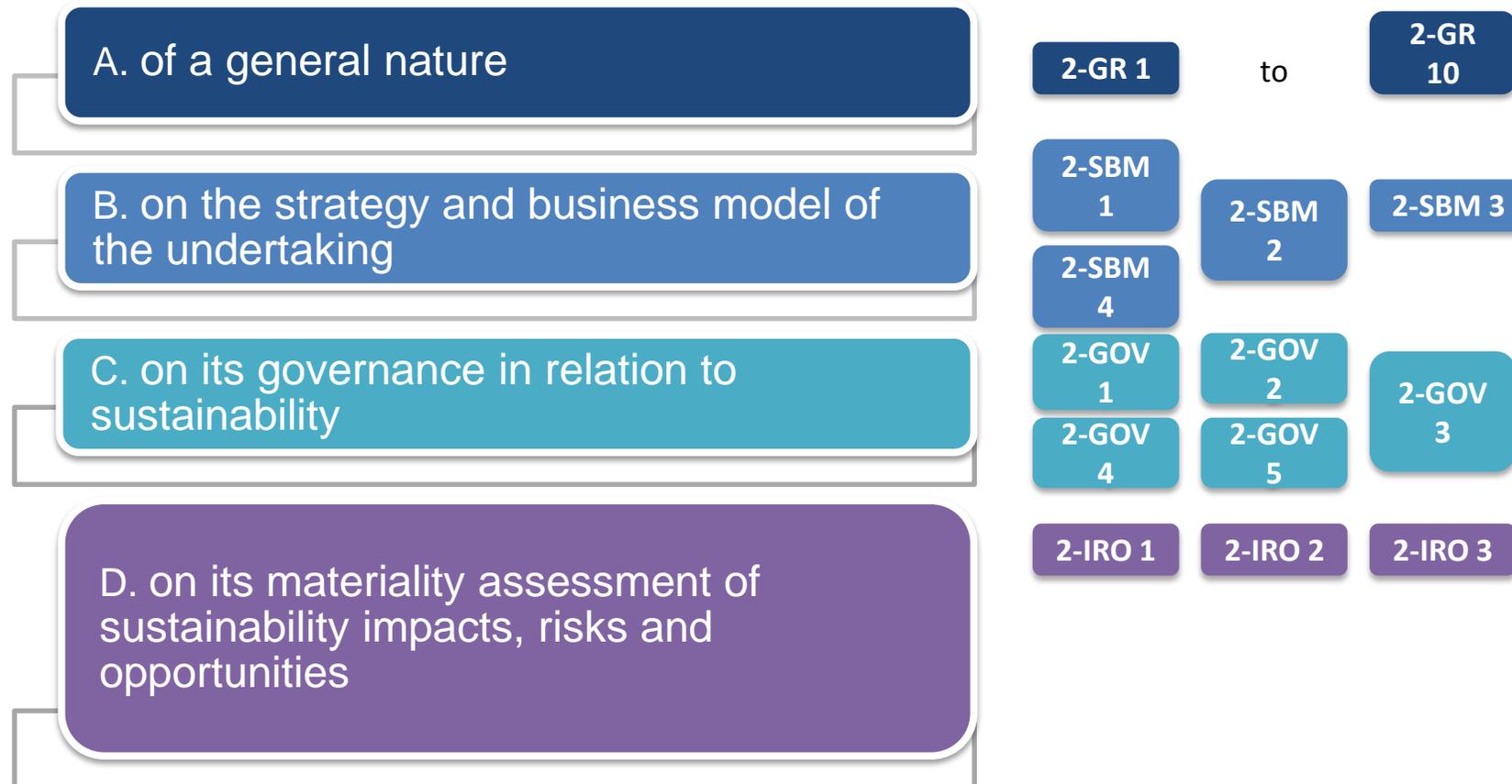
Not subject to "rebuttable  
presumption" = fully mandatory

Cross-cutting  
= provides context for all topical DRs

1st step in sustainability reporting in line with ESRS:  
**MATERIALITY ASSESSMENT**

## Objective and Overview: Objective of ESRS 2

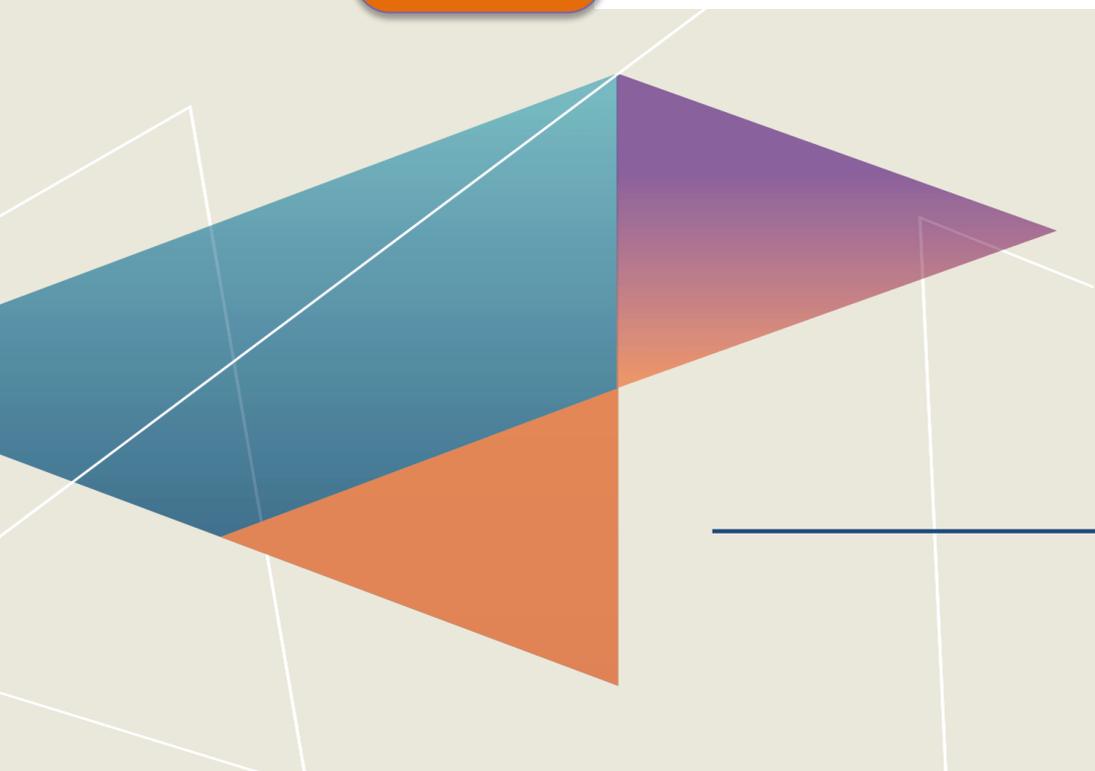
To set out the disclosure requirements of the undertaking's sustainability reporting that are of a cross-cutting nature. They are those:



# Compatibility with TCFD and IFRS S1 core contents

The structure and location of ESRS requirements reflects the need to cover the entire set of topics (not only one topic). Cross-cutting contents are dealt with in a single place, while implementation and performance measures are left at topical level





**3**

## **polling question**

**ESRS 1 e 2 – Struttura – Interoperabilità  
con le bozze IFRS**

**A suo avviso, in che misura  
l'approccio adottato per  
strutturare gli aspetti da  
rendicontare promuove  
l'interoperabilità tra l'ESRS e le  
bozze di standard IFRS sulla  
sostenibilità?**

- a. Per niente**
- b. In misura limitata**
- c. In larga misura**
- d. Totalmente**

# Objective and Overview: Disclosure Requirements of ESRS 2 (I/II)

## GENERAL CHARACTERISTICS

DR 2-GR1: **General characteristics** of the sustainability reporting of the undertaking

DR 2-GR2: **Sector(s) of activity**

ISSB SFDR

DR 2-GR3: **Key features** of the value chain

ISSB TCFD

DR 2-GR4: **Key drivers** of the value creation

ISSB

DR 2-GR5: **Using approximations** on the disclosure in relation to boundary and value chain

DR 2-GR6: Disclosing on significant **estimation uncertainty**

ISSB

DR 2-GR7: **Changes** in preparation and presentation

ISSB

DR 2-GR8: Prior period **errors**

ISSB

DR 2-GR9: On other sustainability reporting **pronouncements**

ISSB

DR 2-GR10: General **statement of compliance**

ISSB

## STRATEGY & BUSINESS MODEL

DR 2-SBM1: **Overview** of strategy and business model

ISSB CSRD

DR 2-SBM2: Views, interests and expectations of **stakeholders**

ISSB CSRD

DR 2-SBM3: **Interaction of impacts and the undertaking's Strategy** and business model

ISSB CSRD

DR 2-SBM4: **Interaction of risks and opportunities and the undertaking's strategy** and business model

TCFD CSRD  
ISSB

# Objective and Overview: Disclosure Requirements of ESRS 2 (II/II)

GOVERNANCE	
DR 2-GOV1: <b>Roles and responsibilities</b> of the administrative, management and supervisory bodies	TCFD ISSB CSRD
DR 2-GOV2: <b>Information</b> of administrative, management and supervisory bodies <b>about sustainability matters</b>	TCFD ISSB
DR 2-GOV3: <b>Sustainability matters addressed</b> by the undertaking's administrative, management and supervisory bodies	ISSB
DR 2-GOV4: Integration of sustainability strategies and Performance in <b>incentive schemes</b>	TCFD ISSB
DR 2-GOV5: Statement on <b>due diligence</b>	ISSB SFDR

IMPACTS, RISKS & OPPORTUNITIES	
DR 2-IRO1: <b>Description of the processes</b> to identify material sustainability impacts, risks and opportunities	ISSB CSRD TCFD
DR 2-IRO2: <b>Outcome of the undertaking's assessment</b> of material sustainability impacts, risks and opportunities as identified by reference to and in compliance with <b>sector-agnostic and sector-specific level ESRS</b>	SFDR ISSB CSRD TCFD
DR 2-IRO3: <b>Outcome of the undertaking's assessment</b> of material sustainability impacts, risks and opportunities that are not covered by an ESRS ( <b>entity-specific level</b> )	SFDR ISSB CSRD TCFD

## Focus on DR – GOV 5: Statement on due diligence

### DR related to Governance in ESRS 2

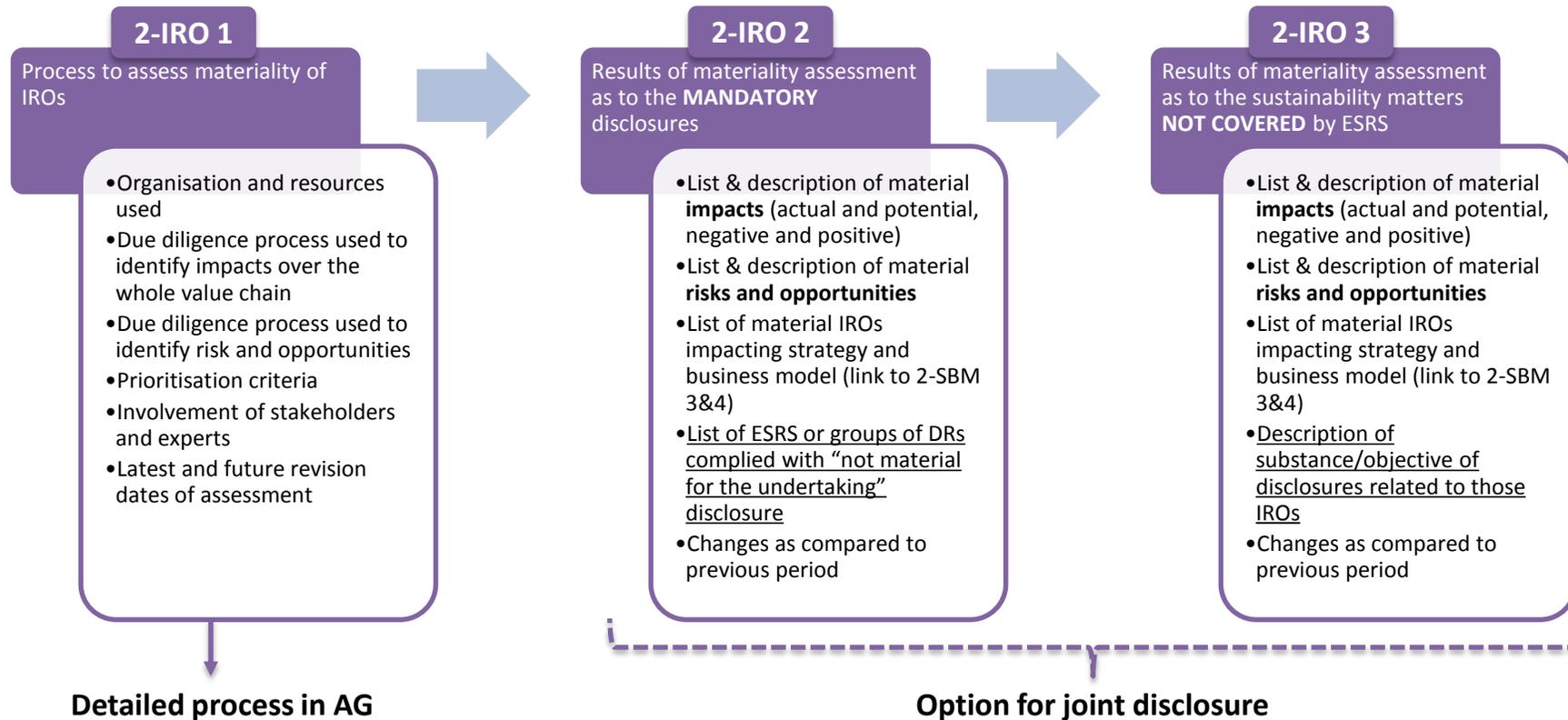
#### DR 2- GOV 5: Statement on due diligence

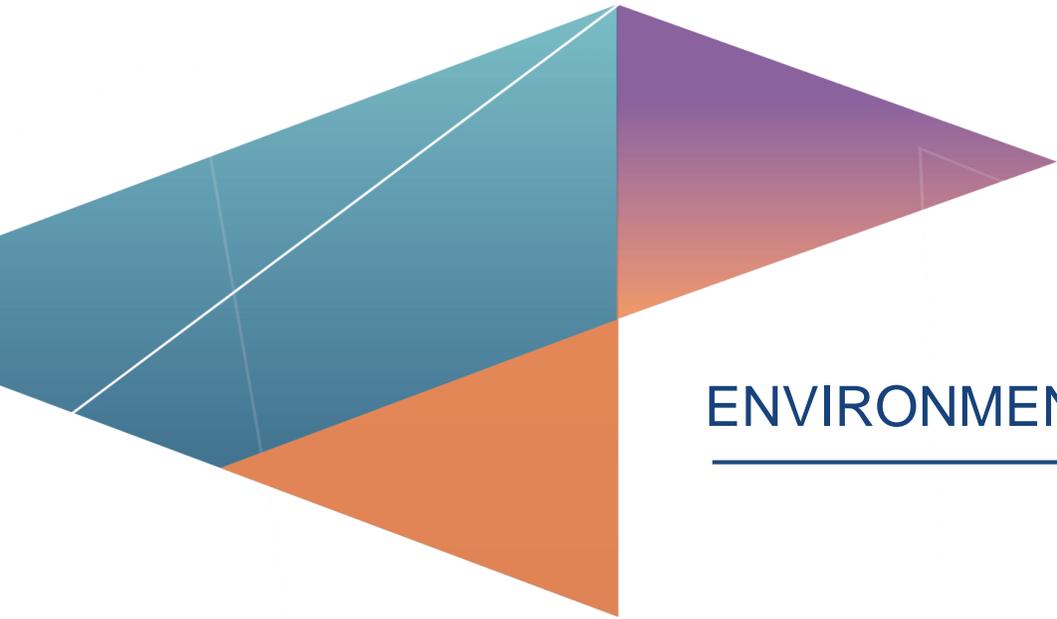
The undertaking shall provide a mapping that reconciles the main aspects of sustainability due diligence to the relevant disclosures in its sustainability statements

Main aspect of sustainability due diligence	Relevant disclosures
<ul style="list-style-type: none"><li>• Embedding due diligence in governance and organizations</li></ul>	
<ul style="list-style-type: none"><li>• Engaging with stakeholders</li></ul>	
<ul style="list-style-type: none"><li>• Identifying and assessing adverse impacts</li></ul>	
<ul style="list-style-type: none"><li>• Taking action</li></ul>	
<ul style="list-style-type: none"><li>• Tracking effectiveness and communicating</li></ul>	

## Focus on DR – IRO1, 2 and 3

DRs related to Materiality assessment impacts, risks and opportunities in ESRS 2





## ENVIRONMENT

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# ESRS E1 - Climate change (I/III)

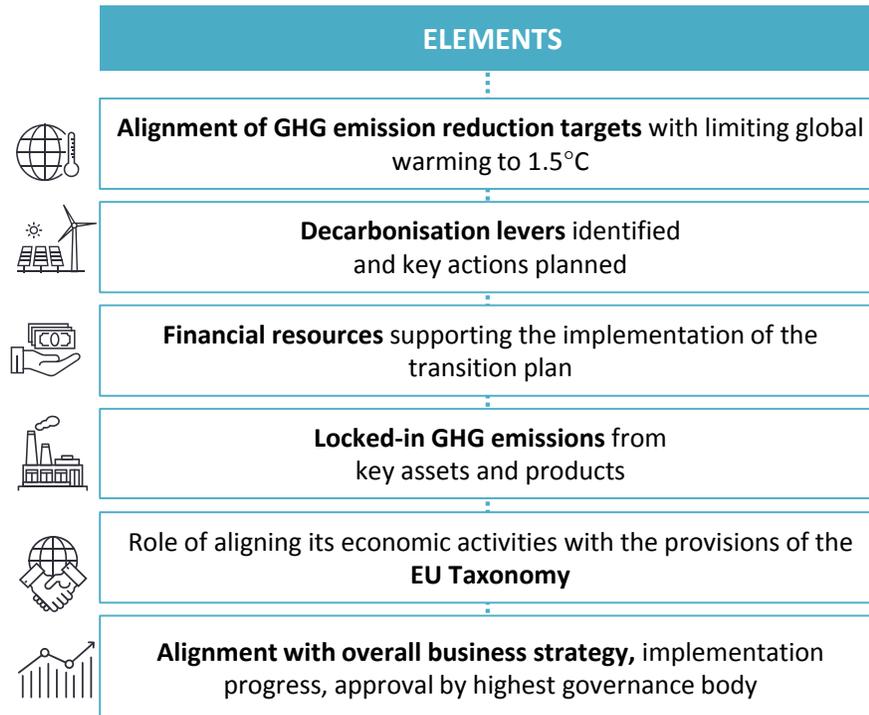
STRATEGY <small>(complemented by ESRS 2)</small>	IMPLEMENTATION	PERFORMANCE MEASURES
<p>DR E1-1: <b>Transition plan</b> for climate change mitigation <span>CSRD</span> <span>ISSB</span> <span>CSDDD</span> <span>US SEC*</span></p> <p>AG on ESRS 2-SBM4: <b>Resilience</b> of strategy and business model <span>CSRD</span> <span>ISSB</span> <span>US SEC</span></p> <p>AG on ESRS 2-GOV 4: Climate-related <b>remuneration</b> <span>ISSB</span></p> <p>AG on ESRS 2-GOV 4: Internal <b>carbon pricing</b> schemes <span>ISSB</span> <span>US SEC</span></p> <p>AG on ESRS 2-IRO 1 and 2: material climate-related <b>impacts, risks and opportunities</b> <span>CSRD</span> <span>ISSB*</span> <span>US SEC*</span></p> <p><small>*only financial materiality</small></p>	<p>DR E1-2: <b>Policies</b> implemented to manage climate change mitigation and adaptation <span>CSRD</span></p> <p>DR E1-3: Measurable <b>targets</b> for climate change mitigation and adaptation <span>CSRD</span> <span>ISSB</span> <span>US SEC</span></p> <p>DR E1-4: Climate change mitigation and adaptation <b>action plans and resources</b> <span>CSRD*</span> <span>ISSB*</span> <span>Taxo*</span></p> <p><small>* only selected requirements</small></p>	<p><b>Energy</b></p> <p>E1-5: Energy <b>consumption &amp; mix</b> <span>SFDR</span></p> <p>E1-6: Energy <b>intensity</b> per revenue <span>SFDR</span></p> <p><b>GHG emissions / removals</b></p> <p>E1-7: <b>Scope 1</b> GHG emissions <span>SFDR</span> <span>ISSB</span> <span>US SEC</span></p> <p>E1-8: <b>Scope 2</b> GHG emissions <span>SFDR</span> <span>ISSB</span> <span>US SEC</span></p> <p>E1-9: <b>Scope 3</b> GHG emissions <span>SFDR</span> <span>ISSB</span> <span>US SEC</span></p> <p>E1-10: <b>Total</b> GHG emissions</p> <p>E1-11: <b>GHG intensity</b> per net turnover <span>SFDR</span> <span>ISSB</span> <span>US SEC</span></p> <p>E1-12: <b>GHG removals</b> <span>CSRD*</span></p> <p>E1-13: <b>Carbon credits</b> <span>CSRD*</span> <span>ISSB</span> <span>US SEC</span></p> <p>Optional E1-14: <b>Avoided GHG emissions</b> from products and services</p> <p><b>Financial effects</b></p> <p>E1-15: Financial effects from <b>physical risks</b> <span>ISSB</span> <span>US SEC</span></p> <p>E1-16: Financial effects from <b>transition risks</b> <span>ISSB</span> <span>US SEC</span></p> <p>E1-17: Financial <b>opportunities</b> <span>Taxo**</span> <span>ISSB</span> <span>US SEC</span></p> <p><small>* in recital 41 ** indirect link</small></p>

# ESRS E1 - Climate change (II/III)

## Focus on transition plans

### ESRS E1 – Focus on Transition Plan

#### DR E1-1 Transition plan for climate change mitigation

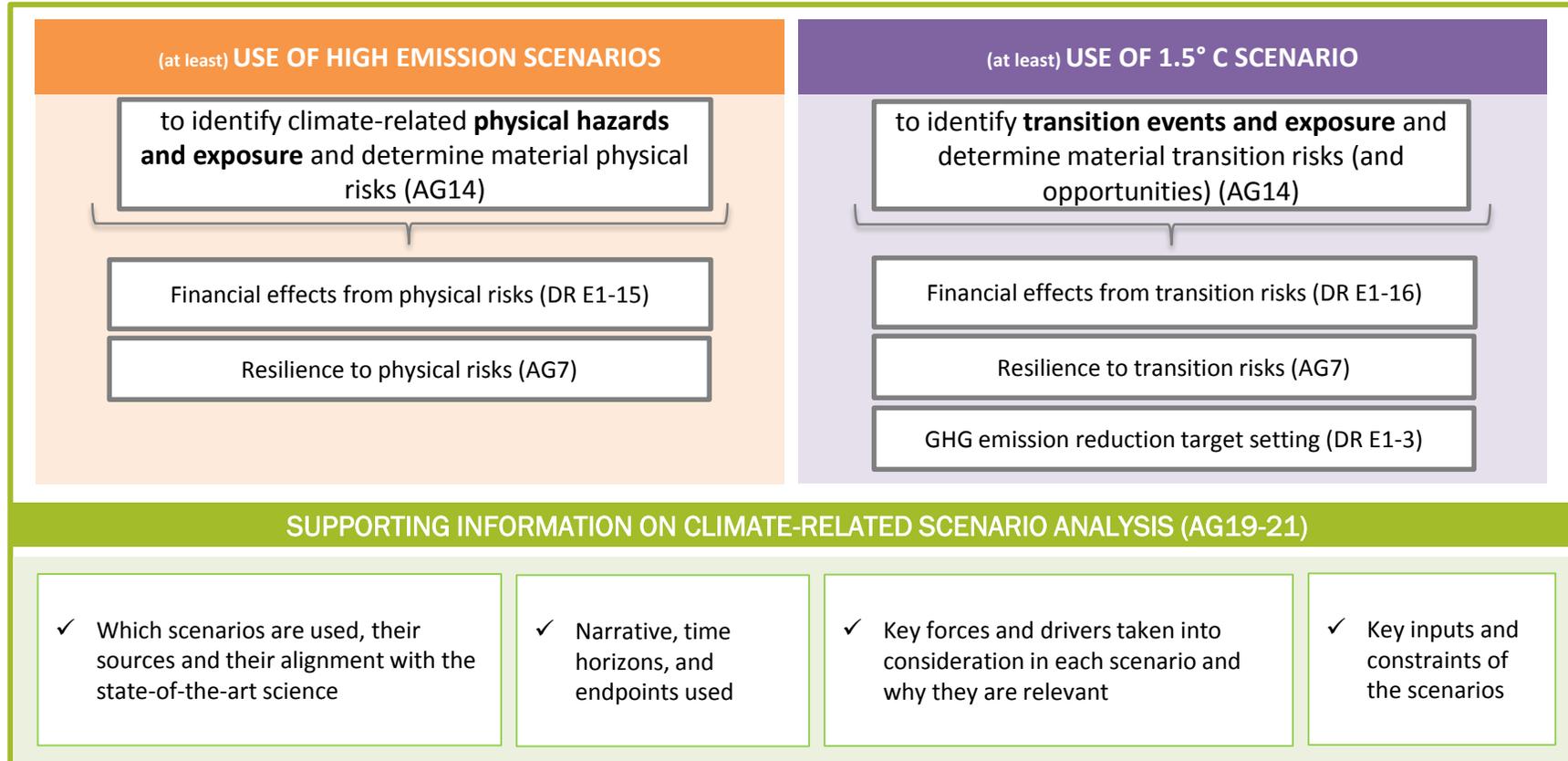


*“...the undertaking is expected to provide a high-level explanation on how it will adjust its strategy and business model to ensure compatibility with the transition to a climate-neutral economy and with limiting of global warming to 1.5°C in line with the Paris Agreement ... and shall, where applicable, refer to and contextualise information presented under other disclosures requirements of this [draft] standard.”*

# ESRS E1 - Climate change (III/III)

## Focus on scenario analysis

### Role of scenario analysis



**To what extent ESRS E1 drafts is aligned with IFRS S1 and TCFD?**



**4**

## polling question

### **ESRS E1**

**A suo avviso, in che misura la bozza ESRS E1 è allineata con l'IFRS S1 e la TCFD?**

- a. Per niente**
- b. In misura limitata**
- c. In larga misura**
- d. Totalmente**

# ESRS E2 Pollution (I/II)

## Application guidance related to ESRS 2

- **AG on ESRS 2-SBM 4: Resilience of strategy and business model** TCFD CSRD ZPAP
- **AG on ESRS 2-IRO 1 and 2: material pollution-related impacts, risks and opportunities** TCFD CSRD OEF

- Link to the EU Action Plan initiative "Towards a Zero Pollution for Air, Water and Soil", and value chain consideration.
- Five sub-themes: air pollution, water pollution, soil pollution, substances of concern (including the most harmful substances) and enabling activities to prevent, control and eliminate pollution.
- Link to the definitions of the Chemicals Strategy for Sustainability, the EU REACH Regulation, the E-PRTR (European Pollutant Release and Transfer Register), the Industrial Emissions Directive and the work of the Sustainable Finance Platform.

## 3 Disclosure Requirements related to Policies, targets, action plans and resources

- **DR E2-1** – Policies implemented to prevent and control pollution CSRD Sev. III
- **DR E2-2** – Measurable targets for pollution ZPAP Taxo CSRD IED GRI
- **DR E2-3** – Pollution action plans and resources CSRD GRI IED Taxo

- Policies should pursue an objective (prevention, minimisation, etc.) related to one of the five sub-themes.
- Targets should be expressed in terms of the volume of pollutants concerned, as well as in terms of turnover and raw material costs for substances of concern, and the link should be made with the BAT benchmarks.
- The actions serve the objectives in line with the regulations.

# ESRS E2 Pollution (II/II)

## 4 Disclosure Requirements related to performance measurement

- **DR E2-4** – Pollution to air, water and soil SFDR CSRD  
IED GRI
- **DR E2-5** – Substances of concern and most harmful substances CSRD  
Taxo ZPAP
- **DR E2-6** – Pollution-related incidents and deposit impacts and risks, and financial exposure to the undertaking CSRD
- **DR E2-7** – Potential financial effects from pollution-related impacts, risks and opportunities CSRD
- **Taxonomy Regulation**

### *Pollution to air, water and soil*

- Information on the list and volumes of air, water and soil pollutants generated or used throughout the value chain, as well as the area affected where relevant (including Annex II E-PRTR).
- Link to degree of urbanisation and air quality indicators, as well as to the EU Industrial Emissions Directive and BAT/BREFs where relevant.

### *Substances of concern*

- Specific information on the share of turnover and raw material costs related to these substances.

### *Incidents and deposits*

- Information on the main incidents and deposits, their impacts as well as their associated and provisioned costs.

SFDR

Link to additional indicators SFDR on Emissions of inorganic pollutants, air pollutants and ozone-depleting substances.

# ESRS E3 Water and marine resources (I/II)

## Application guidance related to ESRS 2

**AG on ESRS 2-IRO 1 and 2:** Water and marine resources-related **impacts, risks and opportunities**

CSRD  
GRI  
CDSB  
CDP W  
CEO W

- Water and marine resources sub-themes, covering the impacts and dependencies of water abstraction, consumption and discharge, including exposure to physical hazards (flooding, water stress, etc.).
- Link with the Water Framework Directive and the EU Marine Strategy Framework Directive.
- Water is a local issue: criticality of geographical sites, hydrological basins.
- Importance of raw materials and consideration of suppliers.
- Marine resources: consideration of deep-sea mineral resources, gravel and seafood.

## 3 Disclosure Requirements related to Policies, targets, action plans and resources

**DR E3-1: Policies** implemented to manage water and marine Resources

CSRD  
SFDR  
GRI  
CDSB

**DR E3-2:** Measurable **targets** for water and marine resources

CSRD  
GRI  
CEO W CDP W  
CDSB F Mer

**DR E3-3:** Water and marine **action plans and resources**

CSRD  
CDSB

- Value chain and link to EU policies and quantified commitments to reduce water abstraction, consumption and discharge.

# ESRS E3 Water and marine resources (II/II)

## 4 Disclosure Requirements related to performance measurement

**DR E3-4:** Water management performance

SFDR CSRD  
CDP W GRI  
CDSB CEO W

**DR E3-5:** Water intensity performance

SFDR CSRD  
CEO W

**DR E3-6:** Marine resources-related performance

CSRD  
F Mer

**DR E3-7:** Potential financial effects from water and marine resources-related impacts, risks and opportunities

**Taxonomy regulation**

### *Water*

- Volumes of water abstracted, consumed, discharged and link to ESRS E2.
- If relevant, volume of water recycled, reused or stored.
- If relevant, information on intensity.
- Information by geographical area and business segment.

### *Marine resources*

- Nature and quantity of materials used from marine resources.
- Links with ESRS E5 on waste and plastic use, ESRS E2 on pollutants, ESRS E1 on GHG emissions, ESRS E4 on impacting land use or settlement changes.

SFDR

Link to SFDR principal indicator on Emissions to water and additional indicators on Water usage and recycling, Investments in companies without water management policies and Exposure to areas of high-water stress.

# ESRS E4 Biodiversity and ecosystems (I/II)

## 1 Disclosure Requirement related to Strategy, Governance and materiality assessment

- **DR E4-1** – Transition plan in line with the targets of no net loss by 2030, net gain from 2030 and full recovery by 2050

TNFD

- Information on the compatibility of the business model with the EU Biodiversity Strategy 2030 and the Post-2020 Global Biodiversity Framework.
- Identification of biodiversity loss levers (threatened species, protected areas and key areas) in the value chain and remediation actions (avoid, minimise, restore, compensate) on the main resources/dependencies and assets concerned.

## Application guidance related to ESRS 2

- **AG on ESRS 2-SBM 4: Resilience** of strategy and business model

CSRD

TNFD

- **AG on ESRS 2-IRO 1 and 2: Biodiversity and ecosystems - related impacts, risks and opportunities**

CSRD

SFDR

TNFD

**Resilience** : advocating the use of scenarios (e.g. IPBES, ENCORE, etc.).

**Materiality assessment** :

- Advocacy of databases, assessment by geographical location and by commodity, consideration of threatened species, protected areas and key zones.
- Distinction between physical, transition and systemic risks, as well as opportunities in relation to TNFD and CDSB work.
- Presence of activity in biodiversity hotspots.

# ESRS E4 Biodiversity and ecosystems (II/II)

## 3 Disclosure Requirements related to Policies, targets, action plans and resources

- **DR E4-2 – Policies** implemented to manage biodiversity and ecosystems **SFDR**
- **DR E4-3 – Measurable targets** for biodiversity and ecosystems
- **DR E4-4 – Biodiversity and ecosystems action plans and resources**

- Information in relation to the transition plan, as well as the hierarchy of levers: avoid, minimise, restore, compensate, and mitigate.
- Key role of the value chain, traceability of raw materials and suppliers, and importance of social issues of IROs including in relation to the use of genetic resources and interaction with local communities.

## 6 Disclosure Requirements related to performance measurement

- DR E4-5 – Pressure metrics**
- DR E4-6 – Impact metrics**
- DR E4-7 – Response metrics**
- DR E4-8 – Biodiversity-friendly consumption and production metrics**
- DR E4-9 – Biodiversity offsets**
- DR E4-10 – Potential financial effects from biodiversity-related impacts, risks and opportunities**
- Taxonomy Regulation**

- Very basic indicators, in line with ongoing work at international level and the lack of agreed indicators, description of characteristics that indicators should have.

**SFDR**

Link to SFDR principal indicator on Activities negatively affecting biodiversity-sensitive areas and additional indicators on Land degradation, desertification, soil sealing, Investments in companies without sustainable land/agriculture practices, Investments in companies without sustainable oceans / seas practices, Natural species and protected areas and Deforestation.

# ESRS E5 Resource use and circular economy (I/II)

## Application guidance related to ESRS 2

- **AG on ESRS 2 SBM 3 and SBM 4** on the integration of resource use and circular economy in the business model
- **AG on ESRS 2-IRO 1 and 2:** on impacts, risks and opportunities

- Link with the European plan on the circular economy.
- Integration of **circular economy principles** in the business model: **elimination of waste and pollution**, circularity of products, **regeneration of nature**, decoupling of economic activity from natural resource extraction, **products and materials maintained at their highest value**.
- Materiality assessment in relation to the **five sub-themes described** in E5-4 to E5-8 in relation to the scenarios of remaining in a linear economy versus making a transition to a circular economy.

## 3 Disclosure Requirements related to Policies, targets, action plans and resources

- **DR E5-1 – Policies** implemented to manage resource use and circular economy
- **DR E5-2 – Measurable targets** for resource use and circular economy
- **DR E5-3 – Resource use and circular economy action plans**

- Policies to decouple activity and use of non-renewable resources / regenerate renewable resources and ecosystems.
- Action plans related to the sub-themes and the three principles of the circular economy.

## ESRS E5 Resource use and circular economy (II/II)

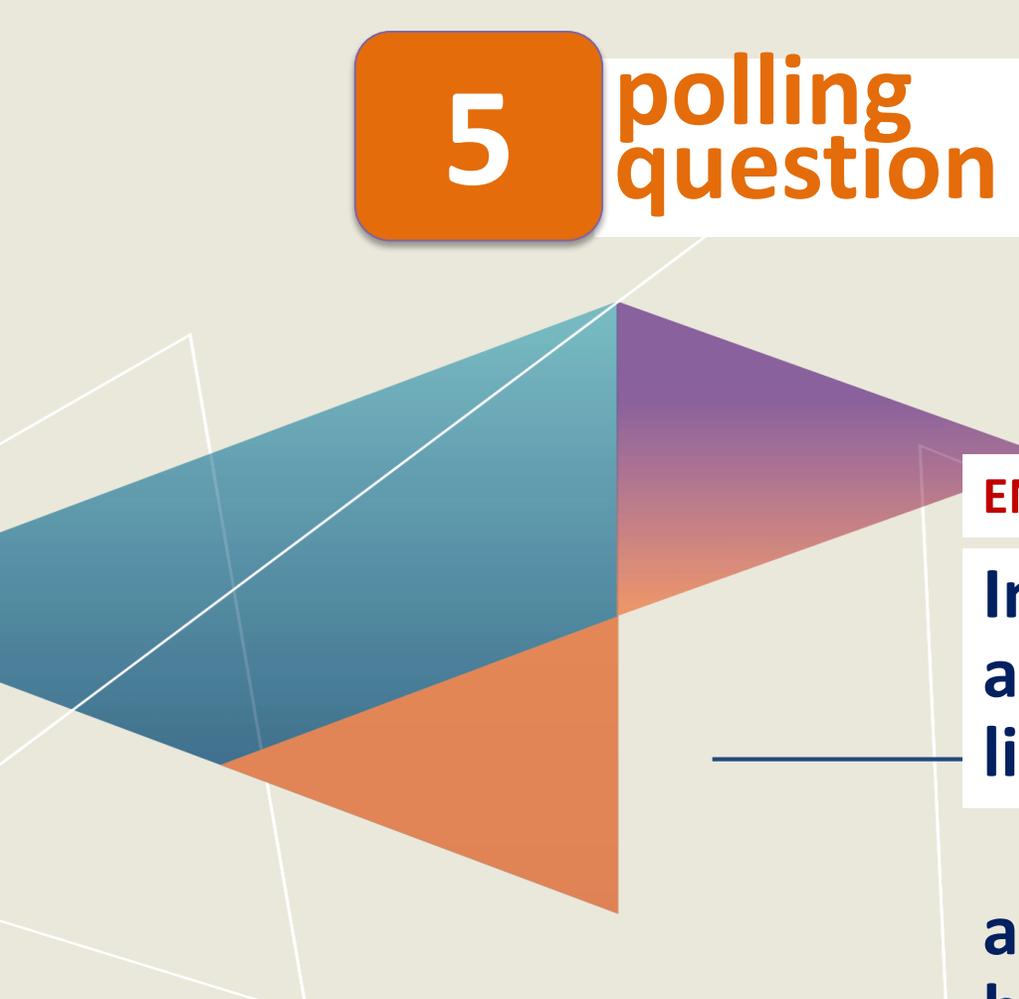
### 6 Disclosure Requirements related to performance measurement

- **DR E5-4** – Resource inflows
- **DR E5-5** – Resource outflows
- **DR E5-6** – Waste SFDR
- **DR E5-7** – Resource use optimisation
- **DR E5-8** – Circularity support
  
- **DR E5-9** – Financial effects from resource use and circular-economy-related impacts, risks and opportunities
- **Taxonomy Regulation**

SFDR Link to SFDR principal indicator on Hazardous waste and radioactive waste ratio and additional indicator on Non-recycled waste ratio.

Information on the **five sub-themes**:

- quantitative (absolute value et percentage) et qualitative.
- **Resource Inflows**: information on the materials used (renewable, reused, recycled).
- **Resource Outflows**: information on the weight and percentage of products, materials and packaging intentionally created to contribute to the circular economy, i.e. sustainability, reusability, reparability, disassembly, recycling, etc.
- **Waste**: details of hazardous/non-hazardous waste and waste destination.
- **Resource use optimisation**: share of turnover for products and services that optimise the use of resources and promote circular business models.
- **Circularity support**: coordinated actions and partnerships in the value chain.



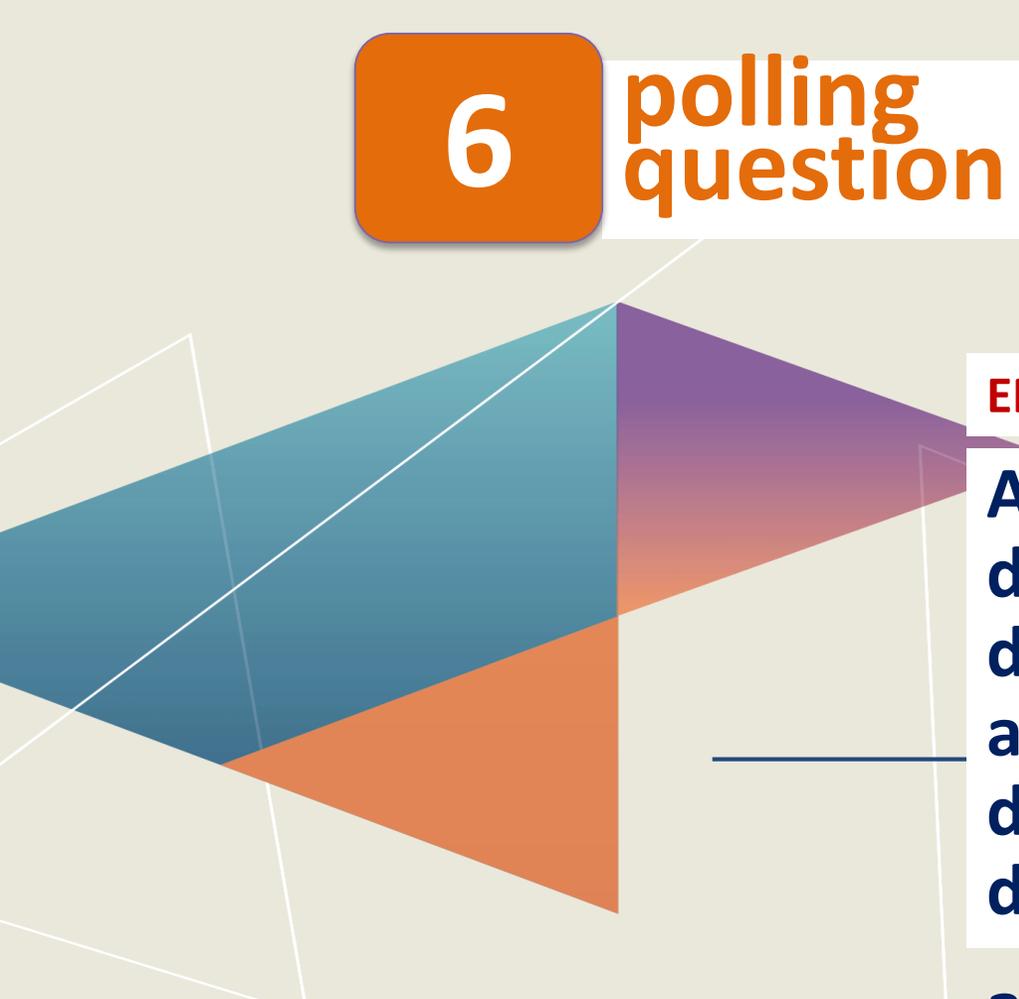
**5**

## polling question

### ENVIRONMENTAL

**In che misura ritiene che gli standard ambientali ESRS siano rilevanti a livello sector agnostic?**

- a. Per niente**
- b. In misura limitata**
- c. In larga misura**
- d. Totalmente**



**6**

## **polling question**

### **ENVIRONMENTAL**

**A suo avviso, in che misura le disposizioni sull'architettura e sulla disclosure delle bozze di standard ambientali supportano la produzione di informazioni rilevanti per gli user del sustainability reporting?**

- a. Per niente**
- b. In misura limitata**
- c. In larga misura**
- d. Totalmente**



SOCIAL

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# CSRD Mandate on Social sustainability matters

## Background and methodology

Standard development based on CSRD, Article 19 b (Extract)

“ (b) specify the information that undertakings are to disclose about social factors, including information about:

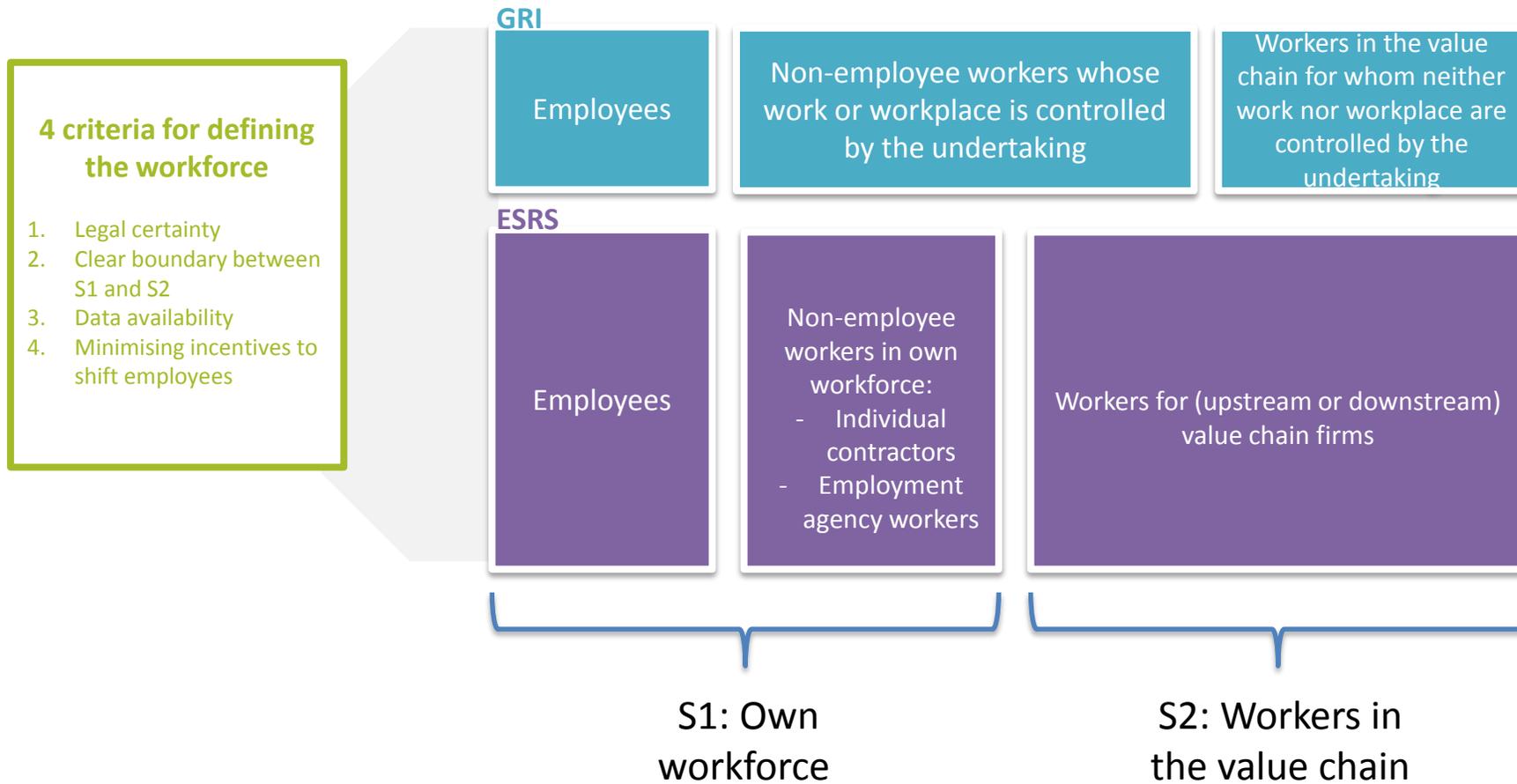
- (i) Equal opportunities

for all, including gender equality and equal pay for equal work, training and skills development, and employment and inclusion of people with disabilities;
- (ii) Working conditions

including secure and adaptable employment, wages, social dialogue, collective bargaining and the involvement of workers, work-life balance, and a healthy, safe and well-adapted work environment;
- (iii) Respect for the human rights

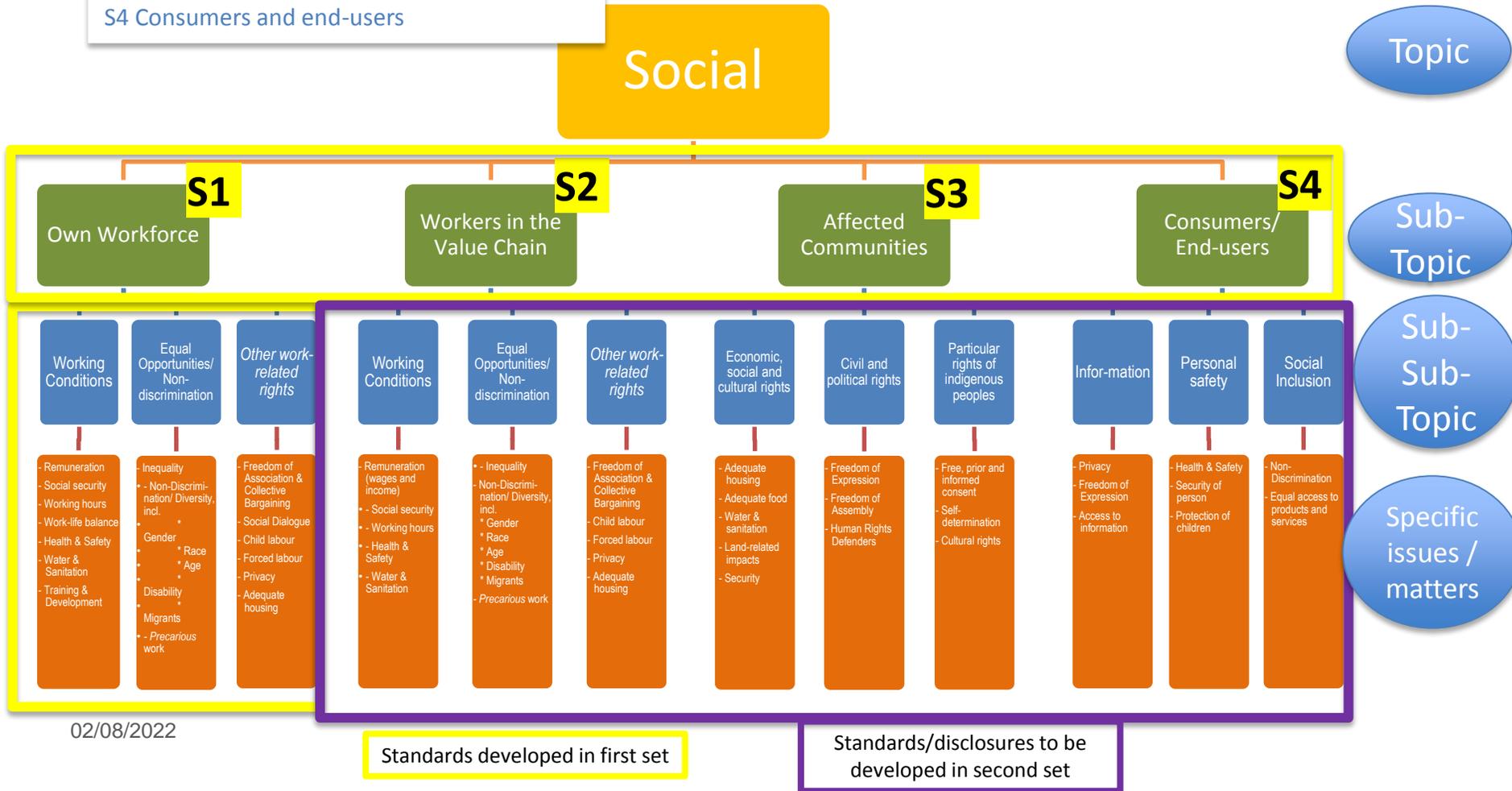
fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work and the ILO fundamental conventions and the Charter of Fundamental Rights of the European Union.”

# Social standards: Definition of workforce



# Social standards: Structure of the social pillar

- S1 Own Workforce
- S2 Workers in the value chain
- S3 Affected communities
- S4 Consumers and end-users



# ESRS S1 Own workforce (I/II)

## Reference frameworks

STRATEGY (complemented by ESRS 2)	IMPLEMENTATION
<p>AG on ESRS 2-SBM2: Interaction between <b>material impacts, risks and opportunities</b> and the strategy and business model</p>	<p>DR S1-1: <b>Policies</b>, targets, action plans and resources</p> <p>OECD UNGP SFDR GRI</p>
<p>AG on ESRS 2-SBM3: Workforce matters on people and the <b>adaptation</b> of its <b>strategy</b> and <b>business model(s)</b> to such material sustainability impacts</p>	<p>DR S1-2: <b>Processes</b> for engaging with own workers and workers' representatives about impacts</p> <p>OECD UNGP SFDR GRI</p>
<p>AG on ESRS 2-SBM4: Workforce matters that originate from or are connected to the undertaking's strategy and business model(s) and of the adaptation of its strategy and business model(s) to such <b>material risks and opportunities</b></p>	<p>DR S1-3: Channels for own workers and workers' representatives to raise concerns</p> <p>SFDR UNGP</p>
<p>AG on ESRS 2-IRO2: Outcome of the undertaking's assessment of material sustainability impacts, risks and opportunities as identified by reference to and in compliance with <b>sector-agnostic</b> and <b>sector-specific</b> level ESRS <span style="float: right;">SFDR</span></p>	<p>DR S1-4: Targets related to <b>managing</b> material negative impacts, <b>advancing</b> positive impacts, and managing material risks and opportunities</p> <p>UNGP GRI</p>
<p>AG on ESRS 2-IRO3: Outcome of the undertaking's assessment of material sustainability impacts, risks and opportunities that are not covered by an <b>ESRS (entity-specific)</b> level <span style="float: right;">SFDR</span></p>	<p>DR S1-5: Taking action on <b>material impacts</b> on own workforce and effectiveness of those actions</p> <p>OECD UNGP GRI</p>
<p>ESRS 2-GOV2: Information of <b>administrative, management and supervisory</b> bodies about sustainability matters</p>	<p>DR S1-6: <b>Approaches</b> to mitigating material risks and pursuing material opportunities related to own workforce</p> <p>SASB OECD</p>

OECD - Organization for Economic Co-operation and Development

SASB – Sustainability Accounting Standards Board

GRI – Global Reporting Initiative

ILO – International Labour Organization

UNGP – United Nations Global Compact

EPSR – European Pillar of Social Rights

SFDR – Sustainable Finance Disclosure Regulation

# ESRS S1 Own workforce (II/II)

## Reference frameworks

PERFORMANCE MEASURES	
<u>General</u>	
DR S1-7: Characteristics of the Undertaking's <b>Employees</b>	GRI
DR S1-8: Characteristics of <b>non-employee workers</b> in the undertaking's own workforce	GRI
<u>Working Conditions</u>	
DR S1-9: <b>Training and Skills</b> Development indicators	GRI
DR S1-10: <b>Coverage</b> of the health and safety management system	ILO, OECD, GRI
DR S1-11: <b>Performance</b> of the health and safety management system	SFDR, ILO, GRI
DR S1-12: Working <b>Hours</b> <b>OPTIONAL</b>	ILO, EPSR
DR S1-13: Work-Life <b>Balance</b> indicators	ILO, EPSR
DR S1-14: <b>Fair</b> remuneration	EPSR, GRI
DR S1-15: <b>Social security</b> eligibility coverage	EPSR
<u>Equal Opportunities</u>	
DR S1-16: <b>Pay gap</b> between women and men	EPSR, GRI, SFDR
DR S1-17: Annual total <b>compensation ratio</b>	EPSR, GRI, SFDR
DR S1-18: <b>Discrimination</b> incidents related to equal opportunities	EPSR, GRI, SFDR
DR S1-19: Employment of persons with <b>disabilities</b>	EPSR, GRI
DR S1-20: Differences in the <b>provision of benefits</b> to employees with different employment contract types	EPSR, GRI
<u>Other Work-related Rights</u>	
DR S1-21: <b>Grievances</b> and other work-related rights	GRI
DR S1-22: <b>Collective bargaining</b> coverage	SASB, GRI, ILO
DR S1-23: Work <b>stoppages</b>	SASB, ILO
DR S1-24: Social <b>dialogue</b>	SFDR, GRI, ILO
DR S1-25: Identified cases of <b>severe human rights issues</b> and incidents	ILO
DR S1-26: <b>Privacy</b> at work	ILO

# ESRS S2 Workers in the value chain

## ESRS S3 Affected communities

## ESRS S4 Consumers and end-users

### STRATEGY (complemented by ESRS 2)

AG on ESRS 2-SBM2: Interaction between **material impacts, risks and opportunities** and the strategy and business model

AG on ESRS 2-SBM3: Workforce matters on people and the **adaptation** of its **strategy** and **business model(s)** to such material sustainability impacts

AG on ESRS 2-SBM4: Workforce matters that originate from or are connected to the undertaking's strategy and business model(s) and of the adaptation of its strategy and business model(s) to such **material risks and opportunities**

SFDR

AG on ESRS 2-IRO2: Outcome of the undertaking's assessment of material sustainability impacts, risks and opportunities as identified by reference to and in compliance with **sector-agnostic** and **sector-specific** level ESRS

AG on ESRS 2-IRO3: Outcome of the undertaking's assessment of material sustainability impacts, risks and opportunities that are not covered by an **ESRS (entity-specific level)**

### IMPLEMENTATION

DR S2-1: **Policies**, targets, action plans and resources

GRI OECD UNGP SFDR

DR S2-2: **Processes for engaging** with own workers and workers' representatives about impacts

GRI OECD UNGP

DR S2-3: **Channels** for own workers and workers' representatives to raise concerns

SFDR UNGP

DR S2-4: **Targets** related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

GRI UNGP

DR S2-5: **Taking action** on material impacts on own workforce and effectiveness of those actions

GRI OECD UNGP

DR S2-6: **Approaches to mitigating** material risks and pursuing material opportunities related to own workforce

OECD UNGP

### PERFORMANCE MEASURES

#### First set:

Focus on developing the disclosures that can be expected of **all entities** under the scope of the CSRD. These standards provide **high-level disclosures** regarding an undertaking's impacts on value chain workers / affected communities / consumers&end users and related risks and opportunities, when viewed in general across an undertaking's operations and upstream and downstream value chain.

#### Subsequent standards:

Subsequent standards are expected to expand on these standards by providing more detailed disclosures in relation to the sub-topics and specific issues that would be identified as material through the **sector-specific** or **entity-specific** materiality determination, which will include actions to address specific impacts and risks, along with related targets and performance measures to cater for the diversity in value chains.

#### SFDR/CSDDD structural alignment

Initiatives from the Platform for Sustainable Finance (incl. announced guidance on the Minimum Safeguards), as well as the proposal for an EU Corporate Sustainability Due Diligence Directive, were taken into consideration to ensure that the structure of the reporting would be compatible with upcoming developments in this area.

# Social standards: Embedding due diligence

## Alignment of social standards with OECD Due Diligence

0. ESRS S1 - DRs 2 and 3: **engage stakeholders** and ESRS 2 DRs (SBM, IROs)



1. ESRS 2 (cross cutting) and AG 3 – 12/13: **assess** impacts, risks and opportunities



2. ESRS S1 DRs 1, 2, 5 and 6: **integrate and act** by developing policies, setting targets and taking action



3. ESRS 1 on targets, progress and tracking effectiveness and ESRS S2 – DR 4: **track** performance



4. The standards in their entirety contribute to the reporting obligation required by the draft CSRD: **communicate**

*Approach developed in co-construction with Shift*



**7**

## polling question

### **SOCIAL**

**A suo avviso, in che misura le disposizioni sull'architettura e sulla disclosure delle bozze di standard sociali supportano la produzione di informazioni rilevanti per gli user del sustainability reporting?**

- a. Per niente**
- b. In misura limitata**
- c. In larga misura**
- d. Totalmente**



## GOVERNANCE

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# CSRD mandate on Governance sustainability matters

## Governance as a separate category of sustainability matters

The Governance category (G) is broader than traditionally considered under the concept of 'governance'. The aim is to cover the full spectrum of relevant matters in order to report on sustainability aspects relating to the reporting undertaking itself, including but not limited to governance.

### CSRD Article 19 b)

**(c) specify the information that undertakings are to disclose about governance factors, including information about:**

- (i)** the role of the undertaking's administrative, management and supervisory bodies, including with regard to sustainability matters, and their composition;
- (ii)** the business ethics and corporate culture, including anti-corruption and anti-bribery;
- (iii)** political engagements of the undertaking, including its lobbying activities;
- (iv)** the management and quality of relationships with business partners, including payment practices;
- (v)** the undertaking's internal control and risk management systems, including in relation to the undertaking's reporting process.

*Governance over sustainability matters is covered by ESRS 2.*

G1 Governance, risk management, internal control

G2 Business conduct

# ESRS E1 Governance, risk management, internal control

STRATEGY	IMPLEMENTATION	PERFORMANCE MEASURES
DR G1-1: Governance structure <span style="background-color: #f4a460; padding: 2px;">GRI</span> <span style="background-color: #76b82a; padding: 2px;">Acc Dir</span>	DR G1-2: Corporate governance code or policy <span style="background-color: #76b82a; padding: 2px;">Acc Dir</span> DR G1-3: Nomination process <span style="background-color: #f4a460; padding: 2px;">GRI</span> DR G1-4: Diversity policy <span style="background-color: #76b82a; padding: 2px;">Acc Dir</span> DR G1-5: Evaluation process <span style="background-color: #f4a460; padding: 2px;">GRI</span> DR G1-6: Remuneration policy <span style="background-color: #76b82a; padding: 2px;">SR Dir</span> <span style="background-color: #f4a460; padding: 2px;">GRI</span> DR G1-7: Risk management <span style="background-color: #f4a460; padding: 2px;">GRI</span> DR G1-8: Internal control <span style="background-color: #f4a460; padding: 2px;">GRI</span>	DR G1-9: Composition of ASMB <span style="background-color: #007bff; padding: 2px;">SFDR</span> <span style="background-color: #76b82a; padding: 2px;">Acc Dir</span> DR G1-10: Meetings and attendance rate
<ul style="list-style-type: none"> <li>General description of ASMB and their composition</li> </ul>	<ul style="list-style-type: none"> <li>More detailed description of specific aspects</li> <li>General description of the risk management &amp; internal control processes and how they enable the ASMB to exercise their responsibility to oversee the undertaking.</li> </ul>	<ul style="list-style-type: none"> <li>Indicators to measure performance of policy objectives defined by previous DRs</li> </ul>

*Link with Article 20 of the Accounting Directive:*

- Undertakings that already disclose the info may incorporate by reference*
- Undertakings that do not already disclose the info will use a comparable approach.*

# ESRS G2 Business conduct

STRATEGY	IMPLEMENTATION	PERFORMANCE MEASURES
<p>DR 1: Business conduct culture <span style="float: right;">GRI</span></p>	<p>DR 2: Policies and targets on business conduct <span style="float: right;">SFDR GRI</span></p> <p>DR 3: Prevention and detection of corruption and bribery <span style="float: right;">GRI</span></p> <p>DR 4: Anti-competitive behaviour prevention and detection <span style="float: right;">GRI</span></p>	<p>DR 5: Anti-corruption and anti-bribery training <span style="float: right;">GRI</span></p> <p>DR 6: Corruption or bribery events <span style="float: right;">SFDR GRI</span></p> <p>DR 7: Anti-competitive behaviour events <span style="float: right;">GRI</span></p> <p>DR 8: Beneficial ownership <span style="float: right;">Dir 2015/849 GRI</span></p> <p>DR 9: Political engagement and lobbying activities <span style="float: right;">GRI</span></p> <p>DR 10: Payment practices</p>
<p>A description of how business conduct is promoted and integrated into the culture of the undertaking</p>	<ul style="list-style-type: none"> <li>• Description of how the business conduct culture is translated into clearly defined policies, procedures and objectives</li> <li>• Including prevention and detection</li> </ul>	<p>Measuring the achievement of policies and objectives in previous DRs</p> <ul style="list-style-type: none"> <li>• covering anti-corruption/anti-bribery training</li> <li>• current legal proceedings (number, inventory, penalties or fines paid)</li> <li>• lobbying activities and their funding</li> <li>• contractual terms of payment and practices</li> </ul>

*Special focus on DR G-10 in the consultation*

- *Is it able to capture the extent to which accounts payable or creditors at period-end have been outstanding?*
- *Is it able to capture the fairness of the undertaking's payment practices?*
- *What alternative would you propose?*



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## polling question

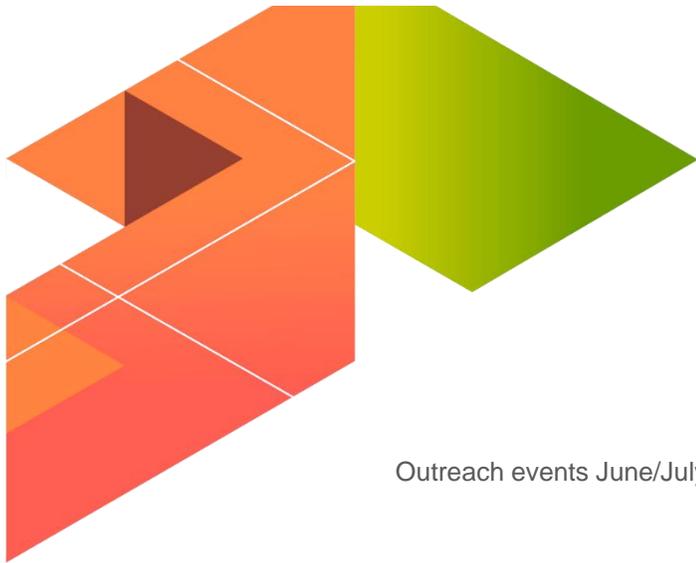
### GOVERNANCE

**A suo avviso, in che misura le disposizioni sull'architettura e sulla disclosure delle bozze di standard sulla governance supportano la produzione di informazioni rilevanti per gli user del sustainability reporting?**

- a. Per niente
- b. In misura limitata
- c. In larga misura
- d. Totalmente



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