

FROM STANDARD SETTING TO IMPLEMENTATION SUPPORT

PANEL - Reporting, standard e
indicatori di performance

Paolo Mazzeo – Senior Technical Manager

19 February 2025



DISCLAIMER

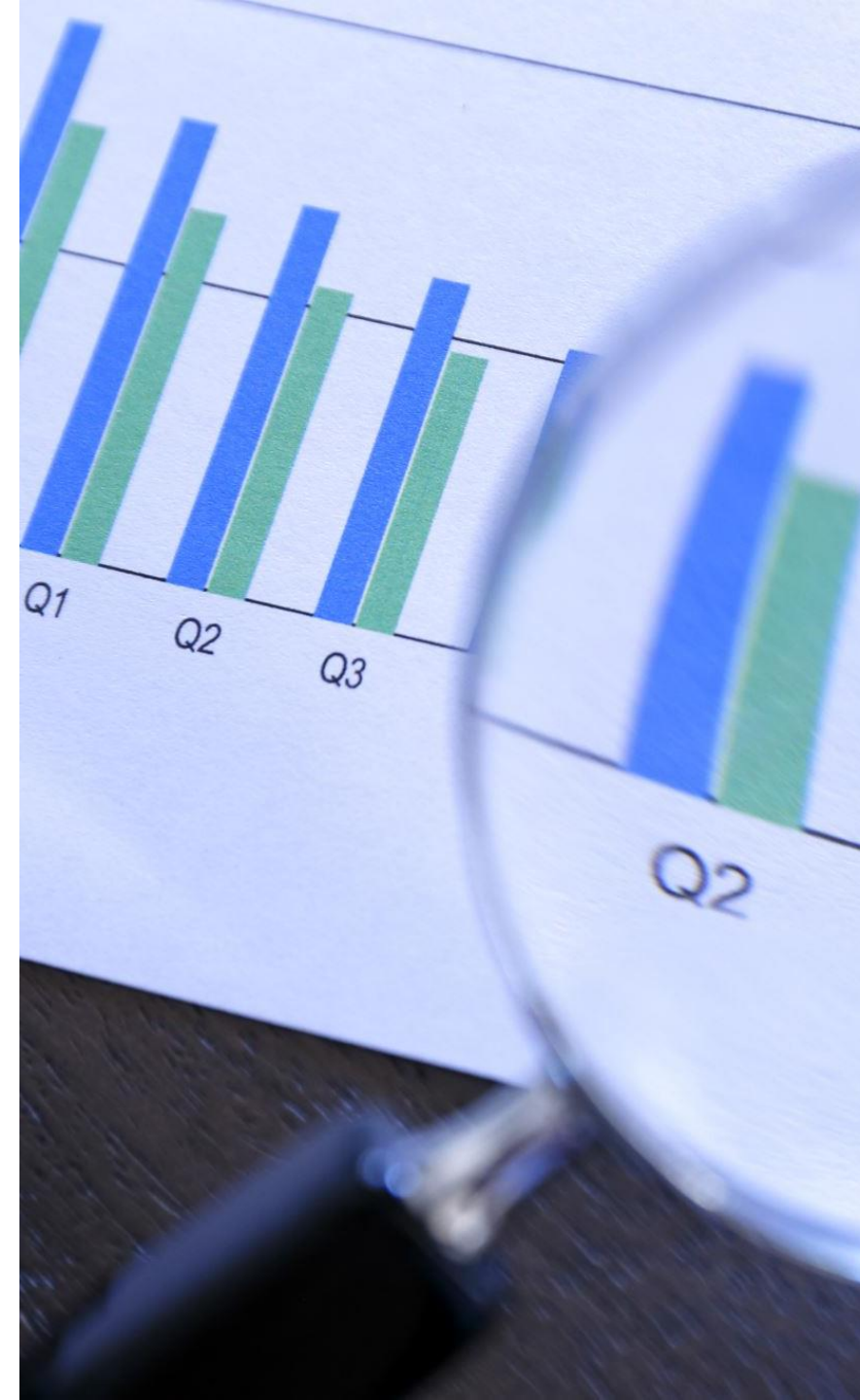
The views expressed in this presentation are those of the presenter, except where indicated otherwise. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.



EFRAG and the CSRD

What is EFRAG?

- Established **2001**, serving European public interest
- **Missions**: mandated to provide technical advice to the European Commission on:
 - the development of ESRS (sustainability reporting pillar) and
 - the endorsement of IFRS (financial reporting pillar)
- Involved in sustainability reporting since **2018**
- **Robust governance**: multi-stakeholder composition and involvement



Sustainability reporting in the EU: the Corporate Sustainability Reporting Directive (CSRD)

- Robust regime of mandatory, standardised and comprehensive sustainability reporting for all large undertakings (EUR 50M turnover, EUR 25M total assets, over 250 employees), i.e., 50% of EU GDP
- Staggered application dates: FY2024 & FY2025 for the first two groups (large listed and large unlisted companies)
- CSRD mandates the development of
 - sector-agnostic standards
 - sector-specific standards
 - a standard for listed SMEs
 - a standard for non-EU companies

CSRD = LEVEL 1

ESRS = LEVEL 2

- 
- Draft ESRS developed by EFRAG
 - Provided as technical advice to the EC
 - Adopted as delegated acts by the EC

Key features of the CSRD



Mandating the use of European Sustainability Reporting Standards (ESRS) developed by EFRAG and adopted by the EC via delegated acts - comprehensive coverage of sustainability matters: E, S & G



A key concept: **double materiality** (impacts and financial risks/opportunities)



Location and timing of reporting: in the management report, i.e., at the same time as financial statements



Mandatory limited assurance required initially; reasonable assurance by end of the decade

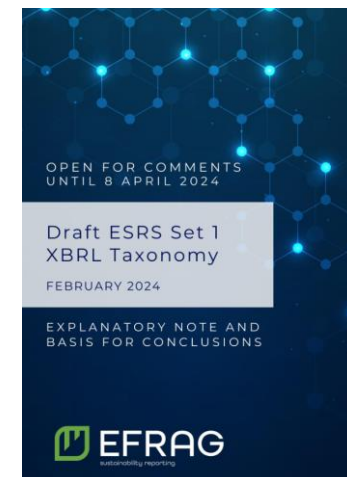
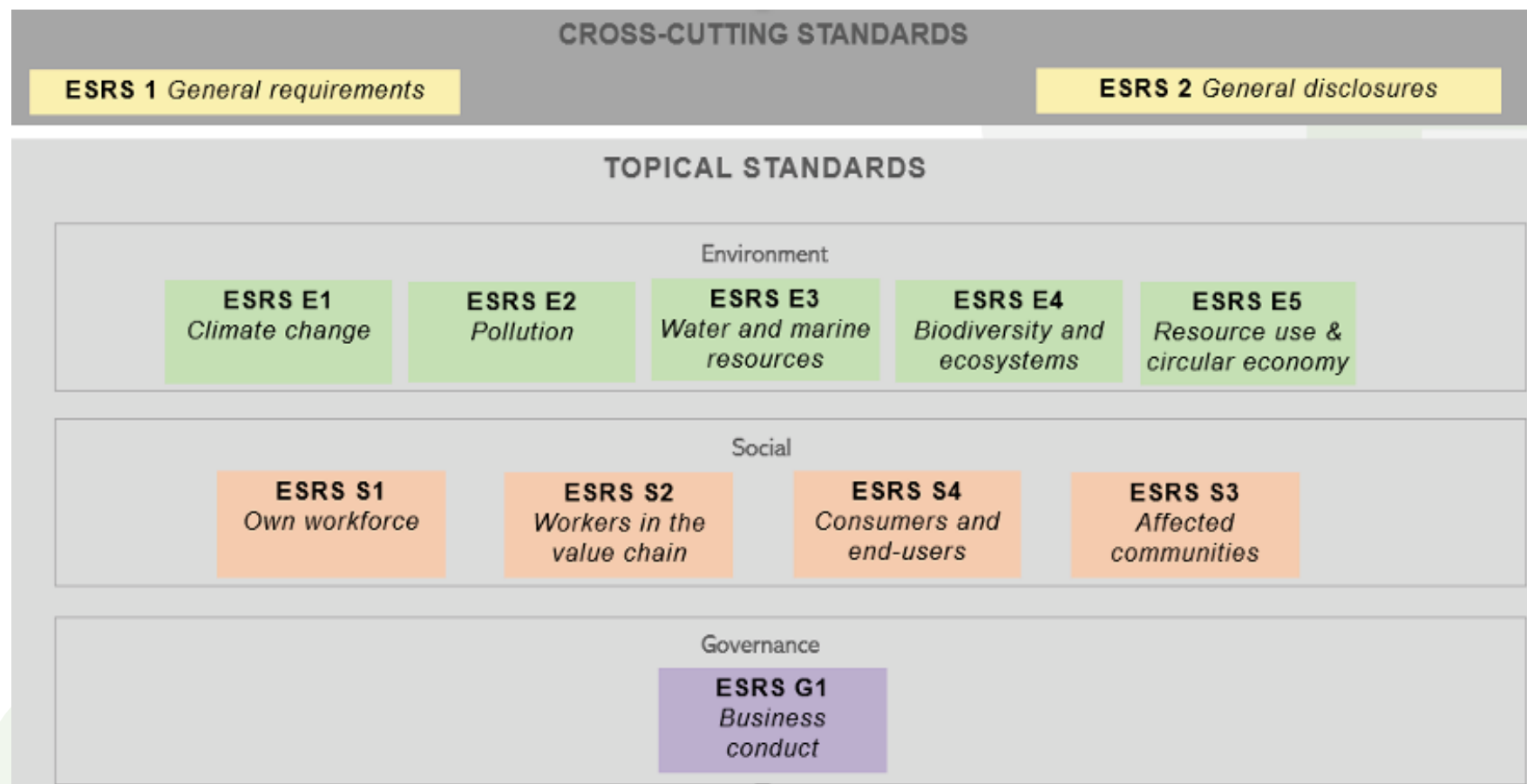


Both human- and machine-readable using European Single Electronic Format (ESEF) from 2025/2025 (timing to be confirmed) – EFRAG tasked to develop the draft XBRL taxonomy



Sector-agnostic
standards

ESRS for large companies



XBRL Taxonomy Set 1

Two different standards support SME's access to finance

ESRS for listed SMEs - LSME

- Part of EFRAG mandate in CSRD, has legal force, effective 01/01/26 (two-year opt out)
- Requirements that are proportionate and relevant to the scale and complexity of the activities and to the capacities and characteristics of LSMEs.
- **Public-interest relevance:**
 - SMEs with bonds, shares and other securities traded in regulated market in the EU
 - small and non-complex (financial) institutions (SNCIs)
 - captive insurers/ reinsurers

Voluntary standard for non listed SMEs - VSME

- Outside the CSRD mandate: EC SME Relief Package of September 2023.
- Non-listed micro-enterprises + SMEs
- Aims to standardise the current multiple ESG data requests by reducing the number of uncoordinated requests they receive; support SMEs in accessing sustainable finance.
- **Submitted to EC in December 2024 and published on EFRAG website**
- **VSME ecosystem** to support the use of the VSME standards; work commences in 2025



ESRS implementation support

ESRS Q&A platform

- Began in **October 2023**
- **800+** questions received, over **68%** addressed through IGs or compilations of explanations issued in February, May, July and December 2024



Exposed to feedback/comments:

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



- 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

Not exposed to public feedback:

- Explanations
- Rejections
- You find them here: [Compilation of explanations](#)

Implementation guidance documents

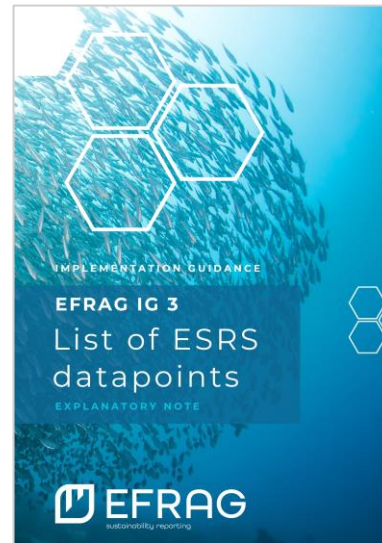
The first three ESRS IGs were published on 31 May 2024.



[EFRAG IG 1](#)
on the materiality
assessment

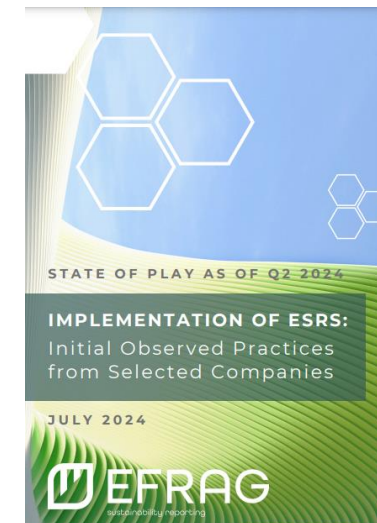


[EFRAG IG 2](#)
on the value chain



[EFRAG IG 3](#)
ESRS datapoints and
explanatory note

- IGs are developed on EFRAG SRB initiative or in response to questions on Q&A platform.
- **Non-authoritative:** support understanding of ESRS and illustrate the content with examples and FAQs but **cannot go beyond content** of issued ESRS nor include new provisions.
- Work ongoing on IG **Climate Transition Planning**
- **More IGs are in the pipeline.**



Climate Transition Plan IG – draft for public feedback

Approved by the EFRAG SR TEG on 23 January 2025. Pending SRB approval.



Education on main requirements in E1 and ESRS 2 and FAQ



1.5 Compatibility will be covered by the EC



Public feedback could start in Q1 2025



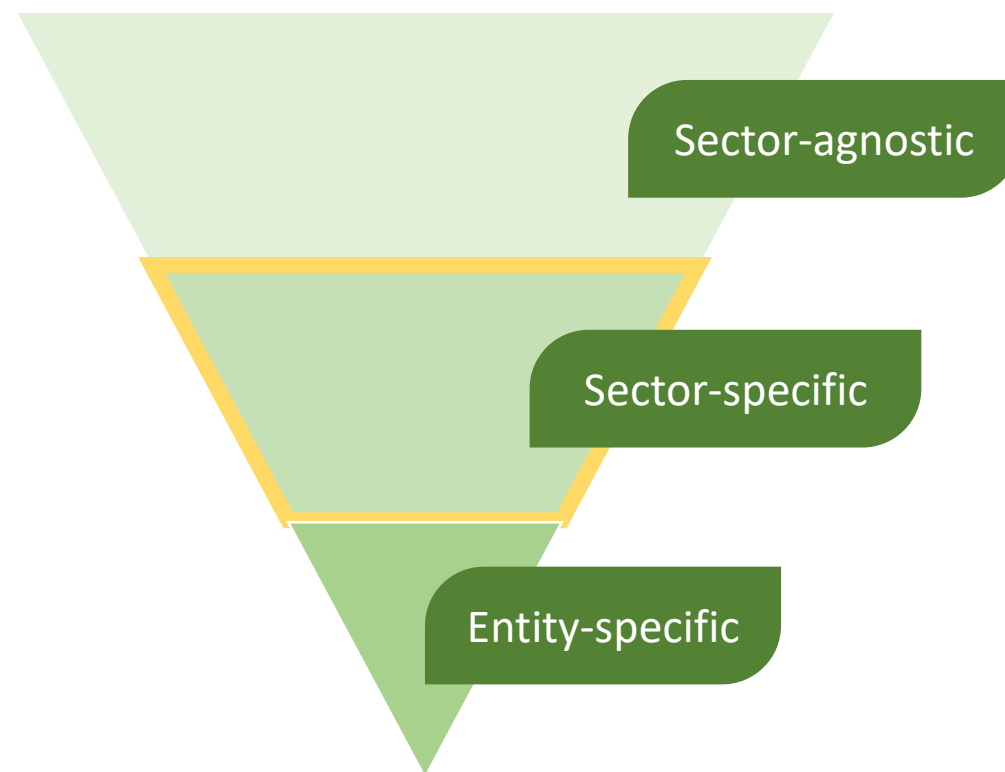
Sector-specific standards

Current status of the EFRAG work programme

- EFRAG normally consults with the European Parliament in November on the work programme for the following year. However, due to the elections and the new European Commission, the 2025 work programme has not been approved nor discussed.
- The ESRS implementation Q&A platform and other exchanges with preparers confirm that many of the implementation challenges are to be addressed at sector level. EFRAG is continuing its preparatory work on sector provisions, which will support the preparation of sector specific guidance both in case of sector standards issued as delegated act, and in case of non-authoritative guidance. The development of the first sector exposure drafts is part of this preparatory work.

Context: three layers of sustainability reporting

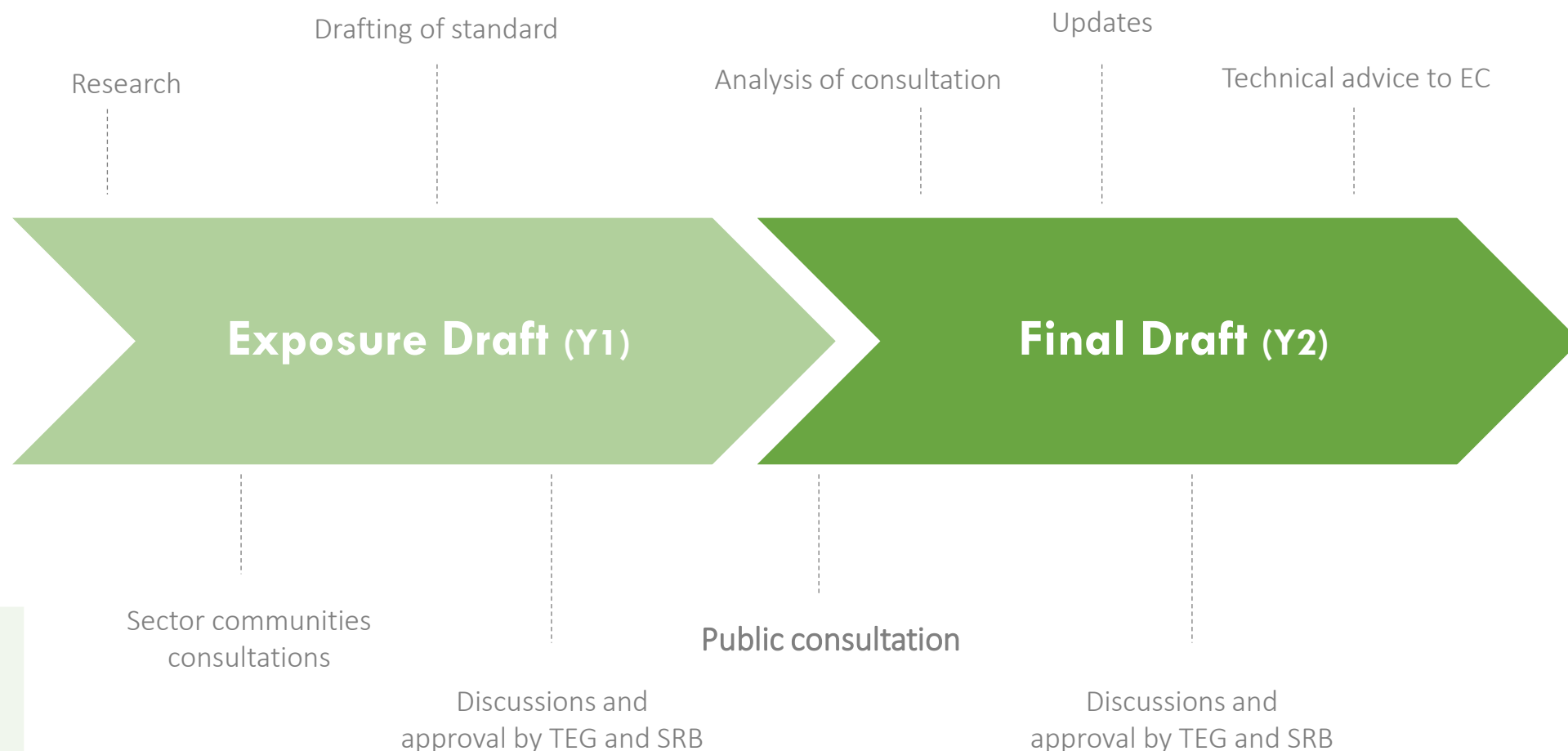
- Sector-specific standards embedded in CSRD and part of EFRAG's mandate
- Envisaged as a part of ESRS architecture since inception
- In absence of sector ESRS, transition provisions require to cover sector information with entity specific disclosures – challenging in preparation
- Aim of simplifying the materiality assessment and replacing entity-specific disclosures with harmonised requirements – effort reduction



Standard-setting process

- EFRAG technical advisor to the European Commission (CSRD)
- Built following interoperability approach: SASB, GRI and other sectoral frameworks as a starting point, plus European context
- Built following EFRAG transparent and multi stakeholder due process
- Approval process transparent and drafts available early in the process
- Public consultation and field test as key step: 120 days

Due process in standard-setting



Multi-annual programme of sector ESRS

Timeline to be confirmed

- Sector classification ED (SEC1) based on NACE: estimated 35 sectors
- Priority given to high-impact sectors
- In November 2024, EFRAG declared that it would endeavour to release **11 sectors** to the European Commission in two annual batches:
 - over the second half of 2025; and
 - over the second half of 2026
- **EFRAG will consult as soon as it receives the green light from the European Commission and following the outcome of the Omnibus discussions.**

The work programme was approved at the end of 2023. The EFRAG SRB has not yet approved the 2025 workplan. The content presented here is therefore subject to changes.



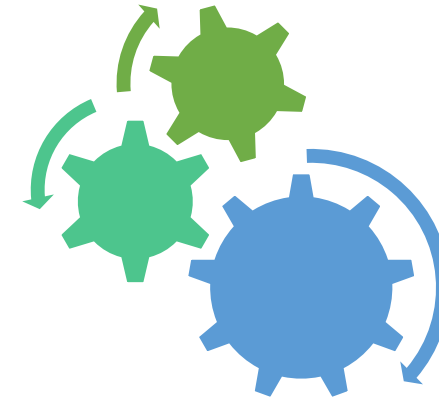


Other activities in the
workplan

Interoperability workstreams

Objective: To avoid double reporting

- Required by CSRD
- Financial materiality definition aligned with IFRS Foundation
- Impact materiality definition aligned with GRI
- Implementation support material issued jointly
- Paving the way to digital interoperability



Collaborations and achievements

- EFRAG and IFRS Foundation [interoperability guidance](#) (ESRS and IFRS S standards)
- GRI-ESRS interoperability [index](#)
- Mapping with the [TNFD](#)
- MoUs with CDP; CEN-CENELEC
- New MoU signed: TISFD



ESRS for non-EU Group (NESRS)

Non-EU companies that generate over EUR 150 million per year in the EU with either a branch with a turnover exceeding EUR 40 million or a subsidiary that is a large company or a listed SME



Required by art 40(a) of CSRD, effective from 2028



The delivery to EC is required by end of 2025



Consultation to start in Q1 2025





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.