Project Task Force
Non-financial reporting standards

Outreach meeting
European standard- setting (ESS)

EFRAG
European Financial Reporting Advisory Group

European Reporting Lab
@EFRAG

Disclaimer

This document is a tentative summarised presentation on ongoing work-in-progress from the Project Task force on non-financial reporting standards of the European Corporate Reporting Lab at EFRAG.

The views reflected in this outreach document provide an indication of the approach followed and of the possible orientations that the Task Force may adopt, but it does not prejudge the final Proposals that will be made to the European Commission by the Task Force in its Final Report.

It is intended to gather views from European stakeholders on key preliminary views emerging from the Task Force current ongoing work.
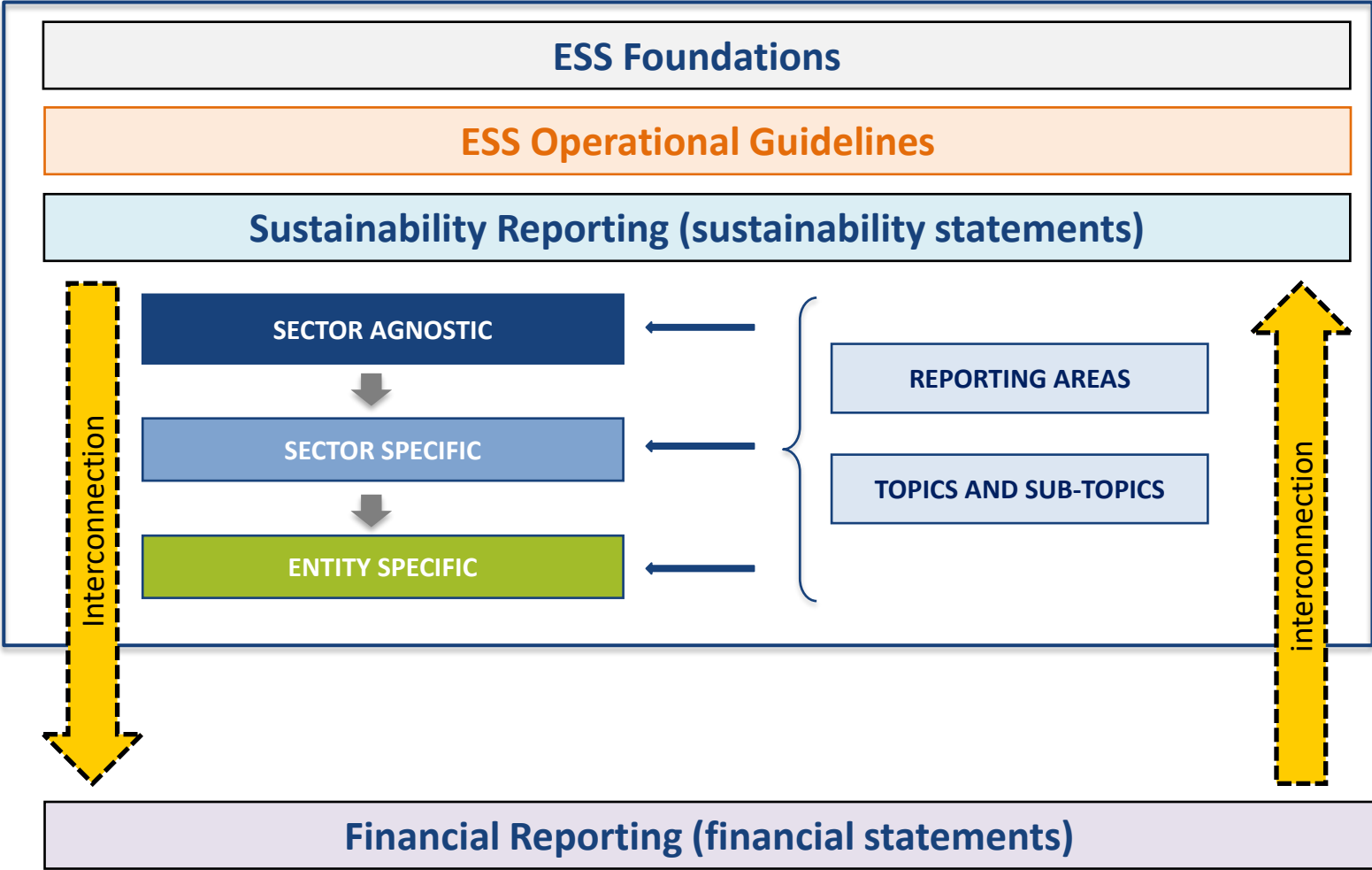
Agenda

Opening e saluti → **14.30**

Introduzione e presentazione dei lavori → **14.35**

1 — ESS, le fondamenta → **14.50**

2 — ESS, le linee guida operative → **15.25**

3 — ESS, l'architettura → **16.10**

4 — ESS, la struttura della rendicontazione → **16.45**

Take-aways → **17.20**

EU sustainability reporting: 3 processes in parallel

NFRD Revision (Commission) → **Level 1 Draft March 2021**

EFRAG Governance (JP. Gauzès Ad Personam) → **Report January 2021**

Standard-Setting Preparatory Work (PTF-NFRS) → **Report January 2021**

Kick-off 11 Sept.

Progress Report 31 Oct.

Follow-Up Legislative & other steps forward

→ **Therefore, interaction as a basis (under final coordination by Level 1)**

Target general architecture

Agenda

1 ESS foundations

2 ESS operational guidelines

3 ESS architecture

4 ESS reporting structure
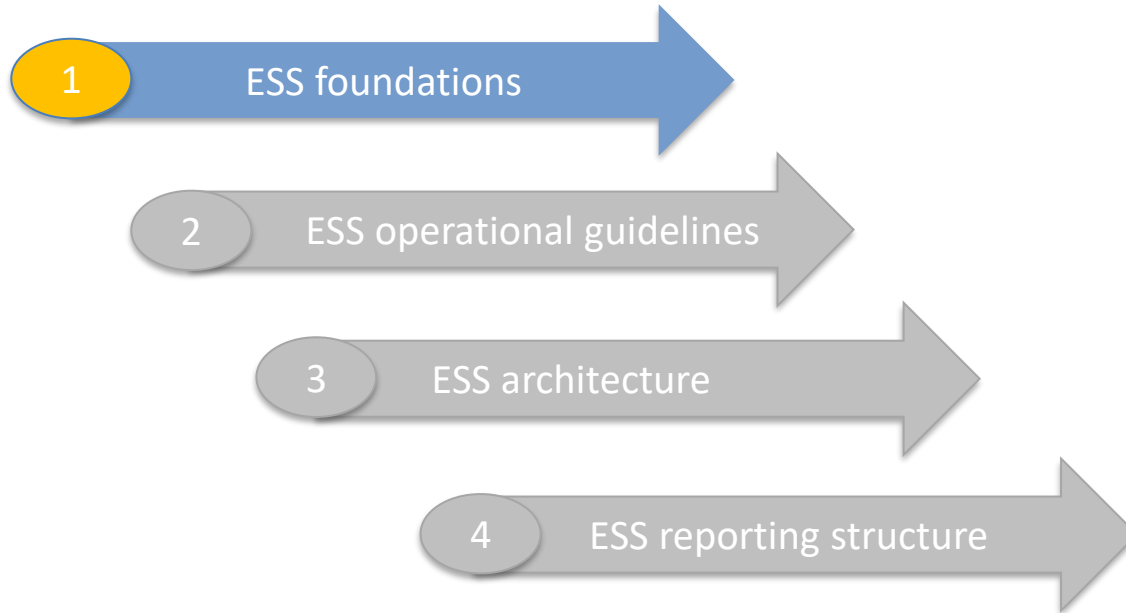
Overarching Principle #1

A principles-based sustainability reporting system.

Overarching Principle #2

An inclusive range of sustainability reporting stakeholders.

Building block #1

Supporting the EU sustainability reporting momentum.

Building block #2

Addressing the specific challenges of financial institutions.

Building block #3

Including SMEs in the EU sustainability reporting landscape in a proportionate manner.
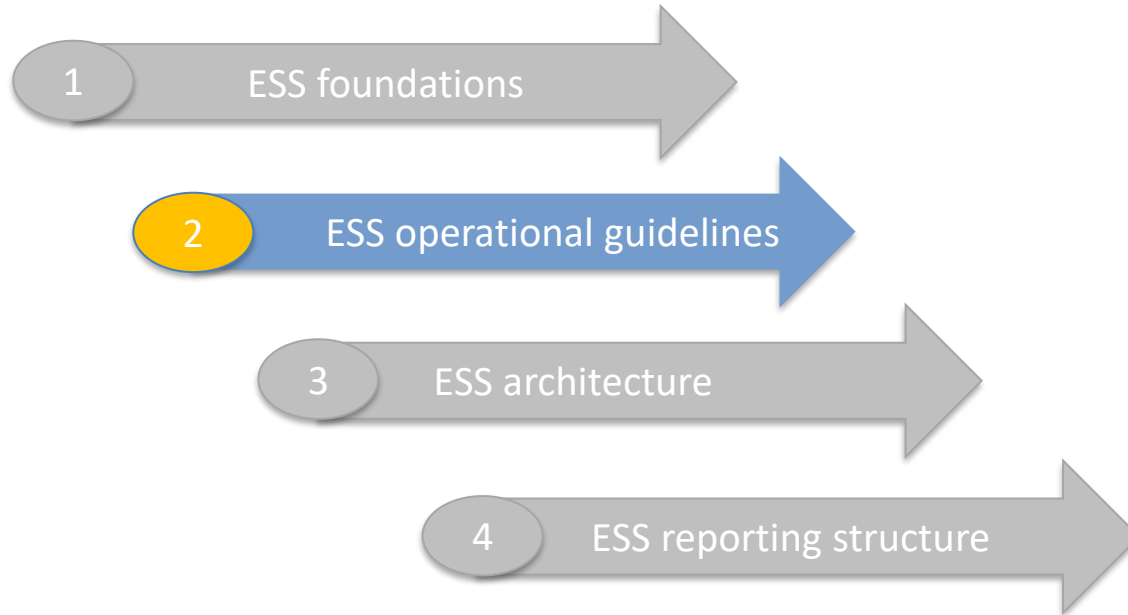
Building block #4

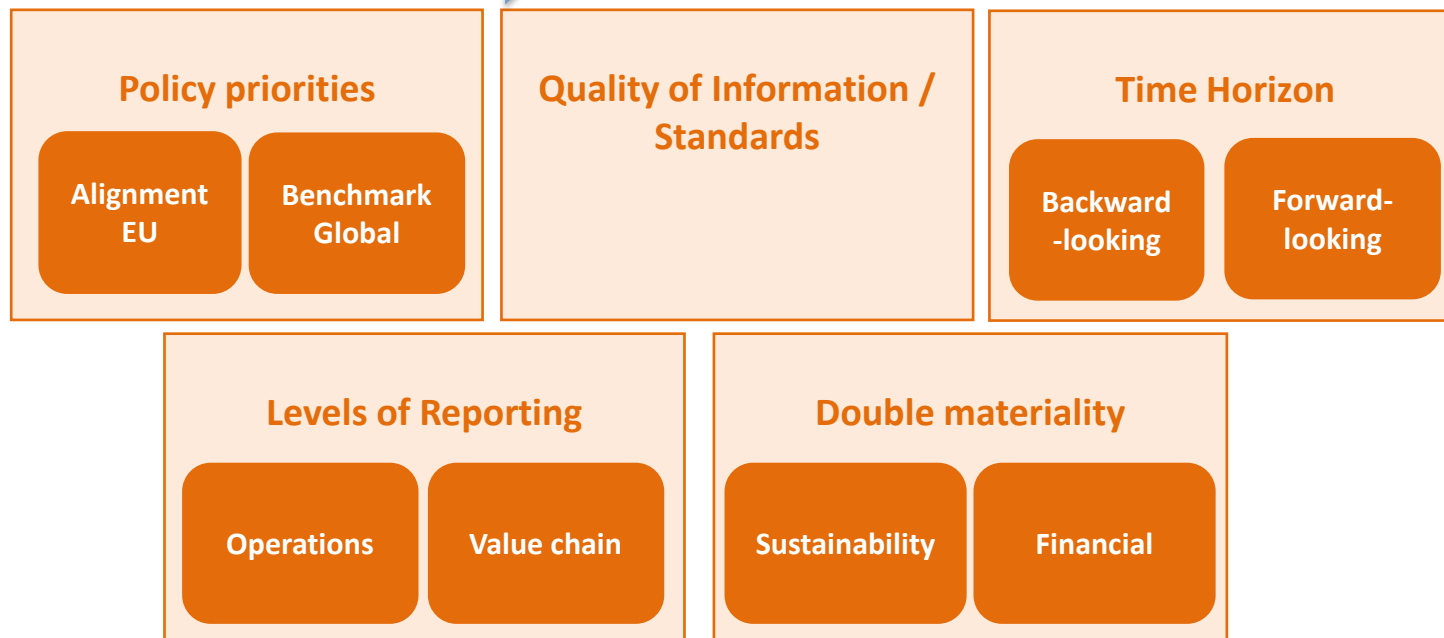*Fostering sector-specific sustainability reporting relevance.*

Building block #5

Acknowledging the importance of intangibles in sustainability reporting.

The **standard-setting foundations** frame the mission and role of the ESS within the EU sustainability reporting landscape. As such, they are then considered and cascaded down into the standards architecture.
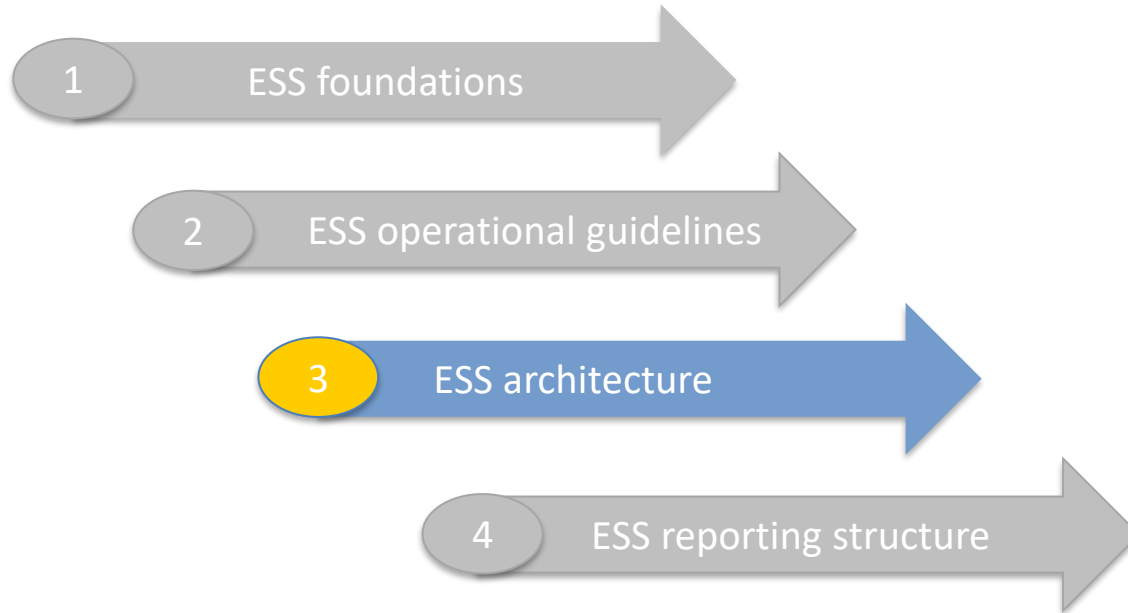
Outreach sequencing

1 — ESS foundations

2 — ESS operational guidelines

3 — ESS architecture

4 — ESS reporting structure

Policy priorities	Quality of Information / Standards	Time Horizon		
Alignment EU **Benchmark Global**		**Backward-looking**	**Forward-looking**	

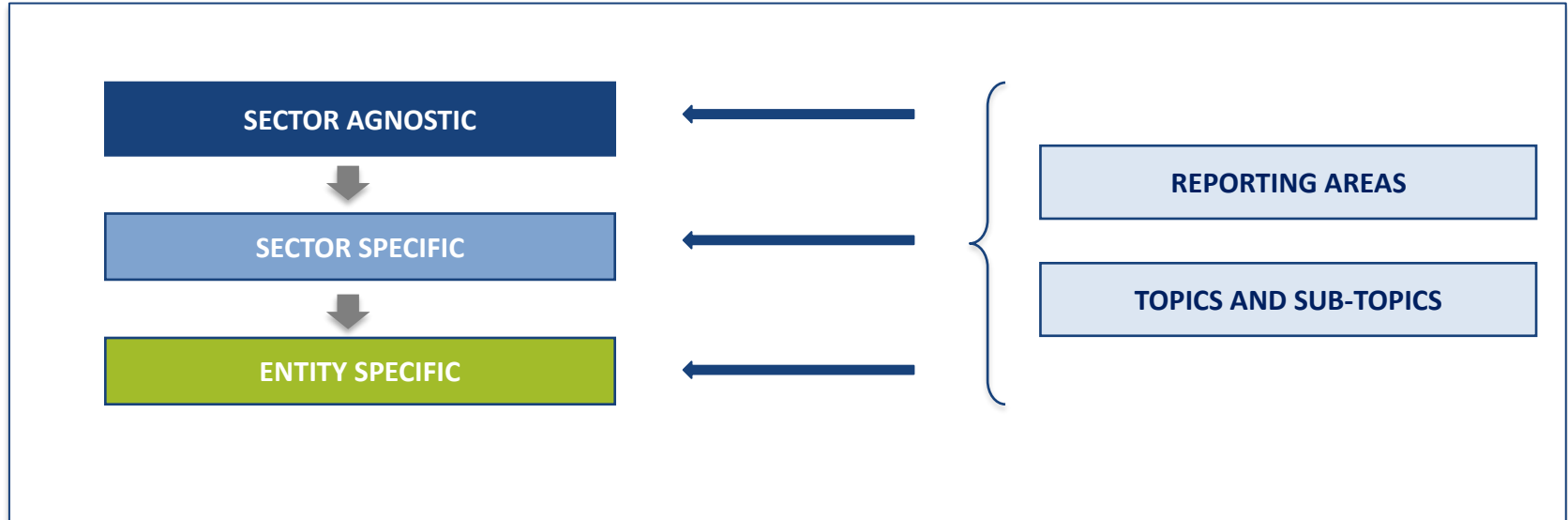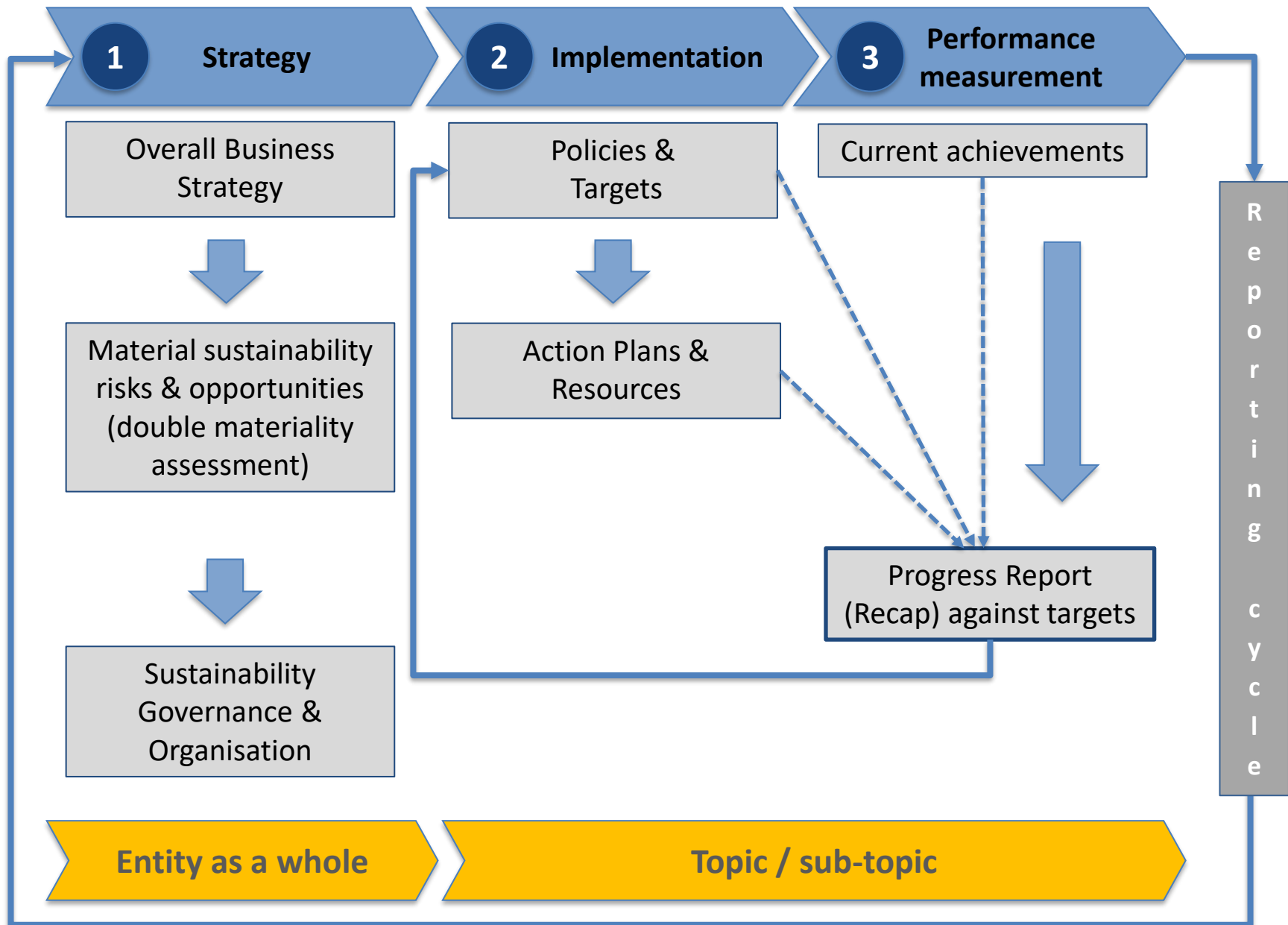| Levels of Reporting	Double materiality
Operations **Value chain**	**Sustainability** **Financial**

- The **standard-setting guidelines** are a set of **tools** to be developed by the ESS prior to any standard-setting in order to guide its work when setting the standards themselves. They cover 5 themes that need to be systematically considered in the standard-setting process. Some guidelines may have to be translated into standards when they have to be cascaded down to reporting entity level.

- As a general principle, all guidelines should **draw on existing European and international initiatives** for setting the appropriate processes and concepts.

Outreach sequencing

1 → ESS foundations

2 → ESS operational guidelines

3 → ESS architecture

4 → ESS reporting structure

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┌─────────────────────────┐          ┌─────────────────────────────┐
│     SECTOR AGNOSTIC     │ ◄──────  │                             │
└─────────────────────────┘          │      REPORTING AREAS        │
           ▼                         └─────────────────────────────┘
┌─────────────────────────┐ ◄──────
│     SECTOR SPECIFIC     │          ┌─────────────────────────────┐
└─────────────────────────┘          │    TOPICS AND SUB-TOPICS    │
           ▼                         └─────────────────────────────┘
┌─────────────────────────┐ ◄──────
│     ENTITY SPECIFIC     │
└─────────────────────────┘
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The standard-setting (and reporting) **architecture** should combine **three layers** (sector-agnostic, sector-specific, entity-specific) and **two dimensions** (reporting areas and topics) in order to define the right level of sustainability information.

| 1 | **Strategy** | 2 | **Implementation** | 3 | **Performance measurement** |

Overall Business Strategy

Policies & Targets

Current achievements

Material sustainability risks & opportunities (double materiality assessment)

Action Plans & Resources

Progress Report (Recap) against targets

Sustainability Governance & Organisation

Reporting cycle

Entity as a whole

Topic / sub-topic

Option 1

Environmental	Social	General (incl. Governance)
Climate	**Workforce**	**Governance**
Water & Marine Resources	**Value Chain workers**	**Business Ethics**
Biodiversity & Ecosystems	**Affected communities**	**Organisation**
Circular economy	**Consumers / end users**	**Brand/Communication**
Pollutions	**[Public Authorities]?**	**Innovation**

illustrative *illustrative* *illustrative*

Possible compatibility with multi-capital approach

Natural Capital	Human Capital	Intellectual Capital
	Social & Relationships Capital	

Option 2

Environment	People	Organisation (incl. Governance)	Relationships
Climate	Labour relations	Governance	Supply chain
Water & Marine Resources	Health & Safety	Business Ethics	Customers
Biodiversity & Ecosystems	Other Human Rights	Organisation	Public Authorities
Circular economy	Human Resources	Brand/Communication	Human Rights
Pollutions		Innovation	Communities
illustrative	*illustrative*	*illustrative*	*illustrative*

Possible compatibility with multi-capital approach

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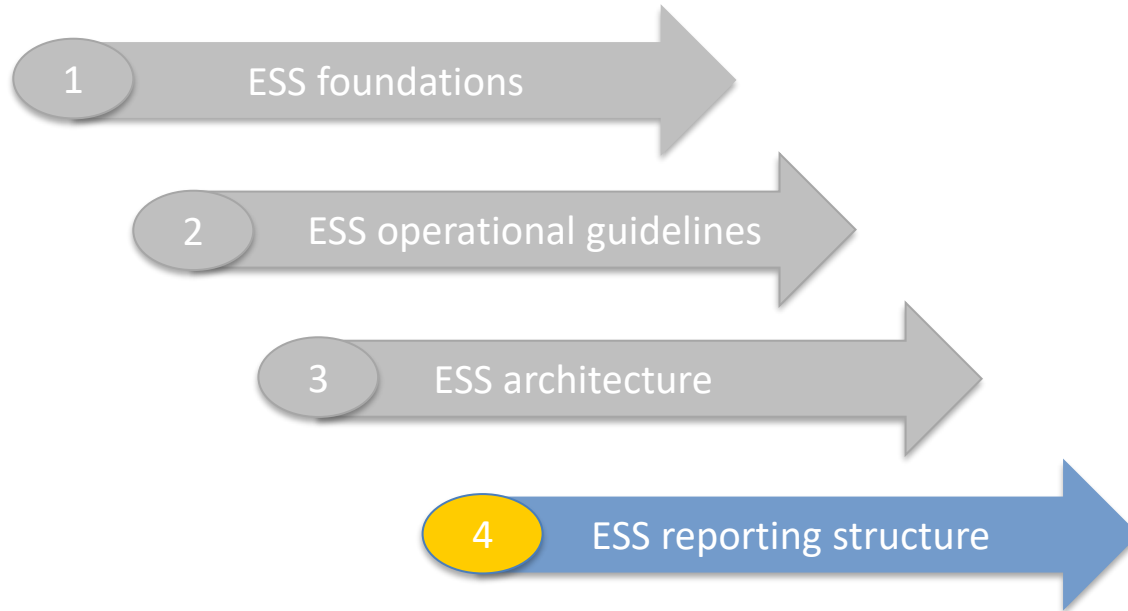
Sustainability Reporting

MANAGEMENT REPORT
(SUSTAINABILITY STATEMENTS)

REPORTING TAXONOMY

Interconnection
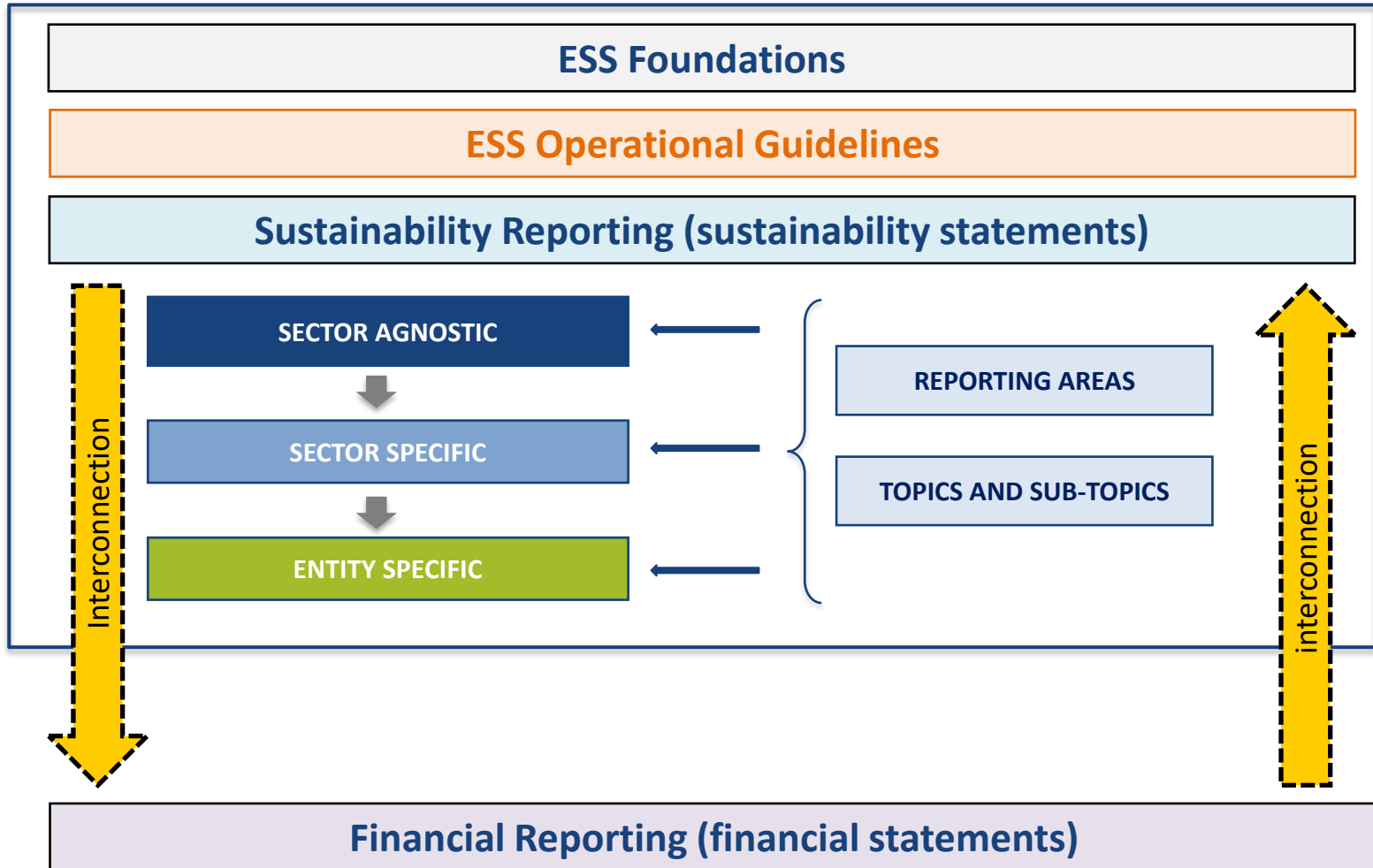
Interconnection

Financial Reporting

FINANCIAL STATEMENTS

RELATED TAXONOMY

Beyond content, it is key to define a **standard reporting structure.** Such a structure should reflect the reporting (and standard-setting) architecture and should enable the adoption of a digital taxonomy from the beginning.
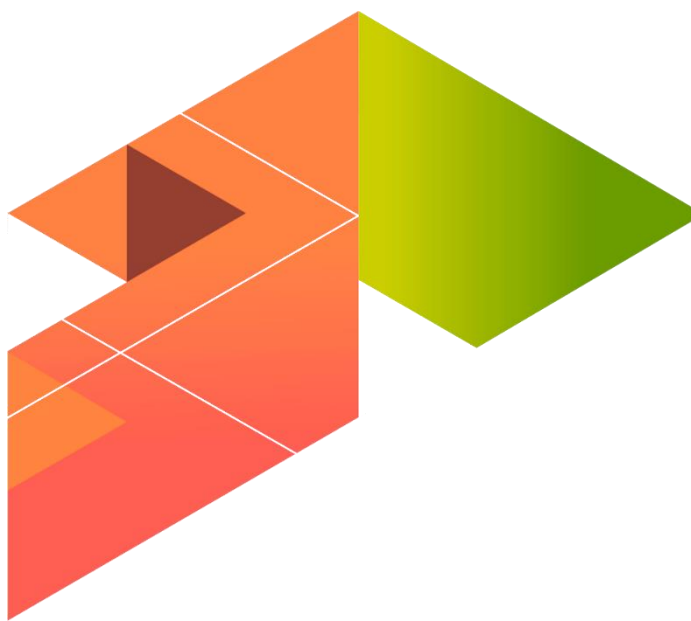
Target general architecture
Summary of the above

ESS Foundations

ESS Operational Guidelines

Sustainability Reporting (sustainability statements)

SECTOR AGNOSTIC

SECTOR SPECIFIC

ENTITY SPECIFIC

REPORTING AREAS

TOPICS AND SUB-TOPICS

Interconnection

interconnection

Financial Reporting (financial statements)

THANK YOU