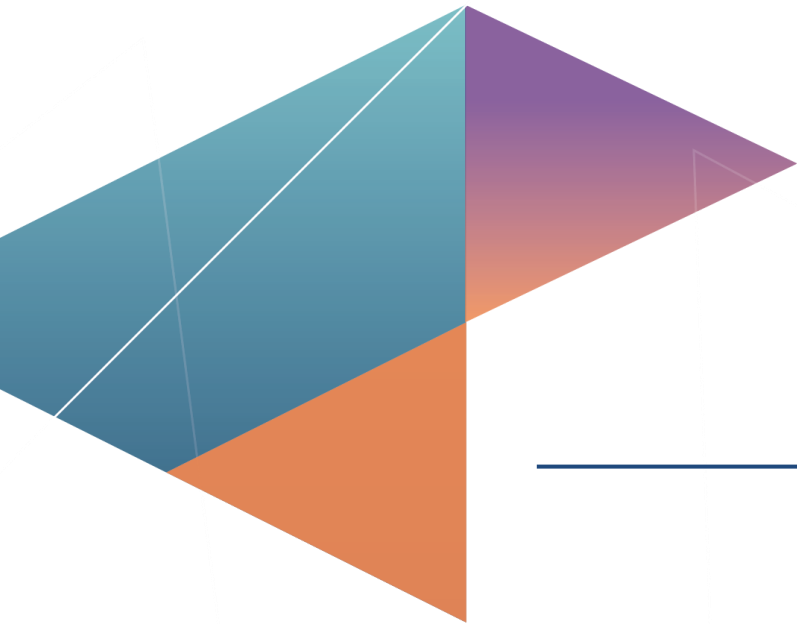


# Educational session on Exposure Drafts Draft **ESRS 1 – General principles** Presentation

May 16, 2022





## Agenda

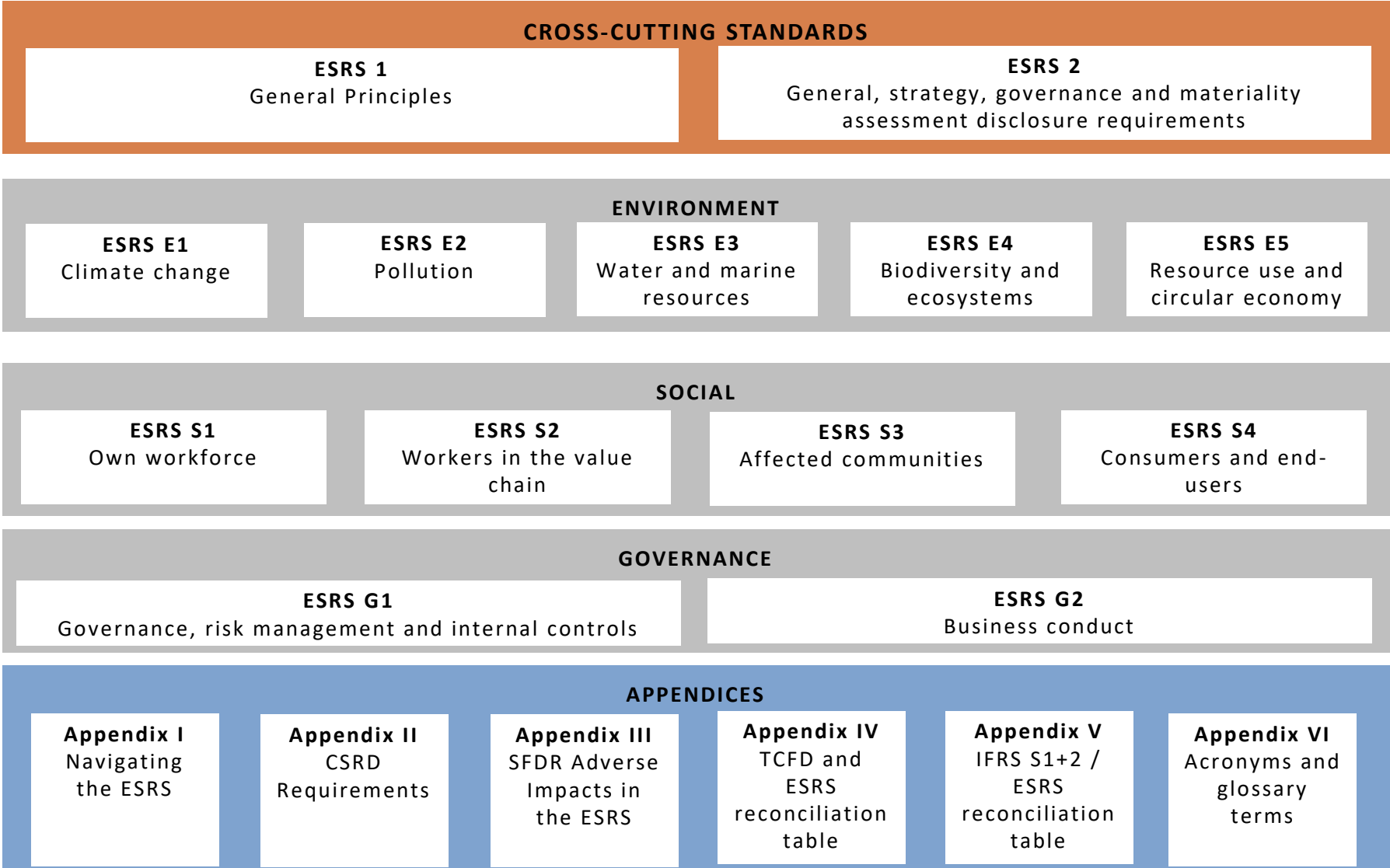
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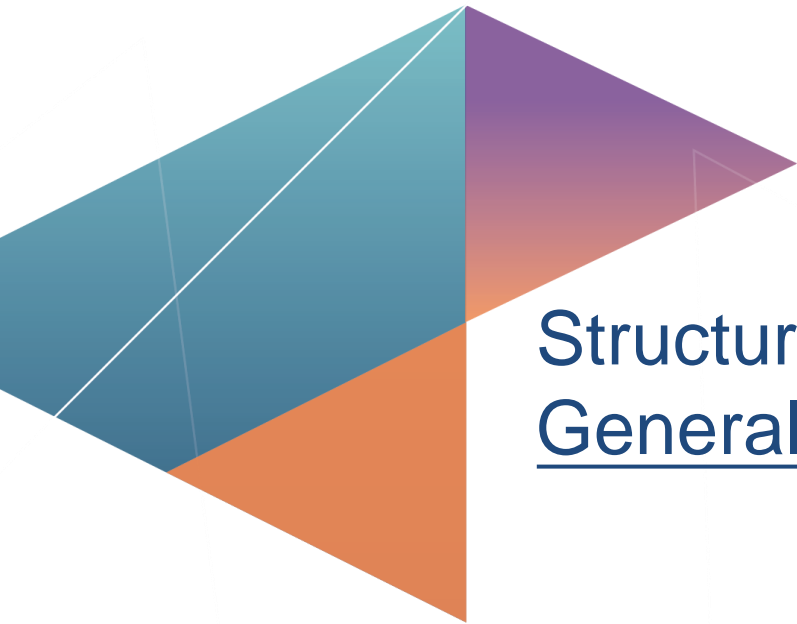
1. ESRS 1 in the overall ESRS structure
2. Structure of the General Principles of ESRS 1
3. ESRS 1 - chapter by chapter
4. Questions & Answers



## ESRS 1 in the overall ESRS structure

# ESRS 1 in the overall ESRS structure





# Structure of the General Principles of ESRS 1

# ESRS 1 – Structure of the general principles of ESRS 1

## OBJECTIVE

ESRS 1 prescribes the **mandatory concepts and principles to apply for preparation of sustainability reporting** under the (draft) Corporate Sustainability Reporting Directive (CSRD)

## GENERAL PRINCIPLES

1	Reporting under European Sustainability Reporting Standards (ESRS)
2	Applying CSRD concepts
3	Disclosure Principles on implementation
4	Basis for preparing and presenting sustainability information
5	Providing linkage with other parts of corporate reporting
6	Structure of the sustainability statements

APPENDIX A: Defined terms

APPENDIX B: Application guidance

APPENDIX C: Explanations on sustainability due diligence

APPENDIX D: Classification of ESRS reporting areas and sub-topics

APPENDIX E: Illustrative examples



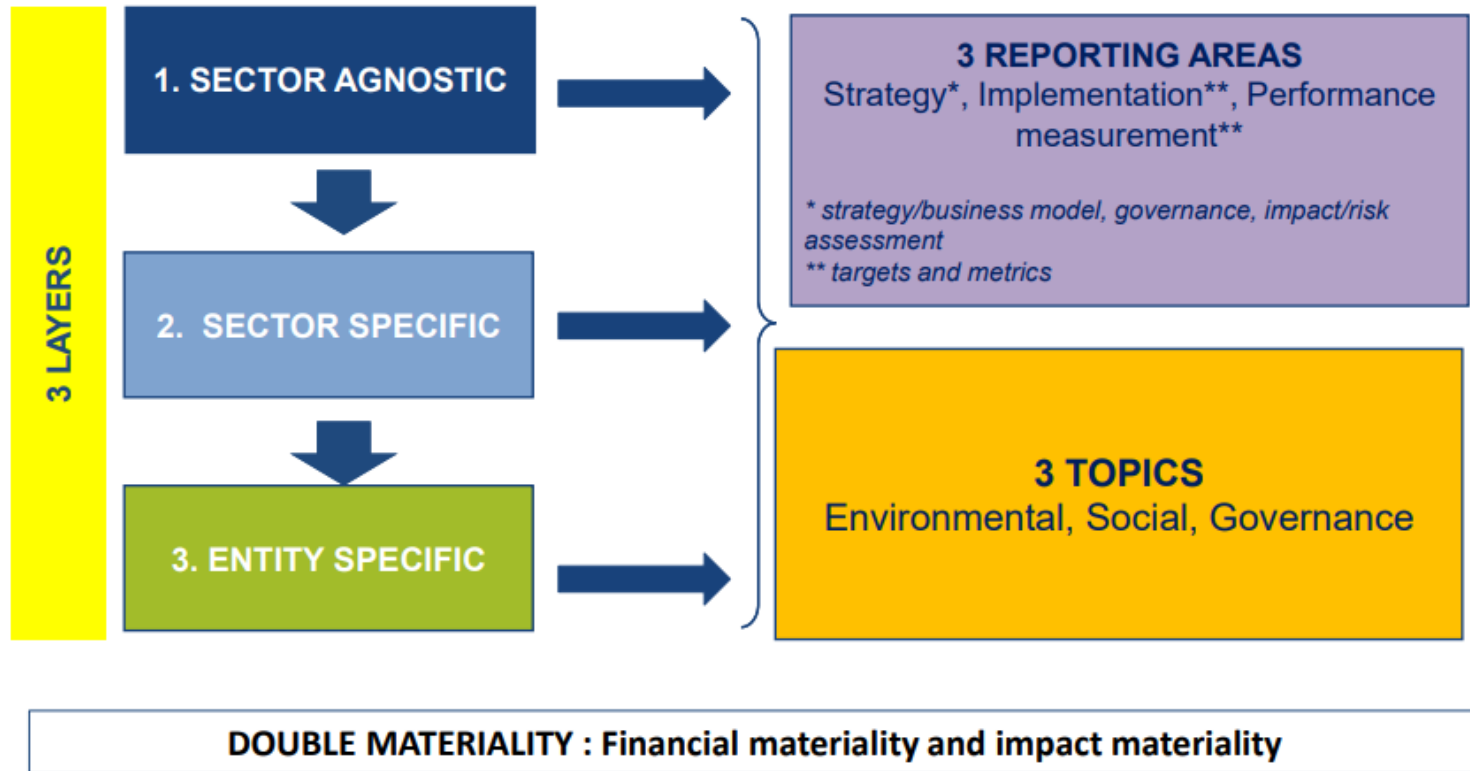
# ESRS 1 – chapter by chapter

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# Chapter 1 Reporting under ESRS

## Putting sustainability disclosures in an appropriate architecture

### The 'rules of three' approach for the architecture of standards





# Chapter 1 Reporting under ESRS

## Enshrining the “rules of three” in ESRS

(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

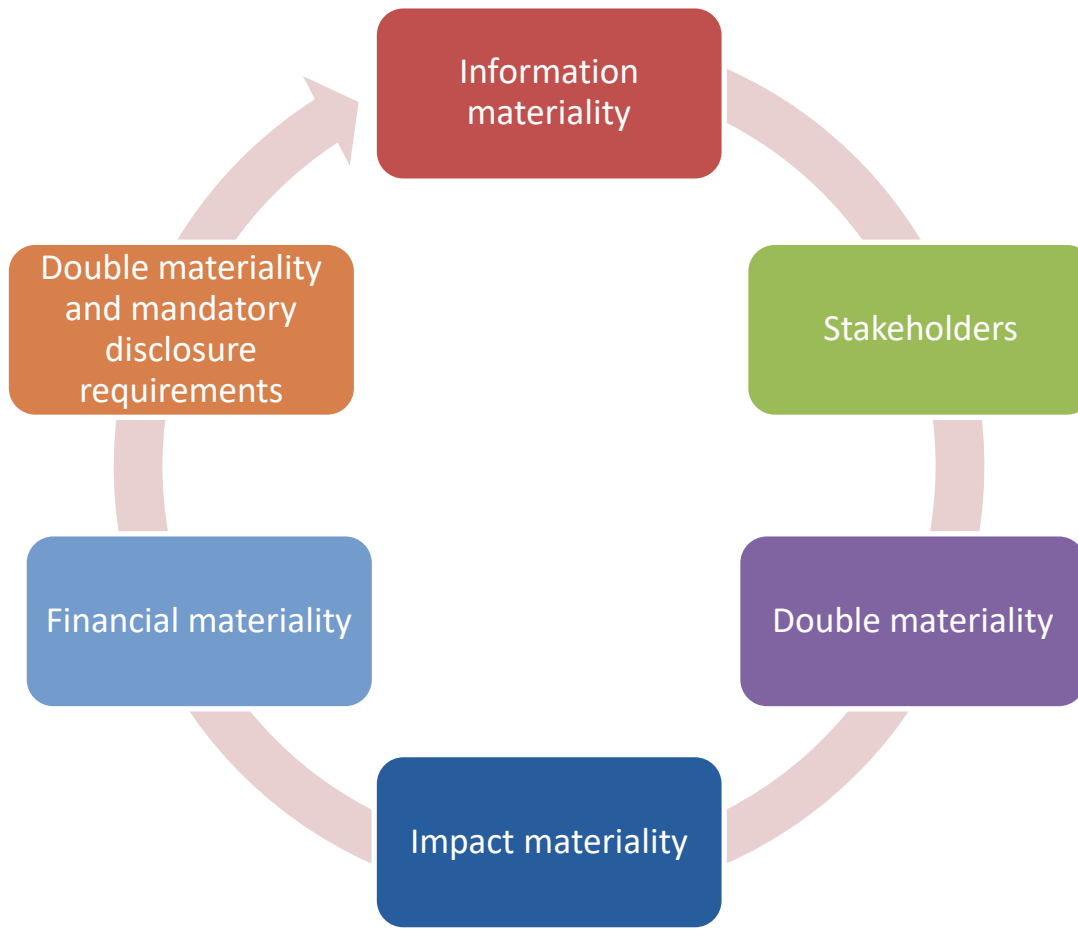
## Chapter 2 Applying CSRD concepts

### 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

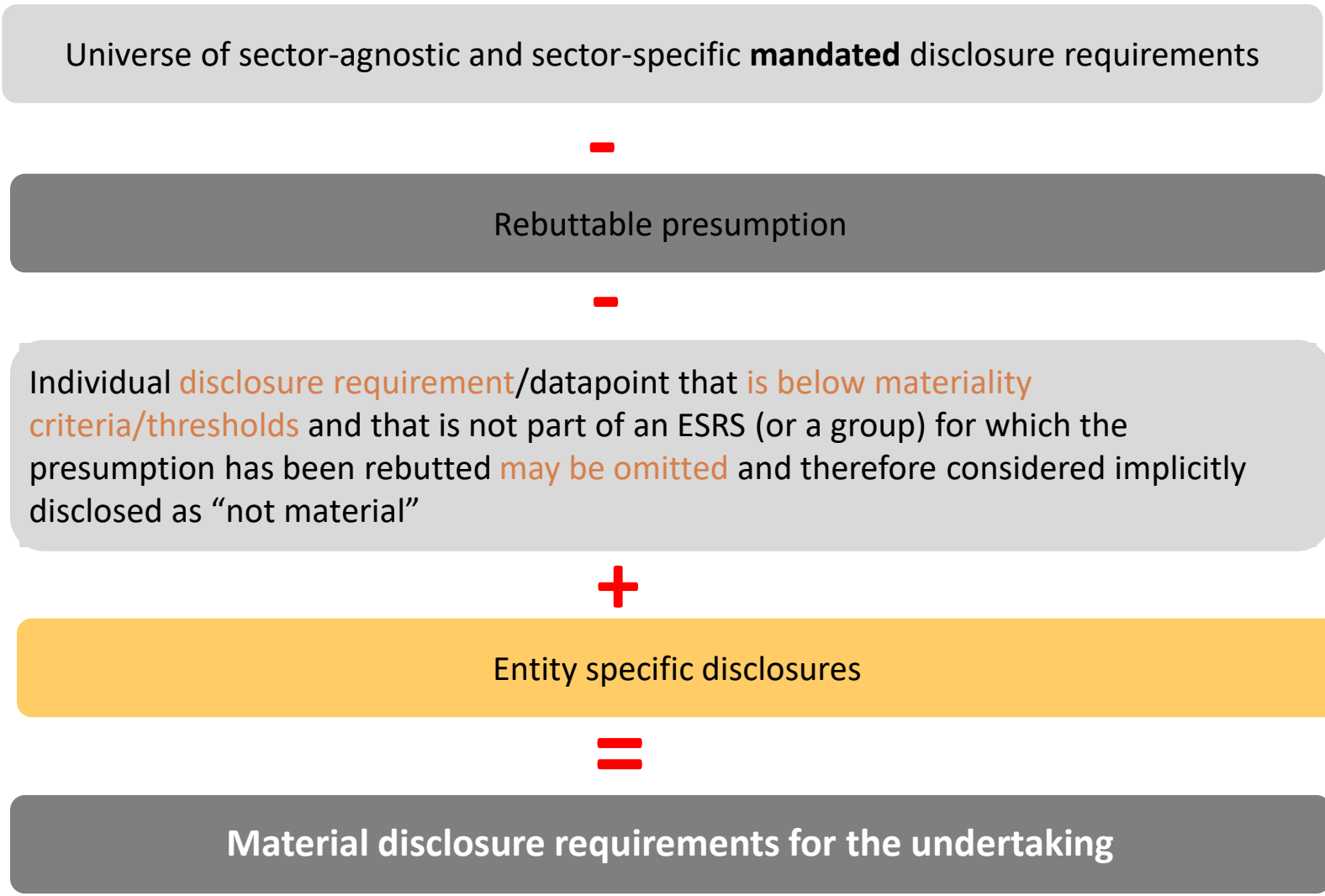
## Chapter 2 Applying CSRD concepts

### 2.2. Double materiality as the basis for sustainability disclosures



# Chapter 2 Applying CSRD concepts

## 2.2 Double materiality: From mandated DR to those material for the undertaking



## Chapter 2 Applying CSRD concepts

### 2.2 Double materiality: From mandated DR to those material for the undertaking

#### Rebuttable presumption

..., the undertaking shall assess (see ESRS 2 Disclosure Requirements IRO) for **each ESRS and, when relevant, for a group of disclosure requirements related to a specific aspect** covered by an ESRS if the presumption is **rebutted for**:

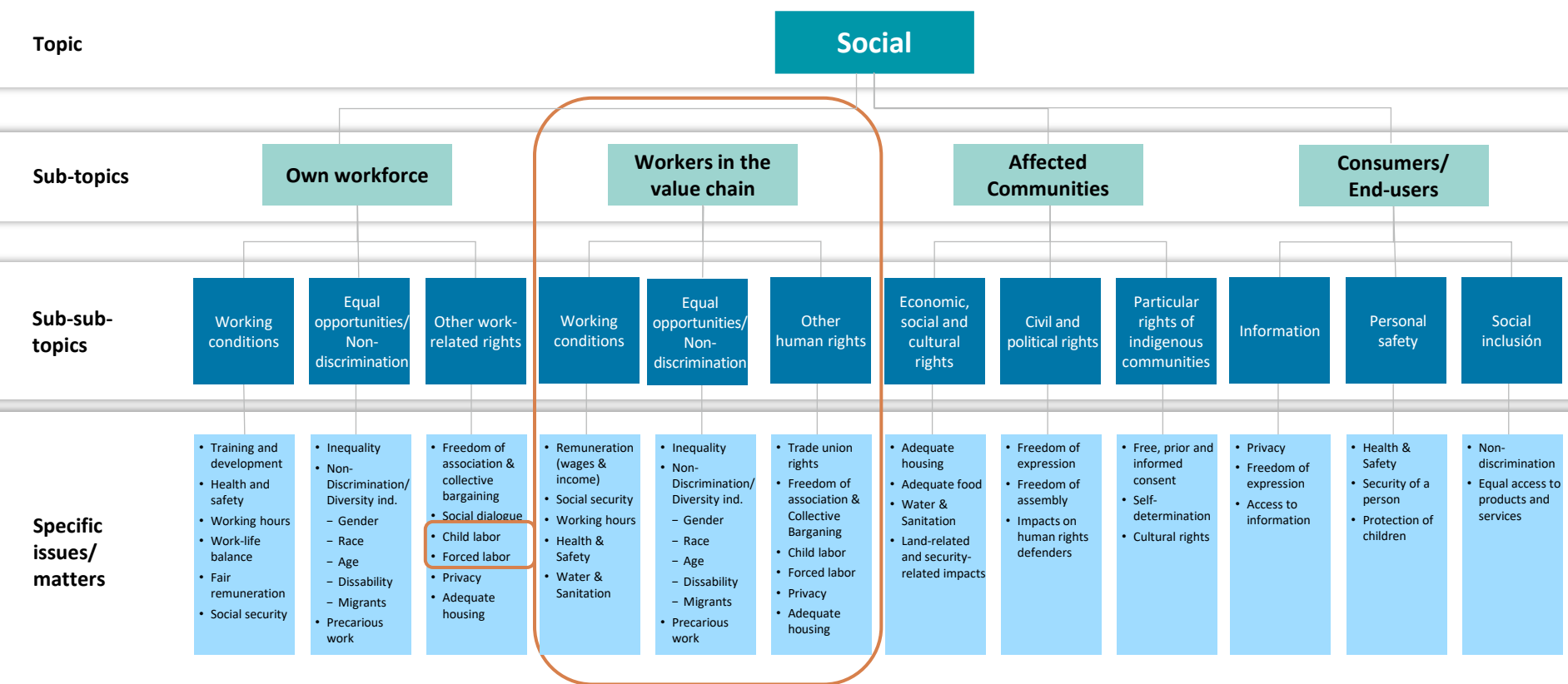
- (a) all of the mandatory disclosures of an entire ESRS, or
- (b) a group of disclosure requirements related to a specific aspect covered by an ESRS based on reasonable and supportable evidence, in which case it is deemed to be **complied with through an explicit statement** that:
  - (a) the ESRS or
  - (b) the group of disclosure requirementsis **“not material for the undertaking”**.

Rebuttable presumption is **not applicable** to the Disclosure Requirements related to **ESRS 2 Disclosure Requirements SBM, GOV and IRO**.

# Chapter 2 Applying CSRD concepts

## 2.2 Double materiality: From mandated DR to those material for the undertaking

Rebuttable presumption: On what granularity to determine “not material”?



## Chapter 2 Applying CSRD concepts

### 2.2 Double materiality: From mandated DR to those material for the undertaking

#### On what granularity to determine “not material”? - Example

To illustrate the principle ..., consider ESRS S1 on “Own workforce” on the sub-topic “Other work-related rights” covering the **following aspects of the sub-sub-topic**:

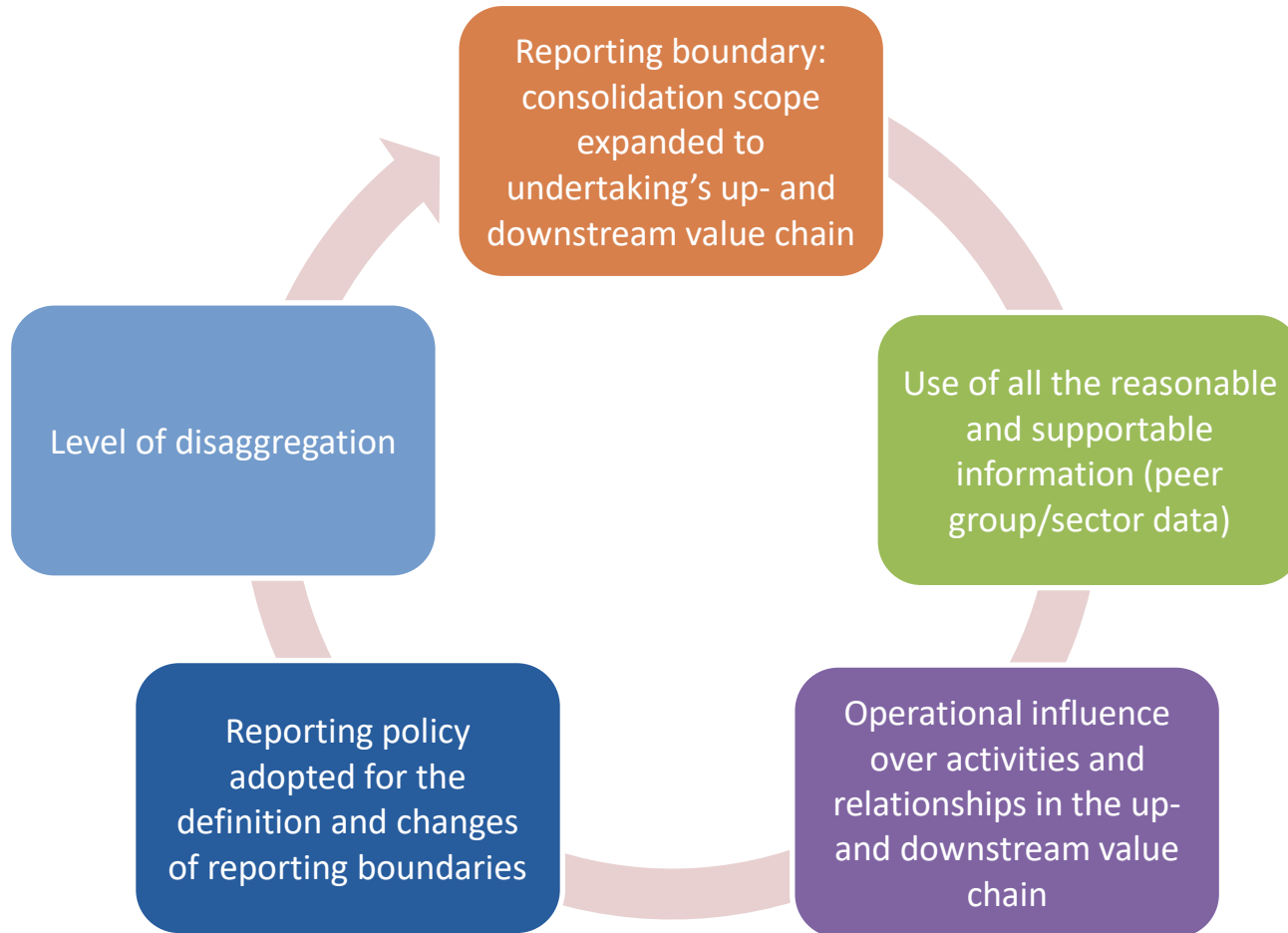
- a) freedom of association and collective bargaining,
- b) child labour,
- c) forced labour,
- d) privacy, and
- e) adequate housing.

Based on its materiality assessment described in ESRS 2 the undertaking could conclude that “child labour” and “forced labour” are aspects with material impact and / or risk to the undertaking but the other aspects of ‘other work-related rights’ are not. It, therefore, complies with

- (i) all disclosure requirements related to “child labour” and “forced labour” and
- (ii) with the disclosure requirements related to ‘freedom of association and collective bargaining’, ‘privacy’ and ‘adequate housing’ with a statement that these specific aspects are ‘not material for the undertaking’.

## Chapter 2 Applying CSRD concepts

### 2.3. Boundaries and value chain: Consolidation scope plus up- and downstream





## Chapter 2 Applying CSRD concepts

### 2.5. Due diligence under the CSRD: Holistic concept for adverse impacts



**APPENDIX C: Explanations on sustainability due diligence**

# Chapter 3 Disclosure principles on implementation

## Reference principles for topical standards on implementation

3	Disclosure Principles on implementation	Objective of disclosures on implementation		
		3.1	Objective: specify the <b>key aspects to describe PTAPR</b> (topical ESRS disclosure requirement or entity-specific disclosures)	
3	Disclosure Principles on implementation	Disclosure principles (DP)		
		3.2	<p><b>DP 1-1</b>  <b>On policies adopted to manage material sustainability matters</b>  <u>Description of policy</u>                      including:</p> <ul style="list-style-type: none"> <li>- General objectives</li> <li>- Scope (upstream &amp; downstream value chain)</li> <li>- Allocation responsibilities and oversight</li> <li>- Stakeholders (consideration given and communication the policy)</li> </ul>	<p><b>DP 1-2</b>  <b>On targets, progress and tracking effectiveness</b>  <u>Measurable target:</u></p> <ul style="list-style-type: none"> <li>- Relationship target and policy objectives</li> <li>- Level to be achieved</li> <li>- Scope of the target</li> <li>- Baseline value and base year (if applicable)</li> <li>- Timeframe (including milestones)</li> <li>- Methodology and significant assumptions</li> <li>- Changes (effect on comparability)</li> <li>- Overall progress</li> </ul> <p><u>No measurable target:</u> how effectiveness of action is tracked, and progress of policy is measured</p>

# Chapter 5 Providing linkage with other parts of corporate reporting

## Cohesiveness within the annual report – connectivity with the financial statements

5	Providing linkage with other parts of corporate reporting	5.1	General cohesiveness
		<p><b>Cohesiveness</b> and appropriate <b>cross-referencing</b> shall be used.</p> <p>Mandatory disclosure requirements may be <b>incorporated by reference</b> in the sustainability statements <b>to another section of the management report</b>.</p>	
		5.2	Connectivity with financial statements
			<p><b>Consistency</b> between financial and sustainability data, assumptions etc.</p> <p><b>Cross-reference between monetary amounts and quantitative data points</b> included in the sustainability report and those presented in the financial statements (reconciliation, if applicable). <i>Example: same KPI.</i></p> <p>When sustainability reporting includes monetary amounts or other quantitative data points that are either an aggregation of or a part of monetary amounts or quantitative data presented in the undertaking's financial statements, the undertaking shall explain how these <b>relate to the most relevant amount(s)</b> presented in the financial statements.</p>

# Chapter 6 - Structure of the sustainability report

## Three presentation options give flexibility

Option for “explicit cross-reference” to other parts of the management report (ESRS 1.AG 33)

6 Structure of the sustainability statements

6.1	<p style="text-align: center;">Content of the sustainability statements</p> <p>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>
6.2	<p style="text-align: center;">Structure of the sustainability statements</p> <p>Options:</p> <ul style="list-style-type: none"> <li>a) <u>Single separately identifiable section</u> of the management report</li> <li>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</li> <li>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”</li> </ul>

# Appendix E: Illustrative Example

Single separately  
identifiable section of  
the management  
report



## Appendix E: Illustrative Example

Aggregating the disclosures into four separately identifiable parts of the management report



## Appendix E: Illustrative Example

Aggregation of the sector-agnostic disclosures required by each ESRS as non-separable blocks in identifiable parts of the management report





## Questions & Answers

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**THANK YOU**  
and have a deeper look  
at ESRS 1, there even more  
*General principles* in it ...

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