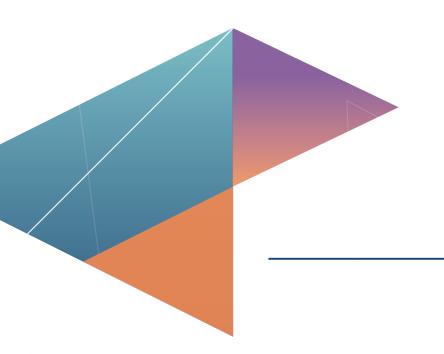
Educational session on Exposure Drafts
Draft **ESRS 1 – General principles**Presentation

May 16, 2022







Agenda

- 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

CROSS-CUTTING STANDARDS

ESRS 1

General Principles

ESRS 2

General, strategy, governance and materiality assessment disclosure requirements

ENVIRONMENT

ESRS E1

Climate change

ESRS E2
Pollution

ESRS E3

Water and marine resources

ESRS E4

Biodiversity and ecosystems

ESRS E5

Resource use and circular economy

SOCIAL

ESRS S1

Own workforce

ESRS S2

Workers in the value chain

ESRS S3

Affected communities

ESRS S4

Consumers and endusers

GOVERNANCE

ESRS G1

Governance, risk management and internal controls

ESRS G2

Business conduct

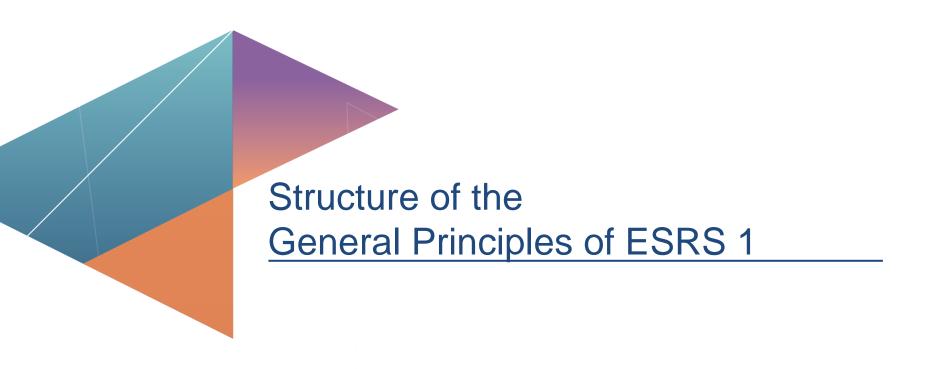
APPENDICES

Appendix I Navigating the ESRS Appendix II
CSRD
Requirements

Appendix III SFDR Adverse Impacts in the FSRS Appendix IV
TCFD and
ESRS
reconciliation
table

Appendix V
IFRS S1+2 /
ESRS
reconciliation
table

Appendix VI Acronyms and glossary terms



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)

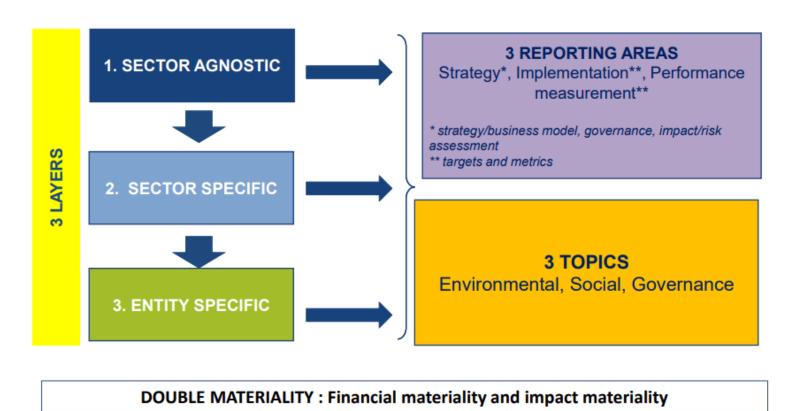
GENERAL PRINCIPLES		
1	Reporting under European Sustainability Reporting Standards (ESRS)	
2	Applying CSRD concepts	
3	Disclosure Principles on implementation	
4	Basis for preparing and presenting sustainability information	
5	Providing linkage with other parts of corporate reporting	
6	Structure of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



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

Reporting under
European Sustainability
Reporting Standards
(ESRS)

1.1	Complying with ESRS
1.2	Standardised and entity-specific dislosures
1.3	Sector-agnostic and sector-specific standards
1.4	Relationship between cross-cutting standards and topical standards
1.5	Developing entity-specific disclosures

CSRD concepts as « Bedrock » of ESRS

2.1 Characteristics of information quality

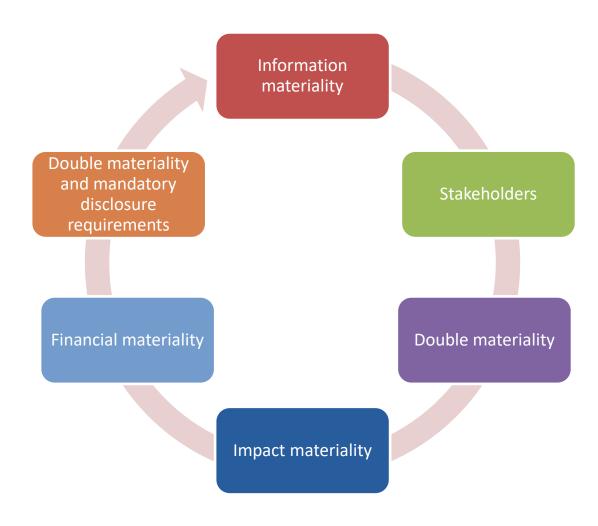
2.2 Double materiality as the basis for sustainability disclosures

2.3 Boundaries and value chain

2.4 Time horizon

2.5 Due diligence under CSRD

2.2. Double materiality as the basis for sustainability disclosures



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

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

Rebuttable presumption

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

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:

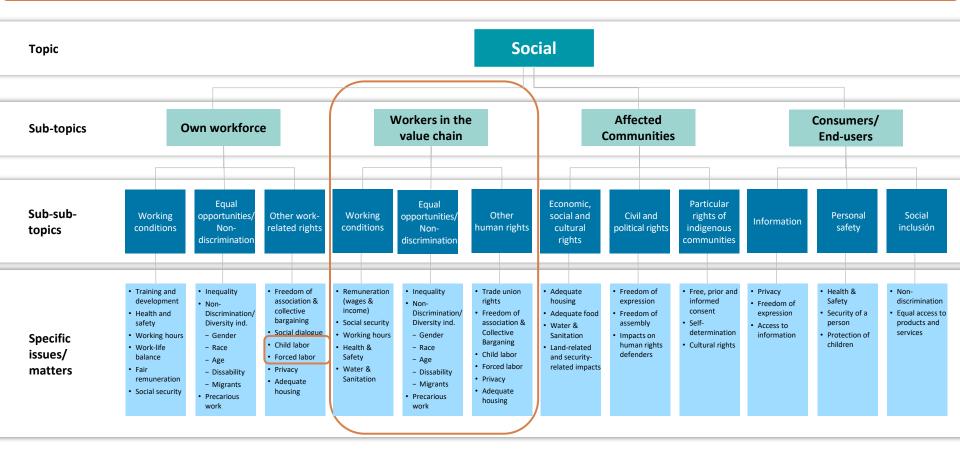
- (a) all of the mandatory disclosures of an entire ESRS, or
- (b) a group of disclosure requirements related to a specific aspect covered by an ESRS based on reasonable and supportable evidence, in which case it is deemed to be **complied with through an explicit statement** that:
- (a) the ESRS or
- (b) the group of disclosure requirements

is "not material for the undertaking".

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

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

Rebuttable presumption: On what granularity to determine "not material"?



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**:

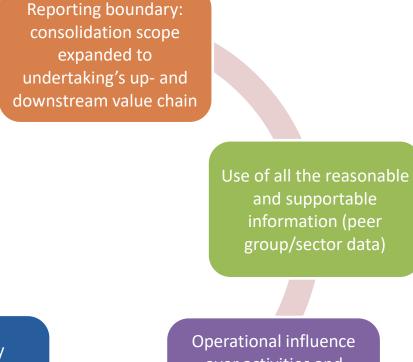
- a) freedom of association and collective bargaining,
- b) child labour,
- c) forced labour,
- d) privacy, and
- e) adequate housing.

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'.

Level of disaggregation

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



Reporting policy adopted for the definition and changes of reporting boundaries over activities and relationships in the upand downstream value chain

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



Chapter 3 Disclosure principles on implementation

Reference principles for topical standards on implementation

Disclosure Principles on 3 implementation

Objective of disclosures on implementation 3.1 Objective: specify the key aspects to describe PTAPR (topical ESRS disclosure requirement or entity-specific disclosures)

Key actions

Time horizons

Scope of key actions

Expected outcomes

Disclosure principles (DP) **DP 1-1 DP 1-2 DP 1-3** On policies adopted On targets, progress and Actions, action plans tracking effectiveness and resources in to manage material Measurable target: sustainability matters relation to policies - Relationship target and policy Description of policy and targets objectives including: For key polices: - General objectives - Level to be achieved - Scope (upstream & - Scope of the target 3.2 - Baseline value and base year (if downstream value applicable) chain) - Timeframe (including milestones) - Allocation Description of the responsibilities and - Methodology and significant resources allocated (if oversight assumptions action plan requires - Changes (effect on comparability) - Stakeholders significant operational - Overall progress (consideration given expenses/investments) and communication No measurable target: how effectiveness of action is tracked, the policy) and progress of policy is measured

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Chapter 5 Providing linkage with other parts of corporate reporting

Cohesiveness withinthe annual report – connectivity with the financial statements

Providing linkage with other parts of corporate reporting

General cohesiveness

Cohesiveness and appropriate cross-referencing shall be used.

Mandatory disclosure requirements may be incorporated by reference in the sustainability statements to another section of the management report.

Consistency between financial and sustainability data, assumptions etc.

Cross-reference between monetary amounts and quantitative data points included in the sustainability report and those presented in the financial statements (reconciliation, if applicable). Example: same KPI.

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 relate to the most relevant amount(s) presented in the financial statements.

Chapter 6 - Structure of the sustainability report

6.1

6.2

Three presentation options give flexibility

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

Structure of the 6 sustainability statements

Content of the sustainability statements

Undertaking <u>shall</u> report all the applicable **disclosures required by ESRS within** identifiable parts of the **management report constituting the** 'Sustainability Statements'.

Undertaking <u>may</u> include in its sustainability statements <u>additional disclosures</u> clearly identified and referenced to local legislation or general accepted framework.

Structure of the sustainability statements

Options:

- a) <u>Single separately identifiable section</u> of the management report
- b) Aggregating the disclosures into four separately identifiable parts of the management report: i) general information; ii) environmental information; iii) social information; and iv) governance information
- c) Aggregating the disclosures required by each ESRS and reporting them as non-separable blocks in identifiable parts of the management report "on a standard-by-standard basis"

Appendix E: Illustrative Example

Single separately identifiable section of the management report

Management report

Analysis of the development and performance of the entity's business and its position

The entity's likely future developments

Description of the principal risks and uncertainties

Corporate governance statement

Single section of the management report

1. General information

ESRS 2 General, strategy, Governance and Materiality Assessment

- Specific topical DR from topical standards
- Additional DR from sector-specific standards
- Potential additional entity specific information

2. Environmental information

ESRS E1 Climate change

- PTAPR and performance related DR from ESRS E1
- Additional DR from sector-specific standards
- Potential additional entity specific information

ESRS E2 Pollution

- PTAPR and performance related DR from ESRS E2
- Additional DR from sector-specific standards
- Potential additional entity specific information

ESRS E5 Resource Use and Circular Economy

- PTAPR and performance related DR from ESRS E5
- · Additional DR from sector-specific standards
- Potential additional entity specific information

Disclosures pursuant to Article 8 of the taxonomy regulation

3. Social information

ESRS S1 Own workforce

- PTAPR and performance related DR from ESRS S1
- Additional DR from sector specific standards
- Potential additional entity specific information

ESRS S2 Workers in the value chain

- PTAPR and performance related DR from ESRS S2
- Additional DR from sector specific standards
- Potential additional entity specific information

ESRS S4 Affected communities

- PTAPR and performance related DR from ESRS S4
- Additional DR from sector specific standards
- Potential additional entity specific information

4. Governance information

ESRS G1 Governance, risk management and internal control

- PTAPR and performance related DR from ESRS G1
- Additional DR from sector-specific standards
- Potential additional entity specific information

ESRS G2 Business conduct

- PTAPR and performance related DR from ESRS G2
- Additional DR from sector-specific standards
- Potential additional entity specific information

Appendix E: Illustrative Example

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

Management report

Analysis of the development and performance of the entity's business and its position

1. General information

ESRS 2 General, strategy, Governance and Materiality Assessment

- Specific topical DR from topical standards
- Additional DR from sector specific standards
- Potential additional entity specific information

Description of the principal risks and uncertainties

2. Environmental information

ESRS E1 Climate change

- PTAPR and performance related DR from ESRS E1
- Additional DR from sector specific standards
- Potential additional entity specific information

ESRS E2 Pollution

- PTAPR and performance related DR from ESRS E2
- · Additional DR from sector specific standards
- Potential additional entity specific information

ESRS E5 Resource Use and Circular Economy

- PTAPR and performance related DR from ESRS E5
- Additional DR from sector specific standards
- · Potential additional entity specific information

Disclosures pursuant to article 8 of the Taxonomy regulation

3. Social information

ESRS S1 Own workforce

- PTAPR and performance related DR from ESRS S1
- Additional DR from sector specific standards
- Potential additional entity specific information

ESRS S2 Workers in the value chain

- PTAPR and performance related DR from ESRS S2
- Additional DR from sector specific standards
- Potential additional entity specific information

ESRS S4 Affected communities

- PTAPR and performance related DR from ESRS S4
- Additional DR from sector specific standards
- Potential additional entity specific information

Corporate governance statement

4. Governance information

ESRS G1 Governance, risk management and internal control

- PTAPR and performance related DR from ESRS G1
- Additional DR from sector specific standards
- Potential additional entity specific information

ESRS G2 Business conduct

- PTAPR and performance related DR from ESRS G2
- Additional DR from sector specific standards
- Potential additional entity specific information

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

Management report

Analysis of the development and performance of the entity's business and its position

Business conduct

PTAPR and performance-related DR from ESRS G2 Additional DR from sector specific standards Potential additional entity specific information

The entity likely future developments

General, strategy, Governance and Materiality Assessment

PTAPR and performance-related DR from ESRS 2 Additional DR from sector specific standards

Corporate governance statement

Governance, risk management and internal control

PTAPR and performance-related DR from ESRS G1 Additional DR from sector specific standards Potential additional entity specific information

Description of the principal risks and uncertainties

Climate change

PTAPR and performance-related DR from ESRS E1
Additional DR from sector specific standards
Potential additional entity specific information

Pollution

PTAPR and performance-related DR from ESRS E2
Additional DR from sector specific standards

...

Resource Use and Circular Economy

PTAPR related DR from ESRS E5
Performance DR from ESRS E5
Additional DR from sector specific standards
Potential additional entity specific information

Disclosures pursuant to article 8 of the Taxonomy regulation

Own workforce

PTAPR and performance-related DR from ESRS S1 Additional DR from sector specific standards Potential additional entity specific information

Workers in the value chain

PTAPR and performance-related DR from ESRS S2
Additional DR from sector specific standards
Potential additional entity specific information

End users/ consumers

PTAPR and performance-related DR from ESRS S3 Additional DR from sector specific standards Potential additional entity specific information

Affected communities

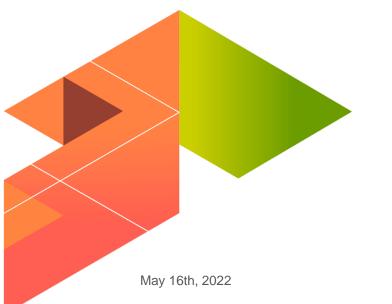
PTAPR and performance-related DR from ESRS S4
Additional DR from sector specific standards
Potential additional entity specific information





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



EFRAG Aisbl - ivzw 35 Square de Meeüs B-1000 Brussel Tel. +32 (0)2 207 93 00 www.efrag.org



