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Corporate Sustainability Reporting Directive: towards a complete ESG data infrastructure

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ESMA32-...1010-1088rev

Agenda

- Key features of EU sustainability reporting
- ESMA's work in this area

The Corporate Sustainability Reporting Directive (CSRD)



21 April 2021: Commission proposal



16 December 2022: OJ publication (2014/95/EU)



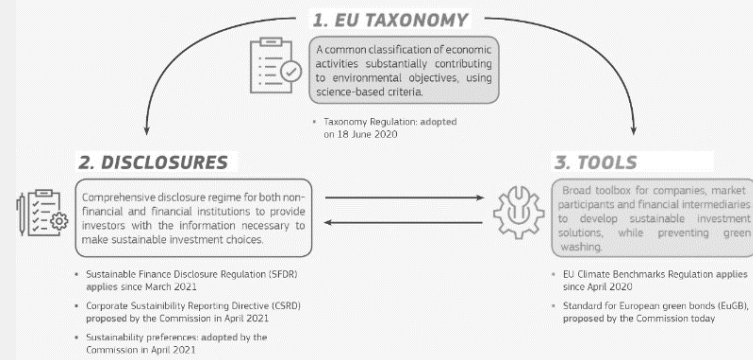
6 July 2024: Transposition (ongoing)



2024: First application (with phase-in until 2028)

Policy objectives:

- Supporting the EU Green Deal, the Action Plan on Financing Sustainable Growth and the Paris Agreement



The evolution: from NFRD to CSRD

- ✓ Establishing the fundamental principle of “double materiality”
- ✓ Triggering a cultural change
- ✓ Increasing the number of entities reporting on non-financial matters

- ✗ Level of comparability, relevance and reliability of the information provided
- ✗ Level of responsibility of management and supervisory bodies
- ✗ Consistency and effectiveness of external assurance
- ✗ Consistency and effectiveness of supervision

The ESRS: objectives and constraints



Ensure the quality of Sustainability Reporting



Address the entire ESG spectrum



Cater for interoperability with other EU legislation



Ensure proportionality



Consider to a large extent International standards

ESRS in numbers...

3 Sustainability matters

2 Materiality lenses

8 Reporting areas

12 European Sustainability Reporting Standards (ESRS)*

1,144 Datapoints*

In addition...EU Environmental
Taxonomy Reporting

Environment, Social and Human Rights, Governance

Risks and opportunities & Impacts

Business model, strategy, board and incentive schemes, policies, targets, action plans, KPIs

2 Standards on General Requirements, 5 on Environmental, 4 on Social and 1 on Governance

Quantitative and qualitative, grouped under 84 disclosure requirements

Disclosures on the eligibility and alignment vis-à-vis environmental taxonomy, through with quantitative & qualitative info

Corporate Sustainability Reporting Directive (CSRD)

Taxonomy Regulation

*The European Commission is currently finalising the ESRS in Delegated Acts and it may introduce phase-in requirements or propose changes to the datapoints

...and more numbers

Approx. **50k** EU
companies

Approx. **10k** NON-EU
companies

Compared to approx.
12k today

- All entities listed in regulated markets irrespective of their size (except for micro-undertakings)
- All large* undertakings
- Third-country entities:
 - Listed entities within the EU
 - Large EU subsidiary undertakings and listed SMEs belonging to a third country parent that generates a net turnover of more than EUR 150M within the EU
 - Branches located in the EU generating more than EUR 40M when the third-country undertaking they belong to generates a net turnover of more than EUR 150M within the EU

How are corporate sustainability reporting obligations fulfilled?

Location: Management Report, limited cross-references allowed

Timing: Annually, as part of the annual financial report

Format of the reporting: European Single Electronic Format (ESEF) regulation (digital taxonomy)

Central repository: European Single Access Point (ESAP)

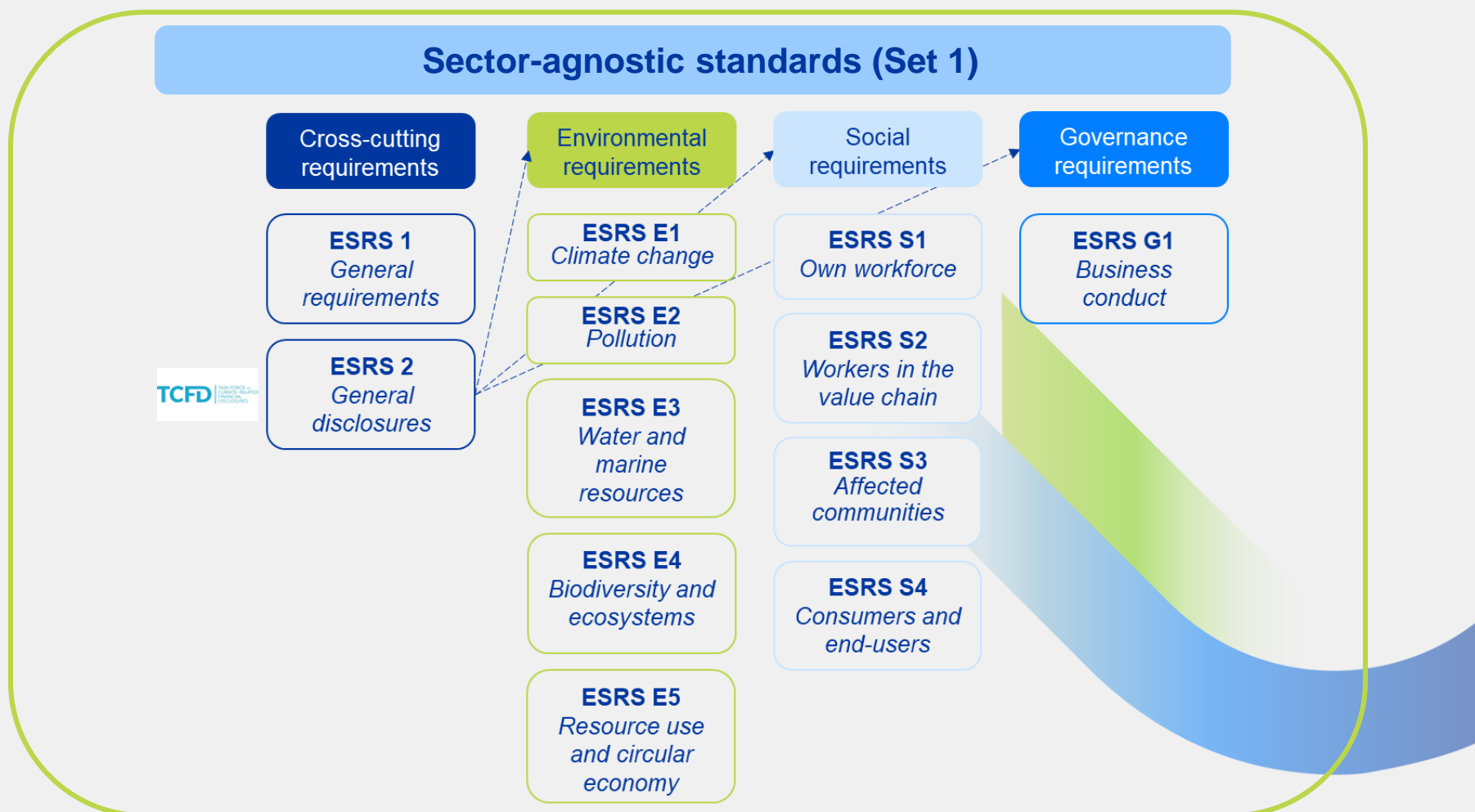
Assurance regime: Limited Assurance

When* are corporate sustainability reporting obligations to be fulfilled?



*The European Commission is currently finalising the ESRS in Delegated Acts and it may introduce phase-in requirements or propose changes to the datapoints

The overall structure of the ESRS



Interoperability ESRS - EU law

ESRS E2 *Pollution**

Disclosure Requirement

Disclosure Requirement E2-4 – Pollution of air, water and soil

25. **The undertaking shall disclose the pollutants that are generated or used during production processes or that are procured, and that leave its facilities as emissions, as products, or as part of products or services.**

Disclosure Objective

26. The objective of this Disclosure Requirement is to provide an understanding of the emissions that the undertaking generates in the air, water and soil in its own operations.

27. The undertaking shall provide the following separate disclosures on its own operations for the reporting period:

Data point (a)

(a) emissions of air pollutants generated by the undertaking¹;

SFDR indicator #2 in Table 2 of Ann. 1

Data point (b)

(b) emissions to water generated by the undertaking²;

SFDR indicator #2 in Table 2 of Ann. 1

Data point (c)

(c) emissions of inorganic pollutants generated by the undertaking³;

SFDR indicator #1 in Table 2 of Ann. 1

Data point (d)

(d) emissions of ozone-depleting substances generated by the undertaking⁴;

SFDR indicator #3 in Table 2 of Ann. 1

Data point (e)

(e) microplastics generated or used by the undertaking.

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ESRS and International standards

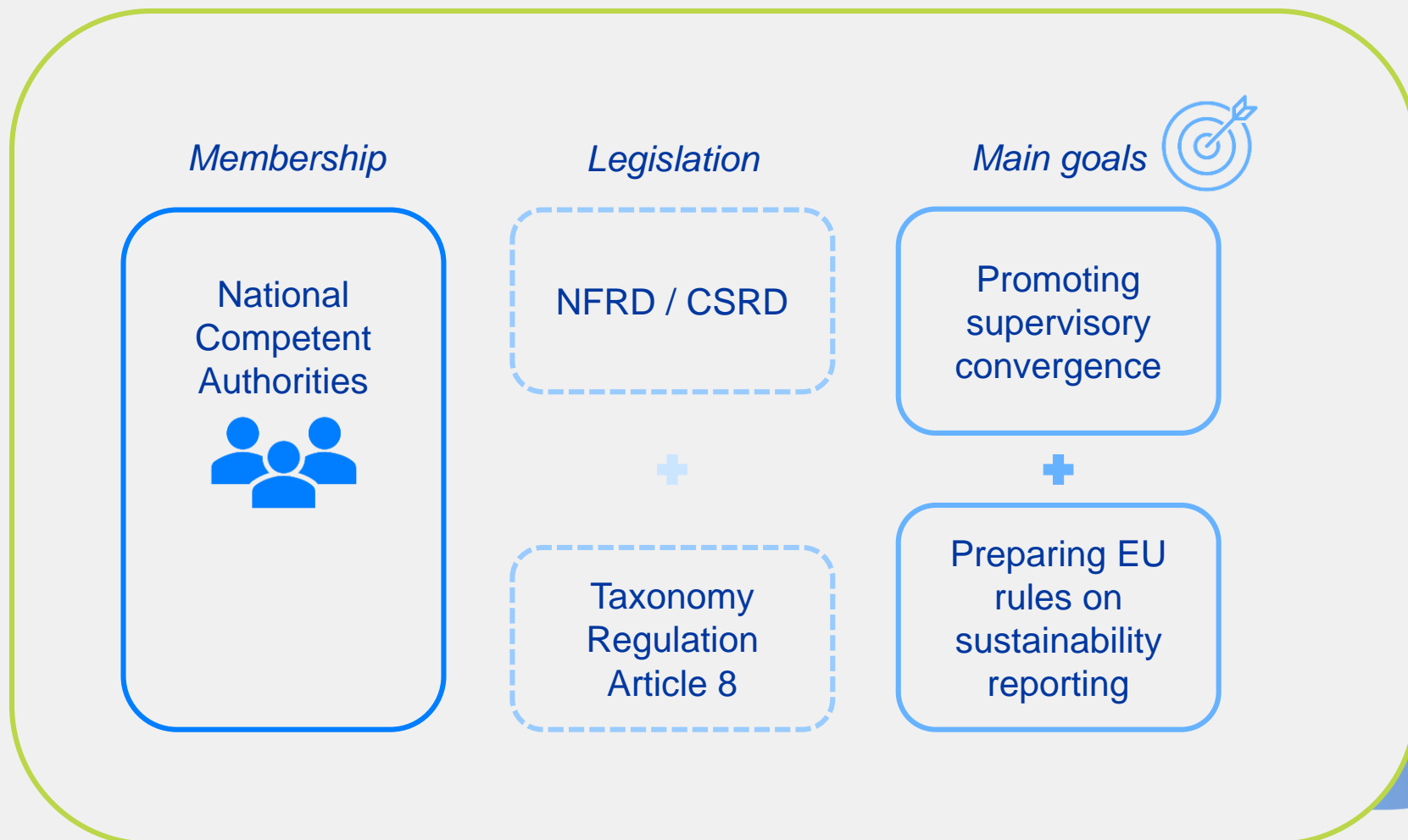
	ESRS	ISSB	GRI
Approach to materiality (intended audience)	Double materiality (all stakeholders)	Financial materiality (primary users of general purpose financial reports)	Impact materiality (all stakeholders)
Scope	CSRD entities	Will depend on jurisdictions	Voluntary (~ 10,000 companies publishing a GRI report)
Number of standards	12 (Set 1) – 2 cross-cutting + 10 topical	2 – cross –cutting + climate (other topics to come)	35 - 3 cross-cutting + 32 topical ESG
Adoption / Effective date	July 2023 (expected) First application in 2024 (2025 reporting)	June 2023 Effective date 2024	Existing (some standards being updated)
Sector standards	~40 expected (staged development)	Industry-specific disclosures in S2 + reference to SASB standards	3 sector standards + others in development
Disclosure location	Management report / limited cross referencing allowed	General purpose financial report / possible cross referencing with conditions	Sustainability report

ISSB = International Sustainability Standards Board
 GRI = Global Reporting Initiative

ESMA's work in this area in 2023

Activities	
ESMA Opinion on the draft ESRS	
Guidelines on enforcement of sustainability reporting	
Supervisory case discussions	
Fact-finding exercise on Article 8 Taxonomy Regulation	
Contribution to ESMA-wide greenwashing project	
Contribution to EFRAG implementation support work	
Response to ISSB consultations	

ESMA's Sustainability Reporting WG





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