Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

39th SESSION
1 – 3 November 2022

Tuesday, 1 November 2022

High-level panel
Recent developments in financial and sustainability reporting requirements and related standard-setting developments and their implications for practical implementation

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ISAR 39\textsuperscript{th} session

DRAFT ESRS

1 November 2022
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Stimulate innovation in the field of corporate reporting in Europe by identifying and sharing good practices – three projects including climate-related reporting; reporting on risks and opportunities and the linkage with the business model.
PROGRESS TO DATE

✓ April 202213 Exposure Drafts: first set of draft ESRS issued for comment by 8 August 2022

✓ During public consultation period (May- August):
  ✓ Educational sessions on each ED, transition to permanent structure
  ✓ 16 outreaches at country and stakeholder level

✓ June political agreement on CSRD:
  ✓ EFRAG confirmed as technical advisor to the EC providing technical advice in the form of draft ESRS
  ✓ Mandatory ESRS

✓ Discussion of results of public consultation (>700 submissions)

✓ Submission of first set of draft ESRS to the EC mid- November 2022
  ✓ Cost benefit analysis and ESRS XBRL Taxonomy

✓ 2023: influencing international developments: ISSB, GRI etc
Exposure Drafts

**Cross-cutting standards**
- ESRS 1 General principles
- ESRS 2 General strategy, governance and materiality assessment

**Environment**
- ESRS E1 Climate change
- ESRS E2 Pollution
- ESRS E3 Water and marine sources
- ESRS E4 Biodiversity and ecosystems
- ESRS E5 Resource and circular economy

**Social**
- ESRS S1 Own workforce
- ESRS S2 Workers in the value chain
- ESRS S3 Affected communities
- ESRS S4 Consumers and end users

**Governance**
- ESRS G1 Governance, risk management and internal control
- ESRS G2 Business conduct

12 draft ESRS will be submitted to the EC by mid November
FUNDAMENTAL TOPICS – TENTATIVE DECISIONS

- Materiality approach (replace rebuttable presumption with materiality assessment)
- Additional guidance on double materiality
- CSRD changes
- SFDR, EU benchmark requirements and sector agnostic Pillar 3 mandatory (outside materiality assessment)
- ISSB alignment – to the maximum extent possible in available timeframe, amendments in next years - GRI alignment
- Significant simplification (number of DRs/granularity/language), following detailed analysis of relevance to simplify
- Phasing-in (including 3 years for value chain)
CONTENT OF SET 2 OF DRAFT ESRS

➢ Sector specific standards
  ➢ 5 sectors covered by GRI: Agriculture, Coal Mining, Mining, Oil+Gas (upstream), Oil+Gas (mid-to downstream)
  ➢ 5 high-impact sectors: Energy Production, Road Transport, Motor Vehicle Production, Food/Beverages, Textiles

➢ Standard for non-EU companies

➢ Standard for listed SMEs

➢ Voluntary guidance for non-listed SMEs

➢ Amendment to Set 1 in order to implement the ‘cap’ on value chain information => most likely set 3

Work on draft sector ESRS in progress (workshops in June/July) and new series of workshops in October/November

Followed by two further sets of sector specific standards
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