

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG SRB. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

## EFRAG Sustainability reporting

### Work programme for 2024

November 2023

#### Objective

- 1 The CSRD requires EFRAG to consult annually with the European Commission (EC) on its workplan. The EC will consult the Member States and the European Parliament on EFRAG workplan. This document has been prepared by the EFRAG Secretariat to support this process<sup>1</sup>. It describes the expected activities of deliverables of EFRAG Sustainability Pillar for 2024.
- 2 The content of this document is based on the current available resources and on average assumptions on the expected lengths and number of SR TEG and SRB discussions that are needed to approve a given deliverable. The effective delivery date may deviate from the estimate, such as when additional outreach is necessary with some stakeholders or when the consensus building for EFRAG decision making becomes more difficult for a specific matter.
- 3 The priorities for 2024 are: implementation support (Q&A and implementation guidelines) and standards for SMEs.
- 4 EFRAG Standard Setting activities are governed by the content of EFRAG Due Process Procedures<sup>2</sup>, which establish the necessary steps to be put in place for each deliverable.

<sup>1</sup> [ONCE APPROVED BY THE EFRAG SRB THE WORDING WILL BE UPDATED REFLECTING THAT THIS IS A DOCUMENT APPROVED BY THE SRB]

<sup>2</sup>

<https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FProject%20Documents%2F2106151549247651%2FEFRAG%20DPP%20for%20Sustainability%20Standard-Setting%20-%20Approved%20by%20GA%2016-03-2023.pdf>

# 1. ESRS implementation support

## 1.1 ESRS Q&A process and Clarifications and Rejections

- 5 Based on feedback received during the EC's consultation on the draft DA (June - July 2023), as well as inquiries received in recent months, it is anticipated that stakeholders will have numerous questions regarding the ESRS in 2024.
- 6 Starting from mid-October 2023, EFRAG will launch the *ESRS implementation Q&A process*, a centralized access point to systematically address these stakeholder inquiries and issue answers. The *ESRS implementation Q&A* will play a relevant role in educating stakeholders about ESRS requirements and helping them in implementing the standards. By supporting companies in their ESRS reporting, the *ESRS implementation Q&A* can help enhance the quality of the information provided in ESRS sustainability statements, ultimately fostering greater support for the objectives of the CSRD and ESRS.
- 7 Regarding implementation Q&A, EFRAG will follow a specific due process which will be reflected in EFRAG due process procedures in due course. The internal procedures have been agreed by the EFRAG SRB<sup>3</sup>.
- 8 To address the implementation questions and depending on the type of question, EFRAG will issue:
  - (a) *Clarifications*: they will cover cases in which the content of ESRS already provides an appropriate answer, without adding illustrations nor introduce new guidance;
  - (b) *Rejections*: they will cover cases where the (i) question is addressing an issue that is peculiar to the submitter or is not of widespread interest for ESRS application; or (ii) the issue is too broad to be answered effectively; or (iii) the content of the submission is non-conclusive;
  - (c) *Implementation Guidance* (see below);
  - (d) *Possible amendments to ESRS*: will cover cases where new requirements or a modification of the existing requirements are needed to address the issue in the question, such as because the issue is not covered in the issued ESRS. They will be issued as EFRAG Advice to the EC and could subsequently be adopted by the Commission as Delegated Act. EFRAG does not expect to issue proposed Amendments to ESRS in 2024, except if very urgent matters arise. However, potential amendments to be addressed in the future years may be identified, if applicable, as part of the implementation support (Q&A) in 2024.
- 9 The *Clarifications* and *Rejections* are issued by EFRAG as non-authoritative material.
- 10 **In all the quarters of 2024, EFRAG expects to collect questions and process the answers. A series of *Clarifications* and *Rejections* will be produced each quarter in 2024.**

## 1.2. ESRS implementation guidelines

- 11 EFRAG will issue implementation guidelines (EFRAG IG), to illustrate how the ESRS requirements may be implemented, without introducing new provisions and without amending the requirements in ESRS. New provisions can only result from future standard setting activities (e.g., future amendments to draft ESRS).
- 12 The EFRAG IG are issued by EFRAG as non-authoritative material.

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<sup>3</sup> [INCLUDE SRB DOC 11 OCTOBER 2024]

- 13 EFRAG has started drafting the first two documents of ESRS implementation guidelines (EFRAG IG) in Q2-2023, one on Materiality Assessment (EFRAG IG 1- MA) and one on Value Chain (EFRAG IG 2 – VC) and expects to issue the approved draft version before the end of 2023, therefore opening a thirty-day public feedback period.
- 14 **Q1-2024: EFRAG expects to issue the final versions of EFRAG IG 1 and EFRAG IG 2.**
- 15 A pipeline of potential new EFRAG IG documents is expected to arise from the *ESRS implementation Q&A* process. In the *ESRS implementation Q&A* process, whenever it is possible, questions will be grouped to cover issues so that they can be more effectively addressed in a new ESRS IG document. Depending on their nature, they will be issued either as an addendum to already existing ESRS IG documents, or as standalone narrow-scope ESRS IG documents. This process (see above) will be already in place in Q1-2024.
- 16 EFRAG may also decide, beyond the Q&A, to work in the future on EFRAG IG for cross cutting and topical ESRS.
- 17 **Q1/Q4-2024: EFRAG will work on other EFRAG IG documents (e.g., disclosure requirements in topical standards, other issues arising from the Q&A process).**
- 18 EFRAG will also issue in December or at the beginning of Q1-2024 an inventory in XLS of the datapoints deriving from ESRS and consistent with the future draft ESRS XBRL Taxonomy, to enable undertakings and users to perform their 'gap analysis'. This document will not be subject to consultation.

## 3. SMEs

### 3.1 ESRS for listed SMEs

- 19 EFRAG received a mandate for technical advice for simplified ESRS (LSME) to be used by listed SMEs, small and non-complex banks (SNCI) and captive insurances and reinsurances based on art 29c of CSRD.
- 20 Companies in scope are estimated by EFRAG to be: (i) listed SMEs - about 700, ii) SNCI - about 2.300, iii) captive insurances and reinsurances - about 300. Effective date is January 2026, but a 2 years derogation is foreseen until January 2028 for listed SMEs (derogation does not apply to SNCI and captives).
- 21 Companies in scope are required to disclose information on environmental, social and governance matters (including Taxonomy and SFDR PAIs) also to ensure that financial market participants have the information they need.
- 22 According to art 29b 4) of the CSRD, the disclosures in ESRS LSME determine what is the maximum detail of information that large undertakings shall be required to collect from SMEs in their value chain, in order to prepare their ESRS sustainability statement.
- 23 **EFRAG expects to issue ESRS LSME Exposure Draft for four months of public consultation in January 2024 and to issue its technical advice ESRS LSME to the EC in November 2024.**

### 3.2 Voluntary reporting standard for non-listed SME (VSME)

- 24 Non-listed SMEs and micro-undertakings, which are not subject to sustainability reporting requirements under the CSRD, receive requests for sustainability information from customers, banks, investors or other stakeholders. In its recent SME Relief Package the European Commission indicates that it will ensure that SMEs have a voluntary, simple and standardised methodology to report on ESG issues. This will reduce burden and facilitate SME's access to sustainable finance. Hence EFRAG is



developing a simple, voluntary reporting standard for use by non-listed SMEs (VSME) to enable them to respond to requests for sustainability information in an efficient and proportionate manner, and so facilitate their own participation in the transition to a sustainable economy.

- 25 VSME will not have legal status and will not be adopted by the Commission as a Delegated Act, however it aims at becoming the market accepted standard to serve the information needs of lenders, other investors and large companies that have business relationships of SMEs in their value chains. Non-listed micro, small and medium companies (which are the intended scope of VSME) are the vast majority of companies in Europe. They are in total 23.2 million.
- 26 **EFRAG will issue an Exposure Draft of VSME in Q1-2024 for four months of public consultation and to issue its technical advice ESRS VSME to the EC by November 2024.**

## 4. ESRS XBRL Taxonomy

- 27 EFRAG has been requested by DG FISMA in the letter dated 18 October 2022 to develop the draft XBRL taxonomy for ESRS as adopted by delegated act and as well for Art 8 of the EC Taxonomy Regulation.
- 28 As per the CSRD, a digital taxonomy is necessary to allow the reported information to be tagged in accordance with ESRS. The XBRL taxonomy will complement the creation of a European single access point (ESAP) for public corporate.
- 29 **In Q1-2024 EFRAG will issue for consultation for sixty days the XBRL taxonomy of the ESRS issued in July as delegated act and in the second half of 2024 will issue its final advice.** This deliverable constitutes a technical recommendation to the European Commission on the digitalization rules of ESRS. ESMA will subsequently consult on the final digitalization rules and effective date.

## 5. Sector ESRS

- 30 As per the CSRD, the EC shall adopt delegated acts that specify information that undertakings are to report that is specific to the sector in which they operate. Sector-specific ESRS will be issued to complement the information provided under the sector-agnostic ESRS issued in July 2023 as delegated act.
- 31 The initial deadline for the adoption of a first set of sector standards was June 2024. However, the EC [has proposed<sup>4</sup>] to postpone the deadline by two years, to allow companies to focus on the implementation of the first set of ESRS adopted in July 2023. EFRAG is working on the assumption that the new deadline is June 2026 for the delegated act concerning the first batch of sector ESRS. This implies that EFRAG delivers its technical advice by November 2025 and that public consultations are launched in November 2024 or early 2025 at the latest.
- 32 EFRAG has started a multi-annual standard setting program that will lead to the issuance of approximately 40 standards, taking into account the material issued by the Sustainability Accounting Standard Boards (currently merged into the IFRS Foundation), the available standards issued by the Global Reporting Initiative and any relevant sector reporting guidelines and regulation.
- 33 **In the first half of 2024 EFRAG expects to finalize the Exposure Drafts of the following: (i) the general approach to sector ESRS, (ii) the ESRS Sector classification approach, based on the statistical classification of economic**

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<sup>4</sup> [THIS IS GOING TO BE PROPOSED IN THE SECOND HALF OF OCTOBER].

**activities in the European Community (NACE), and (iii) two draft ESRS for high-impact sectors, respectively *Oil and Gas*, covering activities from upstream to downstream, and *Mining, Quarrying and Coal*. The timing for public consultation(s) in relation to those Exposure Drafts will be considered in due course. Field testing with corporates could also start before the public consultation.**

- 34 EFRAG will start in the last quarter of 2023 the standard setting research process for the three standards dedicated to Financial Institutions (Banking, Insurance and Capital markets), which are considered a priority together with high-impact sectors, due to the role they play to reach the sustainable finance policy goals. In 2024 EFRAG plans to complete the standard setting research and drafting of three Exposure Drafts, that will be put in consultation in 2025.
- 35 The standard setting research for the following other high-impact sectors is ongoing: *Agriculture-Farming-Fishing, Road Transport, Food and Beverage, Motor Vehicles, Energy, Production-Utilities, Textile-Accessories-Footwear-Jewellery*.
- 36 **Compatibly with the priorities described above (implementation support and SMEs), depending on the availability of resources and the capacity of EFRAG SR TEG and EFRAG SRB, EFRAG may put in consultation one or more additional ESRS Sector Exposure Drafts already in 2024.**

## 5. ESRS for non EU-groups

- 37 Following article 40a of the CSRD, the EU branches or subsidiaries of non-EU companies that generate over €150 million in the EU shall publish sustainability-related information by 01 January 2028. The CSRD foresees the adoption of separate standards specially for the case of such non-EU companies.
- 38 The deadline for the adoption of these standards as a delegated act was June 2024. However, the EC has proposed to postpone the deadline by two years, to June 2026. Assuming that this postponement is confirmed, EFRAG should deliver its advice to the EC by November 2025 at the latest.
- 39 **The consultation on an Exposure Draft will start in Q4-2024 or Q1-2025 at the latest.**

## 6. Other activities

### *Interoperability with other international standards*

- 40 In its standard setting activities EFRAG endeavors to avoid double reporting for those ESRS companies that also wish to apply IFRS Sustainability Standards (IFRS SS) and GRI standards. For this purpose, continuous bilateral dialogue is in place with the ISSB and GRI.
- 41 Leveraging on the high level of interoperability achieved so far with the IFRS SS and GRI standards in the ESRS issued as delegated act in July 2023, EFRAG will work in 2024 on designing appropriate solutions to operationalise digital interoperability. EFRAG does not expect a specific deliverable for this activity in 2024. The timing of the finalization of this activity depends on the completions of key steps outside EFRAG scope of activity, such as the finalization of the IFRS SS and GRI XBRL taxonomy and the finalization of the ESRS XBRL taxonomy by ESMA.
- 42 . At the request of the EC as well as in appropriate international circles, EFRAG may contribute to technical discussions with other jurisdictions regarding the interoperability of sustainability reporting requirements.

- 43 EFRAG is also monitoring other relevant reporting initiatives that are likely to play a role in fostering a global unified approach to a specific topic, such as the TNFD Framework for Nature.
- 44 If required, EFRAG may address interoperability issues as part of its practical implementation guidance.
- 45 **Should the ISSB launch new consultations in 2024, EFRAG will put in place the necessary activities to provide a European response.**
- 46 No formal consultations to GRI standards or other initiatives are planned in 2024, however the EFRAG Staff will have the possibility to contribute on a staff-to-staff basis.

*Research*

- 47 Research includes developing Discussion Papers or narrow-scope consultation documents on topics that are not mature enough to be consulted in the form of ESRS Exposure Drafts.
- 48 The sustainability reporting pillar of EFRAG is also involved in the EFRAG Proactive Research project on connectivity between financial reporting and sustainability reporting launched in 2023 by the EFRAG financial reporting pillar.
- 49 **No specific deliverables are expected in 2024.**

*Educational material*

- 50 The EFRAG Secretariat may issue educational material (i.e. videos or other material) to support the understanding of the content of the different deliverables, either during the consultation period, or after the issuance of EFRAG final advice, or after the issuance of the delegated act.

**Questions to EFRAG SRB**

*Consultation approach to Sector ESRS*

- 51 By the end of Q2-2024 EFRAG plans to be ready to consult on (i) the general approach to sector ESRS, (ii) the ESRS Sector classification approach, and (iii) the first two sector ESRS: *Oil and Gas* and *Mining, Quarrying and Coal*.
- Should the consultation on the general approach and sector classification start as soon as the two Exposure Drafts are ready?
- 52 There are two possible views on the consultation of the first two sector ESRS. On one hand, consulting on the first two standards jointly with the consultation on the general approach would allow to have a more informative consultation on the general approach itself, as the two standards will illustrate how the general approach works in practice. On the other hand, consulting on the first two standards before the general approach is finalised could have a negative impact on the quality of the standards.
- Should EFRAG consult on the first two sectors in 2024, in conjunction with the general approach or should the consultation on the first two sectors take place only once the general approach will be finalised?
- 53 Depending on the available resources, additional sector ESRS Exposure Drafts could be ready for consultation in the second half of 2024. Other sector ESRS Exposure Drafts will be ready in 2025. One possible approach would be to consult once a year on a batch of standards; the alternative is to consult on one or two Exposure Drafts as soon as they are ready (which would mean to have more than one consultation on sectors per year). Consulting on the ESRS sector standards when they are ready would have the advantage to spread the efforts of EFRAG Secretariat and decision-making capacity across different periods, compared to a 'big bang approach'.

However, this would mean having more than one consultation per year. At the same time, while some of the stakeholder groups are in common in different sectors (such as auditors, corporates associations, national standard setters), it is also true that a meaningful stakeholders' engagement activity can take place in each sectors in different periods.

Do you think that EFRAG should consult only once a year on sector ESRS? Or should it be possible to consult on a sector when the Exposure Draft is ready?

*ESRS implementation Q&A*

- 54 It is currently not possible to quantify the number of questions that EFRAG will receive for the ESRS implementation Q&A process, nor to quantify the necessary effort in terms of decision-making capacity and EFRAG Secretariat resources. EFRAG Secretariat considers that an appropriate target share of effort dedicated to this workstream is one third of the total, which also include the coverage of new illustrative guidelines and any potential Amendment to ESRS that may arise from this process. An additional one third could be absorbed by the other priority (the two SME standards). The remaining one third would cover the rest. This is the reason why only three Sector ESRS Exposure Drafts are explicitly foreseen in 1H24. Should there be the necessary capacity available, additional Exposure Drafts will be issued.

Do you agree with this approach?

- 55 Do EFRAG SRB members agree with the above timeline?
- 56 Do EFRAG SRB members agree with the description of the deliverables?
- 57 Do EFRAG SRB have other comments on this document?
- 58 Do EFRAG SRB approves this document to be used as a basis of the consultation by the EC on EFRAG work programme, as required by the CSRD (subject to the changes agreed in this meeting)?

