

# EFRAG NORDIC OUTREACH EVENT

## EUROPEAN SUSTAINABILITY REPORTING STANDARDS



Kristian Kocktvedgaard  
Head of VAT, Audit and Accounting  
17 June 2022



Confederation of Danish Industry

# **OPENING AND WELCOME**

**BY/**

**KRISTIAN KOKTVEDGAARD,**

**CONFEDERATION OF DANISH INDUSTRY**

**MEMBER OF EFRAG SUSTAINABILITY REPORTING BOARD**



# Agenda

- 9:00 Opening and Welcome
- 9:05 The background for the EFRAG ESRS Standards
- 9:20 The Cross Cutting Standards
- 10:20 Coffee break
- 10:40 The Cross Cutting Standards (cont)
- 11:10 The Environmental reporting standards
- 12:20 Lunch break
- 13:00 The Social reporting standards
- 13:40 Quick coffee break
- 13:50 The Governance reporting standards
- 14:25 Closing remarks



**FIND ALL THE DRAFTS AND LINK TO  
THE CONSULTATION HERE:**



**PUBLIC CONSULTATION ON THE  
FIRST SET OF DRAFT ESRS – EFRAG  
[HTTPS://WWW.EFRAG.ORG/LAB3](https://www.efrag.org/lab3)**

# **THE EFRAG MANDATE**

**BY/**

**PATRICK DE CAMBOURG**

**CHAIR OF THE EFRAG PROJECT TASK FORCE**

**MEMBER OF EFRAG SUSTAINABILITY REPORTING BOARD**



# European Sustainability Reporting Standards

**NORDIC OUTREACH**

17 June 2022



## DISCLAIMER

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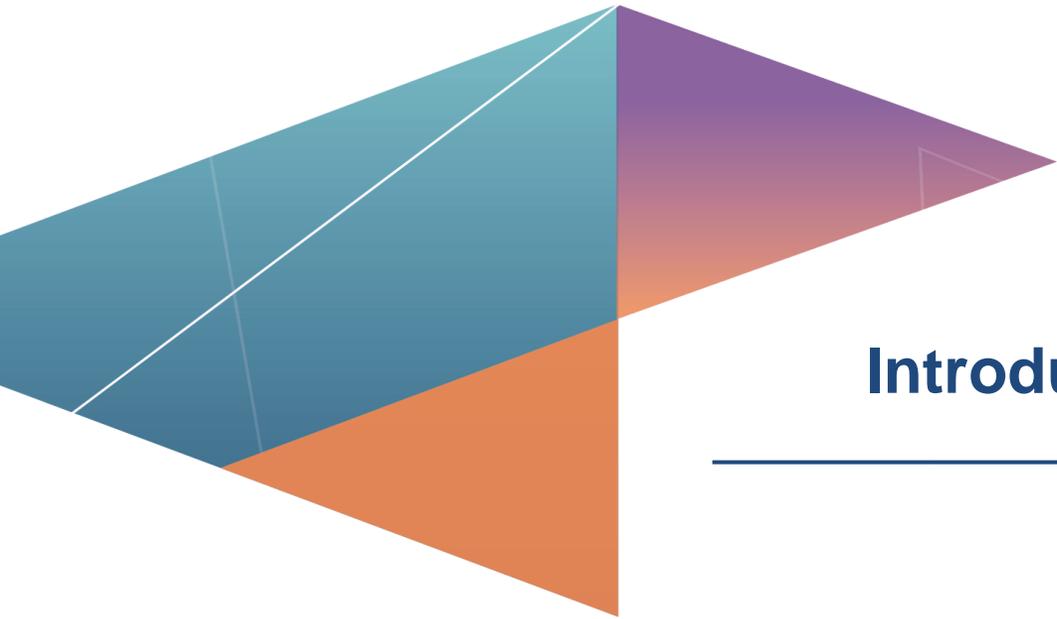
These slides have been prepared by the EFRAG Secretariat supporting the presentations of the Exposure Drafts on the first set of draft ESRS in outreach events. The slides do not represent the official views of EFRAG or any individual member of the EFRAG Sustainability Reporting Board (EFRAG SRB), EFRAG Sustainability Reporting TEG, EFRAG PTF-ESRS or the EFRAG Administrative Board. The slides are made available to enable the public to follow the discussions in the outreaches.

The Exposure Drafts have been prepared solely by the EFRAG PTF-ESRS and submitted to public consultation by EFRAG SRB to inform the upcoming standard-setting steps. They, therefore, do not reflect the EFRAG SRB's position at this stage, nor the position of the European Union or European Commission DG Financial Stability, Financial Services and Capital Markets Union (DG FISMA), nor the position of organisations with which the EFRAG PTF-ESRS has cooperated.

# Agenda

1. Introduction and ESRS overview
2. ESRS 1- 2: Cross-cutting standards

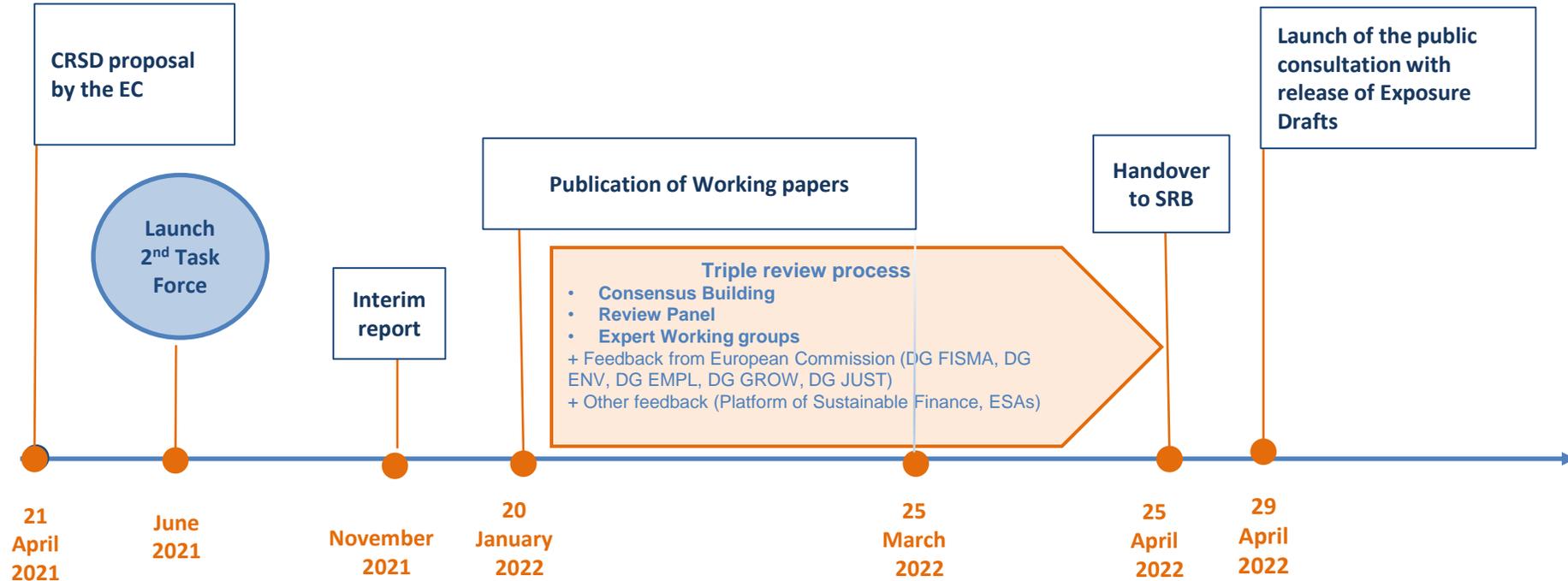




## **Introduction and overview**

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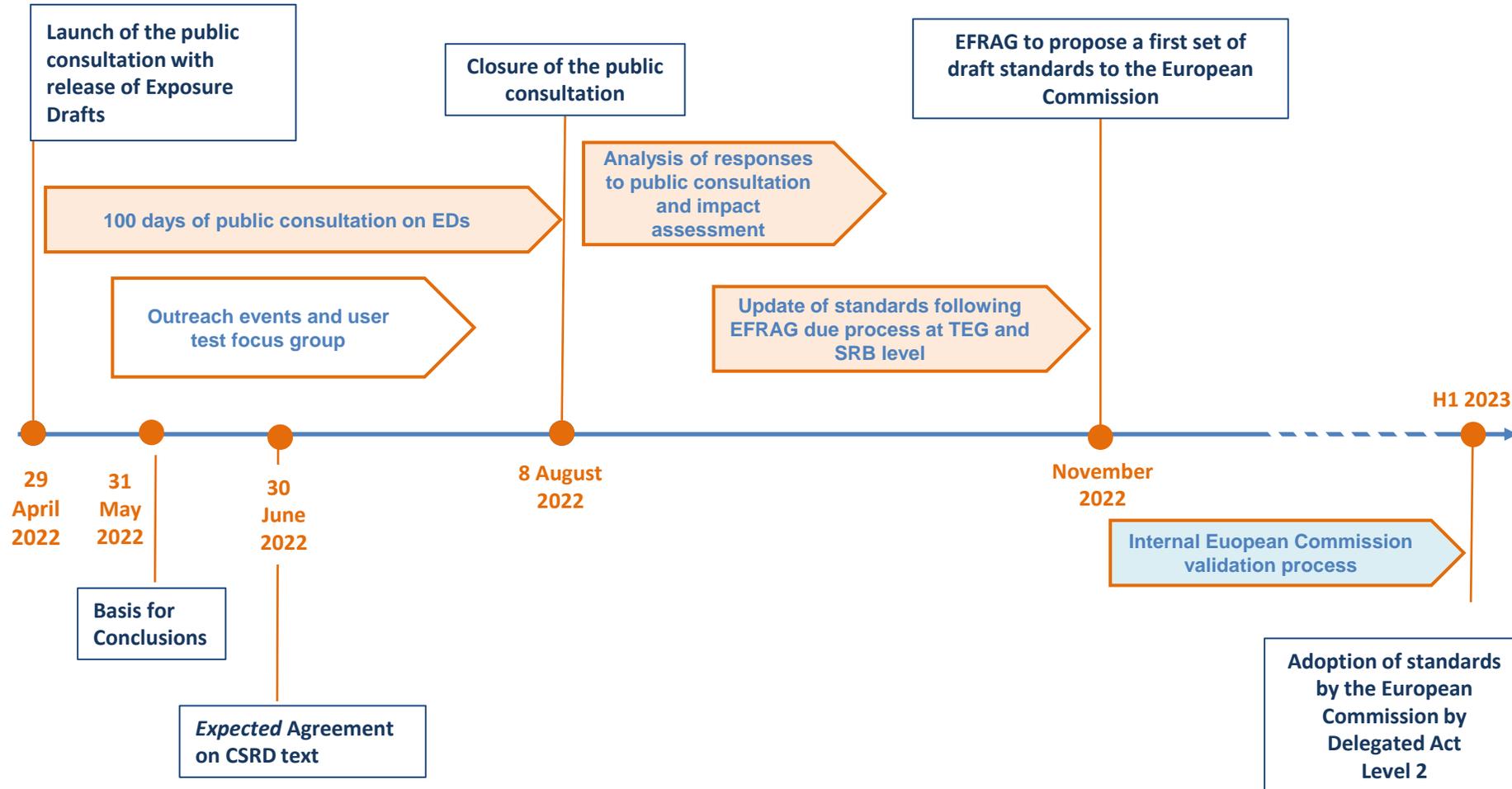
# Drafting exposure drafts for a first set of ESRs: 11 months in “project mode”



**2nd Task-Force re-launched in June 2021** following mission letter from Commissioner McGuinness received on 12 May 2021 in order to start elaborating standards in project mode (PTF):

- 35 members from 13 different Member States
- Supported by Secretariat members (30 full-time equivalent)
- Input from Expert Working Groups (appointed in November 2021)
- Co-construction with GRI, Shift, WICI + dialogue with the IFRS Foundation (TRWG/ISSB) and
- meeting with the SEC

# From EDs to draft standards: 7 months in “institutional mode”



## The seven key features of the EDs

1. They may need to be adjusted to meet the requirements of the final CSRD
2. They take account of existing European law and initiatives
  - SFDR, Taxonomy Art. 8
  - A list of European texts (e.g. GHG allowance Directive, the EMAS regulation and European Commission recommendation on the life cycle environmental performance of products and services, see Basis for Conclusions)
  - Recent European initiatives (e.g. a Corporate Sustainability Due Diligence Directive (CSDDD))
3. They take account of European and international sustainability reporting initiatives
4. The overall architecture of Exposure Drafts is designed to ensure that sustainability information is reported in a carefully articulated manner (see next slide)
5. They address sustainability matters as per Article 19b of the CSRD proposal
6. They are a first step in a journey towards a faithful representation of sustainability performance (SME standard(s) and sector-specific standards in the 2<sup>nd</sup> set)
7. The public consultation will help to finetune relevance and comparability as well as explore ESRS implementation prioritisation / phasing-in options

# A coherent architecture to implement the CSRD provisions

Cross-cutting

T  
O  
P  
I  
C  
A  
L

Overall umbrella

Cross-cutting disclosures

Environment

Social

Governance

EXPOSURE DRAFT  
**ESRS 1**  
General principles  
April 2022

Open for comments until 8 August 2022

EXPOSURE DRAFT  
**ESRS 2**  
General, strategy, governance and materiality assessment disclosure requirements  
April 2022

Open for comments until 8 August 2022

EXPOSURE DRAFT  
**ESRS E1**  
Climate change  
April 2022

Open for comments until 8 August 2022

EXPOSURE DRAFT  
**ESRS E2**  
Pollution  
April 2022

Open for comments until 8 August 2022

EXPOSURE DRAFT  
**ESRS S1**  
Own workforce  
April 2022

Open for comments until 8 August 2022

EXPOSURE DRAFT  
**ESRS S2**  
Workers in the value chain  
April 2022

Open for comments until 8 August 2022

EXPOSURE DRAFT  
**ESRS G1**  
Governance, risk management and internal control  
April 2022

Open for comments until 8 August 2022

EXPOSURE DRAFT  
**ESRS E3**  
Water and marine resources  
April 2022

Open for comments until 8 August 2022

EXPOSURE DRAFT  
**ESRS E4**  
Biodiversity and ecosystems  
April 2022

Open for comments until 8 August 2022

EXPOSURE DRAFT  
**ESRS S3**  
Affected communities  
April 2022

Open for comments until 8 August 2022

EXPOSURE DRAFT  
**ESRS S4**  
Consumers and end-users  
April 2022

Open for comments until 8 August 2022

EXPOSURE DRAFT  
**ESRS G2**  
Business conduct  
April 2022

Open for comments until 8 August 2022

EXPOSURE DRAFT  
**ESRS E5**  
Resource use and circular economy  
April 2022

Open for comments until 8 August 2022

## **Main success factors of the ESRS**

- 1. Information quality (in particular: relevance and sector-agnostic comparability)**
- 2. Coherence with EU policy objectives (content and timing)**
- 3. Compatibility with international initiatives**
- 4. Exercise of judgement to foster proportionate implementation**
- 5. Balanced combination of narrative, semi-quantitative and quantitative information**
- 6. Connectivity to ensure seamless standardised corporate reporting**
- 7. Flexibility in presentation (sustainability statements and incorporation by reference)**

## **Main challenges of the ESRS**

- 1. A real challenge for first time reporters**
- 2. Overall depth of required information (to be fine tuned and/or phased-in)**
- 3. Assessment of material IROs and rebuttable presumption**
- 4. Boundary issues**
- 5. Meeting expectations of all stakeholders**
- 6. Avoiding multiple reportings**

## Public consultation as a key element of the standard setting due process

- **Feedback from constituents on three key aspects of the EDs and the survey has followed the same structure :**
  1. The relevance of (i) the proposed architecture, (ii) the implementation of the CSRD principles and (iii) the overall content of each ED
  2. The possible options for prioritising / phasing-in the implementation of the ESRS, and
  3. the adequacy of each disclosure requirement mandated by each ED.
- **Section 3 of the survey on disclosure requirements split as follows:**
  - 3A. Cross Cutting standards
  - 3B. Environmental standards
  - 3C. Social standards
  - 3D. Governance standards
- **Respondents are strongly encouraged to respond to section 1 and 2.**
- **Due to comprehensive nature of section 3, constituents may select the questions and standards to which they provide feedback (no need for complete responses).**

## Public consultation as a key element of the standard setting due process

- **Other information included in the public consultation:**
  - Cover note
  - Appendix I: Navigating the ESRS
  - Appendix II: CSRD requirements mapping
  - Appendix III: SFDR PAI mapping
  - Appendix IV: TCFD recommendations and ESRS reconciliation table
  - Appendix V: IFRS Sustainability standards and ESRS reconciliation table
  - Appendix VI: Acronyms and glossary of terms
- **EC survey tool**
- **Not consulting on second set of draft ESRS (SMEs and and sector specific)**
- **Outreaches during consultation period**

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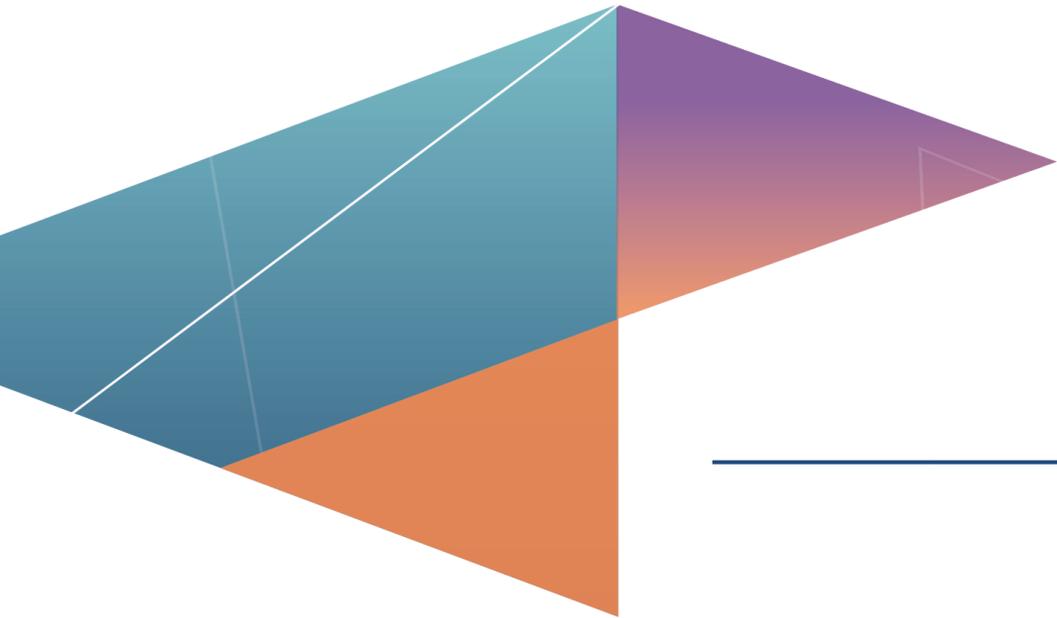
# **THE CROSS CUTTING STANDARDS**

**BY/**

**CHIERA DEL PRETE**

**ACTING EFRAG SUSTAINABILITY REPORTING TEG CHAIR**





## **Cross-cutting:**

ESRS 1 General principles

ESRS 2 General, strategy,

governance and materiality assessment.

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**Polling question on  
Architecture**

# Chapter 1 Reporting under ESRS: implementation of the “rules of three”

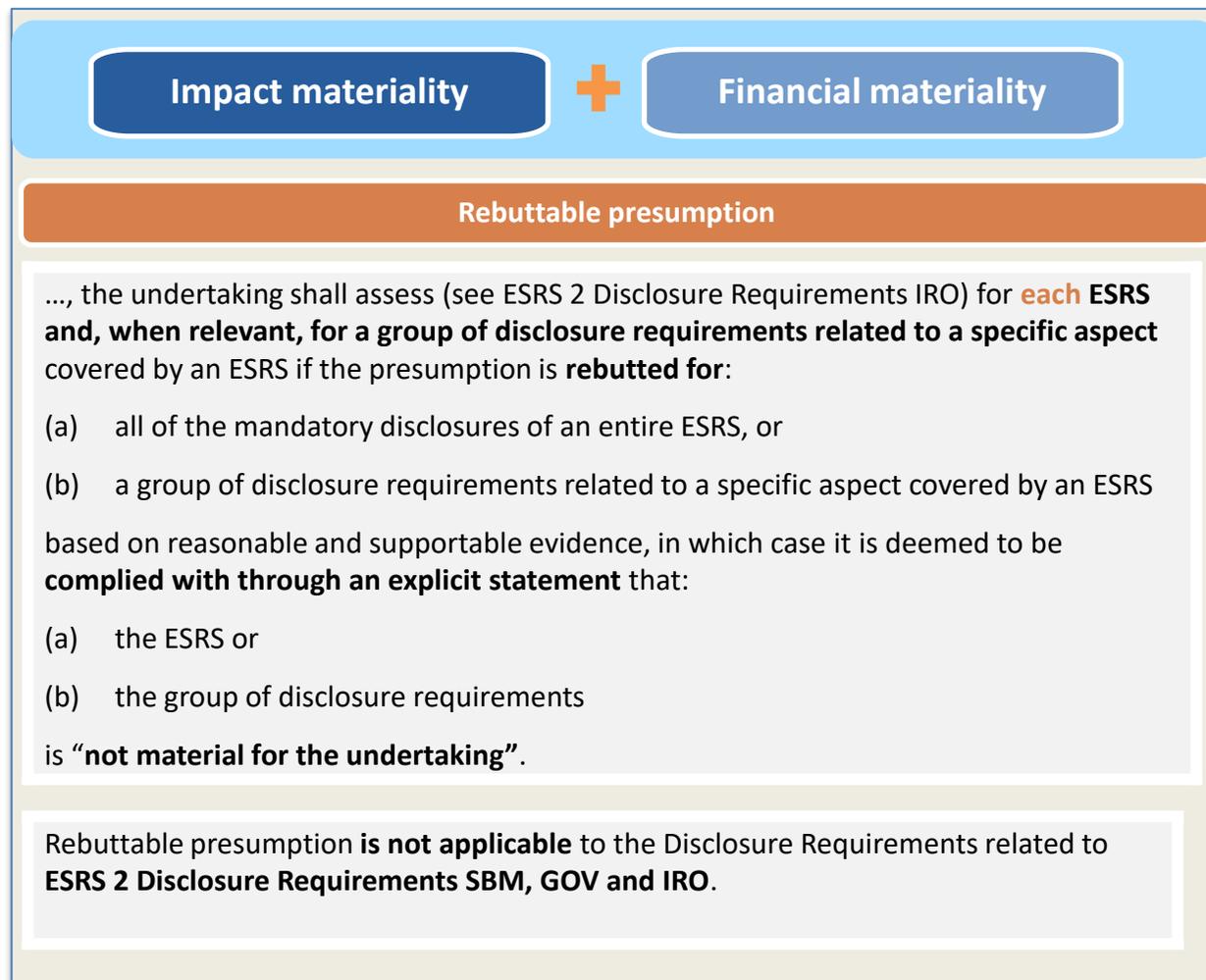
(CSRD information quality) **High degree of comparability** across undertakings:  
standardized **sector-agnostic (and sector specific) disclosure requirements are mandated**  
for all undertakings

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

## ESRS 1 – Key concepts: Double materiality and the possibility of rebutting the presumption of materiality



- No additional costs expected compared to assessing materiality without a list of requirements - in both cases judgement and evidence are required
- Having a predefined list supports comparability
- Having to rebut the presumption mitigates the risk of loss of relevant information

## Chapter 2 Applying CSRD concepts: 2.2 Double materiality: From mandated DR to information material for the undertaking

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

-

Rebuttable presumption (at level of ESRS or group of DR)

-

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”

+

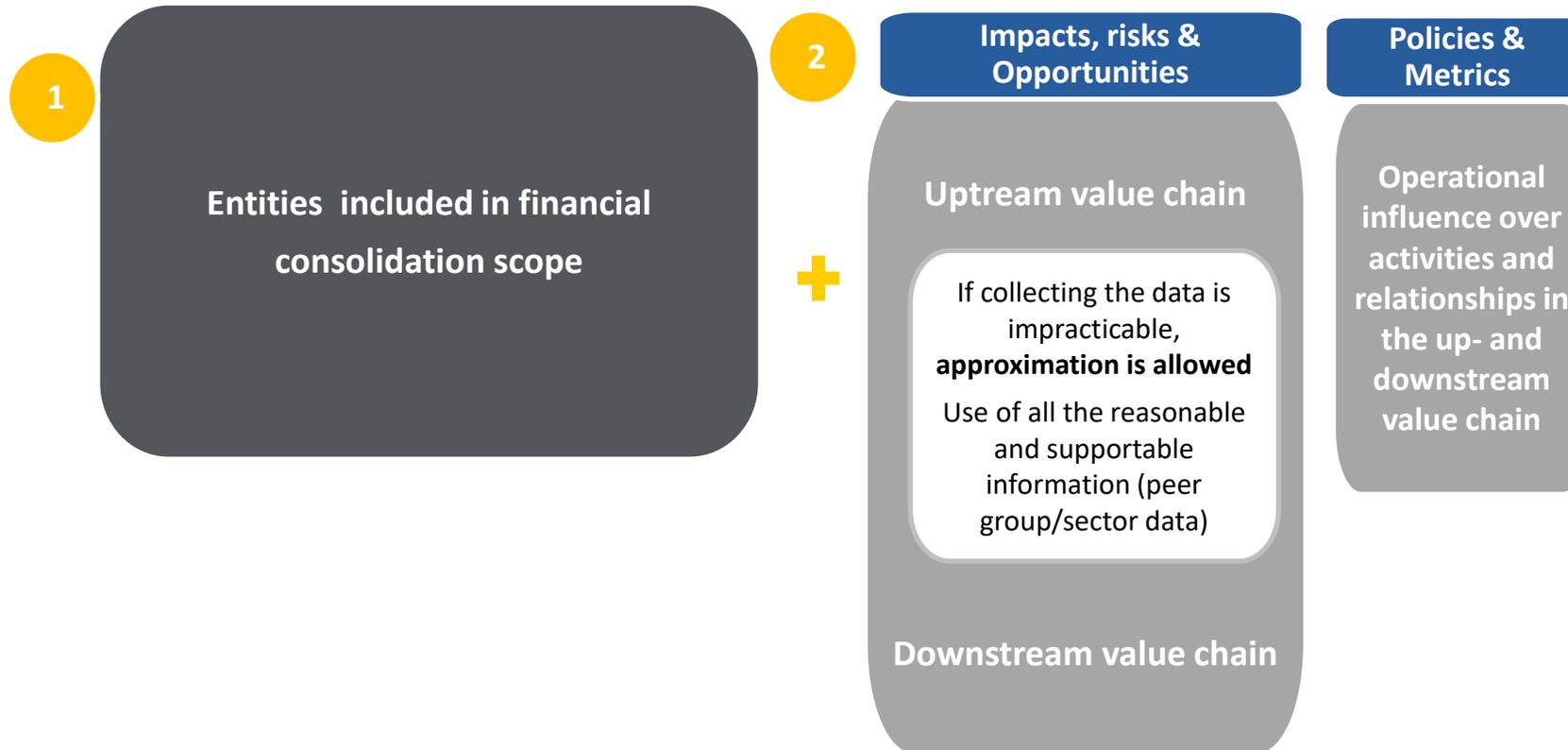
Entity specific disclosures

=

**Material disclosure requirements for the undertaking**

Polling question  
on rebuttable  
presumption

## ESRS 1 – Key concepts: Boundaries and value chain: Consolidation scope plus up- and down-stream



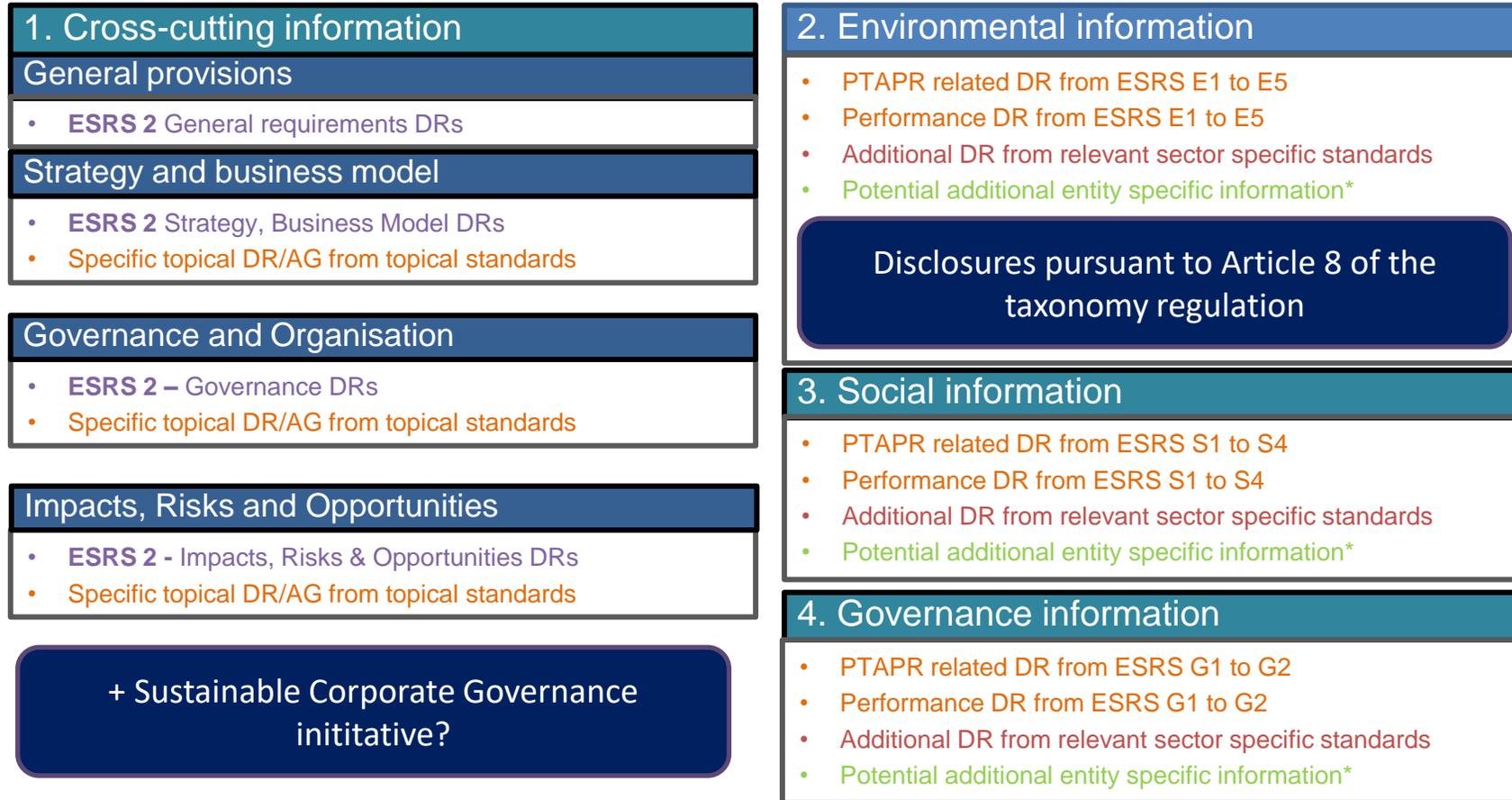
Not all the data need to include value chain information: “Risk-based” approach and link to materiality. The boundary has to be expanded when the integration is necessary to allow a proper understanding of material impacts, risks and opportunities and to produce a set of complete information that meets the qualitative characteristics of information quality.

## Chapter 6 - Structure of sustainability statements: Three presentation options give flexibility. Incorporation by reference to other sections of MR

6	Structure of the sustainability statements	Content of the sustainability statements
		<p>6.1 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>
		Structure of the sustainability statements
		<p>6.2 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>

**Par. 135/146 and AG 33 of ESRS 1:** information mandated by ESRS may be incorporated by reference to another section of the MR (if separate, clearly identified as addressing the relevant ESRS disclosure requirement). A list of incorporation by references is required. Incorporation by reference to the financial statements is also allowed.

# ESRS Overview : Sustainability statements – as a second pillar of standardised corporate reporting



\*Prepared in compliance with ESRS 1 general provisions

**NOTE:**  
**DR:** Disclosure requirement  
**AG:** Application Guidance  
**PTAPR:** Policies, targets, action plans and resources (Implementation reporting area)  
**Performance:** Performance measures

## Overview of ESRS 2

**22** Disclosure requirements

Provides DRs for principles laid out in  
ESRS 1

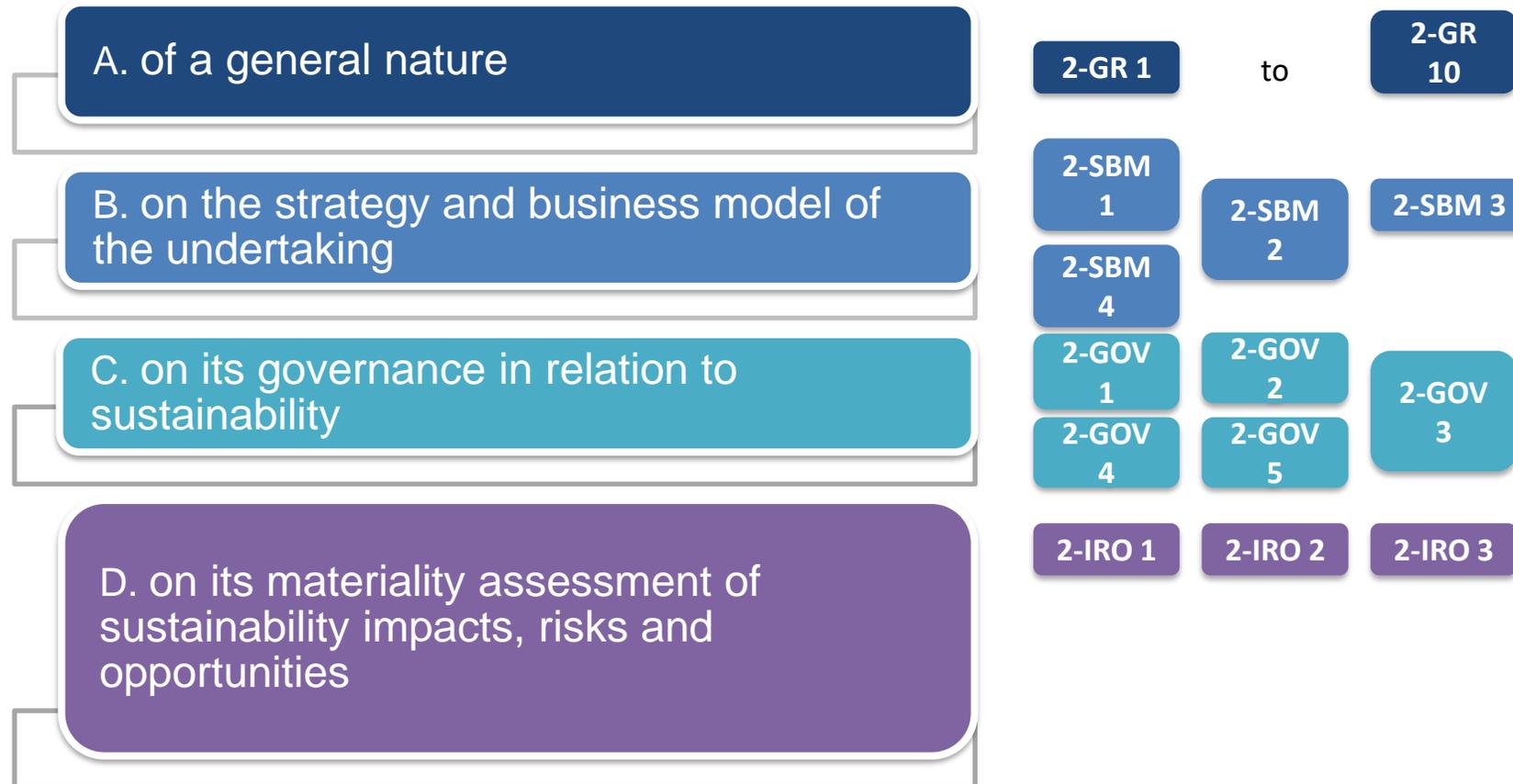
Not subject to "rebuttable  
presumption" = fully mandatory

Cross-cutting  
= provides context for all topical DRs

1st step in sustainability reporting in line with ESRS:  
**MATERIALITY ASSESSMENT**

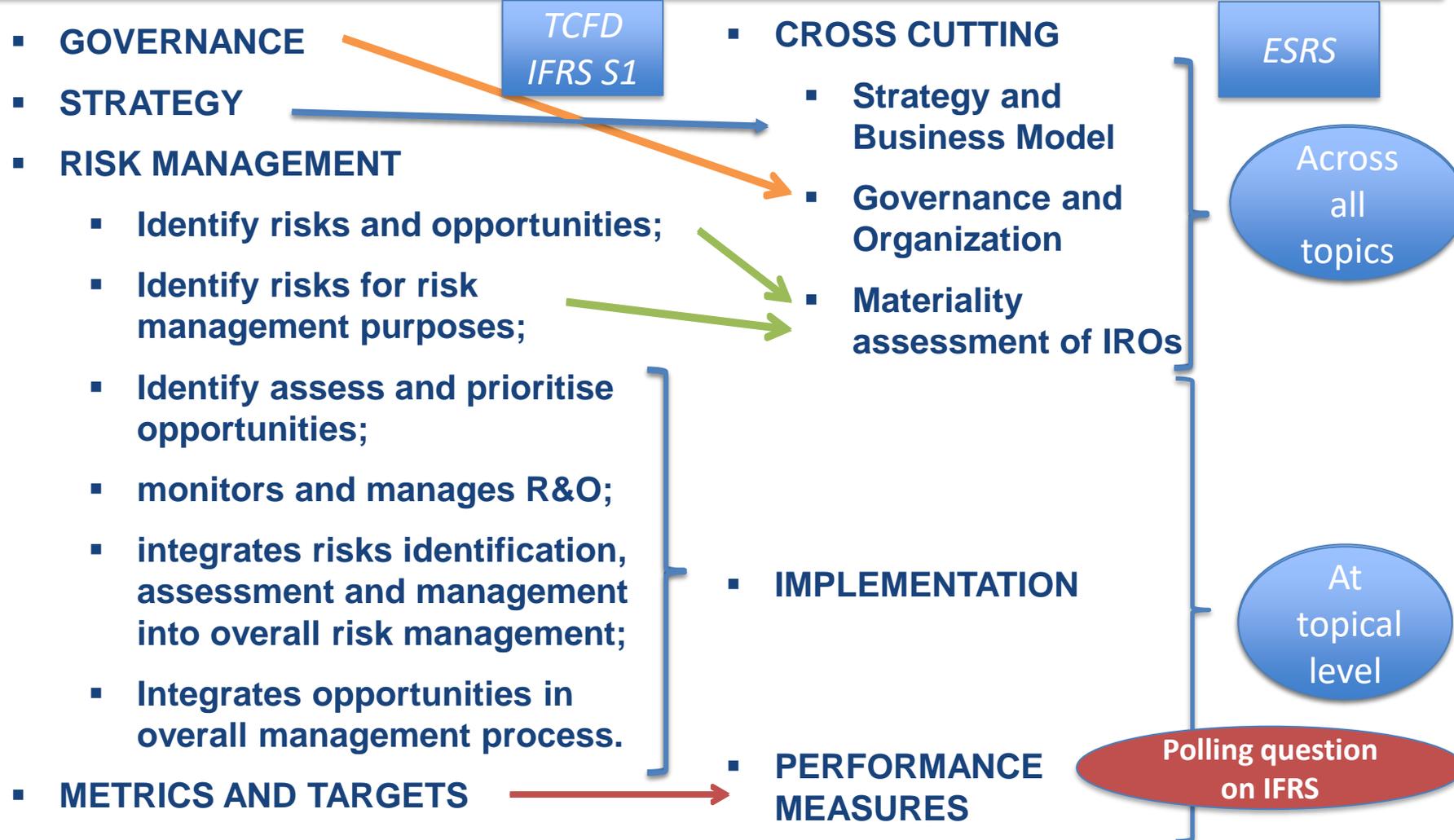
## Objective and Overview: Objective of ESRS 2

To set out the disclosure requirements of the undertaking's sustainability reporting that are of a cross-cutting nature. They are those:



# Compatibility with TCFD and IFRS S1 core contents

The structure and location of ESRS requirements reflects the need to cover the entire set of topics (not only one topic). Cross-cutting contents are dealt with in a single place, while implementation and performance measures are left at topical level



# Objective and Overview: Disclosure Requirements of ESRS 2 (I/II)

## GENERAL CHARACTERISTICS

DR 2-GR1: **General characteristics** of the sustainability reporting of the undertaking

DR 2-GR2: **Sector(s) of activity**

ISSB SFDR

DR 2-GR3: **Key features** of the value chain

ISSB TCFD

DR 2-GR4: **Key drivers** of the value creation

ISSB

DR 2-GR5: **Using approximations** on the disclosure in relation to boundary and value chain

DR 2-GR6: Disclosing on significant **estimation uncertainty**

ISSB

DR 2-GR7: **Changes** in preparation and presentation

ISSB

DR 2-GR8: Prior period **errors**

ISSB

DR 2-GR9: On other sustainability reporting **pronouncements**

ISSB

DR 2-GR10: General **statement of compliance**

ISSB

## STRATEGY & BUSINESS MODEL

DR 2-SBM1: **Overview** of strategy and business model

ISSB CSRD

DR 2-SBM2: Views, interests and expectations of **stakeholders**

ISSB CSRD

DR 2-SBM3: **Interaction of impacts and the undertaking's Strategy** and business model

ISSB CSRD

DR 2-SBM4: **Interaction of risks and opportunities and the undertaking's strategy** and business model

TCFD CSRD  
ISSB

# Objective and Overview: Disclosure Requirements of ESRS 2 (II/II)

GOVERNANCE	
DR 2-GOV1: <b>Roles and responsibilities</b> of the administrative, management and supervisory bodies	TCFD ISSB CSRD
DR 2-GOV2: <b>Information</b> of administrative, management and supervisory bodies <b>about sustainability matters</b>	TCFD ISSB
DR 2-GOV3: <b>Sustainability matters addressed</b> by the undertaking's administrative, management and supervisory bodies	ISSB
DR 2-GOV4: Integration of sustainability strategies and Performance in <b>incentive schemes</b>	TCFD ISSB
DR 2-GOV5: Statement on <b>due diligence</b>	ISSB SFDR

IMPACTS, RISKS & OPPORTUNITIES	
DR 2-IRO1: <b>Description of the processes</b> to identify material sustainability impacts, risks and opportunities	ISSB CSRD TCFD
DR 2-IRO2: <b>Outcome of the undertaking's assessment</b> of material sustainability impacts, risks and opportunities as identified by reference to and in compliance with <b>sector-agnostic and sector-specific level ESRS</b>	SFDR ISSB CSRD TCFD
DR 2-IRO3: <b>Outcome of the undertaking's assessment</b> of material sustainability impacts, risks and opportunities that are not covered by an ESRS ( <b>entity-specific level</b> )	SFDR ISSB CSRD TCFD

## Focus on DR – GOV 5: Statement on due diligence

### DR related to Governance in ESRS 2

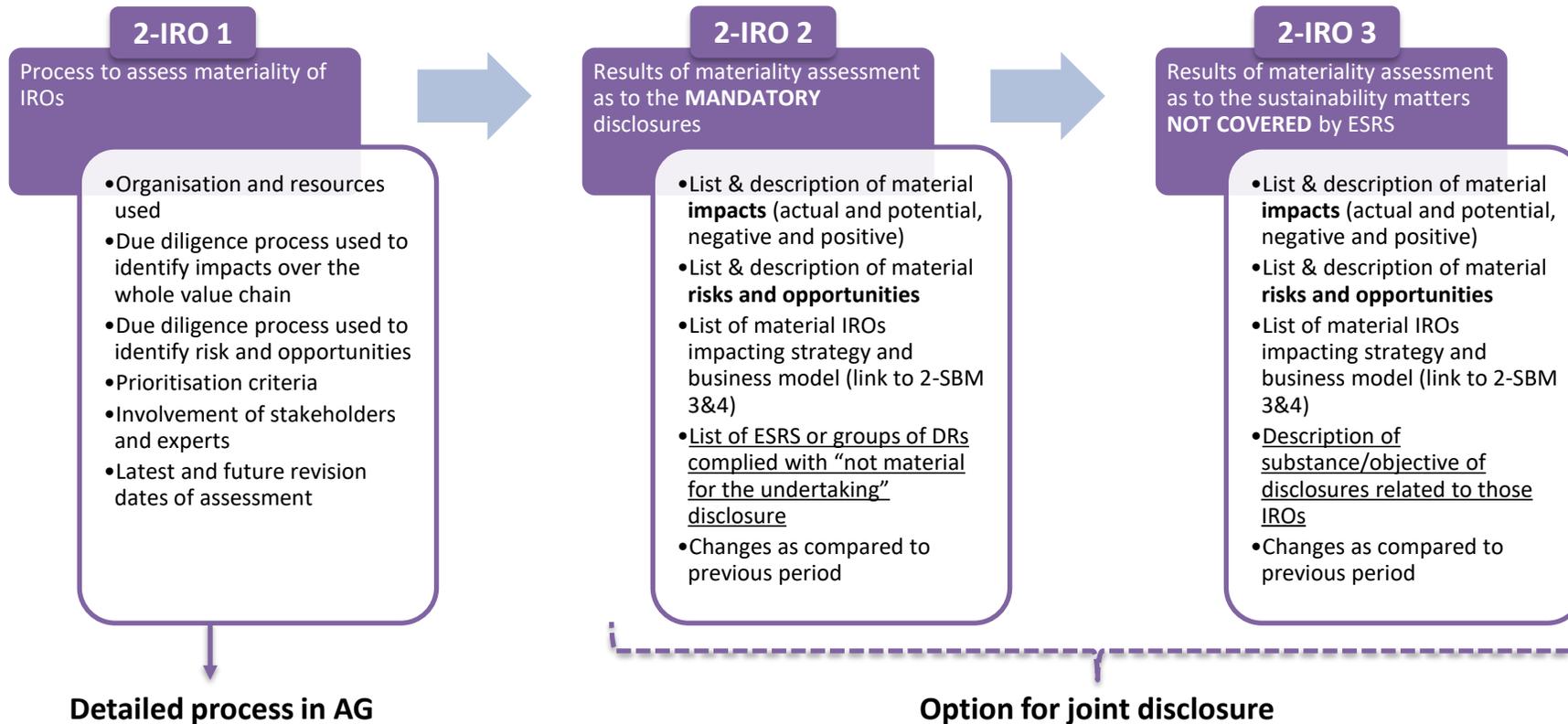
#### DR 2- GOV 5: Statement on due diligence

The undertaking shall provide a mapping that reconciles the main aspects of sustainability due diligence to the relevant disclosures in its sustainability statements

Main aspect of sustainability due diligence	Relevant disclosures
<ul style="list-style-type: none"><li>• Embedding due diligence in governance and organizations</li></ul>	
<ul style="list-style-type: none"><li>• Engaging with stakeholders</li></ul>	
<ul style="list-style-type: none"><li>• Identifying and assessing adverse impacts</li></ul>	
<ul style="list-style-type: none"><li>• Taking action</li></ul>	
<ul style="list-style-type: none"><li>• Tracking effectiveness and communicating</li></ul>	

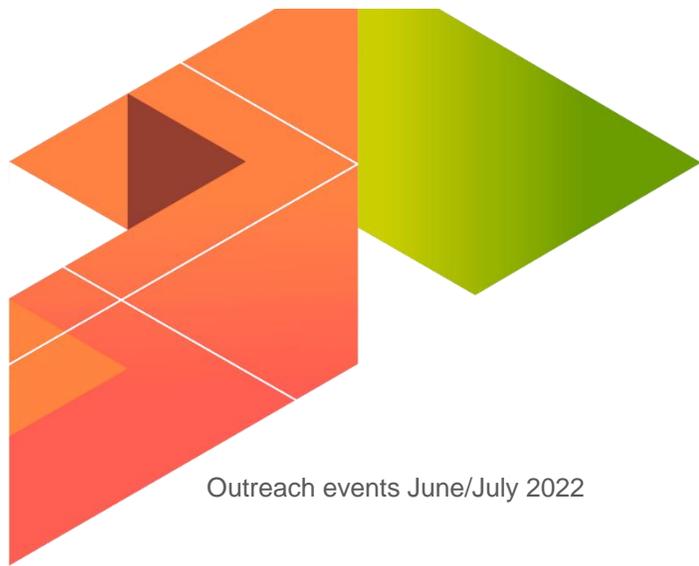
## Focus on DR – IRO1, 2 and 3

DRs related to Materiality assessment impacts, risks and opportunities in ESRS 2





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



# THE CROSS CUTTING STANDARDS

## PANEL DISCUSSION

**Sofia Bildstein-Hagberg**, Senior Advisor Corporate Reporting, Confederation of Swedish Enterprise (Teams)

**Lene Bjørn Serpa**, Head of Corporate Sustainability & ESG, A.P.Møller – Mærsk

**Kirsten Margrethe Hovi**, VP & ESG Advisor to the CFO, Norsk Hydro

**Andreas Gustafsson**, General Counsel Europe and Chairman of Nasdaq Stockholm AB (Teams)

**Kirsi Saaristo**, ESG Reporting and Assurance Lead, KPMG Finland (Teams)

### **Moderator**

**Kristian Kокtvedgaard**, DI

Member of EFRAG Sustainability Reporting Board



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# BREAK



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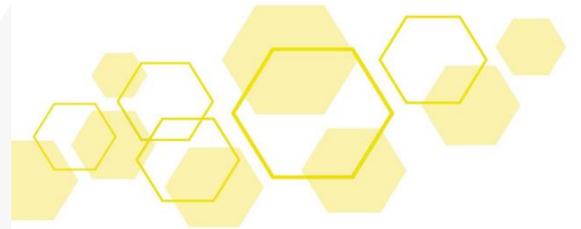
EXPOSURE DRAFT

**ESRS 2**  
General, strategy, governance and  
materiality assessment

EXPOSURE DRAFT

**ESRS 1**  
General principles

April 2022



Open for comments until 8 August 2022

**PTF-ESRS**  
Project Task Force on European sustainability reporting standards

**EFRAG**

 **EFRAG**



# THE CROSS CUTTING STANDARDS

## PANEL DISCUSSION (CONT)

**Sofia Bildstein-Hagberg**, Senior Advisor Corporate Reporting, Confederation of Swedish Enterprise (Teams)

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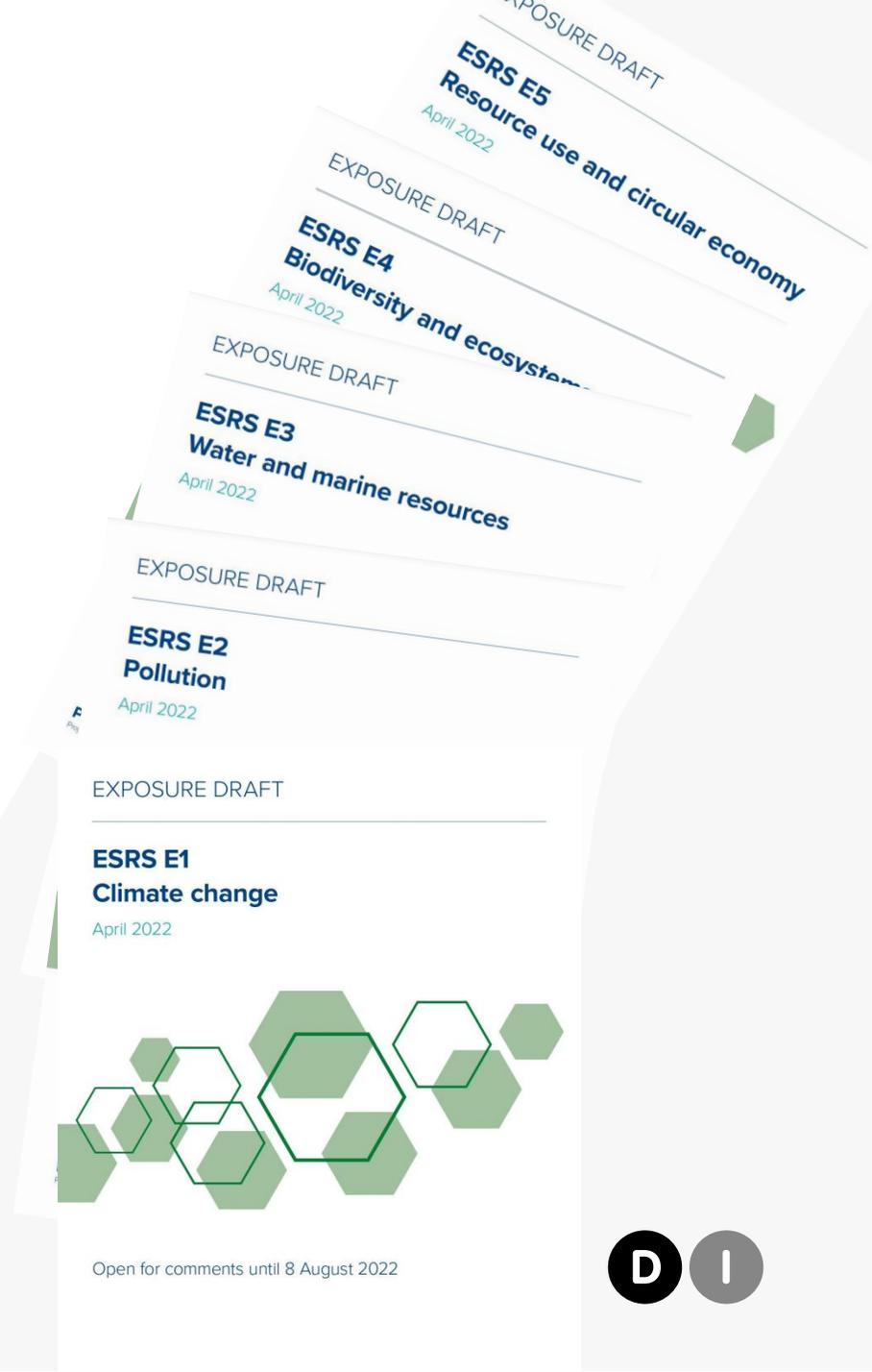
**Kristian Kокtvedgaard**, DI

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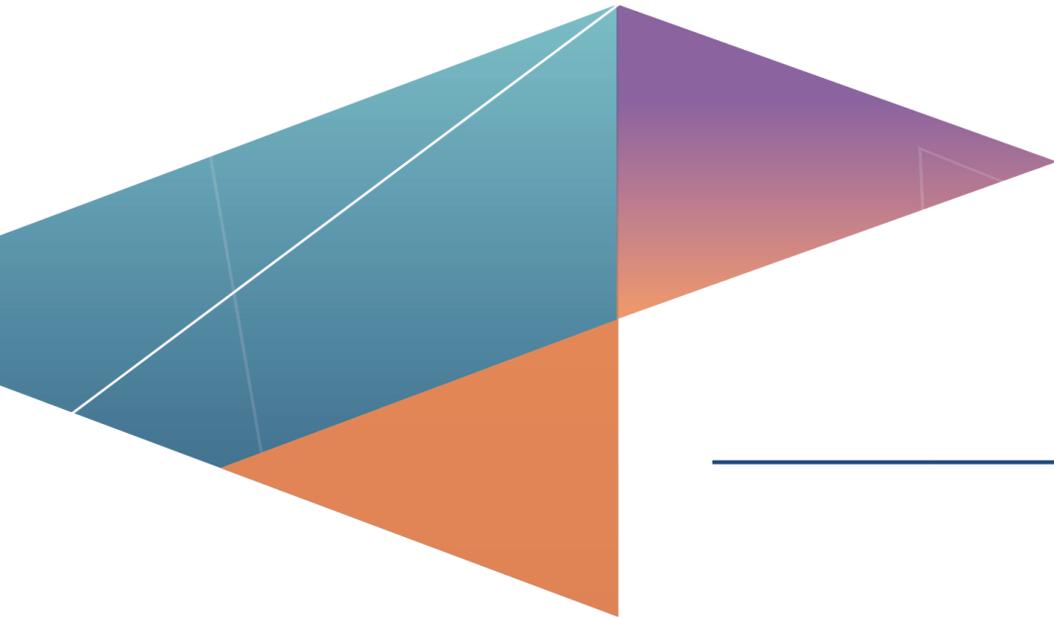
# **THE ENVIRONMENTAL STANDARDS**

**BY/**

**MIKAEL NISKALA**

**MEMBER OF THE EFRAG PROJECT TASK FORCE**





## **Environment:**

E1 Climate change

E2 Pollution

E3 Water and marine resources

E4 Biodiversity and ecosystems

E5 Resource use and circular economy

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Mikael Niskala

EFRAG PTF-ESRS Member

# E1 Climate change: Disclosure Requirements

## Overall disclosure requirements

### ESRS E1 – Disclosure requirements and alignment with EU regulations and international initiatives

#### 1 Disclosure Requirement related to Strategy, Governance and materiality assessment

DR E1-1 – Transition plan for climate change mitigation

CSRD ISSB  
 CSDDD US SEC  
 TCFD

#### 2 Disclosure Requirements related to Policies, targets, action plans and resources

DR E1-2 – Policies implemented to manage climate change mitigation and adaptation

CSRD

DR E1-3 – Measurable targets for climate change mitigation and adaptation

CSRD ISSB  
 US SEC  
 TCFD

DR E1-4 – Climate change mitigation and adaptation action plans and resources

CSRD ISSB  
 Taxo

#### 3 Disclosure Requirements related to Performance measures

DR E1-5 – Energy consumption & mix

SFDR ISSB US SEC TCFD GRI

DR E1-6 – Energy intensity per net turnover

SFDR ISSB US SEC TCFD GRI

DR E1-7 – Scope 1 GHG emissions

SFDR ISSB US SEC TCFD GRI

DR E1-8 – Scope 2 GHG emissions

SFDR ISSB US SEC TCFD GRI

DR E1-9 – Scope 3 GHG emissions

SFDR ISSB US SEC TCFD GRI

DR E1-10 – Total GHG emissions

SFDR ISSB US SEC TCFD GRI

DR E1-11 – GHG intensity per net turnover  
 DR E1-12 – GHG removals in own operations and the value chain

SFDR ISSB US SEC GRI  
 CSRD

Optional DR E1-13 – GHG mitigation projects financed through carbon credits  
 Optional DR E1-14 – Avoided GHG emissions from products and services

CSRD\* ISSB US SEC  
 CSRD\* GRI

Taxonomy DR - Taxonomy Regulation for climate change mitigation and climate change adaptation

Taxo

DR E1-15 – Potential financial effects from material physical risks

ISSB US SEC TCFD

DR E1-16 – Potential financial effects from material transition risks

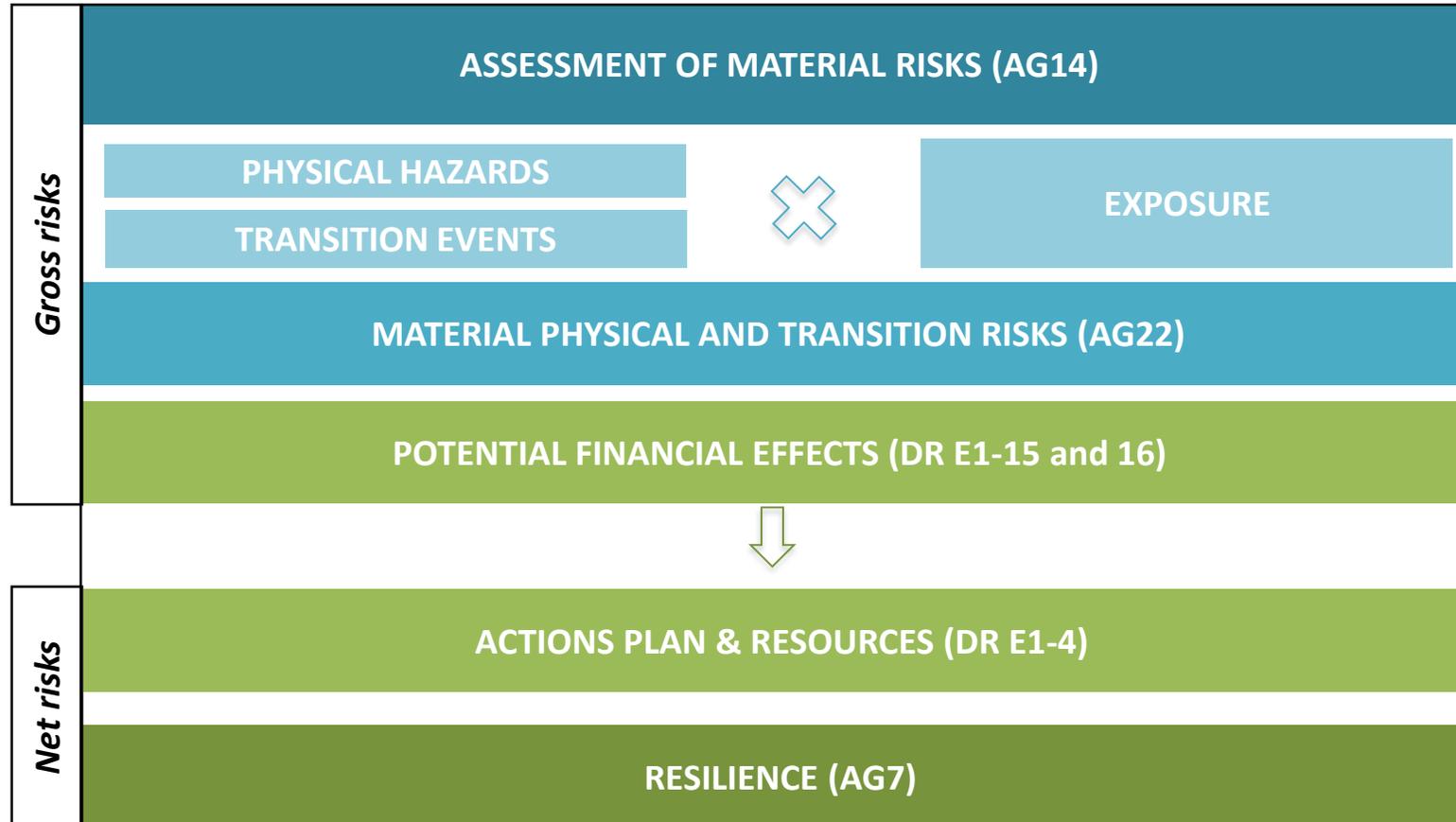
ISSB US SEC TCFD

DR E1-17 – Potential financial effects from climate-related opportunities

Taxo ISSB US SEC TCFD

# E1 Climate change: Disclosure Requirements Strategy, Governance and materiality assessment

ESRS E1 – Focus on Gross VS Net risks

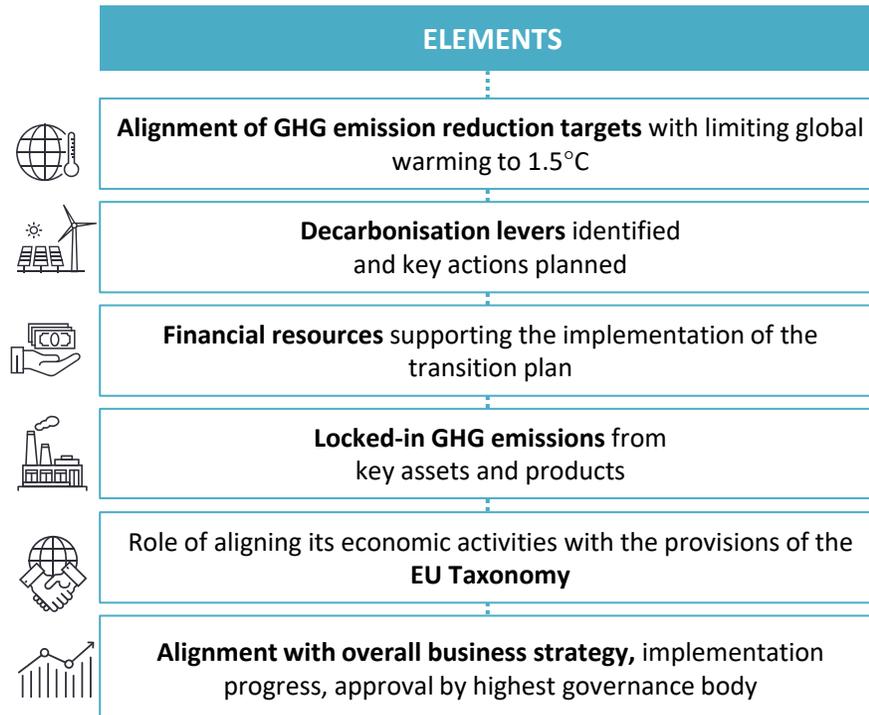


# E1 Climate change: Disclosure Requirements

## Strategy, Governance and materiality assessment

ESRS E1 – Focus on Transition Plan

### DR E1-1 Transition plan for climate change mitigation

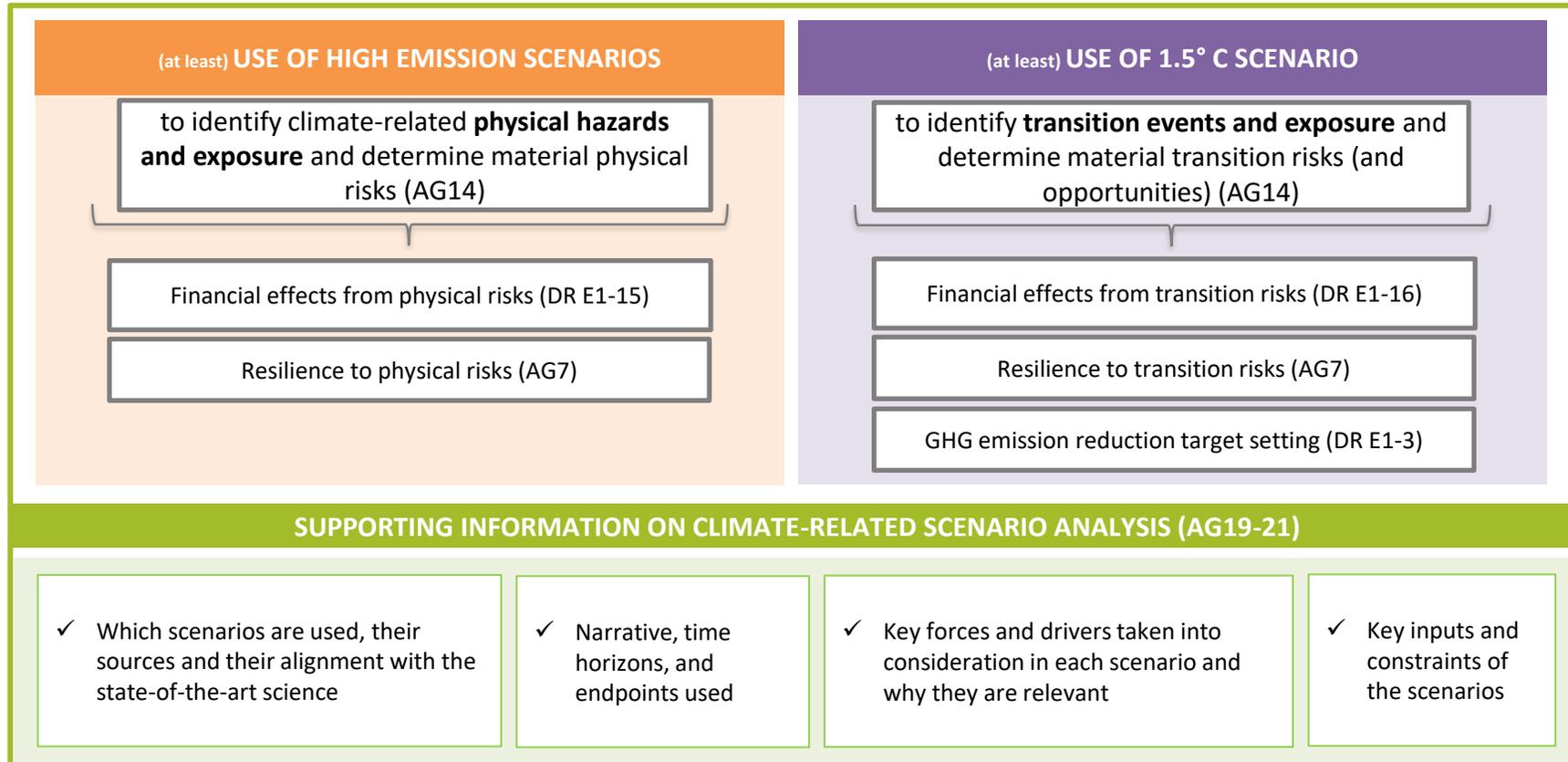


*“...the undertaking is expected to provide a high-level explanation on how it will adjust its strategy and business model to ensure compatibility with the transition to a climate-neutral economy and with limiting of global warming to 1.5°C in line with the Paris Agreement ... and shall, where applicable, refer to and contextualise information presented under other disclosures requirements of this [draft] standard.”*

# E1 Climate change: Disclosure Requirements

## Policies, targets, action plans and resources

### ESRS E1 – Focus on Scenario Analysis

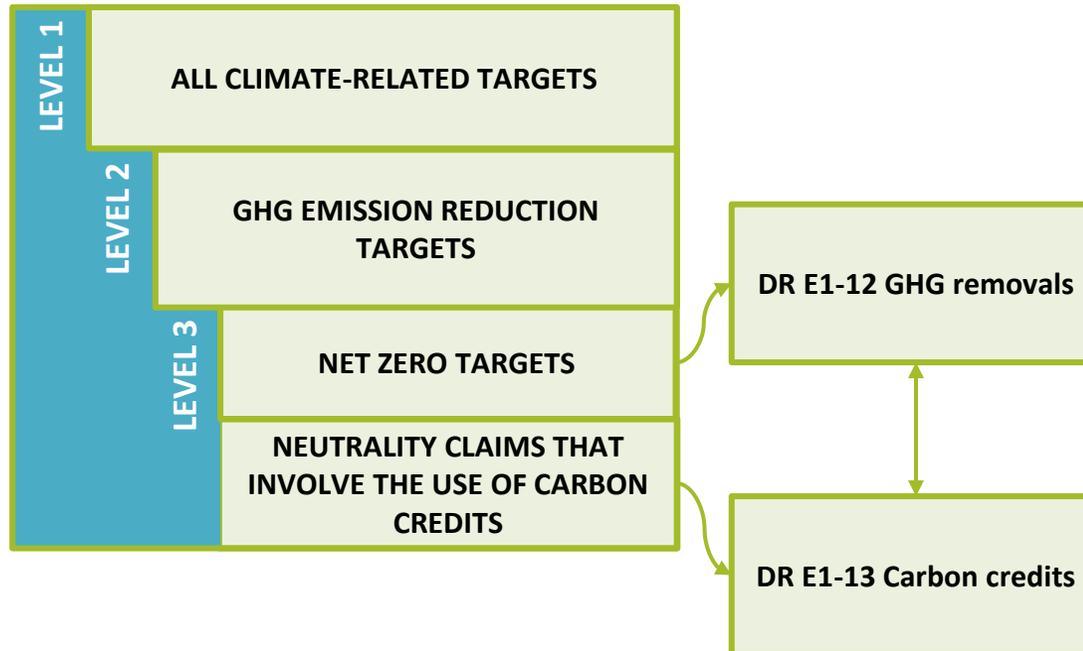


# E1 Climate change: Disclosure Requirements

## Policies, targets, action plans and resources

### ESRS E1 - Focus on targets

*“The undertaking shall disclose the climate-related targets it has adopted.”*



Reporting on GHG emission reduction targets:

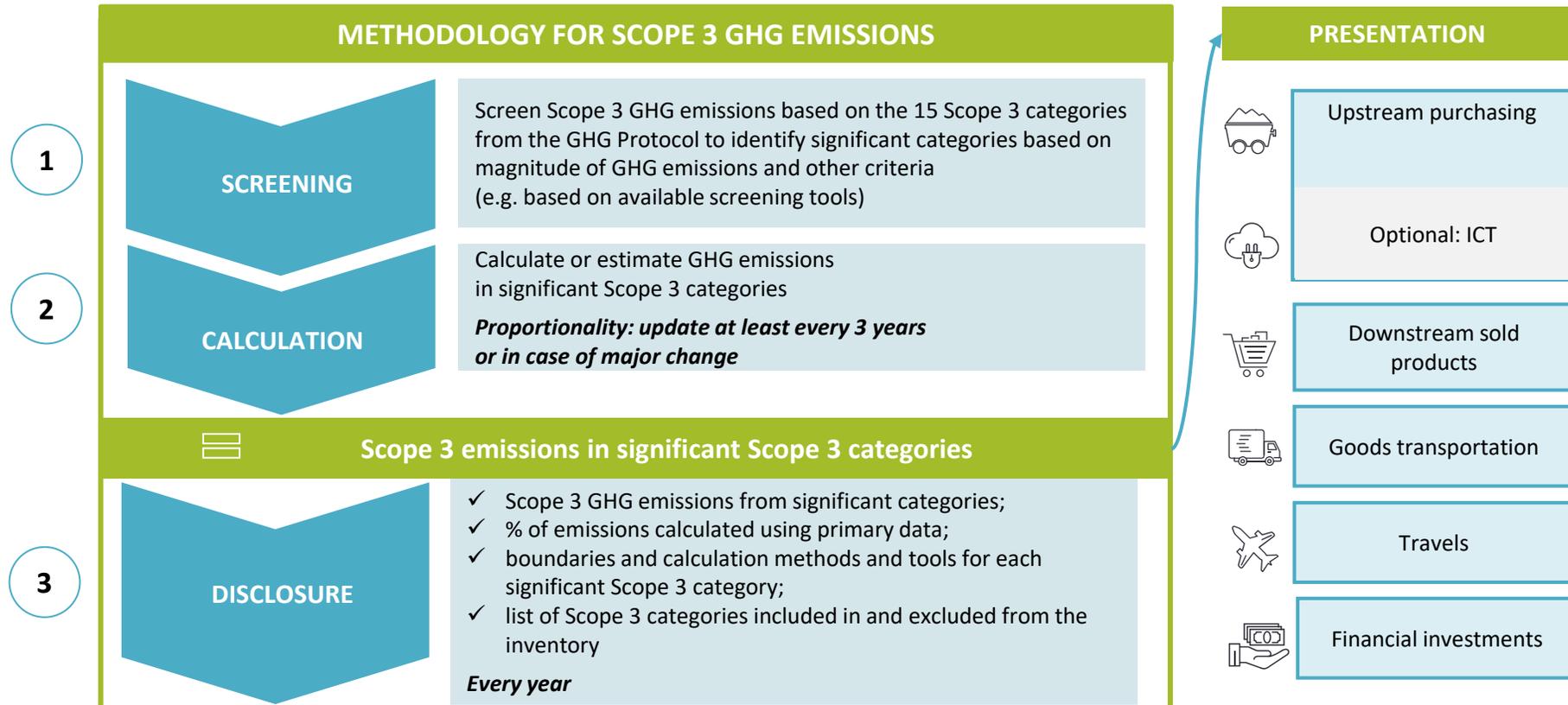
- Absolute targets
- Scope 1, 2 and 3
- No netting of emissions to claim target achievement
- From 2025 in 5-year rolling periods
- Science-based?
- Decarbonization levers to achieve targets

# E1 Climate change: Disclosure Requirements

## Performance measures

ESRS E1 – Focus on GHG Scope 3 methodology

### DR E1-9 Scope 3 GHG emissions

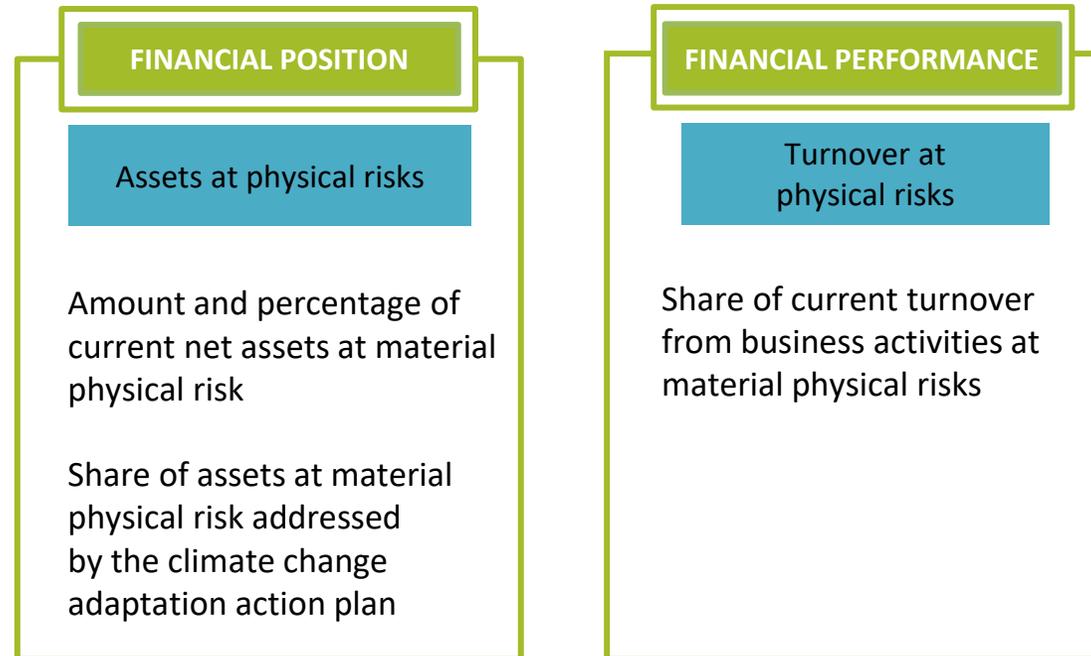


# E1 Climate change: Disclosure Requirements

## Performance measures

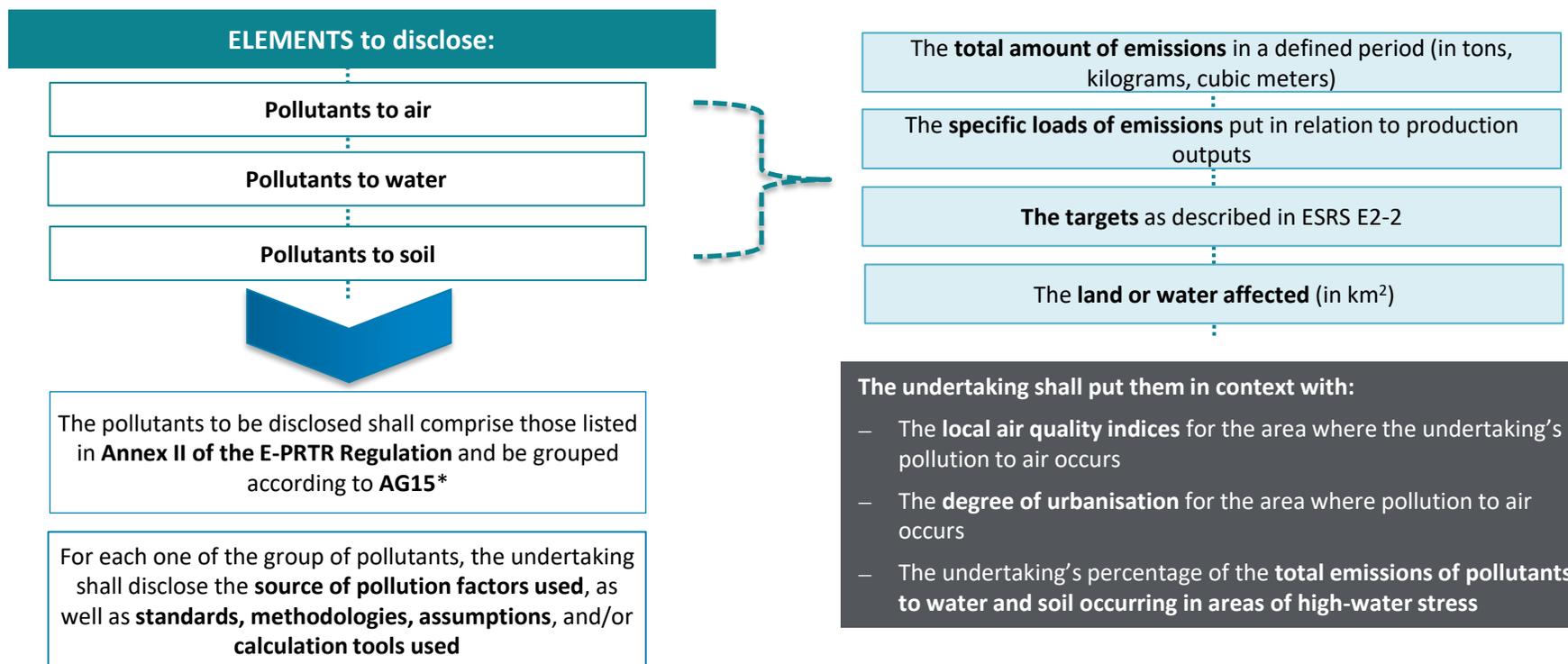
ESRS E1 – Focus on financial effects

### DR E1-15 – Potential financial effects from material physical risks



## E2 Pollution: Overview

*“The undertaking shall disclose the list of 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.”*



# E2 Pollution: Disclosure requirements

## Performance measurement

### 4 Disclosure Requirements related to performance measurement

- **DR E2-4** – Pollution to air, water and soil SFDR CSRD  
IED GRI
- **DR E2-5** – Substances of concern and most harmful substances CSRD  
Taxo ZPAP
- **DR E2-6** – Pollution-related incidents and deposit impacts and risks, and financial exposure to the undertaking CSRD
- **DR E2-7** – Potential financial effects from pollution-related impacts, risks and opportunities CSRD
- **Taxonomy Regulation**

#### *Pollution to air, water and soil*

- Information on the list and volumes of air, water and soil pollutants generated or used throughout the value chain, as well as the area affected where relevant (including Annex II E-PRTR).
- Link to degree of urbanisation and air quality indicators, as well as to the EU Industrial Emissions Directive and BAT/BREFs where relevant.

#### *Substances of concern*

- Specific information on the share of turnover and raw material costs related to these substances.

#### *Incidents and deposits*

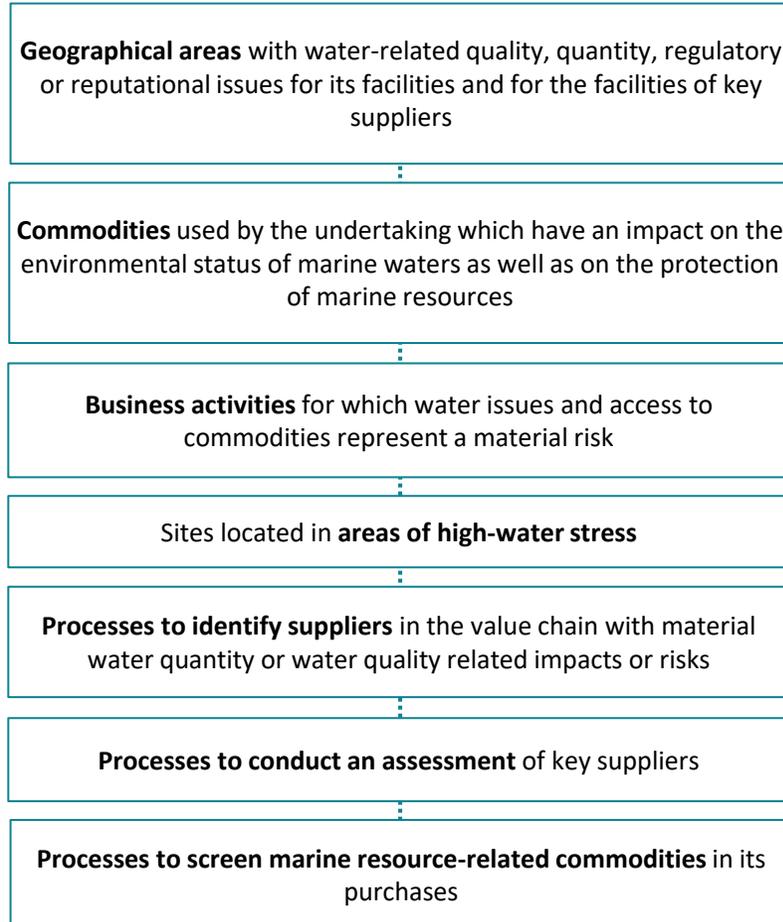
- Information on the main incidents and deposits, their impacts as well as their associated and provisioned costs.

SFDR

Link to additional indicators SFDR on Emissions of inorganic pollutants, air pollutants and ozone-depleting substances.

# E3 Water and marine resources: Overview

The process of identifying **material IROs** should include:



**Outcomes:**



**Recommended databases: WWF Water Risk Filter, World Resources Institute's (WRI) Water Risk Atlas tool Aqueduct, annex II to EU Recommendation 2021/2279 on the use of the Environmental Footprint methods.**

# E3 Water and marine resources: Disclosure requirements

## Performance measurement

### 4 Disclosure Requirements related to performance measurement

**DR E3-4:** Water management performance

SFDR CSRD

**DR E3-5:** Water intensity performance

CDP W GRI

CDSB CEO W

SFDR CSRD

CEO W

**DR E3-6:** Marine resources-related performance

CSRD

F Mer

**DR E3-7:** Potential financial effects from water and marine resources-related impacts, risks and opportunities

**Taxonomy regulation**

#### *Water*

- Volumes of water abstracted, consumed, discharged and link to ESRS E2.
- If relevant, volume of water recycled, reused or stored.
- If relevant, information on intensity.
- Information by geographical area and business segment.

#### *Marine resources*

- Nature and quantity of materials used from marine resources.
- Links with ESRS E5 on waste and plastic use, ESRS E2 on pollutants, ESRS E1 on GHG emissions, ESRS E4 on impacting land use or settlement changes.

SFDR

Link to SFDR principal indicator on Emissions to water and additional indicators on Water usage and recycling, Investments in companies without water management policies and Exposure to areas of high-water stress.

# E4 Biodiversity and ecosystems: Disclosure Requirements

## Strategy, governance and materiality assessment

### 1 Disclosure Requirement related to Strategy, Governance and materiality assessment

- **DR E4-1** – Transition plan in line with the targets of no net loss by 2030, net gain from 2030 and full recovery by 2050

TNFD

- Information on the compatibility of the business model with the EU Biodiversity Strategy 2030 and the Post-2020 Global Biodiversity Framework.
- Identification of biodiversity loss levers (threatened species, protected areas and key areas) in the value chain and remediation actions (avoid, minimise, restore, compensate) on the main resources/dependencies and assets concerned.

### Application guidance related to ESRS 2

- **AG on ESRS 2-SBM 4: Resilience** of strategy and business model

CSRD

TNFD

- **AG on ESRS 2-IRO 1 and 2: Biodiversity and ecosystems - related impacts, risks and opportunities**

CSRD

SFDR

TNFD

**Resilience** : advocating the use of scenarios (e.g. IPBES, ENCORE, etc.).

**Materiality assessment** :

- Advocacy of databases, assessment by geographical location and by commodity, consideration of threatened species, protected areas and key zones.
- Distinction between physical, transition and systemic risks, as well as opportunities in relation to TNFD and CDSB work.
- Presence of activity in biodiversity hotspots.

# E4 Biodiversity and ecosystems: Disclosure Requirements

## Policies, targets, action plans and resources and Performance measurement

### 3 Disclosure Requirements related to Policies, targets, action plans and resources

- **DR E4-2 – Policies** implemented to manage biodiversity and ecosystems **SFDR**
- **DR E4-3 – Measurable targets** for biodiversity and ecosystems
- **DR E4-4 – Biodiversity and ecosystems action plans and resources**

- Information in relation to the transition plan, as well as the hierarchy of levers: avoid, minimise, restore, compensate, and mitigate.
- Key role of the value chain, traceability of raw materials and suppliers, and importance of social issues of IROs including in relation to the use of genetic resources and interaction with local communities.

### 6 Disclosure Requirements related to performance measurement

- DR E4-5 – Pressure metrics**
- DR E4-6 – Impact metrics**
- DR E4-7 – Response metrics**
- DR E4-8 – Biodiversity-friendly consumption and production metrics**
- DR E4-9 – Biodiversity offsets**
- DR E4-10 – Potential financial effects from biodiversity-related impacts, risks and opportunities**
- Taxonomy Regulation**

- Very basic indicators, in line with ongoing work at international level and the lack of agreed indicators, description of characteristics that indicators should have.

**SFDR**

Link to SFDR principal indicator on Activities negatively affecting biodiversity-sensitive areas and additional indicators on Land degradation, desertification, soil sealing, Investments in companies without sustainable land/agriculture practices, Investments in companies without sustainable oceans / seas practices, Natural species and protected areas and Deforestation.

# E5 Resource use and circular economy: Disclosure Requirements

## Policies, targets, action plans and resources

### Application guidance related to ESRS 2

- **AG on ESRS 2 SBM 3 and SBM 4** on the integration of resource use and circular economy in the business model
- **AG on ESRS 2-IRO 1 and 2:** on impacts, risks and opportunities

- Link with the European plan on the circular economy.
- Integration of **circular economy principles** in the business model: **elimination of waste and pollution**, circularity of products, **regeneration of nature**, decoupling of economic activity from natural resource extraction, **products and materials maintained at their highest value**.
- Materiality assessment in relation to the **five sub-themes described** in E5-4 to E5-8 in relation to the scenarios of remaining in a linear economy versus making a transition to a circular economy.

### 3 Disclosure Requirements related to Policies, targets, action plans and resources

- **DR E5-1 – Policies** implemented to manage resource use and circular economy
- **DR E5-2 – Measurable targets** for resource use and circular economy
- **DR E5-3 – Resource use and circular economy action plans**

- Policies to decouple activity and use of non-renewable resources / regenerate renewable resources and ecosystems.
- Action plans related to the sub-themes and the three principles of the circular economy.

# E5 Resource use and circular economy: Disclosure requirements

## Performance measurement

### 6 Disclosure Requirements related to performance measurement

- DR E5-4 – Resource inflows
- DR E5-5 – Resource outflows
- DR E5-6 – Waste SFDR
- DR E5-7 – Resource use optimisation
- DR E5-8 – Circularity support
  
- DR E5-9 – Financial effects from resource use and circular-economy-related impacts, risks and opportunities
- **Taxonomy Regulation**

SFDR Link to SFDR principal indicator on Hazardous waste and radioactive waste ratio and additional indicator on Non-recycled waste ratio.

#### Information on the **five sub-themes**:

- quantitative (absolute value et percentage) et qualitative.
- **Resource Inflows**: information on the materials used (renewable, reused, recycled).
- **Resource Outflows**: information on the weight and percentage of products, materials and packaging intentionally created to contribute to the circular economy, i.e. sustainability, reusability, reparability, disassembly, recycling, etc.
- **Waste**: details of hazardous/non-hazardous waste and waste destination.
- **Resource use optimisation**: share of turnover for products and services that optimise the use of resources and promote circular business models.
- **Circularity support**: coordinated actions and partnerships in the value chain.

# THE ENVIRONMENTAL STANDARDS

## PANEL DISCUSSION

**Satu Kuoppamäki**, Sustainability Manager, S Group

**Janni Opstrup**, Senior manager ESG, Arla (Teams)

**Per Törnqvist**, Head of Group Ratings, Danske Bank

**Sophie Bruusgaard Jewett**, Manager - Climate Change & Sustainability, PWC Norway (Teams)

**Anna Viefhues**, ESG Manager, SSAB (Teams)

### **Moderator**

**Kristian Koktvedgaard**, DI

Member of EFRAG Sustainability Reporting Board



# Agenda

- 9:00 Opening and Welcome
- 9:05 The background for the EFRAG ESRS Standards
- 9:20 The Cross Cutting Standards
- 10:20 Coffee break
- 10:40 The Cross Cutting Standards (cont)
- 11:10 The Environmental reporting standards
- 12:20 Lunch break
- 13:00 The Social reporting standards
- 13:40 Quick coffee break
- 13:50 The Governance reporting standards
- 14:25 Closing remarks



**LUNCHBREAK UNTIL 13H00**



# Agenda

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# **THE SOCIAL STANDARDS**

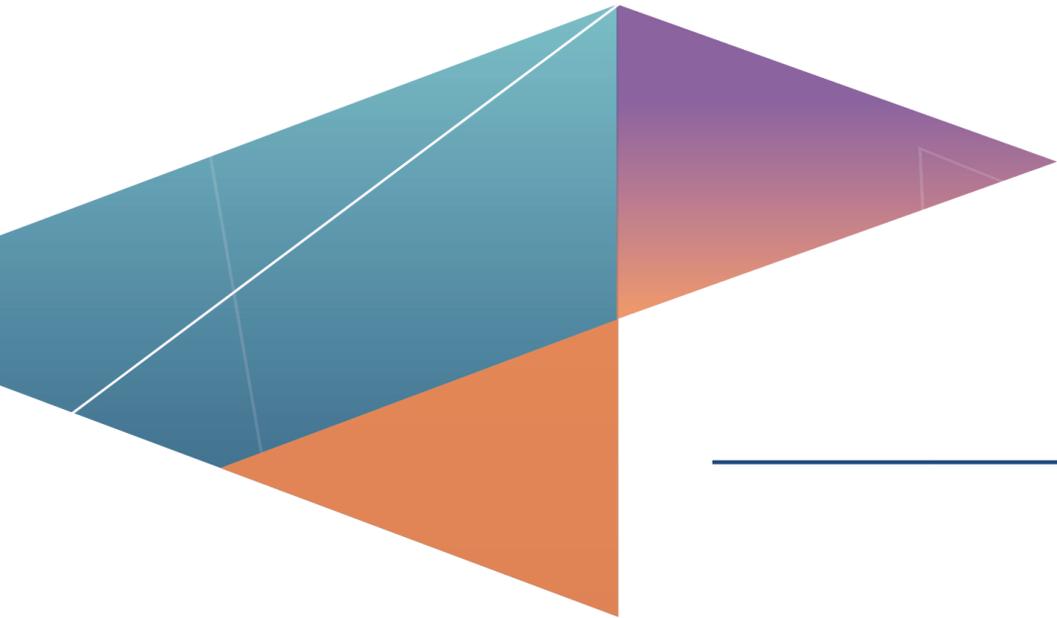
**BY/**

**DR. SIGURT VITOLS**

**MEMBER OF THE EFRAG PROJECT TASK FORCE**

**ACTING EFRAG SUSTAINABILITY REPORTING TEG VICE-CHAIR**





## **Social:**

S1 Own workforce

S2 Workers in the value chain

S3 Affected communities

S4 Consumers and end-users

---

## 7.1 [draft] CSRD Mandate on Social sustainability matters

### Background and methodology

Standard development based on CSRD, Article 19 b (Extract)

“ (b) specify the information that undertakings are to disclose about social factors, including information about:

#### (i) Equal opportunities

for all, including gender equality and equal pay for equal work, training and skills development, and employment and inclusion of people with disabilities;

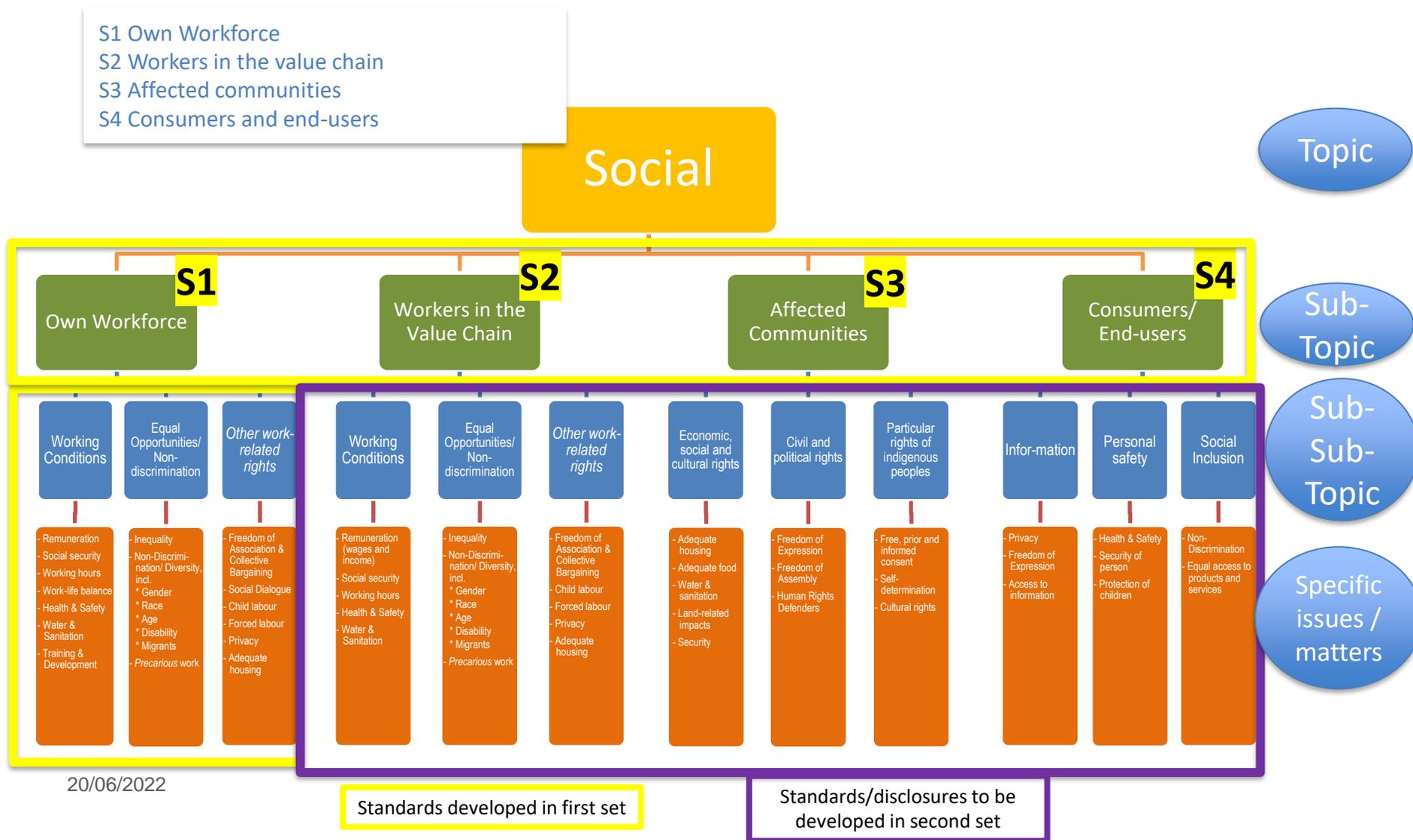
#### (ii) Working conditions

including secure and adaptable employment, wages, social dialogue, collective bargaining and the involvement of workers, work-life balance, and a healthy, safe and well-adapted work environment;

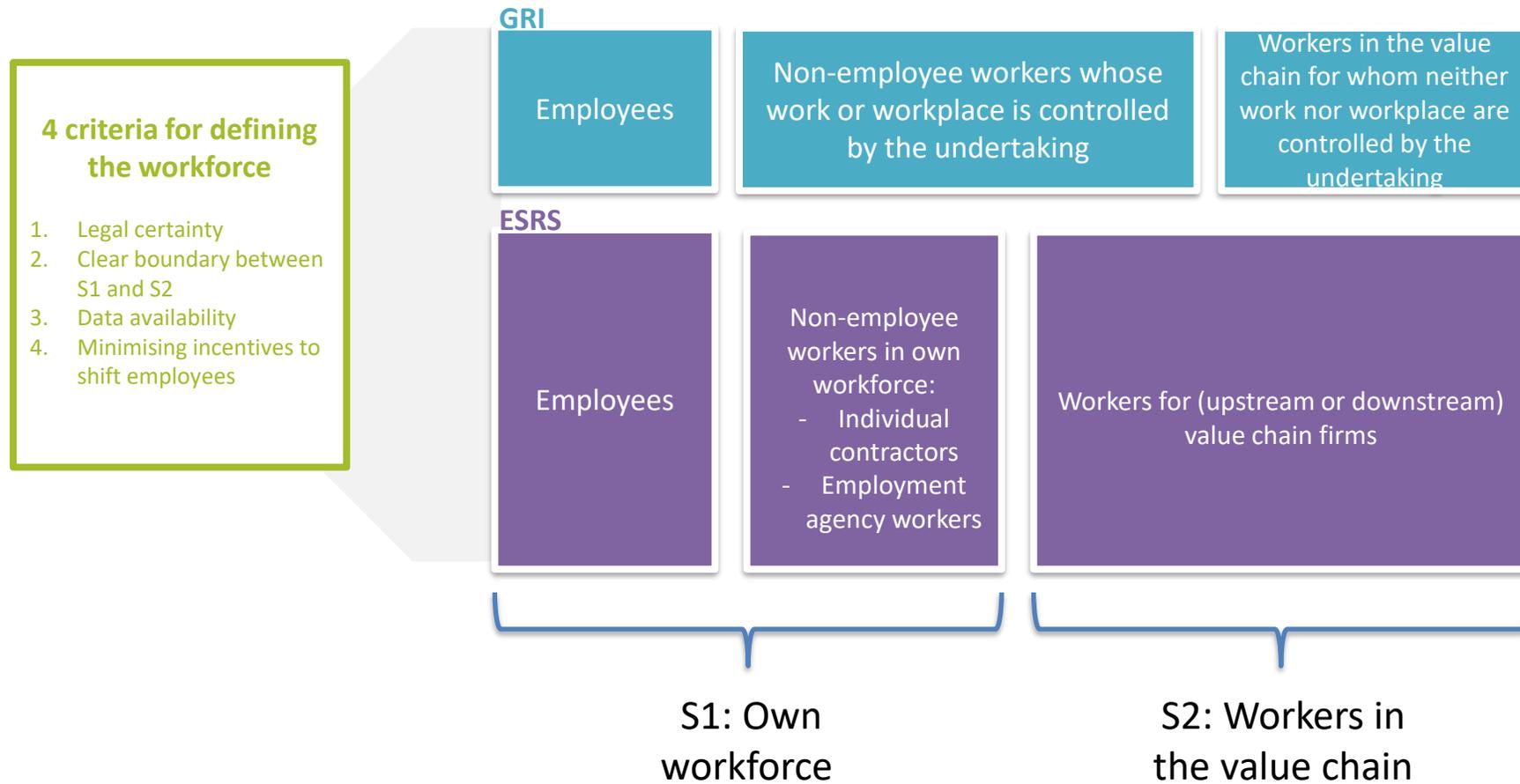
#### (iii) Respect for the human rights

fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work and the ILO fundamental conventions and the Charter of Fundamental Rights of the European Union.”

## 7.2 Social standards: Structure of the social pillar



## 7.3 Social standards: Definition of workforce

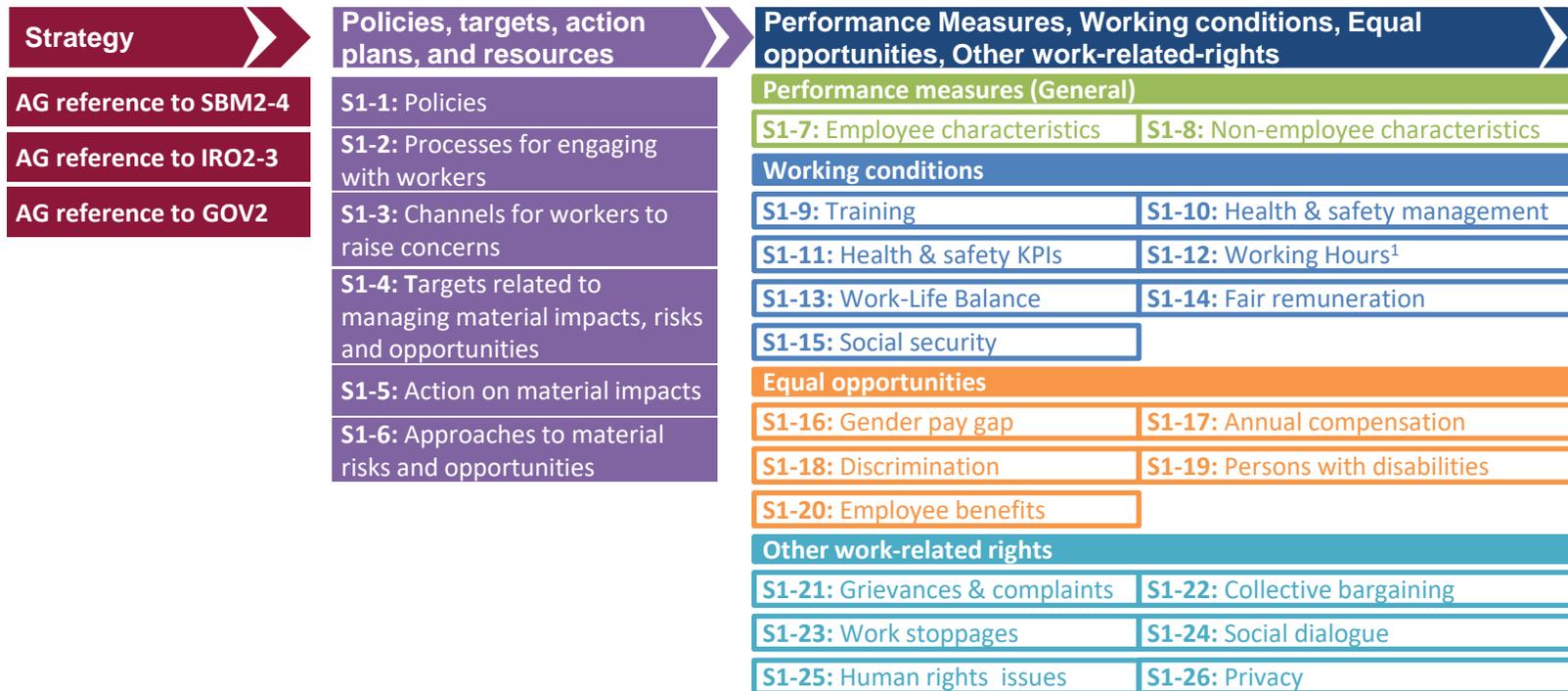


## 7.4 S1 Own workforce: Overview (I/IV)



## 7.4 S1 Own workforce: Overview (II/IV)

Standard Architecture



<sup>1</sup> *Optional Disclosure Requirement*

# 7.4 S1 Own workforce: Overview (III/IV)

## Reference frameworks

STRATEGY <small>(complemented by ESRS 2)</small>	IMPLEMENTATION
<p>AG on ESRS 2-SBM2: Interaction between <b>material impacts, risks and opportunities</b> and the strategy and business model</p>	<p>DR S1-1: <b>Policies</b>, targets, action plans and resources</p> <p>OECD UNGP SFDR GRI</p>
<p>AG on ESRS 2-SBM3: Workforce matters on people and the <b>adaptation</b> of its <b>strategy</b> and <b>business model(s)</b> to such material sustainability impacts</p>	<p>DR S1-2: <b>Processes</b> for engaging with own workers and workers' representatives about impacts</p> <p>OECD UNGP SFDR GRI</p>
<p>AG on ESRS 2-SBM4: Workforce matters that originate from or are connected to the undertaking's strategy and business model(s) and of the adaptation of its strategy and business model(s) to such <b>material risks and opportunities</b></p>	<p>DR S1-3: Channels for own workers and workers' representatives to raise concerns</p> <p>SFDR UNGP</p>
<p>AG on ESRS 2-IRO2: Outcome of the undertaking's assessment of material sustainability impacts, risks and opportunities as identified by reference to and in compliance with <b>sector-agnostic</b> and <b>sector-specific</b> level ESRS</p> <p>SFDR</p>	<p>DR S1-4: Targets related to <b>managing</b> material negative impacts, <b>advancing</b> positive impacts, and managing material risks and opportunities</p> <p>UNGP GRI</p>
<p>AG on ESRS 2-IRO3: Outcome of the undertaking's assessment of material sustainability impacts, risks and opportunities that are not covered by an <b>ESRS (entity-specific)</b> level</p> <p>SFDR</p>	<p>DR S1-5: Taking action on <b>material impacts</b> on own workforce and effectiveness of those actions</p> <p>OECD UNGP GRI</p>
<p>ESRS 2-GOV2: Information of <b>administrative, management and supervisory</b> bodies about sustainability matters</p>	<p>DR S1-6: <b>Approaches</b> to mitigating material risks and pursuing material opportunities related to own workforce</p> <p>SASB OECD</p>

OECD - Organization for Economic Co-operation and Development

SASB – Sustainability Accounting Standards Board

GRI – Global Reporting Initiative

ILO – International Labour Organization

UNGP – United Nations Global Compact

EPSR – European Pillar of Social Rights

SFDR – Sustainable Finance Disclosure Regulation

## 7.4 S1 Own workforce: Overview (IV/IV)

### Reference frameworks

PERFORMANCE MEASURES	
<u>General</u>	
DR S1-7: Characteristics of the Undertaking's <b>Employees</b>	GRI
DR S1-8: Characteristics of <b>non-employee workers</b> in the undertaking's own workforce	GRI
<u>Working Conditions</u>	
DR S1-9: <b>Training and Skills</b> Development indicators	GRI
DR S1-10: <b>Coverage</b> of the health and safety management system	ILO OECD GRI
DR S1-11: <b>Performance</b> of the health and safety management system	SFDR ILO GRI
DR S1-12: Working <b>Hours</b> <b>OPTIONAL</b>	ILO EPSR
DR S1-13: Work-Life <b>Balance</b> indicators	ILO EPSR
DR S1-14: <b>Fair</b> remuneration	EPSR GRI
DR S1-15: <b>Social security</b> eligibility coverage	EPSR
<u>Equal Opportunities</u>	
DR S1-16: <b>Pay gap</b> between women and men	EPSR GRI SFDR
DR S1-17: Annual total <b>compensation ratio</b>	EPSR GRI SFDR
DR S1-18: <b>Discrimination</b> incidents related to equal opportunities	EPSR GRI SFDR
DR S1-19: Employment of persons with <b>disabilities</b>	EPSR GRI
DR S1-20: Differences in the <b>provision of benefits</b> to employees with different employment contract types	EPSR GRI
<u>Other Work-related Rights</u>	
DR S1-21: <b>Grievances</b> and other work-related rights	GRI
DR S1-22: <b>Collective bargaining</b> coverage	SASB GRI ILO
DR S1-23: Work <b>stoppages</b>	SASB ILO
DR S1-24: Social <b>dialogue</b>	SFDR GRI ILO
DR S1-25: Identified cases of <b>severe human rights issues</b> and incidents	ILO
DR S1-26: <b>Privacy</b> at work	

## 7.5 S2-4 Workers in the value chain / Affected communities / Consumers and end-users: Overview

STRATEGY <small>(complemented by ESRS 2)</small>	IMPLEMENTATION	PERFORMANCE MEASURES
<p>AG on ESRS 2-SBM2: Interaction between <b>material impacts, risks and opportunities</b> and the strategy and business model</p> <p>AG on ESRS 2-SBM3: Workforce matters on people and the <b>adaptation</b> of its <b>strategy</b> and <b>business model(s)</b> to such material sustainability impacts</p> <p>AG on ESRS 2-SBM4: Workforce matters that originate from or are connected to the undertaking's strategy and business model(s) and of the adaptation of its strategy and business model(s) to such <b>material risks and opportunities</b></p> <p>AG on ESRS 2-IRO2: Outcome of the undertaking's assessment of material sustainability impacts, risks and opportunities as identified by reference to and in compliance with <b>sector-agnostic</b> and <b>sector-specific</b> level ESRS</p> <p>AG on ESRS 2-IRO3: Outcome of the undertaking's assessment of material sustainability impacts, risks and opportunities that are not covered by an <b>ESRS (entity-specific level)</b></p>	<p>DR S2-1: <b>Policies</b>, targets, action plans and resources</p> <p>DR S2-2: <b>Processes for engaging</b> with own workers and workers' representatives about impacts</p> <p>DR S2-3: <b>Channels</b> for own workers and workers' representatives to raise concerns</p> <p>DR S2-4: <b>Targets</b> related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities</p> <p>DR S2-5: <b>Taking action</b> on material impacts on own workforce and effectiveness of those actions</p> <p>DR S2-6: <b>Approaches to mitigating</b> material risks and pursuing material opportunities related to own workforce</p>	<p><u>First set:</u> Focus on developing the disclosures that can be expected of <b>all entities</b> under the scope of the CSRD. These standards provide <b>high-level disclosures</b> regarding an undertaking's impacts on value chain workers / affected communities / consumers and end users and related risks and opportunities, when viewed in general across an undertaking's operations and upstream and downstream value chain.</p> <p><u>Subsequent standards:</u> Subsequent standards are expected to expand on these standards by providing more detailed disclosures in relation to the sub-topics and specific issues that would be identified as material through the <b>sector-specific</b> or <b>entity-specific</b> materiality determination, which will include actions to address specific impacts and risks, along with related targets and performance measures to cater for the diversity in value chains.</p> <p><u>SFDR/CSDDD structural alignment</u> Initiatives from the Platform for Sustainable Finance (incl. announced guidance on the Minimum Safeguards), as well as the proposal for an EU Corporate Sustainability Due Diligence Directive, were taken into consideration to ensure that the structure of the reporting would be compatible with upcoming developments in this area.</p>

## 7.6 Social standards: Embedding due diligence

### Alignment of social standards with OECD Due Diligence

0. ESRS S1 - DRs 2 and 3: **engage stakeholders** and ESRS 2 DRs (SBM, IROs)



1. ESRS 2 (cross cutting) and AG 3 – 12/13: **assess** impacts, risks and opportunities



2. ESRS S1 DRs 1, 2, 5 and 6: **integrate and act** by developing policies, setting targets and taking action



3. ESRS 1 on targets, progress and tracking effectiveness and ESRS S2 – DR 4: **track** performance



4. The standards in their entirety contribute to the reporting obligation required by the draft CSRD: **communicate**

*Approach developed in co-construction with Shift*

# THE SOCIAL STANDARDS

## PANEL DISCUSSION

**Marie Lundgren**, Sustainability Expert, LKAB (Teams)

**Nina Norjama**, Head of Human Rights, Neste

**Marie Voldby**, Partner - ESG, Sustainability & Compliance, Deloitte

**Ingrid Fladberg Brucker**, Director, Advokatfirmaet PwC

### **Moderator:**

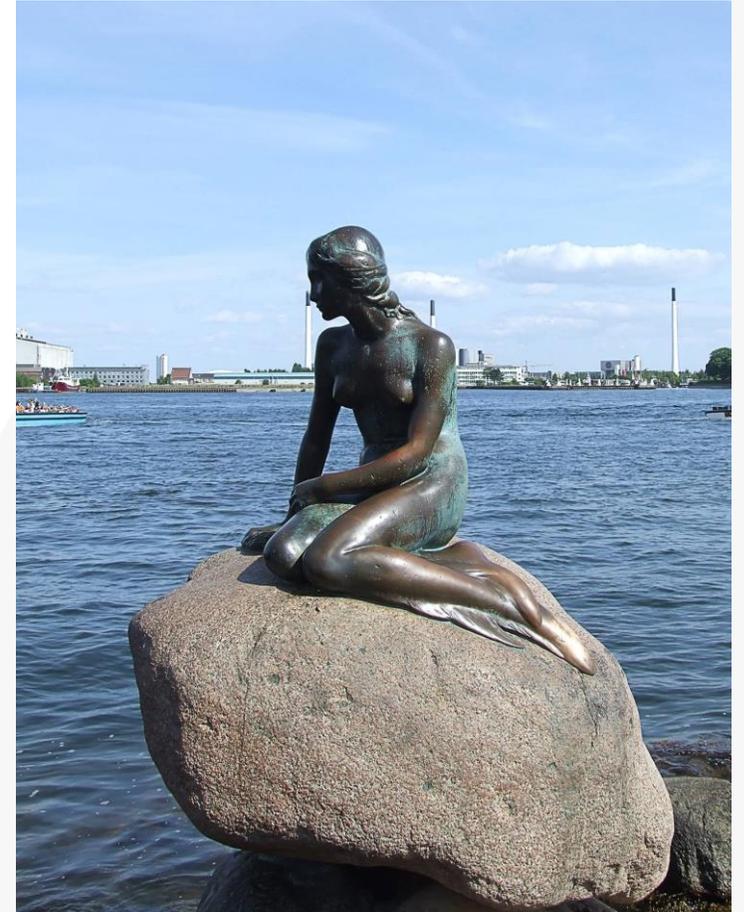
**Charlotte Söderlund**, EY

Member of EFRAG Sustainability Reporting Board



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**QUICK BREAK UNTIL 13H50**



# Agenda

- 9:00 Opening and Welcome
- 9:05 The background and objectives of the standards
- 9:20 The Cross Sectoral Disclosures
- 10:20 Coffee break
- 10:40 The Cross Sectoral Disclosures
- 11:10 The Exposure Drafts
- 12:20 Lunch
- 13:00 The Social reporting standards
- 13:40 Quick coffee break
- 13:50 The Governance reporting standards
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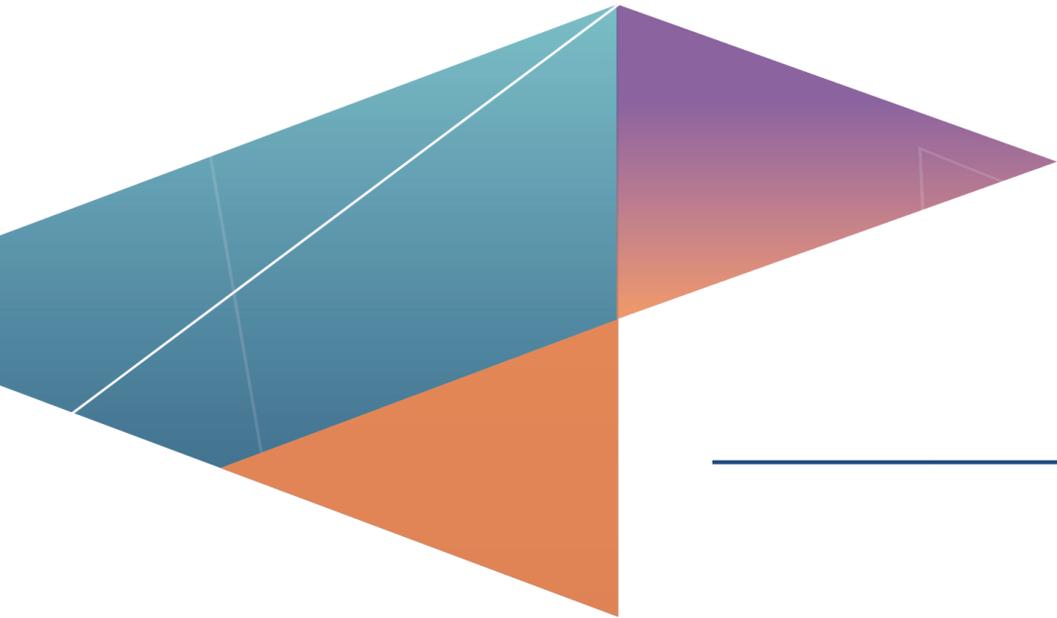
# **THE GOVERNANCE STANDARDS**

**BY/**

**PIERMARIO BARZAGHI**

**MEMBER OF THE EFRAG PROJECT TASK FORCE**





## **Governance:**

G1 Governance, risk management,  
internal control

G2 Business conduct

---

## 8.1 [draft] CSRD mandate on Governance sustainability matters

### Governance as a separate category of sustainability matters

The Governance category (G) is broader than traditionally considered under the concept of 'governance'. The aim is to cover the full spectrum of relevant matters in order to report on sustainability aspects relating to the reporting undertaking itself, including but not limited to governance.

#### CSRD Article 19 b)

**(c) specify the information that undertakings are to disclose about governance factors, including information about:**

- (i)** the role of the undertaking's administrative, management and supervisory bodies, including with regard to sustainability matters, and their composition;
- (ii)** the business ethics and corporate culture, including anti-corruption and anti-bribery;
- (iii)** political engagements of the undertaking, including its lobbying activities;
- (iv)** the management and quality of relationships with business partners, including payment practices;
- (v)** the undertaking's internal control and risk management systems, including in relation to the undertaking's reporting process.

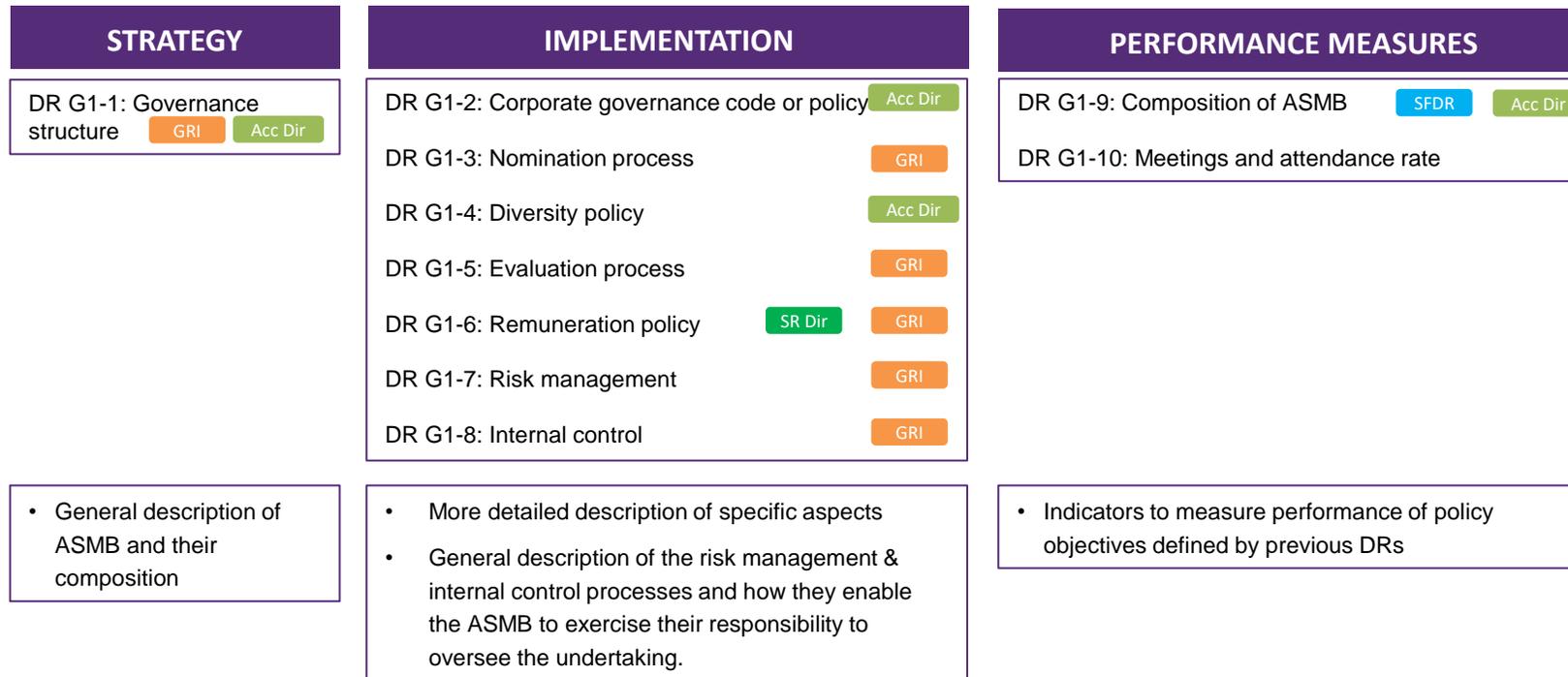
G1 Governance, risk management, internal control

G2 Business conduct

### 8.3 G1 Governance, risk management, internal control : Interaction with ESRS 2 (Governance disclosure requirements in cross-cutting)



## 8.4 G1 Governance, risk management, internal control : Overview



## 8.5 G2 Business conduct: Overview

STRATEGY	IMPLEMENTATION	PERFORMANCE MEASURES
<p>DR 1: Business conduct culture <span style="float: right;">GRI</span></p>	<p>DR 2: Policies and targets on business conduct <span style="float: right;">SFDR GRI</span></p> <p>DR 3: Prevention and detection of corruption and bribery <span style="float: right;">GRI</span></p> <p>DR 4: Anti-competitive behaviour prevention and detection <span style="float: right;">GRI</span></p>	<p>DR 5: Anti-corruption and anti-bribery training <span style="float: right;">GRI</span></p> <p>DR 6: Corruption or bribery events <span style="float: right;">SFDR GRI</span></p> <p>DR 7: Anti-competitive behaviour events <span style="float: right;">GRI</span></p> <p>DR 8: Beneficial ownership <span style="float: right;">Dir 2015/849 GRI</span></p> <p>DR 9: Political engagement and lobbying activities <span style="float: right;">GRI</span></p> <p>DR 10: Payment practices</p>
<p>A description of how business conduct is promoted and integrated into the culture of the undertaking</p>	<ul style="list-style-type: none"> <li>• Description of how the business conduct culture is translated into clearly defined policies, procedures and objectives</li> <li>• Including prevention and detection</li> </ul>	<p>Measuring the achievement of policies and objectives in previous DRs</p> <ul style="list-style-type: none"> <li>• covering anti-corruption/anti-bribery training</li> <li>• current legal proceedings (number, inventory, penalties or fines paid)</li> <li>• lobbying activities and their funding</li> <li>• contractual terms of payment and practices</li> </ul>

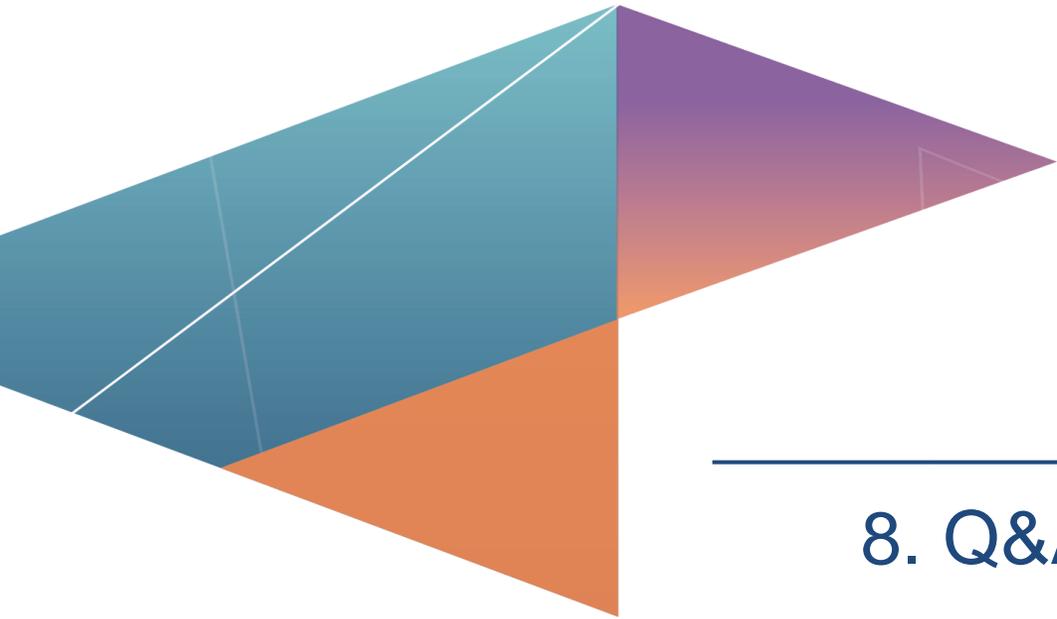
### CONSULTATION: SPECIFIC QUESTION

Payment delays complicate the financial management of undertakings, especially SMEs<sup>1</sup>, who rely on predictable flows of cash to operate. According to the relevant EU legislation (Directive 2011/7/EU) a payment is late when the creditor has not received the funds at the expiry of the period negotiated in the contract. And yet, even payments performed within the contractually negotiated period can hide unfair payment practices. Very often businesses accept payment terms longer than they are comfortable with<sup>2</sup>, as such terms may reflect the one party's power compared to the other, such as by virtue of its size or brand.

- 1) Do you consider that the indicators in G2-10 (in isolation or jointly) capture the following sufficiently:
  - a) the extent to which accounts payable or creditors at period end have been outstanding; and
  - b) the fairness of the undertaking's payment practices?If not, please provide your rationale and indicate the sector(s) for which you deem add-ons necessary.
- 2) What alternative indicators would you propose? Please specify whether your proposal(s) are of sector-agnostic or sector-specific nature.
- 3) If you are a preparer, do you currently capture amounts of interest charged on late payments separately in your accounts and what are the costs for disclosing this?

<sup>1</sup> SMEs (Small and Medium-sized enterprises) are defined according to the Commission Recommendation 2003/361/EC [https://ec.europa.eu/growth/smes/sme-definition\\_en](https://ec.europa.eu/growth/smes/sme-definition_en)

<sup>2</sup> According to the Intrum European payment Report 2021, on average 49% of businesses in the EU accepted payment terms longer than they are comfortable with out of fear of losing their customers or damaging business relations.



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## 8. Q&A

# THE GOVERNANCE STANDARDS

## PANEL DISCUSSION

**Sophie Nachemson-Ekwall**, Phd. Corporate Sustainability, PwC (Teams)

**Kristiina Vares-Wartiovaara**, Portfolio Manager, Senior Sustainability Specialist, OP Asset Management

**Joakim Thilstedt**, Audit Partner, KPMG (Teams)

### **Moderator:**

**Tina Aggerholm**, Senior Advisor - Accounting and Auditing, State authorized public accountant  
Confederation of Danish Industry



# Agenda

- 9:00 Opening and Welcome
- 9:05 The background for the EFRAG ESRS Standards
- 9:20 The Cross Cutting Standards
- 10:20 Coffee break
- 10:40 The Cross Cutting Standards (cont)
- 11:10 The Environmental reporting standards
- 12:20 Lunch break
- 13:00 The Social reporting standards
- 13:40 Quick coffee break
- 13:50 The Governance reporting standards
- 14:25 Closing remarks



# **CLOSING REMARKS**

**BY/**

**ANNINA TANHUANPÄÄ, OP ASSET MANAGEMENT**

**MEMBER OF EFRAG SUSTAINABILITY REPORTING BOARD**