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Prof. Dr. Alexander Bassen | Prof. Dr. Kerstin Lopatta

Aktuelle Entwicklungen in den Sustainable Disclosure Requirements – CSRD und ESRS

Alexander Bassen, Professor of Capital Markets and Management, Research Group Sustainable Finance, University of Hamburg (Germany)

- 2021-2022: Member of the PTF EU Sustainability Reporting Standard of EFRAG
- since 2019: Visiting Professor, Hong Kong Baptist University
- 2019-2021: Member of the Sustainable Finance Council of the German Ministry of Finance
- since 2017: Honorary Research Associate, University of Oxford
- since 2015: Visiting Professor, ICMA Centre, Henley Business School, University of Reading
- 2016-2017: Chair of the UN PRI Academic Network Steering Committee
- since 2013: Academic Director of the CESGA Programme
- since 2013: Member of the German Sustainability Council of the German Federal Government
- since 2012: Member of the „Commission on ESG Issues“ of EFFAS

Kerstin Lopatta, Professor of Financial Accounting, Auditing and Sustainability, Research Group Sustainable Finance, University of Hamburg (Germany)

- since 2022: Acting Chair of the Sustainability Reporting Board, EFRAG, Brussels
- since 2022: Member of the German Sustainable Finance Council, Berlin
- since 2022: Member of the Supervisory Board of Freenet AG, Hamburg
- since 2021: Member of the Supervisory Board and Chairwoman of the Audit Committee of EQS Group AG, Munich
- since 2021: Member of the Sustainability Reporting Technical Committee and chairwomen of the working group “Climate”, Accounting Standards Committee of Germany (ASCG), Berlin
- since 2020: Member of the Board of the Global Research Alliance for Sustainable Finance and Investment, Oxford and Maastricht
- since 2020: Member of the Board of the Sustainable Finance Research Platform, Berlin
- since 2013: Visiting Professor, City University Hong Kong
- since 2012: Adjunct Professor at the Faculty of Law, Economics and Finance, University of Luxembourg
- 2009-2011: Visiting Professor, New York University, Stern School of Business, Department of Accounting/Finance, USA

Regulatory challenges - CSRD

Extension of the scope and contents of the report

- Mandatory reporting is extended to all large companies (>250 employees and >40 million sales or >20 million total assets) and all capital market-oriented companies.
- For listed SMEs, transition period of three years.

External assurance obligation for sustainability information

- In the mid-term, the intention is to move from an audit with limited assurance to an audit with reasonable assurance.
- Disclosure is provided in the management report.

Mandatory EU standards for sustainability reporting

- EU reporting standard for sustainability reporting to be developed by EFRAG.
- International frameworks such as GRI, SASB, IASB, TCFD to be considered.
- Reporting standard to be adopted by November, 2022.

Digitalization

- Sustainability information is to be published in ESEF (European Single Electronic Format) together with financial information.

Phased entry into application

- “NFRD companies”: *FY 2024 (first reports published 2025)*
- Other large companies: FY 2025 (reports 2026)
- Listed SMEs: FY 2026 (reports 2027)
- Non-EU companies with branches/subsidiaries: FY 2028 (reports 2029)

Value Chain: Standards may not “specify disclosures that would require undertakings to obtain information from SMEs in their value chain that exceeds the information to be disclosed according to” the standards for listed SMEs.

Exposure Drafts ESRS Set 1

PRESENTATION FOR OUTREACH EVENTS

June/July 2022





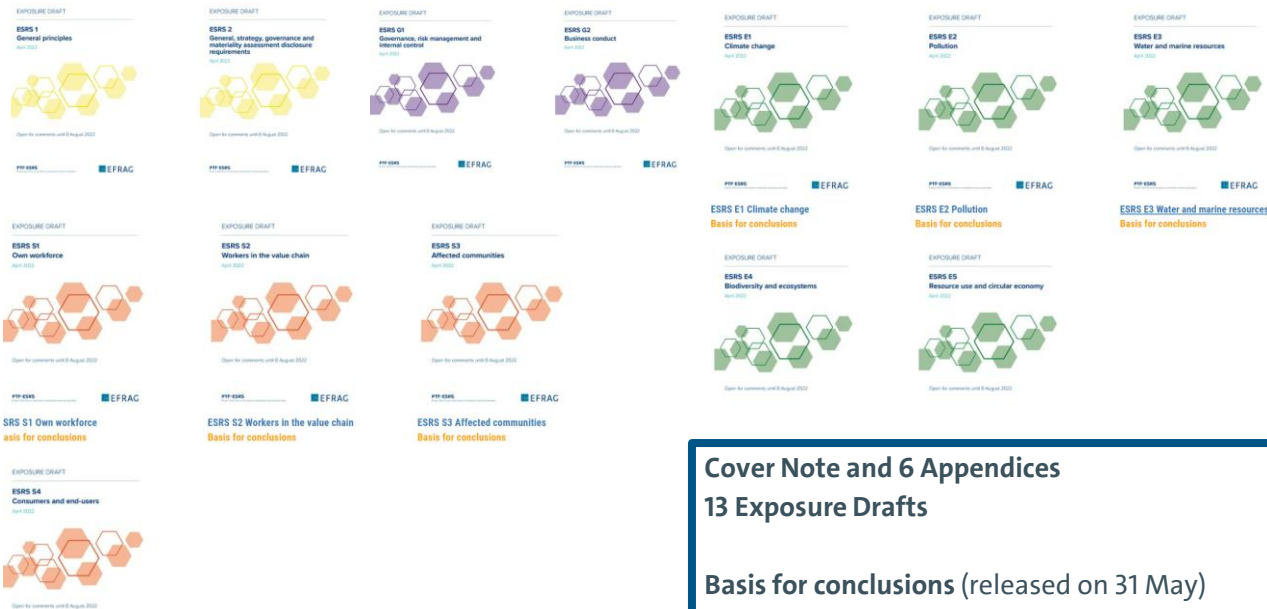
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An abstract graphic on the left side of the slide, consisting of several overlapping triangles in shades of blue, teal, orange, and purple, creating a dynamic, geometric composition.

Sustainability reporting state of play

EFRAG Consultation. Exposure Drafts issued on 29 April and open for consultation until 8 August

Implementing concepts, contents, approach and timeline defined by the CSRD.



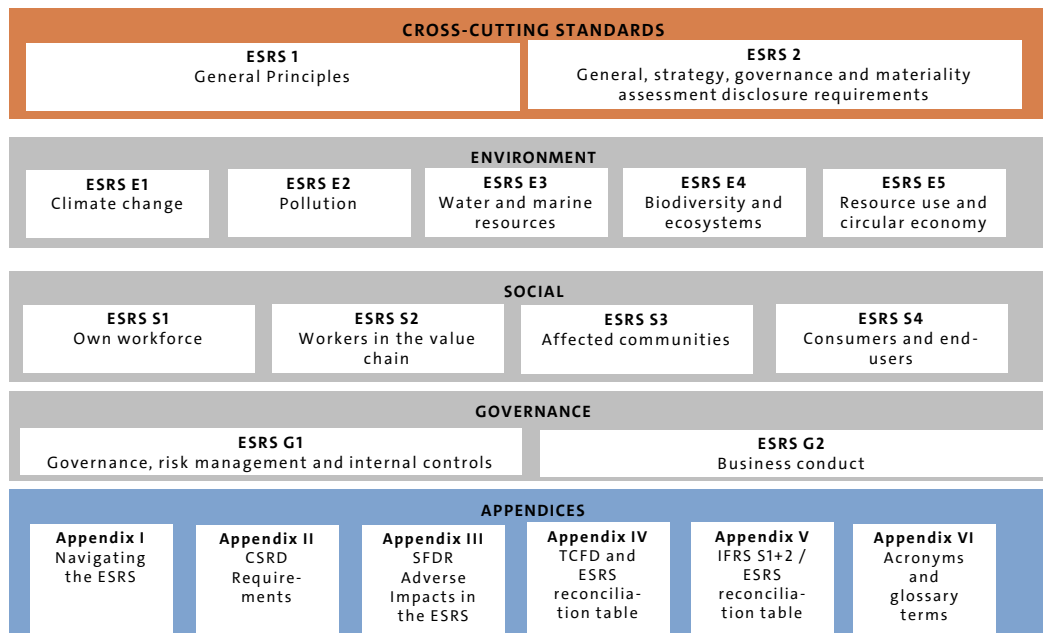
Cover Note and 6 Appendices
13 Exposure Drafts

Basis for conclusions (released on 31 May)

Online survey accessible at www.efrag.org

Educational sessions and outreaches: videos and slides accessible on EFRAG website

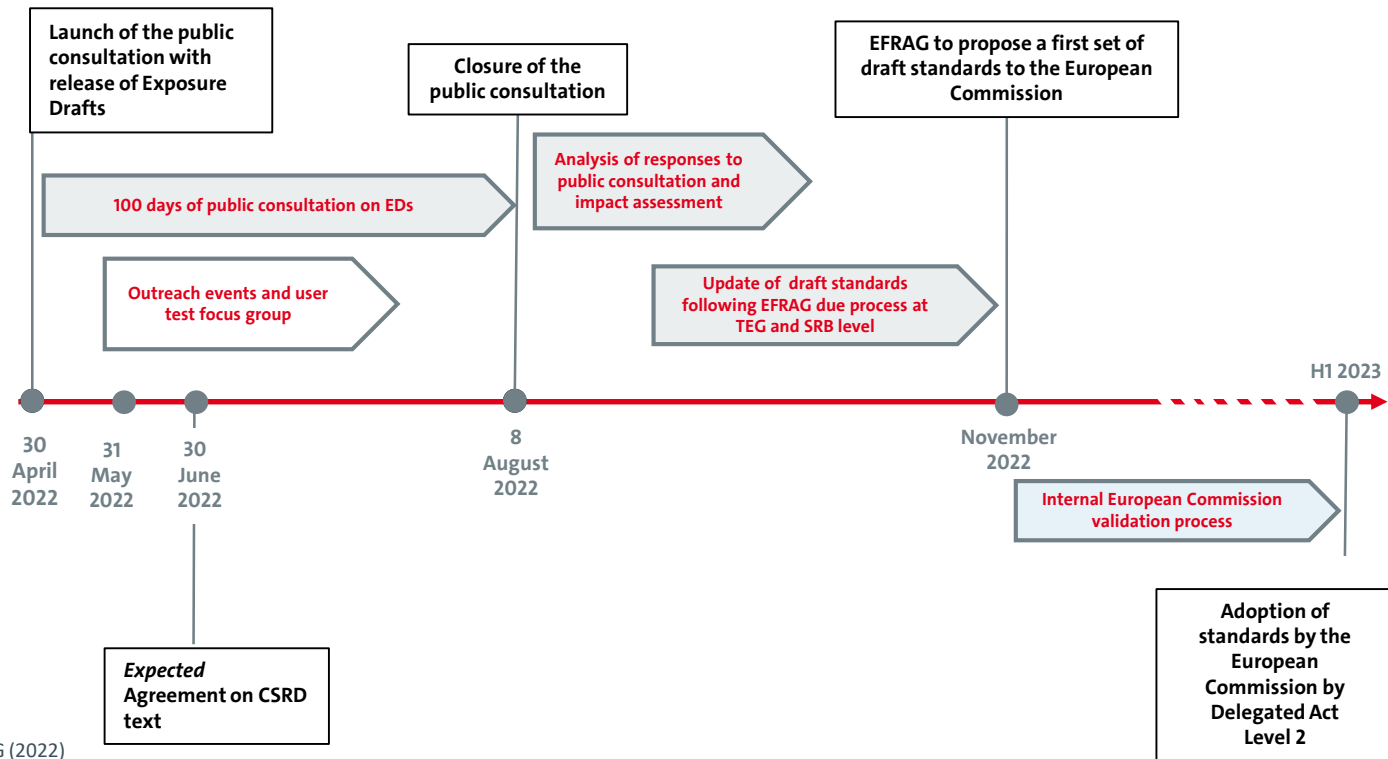
Project Task-Force achievements – Overview of deliverables to date on the basis of the CSRD architecture



Set 1 exposure drafts: 13 for public consultation

Next steps: Timetable

A critical step in the process of adopting European sustainability reporting standards

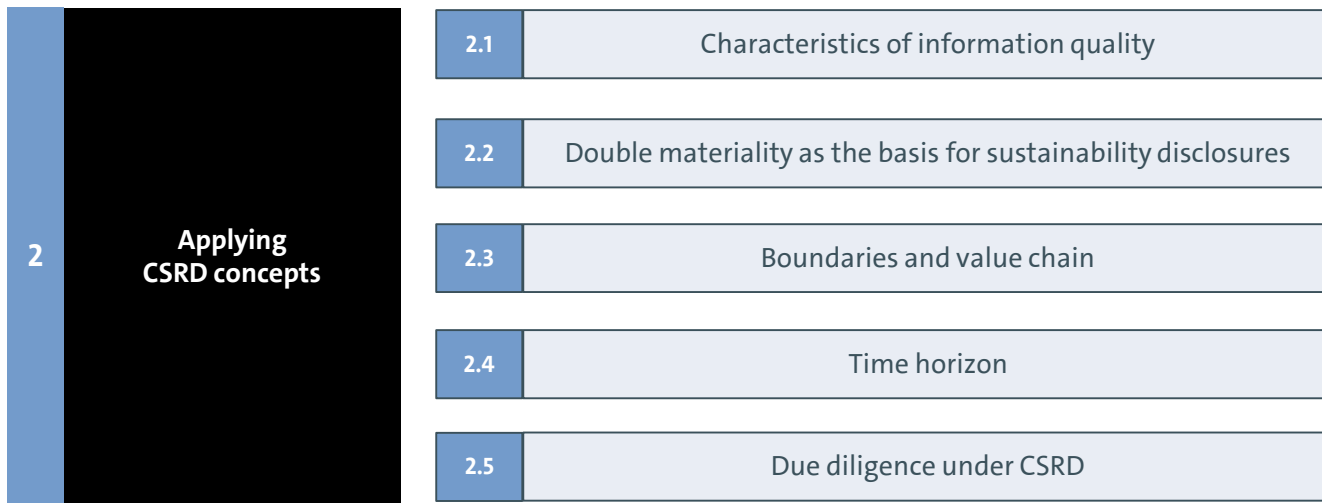


Chapter 1 Reporting under ESRS: implementation of the “rules of three”

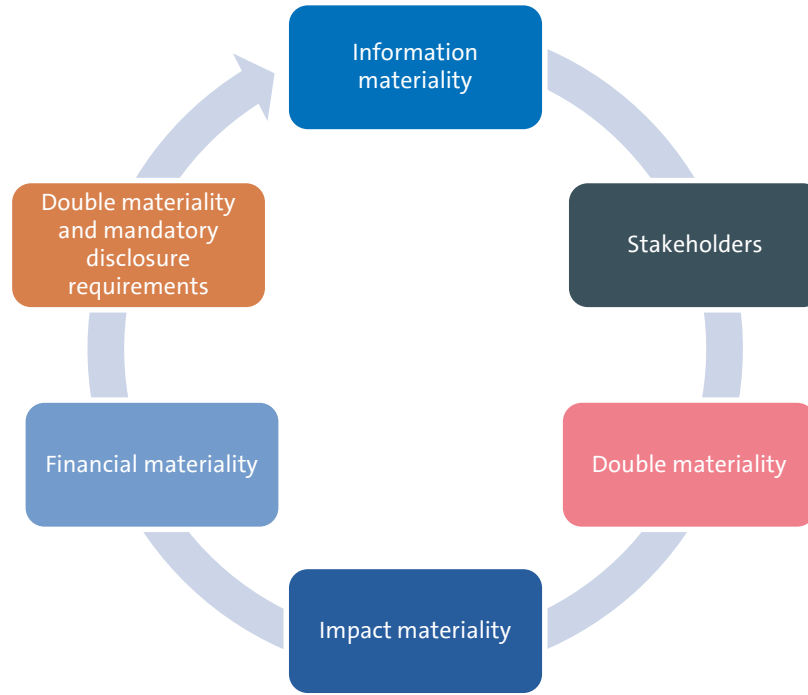
(*CSRD information quality*) **High degree of comparability** across undertakings:
standardized **sector-agnostic (and sector specific) disclosure requirements are mandated** for all undertakings



Chapter 2 Applying CSRD concepts: CSRD concepts as « Bedrock » of ESRS



Chapter 2 Applying CSRD concepts: Double materiality as the basis for sustainability disclosures



FUNDAMENTAL TOPICS – TENTATIVE DECISIONS (of SRB)

- 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 – see decision tree next slide
- Phasing-in (including 3 years for value chain)
- Due diligence: stronger alignment with international guidelines without pre-empting the contents of future CSDDD

ISSB ALIGNMENT

- meetings of the JWG, bilateral meetings at management level and bilateral meetings of climate experts: continued dialogue and cooperation
- Comments received: great desire for interoperability ESRS and IFRS S
- Tentative decisions:
 - Alignment of concepts: financial materiality and value chain in ESRS 1
 - Alignment of content of disclosure objectives in ESRS 2
 - Confirmation of additions to IFRS S2 in ESRS E1
 - Changes to the Architecture
- Differences in timeline



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 (news item)

Followed by two further sets of sector specific standards

Different initiatives at international level for a harmonization of non-financial data

ESG Reporting: Three main standard-setting projects underway. A political priority for Europe with ambitious content and timeline



- **Green Deal: Directing capital allocation to sustainable investments** ⇒ **An advanced regulatory package**
 - **SFDR** - Sustainable Finance Disclosure Regulation: ESG reporting by financial actors
 - **Environmental taxonomy***: « Green » financial ratios
 - **CSRD - Corporate Sustainability Reporting Directive***: **ESG reporting by companies in general**
 - **CSDDD** – Corporate Sustainability Due Diligence Directive*: European duty of care, management/governance responsibilities, climate transition plan
 - **GBS - Green Bonds Standard***: label for « green » bonds
- **European Pillar of Social Rights**

- Creation of EFRAG SRB (Sustainability Reporting Board) and SR TEG (Technical Expert Group) – Responsible for developing ESRS draft standards
- First 13 draft standards under consultation* (2 on « General principles », 5 on « Environment », 4 on « Social », 2 on « Governance »)



- **International sustainability standards**
⇒ **The start of a global baseline for sustainability reporting**

- Creation of ISSB (International Sustainability Standards Board) (integration of SASB, CDSB and VRF) – Responsible for developing IFRS S standards
- First 2 draft standards under consultation* (« General principles » and « Climate »)

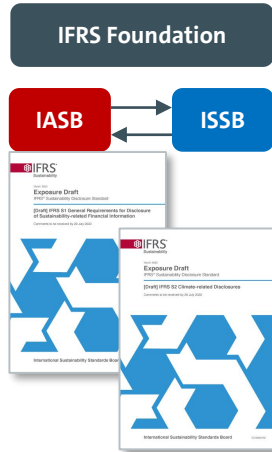


- **US SEC regulations for listed companies**
⇒ **A thematic approach**

- Draft regulation under consultation* (« Climate » and shortly on « Human capital »)

*Proposals

International Sustainability Standards Board (ISSB): Aiming to propose a global benchmark as basis for sustainability reporting



November 2021: Announcement of the creation of the **International Sustainability Standards Board (ISSB)**

- Develop **standards that provide a global basis for sustainability information** -
« *a global baseline of sustainability disclosure standards* »
- Working with the International Accounting Standards Board (IASB) to ensure connectivity and compatibility of International Accounting Standards (IFRS/IAS) and ISSB (IFRS S)

First 2 exposure drafts (comments by 29 July)

- IFRS S1: General provisions for sustainability-related financial disclosures -
« *General requirements for disclosure of sustainability-related financial information* »
- IFRS S2: climate-related disclosures - « *Climate-related Disclosures* »

Further standards on other topics will be published later

- Regular technical exchanges between ISSB and EFRAG.
- Jurisdictional Working Group to enhance compatibility between global baseline and jurisdictional initiatives (May 2022): *the SEC, EFRAG and ISSB representatives all acknowledged that there is significant compatibility between their proposals.*
- Bilateral dialogue also taking place.
- Detailed comparison of ESRS 1&2 and ESRS E1 with IFRS S1&2 available in appendix V.

ISSB's proposed IFRS® Sustainability Disclosure Standards

Source: ISSB (2022)

The views expressed in this presentation are those of the presenter, not necessarily those of the IFRS Foundation, International Accounting Standards Board or the International Sustainability Standards Board.

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ISSB focus



Develop standards for global baseline of sustainability disclosures and a digital taxonomy to enable electronic tagging of disclosures



Focus on meeting the information needs of investors



Will enable companies to provide comprehensive sustainability information for the global capital markets



Building blocks approach: facilitate the addition of requirements that are jurisdiction-specific or aimed at a broader group of stakeholders

Building blocks approach

Sustainability reporting (broader multi-stakeholder focus)

Reporting on all sustainability matters that reflect significant positive or negative impacts on people, the environment and the economy

Jurisdictional initiatives
and/or GRI

Sustainability-related financial disclosures (investor focus)

Reporting on those sustainability-related matters that may reasonably create or erode enterprise value over the short, medium and long term

ISSB

Financial reporting (investor focus)

Reflected in monetary amounts in the financial statements

IASB (140+
countries)

Other GAAP
(eg FASB)

Integrated Reporting

Seeking compatibility between IFRS Sustainability Disclosure Standards and GRI Standards

Announcement of intent to collaborate

IFRS Foundation and GRI announced Memorandum of Understanding on 24 March 2022

First step

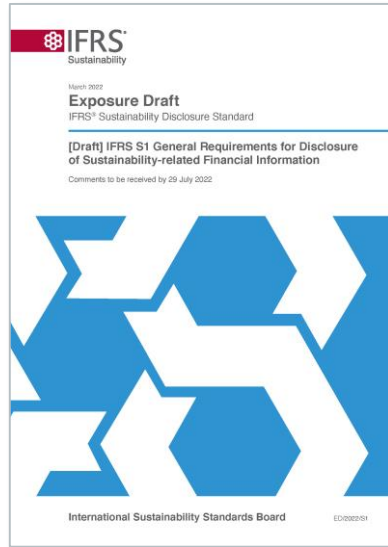
ISSB and GRI join each other's consultative bodies related to sustainability reporting activities

Future work plan

Align, where possible, terminology, standards structure and metrics, helping to reduce the reporting burden for companies

Two proposed IFRS Sustainability Disclosure Standards

1



General Requirements
Exposure Draft

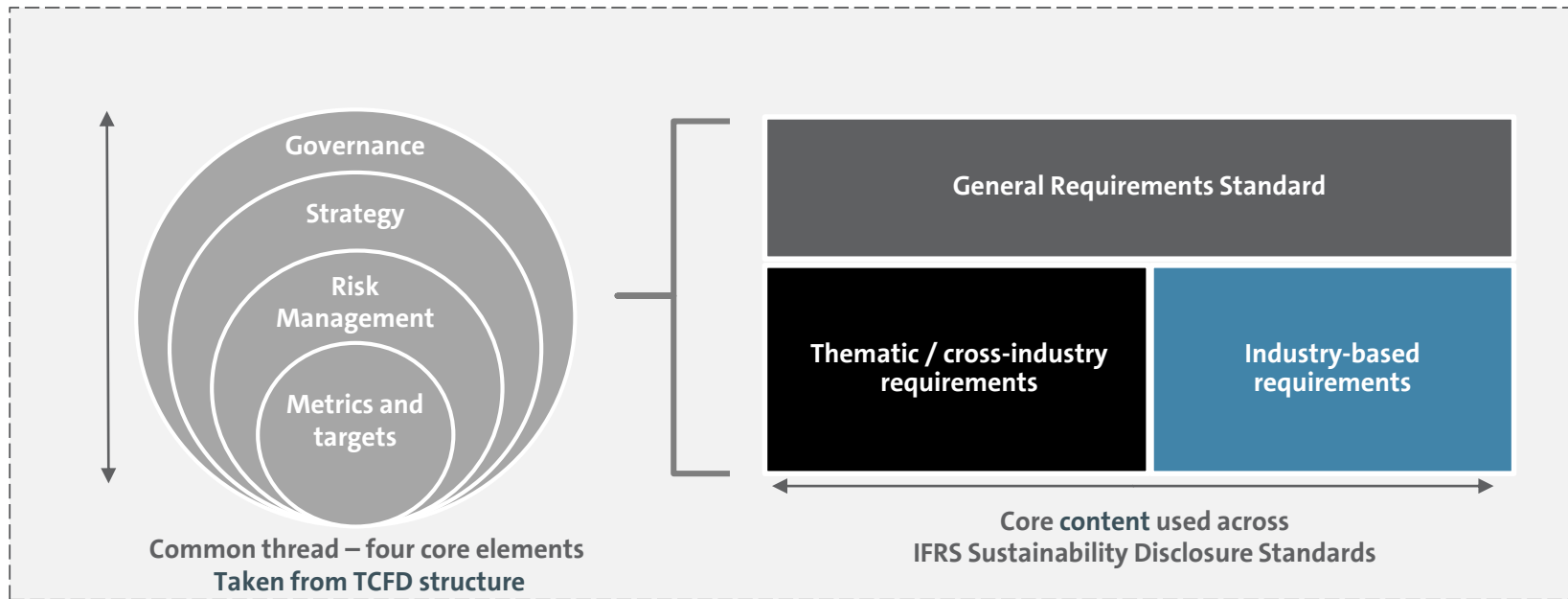
2



Climate Exposure
Draft

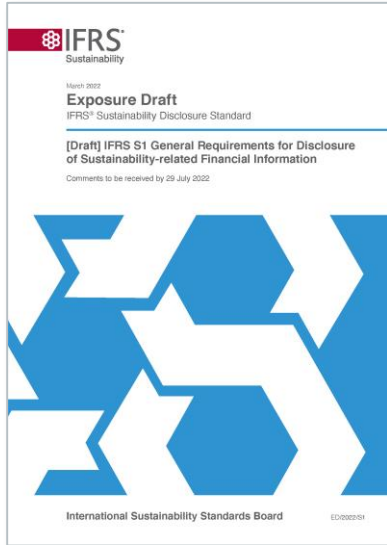
Standards architecture

Focus on investor audience and enterprise value



1

General Requirements Exposure Draft



Requires companies to provide material information on all significant sustainability-related risks and opportunities necessary to assess enterprise value

- Equivalent to IFRS Accounting Standards IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

How to report on all risks and opportunities

General Requirements [Standard]

A company would be required to disclose material information about all significant sustainability-related risks / opportunities



Climate [Standard]

A company would apply the relevant IFRS Sustainability Disclosure Standards to identify risks / opportunities and disclosures



If no specific IFRS Sustainability Disclosure requirements, a company must consider:

SASB Standards	CDSB Framework and application guidance	Other standards	Other resources
Industry-based disclosure topics	ISSB's non-mandatory guidance – eg social, water and biodiversity	Those that meet investors' information needs	Peer company practices (similar industry / geography)

Illustrative Guidance: how to use **SASB Standards** and **CDSB Framework application guidance** to do this

What's next?



Publication date: 03.11.2021

This document represents recommendations from the Technical Readiness Working Group (TRWG) for consideration by the International Sustainability Standards Board (ISSB) for a climate-related disclosures standard. While the recommendations build on the preparatory work of the preparatory group on the ISSB, this document has not been subject to the due process of these organizations or the ISSB Foundation. After starting its work, the ISSB is expected to consult publicly on proposals for a climate-related disclosures standard informed by the TRWG's recommendations. The ISSB's work will be subject to the ISSB Foundation's due process.



Developed by the Technical Readiness Working Group, chaired by the IFRS Foundation, to provide recommendations to the International Sustainability Standards Board for consideration

November 2021



European Financial Reporting Advisory Group



**PLATFORM ON
SUSTAINABLE FINANCE**

Introduction Overview of Climate Change (ESRS E1) Disclosure Requirements

STRATEGY	IMPLEMENTATION	PERFORMANCE MEASURES
<p>Strategy & Business Model</p> <ul style="list-style-type: none"> - DR1: Transition plan for climate change mitigation <div> <div>CSRD</div> <div>ISSB</div> <div>CSDDD</div> <div>US SEC**</div> <div>Taxo*</div> </div> - DR2: Resilience of strategy and business model <div> <div>CSRD</div> <div>ISSB</div> <div>US SEC</div> </div> <p>Governance</p> <ul style="list-style-type: none"> - DR3: Climate-related remuneration <div> <div>ISSB</div> </div> - DR4: internal carbon pricing schemes <div> <div>ISSB</div> <div>US SEC</div> </div> <p>Impacts, Risks & Opportunities</p> <ul style="list-style-type: none"> - DR5: Processes to determine material IRO <div> <div>CSRD</div> <div>ISSB**</div> <div>US SEC**</div> </div> - DR6: Material climate-related IRO <div> <div>US SEC**</div> </div> <p style="text-align: right;">*indirect link **only financial materiality</p>	<ul style="list-style-type: none"> - DR7: Policies implemented to manage climate change mitigation and adaptation <div> <div>CSRD</div> </div> - DR8: Measurable targets for climate change mitigation and adaptation <div> <div>CSRD</div> <div>ISSB</div> <div>US SEC</div> </div> - DR9: Climate change mitigation and adaptation action plans and resources <div> <div>CSRD*</div> <div>Taxo*</div> <div>ISSB*</div> </div> <p style="text-align: right;">* only selected requirements</p> <div> <div>EU legislation</div> <div>International drafts</div> </div>	<p>Energy</p> <ul style="list-style-type: none"> - DR10: Energy consumption & mix <div> <div>SFDR</div> </div> - DR11: Energy intensity per revenue <div> <div>SFDR</div> </div> <p>GHG Emissions</p> <ul style="list-style-type: none"> - DR12: Scope 1 GHG emissions <div> <div>SFDR</div> <div>ISSB</div> <div>US SEC</div> </div> - DR13: Scope 2 GHG emissions <div> <div>SFDR</div> <div>ISSB</div> <div>US SEC</div> </div> - DR14: Scope 3 GHG emissions <div> <div>SFDR</div> <div>ISSB</div> <div>US SEC</div> </div> - DR15: Total GHG emissions <div> <div>US SEC</div> </div> - DR16: GHG intensity per revenue <div> <div>SFDR</div> <div>ISSB*</div> <div>US SEC</div> </div> - DR17 : GHG removals <div> <div>CSRD**</div> </div> - DR18 : Carbon credits <div> <div>CSRD**</div> <div>ISSB</div> <div>US SEC</div> </div> - Optional DR 19: Avoided GHG emissions from products and services <p>Financial effects</p> <ul style="list-style-type: none"> - DR20: Financial effects from physical risks <div> <div>ISSB</div> <div>US SEC</div> </div> - DR21: Financial effects from transition risks <div> <div>ISSB</div> <div>US SEC</div> </div> - DR22: Financial opportunities <div> <div>Taxo***</div> <div>ISSB</div> <div>US SEC</div> </div> <p style="text-align: right;">*no intensity requirement per monetary value ** in recital 41 *** indirect link</p>



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