

To: Corporate Reporting WG
From: Corporate Reporting Team
cc:
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Subject: Final assessment of ESRS

For information

The secretariat has finalised its assessment of the first batch of draft European Sustainability Reporting Standards (ESRS) based on feedback received from members.

As indicated in the Corporate Reporting WG, any comments on the first set of ESRS should be communicated by the EC before end of year. In that perspective, the secretariat met with the EC (see meeting report [here](#)) and EIOPA to share its ESRS assessment.

Summary

On 15 November, the EFRAG Sustainability Reporting Board (SRB) made a first set of draft EU Sustainability Reporting Standards (ESRS) public, which will be submitted to the European Commission (EC) on 22 November following editorial finalisation. The EC is expected to consider EFRAG's final advice for adoption by way of delegated acts (after review and consultations) by June 2023.

Next steps

- EC to consult EU Member States in writing and via meetings (deadline: 30 January 2023) and the eight EU bodies mentioned in the CSRD, eg. ESAs (deadline: end of January).
- Parallel own review within EC (DG FISMA + other DGs) as a further basis for changes
- April 2023 (tbc): 1-month public consultation, as part of "better regulation" procedure
- 30 June 2023: Adoption as Delegated Acts
- July – August 2023: 2-month scrutiny period for Council and EP.

Members can find EFRAG's final technical advice [here](#).

Final assessment of final draft ESRS

Overall, based on feedback from the insurance representatives at EFRAG TEG and SRB, members feedback and secretariat assessment, the EFRAG’s proposed standards are considered considerably better than the initial draft versions published for consultation before the summer and as overall positive.

1. General structure

The first batch of ESRS is comprised of 12 standards: 2 cross-cutting standards, 5 standards covering the Environment, 4 on Social and 1 on Governance.

Cross-cutting	ESRS 1 General requirements ESRS 2 General disclosures	
Topical	Environment	ESRS E1 Climate Change ESRS E2 Pollution ESRS E3 Water and Marine Resources ESRS E4 Biodiversity and ecosystems ESRS E5 Resource use and circular economy
	Social	ESRS S1 Own workforce ESRS S2 Workers in the value chain ESRS S3 Affected communities ESRS S4 Consumers and end-users
	Governance	ESRS G1 Business Conduct

We welcome that the **total numbers of Disclosure Requirements (DRs) and datapoints have been reduced** from 138 DRs to 84 DRs (which we understand means around 2100 datapoints to around 1100 datapoints).

In addition, it is also positive that the final draft ESRS **includes phase-in provisions** for some DRs/datapoints which may be omitted or that are not applicable in the first year(s) of preparation of the sustainability statements. Such phasing-in possibility could be extended to ESRS S2, S3 and S4.

Finally, we appreciate that EFRAG moved a number of datapoints from the application requirements of the standards to the disclosure requirements. However, there remains additional datapoints in these application requirements. Disclosure obligations should only be mentioned in the core of the standards, while the Appendix should only be illustrative.

2. Materiality assessment

In line with our response to EFRAG consultation, the concept of ‘rebuttable presumption’, considered too burdensome, was removed. It is replaced by a **company specific materiality assessment** which allows an undertaking to omit DRs/datapoints that are assessed as being not material (following double materiality) to the undertaking. However, some DRs and datapoints must be reported in all circumstances ie. irrespective of the outcome of the materiality assessment:

- all DRs and datapoints of ESRS 2 and ESRS E1
- datapoints listed in Appendix C of ESRS 2, including all SFDR-related datapoints (aligned with our industry position)
- several DRs of ESRS S1

A close assessment of the mandatory DRs and datapoints has to be performed, especially the ones not included in the cross-cutting standards, in order to evaluate whether they are material for all undertakings. Careful consideration should be given on the granularity of mandatory datapoints which are not listed in Appendix C of ESRS 2. In that perspective, the final ESRS should define sufficiently high thresholds for each mandatory datapoints. Breakdowns by city should not be required. We suggest removing the reference to split by cities in ESRS S1 AR54.

3. Proportionality

While we appreciate that EFRAG has reduced the number of datapoints and introduced a materiality assessment at company level to bring some level of proportionality, we are still concerned about the application of the extensive ESRS to smaller insurance entities. We continue to believe that **insurers defined as Low-Risk Profile Undertakings (LRPU) under Solvency II should be subject to simplified reporting requirements (SME standards)**.

It is very important that EFRAG and the EC also provide implementation guidance and support to companies applying the standards, in the form of Basis for Conclusions or EC Questions and Answers.

4. Value chain definition

The final draft ESRS provide for a broad sector agnostic definition which includes direct and indirect business relationships in both upstream and downstream value chains. We welcome that sector-specific standards will be developed progressively over three years with the financial services standard being in the last set (ie. adopted by the EC in June 2026). However, this also means that financial institutions will be left with great uncertainties and implementation issues when applying the first set of ESRS given the lack of guidance on their value chain definition for reporting purposes for a long period. Consequently, **clarification on the definition of value chain for financial institution and how the requirements shall be applied should be a priority** to support a practical and feasible implementation of the reporting standards. In that perspective, sufficient certainty should be provided in time for insurers to start the implementation, and compatibility with the upcoming value chain definition in the Corporate Sustainability Due Diligence Directive (CSDDD) should be taken into account. In any case, a look-through to (all) investees, clients and policyholders for all disclosures should be avoided given the significant implications for reporting and challenges related to data availability.

5. Alignment with the IFRS Sustainability Disclosure Standards (SDS)

We welcome that the ESRS were adapted in part to allow for their interoperability with the draft IFRS SDS currently under development by the International Sustainability Standards Board (ISSB). In that perspective, the change of structure to ESRS 2 to reflect the four pillars of the TCFD and ISSB is positive.

To further increase interoperability and therefore ensure that companies by applying the ESRS also comply with the IFRS SDS EFRAG should use its final advice to further engage with the ISSB to influence their final standards. As the ISSB finalises its deliberations on their own sustainability reporting standards, the EC should allow for changes to be made to the EFRAG advice to account for decisions at the ISSB. It is crucial that such changes to the ESRS, if any, to achieve maximum interoperability with the ISSB are made in time for the adoption of the delegated acts by 30 June 2023 by the EC and/or, if necessary, with the support of the staff of EFRAG/ISSB. Inconsistencies remaining after the revision and adoption of ESRS Set 1 by the EC should ultimately be eliminated when delivering Set 2.

6. Other

In line with our industry's key messages, we also welcome the following elements:

- Extension of the documents which can be incorporated by reference upon certain conditions: other sections of the management report, financial statements, corporate governance report, remuneration report, and public disclosures under Pillar 3 and Solvency II
- More flexible time horizons definition, allowing for an easier interoperability with ISSB
- Reduction of DRs in the governance standard to focus only on sustainability matters, as required by CSRD level 1 text
- Development of the sector-specific standards over a period of three years. This will give EFRAG more time to consult relevant stakeholders and develop standards of a suitable quality.